

# RELIGION, PEACE BUILDING AND NATIONAL INTEGRATION

**Festschrift**

*in Honour of*

**PROFESSOR MUIBI  
OMOLAYO OPELOYE**

*Edited by*

Y.O. Imam, Ph.D.

D.Oguntola-Laguda, Ph.D.

M.M.M. Jimba, Ph.D.

A.K. Makinde, Ph.D.

M.A. Folorunsho, Ph.D.

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## CHAPTER TEN

### CONCEPTUALISING ISLAMIC ECONOMIC SYSTEM FOR NATIONAL DEVELOPMENT

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#### **Introduction**

Islam as a comprehensive way of life leaves no stone unturned with regards to the development of human and natural resources. Islam comprises *'aqidah* and *Sharī'ah* (Islamic law). The second can also be split into two: *'Ibādah* (worship) and *mu'amalah* (interpersonal relationship). The purpose of being in this world is to serve Allah with God-given resources (time, knowledge, energy, etc.). Allah says: 'I have not created man and the Jinn other than to worship me' (Q51:56). This means the sole reason why man is created is to worship Allah. Therefore, *'ibādah* is not limited to praying five times daily, performing Hajj, paying Zakāt, fasting in the month of Ramadan to mention but a few of what appear to a majority of Muslims as *'ibādah*. *'Ibādah* extends to all acts of man in as much as he believes in Allah. This means he should serve Allah in all his affairs such as social, economic and political. This chapter is written to understand the concept of Islamic economic system for national development. For this purpose, the chapter is divided into four sections before drawing a conclusion. Meaning of development, economics and economic development from the views of scholars of conventional and Islamic economics are contained in section one. The second section gives a comparative analysis of Islamic economic system and conventional economics with a view to showing how the latter paves the way for national development. In the third section, how *maqāsidu ash-Sharī'ah* can lead to the well-being of all people (their development) on earth is dealt with. The fourth section deals with Islamic finance as a powerful tool to achieve economic development, that is, real well-being of the people. The last section concludes and makes recommendation.

#### **Development**

In the literature, there is a confusion between economic growth and economic development. Many economists use both interchangeably. They consider the two components synonymous. However, a nation can have economic growth without economic development. What then is economic growth? Is there any link between economic growth and economic development? Economic growth is defined as the persistent increase in potential gross domestic product (GDP) (CFA, 2009: 331). It is possible to have increase in the GDP without seeing its effect on the populace. This is when the levels of living of the masses of the people



remained unchanged despite the economic growth of a nation. The definition cited above is in fact used for economic development. But in the 1970s, this definition was changed by some economists who viewed it as inadequate. It was later redefined as the elimination of poverty, inequality, and unemployment within the context of a growing economy. Edgar Owens (1987: xv) advanced a similar argument when he said: 'Development has been treated by economists as if it were nothing more than an exercise in applied economics, unrelated to political ideas, forms of government, and the role of people in society. It is high time we combined political and economic theory to consider not just ways in which the societies can become more productive but the quality of the societies which are supposed to become more productive- the development of people rather than the development of things'. On this, the World Bank (1991:4) asserted: 'The challenge of development... is to improve the quality of life. Especially, in the world's poor countries, a better quality of life generally calls for higher incomes- but it involves so much more. It encompasses as ends in themselves better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life'. It was Dudley Seers, who posed the most fundamental questions relating to the meaning of development when he wrote:

The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to inequality? What has been happening to unemployment? If all three of these have declined from high levels, then beyond doubt this has been a 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 (Todaro, 1994:15).

The questions posed by Dudley are very appropriate as variables to measure economic development of a nation. Development can also be seen as an evolving system of factors that influence and are influenced by each other, directly or indirectly. For development to take place, there must be, in addition to economic growth, social factors, as well as political factors, attitudinal changes, organisational changes, changes in interpersonal relationship to mention but a few. In spite of the enormous amount of attention, which the economists have given to the issue of development since the end of Second World War, a large number of people particularly in the developing countries are still wallowing in abject poverty. This called for an alternative to their economic development.

### **Economics and Islamic Economic System Defined**

There are plethora of definition of economics. One of them that is well received by a large number of economists is the one given by Robbins in which he defines it as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses' (Taylor, 1996:88). It is clear from Robbin's definition that resources are inadequate. However, Allah says in the Qur'an that He has enough that could go round all His creatures. Allah says: 'And there is no creature on earth but that upon Allah is its provision and He knows its place of dwelling and place of storage. All is in a clear register'



(Q11:6). But due to *isrāf* (extravagance), corruption, hoarding, etc., man finds it difficult to make ends meet. In the economy, participation of government and ownership of resources dictates the way an economy will follow. Sadr (1968: 341) views economic system as the way a society prefers to follow in its economic life and to use in solving the practical problems. It may be through socialism, capitalism, mixed economy or Islamic economy.

Sadr says Islamic economics is akin to political economy, its functions being the discovery of laws and analysis of real life in context of an Islamic society in which the Islamic way of life is fully established (Siddiqi, 1980: 258). Sidique (1980: 259) is of the opinion that Islamic economics requires a study of the contemporary economic behaviour and the socio-economic institutions comparing and contrasting them with what could be their Islamic alternatives with a view to defining the changes required to effect a transition to modes of behaviour and institution arrangements conforming to the Islamic norms. The tasks of Islamic economics lie in building bridges between the 'is' and the 'ought.' Islamic economics is both positive and normative. Islamic economics is also viewed as the study of Muslim behaviours, who organises the resources, which are a trust, to achieve *falāh* (Kahf, 1990:22). This definition considers it as the science that studies the economic life of a society that is guided by Islamic *Sharī'ah*. This definition confines it to guide only Muslim societies. The inadequacy of this definition is that it confines the scope of the Islamic economic system to only Muslims. However, there are economic injunctions in the Qur'ān which state the way to deal economically with non-Muslims. Islamic economics is 'the knowledge and application of injunctions and rules of the *Sharī'ah* that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligation to Allah and the society' (Kahf, 1990:22). This is more comprehensive because it concerns economic lives of Muslims and non-Muslims. This shows the universality of Islam. The definition wants conventional economics to be studied and be able to Islamise it by putting it in Islamic context that is, by looking at each economics idea from Islamic Economic System perspective. This is with a view to adopting the *Sharī'ah* compliant ideas and making the non-compliant ones Islamic by changing or modifying the elements that make them un-Islamic. The implication of this is that Islamic economics is both positive and normative.

### **A Comparative Analysis of Islamic Economic System and Conventional Economics**

In this section, similarities and dissimilarities between the two systems are discussed. It is with a view to seeing the areas where they resemble each other and the areas of divergence. Relevant quotations from the Qur'ān and the Sunnah are made so as to bring home the points being made.

### **Definition and the Question of Scarce Resources**

Conventional economics considers natural resources to be scarce in relation to increasing human needs as shown in Robbin's well known definition as cited earlier in this chapter. The implication of scarcity is that resources are not enough to satisfy all needs. This is contrary to Islam's standard that Allah has enough to go round for all His creations including non-human. Scarcity has been caused by human injustice, extravagance, greed, corruption and the likes. It is also caused by inability of man to use his skills, strength and



intelligence to explore nature and to bring them to his own service (Q 54:49, Q 51:22, Q 14:32-34).

### **Measures to Reduce Man-made Scarcity**

Man's unjust distribution of wealth makes some people to be in hardship and abject poverty. Different measures to counter man's injustice which include law of inheritance, zakāt, *sadaqah* and prohibition of *ribā* have been laid down in Islam (Q2:275-279). All these measures are lacking in conventional economics.

### **Principle of Consumption**

In Islamic economics, consumption follows principles of righteousness, cleanliness, moderation and morality (Q2:168, Q5:4). No food should be used to excess. Food should not only be good but also must be clean (Q7:31). Moral and spiritual values of consumption must be taken into consideration. Taking intoxicants such as wine, beer, heroine cannabis which may create dissention, enmity, neglect of prayer and the remembrance is totally forbidden and must be shunned (Q5:90-91). If simple living is imbibed in a society, there will be prosperity and there will be none to accept *sadaqah* (alms and charity) because everybody would be living above the poverty line as it happened during the time of Umar b. Abdul Azeez (El Gousi, 1982: 25). All these are not taken into consideration in conventional economics. Man can consume anything that is in line with mam-made law. In Islamic economics, if the resources are available, freedom to consume is restricted that is, increase production does not mean consumers should increase their consumption.

### **Measures of Economic Welfare**

In Islamic economy, economic welfare is measured in terms of education, morality, generation of prosperity, freedom from hunger, fear and moral corruption, etc. The concept of economic welfare in Islamic economics comprises the increase of income through increase of production of lawful goods, not just any good but goods with improvement in maximising people's satisfaction at minimum efforts in line with the dictates of Islam. In conventional economics, economic welfare is measured in terms of money. The belief is that the larger the national economy and the more equally it is distributed, the greater the economic welfare will be.

### **Economic Development/Increase in Wealth**

In conventional economics, the economic development is the final goal. They consider material well-being as everything. In this case, distribution of wealth is not included. It is not bothered about whether it is achieved through just means or not. This leads to unemployment, inequality in wealth etc. Islamic economics does not consider increase in wealth as the final objective. The target is to use wealth to worship Allah. Islam frowns at hoarding, showing off etc.

### **Production**

In Islamic economics, producers should take the quality of goods into consideration in line with the dictates of Islam. In conventional economics, producers are free to produce any good. In Islamic economics, the main factors of production of all goods are two: wealth and



labour. Land and capital are contained in the former while the physical and mental efforts are included in the latter.

### **Purpose of Choice and the Goal**

Choice is made in conventional economics to satisfy oneself but choice in Islamic economics is made to do Allah's will and satisfy Him. In Islamic economics, the ultimate end is the hereafter. Man is conscious of Allah when using or striving to acquire God's gifts and mercies. He wants to please Allah so that he can have His pleasure. The real goal of man is to have Allah's pleasure in the life after resurrection (Q67:15). This is not the case in the conventional economics. The picture of hereafter does not surface at all in this type of economy. Therefore, man can do anything he likes. The only thing he is mindful of is the constitution and other statutes, which he can evade or avoid. In Islam, you can only evade it here in this world, the repercussions will happen on the Day of Judgement.

### **Ideology**

Islamic economics is based on Islamic Ideology while conventional economics is based on whims and ideology of a nation. Islam replaced non-Islamic judgements with Islamic ones and added them to the economists' stocks of positive assertions. Man must conform to the limits set by Allah and give them the quality that is demanded by virtue and goodness when he wants to fulfil his needs socially, politically, economically and morally. This means it is goodness and virtue that should dictate one's economic behaviour (Q3:104).

### **Profit Maximisation**

Profit maximisation is the first stated objective of the firm. This is considered by firms as the more superior to other objectives because it leads to wealth maximisation. Pursuing wealth maximisation objective does not imply the well-being of people. It only takes care of a very few people of the society. Any business that attracts profit is allowed in as much as it is not against man made law. In the conventional setting, alcohol is lawful. In fact, the share price of breweries are very high and even higher than *ash-Sharī'ah* compliant food companies. One is free to transact business with it. However, in Islam, Muslims should not deal with a company that is involved in non- *ash-Sharī'ah* compliant products and services such as brewery, pornography etc. no matter how highly profitable the business is. There should also be justice in the sharing of the returns and benevolence.

### **Calculation of Profit**

In Islamic economics, the calculation of profit and loss is different. Profit is made when it is not at the expense of Allah's pleasure. Loss is incurred even if a person makes huge profit in violation of the dictates of Islam (Q2:16). Whatever a person does for the sake of Allah and makes profit, he has earned extra profit. And if a person does something for Allah's sake and incurs loss, he has really made normal profit. 'It is a transaction that will never perish' ('...*tijrātan lan tabūr*' Q 35:29)

Profit from a business in line with the dictates of Islam	➡	Profit + Extra profit
Loss incurred from a business in line with the dictates of Islam	➡	Profit



Profits made from non- <i>ash-Sharī'ah</i> compliant	→	Loss
Loss incurred from non- <i>ash-Sharī'ah</i> compliant	→	Loss + Extra loss

If loss is incurred in this world but it is profit in the hereafter, the latter is everlasting and outweighing loss in this world (Q28:77). An example is seen from the story of Caliph Uthmān b. Affān, the third caliph in Islam, when he distributed all his food and other necessities to the poor at a time of scarcity. At that time, the rich were ready to pay ten times of what the poor could afford to pay in order to have the goods at the expense of the welfare of the poor. He distributed them free of charge. Thus, the profit he would have made from the sale was forgone. He also bought a well called Bi'r Rumah from a Jew for twenty thousand dirhams for free use of Muslims and non-Muslims (Khan:6). He forfeited the profit he would have made from selling its water to people. Although it is a loss for his investment in this world, it is a profit for him in the hereafter. The profits have been accumulated for him since that time till the end of this world in as much as it is beneficial to humans and non-humans. They will be realised in the hereafter.

### Ownership of Wealth

The entrepreneur is the real owner of wealth in the conventional economics and he can use it the way he likes. Monopolists are allowed in the system. In Islamic economics, Allah is the real owner of wealth (Q20:6). Man is only a trustee (Q57:7). The trustee should use it in line with the instructions of the Owner (Allah). He is to use it in line with the teachings of Islam particularly to give the poor their share as their right (Q70:24-25). Islamic economics enjoins possessors of wealth to invest it to fulfil the needs of the society and not to keep it idle. Possessors of wealth should also pay zakāt and this must be given to any category of the listed recipients in Q9:60.

The state can also collect the duty of *infāq* (spending in the cause of Allah) from well to do, for the purpose of helping the poor (Q2:177). In Islamic economics, the owners of wealth should not use it in interest-based transactions, monopoly, deception and other unjust and non-*ash-Sharī'ah* compliant products and services (Q83:1-5, 9:34, Q 4:5, Q2:188). After every generation, the wealth will be redistributed among another group of people through inheritance. The sharing arrangement has been done by Allah in the Qur'ān (Q4:7-12).

### Accountability/ *Ibādah* (Worship)

In the conventional economics, the issue of *ibādah* does not arise. God is not considered in the views of conventional economists. Their sole aim is to make money. They are accountable to their shareholders. However, in Islamic economics engaging in economic activities is not only honourable, it is also a form of *ibādah* (worship) (Q51:56). There is the notion that Allah will ask every worker to give account of his deeds. So, the accountability as a steward does not end here, it continues on the Day of Judgement. Allah says: '...Indeed, they will be questioned' (Q17:34; Q17:36; Q17 24; Q37 24). The Prophet said: 'Everyone is a shepherd and everyone will be asked as regards to how he carried his flock (responsibility).'

### Direction of Production

In conventional economics, production tends to reflect the needs of a small percentage of the population who have purchasing power to back up their demands. This production



power directs production to satisfy the luxury wants of well-to-do people at the expense of satisfying more pressing needs of the majority of humans for their necessities of life. In Islamic economics, pressing needs of the majority of humans for the necessities of the people reflect the direction of production that is, the principles of humans' needs are first taken into consideration.

### **Money**

In Islamic economics, money is not a commodity on its own. It is used as a medium of exchange, a measure of value, a store of value and a standard of deferred payments (Layi, 1999: 93-99). In conventional economics, money is a commodity on its own in addition to other functions it can perform. In Islamic economics, all economic activities are linked up with moral and ethical values of life such as giving correct weights and measures (Q83:1-6), avoiding false oaths, prohibition of *ghishsh* and *khilābah* (fraud and deception), care for have-nots and *caveat venditor* (let the seller beware that is, he should disclose all material facts about his goods) etc. (Bukhari, 1323AH: 410, 412).

### **Determinants of Distribution of Wealth**

In Islamic economics, labour, ownership and necessity determine distribution of wealth. Labour gets the fruits of his efforts. Ownership gets its share in distribution based on its lawful activities as sanctioned by Islam. Necessity is the natural right of the poor in distribution according to the principles of social security like *zakāt*, *sadaqah*, inheritance etc. 'And those within whose wealth is a known right. For the petitioner and the deprived' (Q70 24-25), Justice and benevolence dictates the distribution. The former indicates that all factors of production get their fair share of wealth created from production of goods and services. Benevolence is to bridge the gap between the haves and have-nots so that wealth may not concentrate in fewer hands. '...so that it (wealth) will not be a perpetual distribution among the rich from among you...' (Q59: 7).

In conventional economics, necessity has no place. It considers actual participation of the factors of production in production activities only. The function performed by land, labour, capital and entrepreneurs entitles them to rent, wages, interest, and profit respectively. Since necessity has no function in the scheme of production, it is given nothing in the distribution process.

### **Equal Chances or Equality of Economics and the Right of the Poor**

Islam preaches that everybody should be given equal chances to struggle for the acquisition of wealth so that he may freely earn wealth based on his ability without social, cultural, religious and legal restrictions. It does not preach equality in the distribution of wealth (Q43:32). Islamic economics which is based on moral values is capable of lessening the rancour, bitterness, parsimony, hatred and the likes which the plight of the destitute usually brings when they are pushed to the wall. The poor have no right in the conventional economics. Islamic economics encourages people to spend what is left after meeting their own needs for the poor as their right not privilege (Q4:75). In Islamic economics, the rights of the weak and the poor are protected. Force may be used to provide the right by the state. In Islamic economics, the poor and the orphans are well taken care of. It feels for them (Q4:6, Q88:17-19). Having discussed the differences between Islamic economic system and



conventional economics, it will be necessary to focus attention on how development can be achieved through *maqāṣidu ash-Sharī'ah* without making another person worse off.

### **Development and the Principles of *Maqāṣidu ash-Sharī'ah***

This section deals with the areas which Islam wants to develop. If they are well developed, other areas of development may be achieved. It explores how developing the five areas of *maqāṣidu ash-Sharī'ah* can lead to real well-being of all the people on earth without an exception. Development is needed for what it is expected to do that is, human well-being. This is the target of *maqāṣidu ash-Sharī'ah*. Islam considers a rise in income and wealth which are necessary for the fulfilment of basic needs such as food and shelter as well as equitable distribution of resources not enough to measure development. The other areas which are mutually interrelated are contained in the *maqāṣidu ash-Sharī'ah*. They promote human well-being in the real sense of it. It is to serve the interest of all human beings and to protect them against evil and harm. Famous exponents of the *maqāṣidu ash-Sharī'ah* such as al-Māturīdī, al-Shāshī, al-Bāqillānī, al-Juwaynī and al-Ghazālī classified it differently (Chapra, 2008:4-10). The classification of *maqāṣidu ash-Sharī'ah* by al-Ghazālī is used in this chapter. The five goals of *ash-Sharī'ah* according to him are faith (*dīn*), the human self (*nafs*), intellect (*'aql*), posterity (*nasl*) and wealth (*māl*). These are meant to promote the well-being of people (Ghazali, 1937: 139-140).

*Maqāṣidu ash-Sharī'ah* is part of the strategy to be used to achieve development. This is to correct the notion of using a rise in income and wealth as the primary measure of development. It is not enough to satisfy material needs of man through a rise in income, spiritual and non-material content of well-being need to be taken into consideration if truly development is to be attained. The goals are interrelated and they help promote real human well-being. Justice and freedom are some other related areas of the five goals which need to be taken into consideration. All the obligations of the *Sharī'ah* are based on developing man spiritually, economically, socially, morally and politically with a view to making him attain *falāḥ* (success) in this world and the hereafter. Protecting these essentials bring development to man in all aspects of life. *Maqāṣidu ash-Sharī'ah* is not taken into consideration in the issues of *'ibādāt* (rituals or spiritual duties) because human reasoning cannot interfere in God rights that is, in duties that have to do with direct interaction with God.

Religion (*dīn*) is important in the development of man spiritually, morally, etc. Faith in God encourages social obligation in man. To maintain and reform man, religion plays an important role. Human beings who want to satisfy Allah tend to faithfully observe the values given by their Creator. They want His rewards and pleasures. They believe that if they misbehave and violate the injunction of Allah, they will be censured. An attempt to avoid being censured makes them follow Allah's injunction on moral values. This also propels them to assist the downtrodden and to empower the vulnerable ones. The resultant effect is improvement in their well-being

*Nafsi* (human self) occupies a central position among the items contained in the *maqāṣid* because human beings are the means of development and also the target of development. Since human beings are created from a single soul (Q4:1) and Allah has conferred on man the highest title *Khalīfah* (the vicegerents of the Supreme Being - Q2:30), they should with a great deal of mutual care and tolerance live peacefully with one another. Man must begin from himself by developing himself, he will be able to develop others (Q66:



60). Man must not corrupt his true nature (*fitrah*) by avoiding what can blemish it. Since all human beings are vicegerents of Allah, they are brothers. So, the spirit of brotherhood should be to live peacefully, promote mutual care and love and tolerate one another.

Man, as a trustee, should follow the values given by his Creator. As a steward, he knows, he is accountable to Him. Because of accountability, he will ensure the well-being of all humans by having concern for them. Faith encourages man to live his life according to the dictates of Islam and to fulfil all his social, economic and political obligations. He will sacrifice his self-interest for the development of his self and others. It is this faith that has the potentiality to make individuals do their duties to attain long-term eternal well-being.

The objective of the *Sharī'ah* also frowns at unwarranted killing of a person. This is equated with killing the whole of mankind; and saving a life attracts the reward of saving the whole of mankind (Q5: 32). The life of both Muslims and non-Muslims are sacred. This is also contained in the address of the Prophet during his farewell pilgrimage. He said: 'Your lives, your property, your honour are as sacred as this day of yours (Hajj) in this month of yours, in this city of yours' (Ibn Kathīr, 365).

Man needs freedom but his freedom must not jeopardize the freedom of others and affect their well-being. His freedom must be within the ambits of the *Sharī'ah*. Freedom entails that one is free to do whatever one likes within the restrictions of the *Sharī'ah*. Man is given conscience, guidance and intellect to be able to manage his freedom so as not to infringe on other's freedom. Through freedom, man exercises his ability to develop economically, socially and spiritually.

Intellect (*'aql*) as another aspect of *maqāsidu ash-Sharī'ah* is complimentary to revelation. It is very important and needs to be used to promote development. If optimum human well-being is to be achieved, intellect needs to be developed. Education is one of the ways by which intellect is developed in the right way. In addition, faith is also essential for proper use of the intellect, otherwise it may be used as an object of destruction, exploitation and deceit. It is when it is guided by faith that it can promote human well-being. Through education, he will be able to expand the knowledge and the technological base of his society. Sustainable development will also be possible if education is properly used. It is one of the indices for measuring development as contained in the definition given in form of questions by Dudley as cited earlier in this chapter. The questions focus on the areas where economic development is expected to solve. The key issues in the definition are meeting the basic needs and redistributing the benefits of growth. The basic needs include quality food, clothing, shelter, health care, education and employment. They are included in the *maqāsidu ash-Sharī'ah* and its corollaries. If the nation is unable to provide these basic necessities of life, it is likely to remain poor.

Since education and good health are preconditions for raising labour's productivity, inability of a person to acquire it make him to experience poverty for a long time. High values and self-esteem are usually conferred on people that have wherewithal for basic needs. The poor would lose their respect and happiness. The happiness of the poor can be regarded as an acceptable indicator of development but through the redistributive instruments of Islam such as *zakāt*, inheritance, *sadaqah*, *waqf* (endowment) etc. The poor will be able to make ends meet and satisfy a large part of their needs. When the redistribution of the benefits of growth is done, the living standards of the poor would be improved without making the rich worse off. In addition, the redistributive instruments must be used to empower disadvantaged



people with a view to raising their standards of living economically, socially and spiritually. This empowers the poor to start their businesses, which in turn help them to develop themselves economically. This in turn reduces crime in a society that cares for the poor. Peace and happiness would be attained where a large number of people are gainfully employed, and the less privileged are taken care of through redistributive instruments. The latter will also reduce inequities and foster the feelings of brotherhood.

Intellect is regarded as an essential ingredient for political, economic and social development of a society. The role of intellect cum education is seen in the first revelation to Prophet Muhammad when Allah says: 'Read in the name of your Lord....' In many places in the Qur'ān, Allah calls people's attention to the use of intellect (Q3: 190-191, Q41:53). To achieve the technological development that could lead to economic development, the service of intellect is crucial. Both revelation and intellect can be used to promote human well-being.

Different Arabic words are used to show the importance of intellect. Words such as *tadabbur*, *nazar* and *'aql* are used to show how intellect can help to realise the *maqāsidu ash-Sharī'ah*. If development is to be achieved, intellect needs to be given its right place. It is needed to promote development and human well-being. The submission of Al-Ghazālī shows clearly that with intellect, well-being can be attained in this world and the hereafter. He says: 'Intellect is the fountainhead, starting point and fountain of knowledge. Knowledge proceeds from it just like fruit from the tree, light from the sun, and vision from the eye. If so, then why should not it be honoured for being the source of success (development) in this world as well as in the hereafter?' Without active and proper use of intellect, development, interpretation of the Qur'ān and the Sunnah, the *fiqh* verdicts may not be possible.

For continuity of human race (*nasl* posterity), children and marriage must be protected and developed. One of the steps for developing future generations is to inculcate good morals in children. They should emulate the Prophet who is described in the Qur'ān as the best in character. They must be taught how to imbibe honesty, truthfulness, tolerance, hard work, thriftiness, respect towards elders and the constituted authority, etc. All these qualities will prepare them for greatness. Inculcation of these noble characters must start right from childhood. Particularly, mothers, the first school for virtually all children must not only teach them good character, they themselves must also be role models for them to emulate. If they have all these good traits, they will be productive human beings. Husbands and wives also must contribute to this herculean task of raising great children for continuity of human race. They should tolerate each other, love each other and avoid what could lead the union to disintegration. They should avoid what the Prophet said would lead to the trembling of the Divine throne out of Allah's anger, that is, divorce. Though it is allowed, it is reluctantly permitted after all steps for reconciliation have failed. The Prophet said: 'Of all things allowed by God, the one despised by him the most is divorce'. 'Get married but do not divorce because divorce leads to the trembling of the divine throne' (Qurtubī: 149). Health care and freedom from insecurity are also needed for the upbringing of the children. If all these are taken into consideration, future generation will not only develop themselves, they will also develop other people in all areas of human endeavour. There will be a sustainable development for a very long time in the future.

Allah is the real owner of wealth (*māl*). Man is only a trustee. The trustee needs to use it judiciously to fulfil his needs and the needs of others. In Islam, the end does not justify the means. Both ends and the means are very important. Allah will ask man how he acquires his



wealth and how he spends it. Therefore, both its acquisition and use must be targeted towards realising *maqāṣidu ash-Sharī'ah*. Wealth should be used to enhance people's well-being. Faith should be made to direct its acquisition and use. Otherwise, the envisaged development will become a mirage. Destruction of lives and properties will be the order of the day. What poverty can do in terms of disbelief is also removed because the Prophet said: 'Poverty can drive a person close to disbelief' (Irfan ul Haqq, 1996:86). Removal of poverty then leads to well-being of people. With the removal, man is able to maintain his body and mind. He will be able to observe his devotional duties and other rituals with concentration and rest of minds. Therefore, he develops himself spiritually and economically.

The goals of the *maqāṣidu ash-Sharī'ah* is also to uphold socio-economic justice particularly in the distribution of wealth and income (Q5:8; Q6:82). Justice as one of the corollaries of the five objectives can lead to prosperity, peace and harmony. Injustice may lead to misery and destruction (Q2:111). The Prophet also said injustice is absolute darkness on the Day of Judgement. If justice is to be done, moral values such as honesty, fairness, tolerance, humility, respect, concern for the right of others, etc. must be observed. This will lead to an increase in social capital which in turn will lead to enhanced efficiency. The resultant effect of efficiency will then be development, that is, human well-being. Injustice must be avoided because it can lead to conflict, tension, discontent, etc. which make real well-being not achievable. Where justice prevails, peace will reign and development will be achieved.

### Islamic Finance and National Development

Islamic finance is a powerful tool used to achieve economic development through the provision of equity-based financing. The products facilitate the achievement of the Islamic socio-economic objectives. Some of the products can make customers the owners of assets. As an alternative to prohibited *riba*-based system, Islamic finance was established on the principle of profit and loss sharing arrangement. It is a system of finance that recognises that people in organisations are important assets. They contribute to economic growth and development in a similar way as physical assets do. Money cannot work by itself alone; it needs man to make use of it for the purpose of adding value to the life of man. Islamic economic development ensures the sharing of wealth (*māl*) among people through Islamic financial products. This is in line with the Qur'ānic verse which encourages circulation of wealth. Concentration of wealth is a disease for any economy because misuse and inefficient use may set in. An idle fund is a leakage in any economy. Therefore, Islamic finance encourages the usage of funds to create jobs and increase its value through investment. Islamic finance keeps away from lending and borrowing on interest because it is against *ash-Sharī'ah* as stated in the Qur'ān where Allah says: 'Allah has allowed trade and He has forbidden interest' (Q2: 275). Instead of money working for itself, Islamic finance has some arrangements, which can make funds available without involving *ribā*. We proceed to discuss them.

Profit or loss sharing arrangement is based on *muḍārabah*. This is when a financier hands over the capital to an agent who trades with it and the profit is shared based on pre-agreed ratio. If loss is incurred and the finance user is not negligent, the financier bears the total loss. The finance user's losses include his labour, energy, income and time. This product replaces debenture and other interest-based instrument used to finance infrastructure. It is



used to finance the construction of roads, bridges, railways, waterways, airways, public buildings and other infrastructural facilities. Through this product, the masses of the population who are to be employed in the construction will earn their livelihood. This improves their well-being. *Ijārah* (leasing) is another Islamic financial products, which refers to lending of some property to a person in return for some rentals for a specified period. The masses can use this facility made available by a business person to earn his income. This improves his well-being. *Mushārah* is contribution of labour and capital by both the finance producer and the user (Kareem, 2012: 115-118).

It may also be arranged in form of *Mushārah mutanaqīshah* (Diminishing *Mushārah*). The financier passes the total ownership to the customer after an agreed period. During the period, the financier is receiving his instalment in addition to a suitable share of the profits. This product also improves the well-being of the parties. It can be used to finance both short and long-term projects. *Salam* is when a farmer is given funds to till lands and deliver proceeds from the farm to the financier based on agreed term. Farmers have access to funds and through the funds, they are able to start the business of farming. By the time he delivers the farm product to the financier, the financier may sell it at higher price. Both are better off. *Murābahah* is when both cost of goods and profit element are made known to customer. The financier seeks out and locates the commodity based on the specification given to him by the customer. This justifies the profit element. The customer can negotiate the profit. The opposite of this product is *musawamah*. The customer is not aware of the actual cost and the profit. They both involve in haggling to reach an agreement on the price (Kareem, 2010: 178-180).

It is clearly seen that the Islamic Financial products can lead to economic development of the masses of the population where the products are used. Their well-being are real. No one is better off while the other is well off. Both are better off. The application of Islamic finance will result in more investment. The development will be real because this is not an issue of paper profit that is, the profit is not only on paper. It is shared for the betterment of the parties involved. Lending is allowed in Islam but it has to be without interest. In *ash-Sharī'ah*, this is called *qard hasan* (benevolent loan). Through this product, well-being of the masses of the population is guaranteed because they have access to capital without interest. The mind will also be at peace when using the money because the fear of paying the capital and the interest is not there. It is only a capital which is to be refunded. The bank is not merely a lender but also more of an investor and a partner in business.

## Conclusion

It is clear and understood from the discussions that Islamic economic system can ensure the well-being of individuals and nations because it looks at everything from the perspective of human welfare. Development from the Islamic perspective is defined in terms of the objectives of *ash-Sharī'ah*. Focusing on these goals of *ash-Sharī'ah* can lead to reduction in the rate of poverty, unemployment and inequality. The resultant effect of the reduction is improvement in the well-being of individuals and national development. There are distinctive differences between Islamic economic system and conventional economics in terms of their principle and goals. Conventional economics deals with only materialistic development while Islamic economic system emphasises development in all aspects of life



such as spiritual, moral and economic. The goals of Islamic economic system are not only to achieve development in this world but also to please Allah and achieve *falāh* in the hereafter. It is clear from our discussions that to attain development it is not only basic needs such as food, clothing and shelter that should attract a nation's attention and individuals' interest, the areas of objectives of *ash-Sharī'ah* must also be given proper attention.

Maximisation of profit which is the first stated objective of a large number of firms if not all in the conventional economics is not acceptable in Islam, This is because it takes care of a very few section of the society. Islamic economic system preaches justice in the sharing of the returns from a business and benevolence. Islam wants able-bodied and capable hands to assist those that are feeble, infirm, deformed and the poor by giving them a share of income to the extent that it guarantees not only their survival but also their development through various redistributive instruments in Islam. Neglecting this section of the society sows the seeds of destruction instead of development. The happiness of the poor is an acceptable indicator of development in an Islamic economy. The Religion of Islam takes care of them through redistributive instruments such as *zakāt*, *sadaqah* and *waqf*. The role Islamic finance can perform in the areas of development is also established in this chapter. It encourages the usage of funds to create jobs and increase its value through investment. The role of banks in an Islamic economy is not confined to lending, it also involves investment and partnership in the enterprise it is financing.



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