

The Framework for Islamic Theory of Consumer Behaviour¹

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Abstract

In the paper published in the previous issue of this journal, it was argued that there is need to have a more rational and realistic theory of consumer behavior and hence a different framework for analyzing consumer behavior needs to be developed. This part develops an outline of how the Islāmic theory of consumer behavior needs to be developed keeping in view the more rational and realistic elements of consumer behavior discussed in the previous part. The paper begins with explaining the need for an “Islāmic” Theory of Consumer Behavior and then explains how the Islāmic rules and norms fit in this theory. This gives us a framework to understand how a consumer will be making choices and make consumption decisions, if he were imbued with Islāmic teachings and behaving in Islāmic environment. The Islāmic alternatives for such concepts as rational behavior, wants and utility have been discussed to become core elements of Islāmic theory of consumer behavior. It has been argued that rational understanding of consumer behavior in an Islāmic framework leads us to use Islāmic teachings on consumer behavior as a fast track towards alleviating poverty, accelerating sustainable development, reducing class conflicts and promoting peace and harmony in the society.

Keywords: Consumer Behaviour, Objectives of Life, Sound Mindedness of Consumers, Third Dimension.

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1. Introduction

This paper distinguishes ‘Theory of Islāmic Consumer Behaviour’ from the ‘Islāmic Theory of Consumer Behaviour’. As indicated in the

¹ The first part of the paper was published in the last (December, 2013) Issue of the JIBM with the caption, “*An Alternative Approach to Analysis of Consumer Behaviour: Need for Distinctive “Islāmic” Theory*”. The present part is a step forward and discusses the framework of Islāmic Theory of consumer behaviour that may be used to develop Islāmic theory of consumer behavior in the true perspective of human psychology and the Divine values. The author is former Chairman RCIB and Consultant at Large on Islāmic economics and finance.

preceding part, it comprises three components. While the first one was presented in a workshop organized in Jeddah in 2012 by Islāmic Economics Institute of King Abdulaziz University and subsequently published in the journal of the University (JKAU: Islāmic Economics), the second component was published in the Journal of Islāmic Business and Management (JIBM) in its December 2013 Issue. The current installment proposes a framework for the Islāmic theory of consumers' behaviour that may allow us to analyze economic problem at micro level like *isrāf*, *tabdhīr*, *itrāf*, well-being, consumer equilibrium, etc. That framework could be used to develop Islāmic theory of consumer behavior, also comprising the concept of '*rushd*' (as opposed to the concept of 'Rationality' in secular economics) in analyzing the consumer behavior in Islāmic perspective.

The purpose of this last part is to analyze Islāmic injunctions about consumer behavior in an appropriate theoretical framework more relevant to understand these injunctions and draw policy conclusions. The ideas developed in Part I and the Theory formulated in Part II will be utilized here to delineate a theory which we may like to call Islāmic Theory of Consumer Behavior. This theory can allow scientific analysis of the Islāmic approach to understand the economics of Islāmic legal and moral framework for consumption and consumer behavior and draw policy conclusions on how to use this framework for sustainable development of individuals and society.

2. Need for "Islāmic" Theory

Islāmic scholars interested in science of economics have several reasons to be dissatisfied with the current theory and believe they must develop an alternate theory to understand what Islām teaches about economic behavior. From Islāmic sources, based on divine revelations, they get a different understanding of the nature and behavior of human being compared to what conventional economics provides. The textual sources of Islām, for example, make elaborate references to elements of human behavior relating to consumption. The Islāmic economists, when they try to analyze these elements within the framework of the conventional theory of consumer behavior they feel lost. The theory is not rich enough to allow economic understanding of these elements. Some of the related concepts mentioned in the divine texts are just not recognizable in the conventional theory of consumer behavior. The Islāmic economists therefore rightly believe that they need to develop their own theory of consumer behavior as (an alternate to conventional theory) that could provide more realistic understanding of the behavior, help understand the divine commandments

about the behavior and lead to better economic conclusions for the benefit of the human existence in this world.

Another factor that makes it important to develop an Islāmic theory of consumer behavior is to understand Islāmic teachings on consumption necessitated by Islām's urge to develop human beings as individuals, develop harmony in society and make the life on earth easy and comfortable for all generations to come as long as this world exists. Alleviation of poverty in a society, meeting the needs of have-nots and less privileged members of society, restraining from corrupting the earth (land and sea) and environment are among the clear objectives of Islāmic system of life which have been made an explicit part of the consumer behavior. Human development and hence overall development in the society are also clear objectives of Islāmic system of life and several injunctions for consumer behavior have been laid down in that respect. To achieve this objective, an elaborate legal and moral framework for consumer behavior has been specified in Qur'ān and Sunnah. For example, we have specific injunctions to avoid *isrāf*, *tabdhīr* and *itrāf*, to keep a balance in spending, to keep watch on needs of neighbours and the have-nots, to eat *ṭayyebāt* and not to use the prohibited commodities, not to make consumption harmful to health, environment or fellow beings, to spend in the cause of Allah, to observe *taqwā* and *imān* in spending, to seek *falāh*, to follow *iḥsān* in all activities (including matters relating to consumer behavior) etc. These injunctions can be subjected, to some extent, to economic analysis using the tools of conventional economics and conclusions can be drawn for policy purposes. This is what I have done in my paper on Consumption Function and in the paper on Consumer Behavior published earlier. Such analysis, though useful on its own merit is not the subject of this paper. What needs to be done is how to incorporate these values in the theory of consumer behavior and draw implications for such objectives as alleviation of poverty, sustainable development and creation of harmony in society.

2.1 Distinctive Features of Islāmic Approach to Consumption

Some of the distinctive features of Islāmic approach to consumption, that make the theoretical framework developed in Part I and Part II more relevant, are highlighted below:

2.1.1 The Rationality Assumption

The consumer behaviour is analysed only for a rational consumer. But rationality has to be pre-defined realistically, before getting into the analysis of consumer behaviour. The classical and neo-classical theories

define rationality in too simplistic terms, which in fact makes the scope of analysis too restrictive and makes the application of theory too limited. It can easily be observed that various axioms laid down for consumer behaviour are meant simply to make the analysis amenable to mathematical manipulations. It is assumed, for example, that '*more is preferred to less*'. This is too absolute a statement to describe an aspect of rationality. '*More is preferred to less*' is value judgement and not a positive statement. It needs to be qualified appropriately. One such qualification would be that "a consumer, however, would neither consume 'too much' nor 'too little' but will have a balance somewhere in between". This attitude has been described in the Qur'ān (25:67) and will be discussed in more detail in the next section. This, of course, has been described as a norm. But some degree of this attitude is observable in all societies. It will, therefore, be more realistic and relevant to qualify the statement of "*more is preferred to less*" with this attitude. In reality, consumption often stops much before the "bliss" point.

All societies abhor waste and a rational consumer is expected to avoid waste. Just like we assume that hazard-loving is not a part of rational behaviour, we also need to assume that waste-loving is not a part of rational behaviour. This type of norms and values are required to be qualifying clauses in the statement "*more is preferred to less*".

Another element of any consumer's rationality is his² ability to judge what is good and what is bad for him and that he will go for the good and leave the bad. For example, we assume that a consumer can judge that bread is better for him, narcotics are bad and that he will actually go for bread and not for narcotics even if he has a desire to go for narcotics. This element of rationality (which has been described as filter in Part I of the paper) is an important factor in real decision-making process, which is absent from the rationality assumption of conventional theory.

There are several other aspects of consumer's rationality. Rationality assumption in the context of Islāmic approach to consumer behaviour, however, would be visualized in the Islāmic legal and moral framework for human behaviour as described later in this paper. Most of the elements of this framework, particularly those related to the moral values are observable in all societies, though in varying degrees. Working with such wider meaning of rationality would make the theoretical framework relevant for both positive and normative analysis of consumer behaviour. The Qur'ān has emphasized the concept of rationality in economic

²This paper uses masculine pronouns etc. like he or his or him. But the theory is not gender specific. It applies equally to men and women.

behaviour³ and has referred to it as “*rushd*”. For consumer behaviour some vary specific norms and injunctions have been laid down that would conform to *rushd*. These have to be taken into account in the analysis of consumer behaviour.

Human beings’ consumption decisions are generally made in two dimensions, a) to satisfy their present needs, and b) to take care of their future needs. Muslims’ consumption decisions are specifically made in three dimensions. Muslims are required to meet their needs in a third dimension and that is to care for others. It not only includes giving away money or food or other consumption goods to have-nots, but it also includes spending on removing hardships for others and creating trusts and institutions to care for others who need to be cared. Though such activities may be found in non-Muslim communities as well, but they are not a part of consumer’s choice. They are non-economic decisions taken with no economic value in consideration. For a Muslim consumer this is an integral part of the consumer choice. There is an economic value and a reward attached⁴ to it. There are instructions to be moderate while making the choice how much to conserve for our own needs and how much to spend for caring others. This third dimension requires an analytical framework different from the one used for the conventional analysis of consumer behavior. It will require comparing one’s needs with the needs of others. It will also affect the decision to save for future needs. Some forms of savings for future needs necessitate obligatory spending for the needs of others. The higher such savings, the more may be the obligation to spend for others. It will, therefore, require prioritizing one’s needs in a way that obligatory spending for others is within the group of essential needs and spending for others beyond obligatory level is reflected in his list of needs with appropriate priorities vis-à-vis his own needs. The conventional framework for the analysis of a Muslim consumer behavior thus does not remain very much relevant.

³The Qur’ān has referred to the term “*rushd*” (often translated as “right-mindedness or sound-mindedness”), for the economic behavior. For example, the people of Shoaib asked the Prophet Shoaib “O Shoaib! Does your prayers command that we give up what our fathers used to worship or that we give up doing what we like with our wealth (resources)? Verily you are the forbearer, right minded (*rasheed*)” (11:87). This means people of Shoaib believed that they had “right-mindedness” to decide how to use their resources. Similarly, for a custodian of the property of orphans, it has been ordained in the Qur’ān “... if then you find sound judgment (*rushd*) in them, release their property to them” (4:6). None of the famous scholars explaining the Qur’ān, however, has described the criteria to judge whether a person is “*rasheed*” or not.

⁴“What you give on interest to increase (your capital) through others’ wealth, does not find increase with God; yet what you give (in alms and charity) with a pure heart, seeking the way of God, will be doubled..... *mud’efūn* (The Qur’ān; 30:39).

Besides Muslims, other communities, particularly in Eastern World and part of the Western World also recognize this dimension as a part of consumer behaviour. Conventional economic theory ignores this aspect of human behaviour in its analysis of consumer behaviour despite that it does form a substantial part of human behaviour of a large part of the population in different parts of the world. Islāmic theory of consumer behaviour has to integrate this aspect of consumer behaviour explicitly in its analysis.

2.1.2 Needs as Basis for Consumer Decision Making (in Islāmic Theory)

In the process of exploring the Islāmic theory of consumer behavior ‘need’ rather than want and ‘well-being’ rather than satisfaction is assumed to be the basis for the consumer’s decision-making process. Islāmic philosophers have provided sufficient guidance with respect to why need is the motivation and the basis of pursuits of human being for their economic behaviour. Islāmic social scientist, Ibn-e-Khaldoun, for example, based his discussion on socio-economic behavior on the nature of human needs and their relationship with different stages of development in the society. In his analysis, need is the motivation for human socio-economic behavior to move from one stage of human development to another. Islāmic philosophers, Shatibi and Ghazali, have been more elaborate and specific on concept of need. They referred to the term *maṣlaḥa* (well-being of mankind) as the objective of Islāmic system of life and discussed the concept of needs to achieve this objective. To them, the concept of need is a sound and more realistic basis for developing an Islāmic theory of consumer behavior. There are several reasons for that. Firstly, the concept of need is more objective concept as compared to the concept of utility because need is more realistic and definable concept. Secondly, need concept can make it possible to make interpersonal comparison of the welfare of different categories of consumers, which is not possible under the utility-based approach. The interpersonal comparison will often be required in the analysis of Islāmic consumer behavior, particularly in view of the third dimension discussed above. Irrespective of whether a person is Muslim or non-Muslim, it seems more logical to assume that a person will look at the ‘need’ for a particular commodity before he decides to consume it and will not merely look at the so-called utility (satisfying a desire) aspect of the commodity. For goods like cigarettes or activities that are harmful, a consumer may refer to ‘satisfaction’ as a reason for spending his money on such goods or activities. He probably may not objectively justify why he feels

satisfaction from such harmful things. But if the consumer referred to 'need' as a reason for spending his money on certain goods/activity, he may objectively explain why he needs the goods/activity. For example, the consumer may say like 'it protects his life' or that 'it is good for his health' or that 'it protects his property' etc. He will hardly use the jargon of utility or satisfaction for most of his consumption items. The need based approach will thus be a most prominent distinctive feature of the analysis of Islāmic approach to consumption not only because it has Islāmic roots but also because it is more realistic.

It may be argued that use of 'need' or 'utility' is only a matter of semantics. What a man needs also has utility for him and he feels satisfaction in fulfilling. Yes, this is true but the reverse is not true. He may desire and feel satisfaction in consuming a thing, which may not be his need at all. In real life, he may desire several things but decide not to go for them and instead go for other things, which are his needs.

Conventional analysis of consumer behavior is concerned with allocative efficiency, which means that the resources are used for optimum utilization and that they are not wasted. The concept of waste in conventional analysis using the concept of utility is quite vague. A waste, according to conventional analysis, will not occur, if resources are used in a way that it would not be possible to use them to make one person better off without making another person worse off. This requires interpersonal comparison. While thematically we may make such comparison, this comparison is not practically possible working with the concept of utility. Waste of resources is said to be misallocation of resources which justifies government intervention to correct the allocation of resources. But there is no practical significance of this theorization. The use of the concept of needs in the consumer analysis makes the concept of waste meaningful and makes the case of government intervention more realistic. Efficient allocation of resources is one of the primary concerns in Islāmic economic teachings. Waste is abhorred in Islām. The use of concept of need in analysing consumer behavior will, therefore, be very much relevant in Islāmic framework.

2.1.3 Methodology

Working with the concept of need will not allow us using the conventional methodology of defining utility function for analysis of consumer behaviour. A different methodology is needed. A lexicographic ordering will need to be developed for prioritizing consumption needs. This would require identifying criteria for categorizing and prioritizing needs. Conventional theory can hardly help in this respect. Though conventional

theory does discuss categories like inferior goods, giffen goods⁵, necessities, luxuries, etc; yet this categorization developed in utility-based framework does not have much relevance for need-based analysis as it is not meant to classify which goods contribute more to well-being and hence should be given more priority. Categorizing needs and prioritizing them according to defined criteria, thus, will be another important distinctive feature of the Islāmic theory of consumer behaviour. The distinction arises also from the fact that guidance or inspiration from conventional economic analysis for such categorization and prioritization of needs for the Islāmic theory will have to come from the religious teachings about rules and norms of economic behaviour.

Some classical Islāmic scholars did discuss categorization and prioritization of needs but not specifically in the context of theorizing consumer behaviour. Ibn-e-Khaldoun, for example, used the categorization of primary needs, secondary needs and luxuries to explain motivation of man's development from one stage to another. Islāmic Philosopher Shāṭibī used the categorization of needs into essentials (called *darūriyāt*), complementary (*ḥājīyāt* or *takmilīyāt*) and ameliorators (*taḥsīnīyāt*). Islāmic Philosopher Ghazālī also made similar categorization. Defining categories of needs and their priorities thus will be a major and very distinct function of economists seeking to analyse consumer behaviour in the Islāmic framework. Developing this theory may not pose much problem (as it does not pose a problem in defining smooth indifference curves in conventional theory). Its application to a real economy, however, will require substantial field work to collect necessary data which in turn will require regular periodical households' surveys about their income and expenditure patterns. Such surveys are already being carried out in different economies for the purpose of information for public policy making, but not for the purpose of analysing consumer behaviour.

2.1.4 Objective of the Theory

Finally, objective of the theory is its most distinctive element. It would not aim merely at understanding how consumer makes a choice with respect to allocating his resources to meet his different needs. It primarily would aim at understanding whether allocation of resources to various needs was aimed at maximizing his well-being and whether the well-being he achieved meets the threshold of well-being. This is altogether different

⁵Which, in economic theory, people paradoxically consume more, as the price rises, violating the law of demand.

question that conventional theory addresses. The economic problem in conventional theory simply refers to maximization of satisfaction or utility. The allocation of income made by the consumer assumes that he has maximized his satisfaction. Whether there was any threshold for the “satisfaction” to be achieved, or whether the maximization of satisfaction solved the economic problem he faced, is not the concern of economic theory. The Islāmic theory of consumer behaviour would have the following concerns:

- i) Whether consumer’s allocation of income aims at maximizing his well-being?
- ii) Is the consumer maintaining threshold of his well-being?
- iii) Is his consumption pattern consistent with the sustainable development of society?

In line with the above, the Islāmic theory will also be concerned with:

- a) How to make consumers to contribute towards their self-development?
- b) How to make the consumer to contribute to the society to develop over time?

3. Islāmic Environment for Consumption

Islāmic environment for consumption comes from two types of Islāmic teachings. First, it includes the code of general behaviour, which of course, has implications for consumption as well, and second it includes the codes that relate specifically to consumption. This section describes both these components that will delineate the environment for an Islāmic consumer’s behaviour.

3.1 Rules and Norms of Consumer Behavior

3.1.1 Corner Stones for the General Behavior

a) Righteousness:

The basic and principal norm for human behaviour and all human activities, as mentioned in the Qur’ān is righteousness: *“Those who believe in the Qur’ān and those who follow Jewish (Scriptures) and the Christians and Sabians, any who believe in Allah and the Last Day and **work righteousness**, shall have their reward with the Lord. On them shall be no fear, nor shall they grieve”* (2:62). *“Say: Not equal are things that are bad and things that are good even though the abundance of bad may dazzle thee. So fear Allah, so that you understand, so that you may prosper”* (5:103).

There are many verses to this effect, which prepare a particular frame of mind for human activities. A man thus is forced to think of right and wrong; and good and bad before doing anything. The mind places a filter so that bad instinctive desires do not pass through to get satisfied or fulfilled. Only those desires pass through which are right and good.

b) Borrowing discouraged; Lending encouraged only as a charity.

Borrowing is not a normal behaviour in the ethical system of Islām. On the other hand lending is cherished, but only as a charity or an act of benevolence, in the spirit of helping a fellow being to meet his needs. (Lending is prohibited to be a commercial or economically beneficial proposition). The underlying spirit is that the members of society do not exploit each other on account of economic needs arising in the lives of fellow beings.

Borrowing is only a means to consume future resources now. The lust for borrowing can always reach a level that can put not only sustainable development at stake but can also create inter-temporal injustice in the society. It can be a potential source of class conflict too (conflict between borrowers and lenders and conflict between haves and have-nots). Borrowing opportunities can lead to socially irresponsible behaviour in consumption, in production and/or in business/trade practices. It may develop into a lust for borrowing that may tempt economic agents to thrive merely on exchange of money and financial papers without contributing to the production or exchange of real goods and services, hence creating unhealthy imbalance in the growth of real and monetary sector in the economy.⁶

Encouragement of lending as an act of benevolence and in the spirit of helping fellow being in their economic needs is expected to reduce class conflicts (between haves and have-nots), reduce feelings of social injustice and contribute to creating an environment of peace and harmony in the society. This generates a mentality different from that of satisfying unlimited wants - a mentality of fulfilling genuine needs as much as allowed by one's resources, without resorting to borrowings, as much as possible. The mentality that leads to what is called "consumerism" and is triggered by the easy access to credit is discouraged.

⁶But limitations on borrowing do not mean that it would put limitations on the economic and business growth. The ethical norm to shy away from borrowing does not preclude seeking financial accommodation for production and trade purposes. There are several ways known and practiced in Muslim society as well as non-Muslim world where businesses can accommodate each other financially without resorting to borrowing-lending phenomenon.

Maximizing the utility or maximization of satisfaction of wants is not the norm. Norm is to fulfill needs in order of their priority. The things that are low on priority can be postponed rather than fulfilled by borrowing.

c) *Iḥsān*

Iḥsān means doing the things in their best style and this is a norm for all human activities and human dealings. The human activities and dealings are required to be ameliorative and beautifying the activity so that the one, doing the activity, not only achieves the objective but also feels good for doing so, and makes all others involved in the activity feel good. In the context of consumption, the consumer, while eating or dressing, to fulfill his food and clothing needs, can do it in a bad and indecent way or can do it in a good and decent way. Islām requires it to be done in a good and decent way. Beautifying the fulfilment of needs is in itself recognized as a need by the Islāmic philosopher Shatibi.

d) **Avoiding Harm (Damage/Loss)**

It is a general rule for human conduct not to inflict harm upon oneself nor cause harm to anyone else. For consumption, it has direct implication with respect to components of consumption basket and methods of consuming and meeting needs. Thus consumer goods that can cause harm to one's health or consumption habits that can pollute environment or create harmful effects for others are required to be avoided.

3.2 Specific Injunctions / Values for Consumption and Consumer Behavior

The above are some of the moral values for human behaviour, which have implications for consumption as well. Besides these values, there are a set of values and injunctions that directly relate to consumption or consumer behaviour. These values and injunctions can easily be categorized into:

- ❖ Values leading to judicious allocation of resources for consumption; and
- ❖ Values relating to quality and style of consumption.

3.2.1 Values Leading to Judicious use of Resources

a) *Avoiding Waste (Isrāf)*

Holy Qur'ān says: "... But waste not! for Allah loves not the wasters". (6:141). And "O children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink: and waste not, For Allah does not love wasters". (7:31)

Isrāf literally means waste of resources, use of whom is permissible otherwise. Islām strongly requires Muslims not to waste resources. This is probably the most important indication that a rational man is required not to go simply by his desires, but instead to go by his defined needs. Though this is an Islāmic norm, yet all civilized societies would, in principle, abhor the attitude to waste.⁷ Working with the theory that consumer consumes to satisfy his desires, will hardly leave much to be categorized as waste.⁸ The only waste, in such a framework, will be something that consumer will throw or destroy for no reason. Such a behavior, in any case, will not be a subject of economics, because it will be considered as an irrational behavior. Working with the concept of utility and satisfaction thus, in fact, excludes the subject of waste from its analysis. Consumption of items not fulfilling any need is a waste of resources. Working with the concept of need, we can observe several sources of waste in any consumer's behaviour.

We can identify waste when we see consumption of a commodity that is not really needed by the consumer. Also, any consumption of a low priority at the cost of not fulfilling a high priority need would also be a waste of resources and required to be avoided. Furthermore, there will be a waste if a need is being fulfilled by more consumption than what is normally required to meet that need in a community. This will particularly be applicable to commodities, which are in the nature of essentials and basic needs. Injunction of avoiding waste obviously has direct relevance for development in general and for, what is called, sustainable development in particular. One narration from Prophet (pbuh) advises to conserve water, while washing for prayers even if one is washing at the bank of a river. Mere abundance at a particular time and place should not be an excuse for not using it judiciously. *Isrāf* is essentially excessive utilization of economic goods, a concept so basic to the concept of sustainable development.

b) Avoiding Extravagance (*Tabdhīr*)

Holy Qur'ān says: "..... *But waste not (your wealth) in the manner of a spendthrift. Verily, the spendthrifts are brothers of devils and Devil is ever ungrateful to his Lord*" (17:28). *Tabdhīr* is a concept similar to *isrāf* but refers to waste caused by consumers spending on goods without consideration of needs and their priority and even their permissibility as

⁷It has been discussed earlier, conventional theory discusses role of government to reduce market failures in order to avoid waste of resources.

⁸Since consumer is assumed to always equate marginal utility to the price, there is no waste as long as he decides to consume a good.

per Sharī‘ah norms (and, in turn, their harm for health of the consumer and the society). It will more commonly refer to the affluent class of the population, who may not pay attention to what is needed and what is not needed, what is *ḥalāl* or *ḥarām* and even what is ultimately good for their health, while spending their money. Many of their purchases may end up unused as they never needed them and therefore may not end up consuming them. Compared to this, *isrāf* can appear in the behavior, affluent or not. We may distinguish *tabdhīr* as waste in the spending of resources in acquiring the goods for consumption, while *isrāf* as a waste in the actual consumption of a commodity. Both these concepts, however, are relevant to the concept of need.

c) Observing Moderation

While some consumers may have tendency to waste resources by indulging in *isrāf* and *tabdhīr*, there are others, who do not like to spend resources and like to hold back the resources as much as possible. This too is not desirable in Islāmic framework. Holy Qur’ān says, “*Those who, when they spend, are not extravagant and not niggardly but hold a just (balance) between those extremes (25:67). “And make not thy hand tied (like a niggard) to thy neck, nor stretch it forth to its utmost reach, so that thy become blameworthy and destitute” (17:29).* These commandments too can be understood better under the concept of need based consumer behaviour. Consuming more than what one needs or consuming less than what one needs, both are undesirable. This point cannot be appreciated in the conventional approach to consumer behaviour. How a man can hold his resources and not meet his needs. How marginal utility of consuming goods that he needs could be less than holding the resources? This can occur with one instinctive desire and that is to hold back resources rather than spending them. Islām discourages this tendency. The Qur’ān has referred to this behavior, “*Say (to the disbelievers): If you possessed the treasures of my Lord, then you would surely hold them back (from spending) for fear of being exhausted. And man is ever miserly*”⁹ (17:100).

d) Spending for Others: (*Infāq, Ṣadaqāt and Qarḍ al-Ḥasan*)

Infāq means to spend to meet the needs of others, not as a favour to others, but for the sake of reward from Allah. Qur’ān says, “*The parable of those who spend their substance in the way of Allah is that of a grain of corn; it grows seven ears, and each grain has a hundred ears; and Allah gives*

⁹The Arabic term that has been used here to describe such a behavior is “*qatūrā*”. This can only be explained. It means the mentality that makes a man keen to hold back resources, being scared that his resources may exhaust sooner than later.

many fold increases to whom he wills and Allah is all-sufficient (to meet his creatures' needs) and is all-knowing" (2:261).

Ṣadaqāt (plural of *ṣadaqah*, an Arabic word) include, besides *infāq*, any act to help reduce hardships for fellow beings; meeting their consumption needs is a desirable form of *ṣadaqāt*. “If you disclose your *ṣadaqāt*, it is good; but if you conceal them and give them to the poor, that is better for you. Allah is well-acquainted with what you do.” (2:271)

Qard al-ḥasan refers to meeting the needs of fellow being by giving loan for the sake of Allah. It becomes a loan to Allah and He rewards it many folds. Qur’ān says, “Verily those who give *ṣadaqah*, men and women, and lend Allah a goodly loan, it shall be increased manifold and theirs shall be an honourable good reward” (57:18). “Who is he that will lend to Allah a goodly loan so that He may multiply it to him many times. And it is Allah that decreases and increases, and unto him you shall return” (2:245).

Apparently, this all may seem to be what is commonly known as charity. But, in fact, it is altogether a different concept. Let us lump together the three terms, *infāq*, *ṣadaqāt*, and *qard al-ḥasan* in one term “*ṣadaqah*” which can loosely be translated into an act of benefiting some one without seeking a reward in return from the beneficiary. Some of the major differences between Islāmic concept of *ṣadaqah* and secular concept of charity are as below:

- i) There is an obligatory part in *ṣadaqah* but not in charity. Every Muslim is obliged to give a certain percentage of his resources as *ṣadaqah*.
- ii) *Ṣadaqah* has to be a regular economic feature of consumer behaviour while charity is not recognized as a regular economic feature of human behaviour.
- iii) Charity, in secular sense, is generally considered non-economic concept and hence is not treated a part of consumer behaviour as no benefit is sought out of it. It is simply allowing someone else to benefit from one’s resources without anticipating anything in return. *Ṣadaqah* has an economic value and is done for one’s own well-being, irrespective of whether someone else benefits from it or not. The explicit reward for this is promised in the World Hereafter but implicit reward is also believed to come in this world as well. (The return in the world hereafter is numerically identified 700 times or more of the present value of *ṣadaqah*).

- iv) There is a stick-and-carrot motivation for *ṣadaqah*. There is penalty for those who accumulate wealth but do not make *ṣadaqah* out of it and there is a promise of multiplied reward for those who do it. (See the verses quoted above).
- v) *Ṣadaqah* is a wider concept than the secular concept of charity. Sowing a tree on ones own land is a *ṣadaqah*. Teaching is a *ṣadaqah* even if it is a source of livelihood for the teacher. Taking steps for reducing pollution of water or land or air or environment is a *ṣadaqah* even if it is to improve the surroundings of one's residence.

The economic significance of *infāq* or *ṣadaqah* is obvious. While injunctions for moderation could lead to taking away resources of the economy from circulation, the *infāq* will more than compensate it. It is this dimension that directly brings the concept of sustainable development in the behavior of the consumer. This dimension would require making spending for following purposes:

- i) To meet the needs of have-nots and to help them raise their economic status in the society
- ii) To spend (time or money) to generate something that will benefit future generation. This is called *ṣadaqah jāriyah*. It is an Islāmic belief that when a person dies all his connections with this world are severed except that three things continue to reach him. One, the knowledge that he spread and is being beneficially used, the asset or resources that he built and which continue to benefit people after his death, like sowing trees, developing land, or improving environment, and the pious off-spring who pray for their parents.
- iii) To save for children to make them a generation as good, if not a better than the present generation (particularly in terms of upholding the beliefs and values of Islām which also include the consumption related values)

The behaviour embedded with *infāq*, *ṣadaqāt* or *qarḍ al-ḥasan* cannot be understood when working with the concept of maximization of satisfaction of one's own desires and wants. Why a man should do that; if it is a matter of satisfying wants that contribute to welfare, then my wants are as important to my welfare as any one else's wants are to his welfare. But if I know that my neighbour's essential needs are not being fulfilled while I am spending on fulfilling my non-essential needs, then obviously, the spirit of *ṣadaqah* will be invoked. This raises my welfare as well as of my neighbour's welfare. The social welfare increases. Since spending to meet the needs of others increases the well-being of myself as well as of the others simultaneously, there will always be possibilities to making

oneself and some one else better off simultaneously. Hence, there will always be room to improve social welfare.

Meeting essential needs of needy and less privileged members of the society, as an integral part of consumer behaviour, has following implications:

- i) Poverty alleviation and redistribution of income and wealth in the society becomes a part of the consumers behaviour.
- ii) Less privileged members of the society do not get caught in debt trap whenever their resources fail to meet their essential needs. The resources of the affluent members of the society will always be there because they are obliged to do so by their religion.

Interest is prohibited in Islām. And in this connection it has been mentioned in the Qur’ān “*Allah destroys ribā* (which includes interest on loans) *and gives increase to ṣadaqāt*” (2: 276). Widespread conviction to make *ṣadaqāt* eliminates the need for the less privileged members of the society to borrow. The *ribā* has to fade out if *ṣadaqāt* increase.

The above mentioned consumption values i.e. *Isrāf*, *tabdhīr* and *infāq* aim at ensuring not only judicious uses of resources for consumption but also make the consumption conducive for circulating the wealth in the economy and for growth and development of the economy.

3.2.2 Values Relating to Quality and Style of Consumption

The second set of values relates to the quality and style of consumption. There is strong emphasis on careful selection of the composition of basket so that it contains “good” goods, so as to not corrupt earth or pollute the environment, not to create ill-feelings among the fellow beings or creating unhealthy competition in consumption or creating corruption, distortions and disturbances in the economy. These values, as discussed below, are in fact the specific manifestation for consumer behaviour of the norm “*iḥsān*” described earlier for the general behaviour of man.

a) “Good” (*Ṭayyebāt*) Goods

The consumption basket of a consumer is required to include only such goods which not only meet his defined needs in prioritized manner, but are also the goods which are “good” and cherished by the society. The consumer is required to be careful in selecting the goods that are not dirty or harmful to oneself or to the society or are not prohibited by the religious injunctions.

The Qur'ān says, *“So eat of the sustenance which Allah has provided for you, lawful and good”*¹⁰ (16:114). And *“They ask thee what is lawful to them. Say: Lawful unto you are things that are good”* (5:4). Every society has its own perception what is good to consume and what is not. All societies, for example, agree that narcotics are not good things to consume. The societies get this perception from their own perception of life, its objectives and the desired social setup. Islāmic teachings provide a very clear and distinct perception of life, its purpose and how to build-up the society. This society, thus, will have a clear perception of what is good to consume and what is not. Perception of society about consumers' needs will be an important determinant of a Muslim consumer's behaviour as it will be in any other society. The strength of the influence of society's perception on needs in consumer behaviour may be different in different societies but it will always be there. In Islāmic society, however, this influence will be very strong because of elaborate and strong teachings in Islām on how a consumer should behave.

b) Avoiding Itrāf

This too relates to consumption basket but addressed to a specific group in the society, the very rich and affluent. Rich and affluent members of the society are to be careful in selecting the goods for consumption, not to be conspicuous so as to serve as factor in distorting the needs list of other members of the society and also not to reflect an attitude *“I do not care about laws and ethics for my consumption, because I have resources and power to do so”*. This is probably what is referred to in common man's language as “filthy rich”. Such an attitude from the affluent members of society can corrupt the consumption pattern of the entire society and lead to corruption of earth and corrupting the atmosphere in the society. The Qur'ān abhors this kind of consumption of the affluent in a society.

c) Avoiding Corrupting Earth

Holy Qur'ān gives clear direction at many places not to corrupt the earth:

“..... Commit not evil on earth as corruption” (11:86)

“..... And do good as Allah has been good to you. And do not seek to cause corruption on earth. Allah does not love corrupters” (28:77).

¹⁰The Qur'ānic term is *ṭayyebāt*. The exact translation of *ṭayyebāt* may not be conveyed by the word “good”. The phrase “good and pure” maybe more closer but still the pure may give connotation that is not needed here. *Ṭayyebāt* will generally be understood in the society without explanation. It will not be those which are specifically prohibited like pork, alcohol and will be those which are cherished in the society as good things to eat.

“Corruption has appeared on land and sea because of what the people have earned; that Allah may give them a taste of some of their deeds; in order that they may turn back from evil” (30:41).

This norm re-enforces the norms of *ṭayyebāt* and *itrāf* mentioned above. All such norms only emphasize quality of goods in the consumption baskets. The goods have to be “good”, conducive to maintain harmony in the society and to keep the environment clean and pleasant.

4. Towards Islāmic Theory of Consumer Behaviour

The alternative perception on theory of consumer behaviour discussed in Part I and Part II that is wider in scope and more pragmatic in its application to different situations, offers more conducive framework for the development of Islāmic Theory of Consumer Behaviour. Under this perception, we, in general, identify following main elements of consumer behaviour:

- a) Human beings, by and large, allocate resources to fulfill their needs (not wants) to attain their maximum well-being;
- b) Needs may be screened to distinguish instinctive desires from ‘needs’ defined by community or religion;
- c) The ‘*rushd*’ (right mindedness) helps the consumers in this screening;
- d) Some needs are more important than others in terms of their contribution to the consumer’s well-being;
- e) Consumer will get maximum contribution towards his well-being by identifying his needs and prioritizing them in order of their contribution to well-being before allocating his resources to meet his needs;
- f) The consumer will allocate resources in order of priority of needs. A rational individual is supposed to maximize his well-being. His choice of consumer goods thus will be optimum if no other set of consumer goods can imply a higher level of well-being for him;
- g) Community has a dual role in influencing consumer behavior. Besides watching and taking measures correcting consumer behavior, community is also obliged to meet essential needs of rational consumer whose resources do not allow him to maintain a threshold of well-being;
- h) Individual’s identification and prioritization of needs may deviate from the objective of maximizing well-being i.e. he may not behave rationally. Community and social pressures and/or psychological pressures from inside would work to correct the irrationalities in the consumer behavior;
- i) Weaknesses of individuals in properly filtering their needs and weaknesses of community in making the individuals correct their needs and priorities will put the consumers in permanent disequilibrium, which

will create a host of socio-economic problems including unemployment, poverty, underdevelopment, pollution, diseases, illiteracy, class conflicts, etc.

In the above scenario a consumer's choice in Islāmic framework is determined by following factors: i) Well-being; ii) Needs; iii) *rushd*; iv) Community; and v) Constraints. We discuss these factors in the following sub-sections.

4.1 Well-being

Islām aims at well-being of mankind and requires human beings to pursue the same with regard to all aspects of their behaviour. Anything that does not contribute to well-being positively is not a need in Islāmic framework and is not pursued. Narcotics, for example, for the sake of seeking pleasure cannot be included in any three levels of the needs¹¹ and hence cannot be pursued. Well-being encompasses all aspects of human existence such as his physical welfare (life, health, etc.), his material welfare, his religious obligations, his capacity to reason and intellectual abilities and his family life (including pro-creation)¹² etc. Besides protecting life in all aspects, man is required to improve existence of life on earth in all possible ways consistent with the nature and spirit of the Sharī'ah. Islāmic concept of well-being encompasses well-being for life in this world as well as for life in the World Hereafter. The well-being in the two worlds, however, is not separable. For a Muslim following Islāmic law, the well-being in this world means well-being in the world hereafter as well, and vice versa.

The elaboration of the concept and definition of well-being have been left, in principle, to reason. Some do's and don'ts have specifically been laid down by Islām, in case reason fails to identify them as a part of well-being. These do's and don'ts are called Sharī'ah or Islāmic law. Specific do's and don'ts relate to various aspects of life, not only including the protection of life itself, but also aspects that are necessary for existence of life on earth such as religion, economic resources, human development, harmonious family, community life, etc. The do's and don'ts in Islāmic law have well-being for man by definition.

Seeking one's well-being, of course, should be objective of every rational human being on earth. There are, however, following unique

¹¹With the exception of its medical use for saving life.

¹²Islamic philosophers like Shatibi and Ghazali have elaborated on such dimensions of objectives of Sharī'ah.

implications for an Islāmic man with respect to his understanding about his well-being:

- i) Well-being of mankind is in following the Islāmic Law. What is prohibited to consume under the Islāmic law, it must have implication for well-being for mankind. Thus there cannot be any well-being e.g. in eating pork because it is prohibited in revealed law;
- ii) There is well-being for oneself in spending his resources for the well-being of others in the community;
- iii) There is no well-being in consuming in a fashion that leads to waste of personal or community resources or inflicts harm on others or creates ill-will or bad taste for the community or violates modesty; and
- iv) Man's all actions are being watched by all-knowing and omni-present Almighty and he is accountable for all his actions to Almighty.

4.2 Needs

Man needs things that can contribute to his physical and mental well-being. He needs things that are required as a part of his religious well-being, he needs to marry for peace of mind, comfort and to raise offspring and he needs every thing that contributes to his development as human being. Anything that contributes to one's well-being is his/her need. In classical Islāmic literature, three levels of needs have been identified namely:

- a) The critical level, which is absolutely necessary to avoid the destruction of life itself and any aspect associated with life. Food is a need and the critical level of this need is that it at least preserves life and does not allow it to perish. Education is a need and there will be a critical level that a man or community may determine as essential to protect him, for example, from losing his religion.
- b) The second level is where need can be met appropriately (beyond critical level). Thus all such food beyond critical level that helps life sustain its physical development comfortably is second level need in food category. Education beyond the critical level that sustains, for example, mental and religious development and sustains the development capability to reason is the second level need in education. There will be second level in all needs covering all aspects of life.

For a rational consumer, first level of needs will have priority over the second level of needs. The consumer is not expected to go for example for butter to improve his health at the cost of ignoring bread, his staple food, which keeps him alive.

- c) Third level of needs relates to style and taste. Islām requires Muslims to conduct all their matters in specific style and good taste that would not only make one feel good in himself but may also be appreciated in the community and may also make the community feel good. Having a flower basket inside the house or outside the house or having a garden in the backyard would be an example of third level need. Of course, third level needs are not met until all the needs at the first and second levels have been met.

Hence the needs, in Islāmic framework, have an element of objectivity; it is not a reflection of merely subjective desires and wants. A few things are by definition not needs even if an individual or community is not convinced about their negative impact on well-being. Pork is an example. Such goods have been specified by name in Islāmic law. A few things would, by definition, become need, even if any individuals were not convinced of their contribution to well-being, if these needs have been identified by the community as a part of meeting the objectives of Islāmic law. A man has to justify within himself that what he pursues is his need, because if it is not his need, he is not allowed to pursue as it may imply *isrāf*, *tabdhīr* or *itrāf* (all broadly meaning waste of resources). The community also oversees individual's behaviour, and visible deviation from Islāmic norms in meeting one's need may trigger various forms of community pressures to correct his perception of needs as well as priorities in pursuit of his perceived needs. Thus he selects his need with some obvious objectivity qualifying them as his "needs" and his understanding of his religion provides him the basis to make such choice.

4.3 *Rushd* (Right mindedness)

In the above framework, the choice a consumer has to make is to identify from numerous goods available around, which goods can meet his needs and at what level. His instinctive desires may identify several goods around that he would wish to consume but before he is confronted with the resources constraint, he is also confronted with the constraint of restricting his choice to only the goods that contribute to his well-being. He has to make conscious decision in this respect so that his instinctive desire does not cause him to buy a good that he did not need. His instinctive desire may put a different value to a commodity than what it actually means to his well-being and if he did not make this choice *a priori* he may end up with less than optimal resource allocation. He may fail maximizing his well-being. What helps him making this choice? Every human being is supposed to screen his instinctive desires to distinguish for him what is good for him from what is not; what his need is and what is not. It is the

sense of *rushd* that makes Muslims to do so. For a Muslim, his religion builds up this *rushd*. Religion does not allow him to blindly follow his instinctive desires. He has to follow only the desires that are good for him with regard to well-being. As a consumer, therefore, he cannot go for anything that has only instinctive utility for him. His belief in Islām and adherence to Islāmic rules and norms of behaviour provide him a very strong filter to identify for him a list of needs and order them in a priority that would enhance his well-being. He knows that Islām prohibits wasting resources. Therefore, he has to stop consuming when his need is met even if he can enjoy consuming more. He knows that he has to allocate resources judiciously to meet his need so as to conserve resources for future generations and for sustained development and also that the choice of goods to meet his needs should be good, environment friendly, etc. It is *rushd* that will be taking care of all the Islāmic teachings on consumption described in Part II.

4.4 Community

At individual level, there is all the possibility that right-mindedness or *rushd* is not used in making decisions and hence leading the consumer to making a choice of goods for consumption such that it is not consistent with optimization of his well-being. There will always be instinctive desires forcing the consumer not to listen to *rushd* and consume goods that do not contribute to well-being or have low contribution but give him satisfaction and enjoyment. This is what the Qur'ān has warned about, *“Satan threatens you with poverty and bids you to conduct unseemly. Allah promises you his forgiveness and bounties and Allah cares for all, And He knows all things (2:68). And this warning is for the whole mankind.*

It is assumed that a Muslim, aware of Islāmic laws and ethics, will resist such temptation and will use *rushd* properly. But still there will remain possibility of deviating from the desired path. This would reflect either lack of *rushd* or total absence of it. In turn, this refers to lack of commitment to Islāmic principles of living on earth. The instincts may present the desire camouflaged as “need”. While any deviations or even substantial deviations may go unobserved for a short time, they will soon be noticed and pressures will come either from inside or from family, friends, neighbours and/or community. Islāmic community is specifically required to have a group of people who would observe deviations in the community members from any Islāmic rules and norms and advise community members to refrain from “undesirables” and to pursue “desirables” as Qur'ān says: *“Let there arise out of you a band of people*

inviting to all that is good, enjoining what is right and forbidding what is wrong: They are the ones to attain felicity”. (3:104)

Also, community has a role in meeting the needs of the members of the community if their resources do not enable them to meet their first level essential needs. *Ṣadaqāt* from those who are obliged to do so provide the sources to help the community to manage this obligation.

4.5 Constraints

Resources at the disposal of a consumer to meet his needs and the prices of goods and services he has to buy from the market to meet his needs are constraints to his ability to meet all his needs. While prices pose a binding constraint and as the consumer has no influence on them, the resource constraint, however, is not as binding. This is because of the third dimension in Islāmic society discussed earlier. *Ṣadaqāt* being a strong element of Islāmic system, it can be assumed that consumer's level-1 needs will in any case be met even if the consumer has no resources of his own to meet these needs. Some Islāmic scholars argue that it is one of the functions of the State in Islāmic society to guarantee minimum needs for all.¹³ An implicit constraint in this choice of goods to meet his needs is the obligation of *ṣadaqāt*. An Islāmic consumer will be constrained by the needs of other consumers in his neighbourhood. He will not feel comfortable meeting his level-2 and level-3 needs if some consumers in his neighbourhood are finding it difficult even to meet their level-1 needs.¹⁴ Also, there is a minimum obligation to give away to the needy while there is tremendous encouragement to give away beyond the minimum required.

There is a constraining factor on the consumer's choice in terms of allocation of time that will depend on how monetized an economy is. In Muslim economies, one has to do several tasks, which do not get him any nominal income but he performs them to get compensation in the next world / Hereafter. Some important demands on his time come from his religion, which require him to do several things as part of his daily activities. This includes prayer five times a day, taking care of old parents, and several other activities that he would like to perform but that will not give him any nominal income and he performs them in order to be compensated in the next world. Consumer behaviour thus will also be constrained by his choice regarding how much time he intends to devote to

¹³Siddiqi, M. N. (1994).

¹⁴A *ḥadīth* of Holy Prophet says: He is not the *m'omin* (believer) who eats to his fill, while his neighbour is hungry.

get compensated in the next world only. This choice will be an important element in the consumer's decision making

5. Maximizing of Well-being

Maximizing well-being is assumed to be the objective of mankind on earth. And this is what Islāmic law (Sharī'ah) aims at for the believers. A believer therefore will allocate his time and money for this purpose. This means that consumer will identify his needs in the light of his understanding of what Islām expects from him, prioritize them and fulfill them while observing all the Islāmic norms and rules of consumption. The consumer while doing so will be able to allocate resources that will maximize his well-being.

5.1 Choice of consumer goods and services for present consumption.

The consumer needs to make three types of choices in the process of seeking maximum well-being:

- a) Allocation of his time to meet various needs, which include the need to earn income and accumulate wealth as a means for maximizing well-being;
- b) To allocate income between *ṣadaqah* (meeting needs of others) and his own needs;
- c) To allocate the income earmarked to meet one's own needs between present consumption and future consumption.

5.1.1 Allocation of Time

There are some obligatory rituals to be performed daily e.g. five time prayers which, however, do not constrain the consumer's allocation of time. Of course, he is not supposed to sit idle or waste time. All his time has to be utilized to meet his various needs. Time of course is scarce compared to the needs he is supposed to meet. There is no end to maximizing the well-being. He can always utilize time to work or to worship or to make *ṣadaqah* (like teaching or preaching, etc). His allocation of time thus will depend on the wage rate he gets in the market. As soon as he realizes that dollars earned by working extra hour cannot be utilized better than devoting the extra hour for teaching children in a poor neighbourhood where teachers are not available, he will not work for the extra hour and devote it to teaching the children. He may also compare the value of a dollar with the value of time to spend with his old parents, or teaching / preaching his children. The allocation of time thus will depend on the following: i) Wage rate; ii) Needs, in his list, which cannot be met by spending money; and iii) Priority of these needs as per hierarchy of the needs in the list.

The question is how this choice would differ if the consumer was not an Islāmic consumer. So far, nothing distinguishes the choice. A non-Islāmic consumer may also have needs that cannot be met by spending money and these needs may rank quite high in the priority. The difference will arise from the fact that how much the needs that cannot be met by spending money fall into the category of *ṣadaqāt*. For an Islāmic consumer, the proportion of *ṣadaqāt* in such needs may be much higher than for a non-Islāmic consumer just because of the religious stress and rewards for *ṣadaqāt*. Thus a non-Islāmic consumer may spend considerable time in “Leisure” (e.g. in more than needed recreation, or even in absurd activities), which is non-productive from society point of view, and thus would be considered undesirable. Such leisure is waste of time, which is not allowed. An Islāmic consumer, who is not working full time or overtime will be spending time in activities contributing either to his own development or to the development of the society or for developing infrastructure or assets (like plantation, teaching etc.) for the sustainable development of the society.

5.1.2 Allocation for *Ṣadaqāt*

One may devote part of his time for *ṣadaqāt* activities. An Islāmic consumer also spends for *ṣadaqāt* out of the income he makes or wealth he accumulates by devoting his time to work. Part of this spending is obligatory and is linked to the volume of income he makes or volume of wealth he has accumulated. And there is encouragement to do more. Whatever is obligatory to be spent from *ṣadaqāt* out of accumulated wealth is effectively paid out of the income. *Ṣadaqāt* thus will always be a proportion of income. How this proportion is determined? The Qur’ān has specifically addressed the question how much should go to *ṣadaqāt* and the guidance is “*al-‘afw*”¹⁵ which can be interpreted “as whatever can be spared from one’s needs”. This obviously implies that one’s own needs have priority over meeting other needs, except for the obligatory *ṣadaqāt*. Beyond the obligatory part, all *ṣadaqāt* are voluntary. But the encouragement and rewards for *ṣadaqāt* is so great that one can always be tempted to spend as much as possible. Holy Qur’ān says: *The parable of those who spend their wealth in the way of Allah is that of a grain of corn: it grows seven ears, and each ear has a hundred grains. Allah gives*

¹⁵Verse 2:219: They ask thee how much they are to spend; Say: “What is beyond your needs.”

manifold increase to whom He pleases: And Allah careth for all And He knoweth all things (2:261). Qur'ānic injunctions on this subject can also be seen at (2:265), (57:18), (73:20), (30:38), (30:39), (74:42-44), (70:20-26), (2:177), (23:1-4), (69:33-35).

With so much emphasis on *ṣadaqāt*, while still making them complementary to own needs, suggests that the decision how much to spend on *ṣadaqāt* will be decided exogenously. *Ṣadaqāt* will not be prioritized in the list of a consumer's needs for allocation of his resources. He will make a *priori* decision, keeping in view his resources and his needs, whether he is in a position to make *ṣadaqāt* and if yes, how much. He will decide a *priori* certain proportion of income or wealth to be devoted regularly to *ṣadaqāt*. It can, however, be assumed that accumulated wealth will, by and large, be invested to generate at least minimum obligation of *ṣadaqāt* to be paid from the wealth. We can, therefore, make *ṣadaqāt* only a function of income. *Ṣadaqāt* of course may generate after one's own level-1 needs have been met at least. We can therefore, assume it to be a certain proportion of income minus the expenditure required to meet level-1 needs. Let us call this ratio to be α (*Alpha*). α may be zero if the consumer has no obligatory *ṣadaqāt* to make and he considers his needs beyond level-1 more important than the unfulfilled needs of anyone else in the neighbourhood.

Alpha can vary from person to person, place to place and time to time. Theoretically, α may approach to unity for any particular consumer at a particular time in a particular place. Otherwise, α will always be less than 1. In a community where consumers generally tend to have higher α , there will be more harmony, social order and absence of absolute poverty. This community, however, may not witness higher economic growth as most of *ṣadaqāt* at micro level will generally be oriented towards meeting the consumption needs rather than development needs. It will require some organization and institutional set up in the community that would take the responsibility of pooling the *ṣadaqāt* of individuals and utilizing them for development of growth, besides alleviating poverty.

If in a community, consumers generally have low α , the community may possibly witness higher economic growth, depending on their ability to save and invest but this economic growth may be witnessed with a growing economic inequalities and poverty. Community will have to play its role in motivating consumers to increase their α to alleviate poverty and reduce income inequalities. If such efforts are not made, the harmony and social order in the community will be adversely affected. In all circumstances, there will always be a need to develop some institutional

framework to mobilize and manage *ṣadaqāt* in the community. Umar Farooq (RA), the second pious caliph was quick to realize this need and established the institution at state level called *bayt al-māl*. It was witnessed within the period of Umar Farooq that people had obligatory *ṣadaqāt* to make but there was no one to receive them. There is no evidence that people during that period generally had higher α . It is very unlikely that Islāmic consumers generally will take extreme values of α . This is because of specific teachings of Islām discussed earlier not to be too generous and not to be too miserly as discussed earlier.

α is likely to be higher in rural areas and primitive societies where the choice set of level 2 and level 3 needs may be limited but as the society develops, and the choice set of level 2 and level 3 needs expand, the α is likely to be lower.

α will also depend on choice set of commodities to meet one's own future needs. If there are no good opportunities to invest the savings for meeting future needs, the α will be higher. For example, in traditional societies, gold and silver are the main options to keep the savings. Since these savings do not produce income and since there is obligation to spend out of them¹⁶, the α may be higher.

The institutions to organize and management *ṣadaqāt* for the development of poor (besides meeting their basic needs) does not have to be at state level. NGOs have been found throughout the Islāmic history doing this job in varying degrees in Muslim societies. Institutionalization of *ṣadaqāt* can be done at individual level as well. The institution of *waqf* is manifestation of this effort. Several innovations are possible in institutionalizing and managing *ṣadaqāt* and initiatives can be taken at several levels; at individual level, at group of individuals level, at NGO level, and at state level. Emergence of such initiatives and organizations is motivated by teachings of Islām and the implied Islāmic system of life.

5.1.3 Allocating Income for Future Needs

Allocation for future needs is a recognized element for Islāmic consumer behavior¹⁷. There will be two competing needs that will affect the allocation for future needs: present needs and the needs relating to *ṣadaqāt*. If present needs are more pressing, the lesser will be the allocation for future needs. Obviously if one has income to meet only level-1 needs, there will be no allocation for future needs. The allocation

¹⁶ See the verse (9:34) “And there are those who hoard gold and silver and spend it not in the Way of Allah: announce unto them a most grievous chastisement”.

¹⁷ Ḥadīth: You'd better leave your heirs wealthy, rather than leaving them poor, begging others (Sahih al-Bukhari).

for future needs will be part of the level-2 and level-3 needs. The consumer will appropriately rank in his list of needs the allocation for future needs. His perception of future needs and their priorities vis-a-vis present needs will be the key factor in determining the allocation for future needs. The fact that man, in general, is myopic and may not clearly perceive his future needs and their priorities vis-a-vis current needs will always call for an active role of the community.¹⁸

Islāmic community, therefore, will make institutional arrangements to motivate or force people to make contribution to pension funds from their present income so that Islāmic consumers' myopic behavior does not allow them to ignore level-1 of future needs. For those whose income is too little to make any contribution to such funds, the community will mobilize and manage *ṣadaqāt* to meet level-1 of future needs for such consumers. (Umar Farooq, the second Caliph used the funds from *bayt al-māl* to meet the needs of old people who could not save for their old age).

Will rate of return on investment motivate consumers to save for future consumption (as theorized by conventional economies)? It may, to some extent. The consumers who are spending to meet level-3 needs may look at the rate of return on investment before deciding to meet some of their level-3 needs (or even level-2 needs).

The weakness in *rushd* (right mindedness) may falter on several accounts in this respect. Firstly, the individual's instinctive time preference, considering present needs more pressing than future needs, may not allow him enough to save for future; secondly, there is uncertainty about future needs compared to present needs which too may affect his ability to make correct decision how much to save for future needs; and thirdly, the individual's inability to visualize that allocation for his own future needs will generate benefits for the community as well and that his savings can benefit others in the community in several ways (a concept known as externalities in conventional economics). These elements limiting the ability of filter to give appropriate priority to future needs, require the community to play its role in helping the consumers to correct their priority with respect to their future needs.

¹⁸ In several countries, Government makes a compulsory deduction from the salaries of their employees to develop a pension fund for the employees. This is recognition of the myopic behaviour of consumer behaviour in allocating income for future needs. Government recognizes that the employee will not make allocation for their level -1 future needs and may spend on level-2 and level-3 of present needs. A compulsory deduction, therefore, is made to avoid misallocation of resources by individuals.

Community can do it by developing appropriate institutions that will not only motivate consumers to make savings sufficient for their future needs but will also collect their savings and use them for the community's socio-economic growth and development. An institution known as Tabung Haji in Malaysia gives a good contemporary example of such community role. Muslims have an obligation to perform *ḥajj* pilgrimage to Makkah (Saudi Arabia) once in their life-time. This involves substantial financial commitment most people cannot afford. They, therefore, try to save little amounts from their income in order to accumulate enough to allow them to perform the pilgrimage later in their life. Many fail to do this because present needs get priority. Also there is uncertainty about the expenses and they are not sure how much to save and whether what they save would really be enough to meet all *ḥajj* related expenses. The Government in Malaysia established in 1963 an institution to help people to save to meet this very future need. The institution called Tabung Haji offered the opportunities to make savings deposits, which were invested and the depositors shared the return on their deposits. The institution also takes the responsibility of making all arrangements to perform *ḥajj*. This worked very successfully. People once entering the scheme felt a sort of compulsion to save monthly certain amount in order to achieve their objective. The future needs thus got the right priority in the consumers' allocation of their income to meet a future need. Tabung Haji invests the savings thus mobilized in various development projects, which benefits the entire community.

The consumer allocation of future needs thus will require help from the state or society to develop appropriate institutions that will not only guide them to put the right priority to their future needs (by eliminating uncertainty attached to future needs) but will also enable the state or society to put their savings to the benefit of the community.

Since allocation for future needs has social benefits greater than private benefits and since, for consumer, future needs are uncertain, society and/or state will have to play important role in helping the individuals make right decision with respect to their allocation of their income between meeting present needs and future needs. These may include private initiatives to establish savings institutions (including what is known as *takāful*, an alternative to insurance), or government bodies (including institution like Tabung Haji mentioned above or even compulsory deduction like Pension Fund).

Society that is weak on such institutions will not be playing its role in correcting the consumers' behavior and their priorities and helping them in their socio-economic development. The consumer behavior, thus, will be sustaining poverty rather than development.

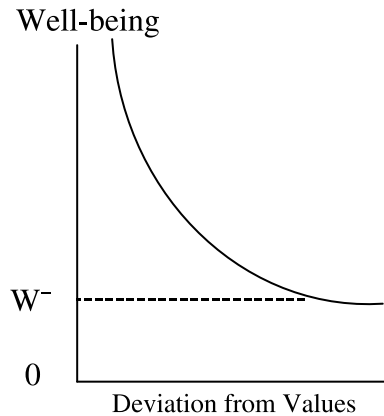
5.2 Consumer–Community Interaction

The community interacts with consumer in two ways. First, it watches the consumer's consumption pattern and may put pressure in different ways to correct his priorities; and second, it helps the consumers to meet their first level needs, if they are unable to do so from their own resources. Islāmic theory aims at keeping consumer as well community on the path of sustainable development by urging individuals and community develop themselves simultaneously in a harmonious way, free of conflicts with others and the nature. The individual and community re-enforce each other in achieving this objective. Deviation from the norms of behavior may be corrected by built-in forces to maintain movement on the track of sustainable development. Built-in forces are generated by the commitment of individuals to Islām and Islāmic law. This commitment generates following forces:

- i) Building up internal pressures that they are accountable for all their deeds to the All-knowing and Omni Present Almighty;
- ii) Developing an attitude to help others in need as a part of normal consumer behavior; and
- iii) Developing institutions to generate external pressures on individuals to remain on the optimal path of consumption and to ensure that essential needs of have-nots are met.

The above theory explains the behaviour of an Islāmic consumer, who knows Islām and Islāmic teachings on consumption and lives in a community committed to ensure the practice of Islām and Islāmic law. Let us see what happens if these assumptions do not hold. We start with the assumption of consumer being Muslim consumer. It has been discussed earlier that if an individual consumer deviates from Islāmic behavior, other things remaining same, this deviation will be short lived and the built-in-forces will be bringing him back to the Islāmic behaviour. This will still be true if more than one individual deviate as long as the deviating consumers are in minority in the community. This will, however, not be same if the deviating consumers gain majority in the community, because then it would also mean that community too ceases to be an Islāmic community and the forces to bring back the consumer behaviour will no more be working. How this can happen. This cannot happen abruptly. If there is already an Islāmic community, its

degeneration into a majority of consumers not behaving according to Islāmic teachings will be a process, the speed of the process depending on the intensity of factors causing this degeneration. How the process will initiate and culminate into having a community of individuals not adhering to Islāmic values is more a question of political economy rather than subject of this paper and will, therefore, be discussed somewhere else. The degeneration process however, is reflected in the diagram below. Initial deviations from Islāmic value will bring fast declines in well-being. However, soon the decline will slow down and become constant. This is because no matter how much Islāmic value system is abandoned, the people and community will still be having a set of values many of them having some implications as Islāmic values. As long as man is not living in a jungle pursuing a wild life, some minimum level of well-being will in any case be pursued.



5.3 Indicators of a Community Being Off-Track in Consumer Behavior

How to determine that most of the consumers in a community are off-track the path of their well-being and the community is no more seeking the well-being and instead mostly allowing its members to pursue their wants rather than needs? Several indicators can be defined by conducting a household income-expenditure survey carefully designed for this specific purpose of selected sample of households from the community. Some key indicators can be defined as below:

- a) **Poverty Incidence:** If substantial numbers of people in the community are living below what is called poverty line and are unable to meet even their first level needs, then this community is far from the Islāmic norms of consumption.

- b) Environmental Conditions: If the bazars and streets in the community are not clean, sanitation and sewerage facilities are not adequate, pollution is not being controlled, de-plantation is growing more rapidly than plantation and similar other indicators related to environmental conditions indicate substantial deviation from Islāmic norms as all these indications are simply the violation of Islāmic teachings.
- c) Low and declining role of households' savings: Islāmic teachings would require a consumer to be watchful of his present as well as future needs. He should make sure that he leaves sufficient resources behind for his family when he dies. He is required to make effort for his economic uplift so that he is giver to the less privileged members of the community instead of receiver of alms. If households' savings rate (in relation to income) is low and declining in the community, then it may be an indicator that Islāmic norms of consumption are not being followed.
- d) Comparison of expenditure on basic food items by income groups (for example per capita high income, medium income and low income groups): Basic food items are supposed to meet level-1 needs. Expenditure per capita of higher income groups on such item is expected to have some reasonable proportion of lower income groups per capita expenditure on similar items. Wide disparity in the ratio should be an indicator of waste (*isrāf*, *tabdhīr* and *itrāf*) taking place at the level of higher income group population.¹⁹
- e) Proportion of expenditure on goods harmful to health or to environment: The items injurious to health or environment are clearly known in a community. If expenditure on such item in proportion to income is found substantial in the budget of large number of households, then it should be the reflection of marked deviation from Islāmic behavior of consumption.
- f) Presence of goods prohibited in Islāmic law in the consumption baskets of consumers is obvious indicator of the violation of Islāmic teachings on consumption.
- g) Number of children out of school or without home study is a reflection of level-1 need not being met. This is failing not of individual household but of community as well. Islāmic community is not expected to ignore children not getting basic education including religious education.

Various other indicators can be derived through the normal household income-expenditure surveys being currently conducted in different

¹⁹The variation of such expenditure within income groups can also make such reflections. In any narrow income group if we find high variation in the per capita expenditure on basic food items, then we simply see the proportion of households with per capita expenditure of basic food items greater than the Mean plus-minus some Standard Deviation to conclude about the incidence of indulgence in waste.

countries. Special surveys, however, can be conducted with carefully designed questions to determine the knowledge and commitment to Islāmic rules and norms for consumer behaviour.

6. Implication of Deviating from Islāmic Path

Main and rather obvious implications are highlighted below:

- a) Some or many essential needs of consumers may go un-met, because consumer prefers some other wants over such needs. This may happen not only in lower income classes, but may happen in affluent classes as well, as they may not recognize some of their needs. Need for religious education, for example, may get ignored. Lower income classes may over spend on level-2 needs such as entertainment at the cost of some other essential food or education or health needs.
- b) Some non-needs may enter into the consumption basket, e.g. smoking, drugs, unhealthy and excessive time and money consuming entertainment like gambling, etc. This implies not only waste of resources but also destroying the well-being.
- c) Consuming more than what is actually needed for well-being may waste sources. This may happen in both level-1 and level-2 needs. This will be violation of a religious duty as well which requires not doing *isrāf*.
- d) Commodity mix and the style of their use in the basket may not be environment friendly. The consumer may prefer various wants not necessarily the needs or may opt for such method of needs which violate the norm of good style or pollute environment and make things ugly for the community ignoring Islāmic teachings in this respect and may leave adverse impact for living conditions for future generations.
- e) Economic growth of individual and community may be put at stake. Pursuit of some wants may lead the consumer to ignore some needs meant for his own economic uplift or economic uplift of the community. The rate of time preference when consumers' only objective is satisfaction of wants may be higher compared to when the consumer's objective is fulfillment of needs including the future needs. Pressure of wants can easily lead to ignoring some of the future needs and hence sacrificing self as well as social development.
- f) Two specific behavioral things may occur. One, the consumer may over spend on present needs and hence wasting the resources that could be used for future needs. The savings and capital accumulation thus will be sub optimal. Second, the consumer may spend miserly on his present needs - spend less than what is needed to meet his present needs. This of course will save resources from present consumption. But this is being done in miserly behavior and not as a rational choice between present and future needs, and hence may not necessarily result in using the resources

for meeting future needs. The resources may be used or hoarded in a way not conducive to optimize on meeting future needs.²⁰

- g) Class conflicts may be created. An affluent class may indulge into *isrāf* and *itrāf* which may create ill feelings among less privileged classes and hence become a source of class conflict. Peace and harmony in the community may be adversely affected.
- h) Human and social development may be thwarted seriously as the needs for such items like education, health etc. be sacrificed for satisfying some mundane wants. Lack of commitment on the part of individuals may let the community also lag behind in developing institutions needed for such development.

7. How to Bring Back the Community on Islāmic Track with respect to Consumer Behavior

If a community has gone off the track it means endogenous forces to keep the individuals on track have weakened. Exogenous forces, therefore, will need to be introduced to bring the individual back on track. The forces for change could generate at three levels: Individual Level; Community Level and the State Level. The society would degenerate to non-Islāmic norms when the forces at individual and community levels fail to re-enforce each other in maintaining the adherence to Islāmic norms. The forces of change, therefore, will have to be generated at state level. The state will need to work in two directions: i) understanding the nature and extent of deviation from the Islāmic behaviour and factors underlying the deviant behavior; and ii) identifying and implementing appropriate policy measures.

7.1 Understanding the Behavior

A carefully and scientifically designed household survey can help a lot in understanding the behaviour. Examples of the things it can tell us include:

- a) Extent of the knowledge households have about Islāmic norms of consumption;
- b) Extent of the commitment households have to follow Islāmic teachings;
- c) Their perception of well-being;
- d) Their perception about needs and priorities of needs;

²⁰Following verses in Qur'ān identify these two types of behaviour: *Verily thy Lord doth provide sustenance in abundance for whom he pleases, and He straiten it For He does know And regards all His servants.* (17:30) ; *Those who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes).* (25:67)

- e) Composition of their expenditure in relation to their perceived needs and their priorities;
- f) Their perception of waste (*isrāf*, *tabdhīr*, *itrāf*) (offering them hypothetical situations and asking them to identify situation of *isrāf*, *tabdhīr*, *itrāf*);
- g) Identifying waste in their consumption pattern;
- h) Their perception of keeping environment clean and pure (offering them with hypothetical environmental conditions and recording their reactions);
- i) Environment conditions in the neighborhood of the household;
- j) Extent of their actual contribution to keeping the environment clean and pure;
- k) Extent of *ṣadaqāt* made or received;
- l) Their perception of *ṣadaqāt* other than *infāq*;
- m) Nature of *ṣadaqāt*, other than *infāq*, made or received by them;
- n) Their perception on making savings for future consumption;
- o) Their actual rate of savings;
- p) Their perception of economic uplift;
- q) Their efforts relating to uplifting their economic conditions;
- r) Their sources of knowledge and information;
- s) Their children in school;
- t) Sources of children religious education;
- u) School / College going children's knowledge of Islāmic norms of consumption;
- v) Children's knowledge about environment;
- w) Children knowledge about various forms of *ṣadaqāt*; and so on.

Based on such a study, the State can take measures in the following directions:

- a) Educating the population about Islāmic rules for human behaviour in general and for consumer behaviour in particular using the sources from where people receive knowledge and information as identified in the survey.
- b) Including in school activities at all levels, teaching and practice of Islāmic norms of consumer behaviour.
- c) Carefully designing a consumption policy with following objectives:
 - i) Ban on the use of prohibited goods;

- ii) Penalty on the use of goods injurious to one's health or damaging to environment;
- iii) Incentives and opportunities for savings;
- iv) Using taxation policy to correct prices so that people do not get motivated to meet needs of lower priority at the cost of needs of higher priority;
- v) Motivating, creating and developing institutions e.g. local volunteers committees (mosque based, school based, etc) to advise and guide people about obvious waste in their consumption; about identifying and prioritizing their needs e.g. why children are not in school and guiding them to source that can help them about environment, cleanliness etc; about possibility of beautifying homes and neighbourhood etc; institutions to organize collection and disbursement of *ṣadaqāt* in coordination with local volunteers committees mentioned above, and voluntary institutions of informal education where formal institutions cannot be provided in near future.

8. Conclusion

Rationalization of consumption and consumer behaviour for the sake of development and growth and more so for the sake of what is called sustainable development is a serious concern of all developing countries, including all Muslim countries. However, Muslim countries have the advantage that they have very specific guidance in their religion about rationalization of consumption and consumer behaviour that can lead to achieving such goals faster. Since this is divine guidance and integral part of their religious beliefs, the Muslim countries can achieve better results in terms of growth and sustainable development if rationalization of consumption on the lines of Islāmic teachings is a specific element of their development strategy.

This paper elaborates on this point in the framework of a theory of consumer behavior, which is different from the conventional theory, but more relevant for developing countries, in general, and Muslim countries, in particular. In the framework of this theory, it has been shown that consumer behavior rationalized according to Islāmic teachings leads to a fast track towards alleviating poverty, accelerating sustainable development, reducing class conflicts and promoting peace and harmony in the society.

This paper is also an attempt to substantiate the claim rigorously presented in international conferences, seminars and academic forums in late seventies that Islāmic economics is a potentially scientific discipline quite different from the discipline of Economics (Zarqa, 1976). This paper negates the claim of some economists (Muslim and others) that we do not

need a distinct theory and that (conventional) economic thought is generally enough to accommodate variations in values and rules of behavior delineating economic systems. Those who take this view, however, ignore the fact that Islāmic teachings refer to a very wide set of concepts and statements about economic values and behaviour of economic agents that the philosophy and methods of conventional economics just cannot capture within its theoretical framework. For example, the statement in the Qur'ān [*Say: "If ye had control of the Treasures of the Mercy of my Lord, Behold, ye would keep them back, for fear of spending them: for man is (ever) niggardly!* 17:100] highlights an aspect of human nature which is obviously outside the assumptions and methodology of conventional economics.²¹

Islāmic teachings on consumption and consumer behaviour refer to several concepts and aspects of human behaviour, which cannot be understood and explained within the theoretical framework and methodology of conventional economics. We need a different theory. This is the central focus of this paper. The paper develops a theory based on the concept of "needs" rather than on the concept of "wants" to appropriately understand consumer behaviour in all its aspects. Using this theory, the paper not only is able to explain concepts like waste in consumption, conspicuous consumption, irrationalities in consumer behavior etc; but also shows that the norms of consumer behaviour embedded in Islāmic teachings aim at alleviating poverty and developing man and society on a sustainable track. The paper also discusses how deviation from these norms can occur and how and who can bring back the consumers on the normal track.

Consumption is not the only area of Islāmic system of life that is required to be studied by economists in an appropriate theoretical framework (not necessarily of conventional economics) for the sake of discovering faster tracks towards development and growth of societies, enhancing well-being of mankind and achieving more peaceful and just economic order. The vast *fiqh* literature on exchange transactions, for example, provides another virgin field to be looked out by economists in such perspective. Economists will find a lot to theorize about market operations, market structures, risk management in markets for creating a better environment for enhancing production and exchange without creating class conflicts and tensions in the society.

²¹Conventional economics fails even to explain why people hold money despite substantial opportunity costs of doing so.

An unwritten moral of the paper is that if “Islāmic economists”, during the last thirty years, had paid more attention to such aspects of Islāmic economic teachings (consumer behavior, exchange, property rights etc.), instead of theorizing the complex subject of Islāmic finance and Islāmic financial system, they would have gone a longer way to show to the world that Islāmic economics is a unique and distinct discipline promising a more peaceful and just economic order for the mankind.

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