

# As a Guest Speaker, Dr Maulana Akar Shah @ U Tun Aung

## Economy, the Islamic Economy and Muamalat

Assalarmuallaikum Wrahmatullahi Wabarakatuhu

Distinguish, Honourable Guest and Dear Professors and Students of UTHM,

I was given a great chance to delive the topic of What is Economy, the Islamic Economy and Mualalat. And my time slot given was 20 minutes, so InsahAllah I will try to come up with all significant notes on the topic.

The economy refers to the system of production, distribution, and consumption of goods and services within a society. The production of goods and services is managed through the use of resources such as labor, capital, and natural resources. These goods and services are then traded or exchanged between individuals, businesses, and governments. The economy includes various sectors, including agriculture, manufacturing, services, and finance, all of which contribute to overall economic activity.

Supply and demand are basic principles of economics. Supply refers to the quantity of goods and services that producers are willing to supply, while demand represents the quantity of goods and services that consumers are willing to purchase. The interaction of supply and demand determines prices and quantities in markets. When supply and demand are in balance, a market equilibrium is established. However, shifts in supply and demand can lead to changes in prices and quantities and affect market dynamics.

Economic systems: Economies can be divided into different economic systems, each with its own characteristics and methods of resource allocation. The most common economic systems are market economies, in which resources are allocated through voluntary exchange between buyers and sellers in markets. Planned economies, in which the government exercises greater control over resource allocation. Mixed economic systems combine elements of both market and planned economies, with varying degrees of government intervention. Economic systems influence factors such as the distribution of wealth, efficiency, and the role of individuals, businesses, and government in the economy.

These three points provide a brief overview of economics, but it is a complex subject with many interrelated factors and concepts. Economists study and analyze the economy to understand how it works, its policies, and its impact on individuals and society. Islamic economics refers to an economic system that is guided by Islamic principles, emphasizes ethical and moral values, and prohibits certain activities such as interest-based transactions and speculation.

Muamalat is a fundamental term in Islamic economics that refers to financial and economic transactions and activities conducted in accordance with Islamic principles. Here are ten important points to understand Muamalat in Islamic economics:

Prohibition of interest: Islamic economics prohibits the charging or payment of interest, known as riba. This principle aims to promote fairness and prevent exploitation in financial transactions.

Ethical considerations: Islamic economic teachings emphasize ethical values in economic activities, such as honesty, fairness, and transparency. Unethical practices such as fraud, gambling and speculation are discouraged.

**Profit and loss sharing:** Islamic economics promotes profit and loss sharing (PLS) arrangements in economic transactions. This means that both parties involved share the risks and rewards of a transaction, rather than one party bearing all the risk.

**Asset-Backed Transactions:** Islamic economic doctrine promotes asset-backed transactions, where financial transactions are tied to tangible assets or real economic activities. This contributes to a more stable and productive economy, as transactions are based on real assets rather than speculative activities.

**Prohibition of uncertainty (gharar):** Islamic economic doctrine discourages transactions with excessive uncertainty or ambiguity, as this can lead to injustice and exploitation. Contracts must be clear and consensual and based on known variables.

**Social justice and equitable distribution:** Islamic economic doctrine emphasizes social justice and the equitable distribution of wealth and resources. It supports measures to reduce poverty, income inequality, and exploitation and promotes a more balanced and inclusive economy.

**Zakat and charitable giving:** Islamic economic teachings incorporate the concept of zakat, a mandatory charitable contribution based on the wealth accumulated by individuals and businesses. This redistribution of wealth helps alleviate poverty and promote social welfare.

**Islamic financial institutions:** In the Islamic economy, certain financial institutions and instruments are designed to conform to Islamic principles. These include Islamic banks, which operate on the basis of profit-sharing and asset-backed financing, as well as Islamic insurance (takaful) and Islamic mutual funds.

**Moral considerations in business:** Islamic economics emphasizes the moral dimensions of business activities. Business practices should meet ethical standards and avoid activities that harm society or the environment.

**Economic stability and sustainable growth:** Islamic economics promotes economic stability by discouraging excessive speculation and focusing on real economic activities. It promotes sustainable growth that takes into account long-term consequences and avoids unsustainable practices that harm future generations.

The above mentioned information are the concept of muamalat in Islamic economics. Islamic economics intends to create an economic system that is reasonable with Islamic values and principles and promotes social welfare, fairness, and ethical behaviour in economic transactions.