

## Contribution of Zubair Hasan to Islamic Economics

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**Abstract.** Islamic economics has been growing immensely for almost four decades since the First International Conference on Islamic economics held in Makkah in February 1976. Many improvements on developing Islamic economics as an independent discipline have been done by many scholars. One of the most prominent contemporary scholars who have made some significant work in building Islamic economics by combining the existing modern economics with Islamic teaching is Zubair Hasan. Therefore, the main objective of the study is to provide a summary and analysis of Hasan's economic thought on Islamic economics. The study is based on secondary data, taken from some books, articles, and journal that Hasan has produced. This study uses a descriptive analysis and employs an inductive approach in tracking and collecting materials and references written by Zubair Hasan from 1975 to 2014. The analytical approach was used to identify Hasan's thought on several topics in the area of Islamic economics. The study suggests Hasan views on Islamic economics are comprehensive and cover almost all aspects that Islamic economics needs to explain. This includes underlying assumptions, scope of objectives, the role of state and individual, institutional frameworks, distribution, and profit in Islam. His analysis is basically a critical integration between modern economics with Islamic heritage.

**Key words:** Zubair Hasan, Zubair Hasan's contributions, Islamic economic thought, Islamic economics, Islamic finance.

**Abstrak.** Ekonomi syariah telah berkembang pesat selama hampir empat dekade sejak konferensi internasional pertama tentang ekonomi syariah diadakan di Makkah pada bulan Februari 1976. Berbagai pemikiran di dalam mengembangkan ekonomi syariah sebagai sebuah disiplin ilmu yang mandiri telah dilakukan oleh para akademisi Muslim, salah satunya adalah Zubair Hasan. Oleh karena itu, tujuan utama dari artikel ini adalah untuk memberikan ringkasan dan analisis pemikiran Zubair Hasan tentang ekonomi syariah. Kajian ini didasarkan pada data sekunder yang diambil dari beberapa buku, artikel, dan jurnal yang telah dihasilkan oleh Zubair Hasan. Kajian ini menggunakan analisis deskriptif dan menggunakan pendekatan induktif di dalam melakukan tracking dan mengumpulkan materi dan referensi yang disusun oleh Zubair Hasan dari tahun 1975 hingga 2014. Kajian ini menunjukkan bahwa pandangan Zubair Hasan tentang ekonomi syariah bersifat komprehensif dan mencakup hampir semua aspek yang perlu dijelaskan oleh ekonomi syariah. Hal ini meliputi asumsi yang digunakan, tujuan, peran dari negara dan individu, kerangka institusi, distribusi, dan keuntungan di dalam Islam. Analisis yang dilakukannya pada dasarnya merupakan integrasi kritis antara ekonomi modern dengan warisan Islam.

**Kata kunci:** Ekonomi syariah, keuangan syariah, kontribusi Zubair Hasan, pemikiran ekonomi syariah, Zubair Hasan.

## INTRODUCTION

Islamic economics has been growing immensely for almost four decades since the First International Conference on Islamic economics held in Makkah in February 1976. Many improvements on developing Islamic economics as an independent discipline have been done by many scholars. For instance, there are scholars that attempt to develop Islamic economics from the point of view of *fiqh* (jurisprudence) and some try to cultivate it from the economic approach. The latter's effort is to critically integrate between Islamic heritage and modern economics in order to establish such

discipline. This actually is the part of the realization of Islamization of knowledge agendas as proposed by Al-Attas and Al-Faruqi.

One of prominent scholars who have made some significant work in building Islamic economics by combining the existing modern economics with Islamic teaching is Zubair Hasan (1932). He is of the opinion that it is not yet time for Islamic institutions to have an exclusive degree program in Islamic economics due to the dearth of both teachers and material (Hasan, 2006). He, hence, proposes the so called a *step-by-step* approach to inject Islamic content in mainstream economics in purposeful and progressive manner. To begin with, he accepts all mainstream theories, explanation, and positions that are valid according to his opinion and which Islam presumably has no reason to reject. It modifies others to make them compatible with Islamic requirements. It does replace those, which are in conflict with the norms and spirit of the faith (Hasan, 2006). Therefore, rather than building Islamic economics start from the root, Hasan constructs mainstream economics and put Islamic perspectives into the picture. He integrates Islamic heritage with its conventional counterpart.

Therefore, the main objective of the current paper is to provide the summary and analysis of Hasan's economic thought on Islamic economics. The study is based on secondary data, taken from some books, articles, and journal that Hasan has produced. The main reference for his economic idea present in this paper is Introduction to Microeconomics: An Islamic Perspective (IIUM), Pearson – Prentice Hall, Pearson Malaysia, 2006.

The limitation of this study is that this study uses only a descriptive analysis of Zubair Hasan's contribution on Islamic economics, not comparative study. Therefore, other Muslim scholars in the same field such as Mohamed Aslam Haneef, Tariqullah Khan, and many more excluded from the analysis.

## LITERATURE REVIEW

Furqani (2018) is of opinion that “Islamic economics is yet to reach the stage of unification of subject matter, scope and boundaries of study and its body of knowledge is yet to be clearly constructed”. This means the definition of Islamic economics as an independent discipline has not reached its consensus among Muslim scholars. Therefore, Furqani (2018) argued that “numerous definitions of Islamic economics that look at the discipline from various angles are being proposed”. Perhaps this statement strengthens the motivation of this study to explore Zubair Hasan's thought and contribution on Islamic economics.

Furqani (2018) further categorized two types of efforts in building Islamic economics. First, the pragmatic way. This is done by keeping the conventional definition of economics but by substantially maintaining the conventional conception of economic problems or objects of study and formally adding the term ‘Islamic perspective’ to the existing definition, such as Islamic economics is the study of economics from “the Islamic perspective”, or “in the light of Islamic principles,” or “that bring economics in consonance with the Shari‘ah.”

Second, there is a more genuine effort to define Islamic economics by reconfiguring the actual problem of economics in Islam and Islamic solutions to solve the problem. This approach is preferable and essential to provide scientific justification for the study and bring it further to the next stage of establishing Islamic economics as a distinct discipline. It is the same because solutions, paradigms, or frameworks are different, and the economic problem itself might be different.

Some of the previous studies have attempted to analyze the definition and scope of analysis of Islamic economics from many scholars (Haneef, 1995; Furqani, 2018; Mubarrok et al., 2022). Nevertheless, to the best of our knowledge none of them discuss specifically on the contribution of Zubair Hasan on Islamic economics. This study, hence, tries to bridge this gap to provide explanation of Zubair Hasan's contribution of Islamic economics.

## METHOD

This study is a descriptive analysis and employs an inductive approach in tracking and collecting materials and references written by Zubair Hasan from 1975 to 2014. The references include books, scientific articles, and working papers. The analytical approach was used to identify Hasan's thought on several topics in the area of Islamic Economics.

The study firstly collects all workings from Zubair Hasan that are available and accessible. During the period of observation, there have been 64 Hasan's articles that are available online in MPRA Paper, University Library of Munich, Germany and 4 books. After that, the study identifies Hasan's works that specifically discuss and analyze the topics on Islamic economics. Zubair's writings from 1975 to 2014 can be seen from Table 1.

Table 1 List of Zubair Hasan's article journal and books

Year	Title	Availability
2014	Basel Accords and Islamic finance with special reference to Malaysia	Available
2014	Islamic home financing and ownership transfer to the customer: Models compared	Available
2013	A critique of the Diminishing Balance Method of Islamic home financing - Response	Available
2013	Response to Meera's critique of the ZDBM	Available
2012	Mortgage contracts in Islamic home finance: Musharakah Mutanaqisah program vs. Zubair diminishing balance model	Available
2012	Incentive-compatible sukuk musharakah for private sector funding: Comment	Available
2012	Excel formula and Islamic norms for home financing	Available
2012	Islamic norms, the excel formula and home financing models	Available
2011	Islamic house financing: current models and a proposal from social perspective	Available
2011	Money creation and control from Islamic perspective	Available
2011	Riba in La-riba contracts: where to turn in Islamic home financing?	Available
2011	Diminishing balance model for Islamic home finance: Final version	Available
2011	Scarcity, self-interest and maximization from Islamic angle	Available
2011	Macroeconomics	Available
2011	Fundamental of Microeconomics	Available
2010	Dubai financial crisis: causes, bailout and after - a case study	Available
2010	Islamic Finance: Structure-objective mismatch and its consequences	Available
2009	Comments on 'Comprehensive human development: Realities and aspirations' by Salih, S.A	Available
2009	Profit sharing ratios in mudaraba contract revisited	Available
2009	Dubai turmoil before and after the bailout	Available
2008	Islamic finance education at graduate level: Current position and challenges	Available
2008	Commodity murabaha: does it violate Islamic norms? Note	Available
2008	Theory of profit from Islamic perspective	Available
2008	Credit creation and control: an unresolved issue in Islamic banking	Available
2008	La introducción de la microfinanciación islámica en África: el caso nigeriano	Available
2008	Microfinance in Nigeria and the prospects of introducing its Islamic version there in the light of selected Muslim countries' experience	Available
2008	Islamic Banks: Profit sharing, equity, leverage lure and credit control	Available

Table 1 List of Zubair Hasan's article journal and books (continue)

Year	Title	Availability
2008	Markets and the role of government in an economy from Islamic perspective	Available
2008	Entrepreneurial acculturation in Malaysia: Efforts and achievements	Available
2007	What makes Malaysia sail?	Available
2007	Labor as a source of value and capital formation: Ibn Khaldun, Ricardo and Marx – A Comparison	Available
2007	Comments on Masudul Alam Choudhury: 'Islamic critique and alternative to financial engineering issues	Available
2007	Fifty Years of Malaysian Economic Development: Policies and Achievements	Available
2007	Ensuring exchange rate stability: Is return to gold (Dinar) possible?	Available
2006	Sustainable development from an Islamic Perspective: meaning implications and policy concerns	Available
2006	Introduction to Microeconomics: An Islamic Perspective	Available
2005	Comments on 'Efficiency of Islamic Banks in Malaysia	Available
2005	Islamic banking at the crossroads: theory versus practice	Available
2005	Evaluation of Islamic banking performance: On the current use of econometric models	Available
2005	Book Review: Human Resource Development in a Knowledge-Based Economy	Available
2005	Treatment of Consumption in Islamic Economics: An Appraisal	Available
2004	The New World Order, Muslim Predicament, and the way out	Available
2004	Determinants of FDI flows to developing economies: evidence from Malaysia	Available
2004	Measuring efficiency of Islamic banks: criteria, methods, and social priorities	Available
2003	The 1997-98 financial crisis in Malaysia: causes, response, and results – A Rejoinder	Available
2003	Globalisation, Development, and Muslim Countries	Available
2002	Mudaraba as a mode of finance in Islamic banking: theory, practice and problems	Available
2002	The 1997-98 Financial Crisis in Malaysia: Causes, Response, and Results	Available
2002	Comments on 'Poverty elimination in an Islamic perspective: an applied general equilibrium approach	Available
2002	Maximisation postulates and their efficacy for Islamic economics	Available
2000	Determinants of Human Resource Development: an empirical analysis	Available
1999	Recent financial crisis in Malaysia: response, results, challenges	Available
1998	Islamization of Knowledge in Economics: Issues and Agenda	Available
1998	Catching-up with the west in economic development: the case of Malaysia	Available
1998	Book Review: "Teaching Economics in Islamic Perspective "By M.N.Siddiqi,"	Available
1997	Fulfilment of Basic Needs: Concept, Measurement and Muslim Countries' Performance	Available
1996	Book Review: "An Introduction to Islamic Economics" by Akram Khan	Available
1995	Review of 'Islam and economic development' by Chapra, M. U	Available
1995	Economic Development in Islamic Perspective: Concept, Objectives, and Some Issues	Available

Table 1 List of Zubair Hasan's article journal and books (continue)

Year	Title	Availability
1992	Profit Maximisation: Secular Versus Islamic	Available
1991	Comments on Mohsin S. Khan and Abbas Mirakhor, The Financial System and Monetary Policy in an Islamic Economy	Available
1990	Zakah, Moderation, and Aggregate Consumption by Munawar Iqbal: Comments	Available
1988	Distributional equity in Islam	Available
1985	Determination of Profit and Loss Sharing Ratios in Interest-Free Business Finance	Available
1985	Macro Consumption Function in an Islamic Framework by Fahim Khan: Comments	Available
1983	Profit Theory: the Islamic viewpoint	Available
1975	Theory of Profit	Available

From the 68 available references, the study uses 29 of his works as the main references as they directly relate to the objectives of this study. The chosen 29 articles and books discuss on topic of Islamic economics including underlying assumptions, such as scarcity of resources, pursuit of self-interest, and maximizing behavior, institutional frameworks, distribution, and profit in Islam.

This study is built based on previous works done by Haneef (1995). It deliberates underlying assumptions that contains of characteristics of the Islamic economic system. It includes definition, scope and objectives of the Islamic economics. Besides, it also includes views on the role of the state and individuality. The study also provides the institutional framework. It delivers Hasan's thought regarding property relations and ownership, decision-making and resource allocation mechanism, prohibition of *riba* as well as his view on *zakah* and other redistributive measures. Moreover, the study deliberates distribution that comprises pre- and post-distribution and some issues on profit in Islam.

## RESULTS AND DISCUSSION

### Underlying Assumptions

#### *Definition of Islamic economics*

Hasan agreed that economics discipline emerges from the gap between the available resources relative to human wants, called as 'scarcity'. In the pre-Islamic context, Hasan elucidated human beings instinctively desire more and more goods for use compared to what they command resources to produce (Hasan, 2011). Thus, scarcity of resources coupled with unlimited human wants give rise to activities, and the study of this area come to be known as economics. Hasan admitted that many opposing arguments regarding this concept appear among Islamic economists. Some, like Monzer Kahf, is at the opinion that the idea of scarcity is inadmissible because the economic problem is not the scarcity but is caused by human laziness and neglect (Hasan, 2011). Other feels the other way around.

Despite many different arguments on the concept, Hasan opines that scarcity is actually the essence of life, which becomes the part of the divine scheme to make people work and run the affairs on Earth (Hasan, 2011). However, according to him, relatively is an attribute of scarcity, because God has stocked the earth and heavens with inexhaustible resources, not only for mankind but for other creatures as well. But, the divine provision of stocks is not the sufficient condition for the availability of resources to human beings in desired measure at any time and space (Hasan, 2011). Therefore, he argues what makes resources are scare is their availability to mankind, out of God's stock. Availability depends on our knowledge about the location of resources, methods of obtaining them, and their uses (Hasan, 2006).

Due to this natural condition, individual and nation need to make continual choice making, in terms of which wants that we should satisfy based on our accessible alternative resources, what should nation produce with the available scarce resources, and for whom shall the goods be produced (Hasan, 2006; Hasan, 2005). Resources remain limited because of the inadequacy of human knowledge, despite God's benevolence.

Naturally, human will tend to be greedy and dishonest because of the scarcity. Therefore, Hasan opines that principles of economics should have values. In Islamic economics, faith provides the rule of the game, not necessarily the majority opinion (Hasan, 2006).

From that point of view, Hasan defines economics in general as 'the discipline that deals with the act of making decision concerning the use of scarce resources of the community to produce goods and services with a view to promoting individual and collective well-being the way a social system conceives of it'. However, Hasan does not formally give specific definition of Islamic economics. He explains that Islamic economics differs from mainstream economics primarily because the two rest on different worldviews. Therefore, Islamic economics does not only see from the material aspects, but also sees how a social system conceives of well-being follow from the way it looks at the world, sees the purpose of creation, and views the relationship between man and his Creator (Hasan, 2006).

### *Scope and objective*

Hasan argues, as a science, economics has two important aspects, namely positive and normative (Hasan, 2006). The former deals with 'what is' of the economy and with the forces that govern factual situations. The latter discusses questions like 'what should' or 'how should' of the economy. Men of ethics and religion raise moral issues concerning consumption, finance, and business conduct. It is philosophical branch of economics that integrates the subject with other branches of knowledge and paves the way for interdisciplinary studies the hallmark of Islamic approach to learning and research.

Hasan's underlying assumption in building the concept of Islamic economics according to his view consists of several assumptions (Hasan, 2006). Hasan believes that the behavioral norms of economics stem from the concept of self-interest of invisible hand as offered by Adam Smith. The invisible hand of self-interest guided people to promote the interests of others as well. No moral objection can in principle be raised to the pursuit of self-interest. Because self-interest does not mean selfishness, it does not bar one from being altruistic or benevolent. Self-interest can be pursued within the ambit of morality whereas selfishness would always violate it (Hasan, 2011; Hasan, 2002).

Therefore, the use of rationality based on self-interest as the sole regulator of human behavior is not sufficient. There is a need of commitment as important force motivating people into action. And commitment to a noble cause would more than cover the Islamic notion of altruism (Hasan, 2006).

Besides, Hasan opines self-love and desire to improve one's lot in humans is imbedded by creation albeit counted among their weaknesses. Pursuit of self-interest may lead to undesirable consequences, which could call for pre-emptive or corrective action. But rejection of self-interest as a regulatory tool will only lead us to rely on central planning with a minimal role for private property and freedom of enterprise so dear to Islam. Market operations in the system would become meaningless (Hasan, 2008a).

Therefore, Hasan argues that Islam projects a different vision of man (Hasan, 2006). It focuses on self-development qualities of a person wherein his social economic, political, and moral activities are all fused together for achieving a balance between his personal ambitions and his extra-obligations. The pursuit of self-interest is allowed, but it does not operate as the sole driving force of human conduct. Amassing wealth no longer remains the primary objective of life. The temptation to become rich through deceit, cornering goods, or exploitation is damped.

Furthermore, Hasan is of opinion that Islamic economic system differs from capitalism and socialism counterpart by looking at several aspects, namely property rights, operational frameworks, motivational scheme, and social priorities. Islamic economic system is at the position in the middle of the two other systems. It accepts axioms of capitalism to requirements of unity, freedom of action,

moderation and balance, *amanah* and justice, and social responsibility as its foundational norms (Hasan, 2006).

### ***The role of state and individuality***

Regarding the role of the state, Hasan argues that the Islamic system falls in between capitalism and socialism for its societal priorities. It uses capitalist structure to achieve social welfare. It invokes trusteeship notion, grants the right to the deprived in the wealth of the rich, and puts the ultimate responsibility for the fulfillment of basic needs of all its citizens on the state (Hasan, 2006).

According to him, Islam makes obligatory for the state to intervene in economic matters if social interest so demands, that is, economic working of the community is seen leaving the right path (Hasan, 2006). Following are some of the obligatory measures the state has to enforce for reducing poverty and improve distributive equalities in the societies. Firstly, the state has to abolish interest for establishing an exploitation free financial system. Secondly, the state has to guarantee the fulfillment of the basic needs of all its nationals irrespective of color, caste, creed or religion. Lastly, the state also needs to impose regulation of resources allocation to priority uses and regions, if market fails to meet the national priorities. This can be done through managing the collection and disbursement of *zakah* fund, and by doing things all that is needed to promote the objectives of the *shari'ah* to the extent private sector is negligent or deficient in the matter.

Moreover, Hasan points out if it is assumed that an Islamic economy is in operation; the involvement of the government in the market would not be occasional or temporary. The fuller picture of an Islamic system shows the government co-existing in the market with the private sector on a permanent and stable basis. It can be seen as a planner, supervisor, producer and consumer. What follows is based on this sort of perception but much of it may be found relevant to mainstream economics as well (Hasan, 2008a).

Additionally, Hasan clarifies in an Islamic system, one may look at the role of government with reference to performance of markets, provision for public goods and environmental care. The government may take action to modify or supplement the market results. Market distributes goods according to income size of individuals. As income distributions are much skewed in favor of the rich, even the basic needs of the poor go unsatisfied. Public policy may help divert resources to the production of such goods, especially provision of food, clothing and shelter, through appropriate policies (Hasan, 2008a).

## **Institutional Frameworks**

### ***Property relations and ownerships***

Hasan describes Islam allows private ownership of property including the means of production and grants freedom of enterprise. It is neither opposed to competitive effort nor is averse to the free operation of the market forces. It only wants to see markets operate for promoting social good in conformity with the Shari'ah norms (Hasan, 2008a).

Moreover, according to Hasan, Islamic economic system is closer to capitalism in the matter of property ownership. It allows private ownership in property, but enjoins on owners to hold it in trust for the society as a whole. Hasan argues unlike capitalism, it assigns right (*Haq*) to others in one's property and insists that these rights are honored. Thus, Islam puts in principle more restrictions on individual property rights than other free systems. Furthermore, Islam encourages the creation of trusts (*Awqaf*) to serve specific or general social purposes. Even though establishing trusts is not prohibited or absent in capitalist societies, historical evidence confirms its prominence in Muslim communities.

Additionally, Hasan enlightens the view of property rights in pure *amanah* model is much different from the notion under capitalism (Hasan, 2006). Although under capitalism there are also restrictions on property rights, Islam grants to the weak and deprived in the wealth of the rich. The *shari'ah* insists that one must honor these rights, i.e. the excess wealth with a person belongs to others after his own legitimate requirements have been met.

### ***Decision-making and resource allocation mechanism***

Regarding operational mechanism, as Islam too allows private ownership of property, Hasan is of the opinion that even if with a trusteeship constraint; it also relies on price mechanism and competitive markets for resources allocation, and output distribution. However, its output mix gives prominence to goods for the fulfillment of basic needs, curtailment of luxuries, and exclusion of what it regards as *haram* (prohibited) goods.

To achieve its objectives, Hasan opines it does not put any limits on the expansion of the public sector; freedom of enterprise though encouraged is not a social imperative. He points out the main advantage of the Islamic system is that it brings about a relatively more equitable distribution of wealth and incomes in the society.

### ***Prohibition of interest and Islamic alternative to interest***

Hasan deliberates that over the years, a consensus has evolved that Islam prohibits giving and taking interest. Islam requires that exchange of anything similar to itself should not take place except on the basis of equality of measures (Hasan, 2006). For the faithful it is reason enough to avoid transactions involving interest as submission to their belief system. However, the scientific reasoning behind this prohibition has two aspects, negative and positive.

First, interest payments are illogical, unjust Islamic economics borrows a plea against interest from Keynes General Theory. Alternating booms and depressions hinder the long run growth and stability of the economy. Second, the marginal productivity theory cannot explain the payment of interest. Third, all owned and borrowed funds are inseparably intermixed in the business of a firm, and are exposed to the same degree of risk in its business, one with profit and the other with interest. Lastly, interest payments cannot be shown patterned to meet the norms of social justice at the macro level (Hasan, 2006).

Hasan further elucidates that as alternative, Islam seeks to treat all capital in trade, industry and commerce on an equal footing, the outcome of the business become uncertain. It proposes the sharing of the profits and losses of business capital on an equitable basis without any predetermined fixed claims (Hasan, 2006).

### ***Redistributive measures***

Islam has several tools to redistribute the wealth from the rich to the needy as the former's is considered as *amanah* for the latter. The tools are *infaq*, *zakah*, *awqaf*, and system of inheritance (Hasan, 2006). Firstly, *Infaq* refers to all spending the rich may make in the way of God for helping the deprived, especially the needy and the poor, to seek the pleasure of God (Qur'an 3: 86).

Secondly, *zakah* is an element that ranks third among the five fundamentals of Islam. The determination of the minimum limits beyond which *zakah* would be payable on different categories of wealth and its corresponding rate were left to the discretion of the prophet (peace be upon him). There are few characteristics of *zakah* that are as follows. First, the coverage of *zakah* is vast. It applies to both the incomes of certain types such as agricultural earnings and the wealth of the rich. Second, *zakah* is neither a tax nor charity. It cannot be abolished by an act of state, its rate cannot be altered, and the amount collected can only be spent on specified heads. *Zakah* is the right of the poor and the needy to a share in the wealth of the rich that they have to part as believers.

Thirdly, *awqaf* or public trusts are welfare institutions established voluntarily by the members of the community. They transfer wealth from private ownership to social custody for promoting collective welfare. Lastly, system of inheritance in Islam was also revolutionary when it first appeared on the scene. It does not allow a transfer of more than one-third of property as bequest or through the will of any of the heirs. The system distributes wealth in a wider circle and tends to reduce its concentration even as it increases the spread of wealth in the same social class, not across classes.

## Distribution

According to Hasan, Islamic economics also casts its distribution theory in a puritan framework (Hasan, 2006). It assumes that a performing Muslim community is in existence. It seeks to show two things. First, the guiding principles and the institutional arrangements of Islam are such that under their operation the problem of an unjust income distribution. Second, if in spite of the in-built safeguards of the system distribution tends to become inequitable, the model has corrective measures ready at hand to rectify the situation.

Perfect equality in personal incomes would be no less unjust and undesirable as the present inequalities. It will reward a hard work and laziness, or intelligence and lack of it at the same rate, and will adversely affect work incentive. Islam not only allows for income differences; it advises people not to grudge the same as mentioned in the Qur'an 4: 32. Islam also approves payment according to a factor's contribution to output. Hence, in addition to factor payments being according to contribution, Islam adds the help for the needy to its notion of economic justice. In other words, the Islamic norm of distributive justice is 'give each according to his contribution and help the needy as an obligation'.

## Profit in Islam

Profit concept as proposed by Hasan is akin to neoclassical economics' concept, whereby it is naturally believed that profit maximization is a business objective (Hasan, 1975). However, to make profit maximization as the sole motivation and goal of a business firm is hardly logical. Hasan defines profit, as 'a surplus of business earnings over contractual payments is a non-functional surplus whose origin lies essentially in progressive dynamic change' (Hasan, 1983). He also cites definition of profit from Ibn Khaldun that stated, 'profit is the excess of earnings over what one spends to meet his interests and needs' (Hasan, 2007).

Hasan rationalizes in free enterprise economies, the sum of the contractual factor payments when deducted from the revenue product of the firms leaves a surplus that goes to the entrepreneurs. This surplus is akin to the accounting gross profit. A part of it represents capital compensation, which incidentally the market forces are powerless to determine. Capital compensation, however arrived at, is taken out of the gross profit to arrive at its 'net' component (Hasan, 1983).

Hasan elucidates that Islam exhorts the believers to excel in this world as well as the hereafter. It urges them to engage in all lawful pursuits for material gain, especially trade. But Islam is aware of men's inordinate love for material wealth so it advises them to be moderate in their drive for profit in trade, behave in prescribed ways, and take only what is legitimate (Hasan, 2008b).

Therefore, Hasan opines profit is regarded as the reward for risk being in business. To be a just reward, there ought to be one-on-one correspondence between profit and risk. Islam seeks to moderate profit motive and promotes the perception of a fair return on investment.

From the Islamic point of view, Hasan argues that Islam exhorts the believers to excel in this life no less than in the life hereafter. It urges them to engage in almost every material pursuit, especially trade and eulogizes profit as God's bounty. But Islam is not unaware of man's inordinate love for worldly gains (Qur'an 100: 8). So, it instructs people to observe moderation in the drive for profit, behave in a prescribed way, and acquire only the legitimate, not the maximum. It advocates absolute honesty in business to the extent that one is enjoined not to falsely praise his merchandise, but to reveal to the customer any defects in it.

The Islamic concept of permitted and prohibited is quite adequate to keep people on the right track. In case of conflict between wealth and virtue one has to be content with whatever can be acquired rightfully even though it may be little (Quran 5: 103). There are a number of *Qur'anic* verses and traditions that remind man of the transient nature of this world and its possessions relative to spiritual

ends, and seek, by implication, to bring the pursuit of profit under Islam's moral discipline, for instance as stated in the Qur'an 4: 77, 28: 77, 29: 64, 57: 20-21 and elsewhere (Hasan, 1983).

Islam aims at shaping all exchange relations among people on the principle of cooperation, mutual benefit, and fair play (Quran 4: 29-30). It directs men not to expose themselves or inflict on others loss that is possible to avoid. This principle lies at the heart of the celebrated Islamic notion of *gharar* or indeterminacy and hazard (Hasan, 1983).

It comes about that profit defined as a surplus of business earnings over contractual payments is a non-functional surplus whose origin lies essentially in progressive dynamic change. The real issues in profit theory are, first whether contractual payments, especially wages, as determined by the market forces can be shown to be just and second, whether the utilization of the residuum in the hands of the entrepreneurs is always proper (Hasan, 1983).

As profit is the reward of entrepreneur services, it also relates to other production factors, such as labor whose reward is wage. According to Hasan, Islam is not opposed to wage labor but it does insist that the wage contract should be an equitable one. Workers must have the fairest possible chance under the arrangement to receive their due, i.e. what they contribute to the value product of the firm. This also implies that payment to them is not excessive either (Hasan, 1983).

The basis support for minimum wage in Islam lies in the *Shari'ah* itself (Hasan, 2006). The Qur'an reminds people time to time and again that even though people may differ in regard to the quantum of sustenance granted to them, they are equal in the right for a livelihood from inexhaustible resources God has provided in the Earth and heavens (Hasan, 2006).

It follows that a prime consideration governing income distribution in Islam is the fulfillment of the basic needs of all members of the community. These needs include the minimal requirements for food, clothing, shelter, education, and health care. A minimum wage must cover the cost of providing these needs for an average size family (Hasan, 2006).

It is agreed that the best course for a person having land in excess of what he himself uses is to give it to his landless brother for cultivation free of charge. However, if rent is to be taken there is no consensus regarding its form. Some permit only cash rent, some only sharecropping i.e. *muzara'ah* and there are still others who allow both. On balance, sharecropping is considered to be the best. For the outcome of cultivation being uncertain, predetermined, absolute rent may only be a kind of *riba* (Hasan, 1983).

Thus, it comes about that in the area of mass production where business outcome is characterized by uncertainty, the Islamic ends of justice can be met only when interest is abolished and all capital participates in profits of the enterprise on an equal basis. In manufacturing, land partakes the form of capital. But even in agriculture where land is important there is, as we have noted, strong presumption that Islam does not permit prefixed rent in cash or kind and prefers sharecropping to make the landlord-tenant relation free of *gharar*. These conclusions have great inferential significance for the determination of the remaining distributive share - the wage for labor (Hasan, 1983).

## CONCLUSION

According to above explanations, Hasan views on Islamic economics are comprehensive and cover almost all aspects that Islamic economics needs to explain. His analysis is basically a critical integration between modern economics with Islamic heritage.

However, there are some points are noteworthy to be addressed. Firstly, Hasan only modifies Islamic economics from the neoclassical discipline. Every assumption, concept, and hypothesis used and evaluated from Islamic angle was only taken from neoclassical school of thought. For instance, Hasan

builds the concept of scarcity as one of the main problems in the economic activity based on mainstream economics and imbues it with the Islamic values. It is going to be more wide-ranging, if he too includes the economic perspectives on heterodox point of view.

Secondly, regarding the concept of ‘wants’ and ‘needs’, Hasan does not clearly distinguish between both concepts. As a result, the readers shall consider the desire of human towards something reflects his needs. Although he stated that it is not necessary to confuse the difference between needs and wants because they equate the two and classify needs into three categories, providing linkages between them (Hasan, 2005).

But in fact, it is not always the case. In Islam, there is clear difference between both, which human should focus more on the latter over the former. For instance, Zaman (2012) stated the importance to differentiate between the concept of wants and needs. According to him, the Quran encourages people to spend on their own needs, but also to spend excess above their needs on needs of others, as Allah mentioned in the Qur’an *Al-Baqarah* verse 219, “...*They ask thee how much they are to spend; Say: "What is beyond your needs."* It strongly discourages pursuit of idle desires, luxuries and conspicuous consumption. Following Qur’anic prescriptions will lead to economics based on simple lifestyles, hospitality, cooperation and trust of a type, which cannot be imagined within a neoclassical framework.

Thirdly, Hasan’s theory on Islamic profit does not include the explanation on how much the profit can be imposed by the producer in precise percentage. It is only stated that the determination of profit in Islam must be loaded with normative considerations. It is going to be more useful if Hasan explains the suitable profit rate of a good sale in the trading process.

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