

THE DEMAND SIDE OR CONSUMER BEHAVIOR

Islamic perspective

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INTRODUCTION

In another paper, we studied the market interaction between consumers and producers in the Islamic perspective. In order to understand that interaction, we should know more about the respective behaviors of these two economic agents. This we will do in this and a forthcoming paper, God will.

The theory of consumer behavior centers on the income earner's way of utilizing his/her income. Let us assume that at a certain moment of time output has all been produced and persons who provided the factors of production have gotten their shares of that output. These shares are the incomes of these persons, the consumers. The consumers may use income for buying consumption goods and services, saving or giving away in the form of charity for the sake of Allah.

It is rather very simple and intuitive to imagine consumers entering the market with certain preparatory and tentative ideas about what goods they want to buy and in what quantities. In the market they will be faced with certain conditions regarding availability of items they want, the prices offered by different producers, credit conditions, etc. This new information makes the consumers revise their initial plans and ideas before they enter into transactions.

Sometimes, consumers may even obtain detailed information about offers available in the market from different channels of information, including advertisements made by the producers themselves, independent agencies such as the government or consumer associations. In such cases they reach the market with more mature and already revised plans and ideas.

What matters at this point is to notice that the behavior of consumers is affected by two sets of factors. The first set consists of those elements which were inside the consumer before he/she is faced with the conditions of the market; the second set consists of the factors which encounter the consumer in the market. Additionally, with regard to both these sets, the consumer goes through a process of judgments or thinking to reach final decision.

Consequently, this paper will deal with these two sets of factors in Section One. Section Two shall focus on the process of decision making in the mind of the consumer. This is the consumer rationalism. Section Three will discuss the tools of economic analysis of consumer behaviour and attempt to find out differences and similarities between the conventional tools and the tools relevant to analyzing the consumer behaviour in Islamic economics. Section Four will briefly look into the consumer equilibrium and discover his/her decision. Finally, it should be mentioned that this paper is written in simple manner for non-sophisticated readers.

SECTION ONE

EXOGENOUS AND ENDOGENOUS FACTORS IN CONSUMER BEHAVIOR

A. EXOGENOUS FACTORS

Exogenous factors in consumer behavior are those factors which existed in the mind of the consumer before he/she encounters the offers of suppliers in the market. In this sense, they influence the plans and ideas of the consumer from outside and determine his/her choice in broad terms.

Although these factors are subject to change and revision over time, they can be taken as given at this point of the analysis which focuses on the micro level. Some of these factors are of long-term nature while others depend on the ability of the consumer to mobilize resources, especially ability to sell his/her labor.

On the other hand, as it is rather difficult to achieve absolute neutrality in matters which either influence or are effected by human beings, some exogenous factors may be described as value-neutral to a considerable extent while others are greatly affected by the values and beliefs of the consumer.

Value-neutral factors include the size of wealth and disposable income and the degree of their liquidity, level of technology, biological and material surrounding, and the amount, nature and cost of available information.¹

Value- loaded factors include tastes, beliefs and religion, legal system, political framework, culture, social customs and traditions, etc.

I. Effect of wealth and income:

The size of wealth and income affects the consumer's demand quantitatively as well as qualitatively. The arguments generally given by economists is that as persons have higher income and wealth, they feel at ease paying more for consumption. This means either buying larger quantities of goods and services or better quality which implies higher cost. Wealth in this respect may safely be treated as either accumulated or capitalized income, i.e., it is either the saved part of income accumulated over the years, or the source which generates income.

It must be noticed, however, that the effect of wealth and income on consumer's demand depends on the ability of the consumer to make that wealth and income ready for consumption or on his/her ability to exchange it for consumer goods and services which he/she wants.

In other words, in addition to the size of one's wealth and income, their readiness for consumption and/or the speed at which they can be liquidated affects one's demand for consumer goods and services.

It must be noted in this regard that individuals wish to buy many goods and services for which they may not have means. Such wishes may even be serious and they may become actual plans and concrete ideas in the mind of the consumer which would be fulfilled had sufficient income been obtained for them. This is a notional demand which is not effective in the market as long as it is not supported by resources. For instance, the unemployed have a notional demand for many goods and services which he/she would like to buy if he/she could sell their labor and earn income against it. But since they are unable to exchange labor for income, this notional demand remains ineffective in the market.

Furthermore, the amount of credit available to consumer also affects their behavior. In this regard, consumer credit may be looked at as a future income which is made available before it is earned. This means that we must consider the effect of future and present income on consumer behavior.

On the other hand, the degrees of the effect of income and wealth on consumer behavior depends on a whole list of cultural, social and religious factors. That is why it is hard to call these factors value-neutral.

In an Islamic society, regardless of the saturation argument some Muslim writers make, it is reasonably conceived that a Muslim with large size of income and wealth may be keen to observe the prohibition of extravagance and to maintain a very short distance from, or a similarity to the consumption pattern of his or her social group or peers. This means that a Muslim's consumption pattern may be less affected by increases in wealth and income the pattern of a non-Muslim who is not indoctrinated about the prohibition of extravagance. In a Muslim society, there exist religious and social pressures which work in the direction of reducing the consumption differential between people of different levels of wealth and income and of decreasing extravagant consumption in general.

Lastly, it must be noted that income and wealth are treated here as exogenous factors since they are considered given at the time the consumer takes decision about what goods to purchase. These same factors become endogenous at the macro level, since income and wealth are determined within the system of relationships which describes the economy as a whole.

II. Effect of technology:

Technological advancement influences consumer choice by enlarging the number of alternative goods and services available, reducing or eliminating low quality goods and services in favor of high quality ones, and refining and increasing wants and desires. It may affect also the amount of leisure time available to enjoy consumption goods and services. This kind of

effect is also external to the consumer's choice at any moment of time, although in the long run it becomes endogenous because it is affected by the magnitude of net investment and research and development expenditures.

Technology is also not fully value-neutral. It is affected by social values and religious beliefs. Take for instance the development of many pharmaceutical products in the West. They use alcohol as a solution substance in many drinkable medicines. This may have not been the case had pharmaceutical technology of such medicines been developed by Muslims who believe in the prohibition of alcohol and the saying of the Prophet (pbuh) that Allah did not make a cure in what He prohibited. The same thing may be said about the development of interest-based financing techniques.

III. Effect of biological and material surroundings:

In addition to pure biological needs and wants which are an essential determinant of consumer behavior, material environment such as climate and weather conditions, and material circumstances of living such as size of city or village and its location also influence consumer behavior and contribute to his/her choice.

It goes without saying that this is also culturally influenced and the case of humbleness and dress code in Islam is an example.

IV. Effect of the amount, nature and cost of information:

Information about previous prices, quantities, substitutes and complementary commodities, different suppliers, conditions of the supply side etc., is all relevant as a stock of information which affects the consumer behavior. The least amount of information the consumer uses in preparing market plans is that already accumulated from past experience.

Additionally, there is more information whose availability, cost of acquisition and quantity depend on many other social, economic, political and

cultural elements. The influence of advertisement and consumer information in creating demand and brainwashing the minds of consumers is an example.

V. Effect of tastes and desires :

Tastes, desires, likes and dislikes also to shape consumer demand in the market. The society too interferes in evolving the tastes of individuals. In this respect, customs and traditions play an important role. People tend to be influenced by the ideas, tastes, habits and manners of dominant class or elite, as individuals usually like to imitate people around them and to keep an eye on the kinds of goods and services their associates consume in the process of deciding on their own consumption. This imitation element in consumption is usually called the demonstration effect.

VI. Effect of beliefs, religion, culture and legal and political framework:

Religious beliefs influence the consumer choice of distributing income for alternative usages. All human beings like wealth and have needs for further consumption. They also like to leave some wealth as a bequeath for their children and other family members. The amount of savings they like to put aside is very much affected by religion as faith in life after death, dependence on God as the Sustainer of all and reliance on Him to take care of one's heirs, etc. influence one's plans for the future.

Additionally, religious beliefs and values influence the proportion of income consumer likes to give away in the form of benevolence and charity. All human beings have, usually mercy for other people, care for animals, and love for their environment. All people usually have an inner desire to help others on humanitarian basis. This desire is usually enhanced by religious beliefs.

Islam especially considers benevolent spending as lending to God

Almighty Who promises to multiply it many folds as the **Qur'an** says (2:261). Benevolent spending includes helping other individuals improve their living, payment for social services and goods which are consumed by the whole community, supporting animal care, giving for scientific research, helping religious causes, etc.

Furthermore, there may be certain differences with respect to the alternative uses of disposable income, on the micro level, between Muslim and non-Muslim consumers. The spirit of spending for the sake of God may be so vivid in the Muslim's mind to an extent that Muslim consumer may devote a larger portion of his/her income for this purpose than non-Muslims.

It may be suggested that spending for the sake of God be treated as consumption since it satisfies certain desires of the consumer. but satisfying desires also applies to consumer saving, yet the latter is usually treated as separate from consumption. Besides, spending for the sake of God is not necessarily consumptive; giving to the poor or for public interests may be for the purpose of capital investment on private or public basis.

Hence it seems clearer to treat this spending as a separate category of its own. In this manner, the alternative uses of disposable income become three instead of the conventional two uses: consumption and saving.

These factors have important effects on consumer behavior because they influence the tastes and customs of people. Religious commandments affect the choice of individuals because of their internal effect and because of the social binding power they usually acquire with time.

One's beliefs, cultural values and religion interfere in shaping consumer choice as they determine lawfulness and non-lawfulness of goods, indicate desirability or encouragement for certain kinds and affecting the quantity consumed of goods and services via the concept of modesty and condemnation of extravagance.

Moreover, religion affects seasonal movement in consumer demand

because of the religious occasions and celebrations. Lastly, religion and cultural values very often create demand for certain goods and service which may loosely be called "religious goods".

Religion and culture also affect the pattern and plans of consumers by defining the extent of responsibility with regard to provision for livelihood. Many societies believe in extended family which includes not only one's parents and children, but also other relatives and people from the same clan or tribe. Islam advocates good relations with distant relatives and neighbors and includes in the family-based economic responsibility spending on parents, minor brothers and sisters, a man's wife in addition to children.

The political and legal frameworks exert influence on consumer's mind in molding desires for certain products because of their source or origin and in decreeing the set of available goods and services in the market, since most people tend to behave themselves within the law.

B. INDIGENOUS FACTORS

These factors contribute to reformulating consumer's plans and reaching final decision on his/her demand in the market. They flow out of information the consumer receives in the market about quantities and prices of different goods and services as well as the substitution and complementarity between them.

Substitute goods are those which may alternatively fulfill the wants of the consumer. Obviously the degree of substitutability varies from one person to another. In substitute goods, the demand for one increases at the expense of demand for the other.

Complementarity refers to those goods and services whose consumption is positively related, i.e., if a person takes one of these goods, he/she has to consume the other too. Complementarity may be physical, such as cigarettes and matches, or cultural such as tea and sugar.

Indigenous factors also include the expected rate of return on investment. Since consumers use part of their income for saving, the earning they expect on what they save affects their saving decision. In Islam interest is prohibited which means that Muslim consumer cannot earn anything on saving without actually investing it in a productive way. The part of income which is saved may be invested by owner, through friends or through Islamic banks in the form of participatory deposits which will be discussed in Part Four.

Expected rate of return is usually based on past experience in the market adjusted by what people expect in terms of changes in the trends of investment opportunities, future prices, domestic and international economic conditions, political changes, etc.

SECTION TWO ISLAMIC RATIONALISM

Rationalism is one of the most loosely used terms in economics, because anything can be rationalized with reference to some relevant set of axioms. The determining question is thus concerned with the form and dimensions of this set of axioms itself. The axioms of rationalization are ethically and culturally determined and differ in various fields of life. "Hence, rationalizations of the most varied characters have existed in various departments of life and in all areas of culture".²

The theory of consumer behavior, as developed in the West after the rise of capitalism, is an offspring of the doctrines, of "economic rationalism" and "utilitarianism". Economic rationalism interprets human behavior as being founded on "rigorous calculation, directed with foresight and caution toward economic success".³ Economic success is strictly defined as "making of money out of man"; the acquisition of wealth, whether in terms of money or commodities, is the ultimate goal of life and at the same time the yardstick of economic success.

The ethics and values of this philosophy are dependent on and derived from "economic success". Success in money-making is the result and the expression of virtue and proficiency. Those who make more money than others are the heroes of this doctrine regardless of their deed and creed otherwise and how much money one has tells how much one is worth.

Utilitarianism is the source of moral values and attitudes. "Honesty is useful because it assures credit"⁴ By the same token, punctuality, industry, and frugality are virtues because of their usefulness in business and economic relations.

In the Western tradition, the theory of consumer behavior has emerged from this dual origin. This theory considers the maximization of utility as a postulated objective of the consumer. The utility to be maximized is that of a "homo-economus" whose sole goal is to achieve the highest level of economic satisfaction and whose only stimulus is the "sense of money".

The theory of consumer behavior under the capitalist system has passed through two stages. The first stage is associated with the marginalist theory, according to which the utility of consumer is rigorously measurable in cardinal units.

A consumer reaches equilibrium when his/her utility is maximized subject to an income constraint, that is, when the ratios of the marginal utilities of the various commodities equal the ratios of their money prices.

The second and more modern stage rules out the measurability and the cardinality of utility. However, the condition for maximization now becomes the equality between the marginal rates of substitution, i.e., the slope of the indifference curve, and the ratios of money prices, i.e. the slope of the income constraint.⁵

Muslim writers have viewed the foregoing development of rationalization and consumer theory with suspicion and have accused it of

being limited and one-dimensional as far as human behavior is concerned. Its founding on "rigorous calculations directed with foresight and caution toward, economic success" as Max Weber states it, makes it suspicious and doubtful because human beings are not usually very mathematized nor do they have full foresight or complete caution.

Besides, there are several non-economic factors which they take into consideration at all times and in all decisions. Max Weber suggests that the alternatives to "economic rationalism" are "the hand-to-mouth existence of the peasant" or "the privileged traditionalism of the guild craftsmen"⁶. But this need not be the final word on the issue. Another alternative may also be proposed.

Following Max Weber's proposition that rationalism is a cultural concept, Islamic rationalism is suggested as an alternative which is consistent with the Islamic values and at the same time capable of explaining the behavior of a Muslim as well as a non-Muslim consumer since the concepts on which it is based are general and comprehensive. The basic elements of Islamic rationalism are as follows:

I. The Concept of Success

The concept of success in Islam is always associated with moral values. M. N. Siddiqi notes that:

"Success lies in being virtuous. The more one's behavior is in accord with moral standards and the higher the level of his goodness, the more successful he is...Throughout his life, in each and every phase of existence, at every step, the Islamic individual is endeavoring to act in harmony with moral values"⁷.

Virtue, in an Islamic glossary, implies a positive attitude toward life and other human beings. The worst thing one can do is to withdraw from life and community or to practice negativism toward them. It is a delicate concept

which has been misrepresented by both the Sufi (mystic) traditions which existed in Muslim societies during the past eight centuries, and by non-Muslim writers with a Christian background who look at Islam through the lens of their life-long Christian preconceptions. Siddiqi develops this concept further:

"Man is born with innumerable needs; to strive for their fulfillment is but natural. The more properly these needs are satisfied the better it is. A well-provided life ensures peace of mind, contentment and sense of security. And it is such a state of mind which is favorable to the building of a healthy, moral and spiritual atmosphere. The level of material progress and economic development is in itself antagonistic to moral and spiritual progress. As a matter of fact all such progress, if it is properly achieved and maintained, is an aid to healthy morality and true spirituality.

"Islam, therefore, does not restrict efforts at material progress. It regards a certain standard of material provision as an indispensable condition for the evolution of the desirable social pattern. It exhorts the individual to make all efforts at its achievement. It ordains society to guarantee such provision to each individual in all circumstances. But there are limits to everything. And life has aspects other than economic which call for devotion and require our energy and time for their proper development. A balanced life necessitates proper allocation of human efforts and resources among all the important aspects of life. Exclusive devotion to economic development may mean the neglect of other vital aspects of human life.⁸

Islam acknowledges material wants and the joy of their satisfaction but does not consider them the end or ultimate goal in life. Men and women are created to glorify and worship God. The ultimate happiness of the believer is in performing this role as a true servant of God.

Using God-given resources for material joys is only a part of the story of

which the major part is using such resources for success in the Hereafter. Success in the Hereafter is pursued by benefitting other human beings and all other creatures, and by establishing virtue, righteousness and justice on earth. Depriving the body is as much injustice as failure to extend help to other people.

The concept of success in Islam is a comprehensive one. It includes this life and the Hereafter in a balanced harmony. In this sense, it is more comprehensive than "economic success". Therefore, it applies to all situations of believers and non-believers.

II. Selfishness and Altruism

The harmony between selfishness and altruism which the Islamic system establishes is based on incorporating the interests of other people, and even other beings and the ecological environment, into the selfish consideration of the individual.

Thus, extending help to others, spending on their welfare, caring about their affairs, establishing justice among them, advising them, ordaining them of what is good and discouraging them of what is bad, being merciful to animals, improving the ecology and the surroundings, etc., all become part of the selfish interests of the individual as these and similar actions are counted in his favor on the Day of Reckoning.

The ***Qur'an*** and ***Sunnah*** often use the term *hasanah*, and its plural *hasanat* to denote a unit of reward God gives for good deeds. Many verses and sayings, talk about the number of *hasanat* which will be recorded for altruistic actions.

Doing good for oneself, members of one's family, neighbors, guests, lost persons in the desert, wayfarer, etc., is all recorded and rewarded a certain number of *hasanat*. Supporting and helping others and caring about them is blent together with pure personal consumption and actions of worship

in the count of *hasanat*.

The weight of altruistic action is shown on the scale of Islamic rationalism as benefitting the dependents of God. The Prophet (pbuh) describes all beings as "the dependents of God" and says that the most beloved one by Him is the most beneficial to them. This makes identifying an altruistic drive as a separate moral value unnecessary and unneeded because the Muslim personality assimilates altruist as internal ingredient of its own interests and concerns.

III. Time Horizon of Consumer Behavior

Islam associates belief in the Day of Judgment and the Afterlife inextricably with belief in God. This extends the Muslim's horizon of time beyond death. Life before death and life after death are closely interrelated in a sequential manner. This has two effects as far as consumer behavior is concerned:

Firstly, the outcome of a choice of action becomes a total of two components: its immediate effect in this life and its later effect in the life to come.⁹ Therefore the utility derived from such a choice is the total of the present values of these two effects.

Secondly, the number of alternative uses of one's income is increased by including usages whose benefits that will be gained only in the Hereafter. Examples of such alternative uses are interest-free loans (al qard al hasan), giving to the poor and needy, care of animals, spending for the welfare of future generations, improvement of community life even when it has no immediate benefit for individual payer, the propagation of the message of Islam and promotion of goodness.

Such uses of income are excluded from Max Weber's rationalism unless they have material utility in this worldly life. Thus, many alternative uses of one's income may have positive utility in the Islamic frame of reference, although their benefits in the utilitarian frame of

reference may be zero or negative.

Furthermore, according to Islamic teachings, every Muslim "has to expend some of his time in the remembrance of God, he has to contribute some his energies to the propagation of truth and goodness," and has to spend of "his time and effort for the improvement of the spiritual, moral and economic life of the community."¹⁰ This can only be done by freeing some of one energies from the pursuit of food and other consumables, since the other alternative, namely, withdrawal, negativism, and starvation, contradicts both human nature and the teachings of Islam.

The extended time horizon implies that believer should not be limited to doing things whose benefits are reaped in this life. The believer is oriented to do what is good or useful for its own sake, or, to express it in Islamic terms, because God will reward him or her for it.

In this respect, the Prophet (pbuh) is reported as having said, "If one sees the end of the world coming while he has in his hand a little plant and he is able to plant it in the ground, he should do it. God will reward him."¹¹ The law of inheritance in Islam supports this extended vision by granting the full claim of one's heirs on one's estate. In this context, the Prophet (pbuh) is reported, in this context, to have recommended leaving one's heirs rich rather than poor.¹²

True success for the Muslim is that which embraces the total horizon of time for it is the same effort to do good which results in success both in this life, in all its aspects, and in the life after death. The **Qur'an** unequivocally emphasizes this behavioral norm for material and spiritual matters alike in order to secure a balanced life.

"Corruption has appeared on land and sea because of (the evil) which men's hand have done, that He [Allah] may make them taste a part of that which they have done, in order that they may turn back (from evil). Say [O Muhammad to the disbelievers]: Travel through the earth and see the nature of the consequence for those who were before you.

Most of them were idolaters...Who so disbelieves must bear the consequences of his disbelief, while those who do right make provision for themselves". (30: 41-42, 44).

"But if there comes to you guidance from Me, then whoever follows My guidance will not go astray nor come to grief. But he who turns away from remembrance of Me, his will be a narrow life ..." (20: 123-124).

"And I have said: 'Seek pardon of your Lord. Indeed He is ever-Forgiving. He will send rain to you in abundance, and will help you with wealth and sons, and will bestow upon you gardens will bestow upon you rivers.'" (71: 10-12).

IV. The Concept of Wealth

Islam sees wealth as a bounty from God. Al-Siba'i argues that Islam disapproves of poverty, referring to the saying of the Prophet (pbuh), "Poverty is almost equivalent to disbelief."¹³ Additionally, one of the prayers of the Prophet (pbuh) was:

"Almighty God, protect me and help me to avoid incapability and laziness, fear and avarice; protect me and help me to avoid poverty, disbelief and misbehavior". "O God, I request You to guide me on the path to You, to give me love and fear of You, to make me satisfied with what You give me and to me give richness."

Al-Siba'i comments that the last part of the Prophet's prayers indicates a positive attitude towards wealth and not merely a negative stand on poverty.¹⁴

Avarice is an evil, and so is extravagance. A believer is described in the ***Qur'an*** as one of "those who, when they spend, are not extravagant and

not miserly, but (maintain) a just balance between those (extremes)" (25: 67) The Prophet is reported as saying, "God likes to see the effect of the bounties He bestowed onto His servant (in terms of prosperity and spending)."

The spirit of Islam in respect to wealth and spending is summarized in the following two sayings of the Prophet (pbuh):

"The Prophet once asked some of his Companions: To which one of you is the wealth of his heir dearer than his own? They answered: Every one sees his own wealth as dearer than his heir's. Then the Prophet said: Your wealth is what you use and your heir's is what you don't."¹⁵

"None of your property (wealth and income) belongs to you except what you eat and use up, what you wear and wear out, and what you spend on charity, the reward of which is saved for you." (Reported by Muslim and Ahmad).¹⁶

V. The Concept of Goods

In the Islamic frame of reference, goods are bounties bestowed by God on mankind. A survey of the **Qur'an** provides us with a unique concept of goods. The **Qur'an** always refers to consumable goods by using terms which attribute moral and ideological values to them. Two terms are used in this respect: (1) *tayyibat* and (2) *rizq*.

The first term, *tayyibat*, is repeated eighteen times in the **Qur'an**.¹⁷ In his English translation of this term, Yusuf Ali has interchangeably used five different phrases to express the ethical and spiritual values of the term. According to him, *tayyibat* means: "good things", "good and pure things", "clean and pure things", "good and wholesome things", and "sustenance of the best".¹⁸ Thus, consumer goods are intimately tied up with values in Islam. They denote the values of goodness, purity and wholesomeness. In contrast, bad, impure and worthless objects cannot be used nor considered as consumer goods.¹⁹

The second term, *rizq*, and its derivatives are repeated in the ***Qur'an*** one hundred and twenty times. In Yusuf Ali's translation of the ***Qur'an***, *rizq* is interpreted as follows: "Godly sustenance", "Divine bestowal", "Godly provision", and "heavenly gifts".²⁰ All these meanings convey the connotation that God is the true Sustainer of and Provider for all creatures, i.e., whatever we get as consumption goods are all given from God.

Consequently, in the Islamic outlook, consumer goods are the God-given, useful, clean, wholesome, beneficial consumable materials whose utilization brings about material, moral and spiritual betterment of the consumer.

Things that do not have any goodness according to the Islamic concept cannot be considered as *tayyibat* which may be consumed by Muslims or consist part of their property or assets. Accordingly, prohibited materials are not considered goods in Islam, and do not carry any value in exchange or otherwise.²¹

Let us compare this Islamic concept of consumer goods with the God-less concept of utility which prevails in modern economics. In modern economics anything has an economic utility if it can be exchanged in the market. In Islam this is a necessary but not sufficient condition for the definition of goods. Goods must be morally clean and pure as well as exchangeable in the market in order to acquire an economic utility.

VI. Ethics of Consumption in Islam

According to Islam, God's bounties belong to all mankind and the mere circumstance that some of these bounties may be under the authority of particular people does not mean that they can utilize them for themselves alone; others who do not happen to have at their disposal that much of what God has given to mankind still deserve their share. In the ***Qur'an***, God

condemns and repudiates the argument given by miserly rich men for not giving the poor his due share on the basis that the latter must earn it on his own:

"And when they are told, 'Spend of (the bounties) with which God has provided you', the Unbelievers say to those who believe: 'Shall we then feed those whom, if God had so willed, He would have fed (Himself)? You are in nothing but manifest error'. [36: 47].

Furthermore, use or consumption of good things is itself considered a virtue, since the enjoyment of what Allah creates for mankind is obedience to Him Who said to our ancestral parents, Adam and Eve, "...and eat of the bountiful things therein as you will..."(2:35), and Who enjoins all human beings "O people, eat of what is on earth, lawful and good" (2:168).

Therefore, a believer seeks the pleasure of God by obeying His orders and enjoying the goods and bounties created for human kind. Consumption and satisfaction are not condemned as long as they do not involve any harm or harmful things. God says in the ***Qur'an*** "Say: Who has forbidden the beautiful (gifts) of God which He has produced for His servants and *tayyibat* (the things, clean and pure), (which He has provided) for sustenance? [7:32].

Over consumption, which is a characteristic of the Godless society, is condemned and termed *israf* (extravagance) or *tabdhir* (profligacy). Profligacy means spending in the wrong way, that is, for prohibited purposes such as bribery, illegal things or in a reckless manner.²² Each of these categories includes several types of spending which have become almost phenomenal in today's consumer-oriented society. Extravagance means overspending on lawful matters such as food, clothing and shelter.

Islamic teachings recommend a moderate and balanced pattern of consumption and spending, a pattern which lies between miserliness and extravagance. [17: 29) Consumption above and beyond the moderate level is considered *israf* and condemned. [6:141]

An important characteristic of Islam is that it not only enjoins values and habits for people but also provides the necessary legislative framework to sustain these ideals and prevent their misuse. This feature of Islam also applies to the case of the extravagant or the profligate.

In Islamic jurisprudence, such a person would be restricted and, when appropriate, debarred from administering his/her own properties. From the point of view of **Shari'ah** such persons would be treated as minors and someone else would be assigned to administer their property on their behalf.

SECTION THREE TOOLS OF ANALYSIS

Keeping in mind the elements of Islamic rationalism, the degree of its internalization may differ from one believer to another. But in general, the above-outlined elements influence different persons to varying degrees.

However, regardless of the degree of their effect the elements of Islamic rationalism constitute the spirit of consumption in an Islamic society. They provide the fundamentals of the function with the help of which consumers in Muslim society reach decisions about what to buy and why.

Once these elements are studied, analytical understanding of the process of thinking in consumer's mind may be achieved by using available tools. It must be noted at the outset that the idea of maximization has a strong presence in the **Qur'an** and the **Sunnah**. Muslims are called upon to count the *hasanat* and try to accumulate the largest possible amount of them.

On the Day of Judgment, there will be a just scale, Muslims are told in the **Qur'an** and the **Sunnah**. On one side of it the *hasanat* will be placed and on the other side the wrong actions. The scale tilts towards the heavier amount. The more *hasanat* one has, the better one's fate will be.

Therefore, a Muslim is a runner after *hasanat* all through life which he/she calculates, preserves and deposits into his/her account which is

maintained by continuously watching angels.

In the Islamic mind, most things become quantifiable, including manners such as perseverance and mercy in accordance with the texts of the **Qur'an** and **Sunnah**. For instance, verses 8:64-65 quantify attributes of patience, weakness, perseverance, understanding and faith.

In brief, a Muslim is a maximizer of *hasanat* which include as a subset material pleasures and joys. In other words, a Muslim consumer is a "maximizer" to the fullest extent implications of this word. Yet what is maximized is an Islamic function and not an economic utilitarian function.

The function a Muslim consumer maximizes is that which contains a full listing of the sources of *hasanat* that may be acquired by using available economic endowments. These sources include economic benefit and satisfaction of the consumer; benefits and pleasures accruing to other persons and creatures: individuals, groups and societies; service to the cause of God and promotion of religion, faith and piety.

They also include efficient use of human and material resources, present and future, as this is covered in several sayings of the Prophet (pbuh), and non economic repercussions of his/her economic decision. The latter covers non economic effect on the well-being of other people and creatures and results of such a decision in the Hereafter.

It must be noted, however, that this function does not imply that every Muslim is presumed fully aware of all its variables to the fullest extent. It does not require a high standard of piety and purity. A Muslim may or may not be overwhelmed by piety and prudence about *hasanat*. The function is even applicable to unbelievers. In this case some of the variables would take zero value.

In other words, this Islamic function does not assume idealist individuals who behave and think better than angels. It rather assumes varying levels of righteousness, piety, knowledge and consciousness. It is interesting to note, in

this respect, that the **Qur'an** often uses the same terms in describing believers and non believers but it adds one variable: God consciousness, which takes zero value for non-believers. "If ye are suffering hardships, they are suffering similar hardships; but ye have hope from God while they have none"[4: 104].

On the empirical side, the only empirical study I am aware of which attempts to observe the behavior of Muslim consumers was done by Ahmed al Ashker in Scotland. He conducted a questionnaire and analyzed the data thus obtained from members of the Muslim community in that part of United Kingdom.

His conclusions seem to lend support to the assumption that Muslim consumers tend to devote a considerable portion of their non-food expenditure for the objective of social caring which is the usual manifestation of spending for the sake of God. However, Al Ashker's study is restricted to Muslims only and does not make any cross culture or cross religion comparison.

It is hoped that similar studies be made in different parts of the Muslim countries and the findings of such studies can be thoroughly analyzed in order to verify whether actual practices provide any support to a possible difference in the pattern of consumer behavior between Muslims and non Muslims.²³

Once the issue of maximization is settled and the function which is being maximized is understood, the tools of their expression become less controversial.

The demand schedule as a relationship between quantity and price is an ancient instrument which was mentioned by several Muslim writers as early as the second century of Hijrah (Abu Yusuf, D. 182 H., 798 C.E.). It was also mentioned with more details by Ibn Taymiyyah in the ninth century of Hijrah.

The preference maps which depict lines of same satisfaction to the consumer is another tool used to show two, or more than two, dimensional preferences of the decision maker. Indifference curves represent choices of

equal preference to a consumer under given circumstances and condition.

These tools seem to be amenable to the Islamic function provided that the underlying definitions of the variables are rewritten in a way compatible with the above discussion.

SECTION FOUR CONSUMER EQUILIBRIUM

On the basis of discussion in the previous three sections we are now able to study consumer equilibrium. A consumer is said to be at equilibrium when he/she derives maximum satisfaction of the available income and wealth.

A rational Muslim consumer who maximizes success in both this life and the Hereafter would adjust his/her use of income and wealth in order to reach maximum success.

Let us suppose that for a given period, e.g. one year, a consumer is endowed with an amount of wealth equal to w_t and an income y . This consumer may use these endowments of wealth and income for either saving, s , so he/she ends up at the end of the year with a wealth $w_{t+1} = s$; spending for benevolent actions, b , in the way of Allah if he/she were Muslim; or spending on consumption c of goods and services available in the market.

A rational behavior would be to select any combination of these three alternative usages so as to maximize success or *falah*. This means that consumer would allocate his/her wealth and income endowments so that:

$$W_t + y = s + b + c \quad (i)$$

Equation (1) tells that the endowment of wealth and income are entirely used in the above three ways. This gives us what we call the endowment constraint which is shown in figure 1.

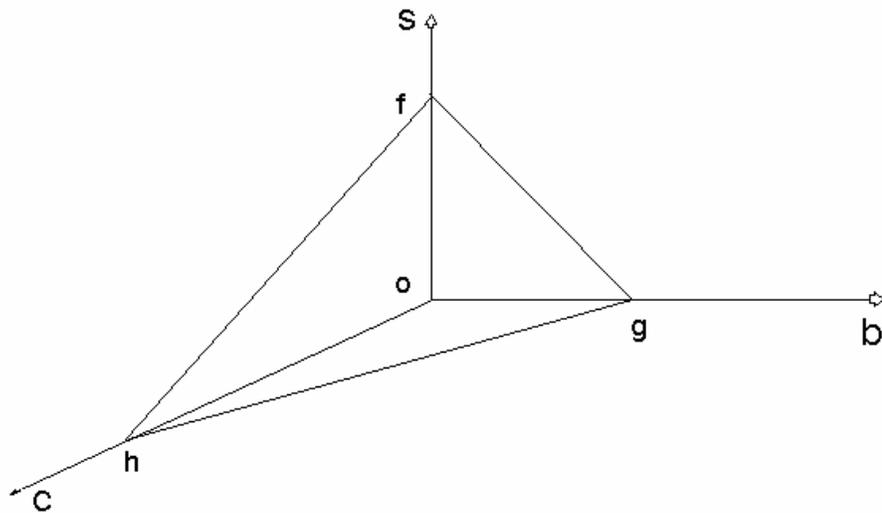


Figure 1

The s , b and c axes in figure 1 measure saving, benevolent spending and consumption in term of units of the initial endowments of wealth and income. The points f , g and h represent the intercepts of equation (i) with respect to the axes s , b , and c and the slopes of fg , hg , and fh are all equal to unity. The line segment oh equals the sum of quantities of goods and services, $q_{1..n}$ multiplied by their respective prices, $p_{1..n}$ if all income and wealth endowments are used for consumption.

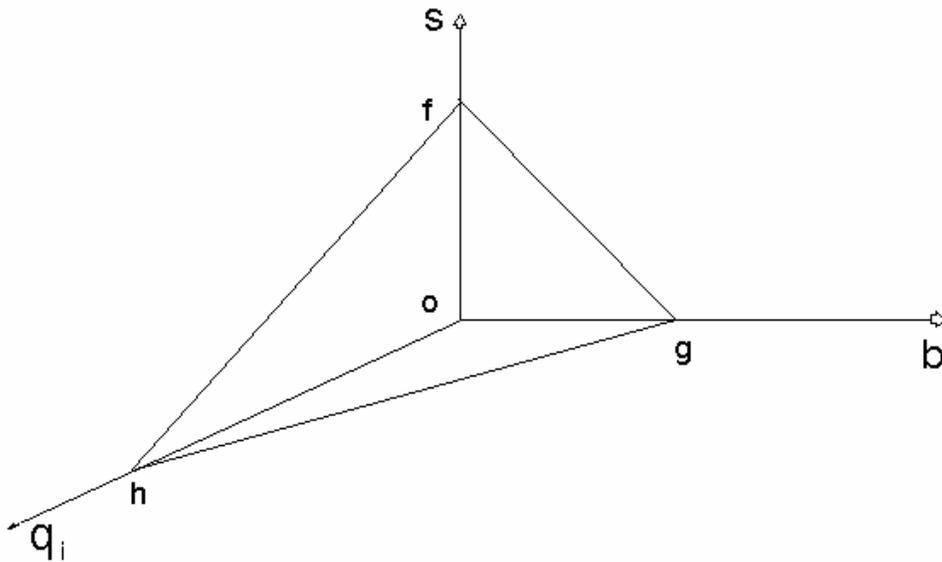


Figure 2

Accordingly equation (i) may be rewritten as follows:

$$w_i + y = s + b + \sum_n^l q_i - p_i \dots \dots \dots (1)$$

This equation is called the budget or endowments constraint. It shows the distribution of wealth and income endowments of the time period between the alternative uses, i.e., for saving, benevolent spending and quantities demanded of consumer goods and services. it is expressed in figure 2.

Let F denotes *falah* or success the consumer derives from using wealth and income for saving, benevolence and consumption and M denotes all religious, psychological, cultural, social, legal, political, and other factors that influence consumer's decision. U is a function of M , the amounts of saving and benevolence, and the quantities of goods and services the consumer takes home, i.e.

$$F = f(M, s, b, q_1, q_2, \dots, q_n) \quad (2)$$

This equation reflects the contribution of each of saving, benevolent spending and consumption to the *falah* of consumer as well as the influence of the factors represented by M . The functional relationship, f , indicates the shape of the effect of each of the independent variables on *falah*.

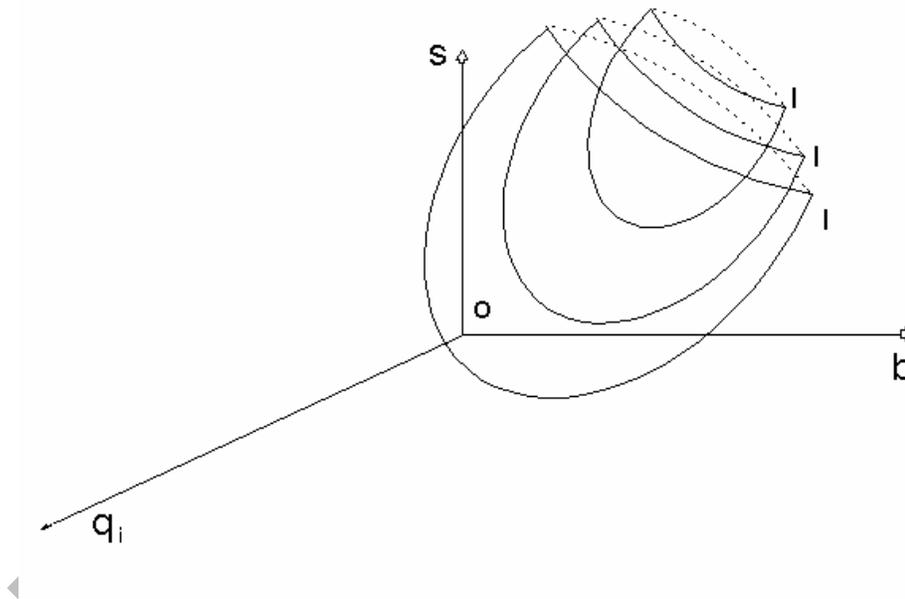


Figure 3

The above is expressed in figure 3 which shows the preference map of consumer decision. the I hyperbolae depict all the combinations of s, b and c which provide the consumer with the same successor *falah*. a higher level of success is represented by a higher I. It should be noted that figure 3 is drawn for a given level of r so that for each level of r there is a different preference map.

Obviously the amount of saving consumer likes to make depends on the satisfaction they derive from saving. Saving is not merely a left over after taking decisions of consumption and benevolence. It is a wise and deliberate decision which is determined by many considerations and ideas the consumer may have, his/her psychological desire for accumulation of wealth, how much he/she likes to leave for heirs, future consumption plans, etc. All these considerations and ideas depend on religion, values, culture, feelings, desires, social and political environment, etc.

Moreover, since it is assumed that consumers are rational and always prefer more satisfaction over less satisfaction, they must also seek to raise as much as possible their future income especially that individuals know that leaving their resources unutilized productively is condemned in Islam. They also have to pay *zakah* on the wealth they own.

Therefore, consumers wouldn't like to leave their savings idle with using them in certain production, business or investment which give some income or return. Hence, saving decision is also influenced by expected rate of return r on savings in the future periods of time. This expected rate is very likely determined on the basis of the rate of return currently prevailing in the market. Moreover, saving has a positive relation with the expected rate of return which means that the higher the expected rate of return the more savings consumers would like to put aside out of their initial endowments.

The saving decision aims at maximizing consumer's *falah* derived from saving under the given constraint of the wealth and income endowments and the expected rate of return on investment.

By the same token, benevolent spending also aims at maximization of *falah* derived from spending for charitable purposes

Consumption decision also aims at maximizing *falah* derived from consuming goods q_1 through q_2 . It must be noted, however, that consumption decision would determine the quantity of each good, q_i demanded by the consumer out of the basket of goods and services available in the market.

solving equations (2) subject to the endowment constraint, i.e. equation (1) and the information we have about the expected rate of return, r , we get the equilibrium values of s , b , and q_1, \dots, q_n . This solution is expressed in equations (3) - (n) below:

$$s = s(M, w_t, y, r, p_1, \dots, p_n) \quad (3)$$

$$b = b(M, w_t, y, r, p_1, \dots, p_n) \quad (4)$$

$$q_1 = q_1(M, w_t, y, r, p_1, \dots, p_n) \quad (5)$$

$$q_2 = q_2(M, w_t, y, r, p_1, \dots, p_n) \quad (6)$$

.....

.....

$$q_n = q_n(M, w_t, y, r, p_1, \dots, p_n) \quad (n)$$

The factors included in M determine the shape of preferences of consumer, wealth and income are known at the beginning of the year, expected rate of return on investment is information obtained from the market so are the prices of consumer goods and services.

The solution of the equations (3) - (n) is portrayed in figure 4. It is at the tangency point of the plain gh and an indifference hyperbola.

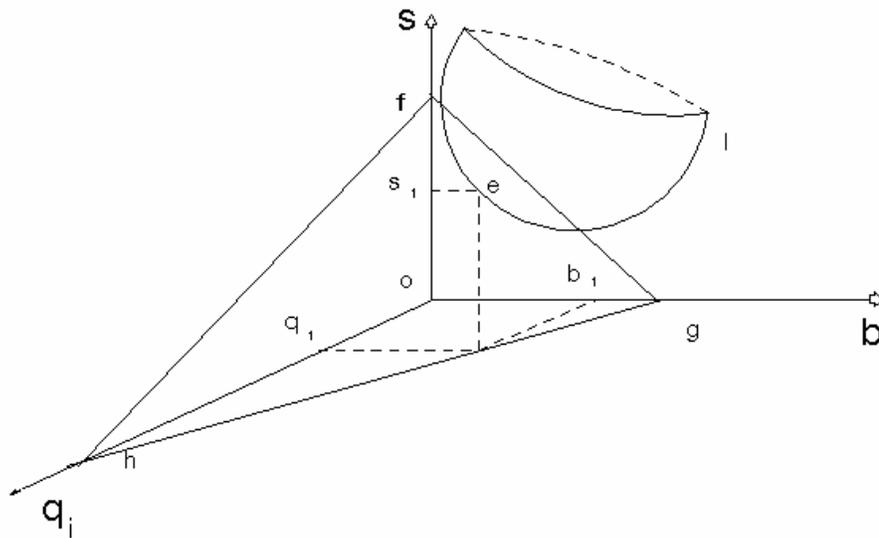


Figure 4

The tangency point, e , determines s_1 , b_1 , and Q_{i1} as amounts of saving and benevolent spending and quantities of q_i which maximize *falah* of consumer in time period 1. It must be noted that figure 4 is drawn under the assumption that consumption consists of only one good whose price is p . But one can imagine the solution of this maximization problem in its multi dimension form so that by solving the set of equations (3) to (5) we obtain the values of saving, benevolent spending, and the quantity demanded of each item of the basket of consumer's goods and services available in the market.

In other words, we derive the demand functions of a given consumer for all goods and services, and by summation of the demand schedules of a given good over all consumers we get the market demand for that specific

good.

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END NOTES

¹The issue of neutrality needs serious consideration by Muslim social scientists, since in the final analysis, everything is affected by one's ideas and views about one's role in the universe and relations to beings. On the other hand, there are many small matters which are common to all members of the human race regardless of their faith and views. These common matters must be treated as value-neutral. Consequently, many of the minute instruments and premises of analysis fall in the latter category and should be considered value neutral for all practical analyses.

²Max Weber. The protestant Ethic and the Spirit of Capitalism. New York: Charles Scribners' Sons, 1958, p. 26.

³Ibid., p. 76.

⁴Ibid., p. 52.

⁵E. Warren Shows and Robert H. Burton. Macro-economics. Boston: D.C. Heath and Company, 1972, pp. 49-88.

⁶Weber, op. cit., pp. 76-78.

⁷Siddiqi, Some Aspects of the Islamic Economy, pp. 15, 16.

⁸Ibid., pp. 17-18.

⁹In this regard, the Qur'an speaks of the enjoyment of the Hereafter in so many verses as to renders any specific quotation insufficient. However, several verses in the Qur'an refer to the measurability and comparability of the immediate and postponed effects. For example, "The parable of those who spend their *MAL* (wealth) in the way of Allah is that of a grain; it grows seven ears, and each ear has a hundred grains. Allah gives manifold increase to whom He pleases, and Allah care for all and He knows all things" (2:261).

¹⁰Siddiqi, ibid., pp. 19-20.

¹¹Hassan al Banna. Majmu'at Rasa'il al Imam al Shahid. Beirut: Dar al Andalus, 1965, p. 15.

¹²Al Siba'i, op. cit., p. 303.

¹³Al Siba'i, op. cit., p. 132.

¹⁴Ibid.

¹⁵Al Siba'i, op. cit., p. 301.

¹⁶Ibn Kathir, Tafsir al Qur'an al Azim, Beirut: Dar al Andalus, 1971, V. II, p. 549.

¹⁷Since the term means "the good and pure things", its derivatives are, in fact, repeated in the Qur'an forty-three times. But they are used in respect to goodness and purity in general without specific reference to consumable materials.

¹⁸Abdullah Yusuf Ali, The Translation of the Holy Qur'an, Washington, D.C.: The Muslim Students' Association of the United States and Canada, 1975, pp. 31, 231, 241, 348 and 508.

¹⁹Ibid., pp. 178, 274 & 424.

²⁰Ibid., pp. 21, 675, 676, 819, 867, 903 & 1018.

²¹Consequently, such things as alcoholic beverages, pork and its products, and images or statues are not the object of the right of ownership and cannot be transacted in the Islamic economy. See, for example, Muhammad Ben Isma'il al Amir al San'ani (died 1182 A.H.), Al 'Uddah Sharh

al 'Umdah, Cairo: al Matba'ah al Salafiyyah, 1379 H., V. 4, pp. 83-85.

²²For the definition of profligacy (*Tabdhir*) see tafsir Ibn Kathir, op. cit., V. III, pp. 36-37.

²³Ahmed El Ashker, "On the Islamic Theory of Consumer Behavior: an Empirical Inquiry in a non Islamic country" Center for Middle Eastern and Islamic Studies, University of Durham, U.K., 1985.

²⁴It must be mentioned that intention in the mind of consumer affects success in the Hereafter as the reward in term of hasanat may differ for the same action depending on intention. But in the above analysis we assume away the issue of intention, otherwise the solution becomes indeterminate.

²⁵It should be noted that all slopes in figure 1 are -1, whereas in figure 2 the slope of sb remains -1 while the slopes of sc and bc are $-p_1$.

²⁶Notice that materials prohibited such as alcoholic beverages are excluded of the available set of goods and services.

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