Notions of Free Market and Social Welfare in Islamic Economics

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Trading and business in Islam has been identified as the second best profession after agriculture and Prophet Muhammad (PBUH) himself has been engaged in trading. The Islamic theory of market aims to provide optimization of returns and satisfaction for all stakeholders. It also seeks to make “free market” an instrument of promoting equity and social justice for the welfare of society. It combines tenants from the free market model as well as those in command market economy. Islamic economics identifies certain functional parameters for the efficient functioning of the market to achieve the optimization of returns and social welfare like absence of middle men, prohibition of hoarding, mode of finance free from interest and usury, taxation and other wealth redistribution instruments like Zakat and Khums, asset-based and risk-sharing partnerships and stakes, etc.. It essentially creates conditions for proper functioning of a competitive market as an instrument of economic progress and social equity. In Islamic economics, the role accorded to the state is to ensure that institutions are set up and vigilance officers are appointed which create the specified condition for the proper and fair functioning of the market and hence preventing what is identified as “market failure”. The role of the state is to improve the functioning of the market as opposed to that of systematic intervention. This paper tries to examine the Islamic notions of “free market” in the traditional sources like Qur’an, Hadees, the early texts of Islamic Jurisprudence, and contemporary writings on Islamic economic system and to make a comparative analysis with theories of market in capitalist and socialist frameworks. The paper will examine the extent to which Islamic notions of free market offer an alternative model to resolve the problems of growth, inequity, and risk management.

Keywords: optimization of returns, free market and social welfare, inclusive growth

Introduction

Islam, as a guide for the holistic development of human beings, has always emphasized economic enterprise and transactions emanating out of hard work to earn more and more through *halal* (permissible) channels. Prophet Muhammad (PBUH) himself has engaged in different wage-earning professions like rearing of sheep, agent of trade and business, etc., in his early years before achieving the stage of prophet and the resultant political as well as spiritual ruler of *Madeena* based Islamic state. Even before Islam, Arabs used to travel for trade and business in both winter and summer to Yemen and Sham respectively (Annasafi). In these caravans, Prophet has worked as one of the most trusted trade agents of the richest merchants in *Hejaz* including his wife Khadeja bint Khuwailid. After *Hijra* (the Migration) and resultant settlement of Prophet and his followers in *Madeena*, they set up the market of the Prophet (as per the guidelines of Prophet) along with

other existing markets of the city, in what had been previously the cemetery of B. Saida clan of the Khazraj tribe (Lecker, 2010). In the view of Islamic teachings, trade and business are the “sacred traditions” of Prophet Muhammad (PBUH) as long as they are in conformity with the rules and regulation of holy *Quran* and *Sunnah*. The market as the place of trade, either physical or virtual, has been widely discussed in the Islamic legal texts like *Quran*, *Hadees*, early texts of Islamic jurisprudence as well as the modern *fatwa* of the religious scholars. This paper aims to analyze the “free nature” of Islamic market as well as the regulatory components for ensuring social welfare and inclusive growth.

Different Theoretic Approaches Towards Market

Capitalism, which stands for unhindered individual freedom to pursue profit-motivated self-interest, to own and manage private property, accelerated wealth expansion and maximum production and want-satisfaction in accordance with individual preferences, sees market as a free space with “minimum” government intervention. According to Adam Smith, serving of self-interest by everyone would ultimately serve the social interest (Chapra, 2007). Spirit of capitalism is the pursuit of wealth as an end in itself (Zaman, 2013). It was on the basis of this ideology that classical *laissez faire* model of the secular market, with automatic regulation by the forces of demand and supply and zero interference by the state, was developed. The major criticism against the *laissez faire* market is that it has a built in possibility of distortions in the smooth functioning of the market economy, mainly on account of the unbridled “profit motive” leading to focus on enrichment without any care for the impact on others or the society (Ayub, 2013). It has given rise to the concept of “economic man”. Self-interest of the individual over dominated and sidelined the cultural trait of “caring others”. Profit maximization and want-satisfaction were considered to be the supreme values of life. Economic life was conceived as an arena of competition regulated by a free market system which would ensure the survival of the fittest. Social Darwinism, thus, crept into economics (Chapra, 2007). In this mode of market economy, a society is being controlled by the market, and in most cases, material products are more valued than the producer (Zaman, 2010). Another major drawback of this model is the economic phenomenon called “market failure”. This model creates a wide divergence between social and private calculations which makes the market unreliable source for achieving socially set goals (Bashar, 1997). Due to the low importance for the growth of marginalized sections, their education, health care, and infrastructure development in remote and rural areas, the possibility of achieving inclusive social development is very less under the free market model of the capitalism. According to Zaman (2010), the major drawbacks of capitalist market economy are the love for pursuit of wealth, problematization of poverty by highlighting the ideas of “poverty is dishonourable”, “poor are degraded persons”, and “helping the poor hurts them in the long run” (Zaman, 2010).

However, this classical *laissez faire* model of market, which is critical of marketing ethics and suggests that its ethical guidelines amount to no more than “obey the law” and “act in your self interest” (Gaski, 1999), does not exist anywhere in the present world. It has been modified over the last many centuries, especially after the Great Depression of the 1930s and the resultant Keynesian revolution, and the modern version of the reformed capitalist market is a mix of the principles of both *laissez faire* capitalism and welfare state. Chapra (2007) analyzed the components of the reformed market form of capitalism as follows: “Its world view is, nevertheless, as secular as that of *laissez faire* capitalism. Its goals are, however, more humanitarian. To realize these goals it has advocated greater government intervention in the market to correct some of the shortcomings of the *laissez faire* model, and to offset, at least partly, some of its inequities” (Chapra, 2007, p. 12).

In sharp contrast to the ideas of capitalism, socialism had an implicit distrust in the ability of human beings to act in the interest of the society. Therefore, it totally negated the private property, curbed the individual freedom to earn and maximize it, and stood for the state ownership of means of production. In the socialist philosophy, everybody should work according to his/her ability and will get according to his/her need. This approach of socialism tries to oppress the basic instinct of human beings to earn more and enjoy the fruit of the hard work. The removal of profit, which is the basic factor behind the success of every market and the prime motivating factor for the human beings to earn more, as a direct reward for individual effort, however, erodes initiative and efficiency which are indispensable for growth. Centralized decision-making also makes the transfer of resources from one use to another slow and cumbersome and makes the whole economic machinery inefficient and finally results in the phenomenon of “state failure” as witnessed in the case of erstwhile USSR. Socialism thus failed to provide an effective filter mechanism and motivating system for allocation and distribution of resources (Chapra, 2007). Hence, destiny of the socialism was also a big failure, because it failed to understand the basic nature of human beings regarding economic life.

From the above analysis of the two mainstream economic orders and their approach towards market, it can be summarized that capitalism, in its economic approach, gave preference to growth over equity and social justice, while socialism prefers equity at the cost of economic growth. While the previous was economically success and socially failure, the latter was theoretically attractive and practically unrealistic. Capitalism idolizes individual, regards his/her personal freedom as a sacred and precious gift, trusts him/her with the task of maximizing production, and forbids state interference in the entrepreneur’s initiative; socialism goes to the other extreme, however, insisting on state control of the national means of production: land, mines, industries, and human resources (Rauf, 2010).

In contrast, Islamic model of market, believed to be divinely prescribed, can be best explained as a middle path between the extreme economic individualism of the capitalist system and the rigid collectivism of the socialist order. Islam promotes a system in which growth and equity can be achieved simultaneously instead of gaining either of them at the cost of the other. For the achievement of this goal, Islam stands for a market order which is “free” in basic nature with certain regulations, most of them in the form of specific prohibitions, with the purpose of maintaining marketing ethics and the resultant social justice and welfare for all by closing the chances of exploitation.

Basic Approach of Islam Towards Market

Islamic philosophy of market, in its basic approach, is in total contradiction with the “profit maximization” thesis of the above discussed secular market forms. While neo-liberal economy views market as a jungle where enterprises and people fight each other to achieve maximum wealth, Islam stresses cooperation and harmony, and the spending of money and material for achieving this goal (Zaman, 2008). In capitalist market, morality is viewed as instrumental to the procurement of “freedom for individuals”. Contrary to this idea, in Islamic philosophy, morality and pursuit of virtue are the ultimate goals and business is a subordinate to this goal. Supporting charity and engaging in welfare activities for the cause of enhancing the reputation of the company or the business enterprise as seen in the modern market structure is alien to Islamic philosophy of the “activities being judged on the basis of intention” and “virtue not being subordinated to making material profits” (Zaman, 2008, p. 62). Saeed, Ahmed, and Mukhtar (2001) have analyzed the Islamic approach of market as that of value-maximization in view of the greater good of the society rather than selfish pursuit of profit maximization

(Saeed et al., 2001). It is true that the basic idea of Islam is to promote all positive values and maximize their presence in the personal as well as social life of each and every individual. Hence, in the context of market, the term “profit optimization” or “optimization of the returns” will be more suitable alternative for the “profit maximization” approach of the capitalist order. The concept of profit optimization can be best explained as the earning of more and more profit by doing business with Islamic rules and regulations and by observing strict adherence to socio-economic equity. Even inside a free market, Islam instructs to overcome the love for wealth, to follow moderate consumption by achieving needs and setting aside the wants, and to spend in excess on others, especially the poor and destitute (Zaman, 2013). The unique components of Islamic market thesis have been discussed below.

Unique Components of Islamic Market

As discussed above, Islam presents a market mechanism which stands for growth simultaneous to the maintenance of social welfare. For achieving this unique goal, Islamic market will be free with certain necessary regulations with the purpose of maintaining a balance between production and consumption and taking care of distribution. It draws a line of demarcation between good and evil and/or lawful and unlawful to improve the functioning of the market in the right way instead of making a systematic intervention to curb the market freedom. The regulations of Islam are mentioned either in the form of certain market norms or in the form of some prohibitions.

Norms and Prohibitions of Islamic Market

The major norms prescribed by Islam for the smooth maintenance of the market sphere are: *Adl ul Islam* (Justice of Islam), norms of production, pricing, promotion, and advertisement as well as those of customer satisfaction. On the other hand, Islam strictly proscribes certain unethical market activities like *riba*, *Gharar*, *Maisir* and *Qimar*, *Najash*, *Ghabalah*, and *Ihtikar*.

***Adl ul Islam* (Justice of Islam)**

In different verses of Quran (23:51, 2:168, 2:172, 7:160), it has been demanded from the people to consume “reliable quality” and “*halal*” goods. In another verse (6:115), God orders his slave to be straightforward and do justice in all transactions. It can be analyzed from these verses that the market *adl* of Islam revolves around three basic characteristics: “reliable quality”, “honesty”, and “straightforwardness”. As these three are basics of market justice in Islam, all other components of market which are being discussed below are developed on them and the Islamic market can function successfully in a society which has inculcated these highly elevated human qualities.

Norms of Production

As discussed above, the quality of the production process is of paramount concern in Islamic ethics as per the guidelines of Quran to consume quality goods and services. The production process in an Islamic market is guided by the principles of lawfulness, purity, existence, deliverability, and precise determination. These principles dictate that: first, the product should be lawful and not cause the dullness of mind in any form, lead to public nuisance or immorality; second, the product must be in the actual possession of the owner; third, the product must be deliverable, since the sale of a product is not valid if it cannot be delivered as, for example, the sale of bird flying in the sky or the runaway animals; fourth, the article for sale must specify exactly its quantity and quality; and fifth, the object should not be *najas* or unclean (Saeed et al., 2001). These norms regarding the

production process, if incorporated with the moral mindset of the Islamic believer and the government mechanism of quality inspections, are enough not only to prevent the exploitative nature of the market, but also to correct certain social evils like addiction to intoxicants and maintain social health.

Norms of Pricing

In the modern consumerist market situation, pricing policies are, in the main, formulated to exploit and manipulate human psychology as witnessed by common practice whereby a maximum retail price which is printed on the product is often substantially higher than what the retailers actually charge (Saeed et al., 2001). Islam demands the price to be genuine and not manipulative in nature.

Regarding the Islamic view of “price fixing”, there are different schools of thought. In some of the traditions, we can see that Prophet has denied “fixing the prices” of essential commodities when his followers requested him to do so at the time of high inflationary pressure. It has been reported by Anas (R) that: The price levels went up during the life time of Prophet Muhammad (PBUH). They (people) asked: “Fix the prices for us”. Then, Prophet PBUH replied: “Prices are fixed by Almighty Allah. He contracts and expands and He is the provider of livelihood. I wish to meet my sustainer (God) in a state that none of you may raise a claim of injustice against me regarding blood and money (Tirmudi)”.

On the other side is the Caliph Umar’s intervention in the market by dismissing Hatib ibn Abi Balta’ah for selling goods at a lower price. When Umar (R) found him selling raisins at a much lower price, possibly with the intention of putting his competitors at loss, Caliph told him: “Either enhance your rate or get away from our market” (Malik).

Ibn Taimiyah, in his writings on the Islamic view of price fixing, has made a balanced analysis which expresses the essence of the two Hadeeses very clearly. In his opinion, if the control of price forces traders to sell their goods at a price they do not agree with, or if it prevents people from transacting things which Allah has made lawful for them, and when it implies injustice, it is not permitted. On the other hand, when it facilitates administration of justice among people, i.e., when traders are forced to sell the commodity which they are obliged (by law) to sell at the market price or they are being prevented from undue profiteering, then price control is not only permissible but it becomes obligatory. When people’s needs and necessities cannot be safeguarded without a fair price control, then a price control based on justice will be implemented for them: no more, no less (Taimiyyah, 1976).

The contradiction between the two traditions can also be analyzed in the following way. The price rise in the first situation was due to the natural cause of scarcity and Islam is in support of the price fixed by the natural causes like demand and supply. In the same Hadees, it has been mentioned that, “Prices are fixed by Almighty Allah. He contracts and expands”. This means that the natural causes like scarcity and abundance and the consequent contraction and expansion of the market are in accordance with the divine decisions. The price’s rise and down along with these natural causes are acceptable in Islam. Moreover, in a way the control of price at such a situation may result in price rise. The traders from outside will not bring their goods in a place where they would be forced to sell them at a price against their wish. The local traders would hide the goods instead of selling. People would get less than their need, so they would offer a higher price to obtain the goods. Both parties (sellers and buyers) would lose; the sellers because they were prevented from selling their goods, and the buyers because they were prevented from fulfilling their needs (Bashar, 1997). This is the logic behind the refusal of Prophet PBUH to control the price even at the time of serious inflationary pressure.

At the same time, Islam is very much against the artificial manipulation of the price, either rise or down. The second incidence, where Umar bin Khattab (R) has taken actions against a person who sold his goods at a much lower price, was an incidence of artificial manipulation of the price to defeat his counterparts in the same market. Such negative behaviors will destroy the competitive nature of the market and ultimately lead to a monopolistic market situation. Hence, the action of Umar bin Khathab (R) was also in favour of creating a free market culture in the long run.

However, the two Hadeeses have created difference of opinion among the scholars of Islamic jurisprudence. Followers of Imam Shafi'i and Imam Ibn Hanbal oppose price control in the market. They are of the view that the social authority has no right to fix prices for two reasons: abundance and scarcity of goods upon which cheapness and dearness depend are divine phenomena; and, if price rise resulted from natural causes, then price fixation is an act of injustice on the sellers. The Maliki and Hanafi schools argue, on the contrary, that price control is legitimate and it does not necessarily amount to meeting injustice on either party to exchange (Bashar, 1997).

Norms of Product Promotion

There is no room in Islam for creating artificial demands through false advertisements and untrue assertions, because they come under the category of customer cheating which is strictly prohibited in Islam. Prophet Muhammad (PBUH) has very strongly condemned this behavior by saying that, "One who cheats is not one among us" (Annnavi). It is unethical for the salesman or customer relation advisor (CRA) to over-praise his/her products and attribute to them qualities which they do not possess. Furthermore, giving a false impression of any kind to promote or sell a product is strictly prohibited within the Islamic ethical framework of marketing practices (Hassan, Chachi, & Abdul Latiff, 2008). According to the Islamic principles of market, it is mandatory for the sellers to disclose all defects, both explicit and implicit, to the customer before the transaction is dealt with. This can be analyzed as a parallel to the "right to market information" as envisaged by the modern free markets.

In Islamic ethics, promotional techniques must not use sexual appeal, emotional appeal, fear appeal, false testimonies, and pseudo research appeal, or contribute to the dullness of the mind or encourage extravagance. Within the Islamic framework, these methods are unethical since they are utilized purely to exploit the basic instinct of consumers worldwide with a view to gain profits and greater market share. Furthermore, Islamic ethics strictly prohibits stereotyping of women in advertising and excessive use of fantasy. The use of suggestive language and behavior and the use of women as objects to lure and attract customers are also not allowed (Hassan et al., 2008).

Norms of Customer Satisfaction

It is for ensuring satisfaction of each and every customer of the market, Islam has demanded strict adherence to certain ethical rules. As discussed above, zero tolerance towards customer cheating through false advertisements, trading quality goods, observing equality in pricing between customers, refraining from interfering in others trade, avoiding collapse in the deal, prohibiting collusion to raise prices, avoiding diminishing, hiding the defect of goods, and avoiding unlawful trade (Hosseini & Aidi, 2013) are some of such market disciplines which Islam demands for facilitating a satisfactory market space for each and every customer.

Prohibitions of Islamic Market

Islamic market enforces the prohibition of certain business evils with the aim of developing a market culture which ensures equal opportunities for all players and a business space free from the survival of the fittest and consequent “economic Darwinism”. The detailed analysis of some important prohibitions in the Islamic market is given below.

Riba. As the primary sources of Islam, Quran, and Sunnah, explicitly condemn *riba* or interest, there is hardly any difference of opinion among the different Muslim sects regarding the prohibition of *riba*. All scholars have a single opinion that indulgence in *riba* based transactions is a severe sin. Socio-economic and distributive justice, intergenerational equity, economic instability (Ayub, 2013), the economic situation of “rich becomes richer and the poor becomes poorer” are considered as the basis of the prohibition of interest. In Islamic outlook, this law has been introduced to prevent the accumulation of the wealth in few hands. Quran stands against the concentration of wealth in few hands and needs “not to be allowed it (the money) to circulate among rich” (Quran 59:7). Hence, different from the conventional market, the transactions of Islamic market, especially the capital market, should follow the interest-free mechanism of sharing profit and risk between the provider of the finance and the beneficiary of the service.

Gharar. It is the uncertainty or hazard caused by lack of clarity regarding the subject matter or the price in a contract or exchange. Any business contract which entails an element of *Gharar* is prohibited in Islamic market. In the definition of *Fiqh*, *Gharar* is the sale of a commodity which is not present in the hand or sale of a commodity whose *Aqibah* (consequence) is not known or the sale of un-possessed goods. According to Imam Malik, the sales which include an element of chance are categorized as *Gharar* like the sale of a cattle offspring in the womb of the mother or the sale of a runaway animal. Such transactions include too much uncertainty or *Gharar Khatheer*. Many scholars opine that in business, uncertainty cannot be avoided altogether. Hence, uncertainty, to such a limit that is found normally in a business, is *halal* and when it crosses the limit and enters the stage of too much uncertainty, it becomes *haram*. In other words, nominal uncertainty (*Gharar Qalil*) is allowed in Islam, while too much uncertainty (*Gharar Katheer*) is prohibited (Ayub, 2013). It will be clearer to state that “uncertainty” and “speculation” are *haram* and “risk” is *halal*.

Maisir and Qimar. *Maisir* is the acquisition of wealth by chance without being engaged in any business or profession irrespective of being at the cost of others’ right or not. On the basis of this definition, the modern lottery gambling is not allowed in an Islamic market space. *Qimar* is also another type of game of chance where one gains at the cost of others. Mostly, holy Quran has used the word *Maisir*, while Hadith literature mostly uses the term *Qimar* (Ayub, 2013). It can be concluded that *Maisir* and *Qimar* are interrelated and the second one is an important kind of the first. As both are strictly prohibited in Islamic law, the Islamic market space will be free from all games of chances. The games of chances make the human beings more idle and greedy. It creates a habit of earning without taking any risk or doing any toil. The same human psyche is possible to lead to the creation of an idle society and extravagant life style in all *haram* means. Money is valuable and it should be achieved either through hard work or by taking the risk.

Najash. It is a kind of interference in the market to create, artificially, a rise in the price. It is bidding up the price of a commodity without the intention to take delivery of the commodity and is not permissible in Islamic laws. The prophet said: “If somebody interferes in the market to create artificial rise in the prices, Allah has right to cast his face down in the hell”.

Ghabalah. It is the misleading promotion of goods by over-projecting the quality of the goods and hiding the defects. As it includes a nature of cheating the customer, the same is prohibited in Islamic market. It is seen in the traditions of Prophet PBUH that: “Refrain from swearing much while selling or doing business, for it may increase business (in the beginning) but brings destruction (ultimately)”. Over advertisement with false information comes under *Khabalah* and is contrary to the Islamic ethics of the market.

Ihtikar. It is also another method of raising the market price by creating artificial scarcity. If the traders, either wholesale or retail, are creating scarcity of essential goods by keeping the stocks secretly, it comes under the practice of hoarding proscribed by Islamic law of market. Yahya narrates that: Sa'id bn Al Musayyab said that Ma'mar reported Allha's messenger as saying: “One who hoards is a sinner. It was said to Sa'id: ‘You also hoard’. Sa'id said: ‘Ma'mar who narrated this badith also hoarded’”. It can be analyzed from this Hadees that hoarding which is sin has a specific definition. According to the scholars of jurisprudence, hoarder is condemned as a sinner who withholds goods in the market from a genuine consumer for the purpose of creating artificial scarcity and then takes undue advantage of the helpless situation of the people (Khan, 2009).

Free Nature of Islamic Markets

Islamic market space is basically free in nature. As a religion with inclusive nature, Islam puts forward a market philosophy which is something different from the capitalist laissez faire model of extreme freedom and socialist command model of rigid state control. Between the two extreme ends, Islam takes a middle path where economic freedom of the individual is protected along with certain rules and regulations for the maintenance of equity and market discipline. While taking care of the individual economic freedom, Islamic model of the market not only pays due attention to the protection of poor from exploitation of the market, but also tries to mobilize them upward through protective actions like *Zakat* of the business and trade. Individual economic freedom stops where it encroaches into the right of others and transcends the boundaries of ethics and morality.

In the case of fixing the prices, as discussed above, Islam is in conformity with the natural forces of demand and supply. At the same time, it takes some preventive measures, in the form of certain prohibitions, to maintain ethical nature of the market. These include: changing the price without altering the quality and/or quantity of the product; over-charging the customer for illicit gain; practicing price discrimination; hoarding; unjustified price manipulation; black marketing; and concealment of essential foodstuffs. All unethical lapses in pricing are tantamount to injustice and are sin and all profits that accrue, as a result, are unethical and unjust (Saeed et al., 2001). In Hadees, Prophet PBUH has clearly banned *Ghaban Fahish*, which is selling something at a higher price and giving the impression to the client that he/she is being charged according to the market rate (Ayub, 2013).

Ayub (2013) has quoted the four decisions taken in the fifth session of the Jeddah-based Council of Islamic Fiqh Academy of the Organisation of Islamic Countries with regard to the free operation of Islamic market. These decisions reflect the true nature of Islamic market which promotes “maximum freedom” within the circle of ethics and morality. They can be read as follows:

(1) The basic principle in the Quran and Sunnah of Prophet PBUH is that a person should be free to buy and sell and dispose his/her possessions and money, within the framework of Islamic Shariah in accordance with the divine command: “Oh you who believe! Consume not each other's property in vanities, unless there is trade based on mutual acceptance”;

(2) There is no restriction on percentage of profit which a trader may charge in his/her transactions. It is generally left to the merchants themselves, the business environment, and the nature of merchant and of the goods. Care should be given, however, to ethics recommended by Shariah, such as moderation, contentment, and leniency;

(3) Shariah texts have spelt out the necessity to keep transactions away from illicit acts like fraud, cheating, deceit, forgery, and concealment of actual features and benefits which are detrimental to the well-being of society and individuals;

(4) Government should not be involved in fixing prices except only when obvious pitfalls are noticed within the market and prices due to artificial factors. In this case, the government should intervene by applying adequate means to get rid of these factors, the causes of defects, excessive price increases, and fraud (Ayub, 2013).

It is clear from the above description that Islamic market is free, but not “total free” as that of *laissez faire* model of classical capitalism. “Limited freedom” along with necessary clauses for social welfare makes Islamic market “more practical” and “more just” in nature.

From the above discussed facts, it can be concluded that in Islamic economics, the role accorded to the state is to ensure that institutions are set up and vigilance officers are appointed which create the specified condition for the proper and fair functioning of the market and hence preventing what is identified as “market failure”. The role of the state is to improve the functioning of the market by preventing the chances of exploitation and unethical practices as opposed to that of “systematic intervention”.

Notion of Social Welfare in the Islamic Market System

Equity in each and every aspect is more popular as the declared goal of the classical socialism where everybody works according to his/her ability and gets according to his/her need. Socialism prefers equity over growth, while capitalism prefers growth over equity. Goals of socialism seem to be good but the means, in the view of Islam, are both impractical and contrary to the basic nature of human beings. Islam, in contradiction to both socialism and capitalism, prefers equity and growth simultaneously in a more practical way than socialism and more humane nature than capitalism.

The concept of welfare in Islam is neither exclusively materialistic nor absolutely spiritual. In order to meet the basic needs of each and every member of a society, Islam urges all to earn and seek the provisions for use by mankind. Islamic economy achieves this objective by obliging each capable person to work, enabling him/her to fulfill his/her and his/her dependents’ basic needs and providing him/her with the basic freedom to enter into any type of *halal* business in the market.

In addition to facilitating optimum avenues for doing business and earning as much as possible, Islamic market demands the obligatory *Zakat* where all business people provision 2.5% of their total asset, every year, as the right of certain poor sections of the society mentioned in the holy Quran.

Instead of the “profit maximization” thesis of the capitalist market, Islam puts forward the “maximization of *Falah*” (welfare in this world and hereafter) thesis. It can be achieved through obedience to Allah (SWT) in *Ibadat* (worship) as well as *Mu’amalat*, including all kinds of economic activities related to production, consumption, exchange, and distribution (Ayub, 2013). Hence, the concept of social welfare in Islamic market is to do business in *halal* means in compliance with the rules and regulations of Shariah, such as prohibition of *riba*, *Gharar*, *Maisir* and *Qimar*, *Ghaban Fahish*, *Ghabalah*, *Najash*, *Ihtikar*, etc., as well as disbursement of *Zakat* as a direct assistance for the poor and destitute.

To conclude with, the Islamic marketing principles combine a value-maximization concept with the principle of “justice” for the wider welfare of the society. These principles offer a means to create value and elevate the living standard of people in general through commercial pursuits. The Islamic ethical guidelines ensure respect for, and the individual freedom of, both business persons and customers. Islamic ethics dictate that under no circumstances should marketers exploit their customers or in any way involve themselves in dishonesty, fraud, or deceit. Any unethical marketing practice does an injustice, which, by definition, negates the concepts of brotherhood and equality of humanity that form the core of the Islamic vision. Thus, adopting the Islamic marketing ethics ensures that the seeds of harmony are planted and a proper order in society is provided, thereby enhancing the dignity of, and upholding the rights of human beings (Hassan et al., 2008).

Conclusion

The paper has tried to analyze the components as well as prohibitions of the Islamic market model with a special emphasis on the notions of “free market” and “social welfare”. It has found that Islam represents a unique model of “free market” which can act as an instrument of promoting equity and social justice for the welfare of society. Theoretically, Islamic market tries to provide equal opportunities to all, with hardly any discrimination between haves and have-nots, to play their concerned role in the market place. In addition, it provides some extra assistance for the poor to come out of the poverty cycle by allocating a part of the total asset of the market business, every year, for the welfare of the poor in the form of *Zakat ut Tijara* (Charity of the Business). Another major finding is that the limitations imposed on the Islamic market, in the form of certain norms and prohibitions, are not only to maintain ethical market culture, but also to promote social equity by closing the chances of exploitation of the weaker sections and the resultant concentration of the wealth in the hand of a few. In Islamic market, there is hardly any chance for the survival of the fittest and the economic Darwinism. In comparison to the two mainstream economic approaches to the market, capitalism and socialism, Islamic model has the advantage of being “more just” and “more practical”.

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