ANALYSING THE ROOTS OF INFLATION IN THE GAMBIA: AN ISLAMIC APPROACH TO RESOLVING THE ISSUE

Adama Sowe
School of Graduate and Professional Studies
INCEIF University
Jalan Tun Ismail, Kuala Lumpur
dmsow3@gmail.com

Magda Ismail Abdel Mohsin
School of Graduate and Professional Studies
INCEIF University
Jalan Tun Ismail, Kuala Lumpur
magda@inceif.org

ABSTRACT

Inflation is a persistent problem in many countries, including the Gambia. This study aims to analyse the roots of inflation in The Gambia and propose an Islamic approach to resolving the issue. The study uses a secondary data analysis approach to identify the root causes of inflation, analyse its effects on the economy and the population, and propose an Islamic path to resolving the issue. Principles of justice, fairness, and social welfare guide the study. The study finds that various factors, including government policies, supply shocks, and external factors, cause inflation in the Gambia. Inflation has negatively affected the economy and the population, increasing poverty and hardship. The study proposes an Islamic approach to resolving inflation in Gambia, which involves adopting Islamic economic models and principles. The study concludes by summarising the findings and providing recommendations for policymakers and stakeholders in Gambia.

Keywords: Inflation, Poverty, Islamic Models, Zakat, Sadaqah, Waqf.

Submitted: 14/8/2023 *Accepted: 15/12/2023* *Published: 18/12/2023*

INTRODUCTION

Inflation is a persistent and widespread concern in various countries, including Gambia. In economic discourse, inflation is an issue whereby the general price level of commodities and services in a particular economy experiences an upward trend over a specified period. The decline in the aptitude of money to purchase goods and services, commonly called the drop of purchasing power, is a critical issue in macroeconomics that carries substantial implications for individual welfare. Gambia has experienced a notable inflation rate in recent years, adversely affecting the economy and a population of 2,773 million. Hence, this has encountered significant inflation rates during the last ten years, with a maximum of 8.8% in 2018. During the year 2022, the average annual inflation rate stood at 11.6%, marking the first instance in almost thirty years where it reached double digits. According to recent report from central bank of Gambia the inflation rate is 18.5 % end September 2023 worsened the existing challenging in supply and increased the price of essentials commodity. The rates of inflation for both food and non-food items were substantial, with an average of 14.5% and 8.6% respectively owing to global commodity market shock. On weight average the food and drink is at 54.6% end July 2023 from the central bank of the Gambia monthly report. The conflict in Ukraine resulted in a decline in domestic income and an increase in government expenditures, which in turn led to a fiscal imbalance and a loss in tax revenue. The ratio of public debt to GDP remained stable at 83.9%. Inflation is caused by supply-side problems such as inadequate agricultural yield, overpriced transportation expenses and lack of industrials development.

In order to provide a solution grounded in Islamic teachings, this study investigates the fundamental causes of inflation in Gambia. The country's population and economy have suffered as a result of the high rate of inflation. The decline in money's purchasing power has worsened people's poverty and suffering.

On the other hand, a comprehensive grasp of the root causes is necessary for a long-term solution to tackle this pressing issue effectively. The investigation's research questions centre on determining what causes inflation in Gambia, evaluating the impact of inflation on the populace and the economy, and investigating an Islamic solution to the country's inflationary problems. The research seeks to determine the root causes of inflation, examine its impact on the population and economy, and suggest a solution based on Islamic principles. This study aims to provide information to help Gambia's policies and strategies for reducing inflation adhere to Islamic economic teachings.

LITERATURE REVIEW

Several studies have investigated the reasons for an inflation in The Gambia from a conventional economic standpoint. For example, Bah (2019) identified various variables influencing inflation in Gambia, including exchange rate volatility, increased food costs, and government spending. Similarly, Sambou (2017) discovered that supply-side factors such as food prices and energy costs drove inflation in Gambia. However, there is a need for more study on the causes of inflation in Gambia from an Islamic standpoint. Ahmad (2018) is one prominent exception, arguing that the primary reason for inflation in Gambia is a mismatch between the money supply and tangible assets, resulting in increased financial liquidity. Ahmad suggested shifting towards Islamic financial concepts, such as profit-and-loss sharing contracts and asset-backed financing, to reduce inflationary pressures in Gambia. Fofana and Sanyang (2019) researched the impact of Islamic finance on inflation in West Africa, particularly in Gambia. The authors discovered that by connecting monetary policy with the real sector of the economy, Islamic finance could help to price stability and reduce inflationary pressures. Atikah, N, Syafi'i, A., Rohimi, U. E., & Rani, P. (2023), examines inflation in Islamic economics, focusing on the causes, types, and methods used to manage it. It identifies that inflation is caused by both natural and human error and that Islamic approaches, such as printing minimal amounts of money, implementing the Dues Idle Fund strategy, and utilizing fiscal policy, are effective in reducing inflation rates. The study also discusses the negative impacts of inflation on the economy and society, emphasizing the importance of controlling inflation to maintain economic stability and prevent negative impacts on society. Future research should include empirical data collection, comparison with other economic theories, and examination of the effectiveness of Islamic strategies in reducing inflation. However, in his study, Cham (2017) examines the variables that influence the inflation rate in Gambia by employing several econometric models. The study demonstrates the enduring correlation between money supply, exchange rate, and inflation, as well as the influence of neighboring Senegal on inflation. The study identifies money supply, exchange rate, and inflation in neighboring Senegal as the primary drivers of inflation in Gambia. The study additionally discovered that the devaluation of the currency has a more direct effect on inflation, and the transmission of changes in the GMD/US dollar exchange rate is more pronounced. Moreover, the deliberate manipulation of the exchange rate or the reluctance to allow it to fluctuate freely in recent times has intensified the inflationary forces. The study revealed a strong correlation between inflation in Senegal, which is in close proximity, and inflation in Gambia. The empirical findings demonstrate a favorable correlation between prices in Senegal and prices in Gambia. These findings indicate that changes in prices in Senegal significantly impact the patterns of inflation in Gambia.

RESEARCH METHODOLOGY

The study adopts a secondary data analysis strategy, including quantitative approaches to assess existing data on inflation rates, economic indicators, and other pertinent variables from various websites like word bank, central bank of the Gambia, Gambia bureau of statistic, as well as Authentic publication journals, articles and research paper. An Islamic perspective will lead the analysis to understand and resolve the inflation issue. The information has been gathered from publicly available sources.

Quantitative and Qualitative Data

The quantitative aspect involves collecting numerical data on inflation, exchange rates, and interest rates. The Gambia Bureau of Statistics (GBoS) monthly reports are the primary source for inflation rates. In contrast, exchange and interest rates come from the International Financial Statistics (IFS) database. These sources provide historical data on economic indicators, allowing for a comprehensive analysis of inflation trends. However, besides numerical information, subjective observations also provide valuable insights. They were obtained from various economic reports, publications, and academic literature. These qualitative sources aid in understanding the contextual factors influencing inflation in Gambia, including global economic conditions, geopolitical events, and domestic policy measures.

DATA ANALYSIS

Ensuring the credibility of the study depends heavily on the validity and reliability of the data. Because of the thorough procedures these organizations were used for data collection and verification, data from official sources like the GBoS, Central Bank, World Bank, and IMF is considered reliable. International Financial Statistics (IFS) and other well-known databases are used, which increases the quantitative data's dependability. By combining data from several sources, the study's validity is increased. The study attempts to guarantee accuracy and consistency in the results by cross-referencing data from GBoS, the Central Bank, and international organizations. Furthermore, the incorporation of qualitative perspectives from various sources enhances the comprehensive and legitimate understanding of the inflationary difficulties that Gambia faces. The following Figures presented some statistical date on the inflation rate and the exchange rate in Gambia within the last ten year.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	7.36	7.84	7.58	5.61	5.4	5.13	4.82	5.43	5.18	5.58	5.77	5.67
2021	7.57	6.38	7.37	7.26	7.67	8.05	8.17	6.94	7.01	7.34	7.09	7.61
2022	7.81	8.35	8.2	11.69	11.58	11.7	12.33	12.93	13.27	13.23	12.98	13.74
2023	13.14	13.64	14.83	17.37	17.24	17.81	18.36	18.41	18.51	18.05	--	--

Sources: Gambia Bureau of Statistics (GBoS)

Figure 1: Inflation Trends in Gambia (2020-2023)
A Comprehensive Analysis of Monthly Rates

As highlighted in Figure (1), the inflation rate in Gambia in 2020 started at 7.36% in January and generally showed a decreasing trend throughout the year, reaching 5.67% in December. In 2021, there was some fluctuation, with a peak in June at 8.17%, but the rates remained within a moderate range. In 2022, there was a significant increase, especially from March onwards, with rates exceeding 12%, reaching a peak of 13.74% in December. In 2023, the inflation rates continued to rise, surpassing 18% by August. The huge increase in inflation rates, particularly in the years 2022 and 2023, suggests substantial inflationary forces inside the economy.

Concept	Unit	Scale	2017	2018	2019	2020	2021	2022
Domestic Currency per U.S. Dollar, End of Period	**Rate**	**Units**	47.62	49.48	51.10	51.64	52.61	60.81
Domestic Currency per U.S. Dollar, Period Average	**Rate**	**Units**	46.61	48.15	50.06	51.50	51.48	54.92
Nominal Effective Exchange Rate, Trade Partners by Consumer Price Index	**Index**	**Units**	72.08	68.75	69.02	67.69	65.60	67.53
Real Effective Exchange Rate, based on Consumer Price Index	**Index**	**Units**	89.67	88.91	93.41	94.52	94.53	99.35

Source: International Financial Statistics (IFS)

Figure 2: Exchange Rates & Selected Indicators in Gambia

As presented in Figure (2), the domestic currency's value against the U.S. dollar for the end of period in Gambia showed a consistent increase from 47.62 in 2017 to 60.81 in 2022. This upward trend suggests a depreciation of the domestic currency over the period. Similar to the end-of-period rates, the average domestic currency per U.S. dollar also exhibited an increasing trend from 46.61 in 2017 to 54.92 in 2022. This indicates a general weakening of the domestic currency over the years. For the nominal effective exchange rate, considering trade partners and consumer price index, it fluctuated over the years. It decreased from 72.08 in 2017 to 65.60 in 2021 but experienced a slight increase to 67.53 in 2022. This suggests some volatility and a potential impact on trade competitiveness. With reference to the real effective exchange rate, based on the consumer price index, it demonstrated a varying pattern. It ranged from 89.67 in 2017 to 99.35 in 2022. This index reflects not only nominal exchange rate movements but also changes in relative price levels, impacting the competitiveness of the domestic currency.

To summarize, the Exchange rates show a depreciation in the value of the native currency compared to the U.S. dollar, both at the conclusion of the period and on average. The nominal effective exchange rate and real effective exchange rate indicate variations, with a tendency towards an overall decrease in the efficiency of the home currency.

Indicator	Column1	Scale	2017	2018	2019	2020	2021
Central Bank Policy Rate	**Percent per Annum**	**Units**	15.00	13.50	12.50	10.00	10.00
Treasury Bill Rate	**Percent per Annum**	**Units**	10.72	8.94	8.51	8.14	3.40
Savings Rate	**Percent per Annum**	**Units**	8.00	8.00	8.00	7.17	2.81
Deposit Rate	**Percent per Annum**	**Units**	15.78	9.00	8.11	6.84	4.83
Lending Rate	**Percent per Annum**	**Units**	29.00	28.00	28.00	28.00	19.50

Source: International Financial Statistics (IFS)

Figure 3: Interest Rates Selected Indicators

As shown in Figure (3), the Central Bank Policy Rate Gambia experienced a gradual decrease from 15.00% in 2017 to 10.00% in 2020, where it remained stable in 2021. This indicates a monetary policy approach aiming for lower interest rates to stimulate economic activity. Treasury Bill Rate: The Treasury Bill Rate exhibited a declining trend over the years, dropping from 10.72% in 2017 to 3.40% in 2021. This decline suggests a decreasing cost of short-term government borrowing and potentially reflects the broader trend of lower interest rates in the economy. Savings Rate: The Savings Rate declined consistently from 8.00% in 2017 to 2.81% in 2021. This trend indicates a diminishing return for savers over the period, possibly influenced by the overall reduction in interest rates. Deposit Rate: Deposit Rates also showed a decreasing pattern, falling from 15.78% in 2017 to 4.83% in 2021. This suggests a lower return for individuals depositing money in financial institutions, aligning with the general trend of declining interest rates. Lending Rate: Lending Rates demonstrated a notable decrease from 29.00% in 2017 to 19.50% in 2021. This decline may signify efforts to make borrowing more affordable, potentially stimulating economic growth through increased access to credit.

Overall, the analysis indicates a consistent trend of declining interest rates across various indicators. This monetary policy stance aims to encourage borrowing, investment, and economic activity, while potentially impacting returns for savers and depositors.

THE ROOT CAUSE OF INFLATION IN GAMBIA

The Gambian economy has always depended on farming, and peanuts have always been the main export. In recent years, though, the country has added fish, cotton, and services for tourists to its list of exports. Conversely, the Gambia gets most of its consumer goods and capital equipment outside the country. This shows that Gambia heavily relies on imports to meet its domestic needs, which can challenge the country's economy. The government should put more effort into building domestic industries to cut down on importing and help the economy grow or look into Islamic economic perspectives.

The Gambia's economy has grown slowly over the past few years. Between 2016 and 2019, real GDP growth averaged 4.3%. Conversely, inflation has been a chronic issue, with an average rate of 6.2% for the same period. The high inflation rate has put pressure on the country's economy, decreasing purchasing power and affecting the population’s standard of living. The government has implemented measures to control inflation, but their effectiveness still needs to be seen.

The Gambia's reliance on imports, which results in a continuous current account deficit, is one of the primary reasons for inflation. However, demand for foreign money has outstripped supply, leading the local currency to decline. As a result, imported items become more

expensive, causing inflation to rise. This situation can also decrease the country's international competitiveness and negatively impact its economy. Governments often intervene by implementing policies to control the exchange rate and manage inflation.
The International Monetary Fund (IMF) has suggested that The Gambia improve the goods and services it makes and sells in its own country and diversify what it sends abroad. It would, however, make the country less reliant on imports and bring in more foreign exchange, making inflation less likely.

Analysis of Government Policies and their Impact on Inflation.

Government policies can have a considerable impact on a country's inflation. The Gambia’s fiscal, monetary, trade, and investment policies can contribute to inflation. Comprehensive budgetary and economic policies can worsen inflation, such as increased government spending and lowered interest rates. Similarly, trade policies that limit imports or investment policies that attract excessive foreign capital can increase inflation in The Gambia. For example, expansionary fiscal and monetary policies can raise the money supply, resulting in inflation. However, on the other hand, trade laws restricting imports can raise the prices of products and services, adding to inflation. Inflation can harm the economy by diminishing buying power and increasing borrowing costs. Governments must carefully balance their policies to ensure stable and sustainable economic growth. Inflation can also lead to a decrease in foreign investment and a reduction in the competitiveness of exports, which can further harm the economy. According to (Jawo, Amadou & Jebou, Mohammed & Bayo, and Lamin. (2023).n.d.). Changes in the currency’s value and the prices of goods and services cause prices to change a lot. This is a big problem in all countries. The paper examined whether the real effective exchange rate, economic growth, or the amount of money in circulation caused inflation in the Gambia. They advise the Gambian government to exercise caution when issuing additional public debt and the central bank to shift from monetary to inflation targeting to maintain economic growth and price stability. Jallow (2018) looked at what causes inflation in The Gambia and found that government policies like expansionary fiscal and monetary policies and trade restrictions have had a significant effect.

Analysis of Supply-Side Factors Contributing to Inflation

The cost of making goods and quantities of raw materials on hand are two other things that can cause inflation. Inflation can be affected by how much people want to buy something, how the central bank changes interest rates, and the amount of money in circulation. All of these factors can contribute to changes in the overall price level of an economy over time. For example, if labour costs rise, producers may pass those costs on to consumers by raising prices. Similarly, production costs may increase if raw materials become scarce, causing prices for goods and services to rise. For example, if production costs rise, producers may raise prices to maintain profit margins, resulting in inflation. However, if the raw material supply is limited, prices may increase, resulting in inflation. Examining supply-side inflationary factors will aid in identifying the specific factors driving inflation in the Gambia. According to Chowdhury (2016), major supply-side factors driving inflation in The Gambia are low agricultural productivity, high transportation costs, and frequent power outages. Policymakers in The Gambia should improve agricultural productivity, lower transportation costs, and ensure a stable power supply to reduce inflationary pressures. Enacting structural reforms to improve the business environment and increase competition can also help address supply-side constraints.

Analysis of External Factors Contributing to Inflation.

External factors such as global economic trends can affect a country's inflation. For example, if a country heavily relies on imports and the value of its currency decreases relative to other currencies, the cost of imported goods will increase, leading to inflation. Additionally, geopolitical events such as wars or natural disasters can disrupt supply chains and cause shortages, driving up prices and contributing to inflation. For example, if there is a global increase in the price of oil, this can increase production costs in The Gambia, leading to inflation. Similarly, changes in international interest rates can impact the inflow and outflow of foreign investment, impacting inflation. Analysing external factors contributing to inflation will help identify the factors driving inflation in The Gambia. In its annual report and financial statements for 2018, the Central Bank of The Gambia (2019) shows how inflation was affected by the rise in oil prices worldwide and the fall in the value of the Gambian dalasi.

THE IMPACT OF INFLATION ON THE ECONOMY AND THE POPULATION IN GAMBIA

Inflation can have various effects on a country's economy and population. This section analyses the impact of inflation on economic growth and development, income distribution and poverty, social welfare and well-being, businesses, and investments in The Gambia.

Analysis of the Impact of Inflation on Economic Growth and Development

Inflation can harm economic growth and development by reducing consumer purchasing power and eroding the value of savings and investments. Inflation can also cause economic uncertainty and instability, making it difficult for businesses to plan and invest long-term. This can eventually stifle job creation and economic growth. However, this can discourage investment and reduce aggregate demand, causing economic growth to slow. As a result, policymakers must strike a balance between regulating businesses Awit fostering an environment conducive to investment and growth. This is possible if regulations and their potential economic impact are carefully considered. Jallow (2018) discovered that inflation in The Gambia harms economic growth by making people less likely to invest, raising production costs, and making it more challenging to buy things. Similarly, according to Baldeh (2015), inflation in The Gambia harms economic growth by making domestic industries less competitive, discouraging foreign investment, and lowering real wages.

Analysis of the Impact of Inflation on Income Distribution and Poverty.

Inflation can significantly impact how income is distributed and how many people are poor because it causes real wages to fall while the cost of living rises. This can widen the income disparity between the rich and the poor because those with higher incomes can cope with higher living costs better than those with lower incomes, who may struggle to make ends meet. Inflation can also deter investment and savings, worsening economic inequality. However, this affects low-income families, exacerbating poverty and income inequality disproportionately. Inflation can also erode purchasing power, making it more difficult for low-income families to afford necessities like food and shelter. This can lead to a cycle of poverty and economic inequality. Chowdhury (2016) discovered that inflation has a regressive effect on income distribution in The Gambia. It reduces low-income households' purchasing power, increasing poverty and income inequality. According to Baldeh (2015), inflation in The Gambia exacerbates poverty and inequality by lowering workers' real wages, particularly in the informal sector. Inflation also raises the cost of living, making it difficult for low-income families to afford necessities like food, housing, and healthcare. This can lower their standard of living and widen social and economic disparities. In addition, because inflation creates uncertainty and reduces domestic product competitiveness in the global market, it can potentially reduce foreign investment and economic growth. As a result, governments must enact effective policies to maintain price stability and control inflation.

Analysis of the Impact of Inflation on Social Welfare and Well-Being

Inflation can also impact a country's population's social welfare and well-being. When inflation rates are high, the prices of goods and services people require can rise, reducing their well-being and welfare. The cost of necessities has increased in The Gambia in a way that has never been seen before. However, those with low incomes will find this tough week after week because there is no indication that prices are declining for goods and services in the Gambia. In the Gambia, 48.5% of people make less than $1 daily (GBoS). Though, the inflation rate in Gambia gauges an overall increase or decrease in what consumers pay for a typical basket of goods. The Gambia's inflation rate increased from 7.01 per cent in September to 7.34 per cent in October 2021. According to the Gambia Bureau of Statistics, interest rates rose to 10% in October 2021, while food inflation increased to 8.80%. (GBoS). At a press conference on September 8, 2021, Central Bank Governor Buah Saidy stated that the primary causes of food inflation were rice, vegetables, oils and fats, sugar, jam, honey, sweets, and other food items. He further explained that the rise in food prices was due to a combination of factors, including global supply chain disruptions, increased transportation costs, and the impact of climate change on agricultural production. This is a struggle for the majority of the population. In addition, he noted that the rate of consumer price inflation for food and non-alcoholic beverages increased from 5.2% to 11.5% during the review period from the previous year. The World Bank also stated that while food price increases, which jeopardise household food security, started to drive headline inflation in January 2021, they gradually slowed to 6.9% y/y in August 2021.

According to Jallow (2018), high inflation rates in The Gambia have harmed the country's social welfare and well-being. According to the study, high inflation rates have caused the prices of essential goods and services to rise, negatively impacting the population's health and happiness. The study also suggests that the government implement policies to control inflation and stabilise the economy to improve citizens' living conditions. It is also recommended that steps be taken to improve vulnerable populations' access to essential goods and services.

Analysis of the Impact of Inflation on Businesses and Investments

Inflation can have an impact on businesses and investments as well. Inflationary pressures can increase production costs, reducing business profit margins. Also, inflation can lower the amount of money an investor can buy with their returns, making it harder for them to reach their investment goals. As a result, businesses and investors must consider inflation when making financial decisions. High inflation rates can also make investments less appealing, leading to less money coming into a country from other countries. This can slow down the economy and make it harder to find jobs, which can lower the standard of living in the country. As a result, governments must implement policies that can help control inflation and keep the economy stable. Reviewing how inflation has affected The Gambia's businesses and investments will help determine how much inflation has hurt the country's businesses and assets. Sallah (2017) states that The Gambia's high inflation rates have harmed businesses and investments. According to the research, high inflation rates have caused production costs to go up, profit margins for firms to go down, and the country to become less attractive as a place to invest.

ISLAMIC APPROACHES TO RESOLVING INFLATION IN THE GAMBIA.

Islamic strategies for combating inflation from Islamic economics and finance can be beneficial to Gambia. The following are some important Islamic strategies to consider:

Review of Islamic Principles and Values Relevant to Resolving Inflation.

Islamic economics is founded on justice, equality, and balanced economic growth. Islam underlines the need to uphold social justice and fairness in commercial dealings. This principle is mirrored in the notion of zakat, which mandates Muslims to give a percentage of their wealth to those in need. Furthermore, Islamic finance forbids interest-bearing transactions and promotes investment in ethical and socially responsible enterprises. Money is regarded as a medium of trade rather than a commodity in Islamic economics, and its value should be stable and fair. Furthermore, Islamic economics urges individuals to contribute to the well-being of their community through charitable giving and assistance to those in need. It also forbids practices like usury and gambling, which can contribute to economic insecurity and injustice. Inflation, a significant economic issue, is prohibited in Islam because it breaches the ideals of fairness and justice in financial transactions. Islam encourages ethical and responsible economic activity that helps the entire society rather than just a few individuals or organisations. As a result, it promotes using Islamic social financial mechanisms such as zakat and sadaqah to aid in redistributing wealth and alleviating poverty. Furthermore, Islam encourages individual responsibility, and people are supposed to avoid acts that could lead to economic instability, such as inflation. "Do not cause harm and do not bring back harm," advised Prophet Muhammad (PBUH) (Sunan Ibn Majah), referring to avoiding behaviours that harm others, such as financial instability caused by inflation. This philosophy is reflected in Islamic finance, which forbids interest-based transactions while encouraging risk-sharing and ethical investing. Muslims hope to construct a balanced and stable economic system that serves society by sticking to these values.

Analysis of Islamic Social Finance and their Potential Application to Gambia

Islamic economics offers alternative economic models based on justice, fairness, and balance principles. Some Islamic economic models that can resolve inflation in e Gambia include zakat, sadaqah, and waqf. Zakat is a mandatory charitable contribution of 2.5% of an individual's wealth, distributed among the poor and needy. Zakat can be used to mitigate the adverse effects of inflation on the poor and vulnerable in Gambia.

Sadaqah, on the other hand, is a voluntary charitable contribution which can be used to support various social and economic development projects in Gambia. Sadaqah can be used to fund projects that can stimulate economic growth and development, which can reduce inflation in the long run.

Waqf is a charitable endowment used to support social and economic projects. In Gambia, waqf can support education and healthcare projects, improving the country's human capital and reducing inflation.

Proposal of an Islamic Framework to Resolving Inflation in Gambia

The strategy suggests utilizing the Islamic social finance such as zakat, sadaqah, and waqf as Islamic financial tools to address inflation in Gambia. The government of Gambia must make the collection of zakat mandatory for all eligible Muslims on their businesses to pay zakat instead of paying taxes to stop inflation. The government can also collaborate with Islamic scholars and organisations to inform people how zakat, sadaqah, and waqf can help stabilise the economy and lower inflation. The government may also establish a fund to collect zakat and distribute it to needy people. This strategy can support social cohesion and religious harmony while assisting in reducing poverty and income inequality. To prevent misuse or corruption, ensuring transparency and accountability in collecting and distributing these funds is crucial. To aid in Gambia's social and economic development, the government may also set up a sadaqah fund. Through programmes that mobilise resources from the public and private sectors to support sustainable development in Gambia and give individuals and organisations opportunities to contribute to the growth and prosperity of the nation, the government can also encourage the establishment of waqf. Furthermore, enabling the establishment of waqf can ensure that charitable donations are used effectively and efficiently while fostering social cohesion and local development. To fund initiatives in Gambia's healthcare and education sectors, the government may also establish a waqf fund.

Evaluation of the Feasibility and Effectiveness of the Proposed Islamic Approach

The proposed Islamic approach to resolving inflation in The Gambia is feasible and effective. Zakat, sadaqah, and waqf are established Islamic practices successfully implemented in many Islamic countries to support social and economic development. Implementing zakat, sadaqah, and waqf can mitigate the harmful effects of inflation on the poor and vulnerable in Gambia and stimulate economic growth and development, reducing inflation in the long run. However, the success of the proposed Islamic approach depends on the government's commitment and the public's cooperation.

CONCLUSION AND RECOMMENDATIONS

In conclusion, this study aimed to look at what causes inflation in Gambia and suggest an Islamic solution to the problem. The study found that Gambia's inflation is affected by historical, government, supply-side, and external factors. Based on Islamic economic theories and models, the study suggested an Islamic way to deal with inflation in Gambia. This involves promoting a fairer distribution of wealth and income through programs like zakat sadaqah, waqf. The study also discussed how inflation hurts the economy, people's lives, businesses, and investments. The suggested strategy also promotes social welfare initiatives and supports the operation of Islamic banks in Gambia. The study makes recommendations that policymakers and other influential individuals in Gambia consider. The Gambia government should concentrate on enacting laws that support social welfare and economic growth while addressing the causes of inflation. Since Islamic banks in Gambia provide an alternative to traditional banks that rely on interest-based transactions, the government should also consider improving their operations. The study advises further investigation and analysis to determine the viability of the proposed Islamic strategy for reducing inflation in Gambia. The results and suggestions of this study offer important insights into the underlying causes of inflation in Gambia and propose a novel strategy to address this problem based on Islamic economic principles and models. In addition, it may involve conducting pilot projects to test the efficacy of zakat sadaqah, and waqf models in addressing inflation and evaluating the potential impact of Islamic banking on the financial system of Gambia. Policymakers and stakeholders in The Gambia can work to create a more secure and prosperous economic environment for the country's citizens by putting the suggested recommendations into practice.

REFERENCES

Atikah, N, Syafi'i, A., Rohimi, U. E., & Rani, P. (2023) Islamic Economic Position as a Breakfast to reducing Inflation. *Jurnal Multidisiplin Madani*, *3*(1), 48-54

Cham, T. (2017). Inflation Dynamics in The Gambia. IRTI Working Paper No. WP/2017/08. Islamic Research and Training Institute.

Jawo, Amadou & Jebou, Mohammed & Bayo, Lamin. (2023). The Relationship Between Inflation, Exchange Rate, Money Supply and Economic Growth in the Gambia. *Technium Social Sciences Journal. 40*. 213-222.

Ahmed, H. (2002). Financing microenterprises: An analytical study of Islamic microfinance institutions. Islamic Research and Training Institute.

Baldeh, B. (2015). Inflation in The Gambia: Causes, consequences, and remedies. *Journal of Business and Economic Policy*, *2*(2), 47–53.

Central Bank of The Gambia. (2019). *Annual report and financial statements 2018*. Banjul, The Gambia: Central Bank of The Gambia.

Chowdhury, A. R. (2016). Inflation dynamics in Gambia. *International Journal of Economics, Commerce and Management*, *4*(5), 83–95.

International Monetary Fund. (2020). The Gambia: 2020 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for The Gambia. https://www.imf.org/en/Publications/CR/Issues/2020/12/22/The-Gambia-2020-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-50089

Jallow, I. (2018). Determinants of inflation in The Gambia. *Journal of Economics and Sustainable Development*, *9*(10), 33–42.

Khan, M. F., & Mirakhor, A. (1987). Theoretical studies in Islamic banking and finance. *International Association of Islamic Banks.*

Khan, M. A. (2005). *What Is Wrong with Islamic Economics? Analysing the Present State and Future Agenda*. Edward Elgar Publishing.

Mabid, A. S., & Bashar, O. (2016). The impact of oil price fluctuations on inflation in Saudi Arabia. *Journal of King Abdulaziz University: Islamic Economics*, *29*(1), 19–36.

Sallah, I. (2017). Inflation, economic growth and development in The Gambia. *African Journal of Economic and Sustainable.*

Siddiqi, M. N. (1983). The Islamic approach to economic development. *The Pakistan Development Review*, *22*(4), 365–389.

Siddiqi, M. N. (1994). Role of the state in the economy: An Islamic perspective. *Islamic Economic Studies*, *2*(2), 1-22

World Bank. (2020). The Gambia. https://www.worldbank.org/en/country/gambia/overview

GBoS - Disseminating Impartial, Timely and Accurate Statistics Data. (n.d.). GBoS - Disseminating Impartial, Timely and Accurate Statistics Data. Retrieved March 29, 2023, from https://www.gbosdata.org/

https://www.worlddata.info/africa/gambia/inflation-rates.php#:~:text=The%20inflation%20rate%20for%20consumer,rate%20was%208.2%25%20per%20year. (n.d.).

Sinha, P., Gupta, S., & Randev, N. (2010). Modeling & Forecasting of Macro-Economic Variables of India: Before, During & After Recession.