

## **The knowledge economy and its effects on economic development (Islamic Perspective)**

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### **Abstract**

Knowledge economy is the circulation of funds and their management by modern technology for the purpose of obtaining legitimate profits. Thus it has an important and strategic role in the development of banks in general and Islamic banks in particular in their contemporary concept, with the addition of technologies and communications. The positive result will be reached with the development of daily financial transactions in banks. Our true religion (Islam) has preceded man-made systems in its interest in the knowledge economy since ancient times. It has legal rulings, and thus electronic financial transactions have become one of the means of permissible earning in the true Sharia. This is because the knowledge economy is based on Islamic legislation and based on the foundations, interests and rules regulated by Islam. We can benefit from modern technology.

**Keywords:** *Knowledge economy, economic development, Islamic vision.*

### **INTRODUCTION**

Today's world is witnessing a wide use of knowledge in the economy, although the concept of knowledge is not new. It has accompanied man since he opened his consciousness and rose with him from its primitive levels, accompanying the expansion of its perceptions and deepening until it reached its current peaks. Yet, what is new is the size of its impact on economic and social life and in human life. So knowledge economy came as a result of awareness of the role of knowledge and technology in economic growth and human development because of its essential dimension in human development because it is crucial to enabling people to expand their choices. ICTs are the primary tools for emerging societies. Therefore, we see that the Islamism of knowledge is a relationship between the

sciences of revelation on the one hand, and the sciences of the universe and the humanities and economic sciences on the other. The sciences of the universe do not deal with Islamic or non-Islamic concepts, except in the field of application, and that the advantage is greater than the disadvantage, provided that this interest is not narrow-minded, but an interest that is acceptable religiously. The most important legal controls for a knowledge-based economy in Islam are the firm belief that achieves a balance of behavior between the desire of this world and the hereafter.

### **Research Objective:**

It is necessary to pay attention to the development of the knowledge economy in our time, because the world faces today many economic problems. For this reason, I chose

this topic. As Islamic banks, for example, have a strategic relationship with the knowledge economy, I chose this topic. I found this study as others found in the thought of the realistic knowledge economy links of economy to urbanization, development and life variables.

### **The first topic: the definition and emergence of the knowledge economy**

The First Branch: Definition of Knowledge Economy

First: the linguistic and idiomatic definition of the knowledge economy:

First: The linguistic definition of the knowledge economy

The intention is to straighten the road, including the economy, which has two extremes of excess and making. Borrow. It is said: ((So-and-so is economic in expenditure))(Al-Husseini, 2008; Al-Manawi, 1900; Manzoor, Al-Din, & Makram, 1956).

Second: The terminological definition of the knowledge economy: Economics idiomatically is the study of human behavior in the management and development of scarce resources to satisfy his needs(Al-Masry, 1993).

□ It is noteworthy that some Western researchers have defined the knowledge economy as:

1- Machlup (1962) defined it as the knowledge-based economy in which the number of workers in knowledge-producing sectors exceeds the number of workers in other economic sectors. He pointed out that "Knowledge, Its Creation, Distribution and Economic Importance" refer to the existence of five basic economic sectors within the new economy: education, research and development, communications, and information machines and information services. Machlup was an Austrian-American

economist who was president of the International Economic Association from 1971 to 1974. He was one of the first economists to examine knowledge as an economic resource, and is credited with popularizing the concept of the information society. He was born on December 15, 1902, Wiener Noichtan, Austria and died on January 30, 1983.

First: The emergence and development of the knowledge economy:

The beginning of knowledge dates back to the beginning of the creation of man, as God Almighty created him on instinct and then taught him and guided him the way. This is evident in the Almighty's saying (He has created man- He has taught him speech (And Intelligence) (55:4, (Ali, 2011). History has conveyed to us some aspects of prosperity in ancient civilizations, such as Sumerian, Assyrian, Babylonian, Pharaonic, Chinese, Indian and Greek, in which there was an accumulation of knowledge that enabled man to achieve major achievements. In order to understand the changes that have occurred in the structure of the global economy and the basic developments in it, it is necessary to focus on the historical course of this economy. This course has witnessed several stages over time since the late fifteenth century and early sixteenth century. The emergence of capitalism began with the beginning of European expansion across the seas in the framework of which emerged the power of commercial capital and its dominance, so colonial empires were formed and practiced plundering the wealth of peoples of gold and silver. This process led to a revolution that formed Then (the industrial revolution) or the so-called industrial age, which is that huge movement of inventions that appeared in the middle of the eighteenth century, which was the replacement of machines with tools that were previously

used in production. The industrial era extended to nearly two and a half centuries and was characterized by rapid development and increase in science and technologies, modification of the basic infrastructure of the economy and the emergence of industrial conglomerates that monopolize modern industrial knowledge and experience. In the second half of the twentieth century, with the great developments in the field of information, communication and technical sciences and their applications in various fields led to economic prosperity in the major industrialized countries and a rise in the standard and quality of life and thus the high cost of production (Al-Gharibawi, 2012; Al-Rubaie, 2010).

The Second Branch: the concept and characteristics of the knowledge economy

In light of the new changes taking place in the world in various fields, the knowledge revolution has emerged due to the rapid development of information and communication technology. "The global conflict in the post-GATT world, the world of the World Trade Organization, the world of globalization, the world of the third millennium, the world of the third wave, will not be a struggle over capital, or cheap raw materials, or open markets. It will continue for a long time a struggle over knowledge, because it is knowledge that will create power, save money, create raw materials, open markets. Also knowledge will form a new economy in the world. its fields, its mechanisms, and its systems." In this emerging economy, "knowledge" and "knowledge workers" are two basic concepts: knowledge is a major resource for enterprises, a source of wealth and a competitive advantage for nations. Knowledge workers are critical to the success of an organization in a dynamic and changeable environment: an environment where work

requires constant creativity and innovation. These are markets that possess characteristics close to those of developed markets, but have not met all the qualities and criteria that qualify them to be among those markets. Emerging markets include markets that were previously developed markets and markets that may become developed in the future.

Based on the above, intellectual capital is of paramount importance as one of the basic resources in a knowledge-based economy, just as the land was in the age of agriculture and physical capital in the industrial age. This shift in focus makes the individual the cornerstone of a knowledge-based economy, placing the onus on the worker. First: the responsibility is to provide himself with knowledge. Second, corporations and educational and non-educational institutions have a responsibility to reorganize human intellectual capital, and governments have a responsibility to provide the required infrastructure and formulate education and labor policies that promote knowledge as a source of national wealth. To illustrate the concept of the knowledge economy, we cite an example of Apple, which is the largest company by market value in modern industrial history. A company Apple (English: Apple Inc). Apple (Apple) is an American multinational technology company specializing in consumer electronics, software and online services headquartered in Cupertino, California, United States. It is the largest IT company by revenue (with a total of US\$365.8 billion in 2021) and as of May 2022, it is the second largest company in the world by value, the fourth largest seller of personal computers by unit sales and the second largest mobile phone manufacturer. It is one of the top five US IT companies, along with Alphabet, Amazon, Meta, and Microsoft. Its value of its shares exceeded \$ 1000 billion during August 2022 in the American capital market (Wall Street),

surpassing the world's largest companies in the fields of oil, gas, cars and real estate, as the knowledge wealth - inventions and innovations - has proven deservedly that it is more expensive than natural and other resources. So we find that smart phone devices, for example, are sold at high amounts, while the value of the raw materials from which these phones are made - such as glass, plastics - petrochemicals and others are estimated at small amounts. The real value lies in the knowledge and technology that powers the device and not in the raw materials. Wall Street Journal (English: The Wall Street Journal) is an international daily English-language newspaper published by the Dow Jones Economic Publishing Company in New York City with Asian and European editions. As of 2007, copies of the daily newspaper traded worldwide in excess of \$2 million, with approximately 931,000 Internet subscribers. It was the largest newspaper in circulation in the United States until November 2003, when it was overtaken by USA Today (USA Today). Its main competitor is the Financial Times of London, which also publishes several international editions.

#### Advantages of the knowledge economy

Knowledge economy is characterized by the following (Al-Khudairi, 2012) :

1. There is a renewed need for it, the desire and the demand for its knowledge products that enter into every activity, in every work, and in every job and in a way that escalates to the point where it can be said that it is impossible to carry out an activity without knowledge.
2. Knowledge resources are renewed, growing, increasing and immature, whether by use, use or retention, but with the passage of time and multiple use, knowledge resources increase, accumulate and vary their fields.

3. It focuses on intangibles rather than tangibles: in terms of output, this means that services dominate goods, and in terms of inputs, the main assets are intangibles such as ideas and brands rather than land, machinery, inventory, and financial assets.

4. It is networked: unprecedented internetworking is a reality through the development of means

New communications: cellular phones, direct satellite communications, Internet, and interactive television.

5. It is digital: the digitization of information has a great impact on the capacity of transfer, storage and processing of information. Kenneth Galbraith (October 15, 1908 – April 29, 2006) was a recipient of the Order of Canada, also known as Ken Galbraith, an American-Canadian economist, public official, diplomat, and leading proponent of twentieth-century American liberalism. His books on economic topics were bestsellers from the fifties of the twentieth century until the first decade of the twenty-first century, when Galbraith played the role of general thinker. As an economist, he leaned toward the remote economy.

The Third Branch: the relationship between the Islamic economy and the knowledge economy

#### A: Islamic Economy

We have already mentioned that the term knowledge means considering knowledge as the main engine of production and economic growth, and the integration of modern technology into the elements of production. It facilitates the production of goods and the exchange of services in a simpler and faster way. For example, the adoption of Islamic law for the model of the knowledge economy in the

issue of intellectual property and moral rights made scholars prove the right of intellectual property and surrounded it with a fence of protection that guarantees its survival for its owner and no one else. The Islamic Fiqh Academy issued the following fatwa (Kurdi, 2013; Third Islamic Summit Conference, 1981).

First: Trade name, trade address, trademark, authorship, invention or innovation are private rights of their owners, which in contemporary custom have a significant financial value to finance people. These rights are legally recognized and may not be violated.

Second: It is permissible to dispose of the trade name, trade address or trademark, and transfer any of them for financial compensation if there is no deceit, fraud and fraud, as this has become a financial right.

Third: Copyrights, invention or innovation are inviolable in Sharia, and their owners have the right to dispose of them, and they may not be infringed upon.

B: The positive effects of the knowledge economy on the Islamic economy (Salmi, 2013):

The impact of the knowledge economy was not limited to some economic sectors, such as banking, trade and marketing. It was also included most areas of the Islamic economy, after capitalist liberalism that currently controls the global economic throne has received its large share of the effects of this new knowledge economic model (Al-Shammari, 2016):

1. Without the knowledge economy, the Islamic economy would never have benefited from the advantages, opportunities and offers of the rapid technological development resulting from the electronic revolution.

2. The internationalization of the Islamic economic model requires tools, means and techniques of the knowledge economy, such as Islamic electronic banks, which have been so successful that they have made them admired by Western bankers themselves, such as the Dubai Islamic Bank in the United Arab Emirates, which won the award for the best electronic banks in the Middle East a few years ago (Shbeir, 2007).

3. Information globalization has helped to spread and popularize liberal market economies. Despite its many disadvantages and multiple crises, it will also help through the mechanisms, means and channels of the knowledge economy to spread and popularize the Islamic economy with all its advantages, benefits and positives.

4. The knowledge economy provides the supervisors of the Islamic economy with the opportunity to communicate and market daily, 24 hours, with hundreds of millions of Internet users, from all over the world. Thanks to the knowledge economy, the exploitation of the Internet as a means of promoting the Islamic economy has become a necessity.

Fourth Branch: Transition to a Knowledge Economy

There is no doubt (Al-Kubaisi, 2005) that the most important justifications for the transition to the knowledge economy and increasing its importance is the rapid growth of knowledge, the emergence of new scientific branches, as well as the emergence of new technology and products, and the expansion of knowledge, America and the West no longer dominate in this field. Yet, rather participated by major countries, the most important of which are China, Japan, India and Southeast Asian countries. Also, knowledge has become useful for economic organizations. For several

reasons, including that this asset can be sold, and can be used to create new products, or improve an existing product, as well as that knowledge shows managers how to manage their organizations. Knowledge Economy). Joseph Stigliewicz (Joseph E. Stiglitz) in Gary Indiana on February 9, 1943. He spent the period from 1960 to 1963 at Amherst Small College (then New England), where he studied microeconomics and macroeconomics. He was very impressed with the way he taught where accurate texts in economics were the criterion and not the book itself, and he wrote a paper for a theory to understand how markets work, by James Nelson and Ralph Balles. After a while he attended the University of Massachusetts, and received a full scholarship. The Nobel in Economic Sciences or officially the Bank of Sweden Prize in Economic Sciences in memory of Alfred Nobel) is a prize awarded to outstanding achievements in the field of economics, and is considered the most prestigious prize in the field. Briefly known as the Nobel Prize in Economic Sciences, it is not officially one of the five so-called Nobel Prizes (in the fields of physics, chemistry, medicine, literature, and peace) founded by Alfred Nobel in 1895.

First: Justifications for the transition to acknowledge economy

If the traditional economy in the industrial era is the economy of slow and simple movement and its means are railways, cars and traditional mail. The knowledge economy is the economy of fast movement, and its means are satellites and e-mail, as the transition from the traditional economy to the knowledge economy creates a challenge for the management of business institutions. Under the traditional economy the challenge was facing Institutions is how to (manage the scarcity) of resources (money, equipment, labor) that decreases with use, but

in light of the knowledge economy, the challenge has moved to (abundance management), where attention has shifted to creating an abundance of information and knowledge that increases in value with use, knowledge and intellectual capital have become the most important Branches of the knowledge economy and the most important assets in institutions(Najm, 2005). A fundamental economic problem is that human beings possess unlimited desires and needs in a world with limited resources. The problem is that human society does not have sufficient productive resources to meet all the needs and desires of its members. It also means that not all the goals and objectives of society can be pursued at the same time, but must be trade-off. In a famous 1932 essay, Lionel Robbins defined economics as "the science that studies human behavior as a relationship between ends and scarce resources that have alternative uses." Scarcity in simpler form is the collision of our unlimited desires with our limited resources. There is more than one way to perform a specific activity. What has increased the justifications for the transition to the knowledge economy and its increasing importance is the rapid growth of knowledge, the emergence of new scientific branches and the expansion of research and development. In addition, the great technological development that the world is currently witnessing in various scientific and technical fields.

Branches for integration into the knowledge economy:

The transition from a physical economy to an intangible economy, based on human capital, requires the adoption of a two-pronged strategy that complements each other. However, the first strategy is the increase in the second strategy to rely on advanced technologies represented in information and communication

technology. In other words, integration into the knowledge economy requires two basic conditions: (investment in intellectual capital such as research and patents) and (Establishment of advanced technological infrastructure (sources of production and transfer of knowledge in the long term, such as research, and development, on the one hand, and on the other hand).

### **Results:**

#### **Conclusions:**

1. Technological developments and the development of communication and information systems led to a significant development in Islamic banking financial transactions in Islamic banks, in particular changing some relationships, concepts and economic trends. What resulted from these developments is the trend from an economy based on physical assets to an economy based on intangible assets, where an important and vital element emerged. The element is "knowledge", which gave a new formula to the modern economy, which became called "knowledge economy".

2. On the basis of the knowledge economy, the focus has become on the human element as the source of knowledge. So the view of the human element has evolved from being a source of muscular capabilities to a source of mental and intellectual abilities that have been formed over the stages of time.

3. The study found that the knowledge economy is based on the acceleration of the pace of knowledge and technical development, which is of great importance in crystallizing the mentality of members of society. It was found through the study that there is a reciprocal relationship between the knowledge economy on the one hand, and human development on

the other hand, where knowledge affects human development, the higher the degree of knowledge, the higher the levels of human development and vice versa.

### **Recommendations:**

The researcher recommends that the following recommendations.

1. Paying attention to the knowledge economy system in Islamic banks by finding a ground for it and activating it in all institutions operating in Iraq (public and private sectors) and establishing an environment that allows the flow of knowledge, investment in information and communication technology and encouraging business activities to help development and training.

2. In order to achieve a knowledge society, a set of administrative infrastructures and practices must be in place, which together constitute the enabling environment for knowledge, and one of the elements of this environment is the use and application of information and communication technologies.

3. Increase the allocations needed to develop scientific research programs while allowing the private sector to play a vital role in providing the Branches of the knowledge economy by encouraging joint cooperation between the private sector and academic institutions and supporting them by government institutions

4. In response to the growing need to develop the human element, it is necessary to adopt programs to use computers for government employees, which would raise work efficiency and reduce routine work, thus reducing administrative costs.

## Conclusions:

The transition to a knowledge economy, especially for societies seeking inclusive development, is crucial. ICT represents the basic tools to achieve progress based on the knowledge economy, especially for Islamic banks, which are striving towards a real transformation towards the exploitation of human, natural and material resources. Thus, the establishment of a fundamental dimension of the knowledge economy in human development in Iraq represents the main pillar in the desired social and economic development and because of the weakness of infrastructure. The migration of Iraqi human resources, in addition to the limited size of the Iraqi markets and their instability in attracting capital delayed the desired knowledge economy. Therefore, the researcher thinks that there is a need to increase in interest in scientists and researchers in all disciplines by improving their standard of living and enabling them to communicate scientifically in their countries. There is also a need to attract expatriates by creating the appropriate environment for them and work on the return of qualified and competent people to Iraq to achieve a qualitative leap at the level of the knowledge economy.

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