

## 2. The emergence of economic ideas in the East

*The formation of the Islamic moral-religious value system and its influence on the formation of economic thought in the East*

*Property, ownership and financial relations in Islam*

*Economic views of Ibn Khaldun*

Property and ownership relations in Islam are defined in a very deep, clear and logical-scientific sequence, with principles related to appropriation, use and disposal. Property and property rights regulated through the Shari'a justify both the principle of ownership and the method of disposal and use. Acquiring and beneficially using property within the framework of halal has created a solid basis for the right to use property

According to Islamic economic principles, **two features** should be taken into account in the **lease relationship**: first, whether there is a specific owner of the property or ownership, and secondly, whether there is a mutual agreement and understanding. In both situations, the principle of mutual benefit is taken as a basis. If both parties do not benefit from such circumstances, then the lease is not considered acceptable.

Sharia has defined the following forms of taxation:

1. Khums - one-fifth of the obtained booty or profit, as well as the equivalent annual income.
2. Zakat - one-fortieth or 2.5 parts of the goods, with a specified limit and time
3. Jizya - a tax levied on non-Muslims living in Muslim countries.
4. Tax and ushr - land tax, one-tenth of the product based on the established threshold

One of the important ways of eliminating poverty in Islam is to avoid saving and extravagance. In Islam, allowing extravagance is regarded as a bad thing. In any field of activity, indulgence in extravagance is unequivocally like wasting one's life in vain, dangerous and useless. Ending extravagance is seen as a valuable and important task, whether in private or public affairs.

2. One of the great thinkers of the East and the Arab world was Ibn Khaldun. He is a great personality who lived and created as a sociologist, historian, philosopher and made great contributions to world science and culture.

His socio-economic views are reflected in the 3-volume work "Muqaddimah (Introduction)". Based on the analysis of the main historical stages of the Eastern and Western countries in the first volume of the " Muqaddimah ", he shows that historically the first division of labor and exchange took place in the ancient East, in the countries where cultures and great states were formed. The Muqaddimah, a classic text on the Islamic history of the world, focuses on **the rise and fall of civilizations**. It offers a unique glimpse into the world of the fourteenth-century Arab Muslim, and is regarded as a foundational text in several academic disciplines.

Ibn Khaldun has a liberal approach to economic activities. He advocates private initiative and opposes state intervention in economic life. According to Ibn Khaldun, economic events also have their own laws, and putting pressure on them can severely affect the economy

According to Ibn Khaldun, the duty of the state is to ensure that economic life develops in an orderly manner. Unfair interventions of the state in the economy, unfair taxation or appropriation of property have a negative effect on the economy and deprive the state of necessary taxes to continue its existence. In such a case, the state's income decreases and it becomes unable to perform its duties such as justice protection, defense and diplomatic

activities, which it actually has to do, and collapses. In the creation of abundance of public wealth, Ibn Khaldun relies on the measurement of value by labor in all cases, producing it as a result of the economic development of the countries of the Arab East and the Maghreb. According to him, the reason for the abundance, beauty and prosperity resulting from economic development lies in the more or less social development of people's lives. No matter how surprising it may seem against the background of the modern labor-value theory, with these ideas he occupied a unique place in the history of economic thought after Aristotle.

### **Benefits of the Islamic economy**

Under the Islamic economy, the following benefits are to be achieved:

#### ***Reducing the economic disparity***

The Islamic Laws do not prohibit accumulation of wealth earned lawfully, which helps in promoting awareness regarding the problems faced by the poor people. For example; Zakat is payable in Shariah, which contributes towards helping the needy people. Likewise, Sadaqah (Charity) is also paid to the poor people. This plays an important role in reducing disparity among the people.

#### ***Inviting more people to the markets***

The people following the Islamic principles, invest in Islamic financial products and refrain from investing money in the Conventional financial products, such a participation of people in Islamic financial products encourage more people to come to the market to invest in Shariah compliant products.

#### ***Promoting simplicity and transparency***

The Islamic financial products being easy to understand, people happily accept the contracts focusing on assets. In this regard, they rely on the Religious Scholars for guidance.

#### ***Financial markets and economic activity***

The individuals and the institutions investing in the Islamic financial products who are buyers and sellers or partners, in fact support the Islamic economic transactions. This ensures proper economic activities in the markets.

#### ***Avoiding economic crises***

during the 2007 – 2008 financial crises, the Islamic financial industry has proved to be anti-crises organization.

#### ***Economic development***

The way, the Islamic financial institutions work is effective to some extent but they must ensure investment on the Shariah compliant products, being linked to the economic growth. These institutions should make efforts to shift the movement of money from the rich people to the poor, as in shape of Zakat and Sadaqaat to the needy people for their better economic life.

#### ***Encouraging Long-term Investment***

People who invest in the Islamic financial Institutions, avoid investing in the companies dealing with the transactions which are harmful for people and the environment, eliminating the unlawful and risky practices. As such, the investors prefer Long-term investment.

#### ***Reducing the impact of harmful products and practices***

Since the unlawful activities and transactions like interest, gambling, speculation, cloning and Weapons of mass destruction are prohibited by Shariah, such practices are avoided by the Muslims. This reduces the impact of harmful products and practices