



4th

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Islamic Economics, Finance, Entrepreneurial
Development & Public Policy for the Ummah's
Socio-economic Wellbeing

Under the above theme, the speakers / paper presenters will discuss the vision of Islamic economics, business and finance, public policy for entrepreneurial development and to enhance social inclusion and good governance, meaning how to develop Islamic countries' economies giving fair opportunity to all segments of the society and provide them not only suitable jobs / employment but also dignity and respect in the society and falah in this world and the Hereafter. As it is possible only through application of the principles of the Shariah, in letter and spirit, in all socio-economic disciplines and business and finance affairs, Shariah compliance of all institutions, products and activities would also be covered in the Theme of the ICIB-2016 event.

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Human welfare: A Critical Review from Islamic Perspective

By

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Outlines

- **The Conventional approach towards welfare**

- **The consequences of the conventional approach of welfare**

- **Critical Analysis of the conventional approaches of welfare from Islamic point of view**

- **Islamic way for measuring the welfare of people**

- **Conclusion**

The Conventional Approach Towards Welfare

- **Welfare is a long debated concept in economics.**
- **However, due to the individualistic framework in economics, the concept of welfare has narrowed down to measuring welfare.**
- **There are two approaches in economics for measuring welfare.**

Neoclassical approach

- **Developed by Edgeworth, Sidgwick, Marshall, and Pigou**
- **Utility is measurable interpersonal. Hence, by adding the utility of all people, we can measure total welfare in an economy.**

New Welfare Economics approach

- **It is based on the work of Pareto, Hicks, and Kaldor (Bernheim, 2008)**
- **Utility is not measurable interpersonally; so to measure welfare we have to observe whether re-allocation of resources increase the utility of someone without hurting the utility of others.**

The Consequences of the Conventional Approach of Welfare

- **The conventional approach of welfare is an outcome of the philosophy of positivism**
- **In this philosophy the market outcome is considered optimal**
- **All institutions of society also become subservient to the beneficiaries of market, in particular, suppliers (Companies etc.)**
- **Likewise, all branches of a system in a society start helping the rich class and become confined to them instead of poor. For Example**
- **Democracy**
- **Judiciary**
- **Police**
- **Health**

themselves [of the truth]. And the parable of a corrupt word is that of a corrupt tree, torn up [from its roots] onto the face of the earth, wholly unable to endure. [Thus,] God grants firmness unto those who have attained to faith through the word that is unshakably true in the life of this world as well as in the life to come; but the wrongdoers He lets go astray: for God does whatever He wills.

Islamic ways for insuring the welfare of people

- **Recognition of the truth and allowing the development of the system based on such truth**
- **What is the truth*****Kalimh shahdata*******
- **How it is beneficial?**
- **The allocation of resources is not purely made on the basis of market forces. Rather moral filter also work in the market. This ensures to match the resources with claims and keeps the concept of maximisation within moral limits (Chapra, 2000)**
- **It makes wealthy people responsible and realise them that this life is a test.**
- **This motivates rich to pass on wealth to the poor, voluntarily.**
- **Resultantly, market serves both rich and poor, who rarely remain out of money in such a system.**
- **This system offers the institution of ZAKAT and WAQAF for the permanent service of those who might lose ability to serve themselves.**

- **Likewise, the concept of life hereafter in this paradigm makes individual other regarding instead of self-regarding.**

- **The sovereignty belongs to Allah and the concept of accountability before Allah makes the ruler accountable before people as well.**

- **All executive officer are for the services of people irrespective of being rich or poor. Government can always intervene in the market to protect the interest of poor and destitute.**

Conclusion

- **Islamic paradigm protects the interest of society at the time of clash between private and public interest at three levels.**
- **First, it put moral pressure on individuals from inside to avoid going against the interest of society.**
- **Secondly, it makes society at large the custodian of the interest of society and encourages everyone in the society to discourage people who might hurt the interest of general masses.**
- **Thirdly, it makes government the custodian of the interest of people.**
- **In the individualistic framework, the first two levels are completely absent (out of sight).**
- **The third level is handicapped by having people in the government whose objective is to maximise private interest.**
- **Hence, a constant monitoring of government officials is required to discourage them from misusing the power of government for private gains.**
- **In other words, the custodian of the interest of people needs custodian to protect the interest of people.**

Thanks for your kind listening