2. Wealth from the *shariah* perspective

Mohamed A. Gadhoum

INTRODUCTION

The aim of this chapter is to clarify the meaning of wealth as interpreted by contemporary *shariah* scholars in the context of modern times. From the Islamic point of view, all resources, therefore wealth, belong to their Creator,[1] Who has provided these resources to mankind[2] with the expectation that they would be held in trust.[3] Humanity will be accountable for the manner in which wealth is created, amassed and distributed, which is a fundamental tenet of Islam.[4]

However, there are different interpretations of the concept of wealth in mainstream economics and in Islamic wealth management. These differences create varied perceptions about wealth-related issues such as property rights, ownership, wealth accumulation and wealth management: there is also the idea of permissible wealth creation, which introduces the concept of purification of wealth, if wealth had been acquired wrongly. This chapter deliberates on the issue of wealth from the perspective of the current view or consensus of scholars of Islamic jurisprudence as interpretations of the belief system that started 1437 years ago. We will make references to the two sources of the *shariah* namely the Quran and

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1 'To Him (God) belongs all that is in the heavens and all that is on the earth, and all that is between them, and all that is under the soil.' The Quran further says, 'and give them something out of the wealth that God has bestowed upon you' Quran 24: 33. It is also customary to insert 'swt' after each mention of the word God. For brevity, this acronym is left out in further parts of the text, except at the start of the chapter.

2 'And He has subjected to you whatever is in the heavens and whatever is on the earth – all from Him. Indeed in that are signs for a people who give thought' (Quran 45: 13).

3 'Indeed, We offered the Trust to the heavens and the earth and the mountains, and they declined to bear it and feared it; but man [undertook to] bear it. Indeed, he was unjust and ignorant' (Quran 33: 72).

4 'The two legs of the servant (men) will be immovable until he is asked with regards to four matters: during his lifetime, how was it utilized, during his younger days how was it spent, with regards to his property, where (how) did he acquire it and how was it spent and lastly, to what extent did he practice his acquired knowledge'. According to the Hadith reported by Al-Tirmithi (2416), each individual will be asked this on the day of judgement.

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that of the sayings of Islam's Prophet (Sunnah) as the authentic verified guidelines of Islam.

In mainstream economics, wealth is defined by quantitative measurements of one's material possessions (please refer to Chapters 1 and 3 for a detailed discussion). From the Islamic perspective, the concept of wealth comprises material assets such as money, real estate, and the like, while non-material assets are those referred to as intellectual capital, copyright, and the like, all of which show commonality with the modern meaning of wealth.[5] Some interpreters also mention the spiritual wealth acquired by means of being able to spend material wealth to benefit in the spiritual dimension.

More interestingly as relevant to the current discussion, Islam includes another form of wealth broadly defined as spiritual-cum-salvation wealth. It is not necessary that spiritual wealth and salvation wealth be based on well-spent physical wealth. Spiritual-cum-salvation wealth is also from all-beneficial God. Thus, one needs to also understand wealth as both physical and spiritual wealth, and these are tied together in order to seek salvation through seeking both types of wealth during one's lifetime. This complicates Islamic wealth management in ways not familiar to the conventional man.

In order to clarify the Islamic concept of wealth, we shall refer to the main Islamic source of knowledge and interpretation, the Quran. The writer will strive to explain these two dimensions in the next two sections before explaining how wealth is to be distributed while the wealth-holder is alive and how it is distributed after the wealth-holder is no longer alive.

THE CONCEPT OF WEALTH IN THE QURAN

From the *shariah* perspective, wealth is perceived in the physical and the spiritual form. The physical form manifests itself through the possession of tangible assets or even intellectual property, which is known as *maal*, meaning wealth. The spiritual form comprises the knowledge and virtue that an individual acquires in his/her lifetime, and then applies in beneficial acts for society. The Islamic scripture describes wealth both implicitly and explicitly using the Arabic terms *mal*[6] or *rizq*[7] or *mata'*.[8] Further refer-

[5] Yahaya Jusoh and Azhar Muhammad. *Interaksi Harta Dalam Al-Quran*. Penerbit Universiti Teknologi Malaysia, Skudai, Johor, Malaysia, 2005.
[6] The Quran 104: 1–4.
[7] The Quran 2: 212; 3: 37; 5: 88; 10: 59; and 11: 6.
[8] The Quran 3: 14; 10: 70; 16: 80; 26: 80.

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ences will be made to specific verses in the Quran to explain wealth from the *shariah* perspective in the following sections.

The Spiritual Dimension of Wealth

Man was created from a combination of dust (common clay, as also mentioned in the same source, and even in some revelations-based religions such as Christianity) and divine spirit,[9] the soul. As such, man has both physical and spiritual needs that too often are not in synchronization with each other. Mainstream secular economics focuses on the mundane needs or material aspects based on logical deduction from observable facts, and this approach obviously ignores the spiritual component. The realm of spiritual needs is not allowed for in mainstream economics. Islamic economics strives to balance the two so as to create harmony between material and spiritual needs, as both are thought to be mutually supportive in creating a balance that promotes harmony in human actions.[10]

This is explicitly reflected in the following verses that ordain a balanced approach to achieve success (*falah*)[11] in life here and the life hereafter: God says:

> O ye who believe! Shall I lead you to a bargain that will save you from the grievous penalty? That you believe in Allah and his Messenger, and that you strive in the cause of Allah with your property and yourselves. That will be best for you if you but know. (Quran 61: 10–11)

Further:

> And it is not your wealth or your children that bring you nearer to us in position, but it is [by being] one who has believed and done righteousness. For them there will be the double reward for what they did, and they will be in the upper chambers [of paradise], safe [and secure]. (Quran 34: 37)

These verses appear to emphasize that wealth forms the foundation for spirituality through which good deeds from the use of wealth will help to achieve success and the pleasure of God. Spirituality can be reached through combination of spiritual acts (*falah*) as well as through the use

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9 The Quran 32: 6.

10 Z. Hassan and H. Lehar. *Fundamentals of Microeconomics*. Egypt: Oxford Fajar, 2011, p.86.

11 For that reason Islamic economics can be defined by: 'the subject matter that studies human behavior in relation to multiplicity of wants and scarcity of resources with alternative uses so as to maximize "falah" that is the well-being both in the present world and the hereafter'.

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of material wealth to advance good deeds. This is not to deny that there are ways of gaining spiritual wealth simply by devotional acts with no expenditure of material wealth.

Another dimension of wealth is from the intellectual-salvation perspective. Knowledge from the intellect of mankind, in all its forms, including engaging in virtuous actions using one's intellect is also considered as the food of the heart, promoting salvation for mankind. Such a combination of knowledge and virtue will lead to wealth, which is interpreted by scholars as capable of resolving the scarcity in mankind's ability to explore resources or utilize resources for the benefit of mankind. For that reason, some Islamic philosophers, such as Al-Ghazali, elevated knowledge as being superior to wealth.[12] We have witnessed how industrial revolution, digital revolution, and so on, based on knowledge, have overcome scarcity in recent centuries.

In fact, Imam Shafii explained:

> Anyone who wants this worldly life, he should have knowledge, and anyone who wants the life of the hereafter, he should have knowledge, and who wants both this life and next hereafter, he should also have knowledge.[13]

Furthermore, Ali ibn Abi Talib, in his advice to Kamil Ibn Ziyad, highlighted this very fundamental element of knowledge through a subtle comparison between money and knowledge. He argued that knowledge safeguards its owner and lasts long after man's death, whereas money has to be safeguarded by its owner.[14]

Thus, intellect that has the potential to promote knowledge is wealth. The benefits from the application of knowledge elevates man to salvation since the deeds arising from it last beyond one's lifetime, as in the case of the scientific knowledge of a person that continues to benefit long after the knowledge was created by a scientist. Intellect created the digital revolution, and this will continue to benefit mankind. So, God's provision of intellect is wealth, and its rightful application leads to salvation, which is spiritual wealth. As an end goal of wealth management, the wealth planners and managers also need knowledge, and this too is wealth that is not physical wealth.

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[12] Imam Abu Hamid Al-Ghazali. *The Revival of Religious Sciences*. Trans. Bankey Behari, Mata Krishna Satsang, India: Vrindaban, 1964.

[13] Imam Al-Nawawi. *Al-Majmou' Charih El-Mouhadhab*. El Minbarya Publishing, vol. 1, p.40.

[14] Abi Nu'aym El-Asbahani. *Hilyat El-Awliya w Tabakatu Al-Asfiya*. Lebanon (Beirut): Dar El-Fikar and Khanji Library, 1996; Abu Hamid Al-Ghazali. *Ihya 'ulum Al-Dine*. Egypt: Dar Kutub 'ilmiya, 1st edition, 1988.

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The close interdependence between wisdom, which is another aspect of intellect, and money, as a source of wealth, had been explained by the Prophet himself (pbuh)[15] who says:

> Envy is permitted only in two cases: A man to whom Allah gives wealth, and he disposes of it rightfully, and a man to whom Allah gives wisdom which he applies and teaches it.[16]

There is also the economic concept of wealth purification and cleansing in some of the scriptural verses. In such verses, humans are urged to look at wealth differently. Indeed, man is urged to find the nature of the link between wisdom and wealth. This explanation helps human beings to realize that by making proper use of wealth (*infaq*), God increases their wealth either materially or spiritually. This is explained in the following verse:

> Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing. (Quran 9: 103)

The verb 'to give' (*yu'ti*) is usually used to express God's bounty given to mankind. As long as this verb is used in the verse, it denotes wisdom, meaning that the latter is a bounty, which can be seen as wealth. The Prophet linked wisdom with money on several occasions, emphasizing that both are sources of bounty. For instance:

> Envy is permitted only in two cases: A man to whom Allah gives wealth, and he disposes of it rightfully, and a man to whom Allah gives wisdom which he applies and teaches it.[17]

Thus, the generic message behind the verses (Quran 2: 262–8) is to rebuild the concept of wealth in society as something beyond material wealth to include intellect-sourced knowledge and wisdom as well as salvation coming from these sources as the spiritual dimensions of wealth.

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15 'swt' and 'pbuh' are acronyms, which are a salutation made by Muslims whenever they make reference to God and the Prophet respectively. These terms are implied to be written wherever God and the Prophet occur in the rest of the book.

16 Mohamed Ibn Ismail Al-Bukhari. *Sahih Al-Bukhari*. Trans. Dr. Muhammad Muhsin Khan, KSA (Riyadh): Darussalam, 1997, vol. 2, Book of 'zakat', Hadith n. 1409, p.284–5.

17 Ibid.

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The Material Dimension of Wealth

The other dimension of wealth is its material aspect that is very attractive to the worldly nature of man. Material wealth may also be used as a means to acheive the spiritual dimension of wealth. However, the Quran repeatedly warns those who are involved in business and trading about the danger of being drawn towards the love of material gain to the extent of giving greater priority to their business than to God. God clearly seems to refer to this:

> Say, if it be that your fathers, your sons, your brothers, your mates, or your kindred, or the wealth that you have gained, the commerce in which you fear a decline, or dwellings in which you delight, are dearer to you than Allah or His Messenger, or striving in His cause, then wait until Allah brings about His decision; and Allah guides not the rebellious. (Quran 9: 24)

The insight embodied in this verse helps emphasize the importance of the spiritual level that physical wealth could provide. Spiritual wealth could easily be lost if too much emphasis is given to the material aspects of wealth. Strangely, physical wealth has extensive meaning. First of all, children (*awlad*) are described as material success on many occasions in the Quran: 8: 28; 18: 46; 64: 15 and 71: 10–12. These verses indicate that both children and money are sources of wealth in the sight of God, who says:

> Wealth and children are [but] adornment of the worldly life. (Quran 18: 46)

Sometimes, children are more valuable and much more attractive than money. For that reason, God mentions children prior to mentioning gold and silver when the verse goes on to read what mankind covets:

> Beautified for people is the love of that which they desire – of women and sons, heaped-up sums of gold and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return. (Quran 3: 14)

Many rich men deprived of having a child to continue the lineage are willing to give up all their fortune to have children:

> He gives to whom He wills female [children], and He gives to whom He wills males Or He makes them [both] males and females, and He renders whom He wills barren. Indeed, He is Knowing and Competent. (Quran 42: 49–50)

Secondly, righteous women are considered to be wealth. They are regarded as *mata'*. For instance, the Prophet said:

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> This world is but provisions, and there is no provision in this world better than a righteous wife.[18]

To conclude, the natural relationship between the two dimensions of wealth is very close. Wealth as understood and accounted for in the contemporary secular world sense is physical wealth, which, being self-explanatory, needs no further elaboration. This wealth is recognized as The Provider's gift to mankind since all physical wealth was created by the same Provider, but given to mankind in different proportions. One new dimension that Islamic wealth management needs to add to physical wealth is its potential to create spiritual wealth, that is, when it is spent in promoting goodness for mankind, be it from the intellect, virtue, or from use of physical wealth to create a just society. That may well be the purpose of wealth in a canonical sense, so it is acceptable for mankind to create, accumulate, manage and distribute wealth so long as the purpose of all these actions is to gain God's pleasure (see Chapter 1 where this very idea is expounded by the great Christian thinker, John Calvin).

Wealth is an outcome of interactions between man and his surroundings. It includes all things in heaven and on earth such as flora, fauna and the like which could facilitate a convenient life in this world. For instance, many classical scholars, such as Shafii,[19] and contemporary ones, such as Ibn Achour[20] and Al-Zaarqa,[21] adopt this point of view in their definitions of wealth.

But, wealth is not necessarily an outcome of man's effort alone. It is indeed an endowment or a gift from God, who created and who sustains the Universe. The next section discusses the distribution of wealth.

DISTRIBUTION OF WEALTH AMONG MANKIND

As per Islamic teaching, a person's wealth is an entrusted loan by God, the true Owner of all things. We are simply His trustees, appointed to use and manage God's resources for a designated time. In the Quran, we come across the phrases '*razaqnâhum*' meaning 'We have provided them', The

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18 Ibn Maja El-Qazwini. *Al-Sunan*. Lebanon (Beirut): Dar el-Ma'rifa, 1st edition, 2005, vol. 3, book 9, n. 1855. Grade: authentic source.

19 Jalal Al-Din Al-Suyouti. *El-Achbah w Annatha'r*. Syria (Damascus): Dar El-Fiqar, 2006, p.197.

20 Mohamed Al-Taher Ibn Achour. *Treatise on Maqasid Al-Shariah*. Trans. Mohamed El-Taher El-Misawi, USA: International Institute of Islamic Thought (IIIT), 2013.

21 Mustafa Al-Zarqaa. *The Introduction to the General Jurisprudence*. Syria (Damascus): Al-Fiqar, 1st edition, 1946, vol. 3, p.114.

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pronoun 'We' here is the royal 'We' referring to God as the true and only sovereign, and thus the rightful Owner of all things, including all worldly wealth.

Islam advocates a process of a just distribution of wealth where all market participants are rewarded for being exposed to risk and liability in a way to spread wealth out to the community and avoid the exclusive accumulation of wealth by a few people. Accordingly, Islam compulsorily requires a share of the produced wealth be used to pay alms (*zakat*) to the needy in order to cleanse the remainder of the holding so the surplus wealth can be invested in the real sectors of the economy. God states in the Quran:

> Moreover, give them of the wealth of God that He has given you. (24: 33)

> You shall believe in God [alone] and His Messenger! And you shall spend [charitably] out of that [wealth] over which He has made you trustees. Then [as to] those of you who have thus believed and spent, [know that] for them there is a great reward [awaiting] in the Hereafter. (Quran 57: 7)

The above verses clearly reveal the obligation to pay alms (a compulsory wealth tax paid annually) on wealth as a third pillar of Islam, which constitutes a financial levy on all surplus wealth and agricultural income. The *zakat* must be paid after ownership for longer than a specified holding period (*hawl*: one year) and is a quantified minimum amount (*nisab*) equivalent to 85 grams of gold in the case of *zakat* on money (stocks, real estate, etc.) as explained by the Prophet. The *zakat* of wealth is charged at varying rates and collected by organizations set up by the state. It is levied at the rate of 10 per cent on agricultural produce depending on the rainfall, 5 per cent on the produce of artificially irrigated cultivation and 2.5 per cent on all financial assets and stock-in-trade of businesses. Its objective is to provide financial support to specific categories of people such as the needy and the indebted. It is a major instrument for providing social security, eradicating poverty, curbing excessive income disparities and stimulating economic activity by giving a certain amount of purchasing power to the have-nots. This can be understood from the following verse that explicitly states to whom this financial levy shall be channeled:

> Charity [*zakat*] is only for the poor and the needy, and those employed to administer it, and those whose hearts are made to incline (to truth), and (to free) the captives, and those in debt, and in the way of Allah and for the wayfarer – an ordinance from Allah. And Allah is Knowing, Wise. (Quran 10: 60)

The above verse defines the eight recognized heads of expenditure, without differentiating between Muslims and non-Muslims, whose hearts are made

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to incline to the truth and are ready to listen, in a way that reflects the inclusive quality of this religion. Also, it is relevant to highlight that the seventh head, in the way of God, is left in general wording, which includes every charitable purpose. Moreover, the religious teaching requires all members of society to live in a free atmosphere, and those burdened with debt must therefore be freed of their burdens. For that reason, the debtors who took on debt for rightful purposes are among the eight heads of expenditure. This clearly shows the direct impact of the *zakat* on the recipient and on the national income of a country.

Zakat may seem to reduce wealth, but, in fact, it brings blessings and righteousness to wealth, through spiritual gains. It is not an obligation per se, but it is a spiritual purification and protection for the payer. It also augments the wealth on which one pays to God, the Exalted and Transcendent, the only Giver of wealth, and He alone increases it for whomsoever He chooses:

> Say [to them, O Prophet]: Indeed, it is my Lord [alone] who extends [abundant] provision to whomever He so wills among His servants. And He [alone] restricts [it] for whomever [He so wills]. So whatever [sum] you may spend from anything [for the sake of God], He shall replace it [for you here and reward you for it in the Hereafter]. For He is the very best of providers. (Quran 34: 39)

The Prophet said:

> Pay Zakat from your property, for, very truly, it is a purifier that purifies you. Moreover, be kind [by supporting] your [needy] relatives, and acknowledge the [charitable] rights of the poor [on you], as well as neighbors and beggars.[22]

Thus it is miserliness and non-payment of *zakat* that will deprive you of God's blessings of His wealth, and consequently put you at risk of loss and calamity.

> For blessed is whatever you give of the Zakat-Charity – desiring [only] the Face of God. For it is such as these who shall have a [much] multiplied reward. (Quran 30: 39)

Before its distribution, wealth shall be amassed from lawful sources and pure means.

However, the business environment and the state of economic affairs in the contemporary world, even within Muslim countries, cannot be free

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[22] Sayyid Sabiq. *Fiqh-us-Sunnah*. Trans. Muhammad Sa'eed Dabas and Jamal al-Din M. Zarabozo. USA: American Trust, 1991, vol. 3, n. 3.

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from questionable sources of income. Sources of income may be from borrowing and lending by way of receiving and giving interest. In other words, it is not possible for a corporation to survive without any access to basic banking services as well as the money markets. Therefore, having wealth which is mixed with tainted or impure income constitutes a real dilemma. In order to solve this problem, many investment programs have been developed in which a pivotal mechanism called cleansing is dedicated to this topic. This mechanism, namely cleansing, is not a new subject for *shariah*. The relevant verse in chapter *al Baqarah* clearly indicates that the income which originated from usury, non-*halal* activities, needs to be purified.

> And if you repent, then you shall have your principal [without interest]. Wrong not, and you shall not be wronged. (Quran 2: 279)

The Sunnah also addresses the matter of cleansing, and makes people aware of the consequences of using non-*halal* income. For instance Abu Huraira narrated that the Prophet said: 'Allah the Almighty is Good and accepts only that which is good.'[23]

Accordingly, the early Islamic scholars addressed this matter extensively. For instance, Imam Nawawi and also Subki clearly stated 'if someone knows that [his property] includes some unlawful (*haram*) wealth, but he is unsure of the amount, he should remove the *haram* part by his clear reasoning or *ijtihad*'.[24] Along with the preceding statement, we should also take note of Ibn Taymiyah and Ibn Al-Qayim, who expressed the meaning of cleansing from the *shariah* point of view.[25] The application of cleansing (purification) then could be applied to contemporary processes in the field of Islamic finance and can be regarded as a tool for the distribution of wealth.

From a *shariah* point of view, non-acceptable earnings refer primarily to interest income and incidental gains from other non-permissible sources of income, such as gains from the sale of pork or alcoholic beverages.[26] The cleansing (purification) of tainted or impure income is applied when one's investment is mixed with non-permissible earnings, which shall be chan-

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[23] Imam Muslim Ibn al Hajjaj. *Sahih Muslim*. Trans. Nasiruddin al-Khattab, KSA (Al-Riyadh): Darussalam, 2007, vol. 3, Book of zakat, Hadith n. 1014, p.57.

[24] Al Nawawi and Subki. *Al-Majmu' Sharh al-Muhadhab*. Syria (Damascus): Dar al-Fikr, vol. 9, p.482.

[25] Ahmed Ibn Taymiyyah. *Majmu' al-Fatawa*. Egypt: Dar al-Wafa', 3rd edition, 2005, vol. 5, p.74.

[26] M.A. Elgari. *Purification of Islamic Equity Funds: Methodology and Shariah Foundation*. Cambridge, MA: Fourth Harvard University Forum on Islamic Finance, 2000, p.77–80.

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neled to charity. This reveals the similarity of cleansing and *zakat* as both are regarded as a means of permitted wealth distribution.

Islamic financial institutions practice different approaches towards cleansing. While some of the banks create their own charity account for each Islamic fund, such as Al-Meezan bank and HSBC AMANAH, others donate the calculated non-permitted incomes to different charitable institutions. For instance, according to the rules adopted by BNP Paribas, the amount of dividend income so attributed will be donated once a year by the Fund to the Arab World Institute (Institut du Monde Arabe, IMA), in Paris, or any other charities with no direct or indirect benefit accruing to the Fund as decided from time to time at the absolute discretion of the directors.

It is generally the responsibility of the *shariah* board or the *shariah* advisor in a financial firm to ensure that all impure income is accounted for, and subsequently, a corresponding percentage is deducted from earnings to be passed on to investors. This process ensures that investors' earnings are free of impurity and are completely permitted wealth (*halal*). The methodologies for calculation may differ from one *shariah* board to another, where scholars, for whatever reasons, have preferences in the matter.[27]

Currently, it is evident that two methods are primarily used in the cleansing process. On the one hand, investors, in most equity investment funds, are advised of the percentage of their investment that they need to dispose of in order to purify their returns earned. It is the duty of every investor to purify his/her own wealth. On the other hand, this responsibility is entrusted to the fund manager who is not only required to calculate the tainted amount, but also to decide on how to dispose thereof.

There is an ongoing debate among *shariah* scholars whether this cleansing is required even for the profit recorded through capital appreciation or gains. There is, however, no international *shariah* standard or consensus on the actual mechanisms of cleansing such returns.

CONCLUSION

Islam has a unique dispensation on the concept of wealth, its ownership and distribution. Wealth is not regarded as an end per se, but a means to an end, the end being paradise in the hereafter. From the mundane perspective, wealth is generated and invested by the owner and the wisdom

[27] Yusuf Talal Delorenzo. *Shariah Supervision of Islamic Funds*. London: Euromoney Books, 2006.

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and knowledge given by God is wealth too as is also the salvation given by God to those who are saved, with much consideration as to how wealth must benefit society. From the Islamic perspective, wealth should be earned and invested in the permissible ways in the real sectors of the economy and spent for the benefit of society as a whole, as a means to earn God's pleasure and better one's chance of being rewarded in the hereafter as well. To avoid the accumulation of wealth in the hands of the few (a hallmark of the capitalist system) Islam has created the institution of charity as a means of distributing wealth. It is a mechanism to provide for the needy in society and to help create a just and harmonious society. Modern societies have opted to do this by adopting welfare laws, which in the hands of self-seeking government often leads to wastage.

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