Islamic distributive scheme: a concise statement

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1. Introduction

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

2. The present scenario

The recent move, on the part of Indian planners and policy makers towards privatization, globalization and increasing liberalization has raised many questions regarding India's future picture. In a country where 50% of the population is still living below poverty line, income gap is unbelievably wide and misdistribution is a striking phenomenon, every concerned citizen looks at these steps with great anxiety. The big question that haunts them is what would be the repercussion of these policies on elimination of poverty? How will they maintain distributional equity and social justice? Disappointed with the fall of socialist system of Soviet Union, they want to make a desperate U-turn to capitalism, a system whose devastating effects are not a secret. There is also a persistent call to make new experiments. Let us see what guidance the Islamic economic system can provide in this regard.

3. Personal distribution: the main concern of Islamic economics

Production and distribution being the main economic problems in every society, the economists have differed which one is the most important.1 In Islamic framework the prime concern is the redistribution of income and wealth. Regarding production, Islam gives some guiding principles, such as efficient and economical use of resources, avoidance of wastage, the quality of production, prohibition of harmful products, minimization of luxuries and maximization of necessities and comforts. Selections of techniques and modes of production are left to man's creative and acquisitive instinct.

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

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

4. **Nature of Islamic distributive scheme**

It should be noted at the outset that Islam does not consider market mechanism as sacrosanct, although it encourages it in general. Whenever market fails to achieve the objectives cherished by Islam, the state shall use corrective measures. Islamic distributive scheme follows an institutional approach. A number of institutional arrangements have been made to correct market tendency of increasing inequalities in distribution of income and wealth.

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

**A. Compulsory measures**

1. **Zakah**

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

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

2. **Sadaqat al-fitr:**

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

3. Obligation of sacrifice:

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

5. Tax or Additional Demand for Finance:

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

6. Ushur or custom duties:

It was adopted during the caliphate of Umar. The resident of the Islamic states were charged two and a half percent to five percent, while foreigners were charged ten percent. The rate may be decided in reciprocal to the other country.

7. Kaffarat or financial penalties on certain offences:

There are certain offences on which financial penalties are prescribed which also serve function of re-distribution. For example, one who breaks the fast of Ramadan, without any shar’iyah excuse, has to provide food for sixty poor persons.

8. System of inheritance:

The inheritance system in Islam gives rise to a number of heirs which leads to the redistribution of the total wealth of the deceased. According to the strict Qur’anic injunction, all assets of the deceased - be it little or big - have to be distributed among his legitimate heirs after paying his debts and fulfilling his bequest (wasiyah) if he has made any, valid up to one third of his property. It is generally argued that "The dispersion of wealth through inheritance of agricultural land may give rise to small agricultural holdings widely scattered which may hinder efficient utilization." It appears here that the aim of efficient production clashes with the objective of an equitable distribution.
The above observation may not be very sound as the system of inheritance splits wealth in the sense of splitting the rights of ownership. Therefore, it will not necessarily lead to disintegrated units unless we assume:

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

The Islamic system permits sale and opens a wide door for partnerships. At the same time there are in it specific provisions which assist in the consolidation of ownership such as the right of pre-emption (haqq al-shuf`ah) between adjacent properties.9

8. Obligatory expenditure by relatives (al-nafaqat al-wajibah):

It is obligatory in Islamic system that each wealthy person has to provide sufficient (customary) maintenance for his poor relative, who is unable to maintain himself. The preferable view is that the financial support of an indigent person devolves on those who would inherit him in case he died leaving some property, and that this responsibility is to be shared in the same proportion in which that inheritance would be shared. This is in accordance with the principle "Liability is linked to gain".10

9. Right to demand minimum standard of living:

It is an established principle in Shari`ah that the basic needs of every human being must be fulfilled. The individual himself, his near relatives, the neighbourhood, and the society, all must recognize and fulfill their responsibilities in this regard. But the ultimate responsibility of implementing this principle in practice rests with the Islamic state.11

10. Right to Acquire the Necessities of life:

Islam does not let a person die of hunger, thirst or other necessities while others have a lot of means to satisfy these dire needs. A person faced with such situation is permitted to take forcibly from 'haves' that which would sustain him. The one who denies him such necessities, while having surplus with him, will be held responsible for his death in case he dies.12

11. Ghanimah:

This refers to movable possessions taken in battle from the enemy. Four fifths of it are to be divided among the troops. For the remaining one-fifth, the Qur'an prescribes: "The remaining fifth belongs to Allah, and to the Messenger, and to the kinsman (who has need) and orphans and the needy and the wayfarer."13
12. Fai':

As distinct from ghanimah, fai' refers to booty surrendered by the enemy at war without fighting. Unlike ghanimah and zakah revenues which are earmarked for specific categories of people, the benefit of fai' extends to the entire population and even to future generations. Under the fai' category are put all miscellaneous incomes such as unclaimed property, heirless assets, deposits, debts or usurped property whose actual owner is not known and which, therefore, cannot be returned to him. Such incomes are spent on general welfare.

13. Coercive sale at the just price:

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

B. Voluntary Measures

1. Recommended or voluntary charity (al-sadaqat al-naifilah):

A Muslim is always advised to spend his money voluntarily for the help of others. No minimum exemption limit, rate, or time is prescribed for it. Al-`umra (lifelong gift) and al-ruqba (a gift in waiting) are two special forms of provisions for gifts.

2. Gift (hibah or hadiyah):

A gift made for individuals or for some public purposes also serves redistribution of income and wealth. Al-`umra (lifelong gift) and al-ruqba (a gift in waiting) are two special forms of provisions for gifts.

3. Grant system (nizam al-ataya):

Grant made by the government to its citizens is a form of transfer payment which the guided caliphs of Islam established and practiced. The grant that takes the form of land or mines is called al-`iqtad (fief). It was initiated by the Prophet (peace be upon him) himself.
4. Bequest (al-wasiyah):

It is generally in favour of those relatives who are not getting a share in the legacy or in favour of some public purposes. Fulfillment of a will becomes obligatory on the survivors and it gets priority over the legal inheritors, provided that it is up to one-third of the inheritance.

5. Lending (al-`ariyah or al-qard):

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

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

6. Vow to Allah (nadhr):

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

7. Endowment or dedication (waqf):

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

8. Expenditure of the surplus (infaq al`-afwa):

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

9. Benevolence and sacrifice:

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

C. Preventive Measures

1. Prohibition of Riba (interest):

   There is an absolute, categorical prohibition of interest in the Qur'an and it condemns those who take *riba* (interest) and warns offenders of the doom of Fire.  

   There is no distinction in Islam between interest on loan for production purposes and loan for consumption purposes; both are equally prohibited. The reason is that charging interest is in favour of lending class at the cost of the poor. The Islamic alternative of investment based interest is partnership or *qirad* (also called *mudarabah*) in which investor is entitled to a return which is determined as share in the actual outcome of the enterprise.

2. Prohibition of hoarding:

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

3. Prohibition of monopoly:

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

4. Prohibition of private 'hima':

   *Al-hima* means preserve or enclosure through which people are kept away from a land usable by all for such benefits as herbage, water, hunting, etc. Private preserves have been prohibited by the Prophet (peace be upon him) as he said, "there is no enclosure except for Allah and his messenger".

5. Prohibition of games of chance and lotteries:

   The Qur'an prohibits games of chance as they result in an uncertain distribution of wealth. They also cause hatred, enmity and disputes.
6. Bribery and kickback:

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

7. Prohibition of stealing property and embezzlement of funds:

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

8. Curb on demonstration effect:

Islam encourages man on adoption of the quality of being content. At the same time it curbs his greed and having the demonstration effect. The Qur'an condemned those whose mouths were watered by seeing Korah (Qarun) in his extreme pomp of show. It also censures those who not only demonstrate miserliness themselves but ask others also to do the same.

D. Some other institutions with indirect effects on distribution:

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

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

5. Objective of the Islamic distributive scheme

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

a) to eliminate poverty and bridge the gap between the rich and the poor,
b) to improve distribution and reduce disparity,
c) to ensure the fulfillment of basic needs,
d) to create an atmosphere of love, cooperation, goodwill and fellow feeling,
e) to generate positive effect in the inner self of the donor or *tazkiyat al-nufus*,
f) to achieve efficiency by transferring the surplus resources to those who lack capital, and

g) to have a society grateful to Allah's bounties, enjoying real welfare and prosperity.

6. Relevance of these ideas in the Indian context

At the end, I would like to address briefly the question whether these ideas have relevance in the present day Indian context? No doubt, Islam is faith and action. One will fully benefit from its economic teachings when he is embodiment of the two. Nevertheless, *mu'amalat* (actions) and Islamic measures have their impact to the extent they are followed and practised. To quote a contemporary scholar, "The adjective Islamic does not indicate narrow and limited vision: Its basics being human nature it transcends geographical boundaries and time/space constraints. True, its effective operation is lived to certain fundamental values, but these are not the preserve of certain communities only. Anyone whose primary concern is to build humane, prosperous world may, benefit from it." 41

Indian policy makers have adopted different measures such as progressive taxation, transfer payments, limited free health and education schemes, grants and awards, cooperatives, donations, relief schemes, reservations and different employment schemes, etc. But these measures do not prove to be sufficient and fail to show desirable effect to combat poverty and achieve social justice. One of the important aspects neglected by the Indian system is the serious effort and due emphasis to generate among its people the qualities of self-purification, content, sacrifice, love and simplicity. These values were deep rooted in Indian society of the past and still appreciated by people. They should be inculcated among them. Desire for high standard of living luxurious life, lust for power, position and prestige, dishonesty, selfishness, jealousy, cut throat competition and monopolization of resources by few are some of the root causes behind Bofors scandal, security scam,
custom officials' acceptance of bribery and negligence from their duties and restlessness in different part of the country. Continuation of smuggling, kickbacks, development of lottery business, 'sutta' etc. are resultant of greed and materialistic bend of mind.

There is need to critically examine India's existing distributive scheme which is beyond the scope of this paper. There are a number of compulsory and voluntary measures in use here but some of them are self defeating. For example, too much reliance on indirect taxes is regressive in nature. Voluntarism has not been given its due place in this scheme. Gift tax and heavy registration and transfer fees even on endowments curb the voluntarism. Tax concession for joint family of the majority community increases concentration of wealth and reduces its availability for removal of poverty. Deprivation of daughters from inheritance of real estates has also similar effect.

The Islamic distributive scheme is based on sound foundations. On the pattern of Islamic distributive scheme, India can adopt three types of measures, compulsory, voluntary and preventive, to eliminate poverty, correct the maldistribution and achieve social justice. Especially, voluntarism has played an important role in the past and it has capability to do still a lot. For this purpose people have to be convinced and educated.

NOTES AND REFERENCES

1. For example, H. C. Simons says: "Our primary problem is production. The common man or average family has a far greater state in the size of our aggregate income than in any possible redistribution of income". Economic Policy for a free Society, Chicago, University of Chicago Press., 1984, p. 5.


3. The Qur'an, 9: 60.


6. The Qur'an, 4: 11-12.


11. Siddiqi, M.N., "Guarantee of Minimum Level of Living in an Islamic State", in Munawar Iqbal (ed.), op. cit., p. 257. Dr. Siddiqi has examined the issue in much details, fully documented.


13. The Qur'an, 8: 41.

14. The definition is inferred from a statement in the Qur'an, Surat al-Hashr, verse 6.


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

18. The Prophet (peace be upon him) encouraged the exchange of gifts saying, "Exchange gifts. This will remove the enmity and hatred", al-Tirmidhi, Jam' al-Tirmidhi, op. cit., part 2, p. 35.


21. See above, 6.


30. See the Qur'an, 2: 275-81.


34. The Qur'an, 5: 90-91.

35. The Qur'an, 2: 188.


38. The Qur'an, 28: 82.

39. The Qur'an, 4: 37.
