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## CONSUMPTION IN ISLAMIC ECONOMICS

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### ABSTRACT

This article explains the importance of the consumption process in the economy. Theories related to consumption in Islamic economy, relationship between consumption and social welfare, factors affecting consumption are revealed. Recommendations on consumption management are provided.

**Keywords:** consumption, income level, resources, social welfare, types of needs.

### INTRODUCTION

There are a number of factors that influence people's spendings. In particular, consumption and savings are the main directions. In addition to the above, taxes and transfers are also considered in macroeconomics.

According to Keynes' theory, the nature of people's consumption expenditure depends on a number of subjective factors. In particular, taking precautionary measures for expected and unexpected situations, self-development, the desire to engage in entrepreneurial activities, pride, excessive consumption-greed affect the volume and type of consumption.

### MATERIALS AND METHODS

Scientists who conducted research on the consumption process in the Islamic economy put forward several theories. One of them belongs to Fahim Khan, according to which the volume of consumption in the Islamic economy is less than in the traditional economy, and saving is more. Because rich people save their zakat wealth to give to the poor.

It divides the society's income (Y) into two parts (YU and YL), where YU is the income of those people who belong to the category above the Nisab (the minimum amount of wealth that a Muslim must have before being obliged to give zakat) amount, and YL is the income of those who belong to the category below the Nisab



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amount. It also divides total consumption (E) into two parts, the consumption that people do for themselves (E1) and the part allocated for charity (including zakat) (E2).

Hence,  $E = E1 + E2$ , while  $E1 = YU - E2$  and  $E2 = F(a, YU)$ . In this case, "a" is a variable quantity at a certain time, which represents the level of enthusiasm and motivation of a person to do charity.

The consumption process is the main purpose of the production of goods, because there is a demand for the consumption of a particular good, so that good is produced. Therefore, consumption is the final part of production. It can stop a certain type of production, but consumption itself does not stop.

There is an important relationship between consumption and social welfare. This situation can be felt through the impact of zakat and various charitable works on the life of society. That is, through zakat and other voluntary charity payments, labor efficiency increases and market size expands, which in turn causes an increase in consumption. All these processes are considered as real investment and ultimately lead to the growth of savings.

### RESULTS AND DISCUSSION

Consumer activity is the process of acquiring the useful value of goods and services. Consumers in the Islamic economy are divided into three groups according to their needs: those who satisfy primary needs (zaruriyyat), secondary needs (hajiyyat), and luxury needs (tahsiniyyat). According to this, the goal of consumption is to achieve the highest level of satisfaction, which is usually realized in accordance with the income level of people. If a person's income increases, consumption usually increases, because people have a constant need to consume. One type of product provides different levels of satisfaction depending on the category of the consumer. For example, a car fulfills a primary need for a busy businessman, a secondary need for a university teacher, and a luxury need for a student.

In the literature on economic theory, the problem of unlimited needs and limited resources has been raised. There are two different approaches to this issue in Islamic economics. The first is the idea that there is no problem of limited resources in Islamic economics. This is based on the meaning of Surah Nahl, verse 18: "If you count the blessings of Allah, you will not be able to count them." The second approach, without denying the first idea, derived the from the meaning of above



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verse, "Countless blessings have been created by God for humans and other creatures on Earth, but the ones that humans can obtain and use with their knowledge, inventions, technologies and labor are limited. "

From an economic point of view, resources available for production, distribution and consumption are taken into account. Bringing all the gifts of nature into a resource suitable for human use remains the main issue in the world economy today. The level of consumption (spending) is also moderate in the Islamic economy. In verse 29 of Surah Isra, it is said: "And let not your hand be tied (like a miser) to your neck, nor stretch it forth to its utmost reach (like a spendthrift), so that you become blameworthy and in severe poverty.", and in verse 67 of Surah Furqan, it is said: "They are those who spend neither wastefully nor stingily, but moderately in between." These meanings include being average in consumption activities.

The size of the average also varies according to people's savings and income level. At the same time, there are views that the above distribution is mainly about the person's wealth spending on himself and charity, and the composition of the expenses that a person makes for his own consumption should be studied separately. According to research conducted in the USA, comparing consumption against income is a better measure of economic well-being. If people's income is higher than their consumption requirements, they can save, if the income level falls below consumption requirements, they will spend their savings and even go into debt.

### CONCLUSION

As a general rule, it is acceptable for a person to live a sustainable life if he spends on consumption for himself and his family members, not lower than the level of meeting their normal life needs.

In the regulation of consumption, attention is also paid to the following aspects. In particular, it is important to determine the difference between real needs and wants/desires and to make consumption according to people's purchasing power. Failure to take into account these aspects leads to an increase in people's debt obligations economically, and causes various problematic situations in social life.



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