

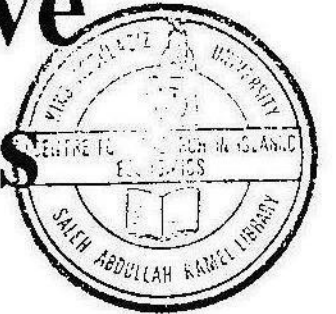
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ISLAMIC DISTRIBUTIVE SCHEME: A CONCISE STATEMENT*

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1. Introduction

The main purpose of this paper is to highlight institutional arrangement of Islam for distributive justice. The paper begins with a note that while Islam gives absolute guiding principles about production and functional distribution, its focus of attention is redistribution of income and wealth. The paper also attempts to provide a comprehensive list of provisions in this regard, prescribed by Islam and the main objectives thereof. It concludes with a note that since the primary concern of the Indian planners and policy makers is to build a humane prosperous country based on justice and equity, they may benefit from the Islamic measures of distributive justice and can follow the broad outline given by Islam to enhance the social justice.

2. The Present Scenario

The recent move, on the part of Indian planners and policy makers, towards privatization, globalization and increasing liberalization has raised many questions regarding India's future picture. In a country where 50% of the population is still living below poverty line, income

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gap is unbelievably wide and maldistribution is a striking phenomenon, every concerned citizen looks at these steps with great anxiety. The big question that haunts them is what would be the repercussion of these policies on elimination of poverty, distributional equity and social justice. Disappointed with the fall of socialist system of Soviet Russia, they want to make a desperate U-turn to capitalism—a system whose devastating effects are not a secret. There is also a persistent call to make new experiments. Let us see what guidance the Islamic economic system can provide in this regard.

3. Personal Distribution: The Main Concern Of Islamic Economics

Production and distribution being the main economic problems in every society, the economists have differed which one is the most important¹. In Islamic framework, the prime concern is the redistribution of income and wealth. Regarding production, Islam gives some guiding principles, such as efficient and economical use of resources, avoidance of wastage, the quality of production, prohibition of harmful products, minimization of luxuries and maximization of necessities and comforts. Selections of techniques and modes of production are left to man's creative and acquisitive instinct.

Similarly, the functional distribution is also left to the mutual agreement of the producing agents with the emphasis on justice, fairplay and honesty in deciding the remunerations, and prohibition of exploitation and deception and overburdening the employees.

As compared to production and functional distribution, Islam's focus of attention is personal distribution or the redistributive aspect of our economy. In this respect it does not confine itself to merely laying down the guiding principles but gives detailed teachings and prescribes a number of measures. The matter of redistribution is not, in its entirety, left to people's own decision. In several cases specific provisions have been prescribed.

4. Nature Of Islamic Distributive Scheme

It should be noted at the outset that Islam does not consider market mechanism as sacrosanct, although it encourages it in general. Whenever

market fails to achieve the objectives cherished by Islam, the state shall use corrective measures. Islamic distributive scheme follows an institutional approach. A number of institutional arrangements have been made to correct market tendency of increasing inequalities in distribution of income and wealth.

Islamic distributive scheme is characterized by certainty and flexibility. In its institutional approach, on the one hand, there are some compulsory measures which ensure permanent process of redistribution in the economy. On the other hand, there are a host of voluntary measures to supplement the compulsory ones. In addition to them, there are certain provisions that check the avenues which add to inequalities and maldistribution of income and wealth. They may be called as preventive measures. Following is an introduction of each set of these measures.

A. Compulsory Measures

1. Zakah:

Zakah is at the forefront of the compulsory measures of redistribution in Islam. The Prophet (PBUH) said that it should be collected from the rich and reimbursed on their poors², which is the essence of redistribution. The basis of *Zakah* is fellow-feeling. This is the reason that the principle in disbursement of *Zakah* is to spend it from where it has been realized on the have-nots of the city, unless there is crying need to shift it to other places. *Zakah* is on four types of assets, on treasure trove (*rikaz*); on crops, i.e., tithes *ushr* or half of the tithes (*nisf al ushr*); on animals like camels, cows, sheep, etc.; on merchandise and on two precious metals, gold and silver. *Zakah* being a religious cum financial duty—one of the pillars of Islam, its collection and the distribution become easy and less expensive.

Beneficiaries of *Zakah* have been explicitly named in the Qur'an³. They are eight heads, namely, the poor, the needy, those who are employed in collection and management of *Zakah*, those whose hearts are to be reconciled, to free the captives, the debtors, for the cause of Allah and for the wayfarers. *Zakah* is in fact a collection of measures and not a single measure, as its beneficiaries have different economic characteristics.

2. Sadaqat al Fitr:

It is obligatory on every Muslim, male or female, minor or major. Every individual has to pay it for himself and for his dependents if he has more than subsistence for himself and his dependents on the night of *Eid al fitr*. As against *Zakah*, there is no prescribed minimum exemption limit (*nisab*) for *sadaqat al fitr*. Thus, *sadaqat al fitr* is obligatory on even those who may themselves be legally reckoned as poor but they pay to those who are poorer. In this way it is directed towards the poorest of the poor.

3. Obligation of Sacrifice:

At the festival of sacrifice (*Eid al Adha*), Well-to-do Muslims are required to offer animal sacrifice, a part of which should be distributed among the poor and hungry. Skins of the sacrificed animals are also used for their welfare. This festival, on the one hand provides good occasion for cattle growers to obtain attractive prices for their animals. On the other hand, it supplies with the favourite diet to almost all poor people for few days, who otherwise could never afford it.

4. Tax or Additional Demand for Finance:

Since *zakah* is on a few kinds of assets and it has specific beneficiaries, there is provision for imposing additional taxes as the Prophet (PBUH) declared, "Verily there is a claim on one's property other than *zakah*"⁴. The purpose of such a levy will be both financing the government activities and achieving distributive justice.

5. Ushr or Custom Duties:

It was adopted during the caliphate of Umar in retaliation of foreign countries charging the duty from Muslim traders while crossing the border⁵.

6. Kaffarat or Financial Penalties on Certain Offences:

For example, one who breaks the fast of Ramadhan has to provide food

for sixty poor persons.

7. *System of Inheritance:*

The inheritance system in Islam gives rise to a number of heirs which leads to the redistribution of the total wealth of the deceased. According to the strict Qur'anic injunction⁶, all assets of the deceased—be it little or big—have to be distributed among his legitimate heirs after paying his debts and fulfilling his bequest (*Wasiyah*) if he has made any, valid upto one third of his property⁷. It is generally argued that "The dispersion of wealth through inheritance of agricultural land may give rise to small agricultural holdings widely scattered which may hinder efficient utilization". It appears here that the aim of efficient production clashes with the objective of an equitable distribution.

The above observation may not be very sound as the system of inheritance splits wealth in the sense of splitting the rights of ownership. Therefore, it will not necessarily lead to disintegrated units unless we assume:

(a) Prohibition of sale between the heirs or others or;

(b) Absence of any consolidation scheme which enables the consolidation of small holdings for management and investment, in spite of splitting up of ownership. It is to be observed that partnerships, in all their forms, are one of the ways of consolidation⁸.

The Islamic system permits sale and opens a wide door for partnerships. At the same time there are in it specific provisions which assist in the consolidation of ownership such as the right of pre-emption (*Haqq-al-shuf'ah*) between adjacent properties⁹.

8. *Obligatory Expenditure By Relatives (al Nafaqat al Wajibah):*

It is obligatory in Islamic system that each wealthy person has to provide sufficient (customary) maintenance for his poor relative, who is unable to maintain himself. The preferable view is that the financial support of an

indigent person devolves on those who would inherit him in case he died leaving some property, and that this responsibility is to be shared in the same proportion in which that inheritance would be shared. This is in accordance with the principle "Liability is linked to gain"¹⁰.

9. *Right to Demand Minimum Standard of Living:*

It is an established principle in *Shariah* that the basic needs of every human being must be fulfilled. The individual himself, his near relatives, the neighbourhood, and the society must all recognize and fulfil their responsibilities in this regard. But the ultimate responsibility of implementing this principle in practice rests with the Islamic state¹¹.

10. *Right to Acquire the Necessities of Life:*

Islam does not let a person die of hunger, thirst or other necessities while others have a lot of means to satisfy these dire needs. A person faced with such situation is permitted to take forcibly from 'haves' that which would sustain him. The one who denies him such necessities, while having surplus with him will be held responsible for his death in case he dies¹².

11. *Ghanimah:*

This refers to movable possessions taken in battle from the enemy. Four-fifth of it are to be divided among the troops; for remainder, the Qur'an prescribes:

"—The remaining fifth belongs to Allah, and to the Messenger, and to the kinsman (who has need) and orphans and the needy and the wayfare"¹³.

12. *Fai':*

As distinct from *Ghanimah*, *fai'* refers to booty surrendered by the enemy at war without fighting¹⁴. Unlike *ghanimah* and *zakah* revenues which are earmarked for specific categories of people, the benefit of *fai'* extends to the entire population and even to future generations. Under the

fai' category are put all miscellaneous incomes such as unclaimed property, heirless assets, deposits, debts or usurped property whose actual owner is not known and which, therefore, cannot be returned, etc., and they are spent on general welfare¹⁵.

13. Coercive Sale at the Price:

In normal condition a seller is allowed to sell at whatever price he likes. But he may be forced to sell his goods at the just price to safeguard the interests of others, if without coercion he would not fulfil his obligations¹⁶.

B. Voluntary Measures

1. Recommended or Voluntary Charity (*al Sadaqat al Nafilah*):

A Muslim is always advised to spend his money voluntarily for the help of others¹⁷. No minimum exemption limit, rate or time is prescribed for it. *Al Nafaqt al Ghair al Wajibah* (non-obligatory expenditures) for which the state or its agencies cannot force someone are the examples of recommended charity. For instance, non obligatory expenditure for the support of distant relatives or donations to welfare organisations, etc.

2. Gift (*Hibah or Hadiyah*):

A gift made for individuals or for some public purposes also serves redistribution of income and wealth¹⁸. *Al Imra* (life long gift) and *al Ruqba* (a gift in waiting) are two special forms of provisions for gifts¹⁹.

3. Grant System (*Nizam al Ataya*):

Grant made by the government to its citizens is a form of transfer payment which the guided caliphs of Islam established and practised. The grant that takes the form of land or mines is called *al Iqta* (fief). It was initiated by the Prophet (PBUH) himself²⁰.

4. Bequest (*al wasiyah*):

It is generally in favour of those relatives who are getting a share in the

legacy or in favour of some public purposes. Fulfilment of a will becomes obligatory on the survivors and it gets priority over the legal inheritors²¹, provided that it is upto one-third of the inheritance.

5. Lending (*al' Ariyah or al Qard*):

Al' ariyah is to lend something for a certain period to enjoy its benefits. The Qur'an condemns so called worshippers who just deny someone to lend even small services (*al ma'um*)²² *Almanihah* is also a form of *ariyah*. For example, a man gives someone a she-camel or a goat, so that he benefits from its milk and wool for a period then returns it²³.

Lending money, in accordance with the Islamic system, must be without any material gain (termed as *qard hasan*) as charging interest is strictly prohibited in Islam.

6. Vow to Allah (*Nadhr*):

The vow must be vow of spiritual services which also includes services to humanity. It has been reported that the vow from a person does not change the decision of Allah, but in this way Allah takes out a person's miserliness²⁴.

7. Endowment or Dedication (*Waqf*):

It may be defined as taking the corpus of any property from personal ownership, transferring it permanently to the ownership of Allah and dedicating its usufruct to others. Permanence and irrevocability are two essential characterization *al awqaf*²⁵.

8. Expenditure of the Surplus (*infaq al' afwa*):

The most idealistic condition regarding expenditure for the sake of Allah is to spend the whole surplus (*al' afwa*) amount. At the inquiry of Believers, what should they spend, the Qur'an said, '*al' afwa*'²⁶. This *afwa* is defined as whatever extra amount a person has over and above his need²⁷.

9. *Benevolence and Sacrifice:*

Islam praises those Muslims who prefer others over their own needs. "And (those who) prefer (the fugitives) over themselves though poverty becomes their lot..."²⁸. The fasting month of *Ramadhan* is for such training. It is reported that the Prophet (PBUH) was the most benevolent of all people and the highest benevolence he used to show was in *Ramadhan*²⁹. The Islamic teachings of sacrifice, benevolence, fellow feeling, love for all living creatures etc., encourage a Muslim to voluntarily look after the needs of others.

C. *Preventive Measures*

1. *Prohibition of Riba:*

There is an absolute, categorical prohibition of interest in the Qur'an and it condemns those who take *al riba* (interest) and warns offenders of the doom of Fire³⁰. There is no distinction in Islam between interest on loan for production purposes and loan for consumption purposes; both are equally prohibited. Because charging interest is in favour of lending class at the cost of poor. The Islamic alternative of investment based interest is partnership or *qirad* in which investor is entitled to a return which is determined as share in the actual outcome of the enterprise, be it profit or loss.

2. *Prohibition of Hoarding:*

Hoarding is one of the immoral practices which is used by traders and even by consumers of the vast resources to exploit people's need and to create artificial shortage. The Prophet (PBUH), said, "The hoarder is a wrongdoer".³¹

3. *Prohibition of Monopoly:*

Islamic principle of freedom and equal opportunity for all demands that a monopolist should not be left to limit the freedom of others and close the doors of opportunities upon others. The state has to interfere wherever such situation occurs. Allama Ibn Taimiyah observed, "A monopoly hold should not be left wholly free to exercise his power, otherwise he will set a price

in his own favour, threatening injustice to people".³²

4. *Prohibition of Private 'Hima':*

Al Himah: means preserve or enclosure through which people are kept away from a land usable by all for such benefits as herbage, water, hunting, etc. Private preserves have been prohibited by the Prophet (PBUH) As he said, "there is no enclosure except for Allah and his messenger".³³

5. *Prohibition of Games of Chance and Lotteries:*

The Qur'an prohibits games of chance³⁴ as they result in an uncertain distribution of wealth. They also cause hatred, enmity and disputes.

6. *Bribery and Kickback:*

Offering something to officials to influence the judgement unduly or corrupt the conduct is also prohibited in Islam. The Qur'an says "And eat not of your property among yourselves in vanity, nor seek by it to gain the hearing of the judges that you may knowingly devour a portion of the property of others wrongfully".³⁵ The Prophet (PBUH) cursed both who offered bribe and one who accepted it in the matter of government.³⁶

7. *Prohibition of Stealing Property and Embezzlement of Funds:*

Islam prohibits appropriation of income and wealth by immoral ways, some of them mentioned above. One such practice may be by means of stealing property and embezzlement of funds owned by the public or private institutions or individuals. The Qur'an says, "...and whoever defrauds shall bring with him the fruit of his fraud on the day of Resurrection when every human being shall be paid on full what he has earned and shall not be wronged"³⁷

8. *Curb on Demonstration Effect.:*

Islam encourages man on adoption of the quality of being content. At the same time curbs his greed and having the demonstration effect. The Qur'an condemns those whose mouth was watered by seeing *Korah (Qur'an)* in his extreme pomp of show.³⁸ It also censures those who not only

demonstrate miserliness themselves but ask others also to do the same.³⁹

D. Some Other Institutions With Indirect Effects On Distribution

Apart from the above mentioned different distributive measures—compulsory, voluntary and preventive—there are a number of other institutions in Islam that help in redistribution of income and wealth. For example, permission of having more than one wife, provided that the husband can afford it and shall treat all wives equally and justly, will have the same effect as inheritance has. In the same way advising Muslims to prefer a religious bride even she is poor over a rich one has also distributive effect. Islam grants decentralizing effect on income and wealth as against the system of joint family in some religions and no separate identity of a wife from the husband which increases concentration of wealth.

Some other provisions such as prohibition of extravagance or destruction of property, ban on misuse of wealth due to imbecility are also aimed at preservation of resources and prevention of disequilibrium in distribution of wealth. Moreover, increasing emphasis on the right of neighbours, providing free passage of water through one's land, permitting a neighbour to use outside wall of his neighbour without inflicting harms to the owner, right to demand hospitality upto three days for a stranger, etc., also contribute to redistribution. In brief, Islam has a multiplicity of redistributive measures, a comprehensive list of which we have tried to present in the foregoing sections. Some of these measures taken alone may appear to be insignificant but their combined effect can hardly be neglected.

5. Objective of The Islamic Distributive Scheme

Although Islam allows private property and individual ownership of productive agents, it disapproves concentration of wealth in few hands, increasing gap between the rich and the poor, and deprivation of any section of the society from fulfilment of its basic needs. The core of Islamic distributive policy, as the Qur'an has laid down, is that "It (the income and wealth) should not circulate only between the wealthy among you."⁴⁰ The aims and objectives of distributional measures discussed above can be

enumerated as below:

- a) to eliminate poverty and bridge the gap between the rich and the poor,
- b) to improve distribution and reduce disparity,
- c) to ensure the fulfilment of basic needs,
- d) to create an atmosphere of love, cooperation, goodwill and fellow-feeling,
- e) to generate positive effect in the innerself of the donor or *tazkiyat al nufus*,
- f) to achieve efficiency by transferring the surplus resources to those who lack capital,
- g) to have a society grateful to Allah's bounties, enjoying real welfare and prosperity.

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17. See the following verses of the Qur'an: The Qur'an, 2: 270, 272-273, 274; 3:92; 57:10; 63:10; 64:16; etc.
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