

# SHARING PROSPERITY: Distributive Justice Framework in An Islamic Moral Economy

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**Abstract:** The issue of distribution in an Islamic economy is not about the allocation of resources/output per se. It is about a 'just' allocation of resources/output. This article attempts to elaborate Islamic concept of distribution by exploring the goals of distribution in Islamic economics and mechanisms to achieve distributive justice goals. The focus of discussion is about how to realize 'distributive justice' in an Islamic moral economic framework by considering all dimensions: right and responsibility, effort and surplus of individual and public interest. In that spirit, the policy for distributive justice in an Islamic moral economy aims to achieve certain objectives, namely (1) fulfilment of basic needs, (2) establishing socio-economic justice and (3) economic empowerment. To achieve those objectives, Islam uses both moral exhortation to encourage voluntary action and rules/legal measures to ensure distribution/allocation of wealth in society. The distribution scheme in an Islamic economy would attempt to eliminate poverty and deprivation so that the basic needs of all are duly fulfilled. In practice, Islamic economics distribution system is done through (1) the establishment of initial conditions in distribution as the basis upon which operational distribution should be taken place during production and after production; (2) distribution through factor payment; and (3) distribution through transfer payment in the form of compulsory transfers, voluntary transfers and transfer through state.

**Keywords:** distribution; Islamic economics; goals; mechanism; framework.

**Abstrak:** Permasalahan distribusi dalam ekonomi Islam bukan hanya tentang alokasi sumber daya / output, namun lebih tentang alokasi sumber daya secara 'adil'. Artikel ini mencoba menguraikan konsep distribusi Islam dengan mengeksplorasi tujuan distribusi dalam ekonomi Islam dan mekanisme untuk mencapai tujuan keadilan distributif. Fokus kajiannya adalah bagaimana mewujudkan 'keadilan distributif' dengan mempertimbangkan semua dimensi seperti hak dan tanggung jawab, upaya dan surplus kekayaan individu dan publik. Kebijakan keadilan distributif dalam ekonomi Islam bertujuan untuk mencapai: (1) pemenuhan kebutuhan dasar, (2) membangun keadilan sosial-ekonomi dan (3) pemberdayaan ekonomi. Untuk mencapai tujuan-tujuan tersebut, Islam menggunakan nasihat moral untuk mendorong tindakan sukarela dan juga aturan/tindakan hukum untuk memastikan distribusi/alokasi kekayaan dalam masyarakat. Skema distribusi dalam ekonomi Islam ditujukan untuk menghilangkan kemiskinan dan ketimpangan sehingga kebutuhan dasar semua terpenuhi. Dalam praktiknya, sistem distribusi ekonomi Islam dilakukan melalui (1) penetapan kondisi awal dalam distribusi sebagai dasar di mana distribusi operasional harus dilakukan selama produksi dan setelah produksi; (2) distribusi melalui pembayaran faktor; dan (3) distribusi melalui pembayaran transfer dalam bentuk transfer wajib, transfer sukarela dan transfer melalui negara.

**Kata kunci:** distribusi; Tujuan ekonomi Islam; mekanisme; kerangka kerja.

## Introduction

The problem of distribution in modern economics is considered as an extension of the problem of production. Distribution is about distributing the output of production. In this

regard, the issue of distribution has to deal with the questions: for whom shall we produce? How is the output of production distributed among different factor of production? And at a macro level, the concern is how the national product

going to be distributed to the society? Distribution in this regard is the last stage of production in which goods or services reach final consumers.<sup>1</sup>

In a later discussion, however, the problem of distribution has been extended from a mere asking of production's output distribution, into a more substantive issue to include the problem of justice and equality in society. Hence, the question of how can distributive justice be realized in society? What consist of distributive justice? How can inequality in society be solved? And how to improve the capacity of the poor and the disadvantaged in society to be self-sufficient? Also become the concern in the discussion of distribution.<sup>2</sup>

Islamic economy, being claimed as a moral economy, is very concerned on those issues. This perspective embarks from the very foundation of Islam that aspires to establish a just and equitable society whereby individuals' right over personal wealth is acknowledged but public right to personal wealth is also recognized. Wealth concentration in certain hands in the society is not welcomed. Instead, wealth should be freely and justly circulated in the society at large.<sup>3</sup>

Therefore, Islam has aspired certain goals to be achieved as well as certain framework to realize the socio-distributive justice in society.<sup>4</sup> This paper aims at elaborating the issue by discussing the goals of distribution and mechanisms of distribution in an Islamic economy.

## Goals of Distributive Justice in Islamic Economy

Distribution is one the fundamental problems to be solved in Islamic economic system. Islam aspires to establish a just and equitable society whereby individuals' right over personal wealth

and public right to personal wealth is well recognized. There should be no concentration of wealth in certain hands in the society. Wealth, instead, should be freely and justly circulated in the society at large.

This spirit of distributive justice is summed up in the statement "so that wealth is not circulated among the rich of you only [it should go to the whole segment of society]" (al-Hashr [59]: 7). The word *dūlah* becomes key-terminologies in Islamic distribution which means circulation of wealth, welfare, and income among society. Its opposite meaning is concentration, block or prevention of wealth, welfare and income in certain hands.

As An ethical economy, Islamic economic system aspires to establish distributive justice in society in a balance perspective of recognizing both individual and public interest. Specifically, Islamic economic system aims to achieve the following objectives in distribution, namely (1) fulfilment of basic needs, (2) establishing socio-economic justice and (3) economic empowerment.

### (1) Fulfilment of Basic Needs

Fulfilment of basic needs of individuals is one of the objectives in Islamic economic distributive system. Everybody should get his basic needs fulfilled. It is each individual's responsibility to strive for the fulfilment of his basic needs. Society or state is not responsible to fulfil one's basic needs.<sup>5</sup>

Only, in case an individual is unable to fulfil his basic needs, the responsibility goes to society or the state. This means, the fulfilment of basic needs in Islamic system is not intended that every citizen in a state should depend for handouts in their livings. Instead, it means that the individuals, who are unable to fulfil their needs due to some reasons, will be guaranteed their basic need fulfilment.

In other word, the fulfilment basic needs through society's or state's assistance is targeted to those who are unable to meet their basic

<sup>1</sup> Hilde Bojer, *Distributional Justice: Theory and Measurement*, (London: Routledge, 2003), p. 2

<sup>2</sup> Robert Nozick, "Philosophy and Public Affairs", *Autumn*, Vol. 3, No. 1. 1973, pp. 45-126. See also. John E Roemer, *Theories of Distributive Justice*, (London: Harvard University Press, 1996).

<sup>3</sup> Hafas Furqani, *Theory of Distributive Justice in Islamic Perspective: A Conceptual Exploration*, In Ali Salman and Husnul Amin (Eds.), *Building an Islamic Case for Open Markets: History, Theory and Practice*, 2019, pp.187-216.

<sup>4</sup> M. A. Mannan, *Economic Development and Social Peace in Islam*. (London: Ta Ha Publishers Ltd, 1990).

<sup>5</sup> Munawar Iqbal, *Distributive justice and need fulfillment in an Islamic economy*, (UK: The Islamic Foundation, 1988), pp. 163-216

needs, either due to permanently incapacitated to meet their basic needs, such as disabled, the sick, the elderly and the minor citizens who have no relatives to depend on; or temporarily unable to fulfil their basic needs such as those with insufficient income (*faqîr* and *miskîn*), those who are involuntarily unemployed, those who are sick, and etc. The state might give continuous support to the first category and might guarantee the basic needs of the second category until they are able to strive individually for their livelihood.

In this perspective, fulfilment of basic needs is both individual and collective responsibility. It is a collective responsibility to look after the satisfaction of the basic needs of each individual such as the above category. In an Islamic economic system none should remain deprived of the basic necessities of life.<sup>6</sup>

The well-defined structure of mechanism to the fulfilment of basic needs implies the inescapable of society's and state's role to ensure the satisfaction of the basic needs of each individual. The assurance of the fulfilment of the basic needs of all also implies that Islamic economic system aims at complete eradication of 'absolute poverty' whereby nobody should be deprived because of the non-fulfilment of basic needs.<sup>7</sup>

## (2) Socio-Economic Justice

Distribution in Islam also aims at establishing a socio-economic justice. Justice in this regard does not mean to have equality in society in a strict sense. Instead, justice in an Islamic economy, would cover three dimensions as follows:

- **Smooth Circulation of Resources.** While human being, in general, have an equal right to acquire their sustenance from God-given resources and equal opportunity to gain the sustenance through their own efforts, Islam dislikes that those wealth/resources, being given by Allah to certain hands in society, are kept with them only. Therefore, Islam does not approve of people amassing their surplus wealth. The earned wealth should be

spent in satisfying individual needs, investing in business or lending to others to help them satisfy their needs, and share it with others in the form of zakat and other forms of charity to keep the capital in circulation.<sup>8</sup>

- **Fairness interpersonal income and wealth.** Islam is not against 'income differentials which are generated in the course of honest pursuit of various types of permissible economic activities. In fact, the Quran mentions the existence of certain income differentials as part of God's scheme of things (al-Zukhruf [43]: 32). However, Islam emphasizes on fairness in interpersonal income and wealth and strongly disapproves inequalities of income which arise from injustice actions such as exploitative practices or unjustified enrichment (al-Tawbah [9]: 34; al-Takâthur [102]: 1-3; al-Humazah [104]: 1-4). In addition, to ensure fairness allocation of wealth in society, Islam also set up mechanism of wealth sharing out of personal wealth to society.<sup>9</sup>
- **Elimination of Social Inequality.** This does not mean to have an equal distribution of income and wealth in society. Instead, it means to have just and fair structure of society where the wealth is not held in the one group of society only and hence circulating among them by neglecting the poor. Therefore, various type of social spending in the form of zakah and others spending (*infâq*) for the welfare of the poor and the needy is encouraged (al-Hashr [59]: 7; al-Baqarah [2]: 273; al-Ma'ârij [70] 24-25). The Quran also reminds that lack of such spending can lead to a society's ruination (al-Baqarah [2]: 195).

## Economic Empowerment

Distribution in Islamic economic system also aims at empowering the poor, the disadvantaged and marginal segment of society. Distribution is not about fulfilling the consumption of the poor and hence creating dependency on continuous

<sup>6</sup> Ziauddin Ahmad, *Islam, Poverty and Income (Distribution)*. UK: Islamic Foundation, 1991), p. 18

<sup>7</sup> Ziauddin Ahmad, *Islam, Poverty and Income...*, p. 16.

<sup>8</sup> Sayyid Abul A'la Mawdudi, *First Principles of Islamic Economics*, translated by Ahmad Imam Shafaq Hashemi, (The Islamic Foundation: Leicestershire, 2011), p. 20.

<sup>9</sup> A.H.M Sadeq, *Development Issues in Islam*, (Kuala Lumpur: International Islamic University Press, 2006), p. 162

support from the *bayt al-mâl*. Distribution is also about providing them suitable means to strive for a sustainable livelihood. It is about capacity building through education and training for improving knowledge and skills to be used as a means in improving the quality of life.<sup>10</sup>

The Prophet showed the way in this respect by helping a needy person to buy an axe to cut wood instead of just meeting his immediate requirements, (Ibn Majah, vol 1, p. 338).

This spirit is in line with the first principle of distribution in Islam whereby fulfilment of basic needs is an obligation of individuals themselves. Islam encourages human being to put their effort to earn their living (*makâsib*) (al-A'râf [7]: 10). Hence, systematic assessment of capabilities of individuals to earn their living should be done and productive distribution could be channeled in line with consumptive distribution.

In this regard, consumptive distribution is done up to fulfil the average level/standard of living of the society or at the level of eradicating absolute poverty, after which the individual should strive for his livelihood through productive distribution. Productive distribution is done by allocating necessary resources or means of production needed by respective individuals to start his means of livelihood and increasing his capacities and capabilities until he reaches a level of self-sufficient in fulfilling the basic needs.

Al-Raghib al-Asfahani in his *al-Mu'jam al-Mufaradât Alfâz al-Qur'ân*, elaborates the concept of economic empowerment in the Quran as consist of three indicators: *al-ghinâ* (productivity), *al-'izz* (self-esteem), and *al-baqâ'* (sustainability).<sup>11</sup> The three indicators are as follows:

- *Al-Ghinâ* reflects productivity, sufficiency and wellbeing whereby individuals are able to work and avoid to be a parasite on others (al-tawbah [9]: 28) and freedom from poverty and impoverishment (al-Nûr [24]: 33).
- *Al-'Izz* reflects self-esteem and magnificence indicators whereby individuals are maintaining

self-esteem and not begging from others and freedom from debt (both domestic and foreign) (Al-'Imrân [3]: 26).

- *Al-Baqâ'* reflects survival ability and sustainability indicators whereby individuals are involving in productive activities and professional work (Maryam [19]: 76; al-Kahf [18]: 46); taking profit in the right manner (*al-baqiyyah*) (Hud [11]: 86; and having ecological consciousness (*ûlû baqiyyah*) (Hud [11]: 116).

In this regard, the role of the state while it is acknowledged, but it should be complementary towards market's role in securing justice allocation and distribution of resources, instead of dominating the distribution system. It is done for the sake of maintaining social justice (*al-'adâlah al-ijtimâ'iyyah*) and public interest (*al-mashlahah al-'ammah*) and not to create people's dependency to the state or other unjustified political motives.

## Mechanisms of Distribution in an Islamic Economy

The above discussion provides a general framework of wealth distribution in Islam. The Quran has provided a norm against gross inequalities of income and wealth in an Islamic economy and it tends to support and recommend a fair and equitable distribution of income and wealth in society.

The guiding principles as laid down in the Quran and Sunah influence distribution framework in an Islamic economic system, including laws, institutions, policies and etc by providing moral guidance and objectives for the political processes and practical structure that would affect the welfare of society. The following are the broad principles and operational framework of distribution in Islamic economy.

## Initial Conditions in Distribution

A unique feature of Islamic distribution system is that the distribution is not viewed as a mere output distribution after production. Islam set 'initial conditions' of distribution before production takes place. Those initial conditions reflect ideals of distribution scheme in Islam and the basis upon which operational distribution

<sup>10</sup> Zakiyuddin Baidhawiy, "Distributive Principles of Economic Justice: An Islamic Perspective" *Indonesian Journal of Islam and Muslim Societies*, 2 (2), 2014, p. 255.

<sup>11</sup> Baidhawiy, Zakiyuddin, *Distributive Principles of Economic...*, pp. 261-262.

should be operationalized during production and after production. The initial conditions in distribution are as follows:

### Equality in All Resources

Quran declares that all resources (wealth) are essentially belongs to Allah “to Allah belongs the heritage of the heavens and the earth” (al-Hadid [57]: 10) and it is endowed by Allah as a reflection of His Blessing upon His creation “It is He Who hath created for you all things that are on earth” (al-Baqarah, [2]: 29).

The principle actually declares that under the principle of *taskhir* (that Allah has granted the earth and its resources to mankind) then all resources are initially belongs to public in general and human beings are partners in public life. While, as we will elaborate, Islam acknowledges private ownership to the fruits of one’s effort and work, the right of society in general on one’s property remains. Islam treats individual’s ownership of wealth as a trust (*amanah*) and makes it obligatory that certain portion of one’s wealth should be spent to public. In other word, private ownership never negates public right upon the resources as public share in personal wealth is guaranteed.<sup>12</sup>

### Partnership in Certain Forms of Natural Resources

Islam also introduces the concept of public ownership which is the ownership of the entire *ummah* or of a group within it upon certain types of natural resources and public utilities. Those public goods should remain to be owned by public where people are partners in it and everybody can benefit from it.<sup>13</sup>

There are two types of productive assets have been reserved as public ownership, namely public utilities and some types of natural resources. Public utilities such as streets, bridges, parks, and the land around the towns left for the common use of the residents for pasturing, hunting, etc.,

<sup>12</sup> Zubair Hasan, Distributional equity in Islam. In Munawar Iqbal (ed.), *Distributive justice and need fulfilment in an Islamic economy*, (UK: The Islamic Foundation, 1988), pp. 35-62

<sup>13</sup> Muhammad Anas Zarqa, Islamic distributive schemes. In Munawar Iqbal (ed.), *Distributive justice and need fulfilment in an Islamic economy*, (UK: The Islamic Foundation, 1988), p. 167.

banks of streams, and others public utilities. In addition, all citizens are also partners in certain types of natural resources which are not the result of either human effort or expenditure. This is according to the saying of the Prophet Saw: The Muslims are partners in three things, in water (*al-ma’*), pastures (*al-kala’*) and fire (*al-nar*) (narrated by Ahmad and Abu Dawud).

Zarqa<sup>14</sup> notes what is meant by water are natural resources of water which have not been dug by men, such as seas, rivers, lakes, springs, water underground, and torrential streams. The word *kala’* means pastures, grass, herbage, forest and plants which grow on their own. Fire means trees of the forest which are used as firewood, or stones (such as coal) or other minerals which are used as sources of energy. All those natural resources are needed for mankind to their life survival and sustainability and hence should be guaranteed for benefit of all.

### Equality in Rights and Opportunity

Islam also outlines as an initial condition in distribution that everybody has equal rights to acquire the resources and nobody should be prevented from putting their effort to get some provisions in life, acquire and enjoy the fruits of their effort or should be excluded from getting access to and acquire the resource.

It is also maintained that equal chances in wages should be preserved whereby no differentiation should be made such as due to race, color, gender or age (al-Hujurât [49]: 13). Instead, just wage according to capacity and capability should be maintained. Likewise, to prevent someone to receive what its dues is also not allowed (al-A`râf [7]: 85).

Justice in wealth acquisition, utilization and transfer is preserved as initial conditions in distribution by instituting norms and values that would create a positive atmosphere in human life in individual and societal life. Islam has prohibited certain actions that would prevent from a just distribution to be realized and likewise, certain actions and institutions have been encouraged to establish a just distribution.

<sup>14</sup> Muhammad Anas Zarqa, Islamic distributive..., p. 168

## Distribution through Factor Payment

Pursuant to the initial conditions of distribution in Islam, the wealth and income in society will be distributed through two principles:

- (a) Distribution through factor payment from the effort and capital contributed by individuals in a productive activities, and
- (b) Distribution through transfer payment that would allocate the surplus to the poor and disadvantaged in society.

In distribution through factor payment (also called as functional distribution of income) the basis is the contributions put by individuals which can be in the form of effort/work (*al-'amal*) and capital (*al-mâl*).

Payment to the factor of production (termed as factor pricing) would determine the functional distribution of income in society which is an important part of personal or size distribution of income and wealth in an economy as a whole. Income generated per period of time is distributed according to the productive agent involved in the production process.

Factor of production in Islamic economic perspective can be classified into two categories as follows:

- (1) **'Amal based of factor of production** which include works, effort or human services, physical and mental. In this regards, a worker gets wage/salary from that service. A worker should not be treated as a saleable material commodity in Islamic code of life. Labor is an inseparable attribute of mankind and upon his/her hiring, payment should be done as a price for the service he/she has done. Entrepreneurship or the organization of business or industrial activity by collecting and combining all other factors of production. The return of entrepreneurship is in the form of profit.
- (2) **Mâl based of factor of production** which include natural resources (termed as land in economics) or a produced reusable good such as machine (termed as capital in economics) in which in Islamic economics both can receive fixed return in the form of rent provided both are not converted

as capital.<sup>15</sup> The other form of mal based factor of production is capital in the form of financial means of production which might constitute liquid money, near money or monetary assets. Non-financial resources such as machinery and building can also be considered as part of capital by converting them into monetary values to be included in financial assets and are used in production process. The price of capital in Islamic economics is in the form of profit. Fixed return for capital in the form of interest by renting the capital in a production process and avoiding bearing the risk of losses is not allowed. It is injustice for capital to receive the benefit only and not share in any losses. Capital in an Islamic economy should bear the risks in productive activities. Profit is compensation of bearing those risks. The size of the profit is post-determined while the shares are determined ex-ante among the partners in a partnership contract. The share of each of them must be predetermined in an ex-ante sense.<sup>16</sup>

Islam emphasizes a just functional distribution of income based on contribution. In this perspective:

- (1) Reward differences resulting from differences in contribution, qualities, quantities, talents, capacities, have been recognized by Islam. Hence, unequal reward to the level of contribution and exploitation above the required level are recognized as injustice.
- (2) There is no strict limit or prescribed ratio in Islam between the minimum and the maximum income.
- (3) The income generated from work and effort of someone is acknowledged to be one's property. Private ownership of the resources or wealth is acknowledged upon one's effort and contribution.

The arrangement of distribution through factor payment can be in the form of individual

<sup>15</sup> A.H.M Sadeq, *Development Issues in Islam...*, p. 157

<sup>16</sup> ISRA (International Shariah Research Academy for Islamic Finance), "Risk Taking in Islamic Commercial Transactions: A Fiqhi Perspective", *ISRA Research Paper No. 77*. (Kuala Lumpur: ISRA, 2014).

contribution by exerting effort in a production activity and also can be in the form of partnership of two or individuals and contributing the work or capital in a production activity. In the former, the profit will be enjoyed solely by individual himself as a reward of his effort. In the latter, the profit will be shared in accordance with contribution and agreement among the parties involved.

The partnership basis can be categorized further into three forms, namely:

- (1) **Profit Sharing** whereby the arrangement is done through a partnership whereby each party contributes certain portion of capital in a productive project (as in *musharakah*) or each party contributes capital and labor respectively (as in *mudarabah*). The arrangement is done with a profit motive whereby each party contributes their shares in a production activity to realize profit (*istihqaq al-ribh*) and share it among them in an agreed portion. Both parties will also share losses in case the business fails.
- (2) **Non-Profit Sharing** whereby the arrangement is done by giving surplus of capital utilization (giving the productive assets) to other parties to be used in the production process without expecting any return to its original owners. The operations such as the following:<sup>17</sup>
  - *Mâ'ûn*: lending of utensils and tools which can be domestic utensils (such as cooking pots, sieves, etc), professional instruments and other tools that can be used in production process and would be returned back after their utilization.
  - Donating benefits of animal in the form of *itrâq* (lending of a male camel for impregnating the female) and *ifqâr* (lending an animal for riding or loading or other utilization that might benefit someone).
  - *Irtifâq*: granting of concession relating to

<sup>17</sup> Zarqa notes the granting of surplus capital in its form or its usufruct to others who might need it would increase its total utility in the society besides strengthening the feelings of unity and brotherhood between the individuals and society as those actions might help increasing productivity and hence reducing inequality in society, See. Muhammad Anas Zarqa, *Islamic distributive...*, p. 177

real estate such as the right for passage or the right to place a beam on the wall of a neighbor or other benefits that could be taken.

### (3) **Distribution Through Transfer Payments**

Islam requires individuals to become self-sufficient through his own efforts and to make his family independent from seeking assistance from others. The work to earn living is obligatory and highly praised in Islam.

However, Islam recognizes that individuals might differ in professional knowledge and skill as well as in work efforts, and it requires rewarding of efforts justly. As a result of this, some might get more than the others, while some might get nothing either due to incapability to enter into production process or structurally marginalized in a production process.

Therefore, in Islamic economics distribution of income through factor pricing should be continued with distribution through transfer payments. Generated income that has been functionally distributed according to Islamic norms and values, should be continually distributed to a large number of society who might not have been involved in the functional distribution through production process.

Transfer of payments refers to transfer of income and wealth from the relatively well-off people to the worse-off population.<sup>18</sup>

The philosophy underlying distribution through transfers is inherent in the belief system where wealth in all its possible forms is created by Allah Swt and belongs basically to him. This implies that Allah Swt has legal rights to guide the norms of expenditures. In Islam, the mechanism to redistribute the income and wealth in society is done through obligation and voluntary action.

Distribution through transfer of payments can be divided into two broad categories, compulsory transfers and voluntary transfers.

#### **Compulsory Transfers**

Islam in this regard imposes certain amount of wealth to be contributed and distributed to the society. The obligation aims at redistributing

<sup>18</sup> A.H.M Sadeq, *Development Issues in Islam...*, p. 178

wealth from the well-off to the worse off people in society. It acts as a compulsory mechanism that would force the circulation of wealth in all segments of society. The following are the example:

- (1) **Zakâh.** It is a compulsory levy on the wealth of the well-off members of the Muslim community at a prescribed rate in order to provide financial assistance mainly to the destitute and needy. *Zakâh* represents a fixed and mandatory spending and the other stand for voluntary help and payment. It is one of the means to redistribute wealth from the well-off to the worse off people in society.<sup>19</sup> *Zakâh* is obliged on the wealth which has reached the *nishâb* and one year in possession. The *nishâb* (rate) of *zâkah* has not been fixed at a high level, but rather at a low level so that *zâkah* can be collected from as many individuals of the community as possible and that a maximum possible amount of *zâkah* can be collected.<sup>20</sup> *Zakâh* will be collected by the state and redistribute to the eight segments in society, namely *faqîr* (poor), *miskîn* (the needy), *‘âmil* (*zakat* administrator), *muallafat al-qulûb* (newly-converted to Islam), *riqâb* (freeing slave), *ghârim* (person who is in debt), *fî sabîlillâh* (in the way of Allah), and *ibn al-sabîl* (wayfarer).
- (2) **Zakâh al-fithr.** It is payment to the lower income population at the time of ‘id al-fithr, the Holy festival of the Muslims after one month of fasting in the month of *Ramadhân*.
- (3) **Warathah** (inheritance) transfer of wealth to the heirs of the deceased. The system of inheritance gives a mechanism of a wider distribution of the deceased’s wealth among the relatives, instead of being concentrated in a few hands (al-Nisâ’ [4]: 7).

## Voluntary Transfers

Islam recommended, through individuals’ consciousness, to give away the surplus of wealth to the society through gift, charities, trusts and

others. This voluntary transfer is not obliged by Islam and hence depends on personal motivation, i.e., the level of *taqwa* of the person who is going to redistribute.<sup>21</sup> Ausaf Ahmad<sup>22</sup> notes that unlike the concept of economic rationality which argues that individuals motivation in distribution is self-interest, Islamic rationality argues individuals are motivated by *taqwa* (the fear of accountability before God in the life of hereafter).

Therefore, according to Sadeq<sup>23</sup> being voluntary does not mean it is optional. In fact it is recommended as a reflection of his *taqwa* spirit and to the extent that a person is denied membership of the *ummah* if he/she eats a fully belly when his/her neighbors are starving. Quran encourages the better-off in society to pay over and above *zakâh* (al-Baqarah [2]: 177). The payment is not out of mercy and kindness but it is an act of releasing the right of the needy in the wealth (al-Ma’ârij [70]: 24-25).

The following are the recommended voluntary transfers encouraged by Islam:

- (1) **Shadaqah** is a recommended and voluntary charity to help others and contribute to the development of society.
- (2) **Hibah** is a gift which can be in various forms, made for individuals or for some public purposes. It is a transfer of ownership from the owner (which can be individuals or organizations) to the others (which can be individuals, organization or society at large).
- (3) **Manîhah** is particular kinds of gifts or benefits of something to be used by others for a period of time and return it back to its owner. *Manîhah* can be various kind of assets such as *manîhah* of dirhams (money), riding animals, milk animals, agricultural land, fruit-bearing trees and houses and other productive assets in contemporary times such cars, ships, machines, factories, etc.<sup>24</sup>
- (4) **Waqf** is a foundation of social philanthropy

<sup>21</sup> Muhammad Anas Zarqa, “Nuzum al-Tawzi’ al-Islamiyyah” *Majallah Abhath al-Iqtisad al-Islami*, 2 (1), 1984, pp. 3-57.

<sup>22</sup> Ausaf Ahmad, “A Macro Model of Distribution in an Islamic Economy” *Journal of Research Islamic Economics*, 2 (1), 1984, pp. 3-18.

<sup>23</sup> A.H.M Sadeq, *Development Issues in Islam...*, p. 184

<sup>24</sup> Muhammad Anas Zarqa, *Islamic distributive...*, p.185

<sup>19</sup> A.H.M Sadeq, *Development Issues in Islam...*, p.161

<sup>20</sup> A.H.M Sadeq, *Development Issues in Islam...*, p.180

functioning as transferring wealth from private ownership to a beneficial social public ownership. Waqf property donated by an individual will be belongs to public property forever (Ali ‘Imrân [3]: 92).

- (5) *Ihyâ’ al-mawât* is transfer of ownership from public to private in the form of utilizing an unowned land for productive purposes such as for cultivation, farming, and etc. The land will be belonging to the individual cultivator who put effort to make the land become productive.

### Transfer through State

State also plays a determined role in distribution to achieve the social justice objectives. SM Yusuf<sup>25</sup> notes that Islam’s requirement to fulfil the basic needs of each individual can best be completed by the role of the state. Therefore, it becomes an inescapable obligation of the state to ensure the satisfaction of the basic needs of each individual.

The state could play a role in distributing the public wealth in other needs of society such as for public utilities; highways, water plants, mosques, schools, hospitals; civil and judicial administration, military defense, and funds during emergency that might arise out of a natural calamity. The state would also provide social security for fulfilling basic needs, social safety net; emergency needs to be used in unexpected situations, such as clothing, foodstuff, home appliances, and etc.

*Bayt al-mâl* (public treasury) or any other institution established by the government will be the venue for society’s wealth collection and distribution. The wealth under the management of *bayt al-mâl* are the following:

- (1) *Jizyah* is a poll tax for non-Muslim individuals who are living in the Muslim countries as a contribution to the public treasure for protection purposes and other general benefits.
- (2) *Fay’* is the wealth that Muslims acquire from the enemy without actual fighting. the benefit of fay’ 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 to him. Such incomes are spent on general welfare.

- (3) *Ghanimah* is the wealth acquired from the enemy by force during jihad. Four fifths of it is to be divided among the troops. For the remaining one-fifth to be distributed by the *bayt al-mâl* to the public benefit. The Quran 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 wayfarer.*”

- (4) *Kharâj* is a land tax.

- (5) *Zakâh* is collected from Muslim population’s wealth that has reached *nisâb* to be distributed back to the eight categories in the society.

- (6) *Waqf* is collected from individuals who contributed their wealth in the form of property or cash to made public ownership and used for public benefits.

The role of state in distribution in an Islamic economic system is more as managers who manage public funds for public benefits, facilitators who facilitate the interest of donors in society who have extra funds and recipients who needs for money or other needs, and regulators who regulate and put certain injunctions and prohibitions, penalty or rewards, to ensure the smooth circulation of wealth in society and hence an equitable society could be realized.

It is acknowledged that market mechanism is inadequate in realizing distributive justice. The poor, the lower income groups and disadvantaged people are often being marginalized in the process of demand and supply. In addition, the market system also ignores certain sections of society who have no power to enter the market and participate in the transaction.

In certain cases, the state also authorizes to set regulations that would ensure an equitable distribution would take place in society such as regulation on hoarding of wealth prevention, wasting or idling the productive wealth, likewise

<sup>25</sup> S.M Yusuf, *Economic Justice in Islam*, (India: Kitab Bhavan, 1988), p. 64

regulation on fair wages in functional income distribution and equitable distribution of personal wealth, and other regulations. At the same time, the state could also impose penalty or punishment to achieve the objective of equitable distribution in society.

## Conclusion

The issue of distribution is one of the biggest issues in economics. The same is true for Islamic economics. As a moral economy, Islamic economy aspires to establish a just and equitable order of society. The Quran has outlined several principles on distribution to be a moral framework whereby that type of society could be realized. The paper has discussed the goals of distribution in Islamic economic system as well as the framework and mechanisms on how a just and equitable distribution could be operationalized in society. Islam recognizes the limits of effectiveness of any single criterion or means of distribution either through market mechanism or state mechanism. It avoids relying on a single measure as a precaution against the negative effects. Islam has multiplicity and comprehensiveness of distributive measures. Islam utilizes an institutional approach in its distributive scheme through civil society (individuals' consciousness), market mechanism and state participation whereby distribution is done through market (functional distribution) and distribution through transfer of payments in the form of compulsory transfers and voluntary transfers (of individuals' consciousness) managed and distributed through the state under the institution of *bayt al-mâl*.

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