

ISLAMIC ECONOMIC SYSTEM: A MAQĀSID SHARĪ'AH ANALYSIS OF THE ROLE OF ZAKĀH IN ECONOMIC GROWTH

Ibrahim Olatunde Uthman FIPMD,

Senior Lecturer, Department of Arabic and Islamic Studies and

Acting Warden, Sultan Bello Hall, University of Ibadan, Nigeria

Senior Member, International Economics Development Research Center,

Fellow, Institute of Policy Management Development (2015 till date),

Academic Member, Athens Institute for Education & Research (2015 till date)

Sabbatical Leave, Regional Training and Research Institute For Open and Distance Learning, National Open University of Nigeria, Lagos (2015-2016).

Visiting Scholar, United States Institute on Religion and Pluralism, Religious Studies dept, University of California, Santa Barbara (June till August, 2013).

Email: ibrahimuthman@yahoo.com, Tel: +2348036201617 and +2348092830841.

ABSTRACT

As the global economy continues to languish in the aftermath of the 2007/2008 economic meltdown and as trades and incomes in countries like Nigeria, Ireland, Portugal, Greece and Italy have fallen almost completely, factories and industries continue to shut down all around the world and thousands of millions of people lose their jobs. With the demise of the economic mainstay of Greece, the country has received its third bailout from the European Union and yet it is still suffering from massive bankruptcies and total economic recession. Even other countries, such as Nigeria that have not entered total economic recession find it difficult to pay salaries and eradicate poverty. It is against this background that this paper examines the Islamic economic system as an antidote to the above problems. This, the paper does by using the Maqāsid al-Sharī'ah to show how some Maqāsid derived Zakāh principles can be utilised to grow the global economy and solve the problems of poverty, economic meltdown and unemployment etc. The paper therefore reviews the meaning and concept of the Islamic economic system, the global economic meltdown as well as its causes. This is followed by an analysis of how the Islamic economic system, using the Maqāsid al-Sharī'ah to derived some Zakāh principles can grow the global economy and serve as the panacea to the above economic problems.

Keywords: Maqāsid al-Sharī'ah, Zakāh principles, Islamic Economic System, Global Meltdown.

Introduction

The recent economic meltdown has adversely affected many world economies. Consequently many economies especially in Europe such as Ireland, Portugal, Greece and Italy are still suffering from the losses of their major sources of income and trade. The Nigerian economy has also gone into recession. At the same time economies of many countries in Asia such as Russia, China, India, United Arab Emirates and Malaysia as well as Brazil have been largely protected from the impact of the economic meltdown. The banks, capital markets and financial institutions in these countries have not suffered from the economic recession like those in Europe and America. Quite clearly this appears to be due to their adoption of ethical and humane economic policies which have supported economic growth, sustainable development and have helped these sheltered countries to attract more investments, incomes and trades than those countries whose economics are driven by greed for profits. Therefore, this paper seeks to examine how some Maqāsid al-Sharī'ah (Ultimate objectives of the Islamic Law) derived principles of Zakāh could be employed in offering solutions, answers and options on how to grow the global economy and thereby avert possible future economic meltdown and recession. This Maqāsid al-Sharī'ah analysis of Zakāh falls within the purview of Fiqh as opposed to the Sharī'ah, hence the paper will begin by conceptualising the Maqāsid al-Sharī'ah as a Fiqh tool. This will be followed by a review of Zakāh as the cornerstone of the Islamic Economic System and its implication for the practical eradication of poverty. Thereafter, the paper will discuss the recent economic meltdown and the causes. Finally, the paper, using the Maqāsid al-Sharī'ah will show how the Islamic Economic System differs from the conventional economic system and how some Maqāsid al-Sharī'ah derived principles of Zakāh could be employed in averting future economic meltdown.

Conceptualisation of the Maqāsid al-Sharī'ah as a Fiqh tool

According to Kamali, due to the two primary sources of the Sharī'ah: Wahyy (divine revelation and 'Aql (human reason), while the Sharī'ah "bears a stronger affinity with" Wahyy, "Fiqh is mainly the product of" 'Aql. To him, the Sharī'ah "is the clear injunctions of the Qur'an and Sunnah" excluding "the parts of the Qur'an that consist of historical data and parables." As the literal meanings of both the Sharī'ah and Fiqh imply, the Sharī'ah "indicates the path to righteousness" while "reason discovers" it "and relates its general directives to the quest for finding solutions to particular or unprecedented issues."¹ Kamali goes further to define Fiqh as "the knowledge of the practical rules of the Shariah, which are derived from the Qur'an and the Sunnah. The

¹ Mohammad Hashim Kamali, "Law and Society: The Interplay of Revelation and Reason in the Shariah," in *Oxford History of Islam* John L. Esposito (ed.) (Oxford: Oxford University Press, 2000), see the entire introduction.

rules of *fiqh* are thus concerned with the manifest aspects of individual conduct” which is “evaluated on a scale of five values: obligatory, recommended, permissible, reprehensible, and forbidden.” The definition of *Fqh* by Kamali views *Fiqh* as “the deduction of” rules from the Qur’an and the Sunnah” through a process of “direct contact with the source evidence and” which “necessarily involves a certain measure of independent reasoning and intellectual exertion (*Ijtihād*).”²

This view of *Fiqh* is similar to that of al-Alwanī who argues that *Ijtihād* is a tool of *Fiqh* to renew the application of the *Sharī’ah* in the light contemporary changing circumstances through the instrument of. ³ Using *Ijtihād* according to al-Qaradāwī makes it possible to apply *Thawābit* (permanent aspects of the *Sharī’ah*) to new contemporary issues in an ever changing world. Thus, one of the remarkable characteristics of the *Sharī’ah* is that while its universal, fundamental and eternal principles are rigid, its application is dynamic and flexible, making it timelessly relevant and thus confirming its universality and eternity. This dynamism and adaptability of the *Sharī’ah* is reflected in its gradual approach to revelation and the imposition of religious obligations and prohibitions as well as its outright abrogation or at least suspension of obligations and prohibitions due to special circumstances such as necessity, human weakness, forgetfulness and mistake.⁴

Regarding the *Maqāsid al- Sharī’ah*, the Andalusian Mālikī jurist, Abū Ishāq Al-Shātībī explains that the *Sharī’ah* aims to protect five basic human interests: religion, life, reproduction, property, and reason, which he observes are basic interests universally recognized by all human nations. He goes further to develop a model of three levels of the *Maqāsid al- Sharī’ah*. The first level deals with the essential *Maqāsid al- Sharī’ah* concerning the five basic human interests. The second and third levels relate to those *Maqāsid al- Sharī’ah* that are necessary on account of public interest and social practices and standards respectively.⁵ Al-Shātībī goes further to argue for the study of the *Maqāsid al- Sharī’ah* as a separate branch of Islamic Science.⁶ This conception of al-Shātībī was further advanced by Muhammad Al-Tahir Ibn Ashur who freed to the study of the *Maqāsid al- Sharī’ah* completely from the *Usūl al-Fiqh* that he argued was not well formulated to reflect the hidden insights and purposes of the *Sharī’ah*.⁷ To Shamsuddīn Ibn al-Qayyim al-Jawziyyah however, belongs the credit of conceiving the *Maqāsid al- Sharī’ah* as embodiment of wisdom and pursuing people’s welfare in this life and after life. In other words, the *Sharī’ah* is about the values of “justice, mercy, wisdom and benefit,” so any rule or injunction, “that replaces justice with injustice, mercy with lack of mercy, the common good with harm and wisdom with nonsense does not belong to the *Sharī’ah*,” even if it is claimed to be so according to some interpretation.”⁸

For Kamali, the *Maqāsid al- Sharī’ah* are embedded in the precedents of the companions of the Prophet (SAW), who saw the *Sharī’ah* “not only as a set of rules but also as a system of values” or *Maqāsid*, “where the specific rules were the tangible manifestations of those overriding values.” However, not until the time of al-Ghazālī and later al-Shātībī were these “overriding values” formulated into the theory of *al-Maqāsid*.⁹ Kamali goes further to consider the value of *Rahmah* (mercy) as “the all-pervasive” the *Maqsad* (objective, singular of *Maqāsid*) of the *Sharī’ah*, which according to him is used by Islamic scholars “synonymously with *Maslahah*” or scheme of benefits.¹⁰

Thus, the *Maqāsid al- Sharī’ah* embodies broad, general and immutable rules and values drawn from Qur’an and Sunnah such as the sanctity of life, security and freedom of expression, and the inviolability of these rights. As al-Qaradāwī has explained, the adaptation of the *Sharī’ah* to exigencies of time, place and circumstance has been vouchsafed in the *Usūl al-Fiqh (Islamic jurisprudence)*. For instance, the rights of the minority in modern society, such as the freedom of religion is embedded in the Islamic concept of *Dhimma* which means that the protection of the rights of non-Muslims who live in the Islamic state, society or nation are the responsibility of Allah, His Messenger, and all Muslims. This is covered by the general principle established by the Islamic jurist that “what is (lawful in terms of rights) to them is (lawful in terms of rights) to us and what is (incumbent of obligations) upon them is (incumbent in terms of obligations) upon us.”¹¹ For this reason, this classical Islamic *Fiqh* tool, the *Maqāsid al-Sharī’ah* will be used to examine *Zakāh* with a view to appropriate some of its principles that can serve as a lasting and permanent solution to the menace of economic recession in contemporary society. In this connection, it is pertinent to point out that the general impression created by classical Islamic scholars as a result of their neglect of the *Maqāsid al-Sharī’ah* is that the *Zakāh*, as presently disbursed all over the Muslim world today, has little economic significance. However, as I would show in this paper, the functions of *Zakāh* based on the above the *Maqāsid al-Sharī’ah* of protecting basic human public interests or the people’s welfare

² Ibid.

³ Taha Jabir al-‘Alwanī, “Taqlid and Ijtihad” *The American Journal of Islamic Social sciences* (1991) 8 (1): 129-142.

⁴ Yūsuf al-Qaradāwī, *Islamic Law in the Modern World* Al-Hadi Ahmad Kahalifah (transl.) (Riyadh: World Assembly of Muslim Youth, 2000), pp. 40-124.

⁵ Cited in Muhammad Khalid Masud, “Muslim Jurist’s Quests for the Normative Basis of Shariah,” *ISIM Newsletter* (Leiden: ISIM, 2001, p. 14.

⁶ Masud, “Muslim Jurist’s Quests” and Muhammad Khalid Masud, “Shātībī’s Philosophy of Islamic Law: An Analytical Study of Shātībī’s Concept of *Maslahah* in Relation to His Doctrine of *Maqāsid* of the *Sharī’ah* With Particular Reference to the Problem of the Adaptability of Islamic legal Theory to Social Change,” Ph. D. Thesis, McGill University, 1973, pp. 230-259.

⁷ Muhammad Al-Tahir Ibn Ashur, *Treatise on Maqāsid al-Sharī’ah* (London and Washington: International Institute of Islamic Thought, 2006, pp. xvii-xviii.

⁸ ‘Abd al- Rauf Sa’ad (ed.), Shamsuddīn Ibn al-Qayyim al-Jawziyyah, *I’lām al-Muwaqqi’īn an Rabb al- ‘ālāmīn* Tāhā (Beirut: Dār al-Jīl, 1973), Ibn al-Qayyim al-Jawziyyah’s discussion of the *Sharī’ah* as embodiment of the curative and therapeutic values is scattered throughout the book, see pp. 1-333.

⁹ Muhammad Hashim Kamali, “Maqasid al-Shariah: The Objectives of Islamic Law,” in *Islamic Studies Occasional Papers* 33 (Pakistan: Islamic Research Institute, 1999), p. 3.

¹⁰ Ibid, p. 1.

¹¹ Al-Qaradāwī, *Islamic Law*, pp. 40-124.

through the values of “justice, mercy, wisdom, common benefit, removal of common harm, the sanctity of life, security and freedom of expression, minority rights” and symbolized by the concept of *Maslahah* are closely tied to ultimate economic goals, which in turn serve the Islamic economic system in halting the “cynical, silent, global terrorism” that is being sanctioned by the prevailing Neo-liberal Economic World Order.¹²

Zakāh and the Islamic Economic System

Although it is true that *Zakāh* as the third pillar of Islam is meant to purify both the givers and the recipients (9: 103), it is also a monetary act of worship that is intended not only to cater for the poor but also to serve as an economic tool for investments and financing of businesses. It purifies the rich and the wealthy from greed and selfishness on the one hand and the recipients from envy, animosity and anger on the other hand. It therefore promotes mutual love, cooperation and unity in the society. According to Islamic teachings, everybody is entitled to at least the basic and essential needs of life and under no condition must anyone be allowed to suffer deprivations when there is people well off to assist. It is for this reason that those who pay *Zakāh* are associated with the righteous who will be compensated by Allah (2:177), while those who evade and discard its payment are associated with unbelievers who will be reprimanded (9: 34-35).

Zakāh is so important that the first Rightly Guided Caliph, Abū Bakr, against the objection of leading companions like ‘Umar Ibn al-Khattāb, the second Rightly Guided Caliph had to wage war against those who refused to pay it or withheld even a mere piece of rope used to tie a camel from the *Zakāh* they used to pay during the time of the Prophet. Therefore, this shows that *Zakāh* is the right of the people to economic well-being and human dignity.¹³ While today’s Western Neo-liberal Economic World Order is predicated on the notion of insatiable unending ends and scarce means which have alternative uses; the Islamic Economic System predicated on the *Zakāh* economics advocated in this paper posits that it is not human needs that are insatiable but rather human greed and desire.

In other words, in Islam, there is no such thing as scarcity of resources and the never ending ends because Allah has made adequate provisions for all His creatures (Q6: 140 and 11:6). According to these Qur’anic injunctions, therefore, Islamic economics as a science¹⁴ studies the utilisation of divine guidance to guide the human conduct towards the use of divine provisions and resources to satisfy not only the needs of human beings but that of all creatures because Allah has vouchsafed the welfare of the entire universe (Q6: 38). For this reason, the *Sharī‘ah* guides, controls, regulates and streamlines the entire gamut of the Islamic Economic system. This is to ensure that the divine provisions and resources are enough for satisfying the needs of humanity and all other creatures in the universe. To achieve this satisfaction, the resources are protected from all forms of waste and improper use through the divine injunctions and *Sharī‘ah* rulings, including those on the *Zakāh*.

The basic *Maqāsid al-Sharī‘ah* of the *Sharī‘ah* rulings in respect of the Islamic Economic System, in my view, is to eradicate poverty through a just distribution of wealth that eliminates the concentration and accumulation of wealth in a few hands of the rich (Q59: 7). In line with this the *Zakāh* framework as contained in the Qur’an (9: 60), gives the *Sharī‘ah* conceptualisation of the poor. In the verse, the poor are classified into two groups, namely *al-Fuqarā’ū* and *al-Masākīn*. In the Qur’an and Sunnah, the two terms are used interchangeably to refer to two classes of the poor. The first category of the poor is those who have a source of income that is not stable or regular and does not reach the *Niṣāb* (the minimal *Zakātable* savings or income). They do not possess any gainful employment that can sufficiently provide for their needs for a year. Their poverty is therefore relative and they can afford not to beg and may therefore be mistakenly considered rich (Q2:273). The second category of the poor, however, refers to the poor who have no source of income from any employment whether stable or not stable and regular, gainful or not. Put another way, they in fact do not possess any form of employment that can sufficiently provide for their needs for even a day and so reaching the *Niṣāb* does not arise. Their poverty is therefore abject and absolute and they can therefore not afford not to beg and may therefore be mistakenly considered to be lazy and unwilling to work (Q93:10).¹⁵

The *Zakāh* economics is built on the argument that poverty is as serious as *Kufr* (unbelief) as could be understood in the supplication of the Prophet (SAW), in which he seeks refuge from *Faqr*, juxtaposing its menace with *Kufr* (unbelief).¹⁶ That poverty may parallel *Kufr* has been proven in Nigeria and around the world as poor Muslims are converted to Christianity by missionaries as may be understood from the fact that the Christian missionaries, while employing the “tripod of Christian

¹² Tariq Ramadan, *Western Muslims and the Future of Islam* (Oxford: Oxford University Press, 2004), pp. 173-175.

¹³ Adesina-Uthman, G. A., Uthman, I. O., Taofiq Hassan and Shamsheer Mohd Ramadili (2011). Islamic financial Culture: Alternative Economic System for Rapid and Sustainable Economic Growth in West African Countries. Australian Journal of Basic and Applied Sciences Vol. 5. No.7, 286-294 and Uthman I. O. and Adesina-Uthman, G. A. (2012). The Role of Zakah and Waqf Management in Poverty Alleviation of Muslim Women in Nigeria. In Hassan A. Ibrahim and Rafikul Islam (eds.), Management of Resources in Muslim Countries and Communities: Challenges and Prospects: Kuala Lumpur International Islamic University Printing SdnBerhard; 233-252.

¹⁴ For details on Islamic economics as a science see, Khurshid Ahmad, (ed.) *Studies in Islamic Economics* (UK: The Islamic Foundation, 1980), pp. 271-272, Muhammad Akram Khan, *Islamic Economics: Annotated Sources in English and Urdu* (UK: Islamic Foundation, 1983), pp. 17-23, Humayun Dar and John Presley, "Islamic Finance: A Western Perspective," *International Journal of Islamic Financial Services* (April-June 1999), 1 (1): pp. 3-11 and Masudul Alam Choudhury, "Islamic economics and finance: Where do they stand?" *The Islamic quarterly* (2005) 49 (4): pp. 247-280.

¹⁵ For details on the two terms, see Sayyid Sābiq, *Fiqh al-Sunnah* vol. 1, the chapter on *Zakāh* (Lebanon: Dār al-Kitāb al-‘Ilmiyyah, 1987).

¹⁶ Sābiq, *Fiqh*, the chapter on *Adhkār*.

evangelism, Western medicine and education,” were able to convert several thousands of Muslims and non-Muslims to Christianity throughout the Northern part of Nigeria.¹⁷

This use of modern education to Christianize non-Christians or as an instrument of conversion is a major factor that accounts for the volatile religious climate in Northern Nigeria and indeed, the emergence of the BH as reflected in its vehement condemnation of western-style education. Due to this “fake education” or what has been termed educational evangelism in particular, the Christian missionaries, indeed the Christian Church, succeeded in winning converts to the Church. Many Muslims in order to go to be educated in the modern or Western-style education erroneously termed Western education, for indeed, a lot of them were learned in Islamic and eastern sciences, were either converted to Christianity or had their Muslim names either dropped or changed. Christianity was so propagated through education to borrow the words of Rose Uzoma “that evangelists changed the names of their converts to “Christian names.”¹⁸ As a result of this educational evangelism and changing of non-Muslim names to “Christian names” in missionary schools, many Muslims who never converted to Christianity but had their names changed by the evangelists to “Christian names” and were compelled to attend Church services especially in Southwestern part of Nigeria. Some of them are today re-adopting their Muslim names. This conversion and changing of names by Christian missionaries accounted mainly for the backwardness of the Muslims educationally as Muslim education and in fact, that of the North became retarded for decades as Muslims in the Northern part of Nigeria tended to reject education because they perceived it as irretrievably tied to Christianization.¹⁹ This view is supported by the Christian historian of the Ibadan School, Ayandele, who shows that the British government’s use of the Christian Church to provide education in Nigeria explains why the Muslim North revolted against it.²⁰

As a result of this revolt, the needs of the colonial administration in the North had to be met by employing secular-educated southerners and by offering the Western-style education only to a small section of society as only “a limited cadre of Western-educated elite” was produced and marked out from “their peers who had a different kind of education, Quranic education.”²¹ Consequently, according to Peter B. Clarke, “one of the outcomes was that in places like Bauchi Emirate there were by 1952 only 18,000 people literate in English out of a population of over one million, and in Kano the figure was 23,000 out of a population of almost three and half million.”²² Though the colonialists lay the blame for the above retarded Muslim education “squarely on the Muslim doorsteps as reflected in Henry Carr’s depiction of Muslims as clogs in the progress of colonial administration” in Nigeria,²³ the retardation of Muslim education explains the preponderance of illiteracy in Western-style education and lack of economic mobility for the teeming masses of the Northern states.

This untoward consequence of Nigerian Northern Muslim rejection of what they consider as “Christian education,” is a clear example of what poverty can lead to, as some Muslims who had been trained in the excellent functional educational system provided by Islam that was already in place before the coming of missionary education as noted by many historians such as Kenneth Dike of the Ibadan School and which produced trained administrators, diplomats and bilingual experts who served as interpreters as well as historians in preserving the indigenous history of the country; and who according to Clarke had excellent chances “of being employed in government service or of gaining a livelihood from teaching,” leading to a career in government service or teaching,²⁴ had to become Christians to get an education in a mission or western-style school that now leads to a career in teaching, public service, private organizations, banks and multinational companies etc. This possibility of poverty leading to unbelief must have informed the Prophet (SAW), when he made the above supplication as poverty was considerable among his companions such that according to Bonner, it forms a major theme and subject of urgent and repeated narratives addressed in the Qur’an.²⁵ To eradicate poverty in answer to the Prophet’s supplication therefore, the Islamic economic system predicated on the *Zakāh* economics was instituted by Allah to bring about a just redistribution of income and wealth. However, this can only be achieved when the *Zakāh* economics is applied based on certain basic *Maqāsid al-Sharī’ah* derived rulings and principles as could be in Islamic history during the times of ‘Umar, the second Rightly Guided Caliph and ‘Umar II, ‘Umar Ibn Abdul ‘Azīz.

Zakāh and the Practical Eradication of Poverty in Islamic History

The practical eradication of poverty occurred twice in Islamic history, first during the time of ‘Umar, the second Rightly Guided Caliph as could be seen when the governor of Yemen, Mūāz Ibn Jabal e brought the 1/3 of the *Zakāh* collected in Yemen to ‘Umar. ‘Umar objected to it and declared as follows: “I have not appointed you to loot or collect the *Jizyah* (poll tax). Instead, I have appointed you to collect (*Zakāh*) from the rich people and distribute to their poor.” Mūāz thereafter replied that “I have not brought

¹⁷ Paul Chunun. Logams, *The Middle Belt movement in Nigerian Political Development: A Study in Political Identity 1949-1967* (Abuja: Centre for Middle Belt Studies., 2004), pp. 246-273.

¹⁸ Rose C. Uzoma, “Religious Pluralism, Cultural Differences, and Social Stability in Nigeria” *Brigham Young University Law Review* 7:3 (Summer 2004), p. 657.

¹⁹ Fafunwa, *History of Education*, p. 72.

²⁰ E. A. Ayandele, *The Missionary Impact on Modern Nigeria 1842-1914: A Political and Social Analysis* (London: Longman, 1966), p. 129.

²¹ Quoted in Kyari Mohammed, “The Message and Methods,” p. 11.

²² Peter B. Clarke, *West Africa and Islam: A Study of Religious Development from the 8th to the 20th Century* (London: Edward Arnold Publishers Ltd., 1982), pp. 192-193.

²³ Is-haq Akintola, “Islam in Africa” in Hussein Solomon and Firoza Butler (eds.) *Islam in the 21st Century: perspectives and Challenges* (South Africa: The Centre for international Political Studies, University of Pretoria, 2005), pp. 32-35.

²⁴ Clarke, *West Africa and Islam*, p. 100.

²⁵ M. Bonner, "Poverty and Economics in the Qur'an," *The Journal of Interdisciplinary History* (2005) 35 (3): 391-406.

to you anything (*Zakāh*) that I could find anybody (*Zakāh*-recipients) to collect from me. This scenario repeated itself the following year and the next when Mū'āz brought 1/2 and the whole of the *Zakāh* collected in Yemen respectively to 'Umar.²⁶

The other episode of the eradication of poverty in Islamic history happened during the period of 'Umar II, 'Umar Ibn Abdul 'Azīz. It was during his reign as Caliph that the Muslim community became so prosperous that only the *Zakāh*-payers remained in the polity; remaining no *Zakāh*-recipients. He gave instruction for *Zakāh* distributors to travel round the Caliphate in search of *Zakāh*-recipients but tried as they did, they could not come across a citizen of the Caliphate who would collect the alms.²⁷ This practical eradication of poverty is at the core of the Islamic Economic System and during any such periods of strict adherence to the *Maqṣād al-Sharī'ah* guiding principles of the Islamic Economic System, poverty could always be eliminated.²⁸ This probably explains why as noted by Chapra, Muslim jurists have unanimously held the view that the welfare of the people and the relief of their hardships is a basic *Maqṣād al-Sharī'ah*.²⁹

The above episodes in the history of Islamic political economy proves that the payment of *Zakāh* and its just distribution could bring about the elimination of the concentration and accumulation of wealth in a few hands of the rich, which is the overall goal of the Islamic Economic system (Q59: 7). This elimination of the concentration and accumulation of wealth in the few hands of the rich will bring about the redistribution of wealth to the hands of poor to enable them to get accessibility basic education, acquisition of skills, health insurance, freedom from incarceration and rehabilitation as well as nutritious food etc, which in turn will help them to get good jobs and earn their living. This will also later bring them increases in their income and when it get to a certain limit make them capable of also paying *Zakāh* and other voluntary donations for the sake of the benefit of other poor people and thereby reduce the gap between the rich and the poor. It is pertinent here to point to the previous Islamic conceptualisation of the poor by the terms, *al-Fuqarāū* and *al-Masākīn* (Q9:60). Since according to this conceptualisation, the poor includes those who have a source of livelihood that does not reach the minimal *Zakāh* income, they are not only exempted from the payment of *Zakāh*, but are also included in its recipients.

For this reason, one of the ways that the Islamic economic system lifts people out of poverty is by not taxing people as they earn but according to the amount of their savings. This is because in a country such as Nigeria, taxing people who have not even earned the minimum wage and which by implication cannot cater for their basic needs is sanctioning a cynical, silent, act of terrorism.³⁰ Contrary to the view of Siddiqi, *Zakāh* therefore as an Islamic system of redistribution of wealth, does not parallel with the Western idea of taxation.³¹ A person who does not earn the minimum wage in Nigeria for example should not be taxed but should rather receive stipends from the government. While *Zakāh* as an Islamic system of redistribution of wealth is close to the Western idea of taxation, it is based on the requirement of *Hawl*; that is it can be levied only on the individual's savings for the period of twelve months. It also has a fixed rate which equals 2.5% of an individual's wealth. Therefore, it is based on savings for a whole year which means that it is only people with annual savings that reach the *Niṣāb* who are obliged to pay *Zakāh*. Thus people who invest their savings year out in economic and business ventures are not obliged to pay *Zakāh*. With this, *Zakāh* could also be described as progressive tax as it taxes only "the income of the wealthy" that have annual savings and not the poor who have no savings.

In fact, as Fatima AlMatar has noted, "tax exemption to the extent of reaching the *Niṣāb* ensures some degree of progressivity in the *Niṣāb* as a redistributive tool, this is particularly true if the *Niṣāb* accurately measures minimal living costs."³² In the same way, these two principles taken together, that is *Hawl* and *Niṣāb* are meant to promote economic investments since *Zakāh* payments are tied to both a minimum and yearly savings. These two principles of *Zakāh* therefore encourage a tax-free economy where people are encouraged to invest in income generating and development projects that can in turn equip the poor. This use of *Zakāh* to promote a tax-free economy appears to be what is playing out in the Dubai economy among today's global economies where the investments in the country's economy are tax-free, and which in turn raise the production, employment, wages and overall national income of a country's economy.

Accordingly, the Dubai tax-free economy has been a major economic tool offering investors unique opportunities, cost-efficient projects and sophisticated products. This happens in a global economy where even advanced economies have failed to abolish taxes and in fact consider taxation as a conventional economic index for development. In most developed economies of Europe and the USA, good governance, development and selfless services are tied to taxation and many technocrats cannot even complete their tax returns without the aid of a Chartered Accountant. This is not so in Dubai where for over a hundred years, the country has succeeded in abolishing all custom duties on imports. As a result of this liberal policy of free trades, Dubai has since been the international economic hub for influx of goods and re-exports to its other countries in the region.³³ I think that the failure to adopt this progressive economic and financial principle is the bane of many global economies.

²⁶ Sābiq, *Fiqh*, vol. 1, pp. 359-361.

²⁷ Yūsuf Al-Qaradāwī, *Fiqh al-Zakah* trans. by Monzer Kahf, Vol. II (Jeddah: Scientific Publishing Centre, King AbdulAziz University, 1999), p. 46.

²⁸ Ibid, p. 46.

²⁹ Umar M. Chapra, *Monetary Policy In An Islamic Economy* (Islamabad: Institute of Policy Studies, 1983), pp. 35.

³⁰ Ramadan, *Western Muslims*, pp. 173-174.

³¹ S. A., Siddiqi, *Public Finance in Islam* 2nd edition (India: Adam Publishers and Distributors, 1992), p. 113.

³² Fatima AlMatar, (2015) "Zakat VS. Taxation: The Issue of Social Justice and Redistribution of Wealth" *European Journal of Business Economics and Accountancy*, Vol. 3: 3; 122.

³³ Mohammed bin Rashid Al Maktoum, *My Vision: Challenges in the Race for Excellence* (Dubai: Motivate Publishing, 1997, pp. 82-83.

The *Zakāh* economics also resolves the question of resource control that is at the heart of the acts of terrorism being perpetrated by movements such as the Niger-Delta Avengers (NDA) in Nigeria since the Islamic Economic System it allows collected *Zakāh* only to be redistributed among the poor of the locality where it was collected as seen in the above reaction of ‘Umar, 1 when Mūāz brought the *Zakāh* of Yemen to him and the subsequent consensus of the Islamic jurists who ruled that it is not permitted to transfer the *Zakāh* from one locality to another to cater for the poor in other localities except the poor of the locality where it is collected have been catered for or permits it.³⁴ Similarly, the resources of a community should be expended and utilised in the community where it is collected and only a small percentage should be allocated for the federal government.

This *Sharī‘ah* sanction of resource control by the people of a locality also leads to the *Sharī‘ah* prohibition of *Tas‘īr* (Fixing of prices) for commodities as reported by Abū Hurayrah that when there was a rise in prices of some commodities at the time of the Prophet (SAW), he was requested to fix prices but he answered that it was unjust to do so. On this basis, Islamic scholars are unanimous that marketers should be allowed to determine prices at all times except in times of necessity such as war.³⁵ This means that the Islamic Economic System promotes complete deregulation of the economy, where prices are determined by market prices in order to encourage investments and generate employment. Government therefore has no business fixing prices as the above neo-liberal economic organizations usually propose to developing countries during economic recession. Going by the Islamic ruling on deregulation, this period of economic depression, when workers have not been paid and there is super inflation, certainly not the time for government to increase prices.

It is noteworthy that the prohibition of *Ribā* (usury) is a major Islamic economic practice. Its prohibition in the *Zakāh* economics can be viewed from the Qur’an (2: 276 and 30: 39), where Allah juxtaposes *Ribā* with *Zakāh* and its variant *Sadaqāt*. This seriousness of the prohibition of *Ribā* in the *Zakāh* economics maybe explained today as the global economy continues to languish in the aftermath of the 2007/2008 economic meltdown with trades and incomes in countries like Nigeria, Ireland, Portugal, Greece and Italy have fallen almost completely. In fact, the global economy has slumped completely into decline, with factories and industries shutting down all around the world and thousands of millions of people losing their jobs. With the demise of the economic mainstay of Greece, the country has received its third bailout from the European Union and yet it is still suffering from massive bankruptcies and total economic recession. To underscore the nexus between the *Sharī‘ah* prohibition of *Ribā* and the prevailing economic recession in countries such as Nigeria, it should be recalled that the US-led global economic meltdown suffered by the major developed economies arose mainly from shadow banking in the United States, wild lending to people who had no income or job to repay and breakdown of market indiscipline.

Sub-prime Impudent Lending and the US-led Global Economic Meltdown

The recent US-led global economic meltdown suffered by the major developed economies arose mainly from shadow banking in the United States, wild lending to people who had no income or job to repay and breakdown of market indiscipline. According to the US Federal reserve Chairman, Ben Bernanke the root of the economic meltdown was abusive, unfair and deceptive lending. One of the causes of the 2007 U.S. sub-prime crisis in 2007 is the use of traditional debt financing whereby the bank does not take risk of owning the property. Furthermore, the bank does not share its profit with customer and monthly installments are pegged against market interest rate. The term U.S. sub-prime crisis is associated with banks’ approval of home loans to customers who are not qualified due to lack of income and capability of making their monthly installments. To be specific, Kamil et al defines the term, sub-Prime lending concisely as “the practice of making loans to borrowers who do not qualify for market interest rates because of problem with their credit history.” Consequently, the sub-prime crisis occurred due to banks’ unscrupulous lending to unqualified borrower.³⁶

Thus housing loans were granted to the customers who have bad history of monthly repayments and excessive debt from multiple banks. Furthermore, interest rate is used as a benchmark. This is subjected to variations and caused hardship and difficulties to the customers in making the monthly installments.³⁷ That greed for profit maximization is one of the main factors that caused the US subprime crisis is clear since the unbridled pursuit of wealth has become the most popular slogan of individuals and particularly of the corporate world, leaving the masses to suffer economic losses.³⁸ According to Abdul Razak and Mohammed the crisis began when the banks took advantage of the low interest rate of one percent offered by Federal Reserve in 2003 to leverage on loans provided to sub-prime borrowers. When interest rate was increased to 5.25 percent in May 2006, the banks increased their monthly installments. Customers’ inability to reimburse the installments have resulted the bank to foreclose their houses and force customers to be homeless.³⁹

Another cause of the sub-prime crisis was because of selling of debt against debt as debts like the Collateralized Mortgage Obligations (CMO) and Collateralized Debt Obligations (CDO) which were based on the sub-prime mortgages were securitized and re-packaged using sophisticated financial engineering technique without open, complete and accurate disclosure to the investors on the quality of the securities. This brought about asymmetric information since only the issuers of the products were

³⁴ Sābiq, *Fiqh*, vol. 1, pp. 360-361.

³⁵ See Sābiq, *Fiqh*, the chapter on *Tijārah*, p. 282.

³⁶ Kamil, K.H., Abdullah, M., Shahimi, S., & Ismail, A.G. (2010). The Subprime Mortgages Crisis and Islamic Securitization. *International Journal of Islamic and Middle Eastern Finance and Management* 3(4): 387-401.

³⁷ Johnson, L.D., & Neave, E.H. (2008). The Subprime Mortgage Market: Familiar Lessons in A New Context. *Management Research News* 31(1): 12-2.

³⁸ Ayub, M. (2007). *Understanding Islamic Finance*. (Singapore: Wiley and Son).

³⁹ Abdul Razak, D, & Mohammed, M.O. (2011, 12-13 July). “Global Financial Crises: An Exploratory Conceptual Survey of Selected Literatures from an Islamic Perspective.” Paper presented at the IIUM International Accounting Conference V (INTAC V), Pan Pacific KL, Malaysia.

in full control of the information pertaining to the securitized sub-prime mortgages, which was not disclosed to the investors. This process of selling debt to investors known is however forbidden under Islamic finance as it involves the banks transferring risks to the investors without full disclosure.⁴⁰ The sub-prime mortgage crisis is the most severe since the Great Depression of 1930-1933. This is because it has shaken the very foundations of the capitalist financial system as a result of banks' greed for excessive profits and the introduction of dubious products that took advantage of the unregulated financial environment. By the end of 2006, a total of 55 percent of the estimated total of \$10.2 trillion value of mortgage loans in the US was repackaged and sold to local and global investors.⁴¹ Therefore *Ribā* and *Maysir* (speculation) forbidden under Islamic finance were the major factors and the increase in the interest rate and speculation of interest affected the borrowers. The Islamic prohibition of *Ribā* and *Maysir* could have been the panacea that averted the financial crisis if it had been adhered to.⁴²

Johnson and Neave have also confirmed that excessive and imprudent lending brought about the sub-prime mortgage crisis in the US.⁴³ It is this excessive and impudent lending that created untold global economic imbalances, where there was unscrupulous sales of debts, passing of risks of debt obligations to others and speculation that have compounded the problem of the poor and the globalization of poverty as many members of the middle classes in many countries have found themselves in the leagues of the vulnerable, poor and destitute. As Sha Zukang right notes that, soon in developing economies and economies in transition, demand from major developed economies continues to weaken them leading to significant financial distress. The weakening global economic environment is compounded by the steeply rising prices of food and energy.⁴⁴

So, this is why future economic recession can be averted by using the principles of Islamic social finance, as against *Ribā*. In fact, this is clear from the increase in investments in Islamic funds and assets in the global market after the 2008 subprime crisis in particular. One major reason for this is the zero interest rate in Islamic financial operations. Focusing on the interest rate mechanism, John Maynard Keynes has argued that market capitalism, left to it-self, would create two major problems which, if not addressed, would cause system failure. The first is poor income and wealth distribution while the second is the fact that this capitalist system is incapable of creating full employment. A major cause of these problems to Keynes is the interest rate mechanism.⁴⁵ The failure of the capitalist system as Reinhart and Rogoff contend is because all financial crises, whether currency or banking crisis, are in reality debt crises, including the Asian Crisis in the late 90's.⁴⁶ According to Rogoff in 2011, there were \$200 trillion of financial paper in the global economy, of which nearly 75 percent or US\$150 trillion is in interest-bearing debt.⁴⁷ When this is compared with the 2011 global GDP estimated optimistically at US\$65 trillion, the question was how the underlying real global economy, growing at rates below the growth of global debt, would be able to validate this debt? According to the IMF in 2009, estimates of gross general government debt in high income advanced G-20 economies were showed a growth from 78 percent of their GDP in 2007 that would grow to 120 percent in 2014, an increase of 40 percent over a 7 year period. Thus these countries have suffered high unemployment, fiscal instability, low capacity utilization and high debt and leverage. What these projected statistics have made clear is that the US-led economic meltdown did not suddenly become apparent in the 2007/2008 global financial crisis; the global economy had been in distress long before. Unfortunately the distress signals and their accompanying strain on the world economic system were ignored and global economic policies to steer the world away from the meltdown were not considered.

Hence Andrew Sheng argues that the crisis would have been evaded had the system learned the lessons of the Asian crisis of 1997/98. For the most advanced economies, they continued to deplete their savings, increase their consumption levels, run fiscal deficits and accumulate large debts. Sheng concludes that countries such as Ireland, Portugal and Greece may turn out to be only the tip of the axiomatic iceberg as there was a heightened risk of the emergence of an even more serious global debt crisis.⁴⁸ As a matter of fact, since Sheng's warning, trades and incomes in countries like Greece and Italy have fallen almost completely. With the demise of the economic mainstay of Greece, the country has received its third bailouts from the European Union and yet it is still suffering from massive bankruptcies and total economic recession. Keynes solution of socializing investment through which financial capital would be provided for investment without the intermediation of the rent seeking class of the money lenders is what the prohibition of *Ribā* offers.

Thus the prohibition of *Ribā* is one of the major contributing principles of the Islamic economic system in preventing future economic crises resulting from the neo-liberal policies of the Industrialised nations, G8, IMF, WTO and WB. Accordingly, Chapra argues that to avoid future economic meltdown, there is need to adopt Islamic economic principles of *adl* or justice, selling real and not notional assets, controlling of leverage, prohibition of selling what is not owned and embracing risk-sharing

⁴⁰ Chapra, U. (2008). "The Global Financial Crisis: Can Islamic Finance Help?" *IJUM Journal of Economics and Management Sciences* 16(2): 118-124.

⁴¹ Ahmed, H. (2009). "Financial Crisis: Risks and Lessons for Islamic Finance." *ISRA International Journal of Islamic Finance* 1(1): 7-32.

⁴² Ahmed, A. (2010). "Global Financial Crisis: An Islamic Finance Perspective." *International Journal of Islamic and Middle Eastern Finance and Management* 3(4): 306-320.

⁴³ Johnson, L.D., & Neave, E.H. (2008). "The Subprime Mortgage Market: Familiar Lessons in A New Context." *Management Research News* 31(1): 12-2.

⁴⁴ Zukang S. (2008). "Living in a Time of Insecurity and Enormous Challenges." *Achieving Sustainable Development and Promoting Development Cooperation* (New York: United Nations Dialogues at the Economic and Social Council), 35-37

⁴⁵ Mirakhor, A. and N. Krichene (2009). "The Recent Crisis: Lessons for Islamic Finance." *2nd Public Lecture on Financial Policy and Stability* (Kuala Lumpur, Malaysia, Islamic Financial Services Board).

⁴⁶ Reinhart, C. and K. Rogoff (2010). "Growth in a Time of Debt." *NBER Working Paper* 15639.

⁴⁷ Rogoff, K. (2011). "Global Imbalances without Tears." *Project Syndicate*.

⁴⁸ Sheng A. (2009). *From Asian to Global Financial Crisis* (Cambridge University Press).

and *qard hasan* interest-free loans.⁴⁹ These Islamic principles, especially the prohibition of *Ribā* is a major fact why Islamic banks operating under the Islamic economic principles are noted to be more resilient to financial and monetary shocks and accordingly are amicable to macroeconomic stability, thus making a strong presence and assuming a more important role as a financial intermediary in many countries.

Conclusion

The paper underscores the role of the Islamic Economic System that is predicated on some *Maqāsid* derived *Zakāh* principles in reducing if not completely eliminating poverty and unemployment by creating investments, narrowing the gap between the rich and the poor and increasing the purchasing power of the poor. The bane of the prevailing conventional global economy as typified by the Nigerian economy is the failure of governance and its materialistic greediness reflected in corruption. It has failed to balance its craze for worldly enjoyment with what is lawful and beneficial to the whole Nigerian population. This, in addition to other factors, has contributed significantly the two problems of poverty and unemployment. Islamic Economic System predicated on divine rulings of lawful and unlawful economic practices has been recommended as the most viable antidote. In order to cater for the good of humanity as a whole, the Islamic economic system values substance and not form, sustainable progress and development based on human capital development and not unbridled materialism of interest rates, looting and devouring a country's natural resources and all unlawful economic practices.⁵⁰ The paper recommends the Dubai model of a tax-free economy as encouraged by the two Islamic *Zakāh* principles of *Hawl* and *Nisab* to encourage the rich from all over the world to invest in global business and thereby create employment for the poor.

⁴⁹ Umar Chapra, paper presented on Causes and Mechanism of the US-led Financial Meltdown at the International Conference on Beyond the Meltdown: Search for Options organized by Institute Of Objective Studies on 3-4, February 2010 in New Delhi.

⁵⁰ Ibrahim Olatunde Uthman, L.O. Abbas and K.K. Oloso, "Contributions of Islamic scholars to sustainable human and environmental development: Islam Hadhari and future development of Muslim countries," *Int. J. Arab Culture, Management and Sustainable Development*, Vol. 2, No. 1, 2011, 21.