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MUSLIM COMMUNITIES AND ECONOMIC DEVELOPMENT

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ABSTRACT

The paper begins with a concise introduction on Islam as a way of life and the Economic System of Islam. It then examines trends in non-Islamic societies and their impact on Muslim minorities. It further establishes that alternative Islamic financial institutions are integral to the survival and growth of Muslim communities and suggests pathways to achieving such within the framework of the Islamic Shari'a and laws of the sovereign state. The paper underpins the importance of co-operation and solidarity among Muslims especially those in minority settings.

INTRODUCTION

While Islam is referred to as a religion, it is not simply a system of faith and worship. It is a 'way of life'. The implications of this understanding are far-reaching.

As a system of life it not only challenges faith and worship but it also poses serious challenges to political thought, economic theories and systems and scientific materialism. In short, it challenges all the ideologies which guide modern society.

Islam is multi-dimensional in nature and outlook and as a result, it governs and guides all aspects of life.

ECONOMIC SYSTEM OF ISLAM

The Islamic Economic System (IES) is part and parcel of the whole Islamic way of life. It is essentially an ethical system founded on a set of consistent values derived from the Quran and Sunnah as well as Ijtihad. The Islamic belief in the Oneness of God and the brotherhood of man permeates all aspects of the IES and informs all human relations. Its scope extends beyond the material existence of this world and emphasizes that man's behaviour in this world, economic as well as non-economic, will affect the quality of his life in the next.

The IES seeks to ensure that the basic needs of life for all the members of the society including those who may be incapacitated or handicapped in one way or another are satisfied and that there is a just reward of comfort and elegance to the talented members for their superior skill and enterprise through Halal means.

Among the basic policy objectives of the IES are: social and economic justice, universal education, economic growth, maximum employment and eradication of poverty. It further lists the following as immediate ends for man's economic activities: fulfilment of one's need in moderation, meeting family liabilities, provision for future contingencies, provision for posterity and social service and contribution to the cause of Allah.

TRENDS IN NON-ISLAMIC ECONOMIES

Among the trends in non-Islamic economies are:

1. Structuring of banking, finance and insurance on the basis of riba (interest) and gharar (deception).
2. Establishment of a vibrant gambling industry.
3. Development of a thriving alcohol industry.
4. Growth of an entertainment sector with tremendous emphasis on the use/display of women.
5. Widespread production and consumption of haram meats.
6. Presence of a conventional illegal sector incorporating practices such as corruption, bribery, fraud etc., and commodities such as drugs, arms and ammunition.
7. A taxation system which rewards participants of riba and gharar.

In such an economy, therefore, a very large number of people are involved in Haram. They are employed in banks, finance houses, insurance companies, credit unions, casinos, racing clubs, lottery institutions, breweries, pubs, bars, pig farms and processing plants and entertainment houses. It is only obvious, that in a predominantly non-Muslim population, there is a great demand for and supply of Haram. Therefore, a large chunk of the money in circulation is in this area.

MUSLIMS IN NON-ISLAMIC ECONOMIES

Since the economic system of a society does not exist by itself, all other dimensions of the society will reflect the economic philosophies and practices. Muslims in non-Islamic societies are therefore influenced directly and indirectly by the unislamic philosophies and practices of the predominant culture. In such circumstances, the impact of the state's educational programme and the mass media must not be under-estimated.

It is not uncommon among Muslim minorities, to find Muslims who establish salaah, fast during Ramadaan and perform the Haj but are "non-Muslim" in their economic behaviour. They give Zakaah but do not calculate it, they make wills but not in accordance with the Shari'a, they give charity but do not look after the welfare of their family and relatives and they give very little towards genuine projects aimed at the general education and welfare of Muslims.

In addition, however, Muslims struggling to upkeep their faith are greatly disadvantaged economically as follows:

1. Limited opportunities for Halal jobs.
2. Restricted in savings and investments options.
3. Alienated from credit facilities.
4. Denied tax exemptions based on interest and gharar.
5. Cut off from opportunities based on immoral practices.
6. "Burdened" with paying Zakaah in addition to normal taxes.

SURVIVAL AND GROWTH OF MUSLIM COMMUNITIES

As a result of acculturation and assimilation minority groups face an uphill task in self-preservation- Muslims being no exemption.

Initially, the survivors of the second-coming of Muslims to the Caribbean region concentrated on building of masjids which served the congregational prayer and religious educational needs of the communities together with the nurturing of the sense of community among Muslims. While continuing to upgrade the facilities at masjids and increasing their numbers, Muslims, in T&T especially, established full-time primary educational institutions for the education of their young and lobbied successfully for the recognition of

Muslim marriage and divorce laws and the establishment of Muslim cemeteries.

During the last thirty-five years (1970-2005) Muslims in T&T rebuilt almost all their primary schools; established secondary schools, Islamic Centres, kindergarden schools and darul-ulooms; conducted regular radio programmes and irregular television programmes; issued regular and irregular publications; introduced homes for the aged, children and abused women, funeral services and other welfare oriented programmes; conducted camps, national, regional and international conferences and Dawah programmes; formed co-operatives and most recently a friendly society dealing with Islamic mutual aid.

While the struggle for freedom related to worship in its conventional sense may have been very successful, the struggle for economic justice and the development of institutions to cater for the economic needs of Muslims is only now gaining momentum among Muslim minorities.

THE ROLE OF ECONOMICS IN SURVIVAL AND GROWTH

Muslim communities which have not developed in a practical manner the economic aspects of Islam or are ignorant of the objectives and foundations of the Islamic Economic Theory are “incomplete” Muslim communities. These communities are first of all unable to demonstrate the economic implications of the concepts of Tawhid and Brotherhood and therefore will not be able to prosper. Consequently, in order to ensure the survival of the Muslim Community, the “completeness” of the Community must be uppermost. Survival is the foundation for propagation. This is a monumental task especially for Muslim minorities.

In the process of da’wah individuals of various races and income brackets will enter into the fold - among them, the poor, the needy; the unemployed, the handicapped, the old, the sick, the orphan, the widow, the drug addict, the bandit, the debtor, the homeless, those employed in the “Haram” institutions and others.

Are we to give people the “shahadah” and not look after their welfare irrespective of their ethnicity, upbringing, health and economic situation? Are we to evade the economic implications of accepting someone as a new

member of the Muslim Community? Or are we also to avoid educating the “new” Muslim of the economic implications and obligations of becoming a Muslim? These questions have to be addressed because the propagation of Islam is an imperative as the faith as it is an imperative for the survival and growth of the Muslim Community.

Ignorance of the foundations and objectives of the Islamic Economic Theory and the ways and means of achieving such objectives can polarize “traditional” Muslims from “new” Muslims.

Educating, therefore, both the “old” Muslims and the “new” Muslims on the economic aspects of Islam will clear the way for better economic co-operation, alleviation of hardship and economic development.

Developing institutions to cater to the financial needs of all Muslims is an imperative not only for the propagation of Islam but also for its survival. These “alternatives” may have already been developed in other communities and as such dialogue among Muslim minorities would serve a very useful purpose in the exchange of ideas and projects.

THE IMPORTANCE OF THE ECONOMIC FACTOR IN THE SPREAD OF ISLAM

Since Islam introduced itself as a way of life, it naturally produced some economic changes (having an economic system of its own). It is therefore obvious that economic factors helped its spread and development although not as the only factors or even the main factors.

Throughout the history of Islam, merchants in many parts of the Muslim world have been the missionaries of Islam. In many places they were looked upon as the agents of prosperity and financial development. Muslims in China, India, the Malay Archipelago, Ceylon, Persia, Indonesia, Turkistan and Africa owe their conversion to Islam to Muslim merchants. The success of Islam has been facilitated by the worldly success of Muslims and their financial assistance to non-Muslims. Islam brought prosperity to the lands it penetrated.

To summarize, Islam founded an economic relationship amongst the nations living under Muslim rule. It established and organized international trade

links between the different parts of the Muslim world. The Muslim merchants soon found themselves in the Far East and China. They travelled extensively by land and sea, all over Africa, Asia and even Europe. Trade between Muslims and non-Muslims helped to spread the knowledge of Islam. In many areas the Muslim merchants did all the missionary work directly and indirectly. Muslim traders usually received a ready welcome at the courts of African chiefs, princes or kings for they (Muslim merchants) found then a market for the commercial products of the land and imported objects in exchange. In this way not only did they establish their influence and helped the spread of Islam, but they also developed trade, commerce and prosperity.

ECONOMIC PATHWAYS FOR MUSLIM COMMUNITIES

Among the economic needs of Muslim minorities are:

1. Job opportunities
2. Savings and investment opportunities
3. Business opportunities
4. Credit facilities
5. Mutual aid (insurance) products
6. Welfare services
7. Funding of community activities
8. Training related to all the above.

In addition to the many Halal job opportunities available in the country, successful Muslim entrepreneurs and professionals do contribute a lot towards job placements for Muslims. However, for the development of services and products that are not available, group efforts must be resorted to.

Group effort towards community development was enshrined in the belief system of Islam. The Quran commands co-operation in the doing of good; stipulates and lays policies for the distribution and circulation of wealth; lists poverty eradication as an aim; re-affirms the unity and equality of mankind; establishes the concept of community; orders continuous education for all; extols consultation in decision making; defines lending money as an act of charity and bans usury/interest and stipulates mutuality as the basis for development.

While business partnerships (musharaka, mudaraba) were widely practiced by the pre-Islamic Arabs, they got a boost from Islam which not only sanctioned them but provided some additional rules to govern such transactions. Prophet Muhammad (uwbp) is reported to have said, “The Hand of Allah is on those partners who are not dishonest.” (*Abu Dawood*).

In our opinion, major emphasis should be placed on mobilising savings concurrent with the development of investment opportunities which could simultaneously result in credit facilities and business development. Muslim minorities need to examine the local legislations related to savings, investments, credit and mutual aid and select what is compatible with the Shari’a.

Social welfare can be tapped from local government resources, supported by contributions from successful business ventures and institutionalised by the collection and distribution of Zakaah and the establishment of Waqfs (endowments).

CO-OPERATION- A NECESSITY FOR GROWTH

The term co-operation, in a loose sense, conveys the idea of working together toward achieving some goal. From the very beginning of human society, co-operation (whether voluntary or enforced) has always been an intrinsic factor in human development. Because the individual, by himself, cannot produce all the various necessities for continued existence and reproduction, co-operation has always been necessary, and human society as it developed along the lines of increasing differentiation and specialization among its members, has increasingly needed co-operation among them as the ‘sine qua non’ for its continued existence and development.

“Co-operate in righteousness and piety but do not co-operate in sin and rancour: fear Allah for Allah is strict in punishment.” Holy Quran, ch. 5, v. 2.

Inspite of this command by Allah for Muslims to co-operate in the doing of good, Muslim minority communities across the globe continue to be very divided along the lines of mazhab, race, ethnicity and organisational affiliations. However, owing to the deep seated teachings of Islam which contribute to Muslim unity, Muslims still respond positively to calls for co-

operation and solidarity. Through educational drives the levels of co-operation could increase and may differ based on the kinds of projects that are embarked upon and how they are structured.

It may be worthwhile to consider increased efforts at teaching and preaching co-operation among Muslim minorities.

WHY CO-OPERATIVES

There are several reasons why Islamic Finance grew from within the Co-operative sector in T&T. The Islamic Finance movement was initiated by people who were more or less “non-professionals” and who lacked detailed knowledge of conventional and Islamic Economics, Banking and Finance. Since the initial approach to Islamic Finance was aimed at providing ‘interest-free credit’ the Co-op Societies Act accommodated the operation of an interest-free Credit Union. The start-up capital for a Credit Union was negligible and was achievable within a short period of time. Co-operatives allow for the mobilisation of funds through deposits and shares and direct and indirect investments of such funds, the kind of leeway needed by Islamic Financial Institutions. The absence of any taxation on profits also made the co-operative option more attractive. The philosophy and principles of co-operatives were found to be in conformity with the philosophy and principles of Islam. The co-operative sector appeared to be more informal and people-oriented than the banking sector. It allows for the nurturing of brotherhood, co-operation, self-help and philanthropy and places great emphasis on the education of its members. Additionally, the relevant government department was very supportive providing essential training and consultancy.

Friendly societies are another type of co-operative institution although they fall under different legislation. They offer opportunities for mutual aid and require very little capital for start-up.

CO-OPERATIVE SOCIETIES

The term “co-operative” itself we may define, following the International Labour Organisation at its 50th Session in 1966 which adopted Article 12 of the Co-operatives (Developing Countries) Recommendation, as ‘an

association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate’.

Together with this definition comes a set of principles which define the co-operative form of organisation - they tell us of the essential properties of a co-operative organisation.

The International Labour Conference Recommendation 127 concerning co-operatives states that the establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries. It further states that co-operatives should be established and developed as a means of -

- (a) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;
- (b) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;
- (c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;
- (d) increasing national income, export revenues and employment by a fuller utilisation of resources, for instance, in the implementation of systems of agrarian reform and of land settlement aimed at bringing fresh areas into productive use and in the development of modern industries, preferably scattered, processing raw materials;
- (e) improving social conditions, and supplementing social services in such fields as housing and, where appropriate, health, education and communications;
- (f) helping to raise the level of general and technical knowledge of their members.

CO-OPERATIVES AROUND THE GLOBE

The largest number of co-operatives is found in the highly industrialized nations which include Japan, Canada, U.S.A., England, Germany and many

of the countries of Western Europe. Co-operatives also exist in the developing nations of Africa, Asia, Latin America and the Caribbean although they are not as widespread. In Canada, approximately one-third of the population belongs to co-operatives which provide farm supplies, loans, housing and health care among other goods and services.

Several Muslim co-operatives can be found around the globe. To name a few, there is the Muslim Community Co-operative Association in Victoria, Australia; Baitun Nasr Co-operative Society in India; Al-Barakah Co-operative Credit Union in Mauritius, the Fiji Muslim League Multi-Purpose Co-operative Society in the Fiji Islands, and Muslim Credit Union Co-operative Society Limited in T&T.

So far, the only Islamic friendly society known to us is Takaaful T&T Friendly Society established in 1999 in Trinidad & Tobago.

RECOMMENDATIONS

- (1) A concerted effort should be embarked upon to teach co-operation among Muslims.
- (2) Muslim communities should focus on and analyse their economic needs and consider the options available to satisfying such needs.
- (3) Whereas there already exist Islamic co-operatives and a friendly society in different parts of the world and whereas there is an increasing interest in setting up these types of institutions in various countries, I propose the establishment of an International Federation of Islamic Co-operatives and Friendly Societies (IFICFS) to promote and develop Islamic co-operativism among Muslims worldwide.
- (4) In the spirit of self-help and co-operation, the already existing Islamic co-operatives and co-operative type institutions should take the initiative to establish the IFICFS.
- (5) Institutions such as the Organisation of Islamic Conference (OIC), Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI) and other Islamic bodies could examine their possible roles in the establishment and operations of the IFICFS.

CONCLUSION

In conclusion, I wish to emphasize that although very developed and sophisticated banking and financial sectors exist in the developed countries, the co-operative and friendly society sectors in those countries continue to develop and thrive. I strongly recommend that the proponents of Islamic Finance and experts in “Muslim minorities affairs” take a serious look at co-operatives including friendly societies as viable socio-economic institutions which have the potential for contributing to the development of communities.