

## ISLAMIC ECONOMICS AND FINANCE IN 21<sup>ST</sup> CENTURY

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### ABSTRACT

Economics, in the framework of the *Shariah*, provides for independent functioning of market forces, but does not give absolute freedom to individuals (Keynes 1936) Islamic economics conforms to Islamic law and is grounded in Quran and Hadith in addition to explanation arrived at after the consensus of the Muslim scholars while conventional economics follow the teachings set by the fathers of conventional economics. Islamic economic advocate for interest-free Islamic banking system, grounded in Shariah while the conventional economics see interest as the driver of economy.

According to Saeed, A. (1996) Islamic economics emphasize on uplifting of the deprived masses, a major role for the state in matters such as circulation and equitable distribution of wealth, and a reward to participants in the marketplace for being exposed to risk and/or liability. Islamic economic system is neither Socialist nor capitalist but it is unique due its reference to Qur'an and Hadith

Other salient features of Islamic economics include obliging zakat from the rich to the poor and other seven groups stipulated in Qur'an in Surat Tawbah. In Islamic economics *gharar* which is the interdiction of chance is Haram. The reason for forbidding *gharar* is the presence of the element of uncertainty in the contract.

Moreover *riba* is totally haram in Islamic economics however its form. Islamic economics give every individuals the right to do business irrespective of gender, tribe or religion.

In Islamic economics as reported by Ibn Abbas from prophet Muhammad: "All Muslims are partners in three things--in water, herbage and fire." (Narrated in Abu Daud, & Ibn Majah) While in conventional economics anything can be privatised and monopolized.

In Islamic economics monopoly is discouraged while in conventional economics it is not even regarded as unethical.

This paper aims at discussing the Islamic finance and economics in 21<sup>st</sup> century while highlighting some challenges and solutions. It borrows a lot from Qur'an and Sunnah

**KEYWORDS:** Qur'an, Hadith, Sharia, Islamic Finance