



Islamic Business and Finance Series

SOCIAL JUSTICE AND ISLAMIC ECONOMICS

THEORY, ISSUES AND PRACTICE

Edited by
Toseef Azid and Lutfi Sunar

ROUTLEDGE



Social Justice and Islamic Economics

Under the current economic order, social injustice is ever-increasing. Issues such as poverty, inhumane working conditions, inadequate wages, social insecurity and an unhealthy labor market continue to persist. Many nations are also unable to produce policies capable of resolving these problems. The characteristics of the capitalist system currently render it unable to provide social justice. In fact, on the contrary, the system reinforces these injustices and prevents economic and social welfare from reaching the masses. Many Muslim scholars have analyzed and, indeed, criticized this system for years.

This book argues that an alternative and more equitable theoretical and practical economical order can be developed within the framework of Islamic principles. On the other hand, the experiences of societies under the rule of Muslim governments do not always seem to hold great promise for an alternative understanding of social justice. In addition, the behaviors of Muslim individuals within their economic lives are mostly shaped by the necessities of daily economic conditions rather than by the tenets of Islam that stand with social justice. Until the 1990s, studies of Islamic economics made connections between finance and the notion of social justice, but work conducted more recently has neglected this issue.

It is therefore evident that the topic of social justice needs to be revisited in a more in-depth manner. Filling an important gap in existing literature, the book uniquely connects social justice and Islamic finance and economics on this topic. Theory, practice and key issues are presented simultaneously throughout this book, which is based on the writings of a number of eminent scholars.

Toseef Azid is Professor of Economics at the College of Business and Economics, Qassim University, Saudi Arabia.

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Foreword

Social justice is an aspiration throughout the world but all too often outcomes are disappointing with increasing wealth and income disparities. Many of the young find themselves excluded from economic activity as they face futures of lengthy unemployment. Selfish behavior by high earners manifests itself through corruption at the expense of the poor. Markets clearly are not working in many economies resulting in social and economic injustice.

To ensure greater social justice moral guidance is needed, and this is more likely to succeed if it is underpinned by religious teaching. This newly edited volume demonstrates that social justice is inherent to Islamic teaching. The approach is multifaceted with the potential for different areas of economic and financial activity to be governed by the theory of justice in Islam. Believers have direct responsibility to the Almighty for how they manage the resources under their control. The privilege of ownership bestows social obligations and should be seen as an opportunity by the economically active to serve their Creator.

The contributors cover a wide range of institutional topics, including whether Islamic banks can contribute to social justice through their allocation of finance. Institutions such as *waqf* and *Zakat* are examined in depth, as these are of crucial importance to how Islam approaches social justice. An insightful contribution on how micro-*takaful* can assist those in the informal economy breaks new ground. In summary this book is a very welcome addition to the literature on Islamic economics and finance. It is also a valuable contribution to the extensive literature on social justice which deserves to be widely read.

Rodney Wilson,
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Preface

Under the rule of the dominating economical order, income injustice increases every passing day; poverty has become a universal problem; inhumane working conditions, inadequate wages, social insecurity and an unhealthy labor market have all continued to persist till this day. Many states are also unable to produce policies capable of meeting these demands. Characteristics of the current capitalist policies that make it unable to provide social justice, which, on the contrary, are reinforcing this injustice and preventing the economic and social welfare from reaching the large masses have been criticized by Muslim scholars for years. Claims that an alternative theoretical and practical economical order has been developed within the framework of Islamic principles follow these criticisms.

On the other hand, the experiences obtained in societies under the rule of Muslim governors do not seem to promise an alternative social justice understanding. In addition, the behaviors of Muslim individuals within their economic life are mostly shaped by the necessities of the daily economic conditions rather than by the conducts of Islam that stand with social justice. At this point, when we take into consideration the aim of the studies produced under the topic of Islamic economics in the 1960s and its close relation to the notion of social justice, that is, despite the studies that were conducted in the later years which were more interested in the area of finance, it becomes clearer that the topic of social justice needs to be discussed again in a more well-founded manner.

In this context, the fourth Islamic Economics Workshop aims at holding discussions that approach issues closely related to social justice from the perspective of Islamic economics. The objective is to gather academics from various parts of the world conducting studies in this area to examine the causes of the current social and economic injustice in an in-depth and realistic manner. Also, they are gathered to conduct a collective study on how to form a theoretical basis for a social justice understanding based on Islamic principles for which alternative mechanisms are to be included, in addition to the kind of concrete solutions that are to be developed within this understanding.

The fourth Islamic Economics Workshop was held by the Association for Science, Culture, and Education (ILKE), the Scientific Studies Association (ILEM) and the Turkish Entrepreneurship and Business Ethics Association (IGIAD) in Istanbul from April 2–3, 2016. The topic of the workshop was “Social Justice from the Perspective of Islamic Economy.” This workshop was hosted by Istanbul University, papers discussed social justice and relative subjects from the perspective of Islamic Economics. This current volume has some selected papers from the fourth Islamic Economics Workshop.

Editors
Toseef Azid and Lutfi Sunar

1 Social justice in Islam

An introduction

Toseef Azid and Lutfi Sunar

The literature on social justice and Islam is limited. Mostly this literature is composed of religious sources and interpretation of the texts. However, the problem of social inequality is rising today all over the world because of neoliberal economic policies. For that reason, the issue should have been analyzed from a factual and social viewpoint. In this volume, we aimed to discuss the theoretical and practical solutions to the current problems related to the inequality and social justice.

One of the hottest topics of the contemporary social theory is justice. In the last 50 years, a deep and disseminated discussion is going on between liberals, socialists and communitarians, which has been started and extended by John Rawls, Alasdair McIntyre, Robert Nozick, Amartya Sen and many other prominent social theoreticians. The main focus of these discussions is the rising inequalities and diminishing social justice in the world capitalist order.

On the other hand, the issue keeps its importance for the non-Western world under the conditions of unequal global development. It does not only have economic meaning but also much political and theological significance because of the ruins of the colonization. In modern times, many Islamic scholars alongside political thinkers and social activists have responded to the very hot topic of social justice. It was the main theme of Muslim social theory for many years. However, in the last 20 years, the issue did not take up too much attention but has now found its way back on the lists of current debates. This is an interesting contradiction. While the problem of inequality is rising permanently, the decline of the issue of social justice needs a convincing explanation. In this volume, we are trying to open new debates around the issue of inequality and social justice.

Establishing the social justice in Islam

The basic model of any system of Islam is based on the unity of God (*Tawheed*). There is no deity except Allah, he is the creator of the universe and the ruler of this universe; he is the owner of each and everything; he is the supreme authority, sovereignty is only for him and every human being is

accountable to him for his actions. Social justice makes up a significant part of Islamic studies. However, for studying social justice one has to examine Islam's philosophy related to the universe and humankind. It observes from the teaching of Islam that unjust behavior, wrongdoing and mischief are not accepted whatever the situation and also these are against the moral and ethical values of Islam. It observes that after reviewing the different commandments of the religion of Islam that the social issue cannot be resolved in isolation, because all the issues are closely interrelated to each other. From the Islamic point of view, social justice cannot be established if people worship something other than Allah. Allah alone is worthy of worship. According to Muslim scholars, we cannot achieve a just society without worshipping Allah. This is the vertical axis of the understanding of Islamic social justice.

According to the teaching of Islam, a just society can be achieved through the mutual cooperation among the different social/economic agents and members of the society. Seyyid Qutb (1952, 1980, 1982, 1992a, 1992b, 1993a, 1993b, 1993c, 1993d, 1994a, 1994b), Abul Ala Mawdudi (1967, 1974, 1980, 1985, 1986, 1989) and Ali Shariati (2006, 2010) the great contemporary Muslim scholars of the past century, they stated in their writings that it is the responsibility of all mankind to establish justice. In their opinion, when people ignore the commands of Allah then the outcome will be oppression, tyranny and an unjust society. They stated that under an Islamic system absolute justice is required (*al-adl al-mutlaq*). Justice will be maintained in society if people do not abuse their powers and as a result people will have a peaceful, kind and cooperative society. The old Muslim jurists like Ibn Khaldun, al-Azraq and al-Ghazali share the opinion that injustice is the outcome whenever any society ignores the laws which are provided by Allah. According to all Muslim scholars justice is an inevitable thing for maintaining the peace in any society. According to Qutb, Mawdudi and Shariati, true justice can only be achieved when we are following the orders of Allah and not following people's own selfish desires and interests.

However, one cannot ignore the role of the state in establishing justice in a society. This is the horizontal axis of the understanding of social justice. We have several examples in Islamic history that the Islamic state has played a very important and successful role in establishing justice. There is a consensus among Muslim jurists that this is the responsibility and duty of the Islamic state to provide basic necessities to all of its citizens. On the other hand, this is the duty of all members of a society to work hard for their livelihood and to earn lawful (*halal*) earnings. Due to certain reasons, if they are not able to provide the basic needs to their family then this is the duty of the Islamic state and Islamic society to help them from the government treasury or from voluntary funds, i.e. *Zakat* and charity.

The concept of justice in Islam is originated from the *Tawheed* (unity) of God. It has certain characteristics such as humans being equal and free,

everyone having equal opportunities, everyone having the responsibility to serve society and increase its welfare, undue pressure should not be placed by authority on anyone, there should be a close relationship between the individuals and society, however, all these should be according to the laws of Allah. It implies that the theory of justice is practically applicable to Islamic society. According to Qutb and Mawdudi, under the Islamic system, social justice has following three foundations:

- (i) *Absolute freedom of conscience*: no association with God, worldly orders have no value if they are conflicting with the orders of Allah, enslaving men is not acceptable and there should be freedom from materialism.
- (ii) *The complete equality of all human beings*: all humans are a servant of God, everyone has the same rights and responsibilities, everyone has the same opportunities, no discrimination among races, color or gender, the only preference is for God-fearing people.
- (iii) *Social solidarity*: it is based on social cooperation, mercy, love, no selfishness, mutual social responsibility, no one is allowed to live in isolation, brotherhood among the believers, trust and respect among the members of the Islamic society, maintaining the peace and stability.

It is concluded from the above discussion that faith (*iman*) is the most important element of human life. Faith provides the moral and ethical training to humans, it creates love among the members of the society/community, good deeds and conduct are the outcome of that life which is spent under the umbrella of faith, it enables humans to differentiate between moral and immoral, good and evil and so on.

In this framework, Islam guides the human being and emphasizes that how we will be able to reduce the conflict among the different social agents, how to minimize the social disparities and how to create the justice in the human society. It is also important that citizens have the right to live peacefully, they have the property right to own property and no one can misuse or exploit the property owned by others.

Social justice under the political system of Islam

Under the Islamic system, the state plays a very important role in establishing social justice. According to al-Ghazali, the Islamic state and laws of *shari'ah* are highly correlated, i.e. *shari'ah* is the foundation and the state is the responsible for following the laws of *shari'ah*. Al-Mawardi and Ibn Taymiyyah also emphasized that without justice the state cannot perform its duty in an optimal way. According to them, it is the duty of the state to protect the religion as well as look after the worldly affairs of all of its citizens. They are of the opinion that the community also has the same responsibility as the state, and the state has to perform the duty to enjoin good and prohibit evil. al-Banna, Qutb and Mawdudi share the

same opinion. According to them, a state without strong faith is not able to perform its role in establishing social justice. Furthermore the state, with its political power, can achieve the targets of justice in a society. Qutb and Mawdudi stated that if the state or a community are not following the laws of *shari'ah* it means they have rejected the laws of Allah and they will be considered to be unbelievers. They emphasized that it is the duty of the state or community to provide the basic necessities to society and provide the proper training to the workers so they will be able to get gainful employment. He also stated that this is the responsibility of the government to maintain the peace, enjoin good and forbid evil. They further elaborated two types of states, i.e. Dar al-Islam (where the government follows the laws of *shari'ah*, it does not matter what the percentage of Muslims is) and Dar al-Harb (where the government does not follow the laws of *shari'ah*, it does not matter what the percentage of Muslims is). Some Muslim scholars have the opinion that the authority of the state is not absolute, its role is just as a trustee and should follow the laws of *shari'ah*. The state should be governed by pious people because the different duties of the state cannot be performed if the rulers are not morally strong and do not obey the orders of Allah. So obeying the laws of *shari'ah* is a necessary and sufficient condition for establishing social justice in a society. However, a number of scholars explained that in the system of Islam, a state without religion is not able to determine its role for maintaining political and social affairs. They emphasized that Islam assures a balance between religion and politics (Lewis, 1981; von Grunebaum, 1962).

In the view of Muslim scholars, the political system should be based on a belief in Allah and justice should be carried out by the administration, *shari'ah* laws should be implemented in their pure form, there should be no discrimination among different citizens based on ethno-religious groups. This is the duty of the Muslim ruler as a vicegerent to Allah to establish justice, keep peace and harmony among the different members and segments of society. If he is unable to do that then he has to leave the position. On the other hand, this is the religious duty of the believers to cooperate with the government in establishing justice, the environment of brotherhood and equality in society. According to Muslim scholars this can be done only if there is the implementation of *shari'ah* laws. It is also emphasized that the laws of *shari'ah* are superior to family relations, the personal interest of the individuals and worldly activities. It is also assumed that under an Islamic state the evils, wrongdoings, vices will not take place and they will be eradicated due to the blessings of this system. As a result, the state will have more time for the well-being of its citizens. It is also assumed that believers have absolute ownership over their lives and wealth and their role is as a trustee to Allah. They have to live their lives according to the orders of Allah, in this way they are able to establish justice in their social lives. As Ibn Taymiyya said:

The aim of commissioning the Prophets and of revealing the Books, therefore, is to have people administer justice in the cause of God and in the rights of His creatures. Thus he who deviates from the book shall be corrected by iron (force of arms).

(Ibn Taymiyya, n.d, p. 41)

Social justice in the economic system of Islam

Islam, because of its unique characteristics, has the ability to solve the different economic crises which are being faced by humankind. Under this system, entrepreneurs have freedom and can produce whatever they want, however, Islam has drawn a line between permitted (*halal*) and unpermitted (*haram*) economic activities. All these activities have their own moral and ethical boundaries, no one is allowed to cross these boundaries. Islam does not appreciate immoral actions, for example, greed, selfishness, vices, extravagant, injustice, corruption and wickedness. The circulation of wealth only among rich people is not allowed. Wealth, which is in actual terms created by Allah, should be spent on the welfare of the whole community and especially for the Muslim *ummah*. The first priority should be given to one's own family members and then to the community. Consequently, it has an impact on all humankind. In all of the affairs of this world, the role of the man is a trustee and he should spend this wealth according to the teaching of the *Qur'an* and *Sunnah*.

Islam also provides guidance to believers on how they should spend their income and wealth and in return what reward they will receive from Allah. Their utility is not only based on a reward in this world but also depends on the reward in the life hereafter. As the *Qur'an* says in Chapter 2 of the *Qur'an*:

The likeness of those who spend their wealth in the way of Allah is as the likeness of a grain (of corn); it grows seven ears, and each ear has a hundred grains. Allah gives manifold increase to who He wills. And Allah is All-Sufficient for His creature's needs, All-Knower. Those who spend their wealth in the Cause of Allah, and do not follow up their gifts with reminders of their generosity or with injury, their reward is with their Lord. On them shall be no fear, nor shall they grieve.

(Qur'an, 2: 261–262)

However, the reward of the spending is dependent on the intention of the believers. If their spending is only for the sake of Allah, then they will receive a reward from Allah otherwise they do not receive a reward. For example, if they spend their money on the poor of society and their intention is to gain public fame, then it has no value in the eyes of Allah. However, under the Islamic system the disbursement of charity has

a positive, significant impact on philanthropists and beneficiaries, i.e. the philanthropists become more generous, become free from greed and selfishness. It supports beneficiaries and provides them with their subsistence. As a result, it creates a just society in an environment of unity and solidarity. It also purifies the heart of both parties from greed, jealousy, envy, selfishness, etc. Similarly, the class struggle and warfare is not the norm of a society under an umbrella of faith in Allah. It means man has to spend his money in the right way and will receive a reward from Allah. If he spends even a single penny in the wrong way, then he will be assumed to be a spendthrift and will be liable for punishment. The management of wealth is another issue which the *Qur'an* has mentioned in a very precise way:

Do not give your wealth, which Allah has made a means of support of you, to the weak minded, but feed and clothe them from it and speak to them words of kindness.

(4:5)

Islam always tries to create a just society in all spheres of life. There is a strict prohibition on the exploitation and oppression among members of an Islamic society. All the transactions should be in accordance with the laws which are given by Allah. Everyone has the same opportunity to earn wealth and it should not be circulated among groups of rich people. Islamic instruments like *zakah*, the interest-free system and the law of inheritance have their unique implications in establishing social justice under the Islamic system. Due to these instruments the degree of prosperity will enhance the Islamic economy and society. Furthermore, those who are performing their duties towards their fellow Muslim brothers will get the reward from their lord. Especially when they disburse charity, it provides social assurance, guarantee and insurance to the recipients particularly in a vulnerable environment and unexpected circumstances. It is believed that if the state and community are following the rules and regulations which are given by Allah then a just and sound society could be established.

Different dimensions of social justice

In the fourth Islamic Economic Workshop (IEW) in 2016, a number of papers were presented in English as well in Turkish. All of these papers discussed social justice in the system of Islam. Different dimensions related to social justice were reviewed, for example, the theory of justice under the umbrella of Islam, behavior of the market, the role and policies of the government, contractual freedom, the role of Islamic financial institutions, social aid and its impact on the labor market, Islamic institutions like *waqf*, *Zakat*, Islamic insurance (*takaful*), an interest-free economy and their role in establishing social justice and decreasing the amount of poverty, etc. All