

Islamic Economic Rationalism and Distribution of Wealth: A Comparative View

¹ Mehwish Darakhshan Zia, ² Nida Nasir-Ud-Din

¹Lecturer Department of Commerce Jinnah University for Women

²Research Scholar Department of Economics Jinnah University for Women

Abstract: *This paper portrays a comparative view of Islamic economic rationalism and distribution of wealth in an economy to its counterpart's conventional economic systems. In the system envisaged by the Islamic economists the individual is guided by a set of behavioural norms derived from the Qur'an and the Sunnah whereas in conventional economic system is shaped by self-interested human nature and rationality of an individual is the main notion without the moral and religious compass, as a result consumers are driven by irrational and immoral behaviour to maximize utility and cause ill-distribution of wealth. On the contrary, Islamic economic system serves as moral and legal framework to control and shape self-interest of people in the society which ensures an equitable distribution of wealth with its remarkable tools and promotes social welfare.*

Keywords: *Rationalism, Islamic Economics, Conventional Economics, Distribution of wealth, Moral and Social Values.*

I. Introduction

The progression of economics portrays that the ultimate goal of Economic Theories is to achieve the consumer's satisfaction no matter whether it is permitted by the laws of ethics or religion. (Robbins, 1935, Sen, 1988, Groenewegen, 1996, Peil & Staveren, 2009). The decision making in Conventional economic systems accentuates self-interest and rational behavior of the consumer. It is fair to say that there are two predominant methods of defining rationality of behaviour in mainline economic theory. One is to see rationality as internal consistency of choice, and the other is to identify rationality with maximization of self-interest (Sen, 1988) whereas Islamic economics purports a economic system consonant with the original sources of Islam. The individual is guided in their economic decision by a set of behavior norms, social and moral values derived from Qur'an and Sunnah. This system asserts importance on social welfare. In conventional economics, "Economic man" is the appropriate name of consumer while in Islamic economics, the consumer is known as 'Islamic man' (Hossain, 2014). Here the term conventional economics is used as an alternative word for "Capitalist and socialist or communist economic system." Capitalism supports the consumer endless freedom to maximize their utility whereas in communism all property and wealth is owned in a classless society by all the members of that society and induces the distorted distribution of resources (Rice 1998, Akhter, Abbasi, & Umar, 2011). Islamic economic system is different from conventional economic system in its close attention to all aspects of society's development. Islamic financial system: (i) help and stimulate economic activity and entrepreneurship, (ii) addresses poverty and inequality, (iii) ensures financial and social stability, and (iv) promotes comprehensive human development and fairness. It links finance with the real economy and maintains that link at each point in time in fair and transparent manner. Moreover, conventional economic system is driven by positive economics and shuns normative economics (Friedman, 1979, Chapra, 1995) whereas Islamic economic system embraces both positive and normative economics on the basis of religion (Ashker, 2006). This paper draws attention to the fundamental difference between conventional and Islamic economic feature of economic rationalism and distribution of wealth.

II. Purpose

The purpose of this paper is to highlight the structure of Islamic Economic Rationalism and its pattern of distribution of wealth with a comparative analysis to its counterpart's conventional economic systems.

III. Methodology

For the preparation of this paper, The Holy Qur'an, various Hadith books, different articles and research papers has been studied. Moreover, suitable secondary data are collected from experts opinion and websites.

IV. Literature Review

Distribution of wealth is the *summumbonum* of all economic activity. Factors of production participate in economic activity precisely for the sake of getting a 'fair' share in the total output.

According to Smith, Each and every human behaves as a consumer to satisfy his wants (Smith, 1776). In conventional economic system, distribution of wealth has not received much attention, there is no doubt that many weapons have been used to reduce disparities in wealth such as taxes, subsidies, transfer payments but these weapons haven't completely contributed in achieving social welfare. In conventional economic system, consumer is defined as a utility maximizer without considering ethical behaviors, whereas Islamic economic system has a worldview and a strategy which are in harmony with the *maqasid of Islam* and which can enable it to provide the blueprint for a just and workable solution to the problems faced by its counterpart's. Moreover, the consumer is a utility maximizer of material wants as well as spiritual wants with norms and religion as its forte (Chapra, 1995). Consumer in an Islamic society is governed by Islamic norms which serve as a guidance in their daily life. (Khan, 1992). Hence Islam not only requires the fulfillment of everyone's needs, primarily through a respectable source of earning, but also emphasizes an equitable distribution of income and wealth so that, in the words of the Qur'an "wealth does not circulate only among your rich."

This paper is an addition of previous research works and explains all the aspects of economic rationalism and distribution of wealth in both systems and how both differ in these respective aspects.

V. Rationality In Economics

Rationality is derived from the word "rational which means based on logic, able to think sensibly or logically and having the capacity to reason." (Oxford Dictionary: 1193). In economics Hargreaves Heap introduced the "theory of instrumental rationality which equates the rational action with the choice of the means most likely to satisfy a given set of ends" (1989). Being rational in the economic sense is thus the quality of being able to think wisely and precisely in doing economics activity so that can gain from it.

Economic rationalism is economic policy without social moral consideration, or "the view that commercial activity ... represents a sphere of activity in which moral considerations, beyond the rule of business probity dictated by enlightened self-interest, have no role to play." (Quiggin 1997)

Economic rationalism is the dogma which says that markets and money can always do everything better than governments, bureaucracies and the law. (Michael Pusey, 1991)

After reviewing the definition of economic rationalism, it is determined that, the goal of rationalist is to the 'Making of money' which implies that the acquisition of wealth is the goal of life and yardstick of economic success. More imperative views of economic rationalism are:

- Greater efficiency and profit maximization is the supreme aim of economic rationalism.
- Increased competition and unlocking market forces are the key elements.
- Government, market and religious intervention is absent.

5.1. Rise of Islamic rationalism:

After the enlightenment movement in the 17th century, religious and moral values disappeared from the economic realms and human intellectual become the only source in directing and determining economic postulates and principles. (Chapra, 1995).

Islamic rationalism is suggested as an alternative which is consistent with the Islamic values.

Wright (2003) says, what is rational for you to choose will depend upon your aims, your values, or your desires where values include social, moral and religious values (Wright, 2003). More precisely, the more one's behavior is in accord with moral standards and the higher the level of his goodness, the more successful he is throughout his life, in each and every phase of existence, at every step, the Islamic individual is endeavouring to act in harmony with moral values. Among other religions, Islam furnishes a complete code of social, moral and economic life. It considers the Al-Quran, the unchanged and unchangeable, revealed and divine book of ALLAH, as the sources of knowledge. In addition, it is highly respectful to other religious values. For example, Islam encourages private property, Zakat (obligatory Islamic Tax), Usher, Khairat, Inheritance law, Infaq Fi Sabillah, Sadqah, Mudarbah, law of will, concept of lawful and unlawful, equitable distribution of wealth etc and prohibits exploitative gears such as usury, gambling, and imbalanced society to ensure utmost economic welfare.

Islamic economic principles are better than conventional economic principles (Hossain, 2014). The distinguishing element of an Islamic economic system is that the agents act under the guidance of norms drawn from the traditional sources of Islam. These norms command good and forbid evil. They encourage the individuals to work hard, charge fair prices and pay others their dues.

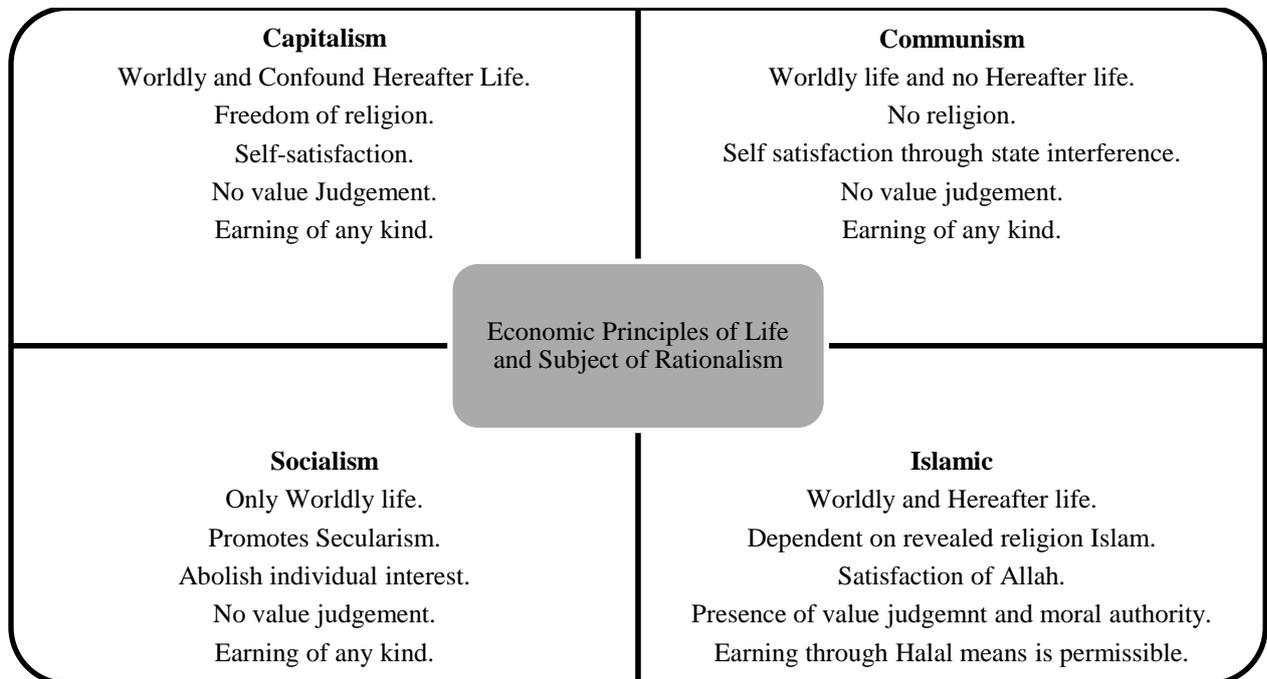
Islamic rationalism is suggested as an alternative which is consistent with the Islamic values. Islamic economic thinkers are not agreed with max Webber definition. They criticize the ideas of max Webbers as follows:

(1) It is limited and one aspect of human behavior.

(2) It is based on rigorous calculation directed with foresight and caution toward economic success.

Khursid Ahmad (1992) says, Islamic rationalism does not deny the self-interest as the bases of utility maximization in human manners but purify it through a social, moral and religious filter. It is not merely a utility maximizer of an individual but also for whole society. Islam rationalism stimulates the consumer to attain ultimate success of both lives i.e. worldly life and the Hereafter.

M.N. Siddiqi says, the more one's behavior conform with moral standards and the higher the level of his integrity, the more successful he is throughout his life, in each and every phase of his being, at every step, the Islamic individual is endeavoring to act in coherence with moral values." (Siddiqi, 2000). In Islamic economic, the utility of a consumer springs from two stages of life i.e. worldly life and Hereafter life. The chart below shows the economic principle of life and subject of rationalism.



Some important aspects of Islamic Economic Rationalism are:

- Instead of 'self-interest', Islam emphasize on social and moral interest.
- Utility and profit maximization is a subset of his satisfaction, but the ultimate goal is Allah's satisfaction.
- It focuses on what to earn, how to earn and where to spend relative to other economic systems.
- Halal free values are the part of Utility maximization.
- Unlimited freedom may create social dreadful conditions while religious interference embolden to make a honest society

Further Islamic economic system is a unique system; contrary to conventional economic system it's based on these three great principles to establish a Islamic Welfare economic system:

- a) Man is not absolute owner of resources. God own all the resources and man is trustee to use these resources according to guidelines and protection provided to him.
- b) Economic activities are not guided by self interest only but there is binding Islamic moral and legal constraints to acquire and develop resources.
- c) The religious aspect of earning and spending are as important as other worship obligations and practices of Islam. (Haq, 2013)

Chaudhry (2003-p/1) has summarized as following the economic system which emerges from above three principles:

'The Islamic concept of 'falah' is wide-ranging. It refers to spiritual, moral and socio-economic well-being in this world and success in the Hereafter. At micro level, 'falah' refers to a situation where an individual is adequately provided for his basic necessities, and enjoys necessary freedom and leisure to work for his spiritual and material advancement; whereas at macro level, it aims at establishment of a classless and happy society with clean environment, with freedom from want and with opportunities to its members for progress in socio-political and religious affairs.'

5.2. Evolvement of Islamic Economic System

When conventional economics like capitalism and socialism and communism are now in the process of returning to its pre-Enlightenment roots, Islamic economics never got caught up in a secular and materialist worldview (Baeck, 1994). According to Islamic economic beliefs, it is against the roots of secularism and value neutrality and it does not look to prevent private properties, as was done by socialism, nor does it avert individuals from serving their self-interest. However, Islamic economic system accepted the role of the market in the effective resource allocation, but refuses emerging competition and believes it should be just safeguard social interest. Moreover, in Islamic viewpoint tries to enhance human brotherhood, socio-economic justice and the well-being of all through an integrated role of moral values, market mechanism, families, society, and good governance." And all of these are, due to great deal of focusing Islam on human brotherhood and socio-economic justice while there is no such relationship in capitalism or other conventional economic system (Chapra, 2010), and now we can see Islamic economic system continuously evolved while other system come back to their roots.

5.3. Distribution of Wealth: Conventional and Islamic Approach

5.3.1. Conventional Approach

Capitalism has remained major tool of remarkable economic growth during past three hundred years and is associated with creating gross inequalities in distribution of income and wealth in the society. The well-known central theme of Communism, forcefully presented by Karl Marx is a 're-action' to this 'injustice' of the Capitalist Economic System (described as 'exploitation of labor class' by the capitalist). Despite the failure of Communism to provide a better alternate (i.e. state controlled economic system) to ensure equitable distribution of income and wealth in the society, its argument could not be ignored by the Capitalist Societies. As a result almost all over the world a mixed economic system has evolved with different level of emphasis on the role of private and public sector in different countries.

5.3.2. Islamic Approach

Islamic Economic System provides a midway without compromising the liberty and fundamental human rights. Islamic System discourages earning without effort (as interest) and motivates to work and invest and tax simple accumulation of assets and wealth Islamic system is a divine and human friendly system which has all the best characteristics based on Shari'ah. It is found that the Islamic theory presents an efficient and friendly way of distribution which may be key to eliminate poverty and facilitates all non active participants of the society in the production of wealth. Further this distribution of wealth establishes a realistic and practical system of economy which enables everyone in the society to fulfil their basic needs fairly and eliminates the concentration of wealth. Many Islamic economists believe that the Islamic norms provide clear guidance in every conceivable economic arena. In an Islamic economy, they believe, disagreements over economic matters will be rare, for individuals will deal with one another fairly and honestly, and conceptions of economic justice will be homogenous. Islamic Economic system actually promotes free market economy but with its regulations. It prevents concentration of wealth. It disapproves increasing money from money i.e. generating interest (riba) rather it advocates trading investments.

5.4. Factors of Production in Islam:

From the Islamic point of view, the actual factors of production are three instead of four i.e.

1. Capital: It is defined as the means of production that cannot be used in the process of production until and unless during this process, it is either wholly consumed or completely altered in form and which, therefore, cannot be let or leased (for example, liquid money or food stuff etc.) The share of capital is in the form of profit and not interest.

2. Land: That is, those means of production, that are used in the process of production in a way that their original and external form remains unaltered, and which can hence be let or leased (for example, land houses, machines etc.). Its share is in the form of rent.

3. Labor: That is, human exertion, whether of the bodily organs or mind or heart. This exertion thus includes organization and planning too. The share of labor comes in the form of wages. As in the case of Mudarbah (Islamic mode of partnership), the compensation of labor is in the form of profit. Whatever "wealth" is produced by the combined action of these three factors would be primarily distributed over these three factors.

The entrepreneur, as a regular factor, has been excluded from the list of the factors of production, and only three factors have been recognized, instead of four. But this does not imply that the very existence of the entrepreneur has been denied. What it does mean is just that the entrepreneur is not an independent factor, but is included in any one of the three factors.

In Islam, there are two kinds of heads relating to the distribution of wealth i.e. primary right to wealth and secondary right to wealth:

1) Primary Right to Wealth: The Primary right denotes the right to wealth which is directly in consequence of participation in the process of production. In other words, primary right is for those factors of production that have contributed in the process of producing some kind of wealth.

2) Secondary Right to Wealth: It is called redistribution of wealth because in a society all the people who have not directly contributed in the process of production for example orphans, widows, children, wayfarer, poor and needy but it has been made obligation upon the producers to make them co-sharers in their wealth. e.g. Beneficiaries of Sadaqat-ul-Wajibaat, Zakat etc.

5.5. Toolsof Islamic Economic System:

Every source of income in which benefits are enjoyed by all the concerning parties on the just basis. Allah in Holy Quran says:

“Do not devour one another’s property wrongfully, nor throw it before the judges in order to devour a portion of other’s property sinfully and knowingly”. (Al-Baqarah: 188)

5.5.1. Zakat

Zakat is a major instrument of restricting excessive accumulation of wealth and helping the poor and most vulnerable members of the society. The lexical meaning of Zakat is purification, blessings and charity. It’s one of the worships (ibadat) and a basic element (rukn) of Islam. It means to take out a part of one’s wealth at the completion of the year for the sake of Allah Almighty and give it to the deserving and needy person and making him the owner of that part and having no claim of one on it. Zakat is the fortieth (40) part of wealth or equivalent to that to replace it.(Janaid G.P, 1994, Qulaajee ,1989, Abideen, 1406) Those who are entitled to receive Zakat are of following eight categories:-

- (i) **The Fuqaraa (the poor who doesn’t beg):** Having no or enough money, to meet their basic necessities.
- (ii) **The Masaakeen (the poor who beg):** These are extremely poor people and, therefore, ask others for food and clothing.
- (iii) **The Debtors (Al-Gharimeen):** Debtors burdened by debts because of personal needs or social necessity, and are forced to borrow to spend on himself and his family or do not have enough money after meeting their basic needs to repay the debt, are entitled for Zakat
- (iv) **Attracting Hearts (Al-muallafatuqulubuhum):** Zakat is also to be paid to attract the hearts of those who have been inclined towards Islam and facing economic hardships because of this change. Such payment should be made on need basis.
- (v) **Freeing Captives (Ar-riqah):** Zakat can be used to get the slaves freed. There is hardly any case of this type in these days.
- (vi) **The traveler (Ibn us-Sabeel):** If traveler is genuinely in need of money to return to his home and his purpose for traveling is lawful, he is entitled to get from Zakat.
- (vii) **Allah's Cause (Fi Sabeelillah):** The fighters of an Islamic State, not receiving salary for his services.
- (viii) **Zakat Collectors (Al-Amileen 'alayha):** The employees collecting Zakat can be compensated for their services from Zakat fund.

Situational Conditions legal Alms Being Obligatory:

Category of Wealth	Nisab	Rate of Zakat
Gold	7 ½ Tola or 87.50 grams approximately	2.5%
Silver	52 ½ Tola or 612.35 grams approximately	2.5%
Cash	If the amount of currency possessed by the person equals to the value of the Nisab for silver or 200 Dirhams	2.5%
Cattle (Sheep/Goat)	1. 40 to 120 goats or sheep	1. One goat of one year old.
	2. 121 to 200 goats or sheep	2. Two ewes
	3. Above that, for every hundred	3. One ewes
Bull and cow	30 to 39	One calf of one year or older
	40 to 59	One calf of two years
	For every 60	Two years old calf
	For each additional 30	One year old calf
	For each additional 40	Two years old calf
Camel	5 to 9 camels	One goat
	10 to 14 camels	Two goats
	15 to 19 camels	Three goats
	44 camels or less	One ewe for every five camels
	On anything above that, up to Thirty-five camels.	A she-camel in its second year
Irrigated land	1. Naturally irrigated land	One tenth of the produce
	2. Artificially irrigated land	One twentieth of the produce
Mines		One fifth of the produce

Source: Malik (2009), Islam: beliefs and practices

Aspect of Zakat in Islam is quite simple to understand, as Zakat will increase in an economy the purchasing power of the people will increase due to which income will increase and consumption will rise and automatically national output, national income and employment will increase. Thus, giving Zakat can lead to eradication of number of problems which are faced in other economic systems.

5.5.2. Inheritance Law

Islam gives individuals right to own wealth, same as a segment of their wealth is shared with others in the family and in the community through a system of Zakat, Sadqat (charities), Hiba (Gift) and law of Inheritance. Islam uses these laws and moral responsible for his kids' expenses. They may live with him responsibilities to assert distribution of wealth and or discourage concentration of wealth within the elites. Inheritance in between the two people becomes an issue when any one of the following reasons exists:

- Blood relationship
- The child presented with a claim by the woman her husband
- Wed lock
- Relationship of ownership
- More than one Reason to become an heir (Qulajee, Encyclopedia Fiqah Abu Bakr)

This is a very powerful and effective instrument of redistribution of all kinds of assets and wealth accumulated by a person during his/her life time. This verse prescribes the shares of the children and parents of the deceased. It reads:

“Allah chargeth you concerning (the provisions for) your children: to the male the equivalent of the portion of two females, and if there be women more than two, then theirs is two-third of the inheritance, and if there be one (only), then the half. And to his parents a sixth of the inheritance, if he have a son; and if he have no son and his parents are his heirs, then to his mother appertaineth the third; and if he have brethren, then to his mother appertaineth the sixth, after any legacy he may have bequeathed, or debt (hath been paid). Your parents or your children; Ye know not which of them is nearer unto you in usefulness. It is an injunction from Allah. Lo! Allah is Knower, Wise.” (Al-Qur’an: 4:11)

5.5.3. Prohibiting Interest (Riba)

Elimination of interest from the economic system is a revolutionary step with profound effects on all spheres of economic activities. Islam prohibits interest but allows profit. It promotes trade as an occupation and regards profit as a bounty from God.

In conventional economic system income is distributed among four factors of production as following:

$$Wages (W) + Interest (i) + Rent (R) + Profit(P)$$
$$W + i + R + P \quad \text{(Equation-1)}$$

In Islamic System the distribution of income would be simply as:

$$W + R + P \quad \text{(Equation-2)}$$

In equation [1] the conventional economic system gets income on two accounts that ‘i’ and ‘P’. If ‘i’ is excluded it would naturally be distributed among other three factors of production. Beyond any doubt this would create an economic system inherently having less inequality in distribution of income as compared to conventional system. Zero interest rate together with impact of Zakat, which taxes the accumulated wealth, would certainly encourage investing (Haq, 2013). Islam promotes investment rather than keeping your assets idle. Further, “In the conflict between Capitalism and Socialism, only that culture can be assured of a secure and bright future which not only prohibits interest but also makes people abide by this prohibition.” (Dr. Yousuf-UdDin). The alternatives available for Riba are Mudarabah, Musharikhah, Ijarah (leasing), Murabahah (import/export finance), Salam (finance of agricultural products and farmers).

5.5.4. Usher:

Usher is an obligatory payment from agriculture output at the time of harvesting. If agriculture land is irrigated by rain or some other natural freely available water the producer is obliged to pay ten percent of the output as Usher. In case irrigation water is not free of cost then the deduction would be five percent. It could be a big source of funds and effectively reduce an inequality of distribution of income during the time of Prophet Muhammad (S.A.W), Usher was paid on agricultural produce as cited in the Hadith below.

Narrated Salim bin 'Abdullah from his father: The Prophet said, "On a land irrigated by rain water or by natural water channels or if the land is wet due to a nearby water channel, Usher (i.e. one-tenth) is compulsory; and on the land irrigated by the well, half of an Usher (i.e. one-twentieth) is compulsory." (Bukhari)

Usher was also given on the extract from mines as is evident from the Hadith below: Malik said, "Mines are dealt with like crops, and the same procedure is applied to both. Zakat is deducted from what comes

out of a mine on the day it comes out, without waiting for a year, just as a tenth is taken from a crop at the time it is harvested, without waiting for a year to elapse over it." (Muwatta)

5.5.5. Infaq FiSabilillah:

The institution of Infaq is one of the main pillars of the Islamic economic system and of Islam itself as a religion/faith and a way of life. Literally, Infaq is the Arabic word for spending. Conceptually Infaq in Shari'ah means spending away for the betterment of the society and its members including the giver and her/his family. Accordingly Spending may be in the exchange market against goods and services usable for consumption or it may be pure contributory on the part of the economic actor with no material exchange or benefit for the benefit of other persons and objectives. Voluntary Infaq is expressed in the Qur'an: "This is the Scripture whereof there is no doubt, guidance to those who are pious. Who believe in the unseen, and establish worship, and spend of that which, We have bestowed upon them." (Al-Qur'an:2:2-3).

5.5.6. Sadqah (Charities):

The word Sadqah means true, truth and the plural is Sudaqat. Lexically, it's part of wealth which is spent primarily for the pleasure of Allah with sincerity. This word is commonly used in Qur'an and Sunnah. It is the wealth which a person gives away for the sake of pleasure of Allah with the intention of reward is called charity. It is evident from this verse that there is no righteousness of charity without sincerity.

5.5.7. Nafqat:

The word Nafqat is plural of Nafqah which means to spend. Everyone has the right to spend on oneself. A father is responsible for his kid's expense whether they may live with him or not similarly the expenses of father in his old age will be the responsibility of his son(s). A husband is responsible for the expense of his wife as she spends most of her time in his service. When he/she has more than what he/she needs, he/she must spend on needy relatives.

5.5.7. Interest Free Loans:

Interest free loan is a beneficial source in Islam for the help of the poor and the needy to enter into productive business and generate their income. It is a system in which the lender get nothing from the borrower on lend amount. It is a distinguished feature of Islam, on one hand encouragement is there to help one's brother, but on the other hand the person who is helped is strictly warned to not to violate the right of the brother. As soon as there is a possibility, it should be returned. "All sins of a martyr are redeemed except loan" (Sulaman, Al- Moajam-al-Kabir, Mutbaa-al Zehra, Mosal)

5.5.8. Charity of Fitra:

Fitra should be given after the completion of the observance of the whole month of Ramadan. The economic philosophy of this type of charity is the rich people fasting realize the hunger of poor and needy. So Islam has made them to express their acceptance of the hunger and of the need and the poor by putting them under the obligation of paying charity at the end of Ramadan. This is a practical step to be taken towards the elimination of their hunger and needs The Prophet made payment of fitra an obligation. It is up to a portion of date or barley and it is an obligation on all Muslims i.e. free, slave, male, female, young and old. The Prophet said about the fitra that it should be paid before coming to offer prayers of the festival-Eid (Al-Sahi-al-Muslim). This charity can be paid to all those people who deserve the payment of the legal alms. It creates an efficient and effective system of distribution of wealth.

Ibn Omar reported that the Messenger of Allah (pbuh) made obligatory the charity of Fitr-one sa'a of dried dates or one sa'a of barley upon the slave and free, male and female, young and old from among the Muslims. He directed its payment before the people go out for the prayer. (Bukhari, Muslims)

5.5.9. Taqaful:

The concept of Taqaful has taken on several contemporary Islamic thought and practice. To some scholars the concept lays the foundation to financial products such as insurance and yet to other scholars the role of taqaful is slightly more philanthropic in nature and scope. Taqaful literally means mutual help among a specific group. In the case of Taqaful members of a community contribute a portion of wealth into a common pool of assets on a continuous basis. These assets are available at any time and to any member of the community who suffers from some affliction caused by some harmful event. The members can develop a committee of professionals to manage the pool of assets and becomes a defactotaqaful manager. The main purpose of this fund is to protect its members in the time of harm and not maximizing profit.

5.5.10. Awqaf:

Awqaf is a voluntary act of charity that comes under the general terms of sadaqah and infaq – (charitable spending). Waqf is an Arabic word meaning assets that are donated, bequeathed, or purchased for the purpose of being held in perpetual trust as ongoing charity (*sadaqah jariya*) or for a general or specific cause that Islam regards as socially beneficial. Distinctive features of awqaf are:

- Provision for society at large,
- Provision of religious services,
- Socio-economic relief to the needy, the poor, education, environmental, scientific, and other purposes.
- This kind of waqf is traditionally characterized as philanthropic (waqf khayri) or public ('amm).

5.5.11. Endowments:

The property or anything else which is devoted to God is called *Endowment*. Its income is spent on the poor, wayfarers, people in debt, relatives, orphans etc. It is an optional charity to keep the flow of wealth from rich to the poor. It is a non obligatory charity to keep the flow of wealth from rich to the poor. After the distribution of the living many arrangements made to expand the flow of wealth from rich to help the poor. One of them is to establish an endowment. Anything made a trust cannot be sold or given as a gift and it cannot be returned to the heirs after the death of the person. It cannot be distributed as well trust or endowment is that part of wealth or property or the both which a Person declares as trust during his lifetime with sensibility, health and physical and mental fitness. During his life the Prophet himself made a trust and encouraged his companions to do so. God says: "You will not attain piety until you spend of that which you love. And whatsoever you spend, God is aware thereof." (3:92).

5.5.12. Law of will:

Law of will serves cause of charity and thus assists distribution of wealth among the poor and the destitute. Before elaborating the law, however, let us glance through the relevant verses of al-Qur'an and hadith of Prophet Muhammad (PBUH).

1. "It is prescribed for you, when one of you approaches death, if he leaves wealth, that he bequeaths to parents and near relatives in fairness. (This is) a duty upon the pious. And whoever changes (the will) after he has heard it, the sin thereof is only upon those who change it. Lo! God is Hearer, Knower. But he who fears from a testator some unjust or sinful clause, and makes peace between the parties (by making amendments in the will according to mutual consent), (it shall be) no sin for him. Lo! God is Forgiving, Merciful." (2:180-182)

2. Ibn Omar reported that the Messenger of Allah said:

It is not befitting for a Muslim who has something to make a Will of, to remain for two nights without having one's last Will and testament written and kept ready with one." (Bukhari and Muslim).

3. Sa'ad-bin-Abi Waqqas reported; The Holy Prophet came to me while I was ill. He asked:

Have you made bequest? 'Yes', said I. He asked: To what extent? I replied: To the extent of the whole of my property in the way of Allah. He asked: What then have you left for your children? I replied: They are rich in wealth. He said: Bequeath one-tenth. Then I continued to think it little till he said: Bequeath one-third and one-third is too much. (Tirmidhi)

Before the revelation of the verses regarding division of inheritance, it was prescribed that will or bequest should be made in favour of parents and near kindred. But when the Qur'an revealed the law of inheritance and prescribed the shares of parents, children, spouses and other relatives, bequest is no longer valid in favour of an heir, as declared by the Prophet. The Holy Prophet has also prescribed that will should not be made in respect of more than one-third of total property which one is likely to leave after death. Although, in the opinion of some jurists, will can be made in favour of an heir provided all the other heirs agree yet the law of will generally understood is that will of one-third property should be made in favour of persons other than legal heirs. The law of will generally inspires rich and well-to-do Muslims to bequeath some fortune in the path of God for charitable causes like relief of the poor, education and medical relief, etc. This law has helped, in Islamic society, the establishment of waqf, trusts, hospitals, educational institutions. This law, thus promotes Jihad against poverty, misery, disease, ignorance and illiteracy. Thus the institution of will helps transfer of wealth from the rich to the poor.

5.6. Sources of Income Prohibited In Islam

5.6.1. Bribery

Bribery means giving money to someone through whom a person takes something which he / she has no right to. For example: bribing a judge to get verdict in favour (wrongfully), or bribing an official to give him preference over others or to get other favours like allotment of a contract etc.

Allah says:

“And devour not your property among yourselves unjustly, nor seek by it to gain the hearing of the judges that you may knowingly devour a portion of the property of others wrongfully.” (Al-Baqarah: 188)

5.6.2. Usurping others' property

Usurpation of the wealth of orphans, women and other weak persons is Haram. Allah says:

“And devour not your property among yourselves unjustly, nor seek by it to gain the hearing of the judges that you may knowingly devour a portion of the property of others wrongfully.” (Al-Baqarah: 188)

5.6.3. Fraud

Earning through exploitation, blackmail, fraud, duress, deception, false oaths, misrepresentation of goods, is prohibited.

“It is not for any Prophet to deceive. Whoever deceives will bring his deceit with him on the Day of Resurrection.” (Al-Imran: 161)

5.6.4. Stealing and Robbery

Theft and robbery are prohibited and declared punishable offences.

“As for the thief, both male and female, cut off their hands. It is the reward of their own deeds, an exemplary punishment from God. God is Mighty, Wise.” (Al-Ma'idah: 38)

Narated By 'Aisha : The Prophet said, "The hand of a thief should be cut off for stealing a quarter of a Dinar." (Sahih al-Bukhari: 781)

5.6.5. Income from sources of vulgarity

“Lo! Those who love that slander should be spread concerning those who believe, theirs will be a painful punishment in the world and the Hereafter. God knows. You know not.” (An-Nur: 19).

5.6.6. Gambling & Gharar (Excessive uncertainty)

Earning through gambling, speculation, forward sale is prohibited. Gambling exploits the poor. Allah says:

“O you who believe! Strong drink and games of chance and idols and divining arrows are only an infamy of Satan's handiwork. Leave it aside in order that you may succeed. Satan seeks only to cast among you enmity and hatred by means of strong drink and games of chance, and to turn you from remembrance of God and from (His) worship. Will you then have it done?” (Al-Ma'idah: 90).

5.6.7. Wine and its business

Earning through wines, narcotics and other forbidden things is forbidden. Allah says:

“O you who believe! Strong drink and games of chance and idols and divining arrows are only an infamy of Satan's handiwork. Leave it aside in order that you may succeed. Satan seeks only to cast among you enmity and hatred by means of strong drink and games of chance, and to turn you from remembrance of God and from (His) worship. Will you then have it done?” (Al-Ma'idah: 90).

5.6.8. Interest with its kinds

Interest i.e. Riba or usury in every conceivable form has been abolished

“Those that live on usury shall rise up before God like men whom Satan has demented by his touch. That is because they say: Trade is just like usury; Whereas God permits trading and forbids usury. He to whom an admonition from his Lord comes, and (he) refrains (in obedience thereto), he shall keep (the profits of) that which is past, and his affairs (henceforth) are with God. As for him who returns (to usury), such are rightful inhabitants of the (Hell) Fire. They will abide therein. God has blighted usury and made almsgiving fruitful. God loves not the sinful disbelievers.” (Al-Baqarah: 275-276)

VI. Conclusion

This paper presents a synopsis of Islamic rationalism and its framework of distribution of wealth. Conventional economics which emerged within the materialist worldview is solely based on human reason; Islamic economics is based on human reason and the Divine guidance (Khan 1989). Islamic economics foresees an economic system based on the Islamic worldview aiming to realize spiritual, moral, intellectual, social, and material well-beings of individuals in this life and the hereafter through allocation and distribution of scarce resources in a morally guided market system. The distributive tools of wealth in Islamic economic system have the capability of solving all deficiencies of other economic system which are prevailed at contemporary. Thus, it can be said that Islamic economic system provides a better framework than conventional economic systems.

References

- [1]. Peil, Jan and Staveren, Irene van (2009), *Handbook of Economics and Ethics*, edition:2009, pp.54-58, 283-287, Edward Elgar Publishing Limited, Northampton, MA, USA.
- [2]. Pusey, Michael (1991), *Economic Rationalism in Canberra*. Ch.4-5, pp.134-160, the Cambridge University Press, USA.
- [3]. Quiggin, J. (1997), 'Economic rationalism', *Crossings*, 2(1), 3-12.
- [4]. Gamal, Mahmoud A. (2006), *Islamic Finance, Law, Economics, and Practice*, edition: 2006, pp.188, Rice University, Published in the United States of America by Cambridge University Press, New York.
- [5]. Robbins, L.C. (1932, 1935), *An Essay on the Nature and Significance of Economic Science*, pp.14, London: Macmillan.
- [6]. Sen, A. (1988), *On Ethics and Economics*, pp. 2-10, Oxford and New York: Blackwell publishing.
- [7]. Hossain, B. (2014), *Economic Rationalism and Consumption: An Islamic perspective*, pp. 117, *Journal of Economics and Sustainable Development*, 5(V), No.24.
- [8]. Haq, S.G (2013), *Distribution of Income and Wealth in Islam*, pp.38-39, *South East Asia Journal of Contemporary Business, Economic and Law*, 2 (V), No. 2 (June).
- [9]. Heap, Shaun Hargreaves. (1989) *Rationality in Economics*, Oxford: Basil Blackwell Ltd.
- [10]. Akhter, W., Abbasi, A.S., and Umar, S. *Ethical Issues in Advertising in Pakistan: An Islamic Perspective*: *World Applied Sciences Journal*, 13(V), No.3 (2011): pp.444-452
- [11]. Ashker, Ahmed Abdel-Fattah, and Wilson, Rodney (2006), *Islamic economics: a short History*, edition,2006, pp.32, published by Koninklijke Brill NV, Leiden, The Netherlands.
- [12]. Chapra, Muhammad Umer (1995), *Islam and the Economic Challenge*, The Islamic Foundation and the International Institute of Islamic Thought, edition: 1995, pp.20-29
- [13]. Friedman, Milton (1979). *The Methodology of Positive Economics*, in F. Hahn and M. Hollis, *Philosophy and Economic Theory* (1979) pp.19.
- [14]. Wright, John. (2003), *The Ethics of Economic Rationalism*.ch. 4: *Rationality and morality*, pp.64-69, University of New South Wales Press Ltd. Australia
- [15]. Khan, M.F (1992), "Theory of Consumer Behavior in Islamic Perspective", in *Lectures of Islamic Economics*. Jeddah: Islamic Research and Training Institute.
- [16]. Ahmad, Khurshid. (1992). *Nature and Significance of Islamic Economics*, in *Lectures on Islamic Economics*, pp. 7-23, Jeddah: Islamic Research and Training Institute.
- [17]. Siddiqi, M.N. (2000), *Some Aspects of the Islamic Economy*, pp. 15, 16
- [18]. Chaudhry Muhammad Sharif Dr. (2003) 'Fundamentals of Islamic Economic System.'
- [19]. Baeck Louis. (1994). *The Mediterranean Tradition in Economic Thought*. London: Routledge.
- [20]. Chapra M. Umer. (2010). *Islamic Economics: What It Is and How It Developed*, *Islamic Economic Studies*. 12(3), pp.273:279
- [21]. Janaid, G.P., 1994. *Mazahir-e-Haq*, Vol. 02, Dar-al-Ashaat, Karachi, pp: 173.
- [22]. Qulajee, 1989. *Encyclopedia jurisprudence of Abu Baker*, Idara Marif Islamic Lahore, pp: 150.
- [23]. Abideen, 1406. AH, *Dar-at-Mukhtar*, 2: 256.
- [24]. Malik, 2009. *Islam: beliefs and practices*, Army publication Rawalpindi.
- [25]. Qulajee, *Encyclopedia Fiqah Abu Bakr*, Translation, Maulana Abdul Qayyum, pp: 42.
- [26]. Sulaman, Al- Moajam-al-Kabir, Mutbaa -al Zehra, Mosal, Iraq, 6: 73.
- [27]. Hussain, Mufardat-al-Quran, Noor Muhammad Kutubkhana, Karachi T.N, pp: 278.
- [28]. *Sahih al-Bukhari*, no: 2587, Volume 2, Book 24, Number 560, Volume 008, Book 081, Hadith Number 781.
- [29]. *Malik's Muwatta* Book 17, Number 17.3.8.
- [30]. Muslim, *Al-Sahi-al-Muslim*, 1: 355
- [31]. *Al-Qur'an* : 2:188, 2:2-3, 3:92, 2:180-182,3:161, 5:38,90, 2:275-276, 24:19, 4:11
- [32]. Khan, M.A. (1989), "Methodology of Islamic Economics" in *Readings in the Concept and Methodology of Islamic Economics*, ed. S.O. A. Ghazali, Selangor DarulEhsan: Pelanduk Publications.