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SOME CHARACTERISTICS OF INCOME DISTRIBUTION IN ISLAMIC ECONOMICS

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ABSTRACT

This article describes some peculiarities of wealth distribution in Islamic economics. It explains the stages of distribution and role and importance of income distribution for well-being of society members. The paper offers some more elements for proper distribution and redistribution process.

Keywords: distribution, redistribution, wealth creation, poverty reduction, zakah, charity, natural resources.

INTRODUCTION

The distribution process represents the movement of goods from producers to the market and ultimately to consumers.

Economic systems have been studied mainly in 4 types: capitalism, socialism, mixed economy and Islamic economy. These systems have specific approaches to income distribution. In particular, the Islamic economic system has its own characteristics related to the distribution of income. In the Islamic economy, a moderate path was chosen in this matter as well. That is, while supporting the free market economy, it is emphasized that this process should be carried out on the basis of certain rules.

MATERIALS AND METHODS

Income distribution in this system reduces poverty and encourages economically inactive members of society to participate in wealth creation (production and service activities).

Also, the distribution of wealth, in this economic system, makes it possible for everyone in the society to fairly satisfy their primary needs and prevents the concentration (accumulation) of wealth in the hands of certain people.

The issue of distribution can be considered in the following stages:

1) opportunity stage - pre-production stage;



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This means that society members will be given equal access to natural resources (public property) according to their needs. Common land, forests, and water resources (such as sea, river, and canal waters) are examples of these resources. Also, if resources such as natural gas, oil products, and electricity are provided by the state for use, then society members (legal entities and individuals) can use them by paying the price of these resources and services.

2) production stage, which in turn is divided into two parts.

a) income distribution among those directly involved in the production process. Investors have the right to receive a share of the profits from their investment, and workers are paid for their work.

b) redistribution of income among the poor and impoverished population who do not directly participate in the process. The company or its employees voluntarily share their income with the people in need.

3) post-production stage-satisfaction of minimum needs. Earned income ensures the satisfaction of at least the basic needs of society and people.

4) annual redistribution phase through zakat.

5) intergenerational redistribution of wealth through inheritance laws.

The activity of distribution is directly related to the level of well-being in society. The four factors of production in a traditional economy are land, capital, labor, and entrepreneurship. And the results from the production process are rent (profit from land rent), interest from capital, wages from labor, and profit from entrepreneurship.

RESULTS AND DISCUSSION

In Islamic economics, physical/tangible capital and financial/intangible capital are distinguished. In this system, income obtained through physical capital (for example, from the rental of a property) is approved, income through financial capital (in the form of interest) is not allowed.

If working with financial capital is considered as a part of business activity, then the entrepreneur will have to assume the risk and loss related to it along with the expected income from the capital. Because the result of using financial capital could be: 1) positive (profit); 2) be equal to zero; 3) it can be negative (damage).

In the Islamic economy, a party that owns one factor of production can earn income from both capital and labor. In particular, when the production is organized through a Musharaka (joint venture), one of the partners has the right to receive income from



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the investment, and at the same time, if he has managerial skills, he can receive a salary commensurate with his work by serving in the management of the enterprise. It should be considered as an important task to ensure that income/wealth is distributed according to the participation of production factors in the society and that a share of it reaches each member. The reason is that not everyone in society has the ability to work in order to earn money. For example, people with physical or mental disabilities, sick, elderly, retired people, temporarily unemployed people cannot earn income according to the traditional market laws if they do not work.¹ But these people also need to satisfy their basic needs. In this case, the application of the principles of justice and equality in the distribution of income will help prevent poverty and inequality in society.

There are several features of distribution in Islamic economy. These are:

- 1) meeting the needs of all members of society;
- 2) positive influence on the distributor (for example, the zakat giver cleans his property, forms the habit of sharing with others);
- 3) creating good relations between high-income and low-income people;
- 4) reducing the gap between profit and wealth (accumulation);
- 5) effective use of natural resources and fixed assets;
- 6) creating a sense of hope for life in others.

Based on the above-mentioned characteristics, the distribution should be based on the following principles:

- individual freedom;
- social security;
- the prohibition of accumulation of wealth only in a certain circle;
- fair distribution of wealth.

In the economy, the relationship between the wide circulation of wealth and justice in the distribution of income is similar to the relationship of cause and effect. That is, in order to ensure justice in the distribution of wealth, it is necessary to prevent the accumulation of production resources in a narrow circle.

¹ In Western countries, the situation has been mitigated by making changes to the labor legislation, improving wages, providing a pension system, unemployment provisions, and providing free medical and educational services.



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CONCLUSION

In order to achieve this goal in the Islamic economy, encouraging and prohibiting measures are taken for certain activities. In particular, elements that negatively affect the healthy economic environment in society, such as monopolies (except for natural monopolies), bribery, corruption, speculative practices, waste of resources without rational use, are not allowed.

In Islamic economy, in addition to the above-mentioned zakat, inheritance and voluntary alms, tools such as ushr, compulsory allowance (maintenance of family members), al-Fitr alms, kaffarah (expiation), udhiyah (sacrifice), nazr and fidya are also important in the redistribution of income. At the same time, it is important for the state and society members to increase the participation of non-governmental organizations (NGOs), charity and foundation institutions in the distribution of income.

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