

## ***Ideologies of Fiqh Hanafi and Partial Economics***

Dr.Saba Noor

Research Scholar

Departement of Islamic & Oriental Learning

G.C University, Faisalabad

Dr.Humayun Abbas Shams

Prof., Departement of Islamic & Oriental Learning

G.C University, Faisalabad

### **Abstract**

Modern Economic concepts are divided into microeconomics and macroeconomics. The former relates to individual consumers and firms, while the latter demonstrates the economic concepts and issues at national and international level. This article examines certain important concepts of microeconomics in the light of Islamic Laws with specific reference to research of Shaykh Ahmad Raza. The article highlights important parallels, similarities and differences between the treatment of these concepts of microeconomics and Islam to conclude that Islamic teachings do include specific guidance about modern Economic concepts.

***Keywords:*** *Ideologies, Fiqh Hanafi, Economics*

Partial economics studies various laws and theories of this subject on individual level. In English, it is termed as ‘micro’ which means small. It includes such subjects which bear great importance in terms of their wider scope and also they provide the basis for economic system. Its main contents are human needs and their means, human content, utility, equilibrium in laws of demand and supply, price and balanced marketing. In partial economics, the demand and supply

theories share a strong relationship with customers' needs. Firms pay attention towards production on customers' demands and supply these products to the market.

### **Human needs:**

Human needs have an immemorial relationship with mankind which keeps a man indulged in striving hard to fetch them. Initially, human needs were limited but later, evolution in science had a profound impact on human life which kept on growing day by day and ultimately resulted in innovation. In modern economics, three types of human needs are described by categorizing them from essentials to luxuries as follows:

- Basic necessities
- Comforts
- Luxuries

### **Utility:**

The acquisition of commodities and the satisfaction gained by their use are the main objectives to everyday life, for which a man utilizes all his resources. He spends a good amount of his salary on his needs. In economics, the required benefit obtained from these commodities is known as 'utility'. According to Hall R. Varian,

"Utility is an indicator of a person's overall well-being. Utility was thought of as a numeric measure of a person's happiness."<sup>1</sup>

In economics, a man's content is determined by the purchase power of commodities. Customers loosen up their pockets for things they find useful and avoid spending money on things that are least needed in daily life. This cuts down the prices of goods in the market which are of great importance in routine life. As Adam Smith puts it,

"The commodities that bear higher value are comparatively cheaper."<sup>2</sup>

Things that are often used in everyday life are generally sold at low prices. In economics, a law has been introduced entitled as 'The Law of Diminishing Marginal Utility', in order to determine human content. Based on in-depth analysis of human psychology, a principal was devised that an excessive activity leads to decline in its benefits

like expected rejoice and content. Also with the passage of time human efforts and use of resources decrease gradually.

“The law states that when a person frequently consumes a commodity, it results into decrease in its utility keeping other interacting factors constant. In short, excessive use of any commodity leads to diminishing marginal utility.”<sup>3</sup>

The acquisition of basic necessities and completion of desires require unlimited resources whereas, a customer has to abandon many of his needs considering his limited sources and has to give preference to mandatory items, that's why he likes to spend for things which give him joy and comfort. To achieve this, he does not spend a good amount of his income on a single commodity rather he decides by taking into account the needs, utilities and prices of these commodities. Sometimes he has to spend less for one thing and more for some other thing. This process continues until the balance in the obtained utility is not gained. This behavior is known as 'The Law of Diminishing Marginal Utility'. The customer distributes his income for several things in such a way so that he gets equal benefits from them.<sup>4</sup>

### **Demand:**

In economics, idea of demand bears great importance. In this terminology, getting a thing in a specific time is called demand. It is directly related to the necessities and their prices. These two factors cast a great impact on the demand of commodities. According to Robert Ernest,

“Demand is a relationship between two economic variables, i.e. price of any good and its demand by customers, keeping the other variables constant.”<sup>5</sup>

In the market, markdown in the prices of goods due to specific conditions results in the increase in their demand. The customers buy these things in an adequate amount. On the other hand, increase in prices result in the decrease in demand. How does this rise and fall in the prices of goods affect their purchase? It is determined by the idea of elasticity of demand. According to Robert Earnest,

“The elasticity of demand refers to the change in ratio of demand of any good caused by the change in its price.”<sup>6</sup>

The elasticity of demand depends upon human needs. According to it, the demand of every product is not equal. The fluctuation in the prices of completely elastic able products causes rise and fall in their purchase ratio and it is related to the customers' demands. If the high demand of any product in the market is the outcome of variation in its price then such product is called product of elastic able demand. The low prices of goods like luxuries attract the attention of low income customers. Less elastic able products include basic routine life necessities which are hard to live without. The purchase power of such products is not affected by the increase in their prices. The customers have to buy them irrespective of if they are expensive or cheap.<sup>7</sup>

### **Supply:**

In economics, supply refers to a specific amount of goods that different firm owners present at different prices in the market for sale. The demand and supply of products are strongly related. The employers decide for the amount of product yield at fixed price according to its demand. As Roger A. Arnold says,

“Supply is the mutual relationship between price of a particular good and its quantity which a firm is ready to sale at that price.”<sup>8</sup>

Just like elasticity of demand, the elasticity of supply is much valued in economics. The prices of products influence their supply.

“In the supply of any product, that ratio of change is considered which is caused by the fluctuation in price of that product.”<sup>9</sup>

The elasticity of supply of all the goods is not consistent but it is relative to their prices. Sometimes a minimal variation in the price of any product marks a considerable change in their supply. All such products are called highly elastic able products like those which can be stocked for a long span of time, have more elasticity of supply. Unlike, the edibles and other daily use commodities have less elasticity of supply.

### **Partial economics and Fiqh Hanafi:**

#### **Economic needs and utility:**

Islam recognizes the basic needs of mankind and teaches to fulfill them but also supports moderation in expenses and counts

excessive spending in extravagance which is prohibited in Islam. Fiqh Hanafi has stratified human needs into five units in the light of Islamic teachings along with the legal orders attached to them.

1. Needs
2. Requirements
3. Utilities
4. Virtues
5. Luxuries

### **Needs:**

Need is another name for impulse.<sup>10</sup> The existence of mankind on earth is not possible without the availability of basic needs. A man works day and night for their completion. It includes food, clothes and house. Need is something we cannot live without. Ahmad Bin Muhammad ul Mehvi Makki describes need in such a way,<sup>11</sup>

“Need is when a condition leads to a point where someone fears to starving to death, he is allowed to eat prohibited food.”<sup>12</sup>

It means if a person does not have any food source and he is starving to death then according to Imam, he is allowed to eat forbidden food. Al Shaykh Ahmad Raza explains need as,

“Need is what is impossible to live without like ‘Hajritad Khalah’; a minimum space to live in, ‘luqimat e yaqmansalbah’; to eat to the minimum requirement of the body to perform obligations and ‘harqataraiaurah’; a piece of cloth to hide the body. These are obligatory.”<sup>13</sup>

This argument of Al Sheikh Ahmad Raza clarifies the human needs to be food, clothes and a place to live which are compulsory for man.

### **Requirements:**

Requirements include such necessities without which life is possible but difficult. According to Al Shaykh Ahmad Raza,

“Requirements are such needs which are hard to live without.”<sup>14</sup>

It is explained by Syed Hamvi as,

“It is when a person is suffering from hunger but not starving to death.”<sup>15</sup>

Al Shaykh Ahmad Raza explains this,

“Requirement is what is hard to live without like a place that gives shelter from all the calamities, food that provides enough energy to fulfill liabilities and clothes that shield the body. These are mandatory and come under muakkadah sunnahs.”<sup>16</sup>

### **Utilities:**

Utility is contrary to damage.<sup>17</sup> After fulfilling his basic necessities, a man moves forward to the comforts of life. This is instinctive. It is when a person wishes for wheat bread, goat meat and fatty sweets. Al Shaykh Ahmad Raza states,

“These are not necessary for living but their purpose is to provide comfort like a big house, pickles in food, wearing a gown for prayer etc. are permitted and come under non muakkadah sunnahs.”<sup>18</sup>

These expenses are just there to bring comforts and satisfaction to human life. They are permissible according to Islamic laws.

### **Virtues:**

Virtue is the fourth level to human needs. According to Al Sheikh Ahmad Raza,

“These are one level ahead from utility but no show off is intended from them. These include well-structured castles, delightful dishes, fine clothing etc. They are commendable for those who can afford them.”<sup>19</sup>

Commendable means it is praiseworthy in the eyes of Islam but not disliked if abandoned. Following this is rewarding otherwise it is not accountable. Spending too much money on these desires will be counted as extravagance.

### **Luxuries:**

Luxury is something when your expenses exceed limit. It is the fifth level which is considered as extravagance. According to Islam it is forbidden. Al Shaykh Ahmad Raza elaborates,

“This includes wasting money on unnecessary things such as use of precious metals like gold and silver in houses, expensive curtains, lavish cuisines etc.”<sup>20</sup>

These are just extravagances that are meant for worldly satisfaction and show off and are prohibited in Islam. Hence, Fiqh Hanafi has well clarified the Islamic teachings in this distribution of human needs.

### **Idea of demand:**

The explanations on the law of demand cannot be found in Islamic teachings. It is the topic of modern economics. Under the Islamic concepts of Halal and Haram it is clear that Islam sets rules and limitations for the demands and acquisition of commodities which are obligatory for Muslims to follow like bartered trade is the basic component of business. In Islam, the things other than *wherewithals* are not worth buying and selling. Allama Ibn e Abidin defines *wherewithals* in his book *Radd al Muhtar* as,

“*Wherewithals* are used to fulfill the needs and towards which one feels inclined and which can be stored when needed.”<sup>21</sup>

This definition of *wherewithals* declares that they include such things that can be used as wealth when needed. According to this definition, Al Shaykh Ahmad Raza lists the things that have no value in Islam as,

“Alcohol, deceased, blood and soil are not counted in *wherewithals*.”<sup>22</sup>

This explains the argument that both the customer and the salesman have been barred from the buying and selling of these products. The salesman sells the product on the basis of demand in the market. Therefore, their demand and supply is prohibited over both the customer and the employer.

### **Elasticity of demand:**

The five types of human needs been listed by Fiqh Hanafi, illustrates the strong connection between different levels of human needs and the elasticity of demand. It also has a direct link with human resources. The purchase of any product depends upon its price and demand but in some cases these two factors don't affect the purchase

of that product. This is indicated by the elasticity of demand. Fiqh Hanafi's point of view regarding the elasticity of demand is explained as,

### **Needs:**

Fiqh Hanafi's ranking of partial economics indicates that basic needs that are compulsory for mankind have lesser elasticity in demand. Their rising prices do not affect their purchase. The basic needs refer to such essentials like food, clothes and house that are any man's first priority. These are mandatory in the eyes of Islam which makes their elasticity of demand least.

### **Requirements:**

Requirement is the level next to need. Life persists without them but suffers many hardships. Its elasticity of demand would also be less because it comes right after need. According to Fiqh Hanafi's distribution, its elasticity of demand lies in between that of need and utility, i.e. more than need and less than utility. They are obligatory to achieve.

### **Utilities:**

They come next to needs and requirements. Their demand depends upon one's salary. They are recommended to get. According to Hanafis, their elasticity is more than that of requirement and less than virtue.

### **Virtues:**

They include all those expenses which are supposed to bring comforts to human life. Usually they have more elasticity of demand as by law of demand, variations in their prices amplify their purchase power. They are permissible in Islam that's why their elasticity is higher than utility and lower than luxury.

### **Luxuries:**

These are just lavishes that are forbidden in Islam. They come under extravagances. In the light of Hanafis' research, they have higher elasticity of demand because a minimal markdown in their price increases their purchase power like those luxurious products that are spent upon according to their demand in the market. In Islam, these are counted as absurdities.



## **Supply:**

In Islam, no direct debate is found on the law of supply but the orders regarding salesmen and purchase of products are quite clear like the timely delivery of essentials in the market has been stressed upon so that people don't suffer. Fiqh Hanafi has provided arguments supporting salesmen in their research that every one of them has an equal right to receive dividends from their products. It's up to him that at what price he wants to sale his product only if the customer is ready to pay that amount. Ibn e Hamam describes this in his book *Fatah ul Qadeer* as,

“A piece of paper can cost a thousand rupees only if the buyer and seller both are agreed.”<sup>23</sup>

The will of both sides counts in the purchase of a product. Usually we come across such situation where a salesman wants to sell his product at a fixed price. He wants the compensation of his expenses spent to get the product ready along with profit. That's why a customer has to pay its fixed price. Al Shaykh Ahmad Raza elaborates it as,

“No one can bear the loss of his money for no reason.”<sup>24</sup>

These arguments prove that when a product is purchased forcefully, it is a kind of injustice to the customer. In this case, salesman is not allowed to take more profit which is exemplified by Al Shaykh Ahmad Raza as,

“One sixteenth of the total money is spent on a stamp paper which is wrong. Its purchase is not allowed.”<sup>25</sup>

This sheds light on the fact that public demand of any product in the market does not prove that the customers are purchasing them willingly. For example, no legal writing is accepted without stamp paper that's why people have to buy them because no claim is acceptable without it so people are not willingly convinced to buy it.

Sometimes employers provide goods in the market at a particular price and stops their supply if don't get the required price so that they might be benefited. If this deed makes the other people suffer then it is not tolerable in Islam. This is explained in *Fatawi Rizvia* as,

“If the employer's stocking does not harm common people then there is nothing wrong in it but if the

intention is to cause dearth for one's profit then it is forbidden.'<sup>26</sup>

The above arguments prove that the employer plays a fundamental role in the law of supply. The adequate production and availability of products according to the demand in the market is their responsibility. In the light of Islamic laws, holding the supply for the sake of profit is forbidden. According to Hanafis, the seller and the buyer both should be convinced on the purchase of a product. A customer wisely selects and spends money on the items. He should enjoy full freedom in that. Creating artificial dearth by holding the supply to get desired amount is alternative to cruelty.

### **Comparison between partial economics and Hanafi's research:**

In modern economics, the benefits and satisfaction gained by the completion of human needs and desires is described in different ways. In this context, Economic experts have introduced many laws and principles stating that a man tries hard for all his desires under his limited resources which are impossible to be fulfilled. That's why he concentrates over his priorities and spends his money on such things only which are necessary for him. Therefore, a close analysis of human nature has been made in economics.

Human needs are different from one another on the basis of importance. Some needs are of greater significance than the others. The Hanafi's ranking of human needs is explained in the light of Islam. The comparison between modern economics and the research presented by Hanafi's shows that both share some common ideas, i.e. the position and importance of human needs is described in different categories in which the customers' wishes, content and priorities are equally focused and their importance for the existence of life has been acknowledged.

Some differences are also found in the Hanafi's and modern economic laws and principles which are listed below:

1. Modern economics normally describes human needs in three categories in which basic needs are held in the first place that are compulsory for life. The second type includes those facilities that bring comforts to human life for which every effort is made to reach them. The third one contains luxuries.

On the other hand, Fiqh Hanafi has made five categories of human needs which include the determining of their quantity along with their importance. Also, they have clarified the Islamic rules and regulations to get them, which is the individuality of their research.

Every man has the right to obtain what makes him happy and satisfied. Modern economics has given importance to human comfort and content. So that every man can work hard for a better living after he has gained the basic necessities of life and for this he can adopt any means. In modern economics, there is no restriction of Halal and Haram to get the basic needs. He is set independent and free in this. He can struggle for his benefits according to his own will. Modern economics does not set any restriction for him. Contrary to that, the foundation of economic activities in Islam has been set on the very concepts of Halal and Haram. Islam encourages fair means to meet one's needs and discourages such sources that deprive others of their rights. That's why Islam has described the fair and unfair means of living in detail. Here is a conflict between modern economics and Islamic ideologies.

Modern economics deals with three types of human needs:

- Needs
- Comforts
- Luxuries

Their importance in life has been discussed. A customer spends money on these according to his income. In modern economics, the purchase of these things depends on one's income. On the other side, Hanafis have given five types of human needs along with their step by step description and respective Islamic laws. Allama Al Mehvi Makki is only confined to the examples of food while distinguishing human needs, whereas Al Sheikh Ahmad Raza has explained the amount and permissible need of these essentials like accommodation, food and clothing, which is the individuality of his work. He has lawfully explained and distributed them in five types which seek more explanation unlike modern economics. It has been proved by the laws and theories of modern economics that one can use his resources for the accomplishment of his needs and desires to the full. This needs no religious and moral limitations. In contrast, Hanafis explain this according to Islamic view point. Chasing worldly luxuries after the achievement of basics is a waste of money and is Haram in Islam.

Excessive outflow of money gives birth to many falsities. The society is full of so many deprived people who are relying on others for their basic needs. It is our moral obligation to help them. It means money should not be used for personal benefits only but it is supposed to be spent on others' welfare too.

Islam shows no room for extravagance. Holy verses and Hadiths are a proof to this. Hanafis have explained these unwanted desires in the light of Islamic teachings. Whereas, the analysis of the ideologies in modern economics seems to give more importance to human benefits and joy. One can use any path to achieve them. No boundary has been set. This is the main difference found in Islamic teachings and modern economic principles.

The difference is evident from the above argument that in economic principles, the materialistic approach is dominant. They bear no moral or religious restrictions whereas Hanafis' point of view following the Islamic teachings is quite clear and comprehensive.

### **Comparison in demand:**

The laws of demand and supply are known as the foundation of economics. The demand of products in the market depends on prices, customers' need and their purchase power. The prices greatly affect the demand of products. With the decrease in the prices of products, the ratio of their purchase increases. The customers have the right to select the products and buy them at a reasonable price. That's why markups in the prices influence the demand of products. If the variation in the prices of products affects their demand then these are called more elastic able products in economics. On the other hand, if the fluctuation in prices does not cast any impact on the demand then such products are called less elastic able.

This similarity factor is prominent in the law of demand presented by Hanafis and modern economics. A man's demand of basic necessities is natural. No doubt, fluctuation in prices does affect the demand of products which is relative to the customers' needs. The elasticity of demand of essentials is least. The luxurious products have more elasticity. This shows the compatibility in Islamic teachings and modern economics.

There lies no concept of Halal and Haram in modern economics. An employer is set free to do any job and sell products. There are no rules defining the limits for buying and selling of good and bad

products. Contrary to that, explanation of such products is found in Hanafis' point of view whose purchase and sale is forbidden. According to this, the business of alcohol and intoxicating products is not allowed in Islam. The purchase and sale of human hair and the dead is prohibited because such things are not worth buying and selling. Thus, the difference in both the ideologies is prominent here where moral and religious rules have been specified. The second major difference lies in the elasticity of demand. According to modern economics, the elasticity of demand is determined by the importance of products in routine life. The elasticity of basic needs and luxury products is never same. In contrast, Hanafis have explained this in the light of Islamic rules. No doubt, luxury products are more elastic able but according to teachings, spending money on these falls under extravagance. Thus, one should not be attracted towards them even after the decrease in their prices as they are not mandatory for one's living. According to Islamic teachings, one should practically avoid the excessive and unnecessary expenditure of money.

### **Comparison in supply:**

The law of supply is highly significant in modern economics. It is related to the people and firms producing products. They present their products for sale in the market at a specific price. Supply is strongly related to demand as the employers prepare their products following the demand. The prices of products cast a direct impact on supply.

Hanafis have given equal importance to both customers and employers in the law of supply. On one hand, while supporting the employers they argued that the employers have the right to sell and get profit from their products. They can sell their products for whatever prices they want. On the other hand they argued that the customers' will also counts, whether he wants to pay that amount or not. This deal of sale and purchase works on the consent of both sides. Moreover, the employers are restricted from holding the supply.

The side by side analysis of modern economics and Fiqh Hanafi's principles shows their agreement on one point where both give arguments in the favor of employers. They are agreed on the fact that the employers should be set free to sell their products at their custom value because the main object of business is profit. The expenses needed for the preparation of goods, their prices and profits are

already clear in the employer's mind and they are supplied to the market after final estimation.

Al Shaykh Ahmad Raza has made it clear in his book that no doubt the employer is the owner of his product and can charge the custom price for it but the condition applies if the buyer is ready to pay that amount which follows the Holy verse of Quran as,

“Muslims are not allowed to take over each other's possessions illegally.”

This order is applied on both the buyer and seller. In the light of this saying, it is not just of the salesman to take advantage of the customer's helplessness. Al Shaykh Ahmad Raza explains this with the example of a stamp paper whose purchase is compulsive because no claims are acceptable if written on an ordinary paper. So their demand and purchase is forced. The contemporary situation of stamp paper is still the same.

1. In the law of supply, the employers reduce the supply of products as compared to their demand. The employers store the products bearing in mind their prices and quantity and cause shortage intentionally to earn benefits which results in the decreased supply than demand. A firm is independent in this case. The little supply in the market increases its demand among the people which makes them pay a heavy price for it. Modern economics does not have any law or rule that provides guidance in this matter but Al Shaykh Ahmad Raza has declared it forbidden in the light of Islamic teachings. If this act of employer is the source of peoples' distress then it is wrong. It is prohibited to stock products intentionally.

Thus we can conclude that partial economic principles hold great significance, which examine the individual behaviors of a person. Human needs and laws of demand and supply have a strong relationship. Fiqh Hanafi has explained the rights and wrongs by analyzing the laws and principles of partial economics in the light of Islamic teachings.

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