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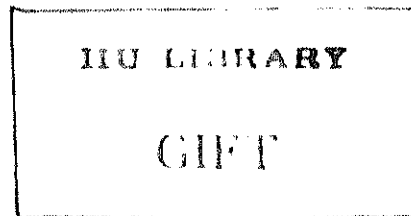
**INTERNATIONAL ISLAMIC UNIVERSITY, MALAYSIA**

**"A STUDY ON DISTRIBUTION OF INCOME AND  
WEALTH IN ISLAM WITH SPECIAL REFERENCE  
TO THE INSTITUTION OF ZAKAT"**

**BY**

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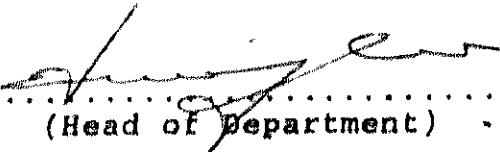
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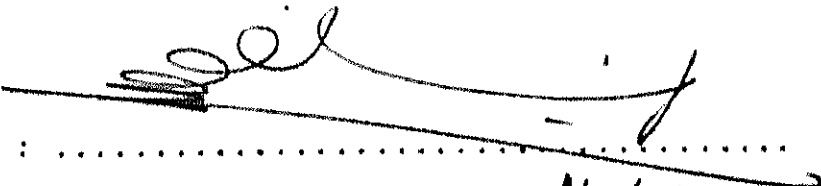
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## ABSTRACT

This study is an attempt to discuss the 'Distribution of Income and Wealth in Islam with special reference to the Institution of Zakat'. In order to achieve the objective of the study, the discussion has been broken down into the following outline:

Chapter I appears as the introductory notes of the study, whereby the rationale, scope, plans and methodology of the study are detailed out.

The Second Chapter deals with the two prevailing modern economic systems, namely, capitalism and communism which were given birth and formulated by man in connection with the distribution of income and wealth.

Chapter III deals with the distribution of income and wealth in the Islamic economy. In this chapter the discussion concentrates on the Islamic views on distribution and various measures of distribution of income and wealth.

The Fourth Chapter deals with the role of zakat in the distribution of income and wealth. This chapter also focuses on certain pertinent issues in the contemporary administration of zakat.

In Chapter V, the concluding part of the study, we present our findings as summary and concluding remarks.

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## CHAPTER I

## INTRODUCTION

## 1.1 MUQADDIMAH:

The distribution of income and wealth is one of the most important and most controversial subjects concerning the economic life of man, which has given birth to global revolutions in the world of today, and has affected every sphere of human activity right from the international life down to the private life of the individual.<sup>1</sup> In fact, the problem of distribution of income and wealth has now-a-days been considered as one of the major burning issues of the social fabric. Due to this unresolved problem of distribution, it has resulted in the widening of gaps among different income groups and it has caused serious erosions in the socio-economic discipline and harmonious continuation of the society. Along with the western world, Muslim countries are also disturbed by this nagging economic issue.

In principle, there are two channels of distribution of income and wealth: the first is the functional distribution of income<sup>2</sup> which refers to the

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<sup>1</sup>Mufti Muhammad Shafi, Distribution of Wealth in Islam, Dhaka: Islamic Foundation Bangladesh, 1983, p.1

<sup>2</sup>Abul Hasan M. Sadeq, Economic Development in Islam, Malaysia: Pelanduk Publications, 1990, pp. 38-57.

distribution of the produced goods and services among the factor of production, and the second, distribution of income and wealth through transfer payments and other measures.<sup>3</sup>

It should be noted that the theory of distribution should deal with the problem of distribution of national income among different classes of people in a comprehensive manner. In particular, it should be in a position to explain this phenomenon in the society as to why a few, are very rich, while the greater number of people are poor. Unfortunately, the tradition among modern economists is to treat the distributional problem not as a problem of personal distribution but only as a problem of functional distribution.<sup>4</sup>

Islam is a complete and balanced code of life for mankind. In fact, it is a way of life, which is designed to cater for human welfare through the establishment of harmony between the moral and the material needs of human beings and the actualisation of socio-economic justice and brotherhood in human

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<sup>3</sup> Ibid., pp.60-73. and also Abul Hasan M.Sadeq, "Distribution of wealth through Transfer Payments", Hamdard Islamicus, No. 1, vol. 12, 1989, pp.33-45

<sup>4</sup> M.A.Mannan, Islamic Economics Theory and Practice, Lahore: Sh. Muhammad Ashraf, 1983, p.151

society.<sup>5</sup> Since Islam covers all aspects of human life, the Islamic economic system is, therefore, an integral part of the Islamic social order. In fact, it is only Islam which has laid down and provided a specific form of guidance for both types of distribution of income and wealth.

It should be noted that at different times various eminent economists, philosophers and politicians have tried to solve the problem of distribution of income and wealth but, inspite of their best efforts, have failed in their search for a perfect solution. In fact, in this regard there are two extremely opposite thoughts developed. **One school** of thought holds the view that the individual should have complete liberty so that he may produce the maximum amount of wealth by utilizing his inherent ability. It also recognises the unlimited right of the individual to own property and justifies the inequitable distribution of income and wealth. **The other school** of thought maintains that individual liberty is a constant danger to the good of society, so individual liberty and right to property should be abolished and all power be entrusted to society in order that it may maintain complete economic equality among people.<sup>6</sup>

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<sup>5</sup> M.Umer Chapra, Towards a Just Monetary System, Leicester: The Islamic Foundation, 1985, p.15

<sup>6</sup> Afzal-ur-Rahman, Economic Doctrines of Islam, Lahore: Islamic Publications Ltd, vol. II, 1985, p.56

It seems that on one side is **capitalism** which advocates unlimited freedom and right of private property in the field of production and inequality in the distribution of income and wealth. On the other extreme is **communism** which favours the complete abolition of individual liberty and private property and at the same time wants economic equality among people. In other words, capitalism lays stress on the production (i.e. only through functional distribution) and communism on the distribution of wealth (i.e. through personal distribution) regardless of its effects on society.

It is, therefore, between these two extremes that Islam plays a decisive and significant role in the distribution of income and wealth, to overcome the shortcomings of the two 'isms' mentioned earlier. In fact, Islam adopts a moderate and viable solution which can help in the establishment of a just and equitable system. It gives neither unlimited liberty and unlimited right of private property to the individual in the field of production nor does it bind him to an artificial system of economic equality under which he may not earn and own wealth with freedom.<sup>7</sup>

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<sup>7</sup> Ibid., pp. 56-57

The main principle of governing distribution in Islamic economics is justice and benevolence.<sup>8</sup> Its purpose is two fold: firstly, that wealth may be not concentrated in fewer hands but continue circulating in the community.<sup>9</sup> secondly, that the various factors of production may have a fair and just share<sup>10</sup> of the national income and wealth. In fact, Islam achieves its objectives of fair and equitable distribution of income and wealth through moral education , and certain legal measures are taken to ensure that the desired results are achieved.

It should be, at this point, kept in mind that Islam neither favours nor preaches economic equality in the distribution of income and wealth. A proposition of equality (as communism stands for) in income is quite unnatural. The simple reason is that human beings are not created equally in terms of their individual ability. They do not possess identical skills, efficiencies, health, strength, determination and other physical and mental qualities. It is, therefore, human nature that economic gradation should be maintained among the people. In short, Islam does recongnise

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<sup>8</sup> Afzal-ur-Rahman, op. cit., vol. I, 1980, p.62

<sup>9</sup> Al-Qur'ān, 59:7

<sup>10</sup> Ibid., 16:90, 53:39, 4:32 and 2:202

differences in earnings in the ways allowed by the Shari'ah.<sup>11</sup>

The principles of justice (al-'Adl) and equity (al-Ihsān)<sup>12</sup> are the two fundamental aspects which need to be taken into consideration to achieve the objectives of just and equitable distribution of wealth in the community. Islam also offers a comprehensive guidance in the forms of moral and personal distribution of income and wealth.

In the proposed study, the theory of distribution of income and wealth would be highlighted in further details. It is also in mind that the institution of **ZAKAT** as a special reference to the study, would be given due attention in the forthcoming discussion. Finally, it is also in view that some sort of assesment will be made to relate the study especially with regards to zakat ( as an important and also a practical element of the distribution of wealth), to the needs of the present day society.

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<sup>11</sup> Ibid., 16:71 and 43:32

<sup>12</sup> Ibid., 16:90, 53:39 and 4:32

## 1.2 RATIONALE FOR THE STUDY:

Having given a brief idea about the study, we shall also proceed to get into further rationales such as the following:

- i) The distribution of income and wealth is very much related to and plays a significant role in human life. In fact, the welfare, happiness and prosperity of mankind depends on the proper distribution of wealth. It is also apparent that with the abundance of wealth and high growth rates, any country may suffer economically from a severe inequality in income and wealth, especially due to maldistribution of their national wealth. It should be pointed out that if the distribution process is not based on the principle of justice and equity the major portion of the income and wealth will go into the hands of a few, whereas the vast majority of the people will be rendered poor.

It is also a fact that throughout the ages especially in the recent past, some schools of thought have been trying to solve the problem of distribution.

particularly from the materialistic point of view but failed to reach a perfect solution. In fact, it is an interesting task to analyse the findings of those man-made ideologies in relation to the study.

Therefore, it is an earnest hope that during this study the writer would try to clarify the shortcomings of the conventional systems of distribution of wealth and try to provide viable alternative solutions.

ii) As it is stated in the Holy Qur'an, the principle of justice and benevolence on each and every aspect of human life<sup>13</sup>, is a stimulating commandment of Allah SWT. Since, all wealth belongs to Him,<sup>14</sup> it is He who has bestowed this on mankind as He wishes. Therefore, it is incumbent on man to make use of these God-given wealth as He commanded them to do.

Towards the realization of justice, Islam lays down an equitable distribution system which was exercised during the golden-age of Islam to attain a fair distribution of income and wealth. It may be pointed out that today, this would be able to minimize the

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<sup>13</sup> Ibid., 16:90

<sup>14</sup> Ibid., 20:6 , 24:33



disparity between the haves and the have-nots of the society and establish a just and equitable pattern of distribution.

It is therefore, in view of the above points that the writer would like to analyse and to present the Islamic mechanism of distribution of income and wealth in the study.

iii) Zakat is an important institution in the socio-economic framework of Islam. In fact, it is an obligatory payment made by the rich for the poor, through which there is a redistribution of resources from the better-off people of the society to the worse-off ones. It is to be noted that zakat is one of the important elements of the Islamic mechanism of distribution, which has multi-dimensional effects on the distribution of income and wealth. It is also presumed that the institution of zakat is not being properly utilized to make a practical impact in solving the problem of wealth distribution. In fact, through this unique institution in Islam minimum standard of living could be guaranteed to every member of the society.

In view of the above points, the writer would like to put some efforts in analysing in further detail how far the institution of zakat could be effective in the distribution of income and wealth. It is also in view that while discussing the subject, some relevant and interesting issues especially related to zakat would be highlighted in the study.

### 1.3 SCOPE OF THE STUDY:

Generally speaking, the scope of this study is rather wide in nature, so that the materials on the relevant field of study would be referred to and utilized from time to time. But an effort has been made study to narrow it down as much as possible. However, the discussion could covers the general understanding of the distribution of income and wealth in Islam and specific attention would be given on the institution of zakat.

Since it is a subject of discussion which would be attended to and analyzed from the Islamic perspectives, it demands as many as possible documented materials from the original and authoritative sources. In view of this reason, in the development of the discussion,

references would be made available from the Qur'ān, Sunnah (the tradition of the prophet saw.), Fiqh (Islamic jurisprudence) and the works of scholars on the subject.

It is to be noted that in the course of documenting the sources, whenever necessary, some critical assesment would be made in order to highlight the relevant points which need further clarification. Therefore, the scope of the discussion would be extended to analyse and make it more relevant to the condition and situation of the Muslim society of today.

#### 1.4 PLAN OF THE STUDY:

The plan of the study is going to be divided into various stages, as follows:

**Firstly:** The writer of this study would devote some effort to give an overview of the distribution of income and wealth of the conventional economic systems. In this regards, there are two prevailing modern economic systems; **capitalism** and **communism** which would be highlighted and an attempt

would be made to identify the shortcomings and limitations of both systems.

**Secondly:** Under this phase the writer would try to present a discussion on the distribution of income and wealth from the Islamic perspective. It is also in the plan that in the discussion of the subject, some sort of critical analysis would be given to show the comprehensiveness and viability of the Islamic system of distribution which is needed for mankind of the present day society.

**Thirdly:** At this stage, the discussion of the study would be concentrated on the institution of zakat to show its importance and as a unique element of the mechanism of the distribution of income and wealth in Islam. In fact, it is also intended that some relevant and important issues on the institution of zakat especially with regard to its **administration** would be highlighted with care.

**Finally:** The study would be ended up with the summary and concluding remarks.

#### **1.5 METHODOLOGY OF THE STUDY:**

The method of this study is particularly theoretical in nature but also to a certain extent the conceptual research will also be attested to in the study as well. The data for the study will be gathered mainly from secondary sources, using the method of library research. This task would be done by going through the relevant books, journals, bulletines and magazines etc.

The main concern of the study is to highlight some aspects of the distribution of income and wealth, and specific concentration would be given to the institution of zakat which has a definite role in the distribution of wealth. Since it is aimed that this study would try to relate to present day society, it therefore, involves an analysis of the referred sources to the study.

### 1.6 PROBLEMS ANTICIPATED:

In the course of the study, it is expected that there would be some foreseeable and unforeseeable problems. The demand of the subject, requires first hand sources of information: that is the original sources of al-Qur'an, al-Sunnah of the Prophet (saw) and some related materials on fiqh literatures. In fact, in these areas of the research, there would be a need to refer to some classical texts from time to time. Here some difficulties in understanding could be expected.

As the topic suggests, the discussion and its approach would be multi-dimensional in nature, because it deals directly with the human society. In fact, it cannot be separated from the practical aspects of it, which may be categorised under theoretical aspects of the study. Therefore, the study mostly would be limited in the form of combination of theoretical and conceptual nature of study. However, effort would be made to the extent of including practical experiences of the study especially related to the institution of zakat.

In addition to the above, there may be some other problems to be expected. As it has already been

mentioned, this study would be giving a comparative view between the conventional and Islamic economic systems. Then specific attention would be focused on the institution of zakat, as one of the important elements of the distribution of income and wealth in Islam. It is therefore, natural that in doing the above task, there would be a need for some sort of critical assessment and then to relate the whole study to the Muslim society of today. In this context, appropriate data and analyzing tools may have a limitation, especially, the classical materials and practical experiences on the subject.

Last but not the least, it may be that unforeseen circumstances would also be faced in the completion of the study within the limited time.

**CHAPTER II****DISTRIBUTION OF INCOME AND WEALTH IN THE CONVENTIONAL ECONOMIC SYSTEM.**

Economic activities are as old as mankind which accompanied with various types of problems and obstacles for an economic agent. As economic briskness got sophisticated, the problem grew increasingly bigger and bigger . Intelligent human beings always strived to solve those problems using their own wisdom. In fact, they doctrinised their own thinking and built various systems to solve human problems including the economic aspects, through which they have been trying to bring about happiness and prosperity for mankind.

Since this study seeks to highlight and elaborate on some aspects of the distribution of income and wealth, before we analyse them from the Islamic point of view, it is however better to have an overview of the two leading and also conflicting economic systems of the contemporary world. It is also hoped that through this way the finding of facts and figures may help us to arrive at a meaningful and reasonable outlook on the problem.