

## FAIR WEALTH DISTRIBUTION THROUGH INSTRUMENTS IN ISLAMIC ECONOMICS

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### Abstract

*Distribution plays a crucial role in ensuring fair allocation of resources and commodities to individuals in a community, with the objective of achieving maslahat (benefit). In Islamic economics, distribution has a broader significance compared to other economic systems, encompassing the fair distribution of resources, goods, and services through market mechanisms, enabling individuals to experience the benefits of produced commodities. This research aims to examine the importance of fair wealth distribution in Islam using principles such as waqaf, qard al-Hasan, musharakah, mudharabah, zakat, and infaq. Employing a qualitative methodology, data was collected from papers, research journals, books, and written sources, which were reviewed, interpreted, and analyzed through content analysis. The findings indicate that distribution instruments in Islamic economics serve as effective means to achieve fair and equitable distribution within society. By implementing waqaf, qard al-Hasan, musharakah, mudharabah, zakat, and infaq, communities can attain social justice and reduce economic disparities. However, public awareness, adequate infrastructure, and a supportive regulatory framework are crucial factors for the successful implementation of these distribution instruments. Through appropriate efforts, these instruments can become powerful tools in fostering a more inclusive, sustainable, and just economy.*

**Keywords:** Fair Distribution, Instruments in Islamic Economics, Wealth Distribution

### 1. INTRODUCTION

Wealth distribution is a significant issue in economics, especially in the context of Islamic economics. Islamic economics has unique principles and values that emphasize fairness, brotherhood, and equity in wealth distribution. These principles differ from conventional approaches that may emphasize individual gains and inequality.

The distribution of wealth in Islamic economics focuses on principles associated with equality, justice, and the elimination of poverty. Several Islamic economic principles underlie wealth distribution. The first principle is common ownership (*taawun*) which urges brotherhood and care between individuals in the community. The second principle is justice in economic transactions, which prohibits fraud, usury, and other applications of exploitation. The third principle is zakat, which is the obligation to distribute a portion of wealth to the rightful, listed among the poor and the needy.

Islamic economic instruments are used to achieve a more comprehensive distribution of wealth. One of the instruments is waqf, which is a donation of wealth used for universal interests, for example learning, health, and social welfare. Another instrument is *qard al- hasan*, which is the provision of interest-free loans to people in need, as an alternative to conventional applications that practice high interest rates.

Islam strives to establish a fair distribution among the community, because Allah threatens the circulation of wealth concentrated in a few people. As in His words in the Quran *al-Hasyr* (59): 7, which means: "Whatever wealth Allah gives His Messenger from the inhabitants of the cities is for Allah, the Messenger, the Messenger's relatives, the orphans, the poor and those on the way, so that the wealth does not circulate only among the rich among you. What the Messenger gives you then accept. And what he forbids you, forsake; and fear Allah. Verily, Allah is severe in His punishment.

This paper aims to present a more in-depth description of wealth distribution in Islamic economics. By considering the principles of Islamic economics as well as its economic instruments, it is hoped that we can promote a more equitable and sustainable approach to wealth distribution, which can promote social welfare and justice among citizens.

## 2. RESEARCH METHODS

This research uses qualitative research methods. Qualitative research is a research method based on the philosophy of post-positivism or interpretive, used to research on natural object conditions, where the researcher is the key instrument, data collection techniques are triangulated (combined), data analysis is inductive or qualitative and qualitative research results emphasize meaning rather than generalization (Sugiyono, 2017). Data is collected from papers, research journals, books and sources of written documents that are reviewed and then interpreted and described. In this regard, the author conducted a content analysis study.

## 3. RESULTS AND DISCUSSION

### 3.1. Concepts and Principles of Distribution

Distribution is how resources and commodities are distributed in society so that each individual can achieve *maslahat*. Distribution in the context of Islamic economics has a broader meaning than other economic systems, namely, resources and goods or services are distributed to individuals fairly through market mechanisms so that each individual can feel the benefits of commodities produced. In its discussion, Islam includes the regulation of ownership of the elements of production and sources of wealth. Islam allows general ownership and special ownership and puts each of them rules to get it and use it as well as rules for inheritance, grants and wills (*Jaribah* bin Ahmad Al-Haritsi, 2006).

Distribution is focused on the process of sharing wealth and economic resources within the community. The distribution of wealth in Islam means channeling privately or publicly owned assets to those entitled to receive aimed at improving the welfare of society fairly. The concept of wealth distribution in Islamic economics is based on Islamic principles that emphasize justice, togetherness, and social balance. The principle underlying the distribution process in Islamic economics is born from the Quran *al-Hasyr* (59):7, which means: "so that wealth does not circulate among the rich of you."

Khalid Ahmad and Arif Hassan (2000) stated that the Islamic principles of distributive justice in wealth and income include the following:

- a. The economy guarantees the fulfillment of basic needs for each individual, which are the needs of the soul, mind, family, income or work and religion.

- b. The principle of justice rather than equality in terms of personal income.
- c. The elimination of extreme inequalities in personal income and wealth.

The principle of distribution in Islam is based on the principle of freedom. In Islam, freedom has important implications regarding the recognition of individual ownership. A Muslim has a strong motivation to participate in economic activity because the fruits of his labor can be his property. The legitimacy of property rights in Islam is strongly linked to the moral objective of maintaining balance in society. Private property rights are recognized in Islam, and such ownership should serve as a means of livelihood for the individual and his family, as well as to produce, invest, and contribute to social concerns and *jihad fisabilillah*. In this concept, the recognition of property rights plays a role in liberating people from materialistic attitudes. Therefore, in the Islamic perspective, the concept of ownership integrates moral values derived from the laws of Allah.

### 3.2. Distribution of Wealth in Islamic Economics

#### 3.2.1. Waqaf

*Waqaf* is the transfer of one's ownership of wealth for charitable purposes. Through *waqaf*, wealth distribution can be done by establishing institutions and building facilities that benefit the community.

#### 3.2.2. Qard al-Hasan

Qard AL Hasan is the provision of interest-free loans with the aim of helping those in need. Qard al-Hasan can promote equitable distribution by giving underprivileged individuals the opportunity to improve their economy.

#### 3.2.3. Mudharabah

The system of distribution of wealth is established in the form of cooperation between someone who has a surplus unit and a partner who only has the skills as a party with unit deficits. With the occurrence of cooperation between *shahibul mal* and its partners, it automatically implements a fair distribution pattern and is based on a bond of partnership.

#### 3.2.4. Musyarakah

*Shirkah* or partnership is a form of transaction between 2 or more people, who both agree to carry out financial cooperation with the aim of making a profit. *Musyarakah* is a form of cooperation between 2 or more people in a business or capital in the form of a corporation with the profit being based on convention. *Musyarakah* is different from *mudharabah*, in *mudharabah* the owner of the capital is not given a position in carrying out industrial management, whereas in *musyarakah* all parties have the right to participate and in managerial decision making.

#### 3.2.5. Income Distribution through Market Mechanism

Allah SWT has distributed the right of each person to buy at a favorable price. Ibn Majah narrated from Abi Sa'id: The Prophet said: " In the concept of Islamic economics, price determination is attempted by market forces, namely the forces of demand and supply. The meeting of demand with supply is established in balance with mutual consent

or there is no coercion on the price at the time of the transaction. Islam regulates that competition in the market is tried fairly.

### 3.2.6. Income Distribution through Zakat System

According to Zakat Law Number 23 of 2011, zakat is an asset that must be issued by a Muslim or business entity to be given to those entitled to receive it in accordance with Islamic law. This measure is an obligatory levy collected from wealthy Muslims and handed over to the poor. The main purpose of zakat is to help fulfill the needs of the poor and destitute so that no one suffers in a country. Zakat is considered as one of the types of assets placed in the *baitul mal*, which is different from other types of assets (general taxes), both in terms of its acquisition (it will not be collected except from Muslims), in terms of the time limit / level of collection (*nishab*), and in terms of its expenditure (*asnab*).

Zakat is one of the pillars of Islam. As for the objects of zakat and its expenditure, everything has been determined with clear limits, so that zakat will not be given to other than eight *ashnaf*, as Allah says in Surah At-Taubah: 60: "Zakat is only for the poor, the needy, the amil zakat, the converted, for (freeing) slaves, for (freeing) debtors, for the cause of Allah, and for those who are traveling, as an obligation from Allah. Allah is All-Knowing, All-Wise."

### 3.3. Implementation of Distribution Instruments in Islamic Economics

In the capitalist economic system, saying that poverty can be solved by increasing the level of creation and increasing national income is a theory that cannot be justified, especially since poverty is one of the products of the capitalist economic system that creates unfair or incomplete wealth distribution patterns. Moreover, empirical facts show that it is not the absence of food that makes people starve but the poor distribution of food. The crisis that attacked the world economy concerning the capitalist economic system has exacerbated the level of poverty and the pattern of income distribution in the economies of existing countries, more so the conditions in which the economy in Islamic countries (Indrakusumah, 2004).

The justice is reflected in the utilization of advances in methods achieved by science can only be enjoyed by relatively wealthy citizens, whose income exceeds the limit of daily needs, but people whose income limit is only to live every day are forced to suffer eternal poverty, because by consuming less today he can provide increased results for tomorrow, and we cannot be able to do so unless our current income is slightly above the needs of daily life. Each religion has different rules for distributing wealth and income (Sedefka & Donka. 2018).

There is a basic principle of Islam in every aspect of life, including the economic aspect. In distribution, Islam requires justice in the distribution of income. Justice in distribution is intended as a freedom to be able to carry out economic activities within an ethical frame and norms in Islam. The principle of justice and equity in distribution means: first, wealth should not be concentrated in one group of people, but must be spread to all citizens. Equitable distribution is one of the facilities for realizing justice, because Islam wants equality in humans in getting the opportunity to obtain wealth regardless of caste or skin color. Secondly, the results of the creation of national wealth must be distributed fairly without differentiating one from the other. Thirdly, Islam does not want wealth to grow beyond normal limits, especially if the wealth is obtained by abnormal

methods or by methods prohibited by religion. In order to recognize the development and concentration of wealth, Islam prohibits the accumulation of wealth and commands spending for the welfare of the people.

The distribution of wealth at the present time is something that matters in terms of its fairness and the right solution for the welfare and happiness of citizens. In this regard, there is no doubt that income is a significant and necessary matter but what is more significant is the method of its distribution. Islam strictly prohibits the accumulation of individuals alone. The Islamic economic system requires that distribution must be based on the principles of freedom and justice of ownership (Qardawi, 1997).

In this case, freedom plays a role in accordance with religious values and justice. Justice is a very important formulation of *maqasid*, it is difficult to be able to control an ideal citizen without the presence of justice there. Islam is very strict in eradicating injustice. Injustice is a general term that covers all forms of injustice. The assertion of injustice and the eradication of injustice have been emphasized in the Quran of all the main missions of the Prophet sent by God. (Chapra, 1999).

### 3.4. The Purpose of Distribution in the Islamic Economic Concept

#### 3.4.1. Hifzul Mujtama' (Maintaining the Integrity of Society)

The continuity of the integrity of the community is also influenced by the process of distribution of wealth among individuals in the community, the strong help the weak as in the verse above, which protects wealth from distribution attempted by those who are not able to distribute it.

Islam emphasizes so much that there is an equitable distribution of wealth among citizens that it is not allowed to distribute the wealth of orphans so that when they grow up there are assets to support their survival, and so that there is no theft, robbery to meet the needs of life and cause disruption of the peace of the community.

#### 3.4.2. Hifzul Daulah (Maintaining State Stability)

كَانَ إِنَّهُ ۖ يَسَاءُ هُمْ وَيَسْتَحْيِي أَبْنَاءَهُمْ يُدْبِحُ مِنْهُمْ طَائِفَةً يَسْتَضْعِفُ شَيْعًا أَهْلِهَا وَجَعَلَ الْأَرْضَ فِي عِلَا فِرْعَوْنَ إِنَّ  
"الْمُفْسِدِينَ مِنْ"

Mean: "Indeed, Pharaoh exalted himself in the land and made its people into factions, oppressing a sector among them, slaughtering their [newborn] sons and keeping their females alive. Indeed, he was of the corrupters." (Al-Qashash 28: 4).

Based on the verse above, the stability of the state is very dependent on the distribution that is intertwined in the country, if the state is not able to channel income and control the equitable distribution of wealth either in the government or among the citizens until there will be chaos and oppression ending in vigilantism, policy dissatisfaction because the weak do not get their rights and opportunities to get a job. It can cause the stability of the country to be threatened and added to the interference of other countries, which causes the country to be destroyed.

Distribution in Islamic economics aims to foster social justice. In addition, another important goal is sharia compliance and morality as a result of *maqasid* sharia objectives in distribution. *Maqasid* sharia in distribution can be broken down into 3 as follows:



- a. Preventing wealth (resources) from being controlled by individuals or a small group of people.
- b. Helping the redistribution of wealth among members of society.
- c. Controlling economic behavior that is unhealthy and contrary to sharia principles.

### 3.5. Verses Related to Distribution

Distribution of wealth is found in Quran al-Hasyr (59):6

عَلَىٰ وَاللَّهِ يَشَاءُ مَنْ عَلَىٰ رُسُلُهُ يَسْلُطُ اللَّهُ وَلَكِنَّ رِكَابٍ وَلَا خَيْلٍ مِنْ عَلَيْهِ أَوْجَعْتُمْ فَمَا مِنْهُمْ رَسُولِهِ عَلَىٰ اللَّهُ أَفَاءَ وَمَا قَدِيرٌ شَيْءٍ كُلِّ

Meanings: “*And what Allah gave to His Messenger from their property, for this you made no expedition with either cavalry or camelry. But Allah gives power to His Messengers over whomsoever He wills. And Allah is All-Able to do all things.*”

Imam Ahmad narrated that Umar said "The spoils of war and the wealth of Banu Nadhir were among the *fai* that Allah gave to His Messenger without mobilizing an army of horses or a line of camel vehicles because it was specifically for the Messenger of Allah, so the Messenger of Allah, took from it a share of spending on his family in one year and the rest for the preparation and arming of the Muslims. The word *afa'ah* is taken from the words *fa'a* and *fa'i* which originally meant returning to the shadow of the original place. Property belongs to Allah. The Almighty desires that wealth be acquired and used according to his guidance.

## 4. CONCLUSION

In Distribution in Islamic economics, such as waqf, qard al-Hasan, *musharakah*, *mudharabah*, zakat, and *infaq*, we can see how these instruments can realize a fairer distribution in society. However, to achieve optimal results, effective management, transparency, and good supervision are required in the use of these distribution instruments. By implementing the principles of Islamic economics and utilizing appropriate distribution instruments, society can work towards the goal of fairer distribution and greater economic equality within the framework of Islamic economics.

In addition, it is important to note that there are challenges in the implementation of these distribution instruments. Some of the challenges that may arise include lack of understanding and awareness of the concept and benefits of distribution instruments in Islamic economics, lack of infrastructure to support the implementation of distribution instruments, and legal and regulatory constraints that may hinder the implementation of these instruments.

In order to overcome these challenges, efforts to empower the community in terms of understanding Islamic economics and distribution instruments need to be carried out through effective education and socialization. In addition, cooperation between Islamic financial institutions, the government, and the community in creating a conducive environment for the implementation of distribution instruments is also key to success.

In conclusion, distribution instruments in Islamic economics are effective tools in achieving fair and equitable distribution in society. Through the implementation of waqf, qard al-Hasan, *musharakah*, *mudharabah*, zakat, and *infaq*, society can realize social

justice and reduce economic disparities. However, public awareness, adequate infrastructure, as well as a supportive regulatory framework are important factors in the successful implementation of distribution instruments in Islamic economics. With the right efforts, these distribution instruments can be a powerful tool to create a more inclusive, sustainable and just economy.

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