AN ANALYSIS OF ALLOCATING SCARCE RESOURCES: A STUDY ON THE PERSPECTIVES OF ISLAMIC ECONOMIC SYSTEM

S. Nisthar (1), SMM. Mazahir (2)

1 Visiting Academic, South Eastern University of Sri Lanka, Oluvil, Sri Lanka
2 Senior Lecturer in Islamic Culture, Faculty of Islamic Studies and Arabic Language, SEUSL
nisfi2014@gmail.com

Abstract

This study aims to find the connectivity of the allocation of scarce resources in terms of the perspectives of the Islamic economic arena. The data collected for this study are from the secondary sources primarily such as the Holy Quran and the Sunnah (the traditions of the apostle, Mohammed - PBUH). In this study, the scarcity and choices, the relative scarcity, the positive and normative goals, the free play of market forces of demand and supply, the market structure, the cooperation, the role of state, and the production are likely identified as the primary aspects which are predominantly connected with the allocation of scarce resources in the way of Islamic perspectives in the Islamic economic system.

Key Words: Allocation, the Holy Quran, the Sunnah, Scarce Resources, Islamic Economy,

1.0 Introduction

Hasanuz Zaman (1984) defines “Islamic economics is the knowledge and application of injunctions and rules of the Shari’ah that prevents injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society.” In general, the Islamic economics ever consists of the knowledge that is perfectly derived from the Shari’ah. Thus, the knowledge of economics in Islamic economics is originally rooted from the primary sources of the Holy Quran and the Sunnah (the traditions of the apostle, Mohammed - PBUH). Anyone who is trying to be a scholar in acquiring the knowledge of the Islamic economics must be thoroughly studying and understanding the two forces of the Holy Quran and the Sunnah which are guiding the mankind in the proper way of understanding not only economics but also all the other aspects in his life.

The rules and injunctions in the Islamic economics are applied and basically defined on the basis of the Shari’ah by the Islamic policy makers and the economic state in the every aspect of economics. As such, the injustice in the society is strictly prohibited in the process of decisions being made by the respective policy makers and the agents in terms of the betterment of the society and the individuals in the Islamic economy. Using the scarce resources must be rationalized while achieving and fulfilling the satisfaction of the human beings at their consuming behavioral pattern as per the limitation of the Shari’ah compliance. In the way of Islamic rational thoughts according to the two forces (the Holy Quran and Sunnah) of the appropriate guidance to the mankind, the wasting and deteriorating the scarce resources are strictly prohibited and prevented at any circumstances. And also, the Shari’ah compliance is viewed as the perfect tool that must be used in order to perform the daily obligations of the mankind to the Almighty Allah and the society even in the economic activities such as consumption, production, the allocation of resource, choices, savings, cost, benefits, the interventions of the economic agents in the economy, and etc.
Further, a paradigm is defined so as to ensure the justice in the socio-economic aspects which is the principal objective in the Islamic economics.

“We sent Our messengers with the clear proofs, and We sent down with them the Book and the Balance, that humanity may uphold justice. And We sent down iron, in which is violent force, and benefits for humanity. That God may know who supports Him and His Messengers invisibly. God is Strong and Powerful” (al-Hadid:25).

The above verse (al-Hadid:25) of the Holy Quran vividly implies that the justice in the socio-economic practices in the Islamic economy must be implemented in the society by using the Holy Quranic revelations. This objective must be rooted in the economy from the concrete implications that the mankind in this world is the vicegerents of the Almighty Allah who created everything in the universe. All the human beings are considered as the brothers in the Islamic economy. Therefore, the Almighty Allah in this verse says that all the human beings must be trusted by every individual in the society in using and allocating resources. As such, the resources endowments created by the Creator, Almighty Allah must be efficiently and effectively utilized in consideration of ensuring justice in the betterment of the society. One of the instrumental and the primary resource mentioned in this verse is iron which is having the mighty power.

This resource is the raw material so as to produce the implements such as swords, shields, daggers, spears, and so on. Accordingly, the mankind in this world can deliberately earn their livelihood in various ways by utilizing this resource. Further, the various tools such as saws, axes, shovels, hammers, chisels, and etc. can be produced for enabling the cultivation of land, cooking, sowing, and the production of other commodities essential for the livelihood of the mankind. The human beings are responsible to the Almighty Allah and must answer in the hereafter for the questions on the utilization and acquiring of these resources. The Almighty Allah is so mighty and powerful to punish the mankind or to reward the mankind in this world or in the hereafter in terms of their practices in handing the resources (Hafiz Ibn Kathir, Vol. 1 - 10). In the Islamic economics, the betterment and welfare of the society can be achieved by the proper organization of the productive resources within this economy. The efficient and effective allocation and distribution of the scarce resources among the various needs and wants of the people in the economy can be accomplish on the origin of cooperative and participatory measures of the mankind according to the Shari’ah (Khan, 1994).

In Islamic economic system, though the resources available in this world are owned by the private and public entities, all the scarce resources are finally owned by the Almighty Allah (Mohammed, 2006). The basic ownership of the worldly resources is witnessed by the following verse of the Holy Quran.

“He who made the earth a habitat for you, and the sky a structure, and sends water down from the sky, and brings out fruits thereby, as a sustenance for you. Therefore, do not assign rivals to God while you know” (al-Baqarah:22)

“It is He who created for you everything on earth, then turned to the heaven, and made them seven heavens. And He is aware of all things” (al-Baqarah:29)
The above verses (al-Baqarah:22, 29) originally reveal the existence of the Almighty Allah who is the creator of this worldly scarce resources being used by the mankind so as to fulfill the unlimited human needs and wants.

2.0 Objective of the Study
To find out the connectivity of the allocation of scarce resources in the economic operations in terms of the perspectives of the Islamic economic arena

3.0 Methodology
The method used in this study so as to achieve the objective of this study is on the basis of the qualitative. The data collected in this study is from the secondary sources such as the holy Qur’an, and Sunnah of the apostle of the Almighty Allah, Muhammed (PBUH), the books, journals, research articles. Accordingly, the descriptive analysis is used to carry out this study and to draw the findings and the conclusion of this study.

4.0 Literature Review
Mannan (1982) aimed to analyze the status of allocating the economic resources which can be used to produce the goods and services in the economy of interest free – the Islamic economy by using descriptive method. He found that the allocation of resources depended on objective and subjective factors. As per the objective factors, the reward of the capital is determined by accounting price and the subjective factors explain welfare criteria. In Islamic concept, the resource allocation adds an additional criterion on the basis of social and moral welfare. Under the objective welfare criterion, the cost of the allocating resources is assigned based on the relative importance of the factors of production. Moussa (2011) aimed to study Al-Maqasid Al-Shari’ah model to be used in the allocation of resources in the Islamic economy by using quantitative method. He found and concluded that the decision making in allocating resources in the economy was more Shari’ah compliant than the exiting conventional models. Accordingly, MSB model (Maqasid Sharia Based Model) is a process which can be used to allocate the resources in the economy on the basis of socio-economic aspects.

Ali (2008) analyzed to find the relationship between the resource allocation and the elimination of riba (interest) in the interest free economy – the Islamic economy using a descriptive method in which the sources such as the research articles, books, journals, and web based documents have been used to achieve the objective of this study. He found that the better and the optimal achievement in the allocation and utilization of resources which are having the alternative uses in the various production activities was caused by the elimination of riba (interest) existing in the society. Mannan (1982a) analyzed to show the interrelationship between the Islamic economy – Interest free economy and the efficiency in the allocation of productive resources used to produce the various types of goods and services in the economy by using the data collected from the secondary sources. He found that the concept of Islamic value-loaded (in the decision on the allocation of resources, the accounting price rewarded to the factor of production – capital is considered) could be introduced to allocate the resources efficiently in the Islamic economy.

Faridi (1983) aimed to find out the objectives of the fiscal policy in the Islamic economic system by using the descriptive method consisting of the secondary sources. He found and concluded that the intervention of the state sector in the Islamic economic system which is operated as per the Shari’ah played the essential roles of ensuring the allocation and distribution of the community’s resources at optimum level in the economy. Accordingly, the
5.0 The connectivity of the allocation of scarce resources with the Islamic Economic System

In this study, the scarcity and choices, the relative scarcity, the positive and normative goals, the free play of market forces of demand and supply, the market structure, the cooperation, the role of state, and the productive activities are some of the aspects which are predominantly scrutinized to make this study effective in achieving the prime objective of this study.

5.1 Scarcity and Choices in the Islamic Economic System

All the scarce productive resources which are available all over the world are created by the Almighty Allah and they are created by him for the whole exclusive benefits of the mankind. In the creation of the productive resources, there is the concept of vicegerency. As such, all the sustenance of the mankind who are created by the Almighty Allah is ensured by Him. This sort of promise is not merely from the worldly human beings but it is from the creator of the whole universe which is composed of millions of galaxies. The concept of the absolute scarcity of the resources which can be used to produce the goods and services being demanded by the mankind in the world does not coincide with the concept of Islamic view in terms of the deposits of the resources.

The productive resources are having the characteristic of the alternative uses which can lead to the choice of the production activities. In this way, the depletion of the productive non-renewable resources can be created by the Almighty Allah in place of the non-renewable resources which are on the verge of getting exhausted and depleted. The spatial distribution of the productive resources and the relative scarcity of the resources all over the world are experienced by the mankind due to the provision of the Almighty Allah to cope up with the various needs and wants of the human beings populated on the surface of the earth as the Almighty Allah has created various kinds of resources which can be used in place of some other resources such as coal and gases (Zarqa, 1992).

5.2 Relative Scarcity in the Islamic economy

Since the relative scarcity of resources which are various in an economy ever exits, the choices of alternative uses of resources that can be used in the various productive activities such industry, service, and agriculture must be made by the society about the utilization of the resources limited in quantity in an any economy. In terms of the choices made in the economy, there is a different practice and operation in an Islamic economic system in making choices which can be made in the conventional economic system in the world. That is, the decision making of the choices on the usage of the scarce resources in the Islamic economy is directed by Islamic world under the Islamic rules of game in which any choice must coincide with the revelations of the Holy Quran and the traditions of apostle Mohammed (PBUH). As a result, all the choices must be as per the permitted (Halal) and the unpermitted (Haram).

5.3 The Positive and Normative Goals in the Islamic Economy

There are two aspects identified in the process of scarce resources allocation such as the normative aspect and the technical aspect. ‘What ought to be’ is the concept of normative aspect of allocation of productive resources which are scarce to produce goods and services demanded by the consumer in an economy. This aspect consists of a set of rules and regulations which are essential to draw a conclusion or technical decision. As per the normative concept in terms of the allocation of scarce resources, there are a set of answers which are derived on the basis of identification.
of the technical decisions composed of nature, scarcity, values, rules, production, choices, and consumption. In the decision making process of allocating resources in the production decision in an economy, the normative aspect is found as a framework which can be used in the process itself. Accordingly, this sort of criterion plays major roles in guiding and limiting the boundaries of decision making process in the allocation of resources in the economy (Zarqa, 1992).

In the Islamic economy, the holy Quranic verses and the Sunnah (the traditions) of the apostle of the Almighty Allah can be deliberately used in the normative aspects in order to take the decisions of allocating resources in the production activities. The limitation and the guidance of the various choices that can be made by utilizing the productive resources which are possessing of the characteristics of the alternative uses are drawn within the benchmark of the verses of the holy Quran and the traditions of the prophet Mohammed (PBUH). As a result, the verses of the holy Quran and the Sunnah derived from the Prophet Mohammed (PBUH) are the exclusive and the instrumental tools which can be eternally used in the Islamic economic system that will never misguide and misallocate the scarce resources distributed among the various productive sectors. Accordingly, in Islamic perspectives, the notions of the permitted (Halal) and the unpermitted (Haram) are strictly observed in the normative criterion which is identified as one of the aspects in the allocation of scarce economic resources. The following Holy Quranic verse vividly explains the concept of Halal and Haram:

“O you who believe! Do not prohibit the good things God has permitted for you, and do not commit aggression. God does not love the aggressors” (Al-Maidah: 87).

The above verse (Al-Maidah: 87) of the Holy Quran says that all the permitted things by the Almighty Allah cannot be prohibited by anybody or anything or any situation in this world. As such, all the things not taken into consideration as the unpermitted (Haram) in Islam are taken into consideration as the permitted (Halal), and should not be restricted to be used by the mankind. In addition, it is a kind order from the creator of the mankind, the Almighty Allah to be followed by the believers in this world. There is a limitation in using the things provided by the Almighty Allah. The following Holy Quranic verse (Al-A’raf:32) warns the believers that surpassing this boundary set by Him is the act of transgression.

“Say, “Who forbade God’s finery which He produced for His servants, and the delights of livelihood?” Say; “They are for those who believe, in this present world, but exclusively theirs on the Day of Resurrection.” We thus detail the revelations for people who know (Al-A’raf:32).”

According to the above verse of the holy Quran ((Al-A’raf:32), it is seen that the mankind is ordered by the Almighty Allah in this world to utilize all the things provided by Him in a good manner. Further, no one in this world can prohibit any of the consumption and livelihood support created by Him for the betterment of all the mankind. Therefore, these things such as food, drinks, and clothes have been created for the believers in Allah and for worshipping Him in this worldly life. The disbelievers also can utilize these resources in this worldly life. But only the true believers in the Almighty Allah can be provided with these provisions by Him even in the Hereafter whereas all the disbelievers are denied and disqualified by Him for the provisions of any livelihood in the Hereafter. That is, the Paradise in which all the provision of the highest quality to be provided in the Hereafter has been created by Him only for the true believers not for the disbelievers as they (the true believers) utilize the resources in this world in the way that is defined by Him and practice in their whole life according to the rules: Halal
5.4 Free play of market forces of demand and supply in the Islamic economy

In Islamic economic system, the restricted decision making is practiced. It means that the consumers in the Islamic economy make the choices which are not restricted in relation to their daily consumption. Thus, the consumption of those restricted goods are not permitted (Haram) in the Islamic economy. It is also identified as an internal mechanism of resource allocation. In the conventional economies, the resources are allocated and choices are made according to the price signals or the decision of planning authority whereas the decision making on the allocation of resources and the choices among different productive activities in Islamic economic system, the market signal or price signal is preferred. The individuals are the primary agents participating in the decision making process of allocation and distribution of scarce resources in the Islamic economic system. But in the Islamic economy, there is an intervention and duty of the government over the decision making by the individuals about the resource allocation so as to guide and direct them as per the revelations of the Holy Quran and the traditions of the apostle Mohammed (PBUH).

The free play of market forces of demand and supply is represented by the Islamic rules of game in the Islamic economic system. In the Islamic rules of game, a vision is derived that if the collective attempts of the community are eventually in vain, the individual in the society is accountable for the vainness. It means that the society is ruled by the normative or the Shari’ah ‘rules of game’ in Islamic economic system. Accordingly, the individuals concerned should be Muslim (Muslim man – who believes the Quran and the Sunnah) or non-Muslim (Islamic man – who follows the Islamic practices). Both of them should be practicing the Shari’ah ‘rules of game’ in terms of naturally playing his role. The market mechanism in Islamic economy is operated based on the rules of game. According to the rule of game, the demand and supply play freely in the free market on the basis of Shari’ah necessities which consist of the Haram and Halal compliant. Thus, what is prohibited for use as per the Quran and the Sunnah is not having economic values. This nature in the Islamic economic system enables the prices to be determined by the market forces of demand and supply fairly. The monopolistic situations due to the imperfections in the market may be corrected by the periodic interventions of the government to safeguard the consumers in the economy (Mohammed, 2006).

5.5 Market Structure in the Islamic economy

In the Islamic economic system, the certain defined roles have been assigned for the individuals and the government in the markets. The two components such ‘cooperation’ and ‘freedom’ are the two characteristics of the market structure in the Islamic economy. The absolute accountability for the combined actions of the society is ensured by the ‘freedom’. Accordingly, the Islamic standards are used to choose the different choices of good things which are compliant with the Islamic Shari’ah. The individual making decision in the market about the allocation of resources on the basis of the demand and supply must possess the deep and correct knowledge of Islamic Shari’ah which is built upon the revelations of the Holy Quran and the traditions of the apostle of the Almighty Allah and correct actions in their daily life. The belief of the individuals must be coincided with their actions without any conflicts between them. The individuals may be restricted in their freedom while determining the prices of goods and services.

Thus Islamic rules of game restrict as well as increase the freedom of an individual. The rulings imply that there will be no barriers to entry or exit in the market, and market information will
be available to all those who seek it. This will also eliminate the monopolistic elements in the market. The suppliers will not be forced to sell at a certain price. Also, the deviations from the ethical standards will be punished. According to the Islamic ‘rules of game’, it is implied that the freedom of an individual is increased and also is restricted in the market. Under these rules, the market herewith concerned is characterized with the nature of a perfect competitive market structure. As such, there are no entry barriers to the market and also there is freedom of exit from the market. The availability of market information in this market is easily accessible to the seekers of information. Therefore, this sort of nature is conducive to make the market a perfect competitive and at the same time, to eliminate the market from the nature of the monopolistic characteristics. A certain price can’t be fixed and forced in the market to supply and sell the products. Further, the ethical standards of the products should be maintained and any violations or deviations should be considered as a punishable offence (Zarqa, 1992).

5.6 Cooperation in the Islamic Economic System
It implies that the behavioral patterns of individual should be cooperative and complementary each other in the good and in the matters of fearing the Almighty Allah. The freedom in the market is built more in line with the cooperation than in competition. This cooperation in the market is not similar with the concept of laissez faire as the components of the laissez faire do not agree with the Islamic concept. Materialism, limited intervention of government in the market, and the maximization of utility in the consumption of goods and services are the three instrumental components embedded into the concept of Laissez faire in the operation of market system in the market economy. There is a divergence between the materialism and Islam. In the pure capitalist market, the perfect competitive market is perfectly free from the intervention of the government. The market operations should be properly intervened by the government so as to correct and adjust all the issues generated in the markets even for the betterment of the society. The maximization of the utility of the resources is differently viewed by the Islamic rules of game. The decision making on the allocation and distribution of the resources in the market is only based on the material benefits and restricted to this worldly life of the mankind. This aspect can be acceptable only if the decision making consist of the choices of the hereafter.

Therefore, the benefit of the mankind is built upon the cooperation in which the individuals should work consciously. Thus, the benefits that can be enjoyed by the mankind in the market can’t be directed just as in laissez faire. Islamic economic system, the cooperation must be ensured by taking the positive needy actions such as observances of Fard Kiffayah (the common obligatory measures for the betterment of the entire society) and establishment of a center to redistribute income among the people. The government in the Islamic economic system is playing major roles in adjusting the market failure or the operations of free play of demand and supply in the perfect competitive market (Zarqa, 1992).

5.7 Role of State in the Islamic Economic System
In Islamic economy, the ‘rules of game’ are to be ensured by the government to exit in the economy in terms of allocation and distribution of resources. In the conventional economies, only the needs and wants of the society are considered by the government while allocating and distributing the scarce resources. The government can make the conducive environment for the Islamic men as well. Due to this nature and economic, cultural, political, spiritual, moral, social, and legal practices, the Islamic economic system is getting closer to be realized among all the members in the society. So as to ensure fairness (Adl) and generosity (Ihsan) in order to safeguard, the government is planning, supervising, and regulating the operations of market whenever needed. Ensuring the standard of living of the people at the minimum level is the great responsibility of the government. And at the same time, the collection of Zakat is used by
the government to regulate the accumulation of wealth and income at the hands of a group of the people in the society. The equal accessibility of public resources to the people such as vegetation cover, waterways, and herbage is ensured by the government. The production of essential goods and services is ensured by the government through the institution of al-Hisbah which is established by the government. And also, the government focuses on forbidding the production of harmful goods and services which are detrimental to the mankind, plants, and animals according to the Shari’ah through this institution (Mohammed, 2006).

5.8 Production in the Islamic Economic System
In the Islamic economic system, the aspect of allocation of resources to produce the goods and services targets the success of efficient utilization of resources in the production activities. 

*But seek, with that (wealth) which Allah has bestowed on you, the home of the Hereafter, and forget not your portion of legal enjoyment in this world, and do good as Allah has been good to you, and seek not mischief in the land. Verily, Allah likes not the Mufsidun (those who commit great crimes and sins, oppressors, tyrants, mischief makers, corrupts) (Quran 28:77)*

From the above verse of the Holy Quran (28:77), it is mentioned that the Shari’ah is the strict ruler (the strict limitation defined by the Holy Quran and the Traditions of Apostle, Mohammed - PBUH) to measure the behavioral pattern of the human while making decisions in the production activities in this world. Based on the betterment of the society, the needs identified in the society is preferred by the respective agents of production according to the order of needs. Producing the basic needs of the people rather than producing the harmful products are only motivated in the Islamic economy and therefore, more of the productive resources are switched from the production of luxury commodities to the production of the essential commodities.

In Islamic economy, the traditions of the prophet Mohammed (PBUH) vividly guide the society and the respective agents so as to use the productive resources in the way of efficiency. Accordingly, the production of drugs detrimental to the society cannot be produced or any other productive activities which result in vain and no values are strictly prohibited. The wastages or inefficient uses of the resources are herewith minimized due to the strict prohibition of allocating resources in the production of drugs and the goods which are having no uses to the society or individuals. The government is entitled to seize the private productive resources not being efficiently used in the productive activities and also the government owned productive resources can be privatized according to the minimization of inefficiency in the utilization of resources. In the production, the bias to oneself or to others must be prohibited and the rewards of the factors production used in the production must be as per the rate of return. Accordingly, the rewards or prices paid for the factors of production such as land, labour, capital, and entrepreneurship used in the productive activities are rent, crop or share, wages or salary, sharing of profit, and sharing of profit respectively.

6.0 Findings and Conclusions
The Almighty Allah has created various kinds of scarce resources which can be used in place of some other resources such as coal and gases. As a result of relative scarcity of the resources, all the choices must be as per the permitted (Halal) and the unpermitted (Haram) under the Islamic rules of game. The normative aspects in order to take the decisions of allocating resources in the production activities are mentioned in the Holy Quran and the Sunnah of apostle, Mohammed (PBUH). The monopolistic situations due to the imperfections in the market may be corrected by the periodic interventions of the government to safeguard the consumers in the Islamic economy. A certain price can’t be fixed and forced in the market to
supply and sell the products in the Islamic economic system. Islamic economic system, the cooperation must be ensured by taking the positive needy actions such as observances of the common obligatory measures for the betterment of the entire society and establishment of a center to redistribute income among the people. The production of essential goods and services is ensured by the government through the institution of al-Hisbah. In the Islamic economic system, the wastes or inefficient uses of the resources are herewith minimized due to the strict prohibition of allocating resources in the production of drugs and the goods which are having no uses to the society or individuals.

Accordingly, it is concluded that the scarcity and choices, the relative scarcity, the positive and normative goals, the free play of market forces of demand and supply, the market structure, the cooperation, the role of state, and the production are likely identified as the primary aspects which are predominantly connected with the allocation of scarce resources in the way of Islamic perspectives in the Islamic economic system.

7.0 Recommendation
The deposits of all the scarce resources created by the Almighty Allah in this world for the betterment and upliftment of the mankind can be both utilized and safeguarded sustainably as per the appropriate applications of the revelations of the Holy Quranic verses and the traditions of the apostle, Mohammed (PBUH) through the sound academic thoughts.

References