



The Islamic Economic System: A Remedy Model for Economic Downturns (The Covid-19 Pandemic as Case Study)

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ABSTRACT

The Covid-19 pandemic tested the soundness and sustainability of the main economic system the globe runs on. Despite it starting as a health crisis, nearly all sectors were eventually affected. The Islamic economic system is an alternative and has been referenced, albeit in subtle ways, to address the challenges caused by the pandemic. Numerous gaps were witnessed in the conventional economic system as regards dealing with the Covid-19 pandemic. One of them is the lack of a clear approach to address the protection of the human economic agent. Another is the failure of the current main wealth redistribution tool, namely taxation, to reduce impoverishment, among others. As such, we try to find out whether Islam, as a system, provides practical guidelines to fill these gaps. The historical research design was used in this work. The main research method relied upon was document analysis using the qualitative approach. The paper found some evidence that proves that indeed the Islamic economic system is a reliable remedy model for Covid-19 and other similar pandemics. First, Islam establishes precautions to safeguard the human economic agent during a pandemic. Also, the Zakat system can help to quell economic suffering. Further, an interest-free economy can help to provide opportunities that can cushion people from exploitation by the major companies which structure markets into monopolies or oligopolies. Finally, the business ethic standards put a broader communal responsibility on business people, deterring the perpetration of economic crimes such as hoarding

Keywords: Islamic economics, economic downturns, Covid-19, safety precautions, *Zakat*, interest, profiteering, hoarding

1.0 Introduction

Covid-19 was a learn-the-hard-way experience for everyone from individual to institutional to government level. It has presented a plethora of challenges that have triggered a wide and deep exploration of possibilities to tame the spread of the virus and counter the socio-economic implications of the pandemic with considerations for the future (UNDP, 2020).

Countries experienced economic slowdowns leading to massive job losses or pay cuts, a decline in the GDP, and a rise in inflation. According to IMF's World Economic Outlook Update (June, 2020), global economic growth was projected at -4.9 % in 2020 which was 1.9 % points below the April 2020 forecast. This was indicative of a slower recovery pace than earlier estimated. The labour market was adversely affected with massive job losses reaching an average global unemployment rate of 34% with some countries reporting 69% (World Bank, 2020).

The government think tanks burnt midnight oil working out policies to provide stimulus and relief to keep the economies afloat. A raft of measures including reviewing interest rates downwards, loan and asset purchases to ensure adequate liquidity in the money markets, fiscal policies and even limiting physical contacts among others were considered or adopted.

Does Islam, which is arguably the most misunderstood and often taunted by the western media as a regressive religion offer ways to deal with challenges posed by the Covid-19 pandemic and the like? As often argued by Muslims, Islam is not just a religion but rather a comprehensive code of life which makes it subject to critique on its ability to run a society on all grounds. To put it to test, it might be suitable to examine if it offers a model that can be used to tackle Covid-19, a crisis with multidimensional implications. To do so, one way is to check whether the measures adopted by countries that have been relatively successful in controlling the pandemic effects are in line with what is found in Islamic literature. More specifically, this paper focuses on the tools Islam offers to deal with the economic implications caused by the Covid-19 pandemic crisis.

On the whole, despite the pandemic having devastating ramifications, it has exposed the weaknesses in the systems that currently dominate and run almost every aspect of our life. The researcher argues that Islam indeed provides a system with guidelines that if followed, cannot only help to deal with Covid-19 but any other similar crises too. Islam offers both preventive and corrective measures.

Comprehensive knowledge of Islam is required to understand that every aspect of our life is guided by divine principles. An economic system, for instance, must be based on the guidelines provided by Islam, whose primary sources are the Qur'an (God's Words) and Hadith (a record of the words, actions, and the silent approval of Prophet Muhammad as transmitted through chains of narrators).

1.1 Ultimate Resort

The Creator of the universe and all that is in it is no doubt the All-Knower of the experiences creations have undergone and those they are bound to. He is the Designer of creation and well knows what is best for it and what is not.

'He is the First and the Last, the Ascendant and the Intimate, and He is, of all things, Knowing' (Qur'an 57:3).

Through His Divine Books and Prophets, He provides us with the purpose of creation and the guidance we need to live and manage our life. In the Holy Qur'an, revealed to Prophet Muhammad (peace be upon him), Allah (God) created us so we can worship Him (Qur'an 51:56). He also created mankind to be the *khalifa* (vicegerent) on earth and provided for him what is on it (earth) and the heavens for his benefit (Qur'an 45:13).

'Ibada (worship) literally means enslaving oneself to God. (ANU, n.d). Worshipping One God without associating partners with Him signifies our acknowledgment of Him as the Creator and dependence on him as the Sustainer. Consequently, it is He we turn to for guidance on how to do the worship and connect with Him, how to relate with each other as humans and other creations, and seek sustenance. This entails obeying God's commands in each and everything as His Knowledge is All- encompassing.

'Indeed, Allah knows the unseen [aspects] of the heavens and the earth. And Allah is Seeing of what you do' (Qur'an 49:18).

Knowledge of man is limited and as such there are things that he may think he knows but may eventually turn out different. Some of the solutions provided by man may be purposely or inadvertently harmful. Humans have often hit cul de sacs in that bid and this proves that humans cannot independently establish absolute solutions to the problems they face.

'Does he have knowledge of the unseen, so he sees?' (Qur'an 53:35).

The systems that we set up as guidance in our lives must therefore be based on God's teachings. Our economic system thus must be within the realm of Islamic principles and tenets if we must avoid recurrent failures.

Vested interest, power, and influence can and has proven that certain values can be subverted and completely new ideology and perception developed. This is because they are typical of humanly selfish endeavours and therefore if left solely dependent on human whims and desires, will be ever-changing to suit and satisfy the needs of the seekers. This shows that placing ultimate authority in man is detrimental. The emergence of two extreme economic systems (capitalism and socialism) and the bitter rivalry for each to dominate had direct tremendous political bearings and shaped how allies are formed. Socialism, which denies private ownership of property was blamed for slower economic growth and fewer entrepreneurial opportunities. Conversely, capitalism, which is often touted as the engine for wealth generation and fast economic growth, too, has its fair share of blame including uneven and unfair distribution of wealth and exploitation of the environment. Thus, both systems have failed (Boston University, 2021).

Inasmuch as Islam encourages man to think, he must be within the bounds of the limits of Allah. Even though man may find something working for him, as long as it goes against Allah's guidance, it soon boomerangs and fails. There might be rules man may not perceive their benefits, perhaps because an individual may be hurt, but it is no doubt good for society as a whole. Cutting the hand of a thief may seem grotesque if you consider the culprit alone yet it is mercy to society as people will be safe from such evil and others will also be deterred from engaging in theft.

Fighting has been enjoined upon you while it is hateful to you. But perhaps you hate a thing and it is good for you, and perhaps you love a thing and it is bad for you. And Allah Knows, while you know not (Qur'an 2:216).

In Islam, there are several sources of legislation. The primary ones are the Qur'an and the Hadith (Prophet Muhammad's reports and traditions). Community consensus (Ijma), analogy (Qiyas), and customs (Urf) among others must be guided by the principles in Qur'an and Hadith. (Al-Munajjid, 2008). An Islamic economic system is therefore built upon principles from these sources. Here, we attempt to highlight some of the Islamic principles and practices and demonstrate how effective they can be in combating Covid-19 and its economic (and by extension, social) implications.

2.0 Review of Literature

Mehrunisha and Aziz (2021) remark that Islam offers practical solutions that can be adopted to protect life during Covid-19 pandemic. They argue that quarantine, a public health measure, is established within Islamic literature and can help to curb spread of the disease. They cite a tradition of Prophet Muhammad where he warned against entering or leaving a place which is stricken by a plague. In light of the objectives of *Sharia* (Islamic Law), it was incumbent upon governments to limit social interactions in order to protect lives.

The government of Pakistan initially ignored this and allowed Muslims to continue to congregate but due to the spike in infections, it reviewed the situation and imposed limits which saw a decline in the number of infections (Yusuf, 2020).

Of interest, Rabbani *et al* (2021) mention that *Qardh-Al-Hasan*, a form of interest-free loan that is extended by the lender to the borrower because of benevolence, can be an effective financing tool for the poor and COVID-19-affected SMEs. The borrower pays back to the lender the principal amount without interest as it is fully complying with the principles of *Sharia* that the borrower does not pay anything as interest. Islamic finance is based on the principles of ethics and morality, according to which only those who have an urgent need will apply for the loan, and it is the duty of the lender to provide funds to the person in need (Hassan & Syafri, 2010).

The COVID-19 pandemic has devastated the world economy, and the most affected are poor individuals and SMEs (Morgan et al 2020).

Qardh-Al-Hasan could prove to be a blessing for the poor. It could solve their urgent liquidity problems, and they will not even have any burden of immediate payment of installments. The most beautiful part of *Qardh-Al-Hasan* is that it must be paid at the convenience of the borrower.

Zakat, can prove to be an important Islamic finance tool to fight the adverse consequences of the COVID-19. *Zakat* is a compulsory payment by wealthy Muslims, and they are obliged to pay it as a part of their religious duty. COVID-19-affected people, especially the poor, can be provided with the essential items and/or cash as a relief. It can help the poor during lockdown, where daily wage laborers and migrant workers have nothing to feed their families (Raza et al, 2021).

Greed drives people to act in self-interest and abandon morals and ethics. During Covid-19 pandemic, some individuals and organizations saw the situation as an opportunity to profiteer by engaging in hoarding (Sobirova, 2020). Masks, toilet papers, personal protective equipment, and sanitizers were all severely in short supply during the Covid-19 outbreak (Bhattacharya & Bhattacharya, 2022). In India, for instance, experienced profiteering amid shortage of oxygen. Artificial scarcity was created and people had to pay bribes and huge amounts of money to hospitals to get access to the life saving commodity. In fact, a black market for medical commodities grew out of the crisis (Cuadrado, 2021). Nurandani, A., Ibrahim, M., & Lubis, R. (2022) establish the position of Islam on hoarding in their study on Islamic ethics in medical devices during the pandemic of Covid-19. They provide evidence that it is prohibited.

3.0 Methodology

A historical research design was adopted in this work. The main research method relied upon was document analysis using the qualitative approach. The Islamic research method was also utilized. Islamic research method is defined by Anwar (1994) as research that seeks solutions to issues and problems based on three primary sources namely the Quran, Sunnah and Ijtihad.

Since Covid-19 was a novel phenomenon, it would be difficult to cover all the four areas of focus while remaining limited to a specific set of countries. This is because some were relatively successful in certain areas and not in others. This research identifies places where success was reached in a given area and finds out whether the steps taken to attain the success are in line with the guidelines found in the Islamic literature.

4. Islamic Principles and Practices

4.1 Safety Precautionary Measures; Cessation of Movement, Hygiene

The factors of production are four: capital, land, labour, and entrepreneurship (Ayyub, 2007). The nature of two of the four factors of production is human; labour and entrepreneurship. Labour is the human agent in the production process whose physical, mental, and social efforts are utilized as a resource. Entrepreneurship, usually regarded as the fourth factor of production, is the careful combination of capital, land, and labor to earn profit. Exposure of humans to health risks and other forms of danger can lead to adversity in production. It can cause underutilization of resources, unemployment, and the resulting low demand.

Islam provides elaborate teachings regarding steps to adopt in order to protect lives. In the Holy Qur'an, Allah cautions mankind to take precautions and not intentionally cause destruction to themselves (Qur'an 2:195, 4:71). Prophet Muhammad (peace be upon him) said, "If you hear of an outbreak of plague in a land, do not enter it; but if the plague breaks out in a place while you are in it, do not leave that place" (Al-Bukhari 5728).

The *hadith* points to the importance of imposing movement restrictions in form of partial or total lockdown, cessations, social distancing, and minimizing unnecessary physical contact. Much of the success in flattening the Covid-19 infection curve is attributed to this measure.

An advisory on international travel by the World Health Organization discouraged people in the high-risk group for severe COVID-19 from travelling. Especially those who were not fully vaccinated and had no immunity from a previous Covid-19 infection (WHO, 2021). During the first wave of Covid-19, some of the countries hailed for their success in curbing the disease include Taiwan, Singapore, South Korea, and New Zealand. Taiwan, despite bordering China where the virus is said to have originated, did not hesitate to close its borders. Singapore maintained less than a 0.1% casualty rate of the confirmed cases by having a strong contact tracing approach. The most severe incidence of infections in the country was due to the crowding of migrant workers. South Korea produced thousands of testing kits while their number of confirmed infections was below 100, thereby enhancing testing capacity. This led to the timely implementation of safety precautionary measures including social distancing (Time, 2021).

According to (Guan, Ni, Yu Hu, W. Liang, Ou, He, L. Liu, Shan, Lei, Hui, Du, L. Li, Zeng, & Yuen, 2020), 72.3 % of the covid-19 patients in China, who are not residents of Wuhan, where the virus is said to have originated from, had contact with residents of Wuhan. 31.3% had visited the city.

The pandemic took a toll on the global economy and put governments in a catch-22 to trade a delicate balance between lives and livelihoods. An attempt to choose the latter before due consideration, thus disregarding Islamic teachings, resulted in spikes in the number of infection cases.

Resorting to Islam as a guidance on matters that pertain safety of the people in the face of pandemics such Covid-19 is prudent because, within the Islamic system, there is a special branch of knowledge that is concerned with the objectives of *Shariah* (Islamic Law) called *Maqasid al-Shariah*. It provides the purpose and intent of the law. Some of the objectives include protection of life, intellect, and property (Muslim.sg, 2020).

4.2 Zakat

Labor market disruptions led to income losses thanks to Covid-19. Households in some countries reported a total income loss of 62 %. Loss from farming was 62 % and from non-farming, 75 %. Family businesses, and wage incomes sunk by 49 % (World Bank, 2020). Many households were impoverished as they could hardly afford basic needs.

Besides, income inequality has been decreasing since the 2000s. However, since Covid-19 started, it increased by 0.3 % in 2021 with the poorest 40 % seeing an average of 6.7 % lower than it was before the pandemic. The pandemic saw 573 more people rising to billionaire status while pushing 263 million more people to extreme poverty. The richest 10 men have more wealth than the poorest 40 % (Oxfam, 2022).

The need to provide assistance to the needy in our societies and narrow the inequality gap cannot be emphasized enough. It is a collaborative exercise that involves individuals, organizations, and governments. Change in economic policies as well as individual and corporate initiatives are necessary to support the vulnerable. Because of the suffering, many governments took measures to support their citizens. For instance, the US response policy saw an estimated USD 2.3 trillion (about 11% of the US GDP) [Coronavirus Aid, Relief and Economy Security Act \("CARES Act"\)](#) enacted. It included tax rebates, unemployment benefits, food safety net for the most vulnerable et cetera (Business Standard, 2020).

Besides voluntary charity (*Sadaqah*) which everyone is encouraged to give, there is *Zakat*. The concept behind *Zakat* is to have the rich in the society contribute a certain specific share of their net wealth, in money or commodity, annually to the poor. It is an obligation and failure by an eligible person to honor it is considered sinful. Beyond the specific required conditions, it is considered *Sadaqah* (An-Nawawi, 1208).

Al-Qardawi (2000) gives the linguistic meaning of the word *Zakat* as growth, cleanliness, betterment, and blessing. By giving from part of your possession in which you are entrusted by Allah, you purify your wealth and cause it to grow. It can also be understood as a way of purifying your soul and further, relations. Accumulation of wealth and disregard for the plight of the needy instills greed and selfishness in an individual. When you give, you honor the command of Allah and you earn his pleasure. Your heart is filled with mercy, compassion, and empathy. Allah mentions the following:

'Yet you shall duly establish the Prayer. And you shall give the Zakât, and therewith lend God a most goodly loan. For whatever good you advance for your souls, you shall find its reward with God in the Hereafter; yet it shall be far better and much greater in reward' (Qur'an 73:20).

Covid-19 pushed many people into a state of dependency for survival. Islam prescribes the recipients of *Zakat* as follows: the poor, the needy, *Zakat* administrators, those whose hearts are to be reconciled, meaning new Muslims and friends of the Muslim community, those in bondage (slaves and captives), those in debt, those in the cause of God and the wayfarer, (stranded travelers) (Qur'an 9:60, 17:26).

Zakat can be a mitigating factor in a shaky economy. Studies in countries such as Malaysia, Indonesia, Sudan, Pakistan, and Bangladesh where *Zakat* is collected, have shown that there is a significant positive relationship between *Zakat* and economic growth (Laalam, Rafiq & Harkati, 2020). For example, A study by Sulaeman, Majid & Widiastuti (2021) shows how impactful *Zakat* was in supporting economic growth. The study found that *Zakat* helped significantly in poverty alleviation before the Covid-19 pandemic in Indonesia. Another study by Kholidah and Hakim (2021) shows that *Zakat* assistance during the Covid-19 pandemic, helped to reduce poverty. A study in Malaysia on the role of *Zakat* during Covid-19 found that *Zakat* was indeed a relief for the suffering ordinary people (Hambari, Arif & Zaim, 2020).

When *Zakat* is adopted during a crisis such as Covid-19, it prevents the economy from sinking to the doldrums. A study by [Swandaru, R.](#) and [Abdel Mohsin, M.I.](#) (2022), shows how reliable *Zakat* was as an instrument of relief during the pandemic in Muslim countries. It also shows that *Zakat* contributed to economic recovery. Macroeconomic policies can help increase levels of income and eradicate poverty but in order to be more effective in achieving that, a country needs to adopt a *Zakat* policy (Ahmed, 2004).

Metwally (1997) found that if *Zakat* is spent in an economy without any additional charity expending, it will modestly increase the marginal and average propensities to consume. This would create demand as it increases disposable incomes, which would in turn trigger an increase in output.

To demonstrate how a redistribution tool in the model of *Zakat* can help in reducing the economic suffering during a pandemic in the current skewed economic system, we look at a report by Oxfam (2022) which mentions that the major corporations earned colossal profits during the Covid-19 pandemic. As such, Oxfam (2022) suggests that governments should have what it calls *Pandemic Profits Tax*. If the top 32 companies were made to pay this tax, it would have generated USD 104 billion in revenue that could have been used to address the pandemic challenges.

'A wealth tax of 2% on the world's millionaires, 3% on those with wealth above USD 50 million, and 5% on the world's billionaires would raise USD 2.52 trillion annually. This would be enough to lift 2.3 billion people out of poverty, make enough vaccines for the whole world, and deliver universal health care and social protection for all the citizens of low and lower-middle-income countries (3.6 billion people).'

(Oxfam, 2022)

In 2021, the then-richest man, Elon Musk, in his tweet challenged the UN's World Food Program to demonstrate how USD 6 billion (2% of his then net worth which is nearly what is required as *Zakat* payment) could help fight global famine and if they did, he would sell part of his Tesla stock and contribute it. The program director, David Beasley, went ahead and tabled how that amount would help to feed more than 40 million people from more than 43 countries (Watles, 2021).

Tax relief is one of the fiscal policies adopted to curtail the implications of Covid-19 on households and organizations. For instance, child tax credit. (IRS, 2020). One of the ways *Zakat* differs from tax is that people without annual net savings are not required to pay *Zakat*. There is a minimum threshold

of wealth that a *Zakat* payer must meet (*nisab*) (Zakat Foundation, n.d). Consider a small business whose income only helps support the livelihood of the business owner and his/her dependents. While he may still be required to pay tax, he is not eligible to pay *Zakat* and therefore not required to. In an Islamic economic system, this business, assuming everything for the proper operation of a business is in place, is likely to grow, and create more employment thereby reducing poverty.

Zakat, as opposed to tax transfers, is an effective tool for wealth redistribution. The tax-transfer instrument may appear to support the poor but they (the poor) are actually first forced to pay indirect tax through for example purchase of commodities. According to Khasandy & Badrudin, (2019), *Zakat* is actually a contributor to resource allocation as it leads to the build-up of capital stock. This is because a portion of the beneficiaries will be incentivized to save and invest and will soon become eligible *Zakat* payers thereby helping to uplift others while building the economy.

Acknowledging that Allah is the sole Provider and that we are mere trustees, instills a sense of humbleness and humility in us. This will motivate us to help those in need with a great desire for rewards we desperately need for our success both in this life and in the hereafter.

'Have you not seen that Allah has subjected for you whatever is in the heavens and whatever is on the earth, and has lavished His favors upon you, both seen and unseen?' (Qur'an 31:20).

Since people are of different characters and behaviour, some readily heed the command while others do not. While there might be no authority to enforce this divine command, failure to pay *Zakat* leaves many people in need in a vulnerable and destitute state (Alfitri, 2005). Demand falls, production decreases, unemployment increases and as such, the economy shrinks.

Thus, creating a bridge between the rich and the poor not only helps reduce the social chasm between the two groups, but also helps reconcile the extreme economic divide between them. The erosion of the middle class is incentivized by inequality and uneven distribution of wealth. It is one of the root causes of colourful superficial economies as the real wealth of a country actually belongs to a few.

4.3 Prohibition of Interest

One of the major measures adopted by governments to cushion economies from the severe impacts of Covid-19 is lowering the interest rates to record minimums. The UK reduced the Bank Rate to 0.1 %; The USA's federal funds rate was reduced to 0 %. The EU to 0 % and can be as low as -1% (Bank of England, 2020; Federal Reserve, 2019; ISchnabe, 2021).

Most governments directed banks to restructure their loan policies and allow borrowers to defer payments without penalties. Restructuring can take different forms including adjusting loan terms in aspects that include, term extension, reduction or exemption of interest rate, changing credit facilities, payment rescheduling, new loan terms, and conversion of credit to shares among others. Restructuring helps debtors, banks, and the government to increase economic growth through the relaxation stimulus program (Damayanthi, Wiagustini, Suartana & Rahyuda, 2022, p.203-204). This is one of the expansionary monetary policies aimed at stimulating the economy.

Adjusting interest rates downwards may appear to be a rescue tool for a slowing economy but it has proven futile in certain economic lows. The covid-19 era proved just that hence resorting to other fiscal policies which some in extreme cases, may force governments to print money. Consider a deleveraging where low-interest rates can no longer cause any significant stimulation to the economy and governments to have to purchase financial assets and government bonds using printed money. This is often referred to as quantitative easing; one of the modern fiscal tools for governments to undo deflation.

Ideally, government intervention in the economy should be for regulation of business activities to protect the consumer, fix market inefficiencies through the production and provision of necessities and social goods, and redistribution using *Zakat* and other acceptable tools such as *Sadaqah* mobilization and coordination.

Interest is a determinant factor for venture and expansion capital access. It is at the core of wealth inequality as only the wealthy ones can do better and better. 86 % of the world's wealth is held by the richest 10 % of the world's population. The top 1 % alone accounts for 46 % of global assets (Credit Suisse, 2013). For instance, in the US, the wealthiest 1 % has accounted for 95 % of growth since 2009, while the bottom 90 % have only become poorer (Working for the Few, 2014). An empirical study in the United States of America by Gruner (2001) established a positive relationship between interest and wealth distribution. Another study by Piketty (1997), demonstrates that higher interest rates cause low wealth distribution due to poor credit supply.

According to research by Oxfam, companies in the industries of food, energy, and pharmaceuticals enjoy a monopoly and thus earn super profits. For example, billionaires in the food and energy sectors alone enjoyed an increase of USD 453 billion in the 2 years since the pandemic started. In fact, 62 new billionaires in the food industry alone were created thanks to the pandemic. The Cargill family and three other companies control 70 % of the global agricultural market. In 2021, the Cargill made its historically high profit of \$5 billion in net income. The family alone has 12 billionaires, up from eight before the pandemic (Oxfam, 2022).

Similarly, giant establishments can, through the acquisition of relatively small enterprises, monopolize and charge exorbitantly. Luxottica, an eyeglasses company, is such an example. It controls over 80 % of the major brands in the global eyeglasses industry (Swanson A, 2014).

Besides, conditions attached to borrowing can be very punitive. Defaulters may lose the property they used as collateral to acquire the loan. For example, foreclosures render the once proud homeowners homeless. These people may have families which get to suffer. They may sink into depression, abuse

substances, and even commit suicide. A study by the American Journal of Preventive Medicine showed that 37.5 % of suicides for people aged 40- 64 were due to financial issues (Hempstead & Philips, 2015).

If there were no interest, the level of unemployment due to covid-19 would not have reached that high. This (interest-free economy), coupled with a lack of crony capitalism, and wide wealth distribution would have prevented millions from sinking into poverty.

The need to manually control the economy is due to the presence of interest. You cannot talk about monetary or fiscal policy by extension, to keep the economy in balance without adjusting the interest levels or even worse, printing money from thin air.

A quick look at the root of some of the major economic and financial crises the world has experienced and we see interest playing a role. For example, the 2007/08 financial crisis was a result of subprime mortgages. These are the kind of mortgages or loans that attract higher interest than usual advanced to high-risk borrowers. Fundamentally, an uncreditworthy borrower is lent money on the condition that he pays higher interest than a creditworthy borrower. The borrowers, who had received the mortgages, could not manage to continue and they defaulted leading to foreclosures. One of the *solutions* available to them was refinancing, which meant borrowing elsewhere at lower interest to pay for the high-interest-bearing mortgages and loans. The players i.e. financial and investment institutions and borrowers led to the ultimate collapse of the system and ushered in a global financial crisis (Pop, 2008).

Allah warns against transacting in interest (*riba*). He deprives any such transactions of blessings. Anyone who receives the admonition may keep previous earnings and immediately cease the practice. Allah provides an alternative, devoid of interest - trade. Allah praises the believers as those who fear Him and give up all *riba* transactions (Qur'an 2: 275-279).

4.4 Prohibition of Profiteering

The Prophet said, 'No one hoards but a sinner.' (Muslim, 1605b, Hadith 162). Some scholars argue that hoarding here includes only food but others disagree. The Malikis, followers of an Islamic Jurisprudential school of thought, for instance, argue that it includes anything that people need and will cause harm if withheld (Al-Shawkaani, n.d).

With the increased demand for Covid-19 tests, companies such as Cepheid, a diagnostics company received criticism from MSF for selling testing kits four times higher than they should charge about USD 20 instead of USD 5 per kit (MSF, 2020).

As governments intensified measures to curb the spread of the virus, some businesses saw an increase in production costs and declining demand for their products hence low revenues. Businesses involved in the provision of basic needs, including Covid-19-related basics, took advantage of the situation to charge exorbitantly beyond the actual and corresponding increase in costs (Bristol, 2020).

Islam prohibits exploitation; taking advantage of peoples' desperate need to overcharge them. (Suleyman, Hisam & Sanyal, 2013). Allah says, "And do not deprive people of their due" (Qur'an, 7:85). The Prophet said, "A Muslim is the one from whose tongue and hands the Muslims are safe, and a Muhajir (Emigrant) is the one who refrains from what Allah has forbidden" (Al-Bukhari & Muslim, Hadith 211).

Profits depend on demand and supply. Islam does not limit the amount of profit one can earn provided the seller is not exploiting, cheating, or harming the buyer in any way (Fataawa al-Lajnah al-Daa'imah li'l-Buhooth al-'Ilmiyyah wa'l-Ifta', 13/91). Prophet Muhammad (pbuh) mentions that one cannot be considered a true believer if he does not like for his brother (fellow human) what he likes for himself (Al -Bukhari & Muslim, Riyad as-Salihin 183).

Islam, being a comprehensive system of life, provides that ethics in business practice must prevail for individual and societal good. One of the five branches of *shariah*, transactions and contracts (*fiqh muamalat*) provides guidelines on what ought to be done and what to be avoided.

A healthy balanced economy is one built upon values and ethics. It is characterized by transparency, empathy, and concern for one another. It is an economy devoid of cheating, greed, and exploitation.

Generally, hoarding and profiteering are considered sinful in Islam. They are often driven by the quest for self-interest and involve business malpractices such as exploitation. It is also indicative of sheer greed. Allah describes as successful those who overcome their greed.

"...They give them priority over themselves, even if they themselves are needy. Whoever is protected from his natural greed-it is they who are successful" (Qur'an: 59:9).

Allah also mentions in the Holy Qur'an (102:1 - 8) that man is obsessed with greed, amassing worldly gains forgetting death, and accountability for everything he earns on the Day of judgment. Allah wants us to have His conscience so that we do not get immersed into seeking wealth and forget His commands. Indeed, this worldly life is temporary and delusional.

Islam contributed a lot to the establishment of good business practices. It played a major role in the development of commercial law, the concept of trusteeship, the abolishment of fraud, and setting standards for measures and weights among others. In fact, Islam became a benchmark in international trade for over 800 years (Ahmed, Imad A., 2010).

Prophet Muhammad (peace be upon him) said that a businessman who is truthful and trustworthy will be in the company of Prophets, the decent, and the martyrs on the Day of Judgment (Al-Tirmidhi, Hadith 1209). "God shows mercy to a person who is kind when he sells when he buys, and when he recovers a debt" (Al-Bukhari, Book 11, Hadith 84).

There is much evidence in Islamic literature to show that Islam encourages sensitivity to people's conditions and therefore deals with them in kindness and transparency. It forbids taking advantage of others. Allah rewards those who follow these guidelines and punishes those who do the contrary. It is therefore evident that profiteering and any other forms of dishonesty in business are prohibited. The best source of reference to formulate a proper anti-profiteering policy is Islam.

5.0 Findings and Discussion

This article focused on the validity of the Islamic economic system in addressing the economic implications of the covid-19 pandemic. Several findings are highlighted. First, concerning protecting the human economic agent, Islam provides that there should be no physical contact with people in a plague-struck area. Taiwan, Singapore, South Korea, and New Zealand are some of the countries hailed for their success in curbing the disease because they immediately closed their borders. This is also in line with some of the advisories issued by the World Health Organization (2021). Mehrunisha and Aziz (2021) agree that imposition of quarantine by governments in order to limit physical contact is in concurrence with the measures put forth by Islam.

Second, the *Zakat* system, a socioeconomic welfare program, if well implemented, is found to be an effective means to lessen the impoverishment experienced that led to economic contraction. This is in line with a study by [Swandaru, R.](#) and [Abdel Mohsin, M.I.](#) (2022), which shows how reliable *Zakat* was as an instrument of relief during the pandemic in Muslim countries and which also contributed to economic recovery. It is an optimal tool for wealth redistribution. Raza et al, (2021) support fact that *Zakat*, an Islamic financial tool, can lessen the suffering caused by the pandemic.

It can also be deduced that an Islamic economy, which is interest-free provides fair opportunities for economic pursuit and minimizes avenues of unfair advantage to dominate industries and enslave others economically. The 'no-interest' policy helps greatly with resource allocation. During the pandemic, many governments reviewed their interest rates downwards some reaching zero percent to stimulate the economy. Rabbani *et al* (2021) mention that *Qard Hassan, interest-free loan, can be instrumental in relieving SMEs during the pandemic.*

Last but not least, it is clear that Islam provides a mechanism that prevents economic exploitation through profiteering. This has been illuminated by the examples of prohibited business practices that are considered unethical such as hoarding. Nurandani et al (2022) state that Islam prohibits hoarding and profiteering during a crisis such as Covid-19.

6.0 Conclusion and Recommendation

It is evident that the Islamic economic system, as opposed to the conventional system, provides a formidable basis upon which strong policies to counter the challenges posed by Covid-19 and other similar crises can be formulated. It is an all-around model that addresses all aspects as already seen.

It has been proven that indeed the countries which adopted the measures did fairly well in containing the pandemic. On the contrary, nothing suggested by Islam is counter-effective in fighting the pandemic. This is enough evidence that the Islamic system is a true remedy model for Covid-19 and other similar crises. A further detailed investigation into each one of the major principles of the Islamic economic system covered here is strongly recommended.

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