

10<sup>th</sup> ISLAMIC  
ECONOMICS  
WORKSHOP

14-16 OCTOBER 2022  
ISTANBUL

## FINAL DECLARATION

# Islamic Economics proposed the Ways Out of the Economic Crises.

Islamic economics and finance, via the institutions it has, offers significant opportunities to the whole of humanity in economic crises.

Economic Crises were discussed in the 10th Islamic Economics Workshop that was organized by The Research Center for Islamic Economics (IKAM) on 14-16 October 2022. The reasons for economic crises and the ways of how to deal with these crises were presented by scholars and academicians from different countries including Indonesia, Japan, Sudan, Bangladesh, the United States, Tunisia, Saudi Arabia, Jordan, Pakistan, and Turkey in particular.

At the end of the workshop, a consensus was reached for a joint action and perusal on the following topics.

» Mainstream economics and especially the current growth-centered economics is the source of the crises that are faced in the modern-day economics. Likewise, this economical model drags a large number of people into economic strife while economically strengthening only a small number of people. On the other hand, this causes substantial problems over time, leading to economic, political, and social crises in societies. Therefore, this economic model, which currently dominates the world, needs a serious re-evaluation.

» Economics crises cause more damage and destruction in developing and un-developed countries, whose currencies are volatile and weak compared to advanced countries. Considering that most of such countries are Muslim, the situation becomes inevitable to take serious precautions. Since one of the core reasons for financial crises is monetary policy, it is critical for Islamic countries to have sound monetary policies in order to avoid financial crises. In this framework, if central banks keep their reserves

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as commodities instead of foreign reserves, it will both strengthen the local currencies and increase the value of the commodities which are kept in the reserves hence will create a more reliable and predictable system. Also, this will stabilize the pricing across the currency units.

» The institutions and organizations that are used by Islamic economics to handle the crises have a high potential. Evaluating the general principle of Islamic economics, which prioritizes risk-sharing, the investment projects will prevent situations of overabundance and deflation and provide a more stable structure.

Moreover, things like financial evolvment and risk-sharing will reduce the risk to by a considerable level. If the risk-transfer practices, which have a curial position in Islamic economics, are seriously implemented, an important headway will be made against the economic crises.

» In general, all over the world, environmental issues receive lesser attention and significance during a time of crisis whereas it should be vice versa. Yet deteriorating economic conditions and crises provide significant changes in terms of recovering sustainable economy solutions. Hence, environmental factors are among the main reasons. In the meantime, it explicitly seems that in the long run, we will face water and climate crises and in turn the economic crises. Therefore, environmental factors must be taken seriously. In this context, Islamic countries should implement environmental consciousness as an economic model and share it with the rest of the world, as one of the fundamental teachings of Islam.

» Conducted studies show that the recovery period of the Islamic Stock Market during times of crises is much faster and better. The fundamental reason for Islamic Stock Market to recover much faster is not only interest/riba sensitivity but also and most fundamentally the prohibition of the products that contain excessive risk-taking and obscurity. Thus, these fundamental principles of Islam should be followed precisely and presented to the world as an alternative economic model.

» Although the impact of global economic crises on income and wealth distribution within the countries depends on many distinctive factors, it is also seen that these factors vary from country to country. The current economic system, by its very nature,

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causes income and wealth inequalities to which Islamic economics and finance provides different solutions. One of them is micro-finance-based waqf. The most obvious economic aim of waqf is to reduce the poverty and increase the overall level of well-being in a society. One of the other elements that can serve as a solution within Islamic finance is fintech. Fintech will facilitate giving donations such as sadaka and zakat as well as the Modaraba and Murabaha transactions while ensuring a fair distribution mechanism within the society.

» In the age of crises, the use of real trade transactions which relocate profit-loss sharing partnership and the principles of trade to centre offer strong alternatives against the capitalist system which processes like a ticking time bomb. It is inevitable to make provision for a sustainable economic precaution by considering ecologic, environmental, and social problems together with real economic transactions as a way out of economic crises. Indeed, it is seen that participation banks survive crises when compared with the conventional banks. The reason for this is that participation banks deal in real commodities and do not generate debt. Because the commodity-based structure of Islamic economics and finance reduces risks for both investors and firms, therefore, it prevents the possible future crises. This commodity-based structure provides an opportunity to prevent speculative transactions, and to control unnatural liquidity and price bubbles, which lead to the elimination of the risks. In short, because the commercial and social finance institutions of Islamic economics are better and more successful at dealing with any kind of crisis, it needs to be turned into a practical model for the overall good of the humanity.

Academicians participating in the 10th Islamic Economics Workshop held by the Research Centre for Islamic Economics (IKAM) on October 14-16, 2022, once again emphasized the importance of the tools of Islamic economics in overcoming economic crises.

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