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Theory of Consumer Behavior: An Islamic Perspective¹

By

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Usage of Arabic Terms

Some Islamic economists prefer to retain Arabic expressions relating to consumer behavior. However, for making this paper accessible to wider audience, we shall use the English equivalents of the Arabic expressions as follows:

Extravagance for *israf*
Comforts for *tehsiniyat*
Conveniences for *hajiyat*
Moderation for *iqtisad*
Necessities for *daruriyat*
Niggardliness for *bukhl*
Philanthropy for *infaq*
Waste for *tabdhir*

Abstract

The paper supplements the theory of consumer behavior with insights from the primary sources of Islam. A consumer who maximizes utility operates within four dimensions: *moderation*, *extravagance*, *waste*, and *niggardliness*. These dimensions take different meanings in each social stratum. A complicating factor is the context of consumption which could be *individual*, *social*, or *public*. For each social *stratum* and for each *context*, these *dimensions* have different meanings. The paper suggests using the methodology of behavioral economics for defining the dimensions of consumption. It elaborates the concept of marginal propensity to consume into four propensities: *marginal propensity to moderation*, *extravagance*, *waste*, and *niggardliness*. That necessitates re-defining the law of demand, leading to four curves instead of the one usually found in the economics textbooks. The last part of the paper relates consumer behavior with material well-being and happiness and concludes that moderation leads to the highest levels of happiness as compared to other dimensions of the consumer behavior.

JEL Classification:

D11, D40, D64, E21, Z12

Key Words: Consumer behavior; extravagance; waste; moderation; law of demand; material well-being and happiness

1. Introduction

Economics studies behavior of a rational consumer who maximizes utility under constraints of budget and market prices (Kirchgässner 2014, 3; Stiglitz 2019, 223-224). This broad generalization does not capture some dimensions of the consumer behavior which impact market trends and human happiness (Collier 2018, 18-19; Zaman 2019, 448-49). For example, it is possible that, motivated by a desire to save, some consumers derive maximum satisfaction by spending as little as possible on their dependents and own self. Such behavior could be termed, in common parlance, as niggardliness. However, economic theory would consider it rational as it maximizes the utility of the consumer, although on the graph of well-being, the behavior would have a low rating as it deprives the consumer of various comforts and amenities despite

having means to enjoy them. Same would be the case where a person derives utility by wasting resources. Economists consider the behavior of a wasteful consumer as rational and reasonable, even though the benefits of such consumption are lower than if the resources were used efficiently. In brief, economics studies consumer behavior considering rationality of the consumer in a narrow pecuniary setting without considering its wider social perspective and impact on well-being and happiness (Ng 2000, 3-4, 32; Scitovsky 1992/1976, 9; Zimmermann 2014,1).

This view of the consumer is removed from constraints of real life. Most of the individuals live in families and societies and interact with the needs and expectations of others and face emerging opportunities and challenges. Irrespective of faith and religion, in all societies, parents take care of children at least for a few initial years. Similarly, most individuals take care of parents to varying degrees and feel some responsibility towards neighbors, co-workers, friends, and extended family. However, the ideal consumer in the textbooks of economics seems to be living only in a workplace or market, having no connection with the family, friends, and society while the fact is the consumers are concerned about their well-being and happiness. While utility is an individualistic concept, well-being and happiness have social dimensions as well (Collier 2018, 27). A person spending on children or family members may not be maximizing his or her own utility but feels satisfied due to the ensuing feelings of well-being and happiness. Obviously, such a theory of consumer behavior needs to be re-visited to bring it closer to reality (Amiruddin and Zaman 2015; Fahim Khan 2014; Amin *et al* 2014).

Literature on consumer behavior discusses in detail such subjects as consumerism, hedonism, luxury goods, fashions, cultural values, and social recognition (e.g., Pugno, 2016; Nwankwo, *et al*, 2014; Srinivasan, *et al*, 2104; Eckhardt *et al*, 2014; Perez-Truglia, 2013; Caserta, 2008; Etzioni, 2009; Trentmann 2004; Scitovsky 1992/1976). However, it does not evaluate consumption in terms of *moderation, extravagance, waste, and niggardliness*. Not only this. Veblen, for example, even argues that, "Whatever form of expenditure the consumer chooses, or whatever end he seeks in making his choice, has utility to him by virtue of his preference. As seen from the point of view of the individual consumer the question of wastefulness does not arise within the scope of economic theory proper. The use of the word "waste" as a technical term, therefore, implies no depreciation of the motives or of the ends sought by the consumer under this canon of conspicuous waste"². Porpino (2016, 10-ff) also laments a significant lack of research in food waste which requires a multi-discipline focus such as economics, sociology, psychology, and culture. Food waste is only one area that signifies wasteful consumer behavior. Waste exists and can be studied in almost all other areas of consumption including expenditure on durable goods and in public spending. Economists have not yet diverted attention to the concepts of *extravagance* and *waste*. Abbot (2014, 6) argues that the Western political economy has been, mostly, seized with the study of scarcity and has ignored the problem of excess which, for instance, emanates from insatiability of human emotions. Studying *extravagance* and *waste* opens a new window in economics for research in problems created by excess rather than scarcity.

The Qur'anic teachings about *extravagance* and *waste* can become bedrock for a major change in the study of consumer behavior. Hence this paper aims to expand the theory of consumer behavior considering insights from the Qur'an and teachings of the Prophet Muhammad (pbuh³), found in the *hadith*⁴ literature, which provide some normative instructions about consumption. Specifically, the paper has following objectives:

- (a) Review the theory of consumer behavior in a wider social framework

- (b) Define *moderation, extravagance, waste, and niggardliness* as dimensions of consumer behavior in an objective manner
- (c) Derive a modified law of demand in the Islamic perspective
- (d) Relate dimensions of consumer behavior with well-being and happiness of the consumer

The paper does not profess to present a a normative theory of consumer behavior in Islam nor any character such as *homo Islamicus* as presented by some Islamic economists. The discussion applies to the consumer in general in a free market economy, irrespective of his or her faith. It can be of interest to anyone who likes to study the consumer behavior. The paper argues that the Quranic teachings can make a significant contribution in understanding the consumer behavior.

2. Literature Review on Consumer Behavior in Islamic Economics

Most of the literature on Islamic economics dealing with consumer behavior at microeconomic level focuses on free market setting with some additional assumptions from the Islamic primary sources (e.g., Hamdani *et el* 2004; Yasin and Zafar 2016; Amin *et el* 2014; Ghassan 2016; Dilek, *et el* 2018). A common assumption made by Islamic economists is that the consumer would follow the Islamic injunctions in an ideal Islamic economy. In doing so, they extend the definition of rationality and include in it moral, spiritual, and social perspectives (e.g., Adam *et el* 2018; Furqani 2017; Al-Aaidroos *et el* 2016; Ghassan 2015, 2016; Fahim Khan 2013, 2014; Bendjilali 1993; Naqvi 1981; Kahf 1980, and Zarqa 1980). Their objective is to show how a rational consumer will behave if he or she follows the Islamic teachings. In general, Islamic economists accept the analysis of mainstream economics to the extent it does not conflict with the Islamic teachings. (e.g. Yasin and Zafar 2016; Bendjilali 1993; El-Ashker 1985). The discussions remain focused on the Islamic teachings, leaving aside the hard-core theory of consumer behavior such as the law of demand in Islamic perspective (Hasan 2005, 30).

So long as the purpose is to illustrate the impact of Islamic teachings on consumer behavior, this approach is plausible. Nevertheless, it suffers from similar limitations as the theory of consumer behavior in mainstream economics. It analyzes the behavior of consumers who operate in a marketplace and are aloof from the society and family. A more realistic approach could be the analysis of consumer behavior in real life against the criteria of Islamic teachings leading to policy implications at macro level.

Islamic economists (e.g., Muttaqin 2019; Adam *et el* 2018; Furqani 2017; Aydin 2017; Ghassan 2016; Fahim Khan, 2003, 2013) present the concepts of necessities, comforts, and conveniences as distinctive features of the behavior of a Muslim consumer. However, none of the authors has explained how to measure these concepts. Hasan (2005, Jafar and Suerdem (2012) and Zarqa (1998) have rightly pointed out that there does not exist objective criteria for classifying the needs into these categories. These are commonsense ideas and do not add anything to our understanding of the consumer behavior.

Some other Islamic economists (e.g. Metwally, Fahim Khan, Munawar Iqbal, Ausaf Ahmad, and Adam *et el*) have presented macroeconomic consumption models in an Islamic economy⁵. They labor hard to incorporate philanthropy in the consumption function⁶ (e.g., Yasin and Zafar 2016, 75). However, bringing in philanthropy as a distinctive feature of Islamic consumer has some weaknesses. First, the Prophet (pbuh) himself described expenditure on one's dependents and own self a form of charity that will also entitle believers to a reward in the Hereafter.⁷ That blurs the distinction between philanthropy and personal

consumption. Second, the discussion about philanthropy as a distinctive feature of Islamic consumption is misplaced as Scitovsky (1992/1976, Kindle ed., Loc. 1172-1181) has shown that about 25 percent of the net savings of the Americans are set aside for charitable purposes. Similar facts can come to light if we study consumer behavior of other societies. If that is so, then what is the point in making it a distinctive feature of the Islamic consumer? Third, Hasan (2005, 33) points out that the injunctions about philanthropy relate to setting aside a part of income for charity. They do not tell us how one spends the amount one decides to spend on oneself. Fourth, these models ignore the fact that conventional economics has also dealt with philanthropy in its models (see, e.g., Azhar 2010, 202). There does not remain anything distinctive in the Islamic models.

At macroeconomic level, the literature on Islamic economics mostly discusses the effect of Islamic economic teachings on aggregate demand and employment levels. The discussions mainly agree with the shape of aggregate demand and supply curves in the Keynesian model. In another strand, Khan (1984) builds a mathematical model to show that paying *zakah* by a Muslim would not reduce the aggregate saving of an Islamic economy. Besides some technical errors in this model (see e.g., Mahdi 1985; Tag el-Din 1984), Iqbal (1985; 1998) argues that the net effect of *zakah* payment on marginal propensity to consume would be neutral. Hasan (1985, 99) has quite aptly remarked that such models are exceedingly simplistic as they do not consider several factors such as income, net assets, price level, national income, tax structure, attitudes, and liquidity preferences, etc. Lastly, the problem with these models is that they can neither be accepted nor rejected. In absence of an Islamic economy in existence, there is no way to determine the Islamicity of the consumers. These are hypothetical discussions, which are not likely to inspire scholars and policy makers.

Some Islamic economists have devised a sort of “model Islamic consumer”. This consumer is described as someone, who sets aside a part of his or her income for the sake of reward in the Hereafter (e.g., Badawi 2010). No one can dispute this line of argument. However, the discussion does not go any further since the implications of consumer decisions in the Hereafter cannot be known in this life.

Most of the Islamic economists (e.g., Fahim Khan 2003, 2013, 2014; Ghassan 2016, 2015; Fagan 2016; Furqani 2017) have repeatedly mentioned the Islamic injunctions about moderation, extravagance, and waste. However, they do not define these concepts precisely nor tell how to measure them. The discussion dwindles down to mere repetition of Islamic injunctions and remains devoid of any theoretical content. Hasan (2005, 43) makes a passionate appeal for measuring these concepts in the same manner as mainstream economics has done for such value-loaded concepts as normal profit, minimum wages, productivity, efficiency, quality of life, etc.

In a strand of discussion, some Islamic economists argue that distinctive feature of Islamic consumption function is that it aims at fulfilling *needs* and not *desires* (e.g. Zaman 2010, 89; Zaman 2019, 465; Fahim Khan 1992, 2003, 2013). *Needs* can be measured but *desires* cannot be measured. For example, if a person has five shirts and he wants to buy another one. Will it be a *need* or a *desire*? How to decide? There is no way to know it. That makes the whole exercise of defining consumption function on this basis a non-starter. Similarly, Fahim Khan (2014, 28) assumes that a Muslim consumer will not fulfil a low priority by ignoring a high priority need. However, he does not specify who will decide the consumer priorities?

Fahim Khan has contributed extensively on theory of consumer behavior in Islam. The distinctive characteristic of Fahim Khan's consumer is sound-mindedness (*rushd*). However, he does not specify how to determine the sound-mindedness. Fahim Khan (2013, 12) also visualizes that some 'internal' or 'external' pressure will force a Muslim consumer to conform with sound judgement. In the same vein, he (2013, 15) thinks that his consumer will avoid waste since he uses sound judgement to prioritize needs and avoids spending on desires. This assumption cannot be verified in any manner.

When it comes to measuring extravagance and waste, Yasin and Zafar (2016, 60) employ the law of equi-marginal utility. According to them, 'the ratio of marginal utilities from different commodities to their respective prices should be the same across the board. Any expenditure beyond this level will be considered as sub-optimal and unnecessary even if the marginal utility is still positive. Islam discourages this kind of expenditure and calls it '*extravagance*'. Carrying this argument forward, they argue that any additional expenditure over and above the maximum level of utility already attained (the point where marginal utility is zero) will be nothing but *waste* of resources. Thus, they indirectly define the concepts of *extravagance* and *waste*, relating them to utility and price. Further in their argument, they relate these concepts to well-being of the individual and the society, without specifying when a certain expenditure would be *extravagance* and when it would be *waste* within the framework of well-being. The treatment of these concepts in terms of utility (or well-being), is subject to all the criticism on measurement of utility in mainstream economics. Further, Yasin and Zafar (2016, 60) prefer to substitute 'utility' with 'well-being', without specifying how well-being shall be measured.

Adam *et al* (2018, 216) discuss the concept of *moderation* in relation to *extravagance*, *waste*, and *niggardliness*. They relate moderation with well-being. Moderation is bound by two upper and lower limits, extravagance denoting the upper limit and niggardliness as the lower limits. As consumption increases up from the lower limit but remains below the upper limit, well-being of the consumer increases. However, if the consumption exceeds either of the two limits, the consumer is either entering the domain of extravagance (exceeding the upper limit) or niggardliness (going below the lower limit). In both cases, well-being would decrease as compared to the state when the consumer was within the bounds of moderation. The authors think that the moderation will be defined by considering 'societal norms and socio-economic environment.' However, they do not suggest any method for measuring moderation, waste, or extravagance.

In brief:

The above review shows that Islamic economists have been trapped in a quagmire of self-created delusions, as summarized below:

- (a) They get into the discussion of Muslim and non-Muslim consumer, taking a cue from the assumption of *homo economicus* of economics⁸. Despite the fact there is a considerable intellectual evidence to show unrealism of the *homo economicus*, Islamic economists concocted a parallel, equally unrealistic character of *homo Islamicus*. The appropriate course should be studying the consumer behavior in real-life, analyzing it against the criteria of Islamic teachings, and developing a theory of consumer behavior in the Islamic perspective.

- (b) Islamic economists unnecessarily get into the discussion of this world and the Hereafter, although they know they cannot proceed further.
- (c) Most of the discussions on consumer behavior refer to moderation, extravagance, waste, and niggardliness. Instead of finding a mechanism to define and measure these concepts, the discussion slips into the domain of simple-living and luxury, revolving around a chorus of moralizing, with insufficient support from the primary sources of Islam or facts based on real-life data (Jafar and Suerdem 2012).
- (d) Islamic economists keep revolving around elementary concepts of necessities, conveniences, and comforts without defining and measuring them.
- (e) Some Islamic economists have got into the debate of normative vs. positive economics, emphasizing the importance of changing consumer behavior to Islamic norms (e.g., Zaman 2019, 2020). Without disputing the merit of this debate, the normative teachings do not take us far in formulating an Islamic theory of consumer behavior.
- (f) Islamic economists while discussing consumer behavior have focused to show how Islamic theory is different from mainstream economics. In the process they forget that the Qur'an is a book of guidance for the whole of humanity, not for Muslims only. The Qur'anic injunctions about moderation, extravagance, waste, and niggardliness are relevant to all human beings irrespective of their faith and religion. Why do Islamic economists try to restrict them to Muslims only? The consumer is a consumer, whether Muslim or non-Muslim. The way he or she behaves has implications for the society, economy, market, household, and individual life. Why cannot Islamic economists study the consumer behavior under varying assumptions of *complete adherence*, *partial adherence*, and *total neglect* of the Islamic injunctions?

In sum, Islamic economists have been revolving around flimsy non-issues, neglecting substantial questions about theory of consumer behavior in the Islamic perspective or expanding the existing theory in mainstream economics.

3. Dimensions of Consumer Behavior

CONTEXT, SOCIAL STRATUM, AND CONSUMER BEHAVIOR

Out of many possible dimensions of the consumer behavior, the Qur'an points toward four: *moderation*, *extravagance*, *waste*, and *niggardliness*. There are no measurable and objective definitions of these dimensions in the literature on Islamic economics. A complicating factor is the context of consumption. There could be scores of contexts. However, we can lump them in three broad categories: (a) *individual* context in response to personal choices; (b) *social* context where family, friends, and community participate; (c) *public sector* context. In each context, the meaning and scope of moderation, extravagance, waste, and niggardliness will be different.

We often note expressions such as upper class, middle class, lower class, etc. This is a crude method of saying individual consumers belong of one of these classes. All societies consist of various social strata. The social strata are defined by several factors such as income, wealth, occupation, location, literacy, ethnicity, culture, religion, caste, and social ties, etc. (Eum 2009). A more sophisticated analysis would relate all consumers to some social stratum. Consumers in each social stratum have similar spending patterns. For

example, moderation would mean a specific level of expenditure with reference to income and cultural values of a stratum. In this way, in a society there are several levels of moderation, at least one for each social stratum. Similarly, meanings of extravagance are different in each stratum. Consumption levels which are viewed as extravagant in one stratum may be moderation in another. Same is true for *waste* and *niggardliness*. People in a certain stratum may consider an expenditure as *waste* or *extravagance*, while another stratum may perceive it *niggardliness*. Every society will have several levels of *waste* and *niggardliness*, each with reference to the relevant stratum. A complicating factor is that the lines among social strata are nebulous. People in the lower stratum always look forward to jumping over to a higher stratum. Many people remain on the border lines of different social strata.

Context and *social stratum* influence consumption decisions. For example, a perfume may be extravagance in a social stratum but moderation for another. Consumption for a wedding party will have entirely different meanings of moderation, extravagance, waste, and niggardliness in each social stratum. In brief, we must relate definitions of various dimensions to context and social stratum of the consumer. Now we discuss these dimensions for formulating objective and measurable definitions.

MODERATION

What is Moderation?

Commonsense meanings of moderation suggest adopting a middle road between extravagance and niggardliness. However, this explanation does not help in defining the concept objectively. For example, it does not tell whether the expenditures of a person on food, clothing, health, etc. at any time, indicate moderation or extravagance. We need a more objective definition which can help us define precisely when the consumption is moderate and when it crosses that limit. Definition of moderation should consider the *perceptions* of the social stratum as well as *utilization* of the goods and services acquired. Keeping these two factors in view, moderation in different contexts can be defined as follows:

Individual and social consumption

Moderation in individual and social consumption refers to the level of expenditure that is (a) perceived as moderate by the relevant social stratum; and (b) the goods and services are utilized for the purpose acquired.

Public spending

Moderation in public spending refers to the level of expenditure that is (a) within the approved budget; and (b) goods and services are utilized for the purpose acquired.

An objective and measurable definition for each context would emerge by conducting surveys of consumers in the respective social stratum. The focus of surveys would be to identify average individual behavior perceived as moderate in the relevant social stratum concerning expenses on such items as food, clothing, housing, transport, health, education, etc. For each major category of expenditure, average perceptions of the social stratum would define the level of moderation. Such surveys would require revisions after every few years since the perceptions and psychological inclinations of people change. Conducting such surveys would have to be an on-going activity. Surveys are a time-consuming process. We can adopt, as a proxy and a transitory measure, the marginal propensity to consume for each social stratum as the level of moderation. Existing data on marginal propensity to consume in an economy is an aggregate of the whole economy. However, for making it relevant for the concepts of moderation, extravagance, waste, and

niggardliness as discussed in this paper, it would require elaboration for each social stratum. It means we would need to determine the marginal propensity to consume for each social stratum in the economy.

Moderation in the Qur'an

The Qur'an discourages monasticism and encourages moderation and enjoyment of 'good things of life' (Q. 2:143; 5:87-88; 7:32; 17:29; 17:110; 25:67; 57:27). It implies that people should adopt moderation in acquiring and consuming income and wealth. While commenting on Q.2:143, Asad (1980, n. 118) says:

In tune with its oft-repeated call to moderation in every aspect of life, the Qur'an exhorts the believers not to place too great an emphasis on the physical and material aspects of their lives, but postulates, at the same time, that man's urges and desires relating to 'the life of flesh' are God-willed and, therefore, legitimate...

The Qur'an advises a moderate attitude even in philanthropy, which otherwise is a supreme virtue. Asad (1980, n. 87 on Q. 28:77) thinks that the Qur'anic verse "is a call to generosity and, at the same time, to moderation". It means that while one should be generous in spending on others, one should not forget the rights toward oneself and those of dependents. Thus, moderation should be the guiding principle even in philanthropy.

EXTRAVAGANCE

What is Extravagance?

Commonsense meaning of extravagance is to spend excessively. However, the term remains vague until we relate it to one's income, wealth, price, and utilization. Like moderation extravagance has three contexts: individual, social, and public. At individual level, a person who spends more than income on a regular basis or borrows to spend on current needs without regard for means to repay the debt or buys something at a higher than the going price or buys something but does not use it appropriately would be considered extravagant. Persistent extravagance at individual level may lead to living beyond means, financial hardship, indebtedness, poverty, and hunger. Exceptions are extremely poor people who cannot meet both ends. Spending beyond disposable income by them, obviously, cannot be extravagance. At social level, excessive expenditures emanating from customs, religious obligations, emulation, or desire for recognition could be extravagance. In public spending, uneconomical acquisition, inefficient utilization, or ineffective management of public resources would be extravagance. According to Bagader *et al* (1994) extravagance would also apply to behavior causing harm to environment, human, animal, and plant life.

Like moderation, extravagance has two aspects relating to goods and services acquired: (a) perceptions of the social stratum; and (b) utilization of goods and services acquired. The following definition takes into account these two aspects:

Individual and social consumption

Extravagance in individual and social consumption means expenditure (a) that is perceived higher than moderation by the social stratum; or (b) the level of utilization is considered inadequate by the social stratum.

Goods and service partly utilized would be extravagance only if the social stratum perceives it so. For example, if a person buys an exercise machine but uses it occasionally, it would be extravagance, only if the social stratum considers it extravagance. If, for example, in a wedding party, some food is left unused, it may be extravagance if the social stratum so considers.

Public sector spending

Extravagance in public spending means sub-optimal ratio of input and output where technically more output is possible from the same input or less input was necessary for the given output.

Examples of extravagance in public spending are fixtures and furnishings for public buildings which are more expensive than the socially compliant level; hiring staff and not using them fully; buying supplies in excess of the need, which are hardly ever used and are finally thrown away, etc.

Extravagance in the Qur'an

The Qur'an disapproves extravagance in consumption (Q. Q. 6:141; 7:31; 25:67; 26:151) but does not restrict it to that. It uses the term '*israf*' and its derivatives in the generic sense of exceeding limits. For example, the Qur'an considers it extravagance if a person exceeds the ethical limits such as patience, humility, and gratitude (Q. 10:12). Similarly, while claiming retribution for a wrongful murder, it treats

ruthlessness as *extravagance* (Q. 5:32, 17:33). Guardians of orphans are advised not to spend property of the orphans *extravagantly* with the intention of depriving them when they would grow up (Q. 4:6). The arrogance and ostentation of Pharaoh (Q. 10:83) and of Qarun (Korah) are forms of *extravagance* (Q. 28:77). Arrogance, ostentation and self-piety in prayers are examples of exceeding the limits of the desirable behavior (Q. 7:55). The Qur'an applies the expression of *extravagance* to homosexuality of the people of the Prophet Lot (Q. 7:81; 51:34).

Some Issues Relating to Extravagance

(a) Does extravagance include conspicuous consumption?

In economics, the concepts of extravagance and waste are discussed under single term of 'consumerism', which according to *Wikipedia* (art. '*Consumerism*'), is 'the selfish and frivolous collecting of products.' The consumer does not have a rational reason to spend money on certain things except to keep up with the Jones's. Many people engage in conspicuous consumption for outshining their social circle, emulating others, looking for social approval, desiring variety and yielding arrogance (Hammerl and Kradischnig, 2018, 1; Stillman et al, 2012, 1-2). In a capitalist economy, such emulation is condoned in the name of utility which a consumer derives from it. However, in substantive terms, the utility of this expenditure hardly satisfies a person's needs. In some cases, it may have negative implications. For example, it may tempt a person to increase income with unfair means just to remain abreast with one's psychological model. Also, it can create distress and discontentment leading to unhappiness⁹. People indulging in extravagance tend to be boastful, overweening, ostentatious, and indifferent from others. It subdues humaneness and humility and instigates inequity and hatred toward others. In the present age, it has become obvious that conspicuous consumption creates an excessive but avoidable claim on depletable resources which could be put to better alternative uses.

A rational consumer, according to the Qur'an, should not emulate others (Q. 4:32, 15:88; 20:131) and should remain contented with what God has granted through legitimate means. The implication is that the consumers should spend resources only where they need to. Depending upon the extent to which a person adheres to the teachings of Islam, the consumer behavior would be affected by this 'emulation' factor. Status seeking can be through different ways: some better, some worse in their usefulness to society. The Qur'an presents contentment as a social virtue in contrast to social emulation. The Prophet Muhammad (pbuh) said: "*Look at those who stand at a lower level and not toward those who are at a higher level than you, for this would make the favors conferred upon you by God insignificant in your eyes*¹⁰."

The question arises: Does conspicuous consumption constitute extravagance? Some Islamic economists consider it so (e.g., Kiani *et al*, 2018, 4; Aydin 2017, 309). However, our reply to the question is that it would not be extravagance until dominant perception of the social stratum to which a consumer belongs, regards it so. The desire to excel, outshine and seek social recognition is natural. Similarly, variety and novelty has a natural attraction. People of the lowest social stratum also get satisfaction from conspicuous consumption. They, sometimes, find it mandatory to survive in their respective social circle, even though it is wasteful. Spending to satisfy this natural inclination cannot be extravagance. However, conspicuous consumption may be undesirable on other ethical grounds. For example, it would be morally undesirable if a consumer engages in prestige spending that leads to (a) arrogance (Q. 20:81); or (b) induces corrupt

earning practices (Q. 2:60); or (c) entraps in unsustainable debt; or (d) ends up throwing away useful goods just for sake of change and variety; (Asad 1980, n. 21 on Q. 10:12); or (e) showing off righteousness and piety (Q. 2:264, 4:38).

(b) Does extravagance include careless shopping?

Ideally, a rational consumer only engages in careful shopping, buying to the extent of need, and at competitive prices. However, if a consumer engages in careless shopping, buying recklessly in excessive quantities, and at higher than prevailing prices, can this be regarded as extravagance? It is difficult to term such shopping initially as extravagance as there is no objective criteria to determine if the spending is careless or not. However, this type of spending could be termed as extravagant if the consumer does not use the goods properly and discards them without reasonable benefit. But again, the criteria for determining what is *proper usage* and *reasonable benefit* is subjective. Therefore, in the final analysis, careless shopping cannot be treated as extravagance because of its subjective nature. Having said that, since careless shopping could be a source of extravagance, the society needs to regulate the behavior through education and moral imperatives (Scitovsky 1992/1976, Kindle ed. Loc. 1973-2033).

(c) Does extravagance include luxury purchases?

The Qur'an condemns a life of luxury, ease, plenty, and pleasure to the disregard of one's responsibility to the family, community, and society (Q. 11:116, 17:15-16; 23:33; 23:63-64). Islamic scholars have not, determined the precise nature of a luxurious item and distinguished it from an item which can be regarded as a divine gift or blessing. Some Islamic economists have tried to argue that restraining from extravagance implies that Islam prohibits the use of luxuries. Such a generalization is hazardous. Firstly, it is difficult to define luxury clearly and objectively (Ray 2020). The line between necessities and luxuries is quite blurred (*Wikipedia* article on "luxury"; Sims 2017). Luxury goods are now being produced for middle classes as well, which diffuses the concept of luxury and necessity. For each social stratum, the perceptions of luxury and necessities remain different (Scitovsky 1992/1976, Loc. 1295-98). Secondly, societies evolve over time. What was a luxury a few decades ago has now become necessity for most of the people (Brown & Vergrat 2015, 2-4; Madi 2014, 154-55; Eckhardt *et al* 2104, 8]). Thirdly, tendency to buy luxury goods is natural in human beings. People tend to buy more luxury goods as their income rises (*Wikipedia* article on "Luxury"). Fourthly, we find some support in the Qur'an, allowing the use of worldly adornments as a sign of God's blessing and occasion for gratitude [Q. 5:87-88; 7:31-32]. Fifthly, we find some evidence in the *hadith* literature that at times, even the Prophet Muhammad (pbuh) himself enjoyed some luxuries such as perfumes or decorated dresses when receiving special guests (Dekhil *et al* 2017; Zarqa 1998, 376). If luxury goods were prohibited, we would not find such examples in the Prophet's life. The Qur'an indicates that people in a state of *luxury* tend to be arrogant and irrational (Q. 43:23; 43:29-30) since they are engrossed in the enjoyment of material well-being and become indifferent toward the ethical principles. Use of luxuries, *per se*, does not fall in the domain of extravagance. However, if it leads to arrogance or unethical behavior, it would be undesirable but still not because of its being a luxury but because of its unethical implications (Asad, 1980, n. 147, Q. 11:116; Amanda *et al* (2018, 337).

In present times, the concept will have to be conceived within the broader framework of social hierarchy. For each social stratum, the concept of luxury would have to be measured separately. Like measurement of *extravagance*, the limits of luxury for each social stratum would be determined by surveys and arriving

at an average for each stratum. It would be possible to determine through surveys to understand perceptions of people of what they think is *life of luxury* in their respective social strata.

(d) Does opposite of extravagance mean simple life, asceticism and denying comforts?

Islamic injunctions against extravagance do not imply that the consumer should abstain from a comfortable life. Our routine habits in living and consumption gradually become our comforts and we find it difficult to live without them. One can provide comforts to others as members of a family, as colleagues, neighbors, and citizens. There is nothing in the Qur'an that prescribes abstaining from the comforts of life. In fact, the Qur'an treats sustenance and goods of use as God's bounties and encourages their enjoyment. (Q. 5:87-88). It disapproves the practice of certain Christian sects who adopted monasticism as a means of salvation (Q. 57:27). At the same time, it encourages the believers to adopt adornments of life. The life of Prophet Muhammad (pbuh), despite being modest was not one of asceticism. Despite having a heavy responsibility as the Messenger of God, he enjoyed a full family life and devoted time to his household activities as well. He was not averse to availing of comforts if one could afford it. The perception of some Islamic economists (e.g., Zaman 2019, 468) that Islam prescribes a life of asceticism and forced simplicity, despite the fact one affords to live comfortably, does not have support from the primary sources of Islam. This type of lifestyle was popularized by mystics and Sufis and may have been influenced by puritan and Calvinist tendencies among Christians. However, it does not have a basis in the Qur'an. It is not to argue that simple living should be abandoned in favor of luxurious life. If one finds simple living attractive, there is nothing wrong in it. But we need not stretch the meaning of extravagance to make simple living as mandatory, according to Islam.

(e) Does generosity involve extravagance?

Generosity refers to meeting business or social obligations over and above expectations or contracts. Examples in business are discounts, extensions in deadlines for payment and service delivery and delivering higher quality than agreed. The Qur'an visualizes a society where people are generous in social and economic dealings. For example, it encourages respite to a hard-pressed debtor if the debt cannot be forgiven altogether (Q. 2:280). Estranged husbands and wives should settle matters with generosity (Q. 2:237). In social gatherings creating physical space for others is also treated as an act of generosity (Q. 58:11).¹¹ The Qur'an appreciates the residents of Medina who generously welcomed migrants from Makkah even though they themselves were poor. (Q. 59:9). The Qur'an encourages generosity towards non-Muslims who are not at war with the Muslims (Q. 60:8). The Prophet (pbuh) instructed to repay his debt of a camel of a younger age by a camel of older age that he had borrowed and said: "Best men are those who are best in paying of their debts¹²." In sum, generosity is distinct from extravagance in terms of its objective and impact.

WASTE

What is Waste?

Commonsense meaning of waste is squandering and dissipating resources on illegal, unethical, or socially undesirable purposes. The expenditure would be a waste if its purpose is *illegal* (like bribery), *unethical* (like prostitution) or *socially undesirable* (like food waste). In *post hoc* sense, resources which remain unused can be considered a waste though it may not appear to be so at the time of acquisition. Such waste would become apparent when the resources remain unutilized, thrown away, or discarded. Acquisition of a product could be wasteful if the benefits are disproportionately less than expected. For example, a

consumer buys exercise machines at competitive prices but seldom uses them. The expenditure is not irrational, frivolous, or luxurious. It is wasteful.

Common examples of *waste* are: ploughing back ripe crops without harvesting; discarding fruit or vegetables in orchards and fields to control market prices; throwing away left-over or unused food as waste; serving over-sized plates in restaurants; packaging improper sizes by retailers; wasting energy on lights and electric equipment; letting water flow through unclosed taps; keeping spaces unused in public buildings; erecting useless monuments, etc.

Like extravagance, waste has it has three contexts: individual; social; and public. It has two aspects: (a) perceptions of the social stratum; (b) utilization of the goods or services acquired. The following definitions considers these contexts and aspects:

Waste in individual and social consumption

Waste in individual and social consumption means expenditure on goods and services that are perceived by the social stratum as (a) illegal; or (b) unethical; or (c) socially undesirable; or (d) are never utilized.

Waste in public spending:

Waste in public spending means expenditure that is (a) illegal (e.g., without provision in budget); or (b) unethical (e.g., false propaganda against another country); or (c) socially undesirable (e.g. on racial discrimination); or (d) the assets and services acquired are never utilized.

Waste in the Qur'an

The Qur'an condemns squandering and wasting of resources (Q. 17: 26-27; 20:81; 90:6-7) and equates it with evil works of the people from the ilk of Satan, who is a symbol of arrogance, hypocrisy, egotism, ingratitude and injustice, etc. Asad (1980, note 32 on Q. 17:26) says:

... the term *waste* does not relate to the quantity but, rather, to the purpose of one's spending. Thus, Ibn Abbas and Ibn Mas'ud (both of them quoted by Tabari) defined *waste* as "spending without a righteous purpose" or "in a frivolous (*batil*) cause": and Mujahid reported (*ibid*), "If a man were to spend all that he possesses in a righteous cause, it could not be termed squandering: but if he spends even a small amount in a frivolous cause, it is squandering."

Some Issues Relating to Waste

(a) Comparing extravagance and waste

Waste involves social behavior where a person expends resources senselessly just for showing off or boasting about material power. The Qur'an condemns it (Q. 90:6-7). In case of *extravagance*, there could be some benefit but that is not commensurate with the amount of resources spent (i.e. uneconomical and inefficient spending). Another difference relates to the extent of utilization: if the goods and services are partly utilized, the expenditure would be *extravagance*. However, if they are never utilized, it would be a *waste*.

(b) Economic implications of waste

- Planchenstainer (2013, 11) says that food waste is a threat to environment if the garbage is not treated properly.

- In a world that is facing climate change, scarcity of natural resources such as water, and hunger in poor countries, food waste is a potential resource for fighting poverty at a minimal marginal cost (Porpino 2016, 2).
- One of the reasons for prohibition of reckless spending by the Qur'an is to promote culture of frugality so that resources are spared for family, relatives, needy persons, or wayfarers (Q. 17:26).
- The Qur'an (Q. 26:128-129) condemns building of monuments which are of no use to human beings. They are manifestation of vain desires of the wealthy people for becoming immortal. In the process valuable economic resources are tied to these monuments. The Qur'an reminds that instead of erecting useless monuments, resources should be spent on human welfare. It equates *extravagance* with destruction and corruption (Q. 26;151-152). Also it (Q. 7:74) refers to building castles and dwellings by hewing out mountains as encouragement for corruption and social disorder (*fasad fil ard*).

(c) Difference between luxury and waste

Some Islamic economists have tried to equate luxury with waste. However, we think there is a fine difference between the two. In the case of *luxury*, the consumer enjoys the expenditure. *Waste* is squandering of resources, benefit from which is not drawn by anyone or the benefits drawn are significantly lower than the resources expended. Having said that, some forms of luxury could be quite close to waste if, for example, they consume depletable resources excessively which could be used with higher socio-economic returns in an aggregate sense. For example, in a poor country like Congo or South Sudan, building of car racetracks for the filthy rich could intermingle boundaries of waste and luxury.

NIGGARDLINESS

What is Niggardliness?

Commonsense meanings of *niggardliness* are avarice and cupidity. Technically, it refers to behavior of a consumer who, out of love for wealth, neglects even minimum expenditure on the needs, comforts and well-being of dependents and own self and (in case of Muslims) withholds obligatory charity. Examples of abstinence from the minimum expenditure on needs are as follows:

- a) Neglect of food, clothing, shelter, health and physical well-being of self and dependents
- b) Abstaining from obligatory philanthropy
- c) Non-participation in welfare activities relating to community
- d) Non-cooperation with relatives and friends to save expenditure

Like moderation, extravagance and waste, *niggardliness* has two aspects: perceptions of the social stratum; and utilization of the available resources. It has three contexts: (a) individual (b) social and (c) public. Based on this understanding we can define *niggardliness* as follows:

Niggardliness in individual and social consumption

Niggardliness in individual and social consumption means expenditure which is perceived by the relevant social stratum as (a) lower than moderation; or (b) goods and services acquired are under-utilized.

Niggardliness in public spending

Niggardliness in public spending means expenditure (a) which leaves surplus tax revenue (i.e. not provided for in the budget); or (b) the budget is left unspent; or (c) the goods and services acquire are under-utilized.

In public spending, the public sector organizations would be considered *niggardly*, if they collect taxes but do not provide for its spending in the budget or leave the budget unspent.

Niggardliness in the Qur'an

The Qur'an (Q. 4:36-37) condemns niggardliness and gives a strong warning to those who neglect paying obligatory charity and optional philanthropy out of greed and love for wealth (Q. 3: 180; 9: 34-35; 9:75-76; 17:100; 47:36-38; 57: 23-24; 64:16; 68:12-14; 70:18, 21; 92:8-11; 104:2-3). It encourages spending upon others out of love for God (Q. 2:268). The Qur'an narrates (Q. 68:17-27) parable of a garden owners who swear to harvest the fruit before the poor people arrive begging. However, God destroyed their harvest in an unpredicted visitation. The parable condemns the attitude of niggardliness expressed by the owners of the garden.

Some Issues Relating to Niggardliness

(a) Does voluntary simplicity mean niggardliness?

There is now a movement in favor of voluntary simplicity that focuses on reducing time and effort for acquiring material goods and services and sparing time for family, friends, and community. The basic idea is to be less materialistic and reduce consumption (Alexandar 2011, 2-ff; Friedman and Friedman 2010, 10; Shaw and Newholm 2002) and thus create greater meaning and purpose in life than mere acquisition of material possessions. The motivation for voluntary simplicity stems from ethical and environmental considerations, and for social impact of consumption. The present consumption patterns do not support a sustainable future. Voluntary simplicity movement supports consumption such as using energy-efficient appliances, recycling, refilling, reusing, sharing domestic appliances, cycling, car-sharing, communal laundry, kitchen gardening, living in smaller houses as need shrinks, etc.

There is a fine difference between voluntary simplicity and niggardliness. In case of niggardliness, the consumer refrains from spending on one's family and one-self and adopts a lifestyle which can be termed as hardship and deprivation. For example, such a person may opt to suffer by illness but not seek medical treatment. Also, a niggardly person refrains from sharing resources with others, fearing deprivation for own-self. As compared to this, a person practicing voluntary simplicity would not opt for hardship but would meet needs properly. Such a consumer will share resources with others at a social level.

(b) Niggardliness and greed

Niggardliness and greed are closely related aspects of consumer behavior. Niggardliness refers to shirking to spend on necessary and legitimate objectives. Greed is usually a motive behind such behavior. A greedy person likes to accumulate wealth with whatever means. Greed is pursuing self-interest to extremes, ignoring the difference between ethical and unethical, or lawful and unlawful (Friedman and Gerstein 2016, 2-3). Greed for amassing wealth enters in an individual's psyche through stark selfishness and paves way

for exploitation, dishonesty, and moral turpitude. It induces individuals to be niggardly and negligent toward social obligations. The present-day capitalist societies have dwindled in social cohesion, partly through excessive greed of its economic actors (Stiglitz 2019, xxvi). That applies equally to some rich Muslim economies of the Middle East. The greedy person accumulates the wealth; the niggardly tries to protect it. Both share the same objective. However, a person could be greedy but not niggardly. Similarly, a niggardly person may not be greedy. However, a greedy person can both be niggardly and extravagant. Similarly, a niggardly person can be greedy but contented. The final assessment of their respective behaviors can be done when they consume their resources.

Since greediness and niggardliness have a common objective, i.e. accumulation of material resources, the Quran condemns this behavior and states that those who refrain from greed are likely to lead a happy life (Q. 59:9; 64:16). From this we can infer that those who abstain from niggardliness would also be on path of happiness. Friedman and Gerstein (2016, 2-3) mention Erich Fromm, a distinguished psychoanalyst, who concluded that greed only leads to 'inner emptiness, boredom, loneliness, and depression'.

4. Measuring Moderation, Extravagance, Waste, and Niggardliness

Moderation is the key dimension for measuring consumer behavior. Once we have a method to measure moderation, it would be easy to measure extravagance, waste, and niggardliness. Since there will be different definitions of moderation for each social stratum, the easiest approach would be to select a social stratum and design a survey for collecting data on consumer perceptions about consumption. Fortunately, recent advancements in behavioral economics have made it possible to undertake such an empirical project. From among the Islamic economists, Fahim Khan (2013, 32; 2014, 51) suggests that consumer behavior theory can be developed with reference to needs, which should be determined through social surveys.

METHOD OF MEASUREMENT

After selecting the social stratum for defining moderation, the next step is to select a representative sample of consumers and determine their income levels (Y) for a series of time periods (t_1-t_n)¹³. For each period, we can assume plausibly that most of the consumers would consume (C) some income and save (S) the balance. At the basic level, most of the people will spend all their income on necessities and would have nothing to save. This can be termed as *bare minimum consumption (bmc)*. However, as income grows, the consumption also increases but not at the same pace as the income because people would now like to save a greater percentage of their income since most of their needs had already been met. How much will be consumed from each increase in income would depend on *marginal propensity to consume (mpc)*? Can we say that consumption at each level of income, given the marginal propensity to consume, would be perceived as moderation? This will depend on the analysis of data collected through surveys. However, for sake of simplicity and for purposes of illustration, we can assume that the marginal propensity to consume for each level of income will determine the level of consumption that can be termed as *moderation*.

Actual consumption would consist of *bmc* plus change in income over the initial period multiplied by *mpc*. For example, if in period 1 income (Y_{t1}) is 100, the *bmc* would also be 100, and nothing would be saved. Now assume, in period five, the income (Y_{t5}) increases to 150, and the *mpc* for period 5 is 0.5, the consumption in period five (C_{t5}) would be as follows:

$$\begin{aligned}C_{t5} &= bmc + (Y_{t5} - Y_{t1}) * mpc \\ &= 100 + (150 - 100) * 0.5 \\ &= 100 + 25 \\ &= 125\end{aligned}$$

This is the familiar method of calculating consumption in economics and we are assuming that it corresponds with the level of *moderation* perceived by the social stratum under study. We can now redefine the concept of *marginal propensity to consume (mpc)* and call it *marginal propensity to moderation (mpm)*, that is the marginal propensity to consume that represents moderation level¹⁴.

Line of Moderation

If we plot consumption levels on a graph, determined as above for all periods, we can have a level of *consumption at moderation level (C_m)* and get line of moderation (*Im*). Since consumption line is based on the income (Y), bare minimum consumption (*bmc*), and marginal propensity to moderation (*mpm*) of the social stratum, we can say, it will represent the *moderation line* for the social stratum. (See chart 1 below)

Line of moderation (Im) can be derived from the following equation:

$$Im = bmc + (dY_{t1-tn}) * mpm_{t1-tn},$$

where

Im =line of moderation

bmc = bare minimum consumption

*mpm*_{t1-tn} = marginal propensity to moderation over respective periods

*dY*_{t1-tn} = change in income over the respective periods

Suppose the initial income is 100 and in period 5 (t_5) it increases to 150. The *mpm* at period 1 percent is 10 but increases to 50 percent in period 5 (t_5). The consumption under moderation would be as follows:

$$\begin{aligned} C_m(t_5) &= bmc + Y(t_5 - t_1) * 0.50 \\ &= 100 + (150 - 100) * 0.50 \\ &= 100 + 25 \\ &= 125 \end{aligned}$$

Consumption under moderation in period 5 would be 125.

Line of Extravagance

For determining the level of *consumption with extravagance* (C_e) we shall like to introduce another concept: *marginal propensity to extravagance* (*mpe*). It means the propensity of consumer to spend extravagantly at each level of income. It represents propensity to exceed the line of moderation as the income level changes. It is a concept parallel to *marginal propensity to moderation*. For determining the *marginal propensity to extravagance*, empirical data will be collected through surveys for a sample of the population. The survey will determine the tendency toward spending beyond moderation level as the income increases.

For each level of income, *marginal propensity to extravagance* (*mpe*) will determine the level of *consumption with extravagance* (C_e). Through survey method, we can collect data from the selected sample, about what percentage of expenditure over and above the level of moderation would be perceived as extravagance by each respondent. An average of these responses would give us the value of *marginal propensity to extravagance* over and above the moderation level for the social stratum. Since, individual perceptions may change as the level of income increases, it is possible that at lower levels of income some consumption that is considered as extravagance may be considered moderate at higher levels. In this way, C_e may change as the income level within the social stratum changes. It means, for example, at income level Y_{t_1} , 10 percent over and above the moderation level may be considered as extravagance but as the income level moves to Y_{t_5} , an increase of, may be, 15 percent above the moderation level is considered as extravagance. In brief, the extravagance line, when plotted on a graph may not be a straight line. It could be an increasing line moving up rightward. (See chart 1 below)

For sake of illustration, let us assume, if the initial income is 100, and in period 5, the income changes to 150, and the *mpm* is 50 percent and *mpe* is 15 percent at that level of income, the line of extravagance will be calculated as follows:

$$I_e = bmc + (Y_{t_5} - Y_{t_1}) * mpm + (Y_{t_5} - Y_{t_1}) * mpe_{t_5}$$

Where

I_e = line of extravagance

bmc = bare minimum consumption

mpm = marginal propensity to moderation over respective periods

mpe = marginal propensity to extravagance over respective periods

$$\begin{aligned} C_e &= 100 + (150 - 100) * 0.5 + (150 - 100) * 0.15 \\ &= 100 + 25 + 7.5 \end{aligned}$$

Consumption with extravagance at period 5 (t_5) =132.5.

At this income level, the moderation level consumption was 125. The extent of extravagance at this point is $132.5 - 125.0 = 7.5$

Line of Waste

Line of waste *is* like the line of extravagance as described above. For determining the consumption level under waste (C_w), and drawing the line of waste, we shall need to determine, through survey method, perceptions of waste for a social stratum at various income levels. For this purpose, we need to determine the *marginal propensity to waste (mpw)*, which could be over and above extravagance. The formula mentioned above for line of extravagance will be modified to incorporate marginal propensity to waste for determining the line of waste, as explained below:

Let us assume, at income level Y_{t_1} , *mpw* is 12 percent but as the income level moves to Y_{t_5} , an increase of 25 percent (*mpw*) above the moderation level is considered as waste. In brief, the waste line, when plotted on a graph will not be a straight line. It would be an increasing line moving up rightward. (See chart 1 below)

For sake of illustration, let us assume, if the initial income is 100, and in period 5, the income changes to 150, and the *mpm* is 50 percent and the *mpw* is 25 percent at that level of income, the line of waste will be calculated as follows:

$$lw = bmc + (Y_{t_5} - Y_{t_1}) * mpm + (Y_{t_5} - Y_{t_1}) * mpw_{t_5}$$

Where

lw = line of waste

bmc = bare minimum consumption

mpm = marginal propensity to moderation over respective periods

mpw = marginal propensity to extravagance over respective periods

$$\begin{aligned} C_w &= 100 + (150 - 100) * 0.5 + (150 - 100) * 0.25 \\ &= 100 + 25 + 12.5 \\ &= 137.50 \end{aligned}$$

Consumption with waste at period 5 (t_5) =137.5.

At this income level, the moderation level consumption was 125. The waste level consumption is = 137.50. The extent of waste is = $137.50 - 125.0 = 12.0$

Line of Niggardliness

The case of niggardliness is similar. At different levels of income, reduction in consumption may be perceived differently. While at the most initial level, where the moderation would mean consuming all income and saving nothing, if a person still saves something (say 10 percent), it may be perceived as niggardliness by some. However, as income increases, niggardliness would assume different meanings. People may be spending less than the moderation level, but still more than bare minimum consumption (*bmc*). The difference between the moderation level and actual consumption may decrease but would still be considered as niggardliness.

For determining the *consumption under niggardliness* (C_n) and drawing the line of niggardliness (ln) we need to determine the *marginal propensity to niggardliness* (mpn) for each level of income. Like in case of extravagance, survey method can be used to determine the individual perceptions about niggardliness. For each level of income, people will have different notions about niggardliness. An average of these perceptions will allow us to determine the *marginal propensity to niggardliness* (mpn) for each level of income.

For sake of illustration, let us assume, if the initial income is 100, and in period 5, the income changes to 150, and the mpm is 50 percent and the mpn is 15 percent at that level of income, the line of niggardliness will be calculated as follows:

$$ln = bmc + (Y_{t5} - Y_{t1}) * mpm - (Y_{t5} - Y_{t1}) * mpn_{t5}$$

Where

ln = line of niggardliness

bmc = bare minimum consumption

mpm = marginal propensity to moderation over respective periods

mpn = marginal propensity to extravagance over respective periods

$$\begin{aligned} C_w &= 100 + (150 - 100) * 0.5 - (150 - 100) * 0.15 \\ &= 100 + 25 - 7.5 \\ &= 117.50 \end{aligned}$$

Consumption with niggardliness at period 5 (t_5) = 117.5.

At this income level, the moderation level consumption was 125. The niggardliness level consumption is = 117.50. The extent of niggardliness is = $125.0 - 117.5 = 7.5$

Now we consolidate the above discussion in a single illustration:

Illustration 1

In the following illustration we have assumed a social stratum with 10 periods. For each period, the income increases by 10 percent. The mpm decreases by 0.1 point for each level of income.

We have assumed that the data from the survey has determined that the *marginal propensity to extravagance* (mpe) would be 10 percent at initial level of income and would gradually increase as the income increases. We have assumed that marginal propensity to waste would be 12 percent initially and would increase as the income increases. Similarly, the *marginal propensity to niggardliness* (mpn) at the

initial level is determined as 20 percent and it decreases as income increases (assuming people become a bit more relaxed as the income increases).

Table 1

Moderation, Extravagance, Waste and Niggardliness

Periods	Income	Marginal propensity to moderation (mpm)	Consumption (moderation)	Marginal Propensity to Extravagance	Consumption with extravagance	Marginal propensity to waste	Consumption (wasteful)	Marginal propensity to niggardliness	Consumption with Niggardliness
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	100	1.0	100	0.10	110	0.12	112	0.20	80
2	110	0.9	109	0.10	120	0.15	125	0.20	87
3	121	0.8	117	0.12	131	0.20	140	0.18	96
4	133	0.7	123	0.12	138	0.20	148	0.18	101
5	146	0.6	128	0.15	147	0.250	160	0.15	109
6	161	0.5	131	0.15	150	0.250	163	0.15	111
7	177	0.4	131	0.15	150	0.350	177	0.15	111
8	195	0.3	128	0.15	148	0.450	186	0.15	109
9	214	0.2	123	0.20	147	0.550	190	0.10	111
10	236	0.1	114	0.20	136	0.650	187	0.10	102

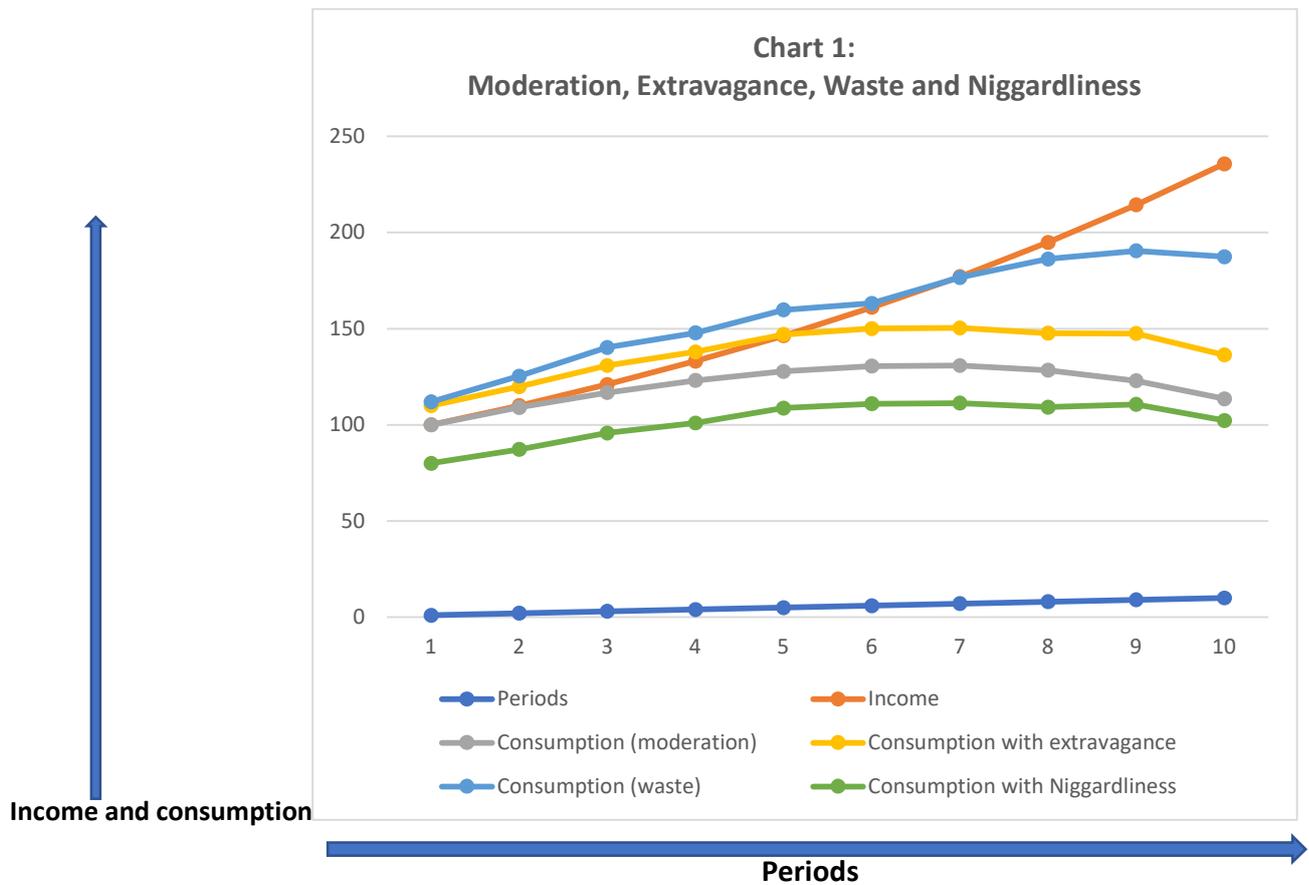
Notes:

Column 4 = Col. 2 x3

Column 6 = Col. 4+ (Col 4xCol.5)

Column 8 = Col. 4 +(Col. 4xCol 7)

Column 10 = Col. 4 – (Col 4xCol. 9)



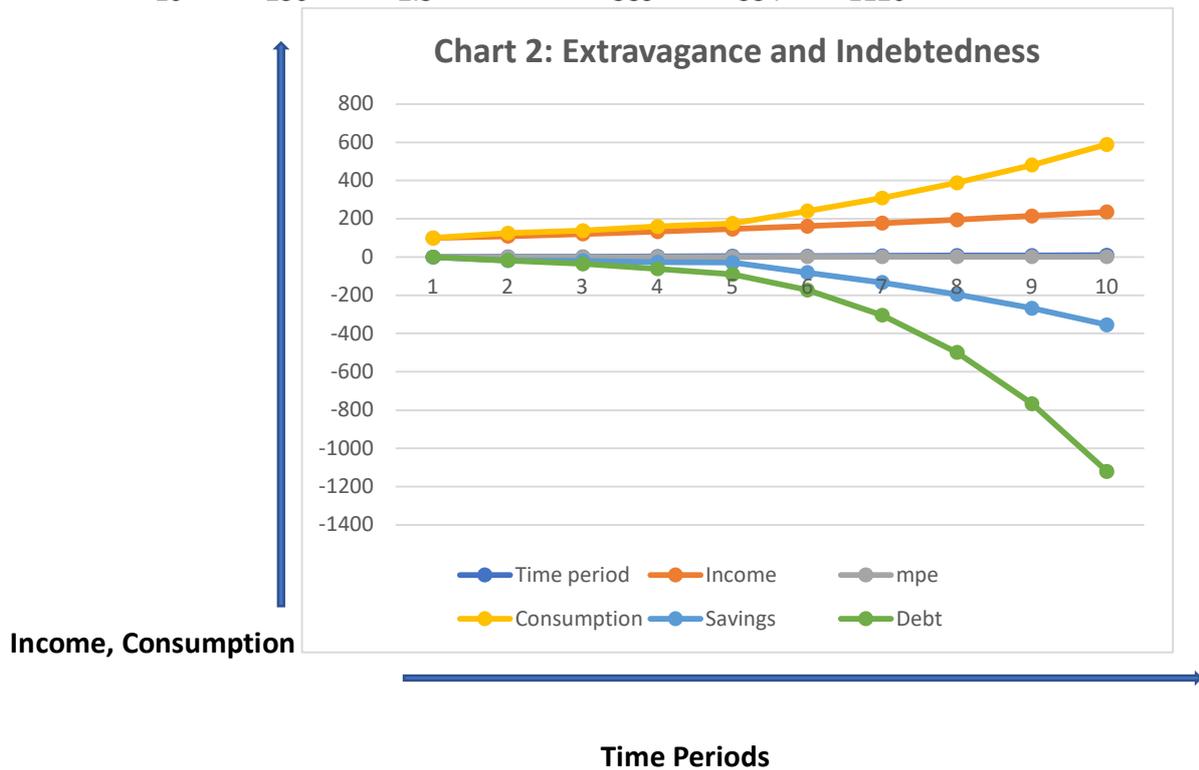
Income and Extravagance

Extravagance creates stresses on the income and saving levels. Marginal propensity to extravagance induces one to spend even when the current income level is not enough to meet the expenditure. The most common example, in developing economies is the expenditure on social functions such as marriages, funerals and parties. It is possible that a person has current income to meet such expenses. In other cases, it may be possible to use accumulated savings. However, extravagance may also lead to indebtedness in some cases. Table 2 below illustrates the point:

Table 2

Extravagance and Indebtedness

period Time	Income	Mpe (assumed)	Consumption	Savings	Debt (Cumulative)
1	100	1	100	0	0
2	110	1.15	127	-17	-17
3	121	1.15	139	-18	-35
4	133	1.20	160	-27	-61
5	146	1.20	176	-29	-91
6	161	1.50	242	-81	-171
7	177	1.75	310	-133	-304
8	195	2.00	390	-195	-499
9	214	2.25	482	-268	-767
10	236	2.5	589	-354	-1120



The chart 2 above shows how extravagance has led to cumulative indebtedness over 10 periods.

5. Law of Demand: Modified in Islamic Perspective

The standard economic theory on the law of demand relates demand with price. The law states that, *ceteris paribus*, there is an inverse relationship between the price and the quantity demanded. The demand curve is downward sloping from left to right and assumes a rational consumer who responds to changes in price: demand increases as the price moves down, and so on. The behavior of the consumer is assumed (though not stated explicitly) as moderate.

It does not consider the real-life situation where except for an ideally rational consumer most of the people are influenced in varying degrees by extravagance, waste, or niggardliness. We can assume plausibly that by temperament or training most of the people will have these tendencies in, more or less, a fixed manner, which we have termed above as *marginal propensity to moderation (mpm)*, *marginal propensity to extravagance (mpe)*, *marginal propensity to waste (mpw)* and *marginal propensity to niggardliness (mpn)*. These propensities will modify the traditional law of demand. Since consumer behavior has more than one dimension, the law of demand will also be modified for each dimension. Instead of having one curve for the law of demand, we shall have four curves for the law of demand, one each for *moderation*, *extravagance*, *waste*, and *niggardliness* as illustrated below:

Illustration 2

Let us assume:

- (a) An extravagant consumer has *marginal propensity to extravagance (mpe)* of 0.20. It would mean, when for example, a moderate consumer will demand 100 units at a given price, the extravagant consumer would demand 120 units.
- (b) A wasteful consumer has the *propensity to waste (mpw)* of 0.60. When a moderate consumer demands 100 units at a given price level, the wasteful consumer will demand 160 units.
- (c) A niggardly consumer has the *propensity to niggardliness (mpn)* of 0.33. When a normal consumer will consume 100 units at a given price, the niggardly consumer will consume 67 units.

On these assumptions the shape of the demand curves for moderate, extravagant, waste, and niggardly consumers would be as follows:

Table 3

Law of Demand: Modified Version

Price	(Assumed) Demand-Moderate	Demand Extravagance	Demand-Wasteful	Demand-Niggardliness
(1)	(2)	(3)	(4)	(5)
10	50	60	80	34
20	25	30	40	17
30	17	20	27	11
40	13	15	20	8
50	10	12	16	7
60	8	10	13	6
70	7	9	11	5
80	6	8	10	4
90	6	7	9	4
100	5	6	8	3

Notes for 1st row:

Col. 2: The demand decrease by the same percentage as price increases in col.1

Col. 3: (Col. 2)* mpe (e.g., 50*1.20 = 60)

Col.4: (Col 2)* mpw (e.g., 50*1.60 = 80)

Col. 5: (Col. 2*mpn (e.g., 50*0.67= 34)

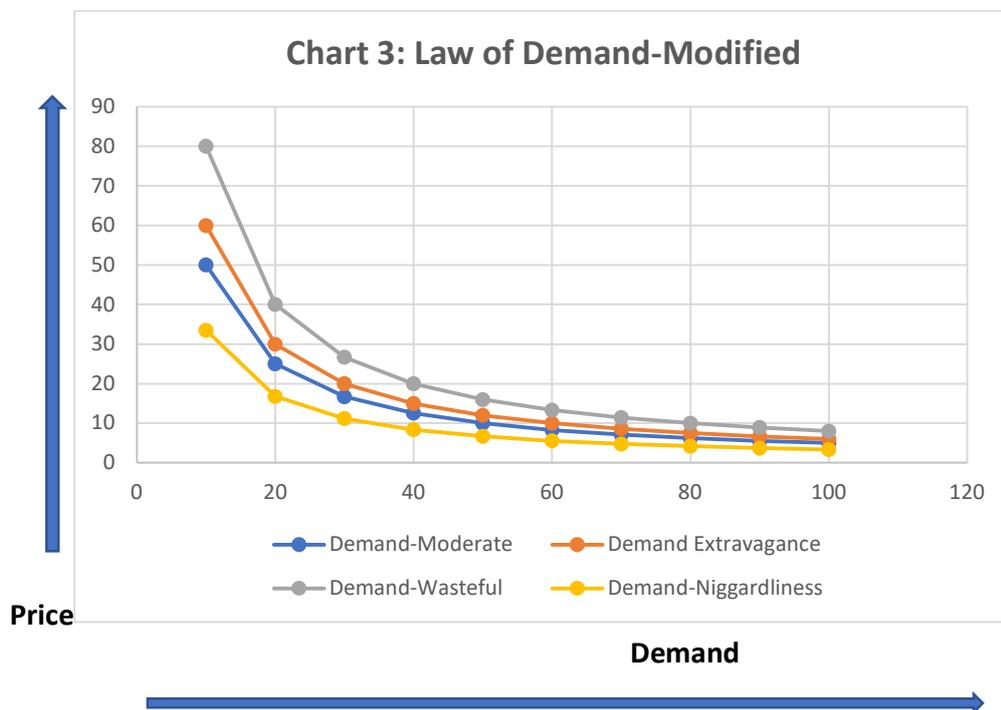


Chart 3 above shows that the traditional law of demand curve has split into four curves. The one with moderate consumption is the traditional demand curve. The other three curves illustrate behavior of the extravagant, wasteful, and niggardly consumers.

6. Consumer Behavior, Material Well-being, and Happiness

Contemporary societies have developed a culture of consumerism which encourages maximum acquisition of material goods. The unsaid assumption is that more material goods that you possess, happier you would be. However, the assumption is misplaced. Several authors have explored this subject and concluded that the accumulation of material goods does not necessarily lead to greater happiness. Instead it has taken away many things on which human well-being depends, like social, cultural, spiritual, and aesthetic pursuits. (e.g., Scitovsky 1992/1976; Friedman & Friedman 2010; Alexander 2011; Zimmerman 2014; Amiruddin and Zaman 2015; Aydin 2017). Easterlin (1974) has expounded it in great length with empirical evidence and his conclusions are termed in the literature as *Easterlin paradox*: greater the pursuit of material pleasures lesser is the state of happiness. A fairer conclusion could be that increase in income leads to a rise in happiness up to a certain level of income. Beyond that level, increase in income could be associated with a lower level of happiness.

The Qur'an says that the material well-being of a person is not necessarily an indicator of success or ultimate good. It could be God's trial of a person about material wealth. Material well-being is an indicator of the ultimate good only if a person is conscious of God; behaves ethically; is free from serfdom of false deities like wealth, fame, and power (in its broadest sense); engages in charitable works; remains humble and tries to excel in socially responsive behavior (Q. 23:55-61). Friedman and Gerstein (2016, 5) quote several studies which conclude that generous and altruistic behavior leads to greater happiness.

Various dimensions of consumer behavior have varying impact on the status of material well-being and level of happiness. A greedy person can accumulate wealth and be well-off. Similarly, a niggardly person could also be a rich person. However, are they also happy as well? As pointed out in the preceding paragraphs, the empirical evidence does not support such a conclusion. In the following discussion we shall like to refine this general conclusion further. How does various dimensions of consumer behavior such as moderation, extravagance, waste, and niggardliness impact upon a consumer's happiness? Table 4 below attempts to answers this question.

Table 4
Material Well-being

Income	Greed	9	8	7
	Moderation	6	5	4
	Unemployment/Idleness	3	2	1
		Niggardliness	Moderation	Extravagance/Waste
Consumption				

Table 4 above has the following interpretation:

1. A person who is extremely greedy but is niggardly will have the highest level of material well-being. [Cell 9]
2. A person who is moderate in earning income but is niggardly in consumption will have a lower level of material well-being as compared to the one residing in Cell-9 above. [Cell 6]
3. A person who is moderate in earning income and consumption will have moderate level of material well-being. [Cell 5]
4. A person who is either unemployed or has no regular income but at the same is spend-thrift will have the lowest level of material well-being. He or she can even be indebted. [Cell 1]
5. Other cells in the Table can be explained likewise.

To the above extent, the relationship of greed and niggardliness is obvious and can be perceived intuitively. However, it does not make manifest the relationship of each cell with happiness. For understanding that we need to relate the economic behavior with the spiritual and ethical behavior. The following discussion attempts to do that.

Persons who reside in cell no. 9 in Table 4 above would most probably be those who have greed as a normal behavior, who are reckless in their material pursuits to the extent of indulging in violation of laws, and unethical practices, etc. Since such persons are extremely niggardly as well, they tend to neglect personal and social obligations, ignore needs of needy people around them and avoid spending for the community welfare. They are able to accumulate wealth and are well-off. However, they are not likely to be happy people because of denial of various comforts and conveniences to themselves and their families. The Qur'an supports this understanding when it says that niggardliness (or covetousness) leads to unhappiness (Q. 59:9; 64;16; 92:8-10).

Another example, for sake of illustration, is of people in Cell 5 in Table 4 above. They are moderate in acquiring wealth, using only legal and ethical means and spend it moderately. Most probably they would be the happiest of all, since they have comforts and conveniences for their families and themselves, have some savings and are free from debt.

Another extreme example is of persons residing in Cell 1. They are either unemployed or do not have a regular income but have a tendency of wasting whatever resources they happen to get. Such persons may find themselves in perennial debt. Most probably, they would be unhappy for lack of comforts and conveniences and being under debt.

Similar inferences can be drawn about people living in other cells of Table 4 above. The economic behavior of people has spiritual and ethical dimensions as well. The wealth may be acquired ethically and spent ethically. Conversely, it could be earned unethically and spent unethically. In-between, on both ends (earning and spending), there could be innumerable positions which people may opt to take, given their circumstances and inclinations. The state of happiness is related to the desire for acquiring and spending wealth.

Relating Material Well-Being with Happiness

A method for relating material well-being with happiness is suggested in Table 5 and Chart 4 below.

Using Table 4 data, Table 5 below presents, hypothetical situation of a person under different conditions but relates it to level of his or her happiness.

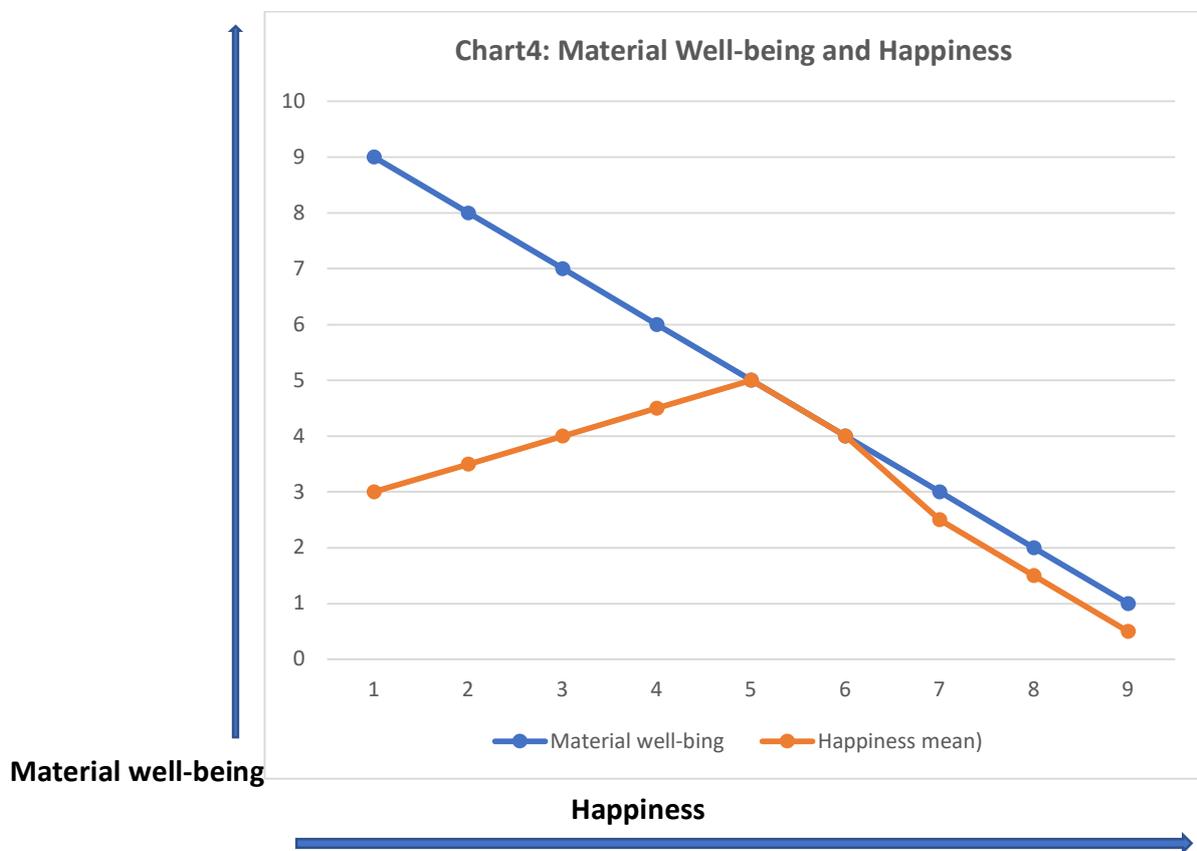
Table 5
Relating Material Well-being with Happiness

(1) Material well-being (MW)	(2) Happiness (range)	(3) Happiness (mean)
9	3-3	3.0
8	4-3	3.5
7	4-4	4.0
6	5-4	4.5
5	6-4	5.0
4	3-5	4.0
3	2-3	2.5
2	1-2	1.5
1	0-1	0.5

Table 5, Column 1 (MW) plots values of material well-being from Table 4 above. Column 2 gives a range of values for happiness, assumed but intuitively based on Table 4 values. For example, when the value for MW is 1, the person is supposed to have a happiness level that varies from 0-1. The assumption is that such a person is materially worse off; is either unemployed or is under debt. His or her consumption level is also low. Such a person is supposed to have the lowest levels of happiness. A person whose level of MW is 5 also has the highest level of happiness as 5. The assumption is that such a person is striving at moderate level for his or her livelihood and is also spending moderately on personal and social needs. Such a person

is supposed to be in a happy state, finding time for own self as well as for others besides economic pursuits. However, as the material well-being moves to level 9, the person is supposed to be in a relatively less happy mode since he or she would not be able to spare time and resources for own self, family as well as others. He or she is only accumulating wealth. Materially, such a person will be at the highest level. It is assumed that happiness ensues from other factors as well. Thus, happiness level of this person will go down¹⁵.

Table 5, Column 3 gives mean value of the level of happiness, by dividing the range values in Column 2 by 2. Plotting the data in the Table 5, gives chart 4 below which shows a curve that relates material well-being with happiness. It is clear from this explanation that the moderation in earning income and consumption leads to the highest level of happiness.



This is a crude method of showing relationship of material well-being with happiness. However, it indicates how various dimensions of consumer behavior are related to happiness. The conclusion is supported by the Qur'an which relates happiness to both material and non-material factors such as ethical and spiritual behavior (Q. 13:29; 22:77; 23:1-9; 24:31; 28:37; 30:38; 31:1-5; 64:16; 65:2-3; 91:9-10). It corresponds with studies in economics which conclude that moderation in consumption brings greater happiness (e.g., Hamm 2017; Hamm 2018-a).

7. Summary of the Main Conclusions

The paper studies consumer behavior and integrates it with insights from the primary sources of Islam. Standard economic theory assumes that a rational consumer always tries to maximize utility. The paper argues that consumption has four dimensions: *moderation*, *extravagance*, *waste*, and *niggardliness*. Even when a consumer is maximizing utility, he or she is functioning within the framework of one of these dimensions.

Since each society consists of various social strata, the dimensions of consumption as enumerated above also have different meanings in each stratum. A consumption level that is considered extravagant in one social stratum may be perceived as necessity in another. Therefore, these four dimensions would not have one unique definition for the whole economy. Instead, they would have different definitions relevant to each social stratum.

A further complicating factor is that the consumption behavior has several contexts. Among these contexts, three being significant are considered in this paper: *personal consumption*; *social consumption*; and *public spending*. The context makes the task of defining dimensions more challenging. The paper suggests that this can be done by using methodology of behavioral economics such as undertaking surveys for important items of consumption for each stratum and for each context. The results of surveys should be continuously updated as a standing arrangement.

The paper elaborates the concept of *marginal propensity to consume*, which is the basis for defining consumption in every society. It introduces concepts of *marginal propensity to moderation*, *marginal propensity to extravagance*, *marginal propensity to waste*, and *marginal propensity to niggardliness*. Using these concepts, we can derive a modified law of demand in the Islamic perspective. The paper shows four curves instead of the one curve to replace the law of demand found in mainstream economics.

The last part of the paper relates dimensions of consumer behavior with happiness. It concludes that greed and niggardliness may lead to a high level of material well-being but a lower level of happiness. The highest level of happiness ensues from moderation in earning and spending. Other dimensions of behavior such as extravagance and waste reduce the level of happiness, despite a higher level of material well-being.

Policy Implications

The primary focus of this paper is to understand the Islamic injunctions relating to consumer behavior. The paper attempts to define various dimensions of the consumer behavior and suggests a method for measuring them. The larger objective is to provide a mechanism to policy makers for encouraging a socially responsible consumer behavior that maximizes happiness. Similarly, some policy measures can also discourage the consumer behavior that is harmful for an individual and society. For example, if the society can measure the extent of *extravagance* and *waste* in certain social consumption patterns such as wedding ceremonies, purchase of cars, dresses and perfumes, the policy makers can devise suitable taxation measures for discouraging such behavior. If it is possible to identify the *moderate* consumer behavior in certain social situations, the law can encourage consumption in that direction. An appropriate understanding of the consumer behavior and its various dimensions can enable policy makers help maximize happiness.

THIS IS FROM ME AND ALLAH KNOWS THE BEST.

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End Notes

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² Modern History Sourcebook: Thorstein Veblen: Conspicuous Consumption. 1902. Pp.7.

<https://sourcebooks.fordham.edu/mod/1902veblen00.asp>

³ (pbuh) stands for 'peace be upon him'. Islamic tradition requires to add this prayer with the name of all prophets.

⁴ The *hadith* refers to speech, actions, and approvals of the Prophet Muhammad (pbuh).

⁵ A good summary of these models, except the one by Adam *et al*, is available at Yasin and Zafar (2016, 247-252).

⁶ Interestingly, Hamdani *et al* (2004, 889) find empirically that the more religious and devout persons are less generous. They spend lower percentage of their income on charity as compared to others who spend less time in prayers and worship.

⁷ Muslim, *Al-Jami' al-Sahih, Kitab al-Hajj*, h. 5, 11.

⁸ Devinney *et al* (2010) have studied the relationship of beliefs, knowledge and values on the consumer behavior in practice on the basis of data collected from a wide range of countries including countries from Africa and Asia, beside USA and Europe [e.g. pp. 133-ff]. Their overall conclusion is that there was a weak link between actual consumer behavior and ethical values held by them. The ethical behavior of the consumer was a myth in general, though in some cases, the consumer might show some preference for values and social considerations [pp177]. However, they concede that with persuasion, training and advertising, the consumer choices can be influenced. Taking this study of the present capitalist societies as a fair representation of human beings, it would be plausible to assume that the Muslim consumers would not be much different in their behavior in the market. Islamic economists who have tried to build consumer behavior models on assumptions of ideal Muslims are only figments of their imagination and have not much to do with reality. Such models can be rejected at the outset.

⁹ Baloch *et al* (2004) study wedding expenses of South Indian villages and point to the fact that the parents of bride spend lavishly on wedding ceremonies, often to the extent of income of four months, which they arrange as debt from the village money-lenders at exorbitant interest rates. The prime motive behind these expenses is to 'show off'. The situation is quite similar in Pakistan and other South Asian societies. Wedding ceremonies are commonplace examples of conspicuous consumption with negative social impact leading to heavy indebtedness.

¹⁰ Muslim, *al-Jami al-Sahih, Kitab al-Buyu'*, h. 13.

¹¹ Asad (1980, n. 18 on Q. 58:11) says: "[It] implies the mutual providing of opportunities for a decent life to all – and especially to the needy or handicapped – members of the community."

¹² Muslim, *Kitab al-Muzara'a*, h. 142.

¹³ We are omitting the discussion relating to the size of sample to keep the argument simple and straight-forward.

¹⁴ In actual practice, for collecting data for each time-period, we would not need to visit each member of the sample ten times, assuming the exercise is for ten periods. Instead, the marginal propensity to consume (*mpc*) of the society for different levels of income would be assumed as *mpc* of each time-period. For example, we know the *mpc* for income levels at 100, 125, 150 and so on. These will be adopted as *mpc* for each time-period in the above illustration.

¹⁵ These conclusions about the state of happiness are only for sake of illustration. The level of happiness experienced by an individual can be determined by other means such as surveys. Many surveys show that happiness is not necessarily linked with high level of wealth. However, those who strive for high level of wealth may have illusions and may realize at the end that it was not wealth that makes one happy but then it is too late in their lives. So, this primarily, is an issue of individual perspective. It needs change in behavior either by persuasion or through higher taxation (to control waste or extravagance but not niggardliness)