

Economic Growth and Human Development in Islam

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The concept of economic growth and human development is explained in this paper. The study analyses the impact of Islamic teachings on economic growth and human development. The concept of two basic needs of human beings is explained in the context of Quran and these human needs are spiritual needs and physical need. The both types of human needs are fulfilled under the umbrella of Islam. Islam has put down the principles of social and economic justice, brotherhood, rules of earning and spending, duties and responsibilities of individual and state for smooth running of social and economic system. Islam is universal religious. Therefore, it brings prosperity and economic growth all over the world.

Key Words: Economic Growth, Human Development, Quran and Islam

1. Introduction

Personal growth is known as human development from the perspective of Islamic point of view because Islam seeks to establish a balance between the environment, economic and social dimensions. The concept of economic growth and human needs in Islam is based on the principles that all the parts of body of man are created by Allah (SWT) and human beings have two basic needs including spiritual needs and physical need. The spiritual needs are fulfilled through belief or faith in Allah and physical needs are met by making the best use of all resources created by Allah for human beings.

Allah says in the context of physical needs of human beings that “Allah is He Who created the heavens and the earth and sent down water from the clouds, then brought forth from it fruits as a sustenance for you and He has made the ships subservient to you run their course in the sea by His command, and He has made the rivers subservient to you. And He has made subservient to you the sun and the moon, pursuing their courses; and He has made subservient to you the night and the day. And He gives you of all ask of Him, and if you count Allah’s favor, you will not be able to

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number them. Surly man is very unjust, very ungrateful” Qur’an (14: 32-34,259:260)

Qur’an explains the spiritual needs of human beings as “Verily, in the creation of the heavens and the earth, and the alternation of night and day, there are indeed signs for men of understanding. Those who (always) remember God while standing, sitting and reclining, and reflect on the creation of the heavens and the earth, (saying): ‘Our Lord! You have not created all this in vain (without a purpose), glory be to You, so save us from the torment of Hell-fire’ Qur’an (3: 190-191:75).

Islam is complete code of life and stresses upon the fulfillment of all types of needs of humans in the light of guide lines provided by the last prophet of Allah. Allah has created all type of resources for the man to spend his life with decent manner. According to the teaching of Islam, Allah created each and every thing of this world and He almighty created the heaven and earth and set down water from the clouds, grew fruits as sustenance for the people.

Ahmed (2002) explains the concept of economics and human development in an Islamic perspective that all the parts of man are created by Allah and basically human beings have two basic needs. These needs are spiritual needs which are fulfilled through belief or faith in Allah, and physical needs which are met by making the best use of all resources created by Allah for man. Man finds all the essential needs of life such as food, water, air, light, heat, moisture on this planet; the pressure of air, the percentage of oxygen, the elements of soil, in such exact proportion that enable to man to live and practice his life steadily and orderly.

2. Elements of Economic Growth and Human Development

Islam explains the principles of social and economic justice, concept of halal and haram, role of state and responsibilities of individual for the utilization and best allocation of resources to bring economic growth and prosperity in the society. The various mechanism of the natural environment serves the humanity and their best utilization brings welfare and prosperity in this world. There are some elements that are considered by shariah as a unique perspective of Islam in matters of value society and these elements are necessary for social cohesion (Ummah). These elements are the main indicators of sustainable development and growth of the individual and society. These elements are:

1. Responsibility (Faradh),

2. Empowerment (Shura),
3. Equilibrium (Al'adl wal ihsan),
4. Endowment (Al-Wqaf) and
5. Almsgiving (Zakat).

ISESCO (2005) explain the need and importance of social cohesion. It describes that Islam has called for society cohesion more than one thousand four hundred years ago. Shariah emphasizes the inspiration of cohesive society as it is the process of augmenting a society of shared values, shared challenge and equal opportunities. God says "o mankind! Verily, We have created you out of a male and female, and We have made you into nations and tribes, that you may know one another, Indeed, the noblest of you in the sight of God is the most conscious of Him. Verity, Allah is All-knowing". Qur'an (13:517). "And among His signs is the creation of the heavens and the earth, and the differences of your languages and colours, Verily in that are signs for men of sound knowledge" Qur'an (30:22,406).

Fakir (2002) in the context of responsibility (Faradh) highlights that individual and society has responsibility to use the welfare in a responsible way. Human development and economic growth in any society will only occur if the it's individual and state is responsible. Humans are responsible as they are God's vice-regents (Kalifah) for the care of the earth. Allah says in the Qur'an: It is God who has created for you all things in the earth and remember when your Lord said to the angels: Verily, I am going to place a viceroy (mankind) on earth.' They said: 'Will You place there in those who will make mischief there in and shed blood, while we glorify You with praise and sanctify You?' God said: "Verily, I know better what you do not know" Qur'an (2:29-30:5-6). Cone (2003) discusses that the stress on individual responsibility is seen to be realized in the function of understanding of mankind creation. In all circumstances there is a pressure on Muslims to act in accordance with their understanding.

Salleh (1992) observes that in Islamic perspective the empowerment means the Shuratic decision making of all levels of the Islamic society. It applies collectivity to the decision making on social matters. Such a cure of Shura is closed to its meaning in the Quran: "And who (conduct) their affairs by mutual consultation" Qur'an (42, 38:487). According to UNDP (1995) "human beings should fully participate in decision making and

implementation in their life". This statement explains the importance of Empowerment (Shura).

Equilibrium (Akl'adl wal ihsan) is desirable to achieve human development and economic prosperity in any society. Fakir (2002) says that individuals have the freedom to act, but must do so with manner from which the welfare of the present and future generation is achieved. God says "if you loan to Allah beautiful loan. He will double it in your credit, and He will grant your forgiveness".

Endowment (Al-Wqaf) is also a basic element of welfare of the society. According to ISESCO (2005) Islam has endeavored to fight against poverty. This fight can either occur through a source of income for a person, or through government assistance and unique to Islam and that ensures that man is free from the shackles of poverty. Allah says in Qur'an: "Give your kinsman his due, and the needy, and the way-farer, and squander not (your wealth) in wantonness. Indeed, the squanderers are brothers of the devils, and the devil is ever an ingrate to his lord" Qur'an (17: 26-27: 285).

Zakat is one of the five basic principles of Islam. Zakat provides a vital mechanism for addressing social welfare issues. In Shariah; the word zakat refers to the determined share of wealth given by Allah to be distributed among the categories of those allowed to receive it. It is used to mean the action of payment of this share. All Muslims are required to sacrifice at least two and half per cent (2.5%) of their income to the poor people. Zakat enables to fulfill the social and moral objectives of an Islamic society. It has a moral purpose with respect to the individual. Matthews et al.(2003) analyzes that the social objective of Zakat is to eliminate poverty and to desire for personal accumulation at any cost and to encourage socially orientated behavior.

The Muslim nations continue to face important economic and social challenges. Social unrest in these countries has often been attributed to lack of economic opportunities. Unemployment remains high, with conservative estimates well over 20 percent in the region, especially among the youth and the educated. Despite the importance of the region to world economies, until recently it continued to be ignored, especially among researchers. The topic of religion, Islam in particular, as an influence on economic growth, social and institutional quality has largely been neglected by economists.

The objective of the present study is to explain the concept of human development and economic growth in the light of Islamic teachings. The study also explains the impact of religion on economic growth and moral values in the light of related literature. The moral values provide the basic foundations to any society. The related literature to the topic is provided in the next section.

3. Review of Literature

Many studies conduct empirical research on the impact of religion on economic growth and prosperity; and establish the relationship among teachings of Islam and economic growth. Noland (2003) concludes that there is no support for the argument that Islam is unfavorable to growth. It is argued that Islam promotes growth and economic development. The cross country and within country analyses is conducted in the study on Muslim populations in India, Ghana and Malaysia. The findings of the study show positive and statistically significant relationship between Islamic religion and Muslim population in these countries. Noland's research is extremely valuable to explain the impact of Islamic teaching upon growth. However, it does not examine the impact of religion on predominately Muslim countries, nor does it compare them against each other or consider cultural differences among the three countries.

Tessler (2002) argues that Islam hinders growth indirectly through elements of religion those are not amiable to egalitarianism, such as the absence of democracy in the Arab world. Tessler argues that "Islam is said to be anti-democratic because it vests sovereignty in Allah, Who is the sole source of political authority and from whose divine law must come all regulations governing the community of believers". Tessler relies on Huntington's "Third Wave" theory of democratization which swept over most nations after the cold war except the Arab world. This suggests that Muslims and Islamic cultures do not strive or work hard at attaining democracy and personal freedom, due perhaps to lack of social pluralism, tribal and ethnic disputes, close connection between religion and state institutions, and the fact that every facet of daily life in the Middle East is strictly governed by rigid seventh century Islamic laws that do not work in modern day and cannot be challenged.

Barro (2003) supports the argument that democracy influences (although not strongly) economic growth. Barro uses

the World Values Survey on beliefs and attendance of religious services to create a religiosity variable which he uses to determine whether religion has an impact on economic growth including Turkey, Bangladesh, and Pakistan in his study. He also uses presence of state religion and regulation of the religion market as indicators of religious diversity. Author finds that growth depends on the extent of believing relative to belonging. In other words, religious beliefs exemplify traits which in turn enhance economic performance and attendance of religious services, given a set of existing beliefs, hinders economic performance.

Huntington (1993) proposes a thesis about the difference between the west and the rest of the world, especially the Muslim world. He explains the meager economic performance of the Arab world compared to the increasing success of the west. He suggests in his theory that civilization "...the highest cultural grouping of people and the broadest level of cultural identity...defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of people," will be the primary conflict and not the nation state. He also argues that ideological and economic differences are not what divide the world into first, second, and third world countries. Rather it is this "Clash in Civilization" as defined by a set of cultural differences, and conflict between the west and the Arab world lies in their values of democracy.

Pippa Norris and Ronald Inglehart (2003) examine Huntington's theory more closely using empirical evidence from the World Values Survey from 1995 to 2001. They fail to find supporting evidence to all of Huntington's theory especially that the core difference between the west and Islamic nations is their perception of democracy. The survey find that Muslims, just like Europeans, value democracy but unlike western societies they differed greatly on gender equality and sexual liberation, which many economists might argue are important determinants of growth.

Kuran (2004) offers a number of explanation of why a millennium ago the Middle East is prosperous and highly advance in education, sciences, trade and social laws, and by the 18th century is lagging behind the western world. He mainly blames the legal infrastructure which is based solely on rigid Islamic laws which are not amiable to economic growth. These laws are:

- i. Islamic inheritance laws that disperse wealth among a number of heirs.
- ii. Large numbers of children due to prevalent polygamy practices that inhibit wealth accumulation necessary for large investment.
- iii. Absence of the concept of corporation in Islamic laws that hinders investment opportunity and also wealth accumulation, and
- iv. Existence of “waqf,” charitable foundations created to protect some of the wealth from the hands of greedy rulers and arbitrary taxation as well as for tax evasion purposes.

The “waqf” organizations, although providing society with some form of public service, are proved to be bureaucratic and wasteful of vast resources that could have been invested elsewhere. The worst component of these traditional Islamic laws, Kuran argues, is the discouragement they provide to human capital investing, often thought to make an important contribution to economic growth.

Kuran (1997) offers another set of explanations and critique of why Muslim countries have been underdeveloped. This set of explanations is much broader than what he offers in Kuran (2004). The first is the use of Islam, especially extreme ideological beliefs held by a fragment of the Muslim population, to validate their own views of Western societies and to serve their own vested interests. The second is that Islam hinders the education system by limiting curiosity and innovation. The idea of the “ijtihad” is replaced by obedience and complete compliance instead. The final explanation is “communalism,” the act of loyalty and commitment to the interests of one’s own minority group rather than becoming individualist which many scholars believe to have stalled growth and key economic reforms. Therefore, he suggests that Islam may hinder economic growth through its effects on gender inequality, education, and investment. Gender inequality has severe consequences, not just socially or politically but economically as well.

Klassen (1999) observes that many studies have proven that gender bias in education (and low educational level) can impede growth directly through lowering human capital and indirectly through lowering investment and increasing population growth. Low human capital entails lower productivity and lower return on investment. It also implies higher fertility and child mortality rate

which decreases economic growth. Low female labor force participation also has a high cost on the economic well-being of a society. The Study uses simulations and shows that an increase in female labor force participation from their actual rate to what the predicted rate should be 3 per cent. It can increase household earning by 25 per cent leading to growth in income per capita and growth rates between 0.4 and 0.9 per cent higher as compared to the actual growth rates.

4. Conclusion

The study establishes relationship among the teachings of Islam and growth and prosperity of human beings in the light of Quran and cited literature on the topic. Islam is a universal religious and provides the path to lead life. Therefore, Islam brings prosperity not only in the world life but also hereafter. Some studies conclude that religion have relationship with economic growth and human development. It may be true under the given circumstances because the nations are far away from the teachings of Islam. If the glorious principles of Islamic teachings are implemented then there will be peace and prosperity all over the world. Islam explains the role of state, social and economics justice, concept of brotherhood, principles of earning and spending and all other related rules and regulations for the smooth running of social and economic systems. These principles ultimately establish economic growth all over the world.

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