



**ISLAMIC ATTRIBUTES IN CONSUMER
DECISION MAKING:
AN EMPIRICAL STUDY IN SINGAPORE**

BY

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**A THESIS SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF ECONOMICS**

**KULLIYAH OF ECONOMICS
AND MANAGEMENT SCIENCES
INTERNATIONAL ISLAMIC UNIVERSITY
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AUGUST 1999

ABSTRACT

Consumption models developed by Muslim economists are based on assumptions of the economic agent having Islamic values. This thesis explores the basis of these consumption models, highlighting the relevant concepts in Islam which play an important role in developing this economic agent. From the models that have been analyzed, several hypotheses were constructed and supported with *Qur'ānic* verses where possible. Using data collected from a survey in Singapore, an empirical study is conducted to test if the hypotheses are true. Our findings indicate that Muslims in Singapore generally do take Islam as their source of reference and are consuming *halāl* products. They are also moderate spenders, displaying that moderation, a main concept of Islamic consumption models, is being practiced. However, for activities that seem secular such as donation for public goods, improvement courses and cooperation with the government, the findings are not supportive of the hypotheses. This indicates that Singaporean Muslims are still distinguishing between what they deem as secular from religion, a distinction which does not exist in Islam.

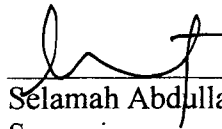
ملخص البحث

إن نماذج الاستهلاك التي طورها علماء الاقتصاد المسلمين تعتمد على افتراضات أن الوكيل الاقتصادي لديه قيم إسلامية . تستكشف هذه الرسالة أسس هذه النماذج الاستهلاكية موضحة المفاهيم الإسلامية التي تلعب دورا هاما في تطوير هذا الوكيل الاقتصادي. لقد تم تحليل بعض النماذج وصممت بعض الفرضيات ودعمت بالآيات القرآنية ما أمكن وباستخدام المعلومات التي تم جمعها من مسح أجرى في سنغافورة فقد تمت الدراسات التجريبية اختبار ما إذا كانت الافتراضات حقيقية. وقد دلت نتائج بحثنا على ان المسلمين في سنغافورة عموما يتخذون من الإسلام كمرجع لهم ويستهلكون المنتجات الحلال. انهم كذلك معتدلون في الإنفاق . ويبرز هذا الاعتدال فان نموذجنا أساسيا في نماذج الاستهلاك الإسلامي تم وضعه في حيز التنفيذ. ومع ذلك فان النشاطات التي تظهر أنها علمانية كتبرعات من أجل المصالح العامة وتحسين الدورات التعليمية والتعاون مع الحكومة فان النتائج لا تساعد هذه الافتراضات. وهذا يشير إلى أن مسلمي سنغافورة لا يزالون يميزون بين ما يرونه ألا أنه ليس من الدين وهذه تفرقة ليس لها أسس في الإسلام.

APPROVAL PAGE

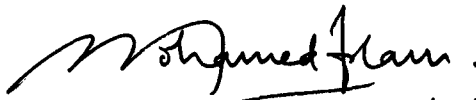
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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

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*This work is dedicated to my beloved parents and grandmother,
Abu Bakar Hashim, Aishah Ahmad and Aminah Abdullah.*

Also to my husband, Badrolhisham Abd Shator.

May Allah bless and guide them always.

ACKNOWLEDGEMENTS

Praises be to Allah, the Most Gracious and Most Merciful. With His Help, this work has been completed. I would like to thank all those who have, in one way or another, assisted me in my work. First of all, my sincere gratitude and appreciation to both my supervisors from whom I have learned a lot and whose many helpful comments and suggestions led to the completion of my thesis. I am indebted to Dr. Selamah Abdullah Yusof, my main supervisor, who has patiently guided and supported me throughout my task, and without whom this work would not have been possible. My gratitude to Dr. Mohamed. Aslam Haneef, my co-supervisor, whose many exclamations of 'expand' increased the volume of my work. My appreciation also to Dr. Ruzita Mohd. Amin for her valuable comments and suggestions. I would like to thank the staff of the Department of Economics, IIUM who have in one way or another helped me and given me the support I needed. My appreciation and gratitude is due to my family, for their quiet support throughout my study. My thanks to my friends, particularly Kak Rohayah who helped me with my library research in Singapore, those who helped me with my survey (there are too many to mention) and colleagues who gave me the moral support when I needed them. Special thanks to Ahmad Rufai, Shezlin and Din, for rendering help especially with the computer work. And last but definitely not the least, to my husband, Badrolhisham Abd Shator, who has always been there for me. May Allah give them their due rewards.

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PART ONE:
GENERAL BACKGROUND

CHAPTER 1

INTRODUCTION

1.0 Introduction

The religion Islam has been defined as a way of life. This is because a Muslim is guided on every aspect of his life, not just in specific acts of worship. What this means is that Islam has given guidelines to its followers on all aspects of life. Economics is an area which has not been neglected. As such, some general guidelines have been laid down for the individuals to follow. How and what to trade, how to interact with others, what can be consumed, these are just a few of the areas in which guidance has been provided for by Islam.

Since most individuals make decisions on what and how much to consume, a study of the consumption decision making of Muslims will show how much influence Islam has on this aspect of the individual's life. We expect Muslims to be guided and to follow the guidance given by the *Shari'ah*.

Several models of consumption have been put forward by Muslim economists. One of the main assumptions made is that Muslims ought to behave differently from non Muslims since Muslims are supposed to be following the guidance given by God i.e., the *Shari'ah*. Looking at the definition of rationality as the means-ends relationship, we need to first identify the ends that are accepted by Islam and compare these to

those in the conventional economics. This highlights the main difference between Islamic consumption models with those of conventional economics. Although much work has been done from the theoretical side, no detailed empirical study has been done in this area. What this paper hopes to do is to provide an empirical study on the decision making of Muslim and non-Muslim consumers so that a comparison between them is able to be carried out. This allows us to see if the claims made are so far true and if not, what is lacking and needs to be corrected.

1.1 Objectives of the study

So far, most of the consumption models in Islamic economics have been independently built. Except for a brief description of some of the models presented in Tahir, et. al. (1992), there has not been much attempt at analyzing the models together. The first objective of this paper is to look at the ends or objectives of the consumer and his means to achieve them as understood in Islam. To do this, a brief overview of the Islamic concepts important to the study is discussed. This establishes the concepts that are (or should be) common in all the Islamic consumption models that we are studying for this study.

With this, we are better prepared to analyze the individual consumption models, identifying the similarities and differences that may occur among them. The differences may occur due to different understandings or interpretations of some of the important concepts. For example, what is understood by the concept of moderation

may be differently interpreted by the Muslim economists. A summary table is given to facilitate comparisons among the models. The analysis focuses on areas where predictions are viable for empirical testing.

From the models that are analyzed, several hypotheses are constructed to test their predictions. Where possible, we support the construction of the hypotheses with the *Qur'ānic* verses relevant to our study. Some of the predictions of the Islamic consumption models are common to all the Islamic models but there are some predictions that are derived from only one or two models. We select those predictions that can be tested out and include them in our study.

We then empirically test out the hypotheses. This is our main objective of the paper. What we want to do is to test out the predictions of the models and see if the responses of Muslims in Singapore were in line with the predictions. We also look at other factors, like age and culture, to see if these influence the consumption behaviour of an individual. The three main objectives of this paper are, therefore:

1. To conduct an empirical study on consumer decision makings of Muslims as well as non-Muslims and to determine their general trend.
2. To test if the predictions made from the hypotheses developed for the study are true.
3. To put forward possible explanations for the results.

Our method of analysis for the theoretical part is done as follows. Several concepts important in Islamic economics are presented to provide some background information. We derive testable hypotheses by 'extracting' them from the Islamic economic vision comprising the sources of Islamic Economics, that is, the *Qur'ān*, *Sunnah* and views of contemporary Islamic economists who have discussed on consumption. We use the means-ends framework to analyze the concept of rationality. A literature review of models presented by Muslim economists is done by library research.

One of the limitations of this study is that sources in other languages cannot be reviewed, only books in the English language are referred to in this study. To overcome this, we referred to the translated versions of some of the texts which are available. Those texts (original or translated) which are not available in English are not included in this study. We believe these limitations would not greatly affect the results of the study since most of the serious works in contemporary Islamic Economics relating to consumption are available in English. A summary table is given to facilitate comparison and to provide a summarized version of the different models presented.

1.2 Outline of the study

This paper is divided into two parts. The first part which comprises of the next three chapters deals with the theoretical aspects while the second part which consists of the

following three chapters, deals with an empirical case study of Singaporeans. This chapter discusses the rationale as well as our objectives for the overall study.

The second chapter gives an overview of the basic assumptions essential to the study of consumption theories in Islamic economics. We deal in greater detail certain concepts in Islam which are relevant to our study. This is because some of the Islamic concepts are foreign to conventional economics but play crucial roles in the Islamic models. To better understand the Islamic models, a firm grasp of the concepts is required. We try to incorporate some comparisons of related concepts found in conventional economics, highlighting their similarities and differences. This facilitates a better understanding of all the concepts discussed and present the general conceptual framework in which our empirical study should be seen.

We use the framework of the means-ends relationship when we are discussing the concept of rationality. Being an essential concept in conventional as well as Islamic economics, this framework helps us to clearly see the difference between these two approaches or perspectives on economics.

The third chapter discusses various models of consumption in Islamic economics. With the definition of rationality as given in the second chapter, we analyze the models together and try to fit the models in the framework. A simple analysis and comparison between the models is conducted. We find that although most models agree on certain points, there are some differences in their method of analysis and in

their interpretations of concepts that, in turn, would lead to different results. However, since the objective of the study is to empirically test out the predictions of Islamic models that are viable, we do not analyze in detail each Islamic model put forward by the scholars but instead focus on relevant concepts highlighted by the scholars.

Chapter four begins with a review of an empirical study on consumption behaviour that was conducted in Scotland, United Kingdom. The chapter also discusses on the methodology of our study. It describes the survey design, sampling as well as the profile of respondents, limitations and the proxies used in our analyses.

Chapter five looks at the formation of hypotheses, results and analyses. The hypotheses built are derived mainly from the works of the Muslim economists. Reference to *Qur'ānic* verses is made wherever possible. The analyses test whether the predictions of the Islamic models hold empirically. There are 8 main hypotheses that have been formed. The last chapter, chapter six recapitulates the discussions in the first five chapters and gives suggestions for further research.

CHAPTER 2

CONCEPTS IN ISLAMIC ECONOMICS

2.0 Introduction

In Islamic economics, any discussion on consumption must be preceded and founded on the Islamic vision related to it. This ultimately stems from the Islamic worldview. Among the important components of the Islamic vision on consumption are the concepts of *tawhīd*, Islam's view of man, justice, rationality, goods and needs. Together, these views, all non-exhaustive, will help us outline the assumptions made about the consumer in the Islamic framework.

2.1 Concept of *Tawhīd*

Tawhīd is a core concept which affects all aspects of life. *Tawhīd* is the unity of God and a Muslim believes in the Oneness of God and has God constantly present in his life. There is no separation of secular pursuits from religious actions in the true sense. To be a Muslim is to do what God has 'directed' and for His sake. Hence secular pursuits are part of religious actions if done 'as they should be'. Islam associates belief in the Day of Judgement and the life in the hereafter with the belief in Allah, extending the Muslim's time horizon to life after death. Life after death is interrelated with life on earth (which includes economic activities). This is because

actions on earth will have immediate and postponed effects, that is, effects felt on earth and effects in the hereafter.

Islam has given a general guideline on the relationship between actions on earth and the effects in the hereafter. Focusing on economic behaviour, for example, consuming *halāl* goods in general will generate positive effects in this world and the hereafter, but the consumption of *harām* goods will generally generate negative effects in the hereafter (and in this world as well). With the presence of God constantly in the Muslim's life, these effects will be taken into consideration when the consumer makes his decisions.

The next two concepts are interrelated and leads to the concept of rationality which is an important concept in the theory of consumption, both in the conventional as well as in Islamic economics.

2.2 Concept of Man: Nature and Role

Man is defined as a rational (*natiq*) animal where rationality is seen to refer to reason and intellect. From al-Attas (1991: 13-14);

...(T)he term *natiq* signifies 'rational'. Man is possessed of an inner faculty (*ʿaql*) that formulates meaning ... and this formulation of meaning, which involves judgement and discrimination and clarification, is what constitutes his 'rationality'... (*ʿAql*) signifies an innate property that binds and withholds objects of knowledge by means of words ... The real nature of *ʿaql* is that it is a spiritual

substance by which the rational soul recognizes and distinguishes truth from falsehood.

Before man assumed his physical form,¹ he was able to recognize and acknowledge the reality and truth of his condition in relation to his Lord through his faculty of spiritual cognition, sealing an individual covenant collectively with God. Hence, man in his spiritual pre-existent condition is his rational soul, and his manifestation in his physical form is his animal soul. Man is seen as having a dual nature with two souls, with the rational soul as the higher one (al-Attas, 1991: 23).

al-Ghazzali sees man in his animal soul as having the qualities of appetite, anger and apprehension which is also found in animals while the Self of man (the rational soul) as having two additional qualities that would enable him to attain spiritual perfection, his *‘aql* and *irādah* (will). *‘Aql* is the fundamental rational faculty in man and enables him to generalize and form concepts which is the basis for *‘ilm* (Umaruddin, 1977: 74). Will, in man, is different from that in animals as it is conditioned by the development of knowledge through intellect (the rational soul getting the better of the animal soul), while will in animals is a quality of anger and appetite only. The contrary forces in the human self incite anger and appetite to rebel against *‘aql*. We can relate this specifically to consumption, the consumption of *harām* products, despite the consumer’s knowledge of its forbiddingness occurs due to the animal soul overcoming the rational soul; i.e., it occurs when anger and appetite has rebelled against *‘aql*.

¹ In Islam, a man’s soul is in existence before he is born on earth.

His analysis is similar to that of Ibn Khaldun in that men both resemble and differ from animals at the same time (Dhaouadi, 1990). The resemblance is in their need for food, habitation, movement, etc., and the distinction is that man always uses his thinking and hardly ceases to think. As such, man is able to secure his subsistence survival material through co-operation with others, and through his thought, he is able to accept the divine revelations brought by God's messengers and orient his behaviour accordingly. Hence, man is first of all a thinking being. However, the ability to think may or may not be fully utilized. As in the example above, one's 'animal instincts' such as anger and appetite may cloud or overcome his ability to think (i.e., his *‘aql*). When the ability to think is not fully utilized, it may result in actions which are considered as unjust in Islam.

2.3 Concept of Justice

The concept of justice is related to the concept of man. It refers to "the harmonious and rightly balanced relationship primarily between man and himself and secondarily between man and others" (al-Attas, 1976: 66).² In the Islamic worldview, whether a man disbelieves or disobeys God, or whether he does wrong to another man, it is really to his own self that he does wrong (al-Attas, 1976: 67). For if he incurs God's displeasure (by denying His Existence or committing prohibited acts), he has denied his own affirmation to God's Lordship which he acknowledges in his rational soul.

² al-Attas adds further that justice and injustice begins and ends with the self for the *Holy Qur'ān* repeatedly stresses that when man does wrong, he is being unjust to himself and that injustice is a condition wrought by man upon his self. Refer to verses 4:123, 10:44 and 39:41 for examples.