



AL-BAQI
ACADEMY

The Ultimate Economic System

The Islamic Economic Way

- **True ownership** is for Allah!
- **Maintains the objectives of Sharia** – economics is guided by Sharia first. Preference is given to necessities, followed by requirements, then comforts and luxuries.
- **Profit and Risk-Sharing** – Profits and loss should be shared between the contributor of capital and the entrepreneur
- **Wide circulation of Wealth** – Wealth is for all society, even those not directly involved in its production. The rich should give voluntarily to the poor as a form of gratitude and a hope for reward. Zakah/Sadaqah/Waqf.

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Wealth should flow and not stagnate within the rich. Rather, wealth should be used for business, to employ or aid others, charity. Wealth should flow throughout society to benefit all, not the few

The Islamic Economic Way

- **Prohibition of exploitation** – Islam comes to remove exploitation hence why Riba (Usury) is forbidden.
Quran: “*And Allah has permitted trade and forbidden Riba*” **2:275** Islam believes in organic growth where the risk is shared between both parties.
- **Money is not a commodity** – In Islam, Money is a medium of exchange and provides value to products and services. It is a means not an end!
- **Investment** – This is recommended in Islam, if they can't then they should engage in partnerships to utilise it where they share risk. Investments provides opportunities through employment and trade.
- **Debt** – Only be taken at times of need, and only when you are sure that you can fulfil the debt islamically. The lender should also be accommodating to the debtor.

The Islamic Economic Way

- **Free markets** – The market and prices are regulated by Allah, and so there will be no intervention on market prices to artificially inflate or decrease prices. Alongside this, it is also prohibited to hoard products, especially essentials, to raise prices.
- **Sanctity of Contracts** – Islam emphasises documenting debts, dealings, financial matters. Muslims should honour their verbal and written contracts.
- **Rightful ownership** – You can't take away other people's property or possessions. This includes manipulation of any sort.
- **Prohibition Of Investing in Haram** – Pork, Alcohol, gambling, Adultery. Any source of Haram activity income through sales, production, manufacture etc will also be haram.

The Islamic Economic Way

- **Prohibition of speculation (Maysir)** – Any form of speculation or gambling. Any financial activity, sale, or contract where the ownership of goods is dependent on uncertain event in the future will be void
- **Prohibition of uncertainty (Gharar)** – Islam forbids any contract or financial activity with excessive risk or uncertainty. The prohibition of Gharar leads to greater openness in dealings, and protects the parties of the sale from deceit, fraudulent activity, and conflict

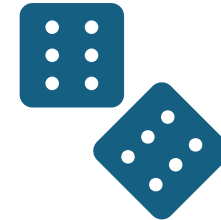
3 main prohibitions in Islamic Economics



Riba (Interest)



Gharar (Uncertainty)



Maysir (Gambling)

Riba - Interest

Interest – Any guaranteed increase on a loan, “money making money” without real effort, risk-sharing, or value creation

Examples: Housing/Mortgages, Credit cards, Loans

You could just be buying a phone but “buy now pay later” schemes which involve interest if deadline missed is problematic.

“have you ever wondered that interest always benefits the lender – even when the borrower is suffering”

“If Allah has ‘declared war’ against Riba, what does that tell us about its impact on society?”

Gharar - Uncertainty

Gharar usually exists in one or more of the following scenarios:

1. The item of sale or service cannot be supplied or given

Selling an item one does not yet possess e.g. Selling an unborn animal, or crops that don't exist yet, or selling fish in a pond.

2. There is ambiguity in the item of sale, the service being provided, or the time mentioned

e.g. Renting or leasing without an end date for the lease

3. There is no guarantee of ownership

In Gambling, one pays for a chance to win something, but there is no guarantee of owning something from the transaction


Maysir - Gambling

- This is Haram in Islam in every form
- It is acquisition of wealth by chance, a zero-sum outcome.
- This devalues what Allah has given you (waste) leads to ruin.
- Examples of Gambling:
 - Betting - placing bets on sports
 - Games - traditional games involving money, loot boxes
 - Lotteries – scratch cards
 - Prize draws with entry fees (due to no guaranteed return)
 - Private bets – unless it is a one-way bet



Mitigation and Modern Application

- Transparent contracts
- Clearly define the object of the transaction, price, payment terms
- Give complete information to both parties to prevent fraud
- Have Murabaha (cost-plus-profit sale) and ijarah contracts rather than Riba based.



Islam = The Answer

- Islam forbids Riba, Gharar and Maysir not to restrict us, but to:
 - ✓ Protect the weak
 - ✓ Prevent exploitation
 - ✓ Promote fairness
 - ✓ Encourage real economic growth
 - ✓ Ensure wealth circulates
 - ✓ Builds trust between people

Islamic economics is not just about rules – it is about building a society where no one is cheated, trapped in debt, or destroyed by risk and addiction



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