

Income Distribution System of Household Sector: Comparative Study of Islamic Economics and Conventional Concepts

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Abstract

Economic growth is inseparable from distributional justice for every individual. But in reality, there appears to be injustice and inequality in the distribution of income and wealth, thus impacting on increasing the number of poverty. The policy of distribution in Islam upholds the values of justice. Economic welfare is the result of the work of all elements in society, both government, household and company. Similarly, in creating distributive justice, not only the responsibility of government but also the public's obligation to make it happen. This article discusses how the concept of wealth distribution of household sector in Islamic economy and how it differs from the concept of distribution in conventional economy. The research method used is library research (Library Research), with data analysis method using inductive and deductive method. The results found; the distribution of households' income from the perspective of Islamic economics contains religious value (valued based), the process of the Muslim family's economic activity based on halal haram legality ranging from productivity (employment), property rights, consumption (spending), transactions and investments. There is a priority in the distribution of household sector assets such as the fulfillment of the primary needs of the family is preferred prior to the implementation of zakat, while wakaf *udhiyah* infak and testament is done after paying zakat. This is very contrary to the conventional concept in the distribution of households' household wealth, where the concept is empty of religious values, tends not to support productivity and investment aspects and does not prohibit the consumption of consumptive (*tabzir*). In addition, there is no priority in the distribution of household income and does not pay attention to the illegal *halal* legality in the process of family economic activity.

Keywords: wealth distribution, distribution instrument, Islamic economy, conventional economy

A. Introduction

One of the most important areas of study in the economy is the field of distribution. Distribution becomes an important position of microeconomic theory both in Islamic and capitalist economic systems, because the discussion in the field of distribution is not only related to economic aspects but also social and political aspects so that the attention for the flow of Islamic and conventional economic thinkers to date ¹. The emphasis in solving economic problems where the people are not prosperous is how to create a fair economic distribution in the community ². This fair distribution activity can be played both within the country, household sector and company. The distribution system in the Islamic economy is very different from the conventional economy.

At the same time, comparing the Islamic economic system with the conventional economic system is important for several reasons: 1) describes the basic character of the Islamic economic system in the distribution; 2) to construct the superiority of Islam over its rivals by the lens of a representative Muslim, one who has a tendency to prefer an economic system compatible with his ethical convictions; (3) making a comparison does not mean a massive condemnation of Socialism or Capitalism [Conventional]. Both systems have also worked with the 'success' that the current Islamic economic system must learn (4) in the absence of the reality of the Islamic economic system over a relatively long period of comparative care ³.

This article will outline some of the fundamental differences in the concept of family income distribution between Islamic and conventional economic systems, preceded by a brief description of the meaning and purpose of distribution and distribution principles, followed by an explanation of the household income distribution, the comparison of the household and conventional household income distribution, and concludes with concluding conclusions and suggestions.

B. Theoretical Review

1) Understanding Distribution of Income and Purpose of Distribution in Islam

¹ Heri Sudarsono, *Konsep Ekonomi Islam (Suatu Pengantar)*, (Yogyakarta: Ekonisia UII, 2004), h. 234

² Rozalinda, *Ekonomi Islam Teori dan Aplikasinya pada Aktivitas Ekonomi*, (Jakarta: Raja Grafindo, 2014), h. 131

³ Syed Nawab Haider Naqvi, *Islam, Economics, and Society*, (London: Kegan Paul International Ltd, 1994), h. 71

The distribution of income in Islam is the distribution of existing property, whether owned by private, public (public) or corporate to the party entitled to receive aimed at improving the welfare of society according to the Shari'a. In the classical fikih only known terminology *tauzii* in terms of etymological understanding only. Ad hoc, there is no sense *tauzii* relevant enough with the term distribution in the modern theoretical economy ⁴.

Some Muslim economists also wrote about Islamic economics and made "adaptations" to conventional economic terminology, as did Abdul Hamid Ghazali (1989: 79) ⁵, Muhammad Afar (1996: 32) ⁶, Umer Chapra (2000: 99) ⁷, and others -other. Perhaps this is the mainstream view of Muslim economists in general because for them the theoretical concentration of any economics will surely address the aspect of the allocation and distribution of resources. Later the term redistribution (*I'âdat at Tauzii* ') is also used by some Muslim economists by reflecting on the mechanism of zakat, alms, kafarat, obligatory spending applied in Islam.

Income is defined as a flow of money or purchasing power resulting from the use of human property resources ⁸. According to Winardi (1989) .income (income), in economic theory is the result of money or other material achieved from the use of wealth or human services. In the sense of income bookkeeping is defined as the income of a company or individual ⁹. The understanding of income according to Economic Sciences is the amount of initial wealth of the period plus the overall results obtained during one period, not just consumed. While wealth is defined by Winardi (1989) as everything that is useful and used by human being. The term is also used in a special sense such as national wealth ¹⁰.

In the jurisprudence of Islamic jurisprudence, the equally relevant equivalent to the term wealth in the economy is the treasure / mal or *tsaurah*. In defining it, there are two tendencies of jurists; (1) something useful and measurable; (2) something valuable and must

⁴ Ahmad as Syarbâshî, *al Mu'jam al Iqtishâdî al Islâmî*, (Cairo : Dar al Geil, 1981); *al Mausû'ah al Fiqhiyyah al Kuwaitiyyah*, (Kuwait: Wazaarat al Awqaaf wa as Syu'uun al Islaamiyyah, 1997); al- Zuhaili, Wahbah, *al Fiqh al Islâmi wa Adillatuhû*, (Damaskus, Dar al Fikr, 1985).

⁵ Al-Ghazali, *Hawla al Manhaj al Islâmy fi at Tanmiyah al Iqtishâdiyyah*, (Cairo: Dar al Wafaa, 1989), h. 79.

⁶ *At Tauzii'* (Cairo: Daar al Fath lil Ilaam al Araby, 1996), h.302

⁷ *The Future of Economics: An Islamic Perspective*, terjemahan Indonesia *Masa Depan Ilmu Ekonomi; Sebuah Tinjauan Islam*, (Jakarta: Gema Insani Press, 2001), h. 99.

⁸ Campbell R. MacConnel and Stanley R. Brue, *Economics Principles, Problems, and Policies*, (New York: McGraw-Hill Higher Education, 2002), h. 12.

⁹ Winardi, *Kamus Ekonomi*, (Bandung: CV. Mandar Maju, 1989), h. 245.

¹⁰ Winardi, *Kamus Ekonomi*, (Bandung: CV. Mandar Maju), 1989, h. 503.

be guaranteed / replaced by the destroyer ¹¹. The second understanding which is the mainstream opinion of Islamic jurists presumably corresponds to the definition of wealth in the conventional economy. In other words, in a *syariah* perspective, the definition of wealth in conventional economics is generally not problematic.

The Purpose of Revenue Distribution in Islam:

Islamic economics comes with a distribution system that realizes goals covering various areas of life. In general, distribution system in Islam realizes the general purpose of Islamic law (*maqashid al-syariah*). The purpose of income distribution in Islamic economics can be grouped into:

a. *Dakwah* Purpose

The purpose of *dakwah* in the distribution of income can be seen from the distribution of *zakat*. For example, the distribution of *zakat* to the muallaf. He has the goal of *dakwah* for the unbelievers who are expected to Islam and prevent his ugliness, or Muslims who are expected to strengthen his faith and Islam. For the *muzakki* as well, by giving some of his property because of Allah *Ta'ala* means they affirm their soul to faith and worship ¹²

b. Educational Purpose

In general, the educational objectives contained in the distribution of income in the perspective of Islamic economics is the moral education of *akhlak al-karimah* (good morals) such as giving, charity, and giving priority to others, and purifying themselves from *akhlak al-mazmumah* (bad morals) such as stingy, ignorant, and selfish ¹³

c. Social Purpose

The most important social goals in the distribution of income are: a) Meet the needs of groups in need and live the principle of solidarity within the Muslim community. b) Prioritizing the bond of love and affection between individuals and society. c) Eradicate the causes of hatred in society can be realized, because the

¹¹ Az Zuhaili, Wahbah, *al-Fiqh al-Islâmi wa Adillatuhû*, (Damaskus, Dar al Fikr, 1985), vol. 4, h. 399.

¹² Jaribah ibn Ahmad al-Harist, *al-Fiqh al-Iqtishad li Amiril Mukmin Umar ibn al Khathab*, terj. Asmuni Solihin Zamakhsyari, *fiqh Ekonomi Umar ibn al-Khatâb*, (Jakarta:Khalifa,2006), h.216

¹³ *Ibid.*

distribution of unfair wealth will have an impact on poverty and increase crime. d)
Realizing justice in society

d. Economic Purpose

Distribution in Islamic economics has several economic goals: a) Development and cleaning of property, both in the form of *infak Sunat* and *infak* mandatory. This encourages the rich to always invest his property in the form of goodness. b) Empower unemployed human resources with the fulfillment of their business capital needs. This will encourage everyone to develop the skills and quality of their work. c) Contributing to the realization of economic prosperity is closely related to the level of consumption. Then the level of consumption is not only related to income alone, but also relates to how the distribution among members of the community. d) The best use of economic resources ¹⁴.

2) Principles of Income Distribution

There are several principles underlying the process of distribution in Islamic economics which is born in Q.S Al Hasyar (59): 7, which means "that the treasure should not only circulate among the rich among you".

The verse becomes the basic and very principled concept in economics according to Islamic law. Ruslan Adul Ghafur Noor ¹⁵ in his book explained that the principle of the concept of distribution in the Islamic economic system includes two things:

1. The principle of distribution in the Islamic economic system, which includes:
 - a. Prohibition of usury and *gharar*. Where the prohibition of usury and *gharar* is an important ally in Islamic economics, because the principle of economics is basically mutually beneficial, but in terms of usury and *gharar* only benefit for a group of people while the other groups are disadvantaged.
 - b. Justice in distribution. Where according to him, the proposition is a condition that is not impartial to one group of people or a certain class in the economy. Normal distribution of justice is also defined as a distribution of wealth and

¹⁴ Ibid., h.218

¹⁵ Ruslan Adul Ghafur Noor. Konsep Distribusi Dalam Ekonomi Islam Dan Format Keadilan Ekonomi Di Indonesia(Yogyayarta, Purtaka Pelajar, Tahun 2013), Cet I. h. 76-88

wealth fairly in accordance with the norms of fairness are accepted universally.

- c. The concept of ownership in Islamic economics. Where Islam recognizes the existence of property rights to things and considers a property acquired in a lawful way, and with that property human beings fight for their welfare on earth.
2. The policy of distribution in Islamic economics. Economic policies must be on policies that favor prosperity and create justice in a people's economy. And moreover, the concept of justice aims to keep the treasures not collected in one group.

Seeing this exposure, both the distribution principle and the distribution policy are both pointed to the instruments governing how the distribution of goods can have overall values of equity and equity are equitable, so that development and welfare can not be owned by only a few people, but development can also be enjoyed and done by all economic actors, so that the production function really materialized not just theory or hope alone

3) income Distribution of Household Sector

The income distribution sectors are divided into three forms ¹⁶:

1. State Revenue Sector Distribution: Economic principles built on Islamic moral values establish the interests of equitable distribution of income. States shall work to improve the material welfare of the social and individual environment by maximizing the utilization of available resources. Therefore, the state must issue policies that seek economic stability, socio-economic development, equitable economic growth and so forth.
2. Industrial Sector Revenue Distribution: The financiers, as those who have excess assets, have no opportunity or time to develop their property. He distributes some of his wealth to entrepreneurs in the form of short-term or long-term investments in *mudharabah* (profit sharing), *musharakah* is the cooperation of some investors in managing a business with profit-sharing system, wages, and rent.
3. Income Distribution of Household Sector

¹⁶ Mustafa Edwin Nasution dkk, *Pengenaalan Ekonomi Islam*, (Jakarta :Kencana, 2007),h.130-156

Islamic values are an endogenous factor in a Muslim's household, it should be understood that the whole process of economic activity in it must be based on haram halal legality, ranging from productivity (employment), property rights, consumption (spending), transactions and investments. Activities related to these aspects of the law into an estuary of how a Muslim to implement the process of distribution of income. Islam does not tolerate the distribution of income whose source is derived from the haram, this is because the income distribution instrument in the Muslim family will also be nuanced (obligatory-sunnah) law. The distribution of income in the household context cannot be separated from the shadaqah. Shadaqah in the context of the terminology of the Qur'an can be understood in two aspects, namely: shadaqah wajibah and shadaqah nafilah. Here the division of forms of income distribution of the household sector that is:

First, shadaqahahahah means forms of household expenditure related to liability-based income distribution instruments such as livelihood, zakat, and inheritance.

Second, shadaqah nafilah (sunnah) which means forms of household expenditure related to the instruments of income distribution based on the practice of circumcision such as infaq, Aqiqah, and wakaf.

Third, hudud (punishment) is an instrument that is accidental and a consequence of various actions. Or in other words, this instrument cannot stand alone, without any previous illegal actions such as Kafarat, Dam / Diyat, and Nazar.

C. Methodology

This research type is library research that is research which use books as source of data¹⁷. As the literature research, in analyzing the data preparation using descriptive analytical method that is collected data formulated described and analyzed. It will also explain and interpret the existing data into a systematic formulation and analysis¹⁸. The method of collecting primary data sources used is to review and review various literature that have relevance to the research especially related to the distribution of household income. The method used in analyzing the data is an inductive method that is the method

¹⁷ Sutrisno Hadi, *Metodologi Research* (Yogyakarta: Andi Offset, 1990), h.1

¹⁸ Moh. Nazir, *Metode Penelitian*, cet III (Jakarta : Ghalia Indonesia), h.63

of thinking that departs from special facts, concrete events, then from the facts or special events are drawn generalizations that have a general nature ¹⁹

D. Research Findings and Discussion

The distribution in the view of Islamic economists is broader in scope than the distribution according to the conventional economists. Distribution in conventional economics, focusing on distributing production. While distribution in Islamic economics emphasizes on the transfer of income and wealth. The main emphasis in the Islamic economic system is fair distribution. Distribution is closely related to the fulfillment of needs. Distribution of the flow of distribution resulted in the obsession of fulfillment of needs. Anything that causes a blockage of distribution is haram. Even though the cause of obstinacy is from his own personal property, such as *ihtikar* (hoarding), storing property without issuing zakat, manipulating the circulation of wealth only to the owners of capital alone, gambling, and so forth ²⁰.

With regard to the theory of distribution, capitalist economy is done by giving freedom of ownership and freedom of expression to all individuals of society, so that every individual of a free society obtains a wealth of amounts which he is capable of and in accordance with the factors of production he possesses regardless of whether the distribution is equally perceived by all individual society or just for some. The theory applied by this capitalist system is wrong and in the view of Islamic economy is *dzalim* because if the theory is applied it has implications on the accumulation of wealth on the part of the party and the inability on the other side.

The Islamic-based economic system requires that in the case of distribution should be based on two joints, namely the joints of freedom and justice of ownership. Freedom here is freedom of action framed by religious values and justice unlike the understanding of the capitalists who declare it as an act of liberating human beings to act and act without the intervention of any party, but as a balance between the individual with the material and spiritual elements it possesses, balance between individuals and society and between a society and other societies.

¹⁹ Ibid.

²⁰ Atok Syihabuddin, Etika Distribusi Dalam Ekonomi Islam, Jurnal al-Qanun, Vol.20 .No.1 Juni 2017

In the capitalist economic system that poverty can be solved by raising the level of production and increasing national income is an unjustifiable theory and even poverty becomes one of the products of the capitalistic economic system that creates an unjust pattern of wealth distribution. Empirical facts show that it is not because there is no food that makes people suffer from hunger but poor food distribution.

The Islamic economic system protects the interests of every citizen of both rich and poor by giving moral responsibility to the rich to pay attention to the poor. The protection of every rich person to the poor in the context of economic welfare is also done by the household sector. Here is the difference in the distribution of household income of Islamic and conventional sectors ²¹:

| No | Islamic Household Distribution | Conventional Household Distribution |
|----|---|---|
| | Based on Quran, <i>Sunnah</i> and <i>Ijtihad</i> | It comes from the mind (reason) and human experience |
| | A holistic worldview | A secular worldview |
| | Business competence is controlled by the syariah | Business competence is free and monopoly |
| | Welfare is characterized by physical, spiritual, and intellectual | Welfare is <i>jasadiyah</i> |
| | Profit-seeking motives are recognized in a lawful way | Profit seeking motives are recognized without any restrictions |
| | Economic protection is allowed to protect the public | Economic protection is prohibited because it inhibits the economic pace |
| | Aimed to have <i>ridha</i> from Allah | Aimed to have more wealth |
| | The Benefits for the world and the Hereafter | World Benefits |
| | Inspected by God | Human Supervision |
| | <i>Istikhlaf</i> Ownership | Individual ownership (capitalist) Social (communist) ownership |
| | The characterized of the <i>Ilahiah insaniah</i> (God and Human) | Characteristics of the nature of the Lust |

²¹ Mustafa Edwin Nasution dkk, *Pengenaalan Ekonomi Islam*, (Jakarta :Kencana, 2007),h.130-156 dan Rozalinda , *Ekonomi Islam Teori dan Aplikasinya pada aktivitas Ekonomi*,(Jakarta: Raja Grafindo Persada), h.131-143

| | | |
|--|--|--|
| | There is a compulsory law, the <i>sunnah</i> in distribution activities such as the obligation to fulfill livelihood of the family and the <i>sadaqah</i> is the <i>sunnah</i> | There is no compulsory law of <i>sunnah</i> in the distribution of income and household wealth |
| | It has a priority in distribution such as family needs have to be the first priority if there is still debt to pay and then <i>zakah</i> if it is enough <i>nishab</i> | Has no priority in the distribution of income and household wealth |
| | Household income distribution activities have a unique name (<i>shadaqah mandah, shadaqah nafilah, hudud</i>) | Household income distribution activities do not have a distinctive name |
| | Distribution activities have the assurance of <i>takaful ijtimai</i> (social security) such as through the distribution of <i>zakat, infak alms</i> | Distribution activities do not have assurance <i>takaful ijtimai</i> (national guarantee) |
| | Distribution of households is related to <i>had/hudud</i> (repentance) such as <i>kafarat, dam/diyat, nazar</i> | Distribution of households is not related to <i>had hudud</i> (repentance) |
| | Transfer of income and wealth; channeling to compulsory, <i>sunnah, hudud</i> , and other productive activities | Transfer of income and wealth or distribution channels is limited only to productive things |

E. Conclusion and Suggestion

The distribution of household incomes' income from Islamic economic perspective contains religious value (valued based). Household distribution activities begin with regard to the source of income from halal. Haram halal legality restricts household distribution activities from ownership rights, productivity (work) of investment transactions, consumption (expenditure). Once the priority becomes the attention of the household income distribution activities, the fulfillment of the primary needs of the family takes precedence over the fulfillment of other needs.

In contrast to the conventional concept in the distribution of households' household wealth, where the concept is empty of religious values, it does not pay attention to the halal of halal income and legality of the process of income distribution activity, does not prohibit the consumptive behavior (tabzir) and does not support productivity and investment aspects.

In an effort to realize the ultimate welfare for mankind, the role of the household sector becomes important through the economic activity of ethical distribution. In every increase in income of Muslim households, it is expected that more and more income distribution instruments can be utilized. The higher the household income will be the higher social responsibility of the household and automatically the higher the social contribution that can be generated from the household. The more instruments that households can use for income distribution, the higher the household consumption.

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