

## **ISLAMIC SYSTEM OF PRODUCTION AND CONSUMPTION: A GUIDE FOR MUSLIM ENTREPRENEURS**

**Omar Javaid<sup>1</sup>**

<sup>1</sup>College of Business Management, Institute of Business Management.

### **ABSTRACT**

The purpose of the paper is to create a walkthrough description of system of production and consumption (SPC) grounded in the metaphysical foundations of Islam. The paper uses Schumacher's framework of describing an economic system in compliance with the meta-physical position of an ideology. The said framework is used to create a brief sketch of the SPC compliant to the meta-physical position of Islam. The findings suggests that the Islamic SPC is organized around the goal of maximizing well-being of all stakeholders as advocated by the teachings of Islam, while the wealth created is used as a means for that purpose. Hence the family and community driven guild systems may come closer to the model sketched in this paper. The sketch presented in this paper is limited to the features highlighted in Schumacher's work. A similar comparison can be drawn about other features of the system not discussed in this paper. The paper will guide the Muslim-entrepreneurs to take Islamic-economic-system from theoretical abstraction to its implementable blueprint and toward developing a more holistic alternative to modern capitalist system of production, consumption, and finance.

**Keywords:** *Islamic-economics, system of production, system of consumption, employee wellbeing, environmental sustainability.*

## **SISTEM PENGELUARAN DAN PENGGUNAAN SECARA ISLAMIK : PANDUAN BAGI USAHAWAN MUSLIM**

### **ABSTRAK**

Tujuan kajian ini adalah untuk mencipta penerangan tentang sistem pengeluaran dan penggunaan (SPC) berdasarkan asas metafizik Islam. Makalah ini menggunakan rangka Schumacher untuk menerangkan sistem ekonomi dengan mematuhi kedudukan meta-fizikal ideologi. Rangka kerja tersebut digunakan untuk membuat lakaran ringkas SPC yang mematuhi kedudukan meta-fizikal Islam. Hasil kajian ini menunjukkan bahawa SPC secara Islam dianjurkan di sekitar matlamat untuk memaksimumkan kesejahteraan semua pihak berkepentingan sebagaimana yang dianjurkan oleh ajaran Islam, manakala kekayaan yang diciptakan digunakan sebagai sarana untuk tujuan itu. Oleh itu, sistem persatuan yang dipandu oleh keluarga dan komuniti boleh mendekati model yang dilukis dalam kajian ini. Lakaran yang dibentangkan dalam makalah ini adalah terhadap kepada ciri-ciri yang diketengahkan dalam karya Schumacher. Perbandingan yang sama boleh digambarkan tentang ciri-ciri lain sistem yang tidak dibincangkan dalam kajian ini. Makalah ini akan membimbing para usahawan Muslim untuk mengambil sistem ekonomi Islam dari abstraksi teori kepada pelan tindakan yang boleh dilaksanakan dan ke arah membangunkan alternatif yang lebih holistik kepada sistem pengeluaran, penggunaan, dan kewangan kapitalis moden.

**Kata kunci :** *ekonomi Islam, sistem pengeluaran, sistem penggunaan, kesejahteraan pekerja, kemampunan alam sekitar.*

### **INTRODUCTION**

The paper intends to describe a walkthrough description of the system of production and consumption (SPC) for Muslim-entrepreneurs in an Islamic-society. There is an absence of a clear picture of an Islamic SPC in extant literature which could explain how it would appear if one walk through its supply-chain from the farm or mines to the end-user, and then move further to the garbage-dump. The difference of an Islamic SPC from its western counterpart is also absent in extant literature. The extant literature, however, does provide an abstract description of the system. Choudhury (1992), for example, have articulated an econometric-model explaining the interrelation between the functions of production, consumption and investment.

The concerned literature rather focus extensively on Islamizing the banking-system instead of Islamization of the SPC. This scholarly void raises several questions: should the capitalist-industrial-complex – evolved to facilitate the production and consumption requirements of a capitalist society – also be considered naturally compliant with the spirit of an Islamic-society? And while Islamizing the modern-banking-system, while ignoring the broader SPC where the banking system exists, shall we assume that the economy as a whole would also be transmogrified as per the ethos-of-Islam? What directions Muslim-entrepreneurs would require while establishing ventures? For example, how Muslim-entrepreneurs would manage their workforce, what kind of work-environment would exists inside a business, what would be the nature of relationship with stakeholders, how the production system would impact the wellbeing of the society and ecosystem?

To answer these questions this paper will first explain the Schumacher's method of comparing economic systems while complementing it with the works of other scholars. The next section will use examples from Schumacher's work to sketch how the SPC would look like in an Islamic-economy in contrast to its Buddhist and materialist counterpart. The following section would then discuss the implications of the analysis in this paper for the project of Islamization of economics and finance. The last section would conclude.

## METHODOLOGY

Schumacher’s framework provides a tool to compare the meta-normative foundations and practical manifestations of two or more economic-models (Schumacher, 1973). Schumacher has explained the framework through Buddhist philosophy while comparing it with materialist philosophy of modern economics. He suggests that his choice of Buddhist philosophy is “purely incidental; the teachings of Christianity, Islam, or Judaism could have been used just as well as those of any other of the great Eastern traditions” (Schumacher, 1973, p. 55). In this context, Schumacher’s framework provides a means to understand an institutional-design with its metaphysical foundations. Schumacher (1973) argues for understanding western economics by first dwelling into its “meta-economics”. Meta-economics refers to the axiomatic ideas about the nature of man, the nature of reality in which he exists and the methods to discover the truth.

Schumacher then explains how the axiomatic ideas of western-materialism has dominated the western-economic-thought, and its practical application. In his view, economic concepts related to the scope and design of production activity, the purpose of consumption, the position and role of labor in the system of production, just to mention a few, will all be shaped by axiomatic or meta-economic ideas. Schumacher gives the example of how Buddhist philosophy would shape the production system (including the firm design and the marks as a whole) as opposed to western-materialist-philosophy (more details in section 3). Figure 1 illustrates different levels of comparison in Schumacher’s framework.

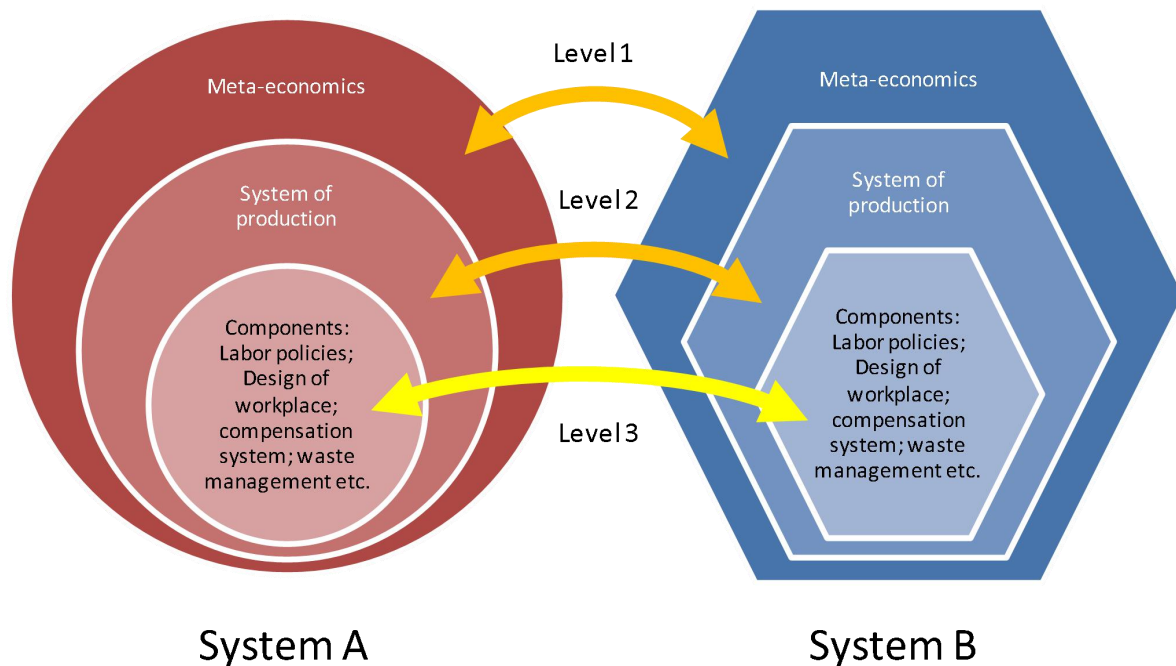


Figure 1: Schumacher's framework of comparing economic systems

Mokyr (2010) has also acknowledged that market-institutions are shaped by “accepted codes of behavior, patterns of beliefs, trust relations, and similar social patterns” (p. 184) which he referred as meta-institutions. Evidence from Islamic history also suggests that the market order – since the advent of Islamic socioeconomic and political system – has been shaped and evolved under the influence of Islamic patterns of beliefs, values and ideals (Javaid, 2015a, 2015b). Grief (1994) suggests that two sets of institutions grounded in two unique sets of metaphysical ideas can be expected to evolve in distinct ways, and cannot be expected to substitute each other in their respective societies.

## ISLAMIC SYSTEM OF PRODUCTION AND CONSUMPTION AS PER SCHUMACHER'S FRAMEWORK

The list of feature of an SPC discussed by Schumacher is not exhaustive. These include (a) working conditions for labors, (b) question of unemployment, (c) question of globalization vs. self-sufficiency, (d) nature of consumption, and (e) impact of an SPC on the environment. The design of an SPC is sketched while discussing only the respective features. Hence this paper limits the discussion of the Islamic alternative to the features listed above.

### System of Production

'Production' is typically defined as a process of converting raw material into finished goods while using man, machine, material and money (Tanenbaum & Holstein, 1998). Production in a capitalist system is meant to maximize the returns-on-investment, while man, machine and material are used as factors of production. Marx (1887) used the expression M-C-M' (where  $M' > M$ ; M = Money) to explain the process of production in capitalist system and C-M-C' (where  $C' \neq C$ ; C = Commodity) to explain the process in a traditional market. Marx suggested that in a capitalist system, production is done to maximize profits, whereas in the traditional one it was done to satisfy human consumption where the money only served as a medium of exchange. After industrial revolution conversion of a labor into a factor of production, to maximize *return on investment*, resulted in gross violation of their fundamental rights (Polanyi, 1944). Considering money and goods more important than human beings in the capitalist system of production is perhaps what provoked Schumacher to begin his discussion with position of labor in the system of production.

### Position of Labor

Schumacher (1973) argues that a labor in a capitalist system is an "item of cost, to be reduced to a minimum if it cannot be eliminated altogether, say, by automation" (p. 58). The work is also designed in a way that labor "is a 'disutility'; to work is to make a sacrifice of one's leisure and comfort, and wages are a kind of compensation for the sacrifice" (p. 58). This creates an antagonism between an employee and an employer who intends to have "output without employees" while the employee on the other hand desire to "have income without employment" (p. 58). In contrast, Schumacher suggests the from Buddhist viewpoint "the function of work [is] to be at least threefold", that is:

"[a] To give a man a chance to utilize and develop his faculties; [b] to enable him to overcome his ego-centeredness by joining with other people in a common task; and [c] to bring forth the goods and services needed for a becoming existence." (p. 58)

If we agree with the Buddhist viewpoint on *work* then in Schumacher's view organizing *work* in a way which goes against the aforementioned functions is criminal:

"work in such a manner that it becomes meaningless, boring, stultifying, or nerve-racking for the worker would be little short of criminal: it would indicate a greater concern with goods than with people, an evil lack of compassion and a soul-destroying degree of attachment to the most primitive side of this worldly existence" (p. 58)

On the contrary:

"Buddhist sees the essence of civilization not in a multiplication of wants but in the purification of human character. Character, at the same time, is formed primarily by a man's work. And work, properly conducted in conditions of human dignity and freedom, blesses those who do it and equally their products" (p. 59)

*Islamic alternative:* The antagonism between the employer and the employed, as found in materialist economic paradigm, would also be implausible as per Islamic perspective. The goal of production in capitalism is to maximize profitability for the capitalist, for which the labor is reduced

to a factor of production, a means in the process of manufacturing of goods (Aydin, 2015). Contrarily, it is obligatory for a Muslim head of a family to make a living through *halal* (legitimate) means.

A Muslim is required to become economically independent and able to contribute in the lives of others, while ensuring the spiritual, psychological and physiological wellbeing of his dependents. However, if a he or she has enough means to fulfill personal and social obligation, then it is not mandatory (neither impermissible) for him or her to work; it would be rather recommended that he or she may utilize the spare time in spiritual development.

Any form of work which distances a person from the true purpose of creation and his or her obligations, shall be avoided. For example, it has been documented that bureaucratic system of management can pressurize a person to shift moral values for the sake of securing a job or growth prospects (Javaid & Suri, 2016). Jackall (1983) notes:

“In the bureaucratic world, one’s success, one’s sign of election, no longer depends on one’s own efforts and on an inscrutable God but on the capriciousness of one’s superiors and the market ... Men and women in bureaucracies ... fashion specific situational moralities for specific significant people in their worlds.” (p. 130)

Furthermore mass producing factory system or assembly lines dehumanizes its workers through the content of work and the atmosphere within the factory. The use of sweat-shops in third world countries by global brands is a well-documented phenomenon. In sweat-shops the labor are expected to work in such mentally and physically stressful conditions and polluted environments that their intellectual, psychological and physiological wellbeing is typically compromised (Bakan, 2004; Morgan, 2015).-

Such a form of organization of work cannot be justified from Islamic perspective (Qur’an, Al-Qisas, verse 77). It would rather be obligatory for employers to create an environment for their employees or subordinates which enables them to fulfill their obligations toward Deen, family, community, and self (Javaid & Hassan, 2013). For that matter a review of Islamic history suggests that family driven guilds were a popular form of business organization, where the members of a family or extended family typically worked together in a family like environment, while understanding each other’s spiritual, personal and social needs (Javaid, 2015b). So the work environment may allow the employees to spend time in the masjid, spend time with their family members, may economically enable each person to sustain the dependents and allow them to contribute to charitable causes in their community (Nadvi, 2005).

From an Islamic viewpoint the employee and the employer would prefer something for the other which they would for themselves. Transformation of a Muslim worker as a means of production is an insult to his ontological position as described in Islam. This can be avoidable in family oriented guild system, for example, where the relationship between the employer and the employed may also be social and spiritual at the same time, as the employee might be a member of employers immediate or extended family and would pray along his side in the Masjid as well (Javaid, 2015b). Such an atmosphere is unlikely in a rationalistic-bureaucratic system of management, which is typically used by mega corporations of the capitalist world (Javaid & Suri, 2016). In a family driven business the even a non-family member, even a non-Muslim may also be treated like a family member. Thus a business with a family like environment would be preferred from an Islamic viewpoint. Islamic system of production, it has been suggested, would:

“encourage organization of production by making workers partners rather than mere wage earners. Thus it spreads the base of wealth widely. The possibility of the global corporation emerging in the Islamic system is considerably minimized. The Islamic system perceives that the economy will be dominated by a large number of small or medium-size firms which compete and cooperate with one another.” (Khan, 1991)

### **Unemployment vs. Full-employment**

Schumacher (1973) argues that work can be a source of “nourishing and enlivening” (p. 59) which would make a person “desperate” if it’s taken from him. Contrarily, modern economists would rather debate whether “full employment 'pays' or whether it might be more 'economic' to run an economy at

less than full employment so as to ensure a greater mobility of labor, a better stability of wages, and so forth” (Schumacher, 1973, p. 59). The fundamental criterion of a modern economist is “simply the total quantity of goods produced during a given period of time.” (p. 59). Schumacher argues against considering goods more “important than people and consumption as more important than creative activity”, as it is like “shifting the emphasis from the worker to the product of work, that is, from the human to the sub-human, surrender to the forces of evil.” (p. 60)

*Islamic alternative:* The policy of maintaining some level of unemployment is absurd from Islamic viewpoint, since it is mandatory for able bodied Muslims to keep themselves and their dependents away from a life of destitute where they have to resort to beggary to survive (Nyazee, 2002). Like Buddhism Islam would also argue against any economic idea which would create an excuse to keep a certain number of people unemployed, as the goal is not to maximize returns for the capitalist or maximization of production and consumption of goods in an economy. It would be criminal to deny the opportunity to work to a certain number of able bodied people so that affluent class can accumulate more wealth. To let able bodied people to deliberately live a life of destitute or dependent on the social support system, while ignoring their potential, would be nothing short of injustice, and cannot be justified from an Islamic perspective.

Prophet’s ﷺ teachings also advocate self-employment, which allows greater self-autonomy in terms of how much time one should spend in the market, with his family or in the mosque etc. In fact the Holy Qur’an suggest that Allah ﷻ is the provider of sustenance (Qur’an, Surah Jummah, verse 10) which one can experience better when self-employed. Since Islam discourages extravagant lifestyle, rather advocate for a simplistic one hence income which is enough for one’s personal and family’s basic survival is what one can strive for through legitimate means. Contrarily, the idea of full employment becomes a fantasy in context of materialist economic paradigm, which assumes employment to be an expense on the balance sheet of a business, particularly when the affluent class prioritizes to accumulate more capital instead of voluntarily participating in distributing their fortune. Alternatively, society organized in the form of multiple self-sustainable communities possessing a culture of simplicity and self-reliance, where production is more of a house hold phenomenon, achieving full-engagement of the able bodied men and women may not be a fantasy. This claim can be substantiated by historical evidence from the communities prevalent across the Muslim and non-Muslim world (Egbert, 1998; Levin, 1974; Polanyi, 1944).

### **Globalized system of production**

Schumacher (1973) argues that “people who live in highly self-sufficient local communities are less likely to get involved in large-scale violence than people whose existence depends on world-wide systems of trade” (p. 62). This makes “production from local resources for local needs ... the most rational way of economic life” (p. 62) as per Buddhist paradigm. On the contrary, “dependence on imports from afar and the consequent need to produce for export to unknown and distant peoples is highly uneconomic and justifiable only in exceptional cases and on a small scale” (p. 62). Modern economics on the other hand, in Schumacher’s perspective, “tends to take statistics showing an increase in the number of ton/miles per head of the population carried by a country’s transport system as proof of economic progress” (p. 62). From the perspective of Buddhist paradigm, “the same statistics would indicate a highly undesirable deterioration in the pattern of consumption.” (p. 62)

*Islamic alternative:* The idea of selling products to distant parts of the world, while ignoring the local needs, merely for the sake of maximizing profits, goes against the teachings of Islam. Every individual, from an Islamic viewpoint, is responsible first for his or her family, then for extended family or relatives, then for neighbors, community, society and then humanity (Qur’an, An-Nisa, verse 36). Islamic principles of neighborhood cannot allow production process to be outsourced to a distant location offering cheap labor, and products to be sold to another distant location where it is most profitable while the manpower and consumers within one’s family, neighbors and community remains deprived. Local production to satisfy the needs of local consumer employing local labor organized in family based guild system (or small and medium enterprises) seems appropriate from the perspective of Islamic-economic-paradigm in comparison to a globalized SPC.

It has been observed that the geographical distance between the business owners and the labor often leads to abuse of labor rights particularly when the capitalist aspire for profit maximization

(Morgan, 2015). The shareholders cannot be expected to know about the personal lives of the worker employed in another country (Bakan, 2004), subsequently making it much easier for them to compromise the wellbeing of the labor for the sake of their own interest. Same is true for the relationship of a firm with its consumer, which distances itself from the long term impact of its products on the lives of consumers invisible to its shareholders (Besser & Jarnagin, 2010).

In this context, the local products would be preferred over imported products by a Muslim consumer, and local customer and supplier would be preferred instead of a foreigner in a distant land by a Muslim producer. Since the Muslim community may typically opt for a simple-need-based lifestyle hence only items which are necessary for survival but could not be manufactured locally will be imported from other places. So the import and export of the items from one place to another would naturally be need driven. Likewise, any surplus items left after the meeting the local requirements will be exported or donated to other locations as and when required. This is contrary to the logic of the contemporary global order where a producer often prefers to export products to distant places to maximize returns on investment even if there is a shortage in the local market. Such logic goes against the Islamic principle of prioritizing the wellbeing of the people in one's neighbor and community.

## **Consumption**

According to Schumacher (1973) the central idea of Buddhist economics is "simplicity and non-violence ... amazingly small means leading to extraordinarily satisfactory results." (p. 60). On the contrary, this is difficult to understand from the viewpoint of modern economics. Standard of living is rather measured by the "amount of annual consumption" (p. 60). Modern economists assumes that "a man who consumes more is 'better off' than a man who consumes less." (p. 60). Such an approach is meaningless from Buddhist viewpoint which considers consumption as an instrument to maximize human well-being using least amount of resources.

*Islamic alternative:* The simple lifestyle adopted by Prophet ﷺ and his companions teaches Muslims to consume only to satisfy one's needs. A community, where everyone's focus is on their needs while surplus is used to help the poor, would have enough for everyone's economic sustenance, unless everyone is poor. If there are affluent Muslims in such a community, who prefer a simple lifestyle, would actively participate to uplift the deserving population, as prescribed by the teachings of Islam (Nadvi, 2005). The individualistic – resource intensive lifestyle – advocated by the materialist philosophy, which encourage every individual to compete with others to maximize his or her self-interest while assuming that the planet has scarce resources (Aydin, 2015), cannot create a society where poverty is eradicated (Polanyi, 1944). From an Islamic perspective deliberate indulgence in competition for materialist affluence can most likely lead a person astray. In such a pursuit a person is susceptible of forgetting about the Day of Judgment thus can violate the *hudoos* (limits) of permissible action set by Islam. Qur'an explains

"Competition in [worldly] increase diverts you. Until you visit the graveyards. No! You are going to know. Then no! You are going to know. No! If you only knew with knowledge of certainty. You will surely see the Hellfire. Then you will surely see it with the eye of certainty. Then you will surely be asked that Day about pleasure." (Qur'an, At-takathur)

Islam does not prohibit one from becoming rich; in fact various companions of Prophet ﷺ were wealthy but perhaps not hungry for more wealth, neither they opted for a luxurious lifestyle. They also frequently gave away their extra wealth as prescribed by the teachings of Islam. Quran even refers excessive wealth as a test from Allah s.w.t (Qur'an, al-Taghabun, verse 15), as those who have more are required to spend on the protection and propagation of Islam and to help the needy segment of the society (Qur'an, Al-Anfal, verse 2-4). Once all the social and religious obligations are met, Islam does not prohibit spending to maintain a comfortable lifestyle; however, avoiding any extravagance is preferred. A frugal lifestyle and sharing culture, as advocated by many religions including Islam, would cultivate an environment where class consciousness and feeling of deprivation or neglect among the poor would be unlikely. The extent of production activity would be limited leading to sustainability of the natural environment as well.

## **Question of sustainability of consumption**

Schumacher (1973) explains that the “teaching of the Buddha ... enjoins a reverent and nonviolent attitude not only to all sentient beings but also, with great emphasis, to trees.” (p. 63). Contrarily, from the modern economics’ perspective, reducing costs to maximizing returns is the sole criterion:

“Modern economics does not distinguish between renewable and nonrenewable materials, as its very method is to equalize and quantify everything by means of a money price ... The cheapest [are] automatically the one to be preferred, as to do otherwise would be irrational and 'uneconomic'.”(p. 64)

From Buddhist perspective, exploitation of nature in an unsustainable way for the sake of maximizing returns would be “an act of violence” while the population whose extravagance is based on consuming “non-renewable fuels is living parasitically” (Schumacher, 1973, p. 64). Such an act of exploitation of non-renewable energy sources can lead to violence between men as well. Schumacher explains:

“As the world's resources of non-renewable fuels – coal, oil and natural gas – are exceedingly unevenly distributed over the globe and undoubtedly limited in quantity, it is clear that their exploitation at an ever-increasing rate is an act of violence against nature which must almost inevitably lead to violence between men.” (p. 64 – 65)

*Islamic perspective:* It is a well-established fact that extreme weather conditions and destruction of the ecosystem is a product of industrialization driven by meta-economic ideas of materialism (Klien, 2015). Such destruction is not justified by any religious or non-religious ideology except the one which considers – exploitation of natural resources for the sake of profit maximization – more important than any other goal. Could there be any justification from an Islamic perspective to willingly contribute in the growth of an economic system which has produced such disastrous results? Quran on the contrary suggests:

“He raised the heaven and established the balance so that you would not transgress the balance. Give just weight – do not skimp in the balance. He laid out the earth for all living creatures.” (Qur’an, Ar-Rehman, verse 7-10)

For example, the rise in carbon dioxide levels in the atmosphere due to burning of fossil fuels, emission of greenhouse gases from landfills and industrial farming techniques (EPA, 2015), is clearly against the Quranic injunction of maintaining the natural equilibrium of the life support system of this planet (Khalid et al., 2015). It is known that the disruption of the natural equilibrium has been a result of the ideology which legitimizes the use of natural resources not to satisfy needs, rather to fulfill ever increasing desire of a modern hedonistic man (Aydin, 2015). Countries are ranked according to their GDP which is a measure of the value of items produced, while much of the production is typically meant to satisfy the wants of consumers. The extent of extravagance in the consumption by developed nations can be imagined from the fact that if only India’s population attempts to increase their lifestyle equal to an average American, the entire planet do not even have one-fourth of resources required for that matter (Sachs, 2010; Thiel & Masters, 2014; Wackernagel, Kitzes, Moran, Goldfinger, & Thomas, 2006). Quran clearly goes against the extravagant use of the resources bestowed by the Creator of this universe:

“It is He who produces gardens, both cultivated and wild, and palm trees and crops of diverse kinds and olives and pomegranates both similar and dissimilar. Eat of their fruits when they bear fruit and pay their dues on the day of their harvest, and do not be profligate. He does not love the profligate” (Qur’an, Al-An‘âm, verse 141).

In this context, the ever increasing GDP (a sign of increase in production) and consumption patterns of a country being achieved in an environmentally unsustainable way cannot be an acceptable measure of progress from a rational way of thinking, let alone from an Islamic perspective. It needs to be noted that production cannot be reduced unless there is an analogous demand of consumption. If most of Americans (or Muslims in affluent Muslim countries) demand products which require cutting down entire forests then the economy has to provide what is desired by the populations. The economic



activity which is generated as a result of such a destruction of biosphere is often regarded as a measure of economic growth in context of the meta-economic paradigm of materialism. Unsustainable consumption can be considered as the other side of the unsustainable of means of production. Unsustainable consumption may happen when the life of extravagance is normalized.

Such a lifestyle stands in contrast to the extravagance-free lifestyle adopted by the companions of Prophet ﷺ, hence the measure of progress from an Islamic viewpoint would stand in opposition to the measures used by materialist economic paradigm. As Schumacher argued, Buddhist way of seeing progress would be to maximize individual's wellbeing through the least amount of resources. From an Islamic perspective an individual's wellbeing would be maximized through the nourishment of one's soul, enrichment of relationship with family and community; while nourishment of one's body would be seen as a means toward spiritual and social goals, likewise wealth would be a means toward the same. Accomplishment of such goals by every Muslim in an Islamic community would perhaps be measured by how fewer resources are utilized for that matter in a sustainable way. The production and consumption system in Islam would stand in contrast to its western counterpart, and in balance with the ecosystem of the planet. Participating directly or financing any production activity which is socially and environmentally unsustainable, should be out of question from an Islamic perspective. Figure 2 summaries the discussion done in this section.

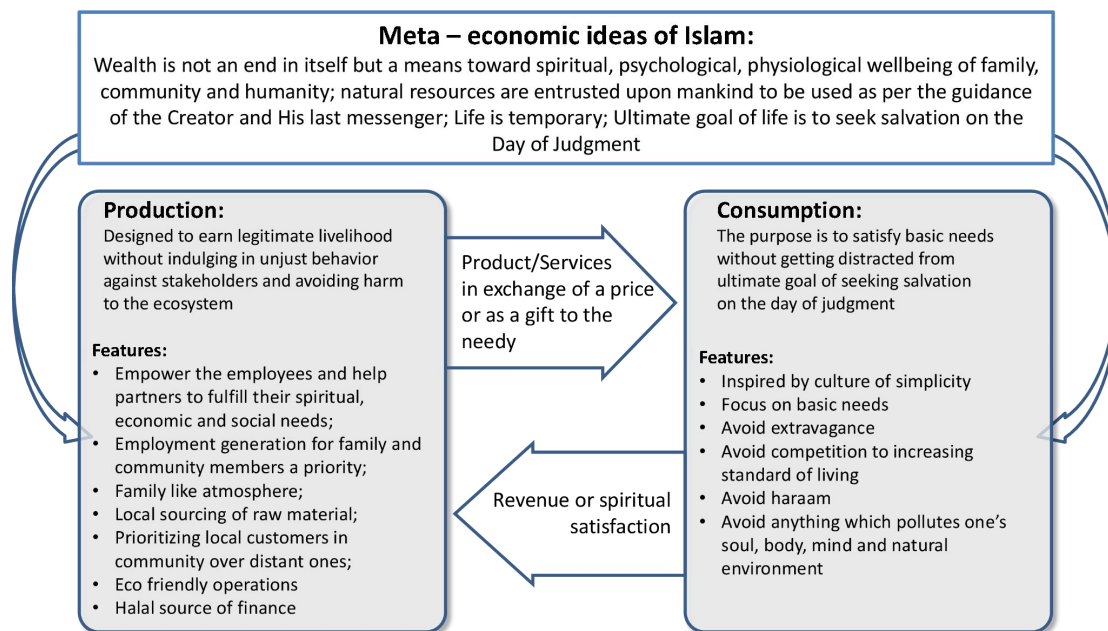


Figure 2: Possible features of Islamic SPC as discussed in section 3

## IMPLICATIONS FOR THE ISLAMIZATION PROJECT

Today Islamic finance industry, in the name of establishing an Islamic-economic-system, is rather fueling an SPC used by contemporary entrepreneurs which is unsustainable conforms to a materialist viewpoint. To change the direction of the economy through Islamization of only the banking system, while ignoring the SPC, is perhaps like trying to change the direction of an automobile by changing the direction of a trolley being pulled by the automobile. The consequences of providing products, energy and infrastructure through socially and environmentally unsustainable SPC for the sake of exclusively maximizing shareholders value cannot be warranted by teachings of Islam. In this context, how the growth of Islamic finance industry can justify the negative externalities of its primary beneficiaries, that is, modern SPC. These externalities include destruction of the ecosystem, “collapse of the rural economy ... rising tide of unemployment in town and country, and the growth of a city proletariat without nourishment for either body or soul” (Schumacher, 1973, p. 65). Review of recent literature also points toward a similar scenario (Goldsmith, Khor, Norberg-Hodge, & Shiva, 1995; Jaffe & Quark, 2006; Sachs, 2010)

If such externalities are not justified from Islamic viewpoint, then what measures are being taken to guide Muslim entrepreneurs, currently using capitalist methods, to transform the SPC currently in use in the Muslim world? The modern banking system was invented to facilitate the growing liquidity requirements of rapid industrialization happening in England and other European countries (Sombart, 1911; Wennerlind, 2011). This implies that a transformation in the SPC would also subsequently transform a financial system designed to serve the capitalist SPC. Such a transformation is also necessary keeping in view the colossal incompatibility of modern system of production and consumption with the ethos of Islam. This gap opens the possibility of future research on the subject and subsequent real life experimentation to test the efficacy of an Islamic SPC. Some research questions to guide future research are as follows:

1. What kind of sociocultural order would be required to practice such an SPC? Is there a facilitative sociocultural order for an Islamic SPC already present in the Muslim world?
2. Or are there any entrepreneurial communities and markets in contemporary world, within or outside the Muslim world, where family and community needs – like employment generation and production to meet basic consumption requirements – are prioritize by producers? What are the key characteristics of such communities?
3. Would it be possible to introduce an Islamic SPC without transforming the society whose needs it ought to serve or a wider social transformation in family and community life is necessary for practicing an Islamic SPC?
4. Would it be possible via Islamization of financial institutions to bring about such a sociocultural change, or preserve an already existing sociocultural order where an Islamic SPC would naturally fit in? If not then what alternative strategies would be required to either create or preserve an existing sociocultural order from the influence of materialist values?

## **CONCLUSION**

This paper attempts to present a walkthrough description grounded in the meta-economic paradigm of Islam. The papers explain how some aspects of Islamic SPC would look like in real life in contrast to its modern counterpart. Schumacher's framework for used for this purpose. It was shown that drawing the system's sketch on the meta-economic template would enable the concerned to clearly contrast and appreciate the differentiating features of an Islamic alternative. This article do not claim to have provided all the necessary details to establish the respective system, however, it provides a way forward to the coming generation of Islamic economist and Muslim-entrepreneurs to understand the necessary details of a system capable of delivering results as aspired by teachings of Qur'an and Sunnah. These results may not be achieved by mere attempts to make modern financial institutions shariah compliant. Having clarity in that sense will perhaps allow the concerned scholars to appreciate those market segments within Muslim societies which come closer to the described alternative of SPC. This may also enable Muslim-entrepreneurs and concerned scholars to divert their energies away from adopting the capitalist SPC and rather invest their focus toward creating and preserving holistic socioeconomic alternatives in Muslim societies.

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