



Hoarding versus circulation of wealth from the perspective of *maqasid al-Shari'ah*

Ahmad Asad Ibrahim

Centre for Islamic Finance, Bahrain Institute of Banking and Finance (BIBF), Manama, Bahrain

Radwan Jamal Elatrash

Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia (IIUM), Kuala Lumpur, Malaysia, and

Mohammad Omar Farooq

Centre for Islamic Finance, Bahrain Institute of Banking and Finance (BIBF), Manama, Bahrain

Abstract

Purpose – The purpose of the paper was to explore the issue of hoarding and dishoarding in a modern context, especially as it relates to circulation of wealth, an important economic objective from the Islamic viewpoint.

Design/methodology/approach – This paper presents a survey of scholarly positions on the issue of hoarding and circulation of wealth from Islamic perspectives and analyzes how these positions affect the shaping of financial and economic dimensions of life in our contemporary time. The paper draws on the primary sources, the Qur'an and *hadith*, and examines the positions of the classical and contemporary scholars, especially in the context of the growing interest in finance, the financial system and economy from the Islamic perspective.

Findings – The paper identifies the fact that the notion of hoarding (*kanz*) needs significantly revised understanding, as money as a concept and tool has evolved substantively in modern times. It also examines variant positions regarding the concept of hoarding and finds more merit in favor of the position that paying *zakat* is not enough to be exempted from the Qur'anic implications about hoarding. It also identifies and examines securitization, such as *sukuk*, as an important tool for better circulation of wealth.

Originality/value – Hoarding and dishoarding are not widely explored topics in contemporary literature on Islamic economics and finance. This paper makes a valuable contribution in its attempt to highlight the problem of hoarding and the challenge toward greater circulation of wealth.

Keywords *Sukuk*, Circulation of wealth, Dishoarding, Hoarding, Islamic capital market, *kanz*

Paper type Conceptual paper



1. Introduction

In line with human nature, Islam expects its adherents to preserve and grow wealth toward a happy and prosperous life. Islam's intent is indicated by the acknowledgment of human love and aspiration for ownership, seeking God's bounty, which may involve

traveling and exploring through the earth, and pursuing, of course, permissible (*halal*) livelihood.

Islam, a way of life based on innate human nature (*fitrah*), recognizes preservation of wealth as one of the five necessities. As Islamic scholars have identified, many Islamic rulings, such as punishment for theft or banditry (a threat to both civil and commercial life), are negative or indirect measures to serve multiple objectives, including preservation of wealth. At the same time, permissibility and encouragement of trade, as well as emphasis on being productive in earning livelihood and enjoyment of life, reflect the positive dimension of those same rulings. Islam has prioritized preserving and conserving wealth as one of the five main necessities in the schema of *maqasid* or broader objectives of Islam[1]. These *maqasids* include the preservation (*hifz*) of religion/faith (*al-deen*), soul (*an-nafs*), mind and intellect (*al-aql*), progeny (*an-nasl*) and wealth/property (*al-maal*)[2].

In modern times, the concepts of money and wealth and their interrelationship have evolved significantly with vital links to economic development at both domestic and international levels. Because the modern monetary system is now dominated and shaped by fiat money, the hoarding and accumulating money in contrast with wealth has become less significant. Contemporary Muslim scholars recognize that there has been a qualitative development, especially through intermediated savings, as far as the intent of hoarding or holding back money is concerned. However, is hoarding of money the same as hoarding of wealth, and if not, what are the implications of hoarding of wealth – whether in the form of money or other assets – in modern times? Beyond the theories and polemics, this issue has become fundamentally important, as it is linked with economic prosperity and development. In the literature on Islamic economics and finance as well as *fiqh* (Islamic law) this issue is discussed in a cursory manner. However, given the centrality of *fiqh* to contemporary enterprises, such as Islamic banking and finance and to a lesser extent Islamic economics, how the Islamic legal philosophy views preservation of wealth that may lead to hoarding and concentration of wealth and their implications for the related financial instruments is an important area deserving further inquiry.

A core aspect of this paper is to explore and present a survey of scholarly positions on the issue of hoarding versus circulation of wealth from Islamic perspectives and analyze how these positions affect the shaping of financial and economic dimensions of our contemporary life. The paper draws on the primary sources, the Qur'an and *hadith*, and examines the positions of the classical and contemporary scholars, especially in the context of the growing interest in finance, the financial system and economy from the Islamic perspective. In the process this paper attempts to bring clarity to the intent of hoarding and dishoarding (spending/investing), the *fiqhi* (legal) position on pursuit of hoarding or amassing wealth for its own sake, the position of the contemporary scholars on savings (preserving as well as conserving wealth) and the relevance of contemporary Islamic financial instruments in facilitating hoarding or dishoarding of wealth. For the latter, *sukuk* is used as an example.

Hoarding can be narrowly understood as “the act of accumulating assets, especially goods or money, over and above that needed for immediate use based on the fear or expectation of future shortages and higher prices” (*Economic Glossary (2013)*). However, hoarding in this sense is more in the commodity market and of little relevance

to the theme of this paper. Hoarding in the context of the financial market can be understood as the

[...]behavior usually associated with the idea of investors acquiring and holding money despite of no value or even loss of interest involved because of the fear of the prices of financial instruments falling[3] (Glossary, 2003).

This has some relevance, as during the periods of uncertainties or declining market, many investors park their assets in risk-free, money market instruments. Classical Islamic jurisprudence does not have anything specific to say, as this is a rather modern phenomenon. Indeed, savings that do not get channeled into the productive economic enterprises can be considered hoarding, but once again in modern times the financial system is intermediated and savings essentially means placing the assets into some form of circulation. Contrarily, dishoarding is “when money or goods that have been kept are brought back into the economy, for example, when people invest or spend money rather than save it” (Financial Times, 2012).

The paper is focused on hoarding (*kanz*) in the sense of amassed wealth or assets that are not properly linked with or circulated into the real economy and is organized in six parts, including this introductory part, as follows:

- part two reflects on the Islamic perspective on the relationship between wealth and *fitrah* (human nature);
- part three deals with the intent of hoarding and dishoarding wealth in the early discourse;
- part four examines the views of classical Islamic scholars;
- part five presents the positions of modern scholars and experts regarding preservation and conservation of wealth, especially with regard to the issue of saving, as in contrast with spending (*infaq*); and
- part six, the last, examines the role of contemporary financial instruments in preservation of wealth through instruments that are more consistent with the broader objectives (*maqasid*) of Islam, using particularly *sukuk* as an example.

2. Wealth and *fitrah* (human nature)

Islam recognizes the sanctity of human ownership and possession in this world. Even though whatever God has bestowed is essentially an *amana* (trust or custodianship), in urging the believers to dedicate their lives and possessions to the path of God (*fi sabilillah*) and in service of the humanity (*ukhrijat lin-nas*)[4], God framed the transactions as trades[5]. The Qur’an clearly mentions the innate human proclivity, even love, toward securing, possessing and amassing wealth[6]. All the blessings God has bestowed upon human beings are to enjoy and fulfill our needs and non-extravagant wants in this world[7].

Islam teaches moderation and balance and reminds its adherents about the way of life reflecting these two value parameters[8]. With all these provisions and endowments comes certain broad guidance – a clear set of values and principles, including admonition against a number of negative behaviors with fundamental implications for life in general and the financial system and culture in particular.

First, instead of the tendency toward the extremes, the Islamic way of life is based on balance – away from extremism[9].

Second, enjoying God's bounties in this world must be without any waste (*israf*)[10]. The divine guidance in the Qur'an clearly admonishes against extravagance and indulgence in the worldly pleasures[11].

Third, a central value parameter of Islam is justice or equity, and thus, our pursuit of wealth and worldly pleasures should not be based on doing any wrong to others[12]. Such fairness in dealings and transactions can be only partly dealt with in a merely legal framework. A good part of it also pivotally depends on the value orientation of the people, where fair-mindedness guides a person's or entity's decisions, judgments, policies and actions.

Fourth, there is stern warning against those who amass wealth, especially in the form of unproductive resources, or do not utilize the resources in the path of God, where the path of God is inclusive of service to humanity:

O you who believe! Verily, there are many of the (Jewish) rabbis and the (Christian) monks who devour the wealth of mankind in falsehood, and hinder (them) from the Way of God. And those who hoard (*yaknijhun*) up gold and silver, and spend (or utilize) it not in the Way of God, announce unto them a painful torment.

The implication of hoarding or amassing gold and silver may have several implications:

- Gold and silver are the two most common forms of jewelry, and amassing them diverts resources from the economy.
- Gold and silver can also be accumulated or hoarded from the perspective of bullionism, an economic doctrine that measures wealth by the amount of precious metals owned[13].
- Gold and silver have also been used as a form of money, and amassing or hoarding them can affect the circulation of money.

Hoarding gold and silver in the sense of currency does not have much significance now, as the modern monetary system has embraced the fiat money system and discarded precious metal-based money or even the gold standard[14]. Even demand for money in the form of liquidity, especially relating to transaction demand, is significantly reduced due to the modern financial system based on financial intermediation, where people do not need high liquidity due to technological changes, institutional processes and financial instruments allowing easy access to funds, whether in checking or savings account or in the form of money or financial securities/assets of various lengths of term.

Fifth, as a corollary to the fourth aspect and most relevant to this paper, Islam teaches that wealth must not circulate among the wealthy only, which requires that human beings must devise and uphold systems that achieve fair distribution of wealth and avoid unjust concentration.

What Allah has bestowed on His Messenger (and taken away) from the people of the townships, belongs to Allah, to His Messenger and to kindred and orphans, the needy and the wayfarer; *In order that it may not (merely) make a circuit between the wealthy among you.* So take what the Messenger assigns to you, and deny yourselves that which he withholds from you. And fear Allah; for Allah is strict in Punishment[15].

One of the Qur'anic exegetes of modern times explains the relevance of this verse in the following way:

Muslims are required to invest their money and seek the growth and development of their wealth, by scrupulous and legitimate means, without exploiting others or encroaching on their rights. Besides, it is not allowed to try to pervert, in any way, the fair and healthy circulation of capital and wealth in society. The Qur'an stresses that wealth "*should not be left to circulate only among the rich of you*" [59:7][16].

More importantly, if wealth accumulation occurs through transgressions – in derogation of God's guidance, which generally lead to harm to others or by being oblivious to fairness or rights of others – then, Islam makes it clear that those with such treasures (*kunujh*) are not at all in an enviable position. The Qur'an admonishes the humanity referring to a very rich character, Qarun[17].

While acknowledging the human tendency toward wealth, luxury and indulgence, the Qur'an reminds them that this world should be treated as a station on the journey toward a greater destination, the permanent abode of happiness, peace and prosperity[18]. Islam specifies several value parameters for the believers to lead their lives and set an example for others. Beyond the matter of legalities, broad-based circulation of wealth is an important and specific economic principle and objective, which requires that while individuals embracing the Islamic way of life and value system should uphold this principle, the society collectively must make sincere, effective and persistent effort so that they avoid hoarding and wealth broadly circulates in the society and an acceptable and inclusive standard of living is enjoyed by the entire society.

3. The earliest discourse about the intent of hoarding and dishoarding wealth

The issue of hoarding and dishoarding of wealth, especially as it relates to circulation of wealth, is not new. During the early post-prophetic era, a bitter and highly charged controversy emerged during the reign of the third caliph, Uthman. One of the eminent and highly respected companions of the Prophet was Abu Dhar. While he was living in Syria under the governorship of Muawiyah, seeing the materialistic and hedonistic tendencies spreading, he started a campaign propagating his views based on a specific Qur'anic verse[19].

Abu Dhar's view was that amassing and hoarding wealth are violations of the Qur'anic guidance and are unjust, with negative impacts on the society. He openly propagated his view in Damascus, a society where he observed a growing materialistic tendency. Muawiyah, who had already parted ways with his pious predecessors and had a veneer and pomp like a royalty, disputed him, saying that this verse was particularly in reference to the behavior of the People of the Book (*ahl al-kitab*), not Muslims. As Abu Dhar rejected his interpretation, Muawiyah complained to the caliph Uthman. The caliph wrote to Abu Dhar, instructing him to return to Madinah. Subsequently, having not found widespread support of his views and heeding the suggestion of caliph Uthman, he moved away from the society and lived an isolated life until death[20].

In the subsequent era, the issue and concern raised by Abu Dhar did not disappear, but the society grew and developed marginalizing his view. In the next section, we explore how this discourse evolved into two opposing views among the subsequent scholars.

4. Two contrasting views on hoarding and amassing (*kanz*) wealth

The development of thoughts and praxis in Islamic history has been dynamic, which is indicated by the fact that the Qur'an, the primary source of the divine guidance, was revealed to the Prophet Muhammad and his immediate generation over nearly two decades. Unlike books, as we generally know are published and offered to the public in one complete work, divine revelation came to Muhammad on many matters as specific contexts arose.

During the post-prophetic era, the divine revelation ended and it was collected and codified in one document. The life of the Prophet and his views and teachings were also gradually gathered, sifted through, collected and classified as *hadith* became the second most important source of Islamic guidance, especially to determine what is Islamic and what is not.

This issue of hoarding and amassing wealth, as we have mentioned, already became part of the divine revelation to establish some permanent standards and principles. However, while divine revelation is absolute and believed as infallible, human understanding and interpretation of either the Qur'an or *hadith* are not infallible. Therefore, room for difference of opinion and understanding is natural, and the issue of hoarding and amassing wealth was no different in that classical scholars developed two opposing positions.

4.1 The first position

The first position has its roots in the views of Uthman, the third caliph, and Muawiyah, the first ruler after the Khulafa-i-Rashidoon[21]. According to them, any wealth after paying the due *zakah* is legal and is not to be considered hoarding even if its owner did not spend or invest it. Using the following Qur'anic verse as evidence – “and those who hoard gold”[22] – they stated that the verse was revealed describing the people of the book[23] and for that the majority of jurists[24] and exegetes of the Qur'an declared: “Capital from which the *Zakah* is paid cannot be deemed as amassed even if it is not spent or invested”[25]. They further adduced the following verse as evidence: “Take [O Muhammad], from their wealth a charity by which you purify them and cause them increase”[26]. The verse indicates that giving *zakah* purifies one's wealth. Thus, it was argued that if it was an obligation to take out one's entire wealth, then what remains of it after the *zakah* is paid would not be pure.

Hadith also has been invoked in support of their opinion: “For less than five *awsaq*, there is no *sadaqah*”[27]. The jurists derived the following from this *hadith*: if one's wealth exceeded five *awsaq* (i.e. the minimum threshold), he will be required to pay *zakah*, and accordingly, an individual will not be threatened with punishment if he had paid *zakah*, and the remaining amount of his wealth will not be regarded as *kanz*[28]. Some of the most important evidence cited by this group was a *hadith* that was narrated by Umm Salama; she said:

I used to wear golden jewellery and I asked the Prophet: “O Allah's messenger, is it hoarding (*ahuwa kanz*)?” He said: “whatever has reached the period from which its *Zakah* must be paid is not hoarding”[29].

So the bottom line of this first position is that once the due *zakah* has been paid on one's wealth, the owner of the wealth has no legal obligation, and from the religious viewpoint, whatever the amount of wealth accumulated cannot be considered hoarding. Indeed, one

can extrapolate that by tying the specific verse with only the People of the Book, the entire range of issues of hoarding, amassment and concentration of wealth has been placed outside the discourse of relevance to Muslims.

4.2 *The second opinion*

This opinion states that the act of hoarding is a problem, not just related to the People of the Book, and if necessary, preventive, corrective as well as facilitating interventions can and should be made to promote investing and circulating wealth. Among the supporters of this view are Ali Bin Abi Talib, Abu Dhar Al-Ghifari and Abu Hamid Al-Ghazali.

Ali did not consider the saving of 4,000 dirhams[30] and above permissible even if its owner paid its *zakah* because it prevents circulation of wealth. He said: “Four thousand Dirhams or less is for alimony, and what is above it is hoarding”[31]. Ali’s point of view indicates that saving one’s wealth to an undesirable level – i.e. hoarding – may disrupt or be impediment to the main functions of wealth. Thus, the verse 9:34 threatens those who hoard their wealth with a heinous penalty, and it puts the act of hoarding at an equal rank with devouring the wealth of people unjustly[32].

In addition, Ali may have taken into consideration the fact that to meet the basic needs of the people, utilization and circulation of the surplus wealth is necessary, and that is why there should be some specified level of allowed amount of wealth that can be saved, and he specified it at “four thousand4,000 dirhams”. This concept can be found in the modern economy as autonomous consumer spending, where some level of consumption must be met, regardless of one’s income[33]. It can also be viewed as the resources needed for meeting one’s basic needs.

Abu Dhar had a more radical view, as he considered one’s entire private surplus after fulfilling one’s ordinary needs as hoarding. Several generations later, Al-Ghazali (d. 1111 AD) used a legal inference to reach the conclusion that hoarding is tantamount to preventing the dirhams and dinars from being circulated. He said: “The one who hoards them – Dirhams and Dinars – has wronged them and rejected the wisdom behind their creation, which is that these are to be circulated among the people”[34]. Ghazali was referring to circulation of money or currency in particular, as dirhams and dinars were among the main currencies in circulation. Hoarding of currencies in a modern economy based on fiat money has become less of a problem, except in the case of speculative hoarding of foreign currencies (either to build a reserve for hedge or for predatory purpose). However, because dirham and dinar were commodity money based on precious metals, which also had alternative use by the society, hoarding of wealth also took the form of hoarding of money.

These classical positions may leave the impression that savings in general, which is considered an important aspect of the modern economy, is equivalent to hoarding. Indeed, some contemporary voices also think that savings is not permissible from the Islamic viewpoint (*Zaheer*). However, contemporary positions, reflecting the evolution of the financial and monetary system as part of the broader, modern economy, are more nuanced and considerably different, which we examine below.

5. Contemporary modern scholars on hoarding

Muhammad Al-Tahir Ibn Ashur (d. 1973 AD)[35], a leading contemporary Islamic thinker and scholar, interpreted the verse 9:34 and emphasized the following: *kanz* or

hoarding comes from the verb *kanaza*, which means saving in the form of gold and silver. He also categorized accumulation of money in gold and silver as *kanz*. It needs to be understood in the context of *jihad* in the path of God (*jihad fi sabilillah*), and the threat is issued against those who hoard up gold and silver – the wealth and treasures – and not spend it in the way of God[36]. The verse came to motivate people not to fear spending (not necessarily for consumption, but for utilizing for productive purposes or ways that are beneficial for others/society). Ibn Ashur further emphasized that it is incorrect to interpret *kanz* as wealth on which *zakat* is not paid. Likewise, it is incorrect to interpret spending as the payment of the obligatory *zakat*. This is because *zakat* was made obligatory before the revelation of verse 34 of Surah al-Tawbah[37]. From his perspective, legitimate circulation of wealth among the people as widely as possible would enhance prosperity and happiness for the entire society and protect the broader society against the vices that result from unshared prosperity.

Another contemporary scholar, Abdul-Majeed al-Najjar, in his comments on the same verse 9:34 opined that if the society has been ordered to bear the responsibility of development and change, and if that objective cannot go any further without funds, the circulation of wealth in the society and among the individuals becomes obligatory. In addition, the wealth must not circulate among few wealthy individuals or entities because it will paralyze the role of wealth in developing the society. For that, to protect the wealth from being hoarded, broad circulation of the money must be ensured[38].

While the views of many such contemporary scholars can be noted, in light of the views of two scholars, let us now discuss the preponderant opinions and their ramifications.

The Qur'an declares painful punishment for hoarders (9:34), indicating that doing so is prohibited. Even though the verse was revealed concerning the People of the Book, its message and underlying principle are general in nature, and thus, Muslims are also included. Notably, the very same verse begins not by addressing the People of the Book (as would be expected if Muawiyah's view would have been even remotely valid), but by addressing the believers: "O you who believe [...]". This verse is evidence that hoarding (*kanz*) covers gold and silver, whether the *zakah* was paid or not because hoarding (*kanz*) is a general term (*amm*). In this regard, the rule is that all words and terms are basically general in scope, unless specified or qualified in some way[39].

To claim or hold that wealth after paying *zakat* is free from the scope of hoarding is to deny or undermine the Qur'anic ruling regarding hoarding. Even the claim that the *hadith* narrated by Umm Salama has limited the scope of the verse is untenable because that *hadith* was meant only for the gold jewelry that women wear, and it will not be regarded as hoarding if its *zakah* is paid accordingly. Therefore, this *hadith* is specifying the generalization of this verse which states that hoarding is prohibited, be it ingots, coins or others, except women's jewelry. In case of payment of *zakah*, personal jewelry after *zakah* is exempt[40].

The "spending" (*nafqa*) that is associated with hoarding in this verse does not and cannot mean paying *zakah*. The verse says "spend it not" (*la yunfiqunaha*) and did not say spend from it (*la yunfiqun minha*), as the *zakah* is usually spent from one's applicable wealth, and not spending the whole amount of it. And if the verse is not referring to the obligation of *zakah*, the other relevant meaning would be utilization of these funds that facilitates the circulation of wealth in the society by intermediated saving and investing. This view is supported by the fact that spending in the verse is presented as spending in

the path of God (*fi sabilillah*). As a result, spending for the sake of Allah in this verse is something general as stated by Al-Hafiz Ibn Hajar[41]. It is not confined to a certain method such as spending on *jihad* (in the limited sense of fighting) or some of the *zakah* provisions. Al-San'ani states that the obvious meaning of the term “for the sake of Allah” is general unless it was specified by evidence because it is generally the path of goodness[42]. In that case, would not the general implication of this verse include, for example, investment spending in the modern economic sense, where the businesses build factories with their own or mobilized funds, or the society collectively allocates resources for a country’s development as needed? The question that comes up is, if we were to look at the general meaning of this term, would not the building of factories by capital-owners be considered as “spending for the sake of Allah” because their business activities generally also create employment or income-earning opportunities for others?

The verse “take [O Muhammad], from their wealth[...]” (9:103) and the *hadith* “*zakah* is not required on less than five *awsaq*”[43] indicate that both texts are stating the legal rule concerning the obligation of *zakah*, which is different from the legal rule of “hoarding” meant by the verse. This verse states that not investing and circulating one’s wealth is prohibited, and “circulation” as it is defined by the scholars of Islamic economics is “the exchange of products from one person to another”[44]. This will not be realized unless hoarding of wealth is prohibited because it cripples an important feature of wealth, when it is prevented from being channeled into a transaction or an investment. The contemporary understanding of prohibition of *kanz* requires the investment of wealth in productive projects and encouraging the utilization of wealth for development.

In addition to that, the encouragement mentioned in the verse for individuals to invest in productive businesses is not meant to intrude on one’s personal possession of wealth because if one’s wealth is invested in a factory or a shop, it will still belong to him or he will share the ownership with others. Finally, it can be concluded that in this context the opinion of the first group – those who hold that paying *zakah* does not negate the hoarding of the wealth – cannot be considered as an obligation. Rather, it is preferable, as it was said by Sahib Al-Bahr Al-Muhit when he stated the following: “and what was stated by Ali ibn Abi Talib regarding the issue of hoarding is preferable”[45].

Just like the first classical position – once someone has paid *zakah* on one’s wealth, he is free from any additional obligation – is incompatible with the broader *maqasid* of Islam, the second position:

- any surplus above and beyond one’s fulfillment of the basic needs is hoarding or *kanz*;
- thus, there is a minimum threshold of hoarding; and
- savings above and beyond that minimum threshold is hoarding (*kanz*) – is also incompatible with broader *maqasid* on one hand and the fulfillment of one’s needs in the context of economic realities on the other.

In this context, the Qur’anic call for and emphasis on *nafqa* or spending is not necessarily consumption spending. Modern economic understanding recognizes the need for robust consumption expenditure as part of a healthy and vibrant economy. In the modern and secular economy, of course, consumption spending is often constrained by consumer sentiment or confidence, economic condition and, in a society based on

debt culture, availability of abundant credit. However, when such robustness of consumption expenditure is a reflection of conspicuous consumption[46] (spending toward luxury and display of one's vanity and economic power), invidious consumption[47] (a variation of conspicuous consumption, where one's spending is particularly to make others envious) or frivolous consumption[48] (consumption that adds little marginal value to our quality of life), the economy becomes unsustainable and eventually vulnerable to significant disruptions and dislocations in the economy. During the downturns in the economy, as the global economy is currently undergoing, the circulation of wealth gets impeded, and it is the lower and the middle class that suffer relatively the most.

Islam expects people to enjoy life in moderation, and thus, consumption even by that standard should be robust. However, due to the emphasis on the circulation of wealth in an economy that experiences broad-based development, investment spending is of additional importance, and from the Qur'anic perspective, *nafta* is to encourage or even enjoin people to make their savings or surplus the part of the circulation of wealth by investing as an entrepreneur or by being a supplier of capital to the market. Such circulation of wealth presupposes that people have savings or surplus, and therefore, beyond savings being permissible, it is a collective necessity. Indeed, a modern, intermediated financial system, the very nature of saving, which generally goes through the financial markets, promotes circulation of wealth. Thus, the classical concern about saving as hoarding (*kantz*) is hardly relevant or warranted like before.

The concerns underlying *kantz* are also related to the prohibition of *riba*, prohibition of waste and extravagance and the injunction of *zakah*, where all of these together are to promote economic justice through circulation of wealth that leads to broad-based development. Indeed, the objectives of these aspects – *riba*, *tabzir* and *zakah* – cannot be achieved without preventing *kantz* and promoting healthy and vigorous circulation of wealth.

From the earlier discussion, it is clear that the modern understanding of the verses pertaining to *kantz* is that there is no prohibition of savings (provision for future needs of an individual as well as one's family and dependants). Indeed, economic development and prosperity requires investment spending, for which savings (private and public, individual and business) are a must. The objective of the verse about *kantz* cannot be achieved without promoting economic activities and circulation of resources, which will help both growth and further circulation of wealth. This may not be an area of mere legal intervention as held by some in terms of setting a maximum limit of wealth beyond which it would be considered *kantz*. Instead, there can be incentivization through public policies that would make investment more attractive and pervasive and *kantz* less attractive and socially less acceptable. In the limited scope of this paper, as an example we will focus on a specific financial instrument of capital market, *sukuk*, that can be used toward avoiding *kantz* and achieving the goal of circulation of wealth.

6. Investment spending and the case of *sukuk*

As explained earlier, the prohibition of *kantz* and enjoining of circulation of wealth relates particularly to investment spending. How can the Islamic economy and its component Islamic finance system facilitate such broad-based circulation of wealth? While such pursuit of better circulation of wealth must be embedded in an economy that is guided by Islamic principles, Islamic finance, though currently not properly

interfaced with an Islamic economy, offers a range of financial transactions that can facilitate to some extent better circulation of wealth. Due to the limited scope, we will focus only on *sukuk* as an example.

While rooted in *hadith* and early Islamic sources, *sukuk*, often inappropriately dubbed as Islamic bond, is a modern concept and innovation in Islamic financial securities representing rights and obligations arising out of specific types of shared asset ownership.

Capital market securities provide the investors, small and large, to be part of circulation of wealth. While the conventional capital market provides a choice of debt (bond) and equity (stock), in the Islamic capital market, debt cannot be a tradable security, and therefore, the capital market securities, stocks and *sukuk*, must be in the framework of ownership. Thus, securities in the Islamic capital market are supposed to spread ownership.

Circulation of wealth requires providing broader mass access to and encouraging them to participate in the capital market as investors, where the capital market can help spread not only ownership but also prosperity by utilizing the capital market for economic development and enhanced living standards.

While *sukuk* is not the only possible or permissible means for this, there are certain aspects of it that makes its broader use an imperative. In contemporary discourse about Islamic finance, it is widely noted that the Islamic finance industry remains broadly delinked from the real economy, and thus, the prosperity of the society. *Sukuk* as a capital market instrument can effectively serve the development goals in many spheres, including agriculture, manufacturing and civil service. Linking Islamic finance to the real economy requires enterprises that build infrastructure, create more employment and expand income-earning opportunities[49]. Islamic financial contracts provide many alternatives in structuring *sukuk* products: *ijarah sukuk*, *istisna'a sukuk*, *salam sukuk*, *mudharabah sukuk*, *musharakah sukuk* and so on. Such capital market securities can similarly mobilize the necessary resources to finance many agricultural and industrial projects[50].

Sukuk, as a capital market security, can help achieve several goals.

First, compared to depositing savings into banks, through *sukuk*, people with wealth or surplus can channel it into the financial market in general and the capital market in particular, whereby such wealth would allow even small investors to participate through mutual funds or other pooled instruments.

Second, *sukuk*-like securities, with mature secondary markets, can increase liquidity and dynamism in the financial market. While the same goal of liquidity and dynamism can be achieved in some ways through equities, *sukuk* has emerged as the preferred alternative because it is more amenable to be used for projects that can be both private as well as public sector projects.

Third, as it is very suitable for public sector projects and undertakings, investments in infrastructure as well as in major sectors, such as agriculture, industry and even education, can be facilitated through *sukuk*.

Fourth, efficiency in the capital market can reduce cost of intermediation, and structuring such securities can enjoy economies of scale from the financial side, and it can also fund projects of larger size to facilitate economies of scale.

Fifth, while there are other capital market securities, including equities or stocks, *sukuk* has become more popular, as in many ways it replicates bonds with a lower risk

profile, compared to the risk profile of stocks. Notably, unless *sukuk* is merely to mimic the conventional bonds, it should be asset-backed and not asset-based. *Sukuk* that defaulted during the post-2008 crisis were primarily asset-based. Asset-based *sukuk* is significantly more popular because of its bond-like debt structure, while *sukuk* is supposed to be investment certificates with an ownership-based, equity-like structure[51].

While various Islamic contracts may enhance the *maqasid* of Islam in varying degrees, *sukuk*, when properly structured while keeping *maqasid* in perspective, can go a long way in spreading the wealth and preventing hoarding of wealth. Indeed, in many Muslim-majority countries, such as Malaysia, Turkey, UAE and Bahrain, *sukuk* has quickly emerged as the dominant Islamic capital market instrument[52].

7. Conclusion

Circulation of wealth is essential for any society that seeks broad-based prosperity. Islam also acknowledges this role of circulation of wealth and has laid out the principle that society should ensure that wealth does not circulate among a privileged few and restrict the overall benefit of prosperity to a small, privileged group of rich people, continuing to make the concentration of wealth worse and more skewed.

Life does not necessarily follow a certain desirable track merely because of preaching. There must be practical solutions to the problems and challenges. Islam being comprehensive guidance for life provides practical solutions and ideas. For those who appreciate the problem of hoarding and Islam's anti-*kanz* position can easily understand and appreciate various ways Islam can help deal with financial issues.

Hoarding of wealth cannot be addressed without mechanisms in a participatory system where the wealthy people can channel their wealth to the capital market. This is also done in a conventional system. However, if the concern is to spread ownership and reduce concentration of wealth, the capital market needs to be closely tied with the real economy and the labor force can participate not only in the economic development through the labor market but also in the prosperity through their shares in capital and wealth. As *sukuk* is discussed in this paper, such a capital market instrument can facilitate investors to earn a fair or market rate of return, while meeting social needs and fulfilling religious duties. *Sukuk* can help generate productive commodities and improve the liquidity for the investors and the financial system, which in turn will increase capital and spread ownership. Given the flexibility and variation of *sukuk* contracts, a wide variety of projects related to infrastructure, industry, agriculture and the service sector can be facilitated. Muslim-majority countries are already realizing the potential for *sukuk*, and its popularity is increasing both for the public and the private sector. Vision and careful planning can help the Muslim-majority countries to replace the funding from the World Bank and the International Monetary Fund, which often come with unfair and debilitating terms of conditions and serve as a means to perpetuate an unhealthy level of external dependence.

If the awareness about the *maqasid* of Islam, especially in connection with wealth and its circulation, can be enhanced and proper structures for capital market be utilized, Muslim societies can help establish examples that not only take care of their mobilization of resources but also reduce an unhealthy concentration of wealth, ushering in new level of shared prosperity.

Notes

1. [Auda \(2008\)](#).
2. [Attia \(2007\)](#); [Kamali \(2008\)](#); [Al-Raysuni \(2005\)](#).
3. See [Lowry et al. \(1998\)](#), p. 546.
4. Qur'an 3:110.
5. Qur'an 9:111.
6. Qur'an 89:20.
7. Qur'an 2:60.
8. Qur'an 2:143.
9. Qur'an 25:67.
10. Qur'an 7:31.
11. Qur'an 26:151.
12. Qur'an 4:29; also see 9:34-35.
13. One of the strands of bullionism was known as "mechanistic bullionism", which neglected "all real influences" and insisted "that monetary factors and monetary factors alone determine price levels and exchange rates." [Rothbard \(2006\)](#), p. 187.
14. No country currently uses any of these gold standards. For different types of gold standards, see [Ryan \(2011\)](#).
15. Qur'an 59:7. During the time of the Prophet, as the guardian of the new community, the responsibility was fundamentally bestowed upon him to ensure and work toward the prevention of unjust concentration of wealth. Thus, what is identified here as belonging to God and His messengers is essentially to serve broader causes of the society, including serving the interest of the needy. For details see [Farooq, 2013](#), fn #16.
16. [Qutb \(2003\)](#), Vol. 1, p. 383.
17. Qur'an 28:76.
18. Qur'an 3:14.
19. Qur'an 9:34.
20. *Sahih al-Bukhari*, Book #24, Hadith #488.
21. It is pertinent to note that Uthman himself was personally rich throughout his life. Even though he personally led an exemplarily modest life and was among the vanguard companions who sacrificed enormously for the cause of Islam, Muawiyah as a governor was given to extravagance and lavishness in his role as public servant even during the time of Umar, and during his rule as the Amir the poor and those advocated their causes remained farthest from him and the rich and the powerful the closest.
22. Qur'an 9:34.
23. [Ibn Hajar \(1993\)](#) 4:21.
24. [Al-Kasani \(1982\)](#) 2:17.
25. [Al-Jassas \(1335 AH\)](#) 2:302.
26. Qur'an 9:103.

27. *Sahih Muslim*, Book of Zakat, #2768. Notably, often sadaqah and zakah are used interchangeably, and the context of the usage should make it clear which is voluntary (generally, sadaqah) and which is obligatory (generally, zakah).
28. Ibn Hajar (1993) 4:17.
29. *Sunan Abu Dawood*, Chapter on Zakat, #1564.
30. Each Dirham equals 2.995 grams, which means: $4,000 \times 2.995 = 11,980$ grams. See <http://qaradawi.net/library/49/21>; access date: December 15, 2012. In today's value (as of April 19, 2013), this amounts to US \$ 9,104 (i.e., $11,980 \times \$.76$).
31. Abdul Razaq 4:109.
32. Abdul-Rasul (1980) p. 950.
33. Afer (1985) p. 126.
34. Al-Ghazali (1983) 4:91.
35. Ibn Ashur, 2000, 10: pp. 76-77.
36. Ibn Ashur, 1998, pp. 333-334
37. Ibn Ashur, 1998, pp. 333-334
38. Al-Najjar (2006) p. 203.
39. Kamali (2008) p. 104.
40. Al-Nabhani (2004) p. 336.
41. Ibn Hajar (1993) 4:12. In regard to the generality of this ruling, also see Al-San'ani (1974) 2:428.
42. Al-San'ani (1974) 2:428.
43. Muslim 3:112.
44. Al-Babili (1980) p. 24.
45. Al-Andalusi (1993) 5:93.
46. Veblen (2005); Mason (1998).
47. Radford (2009).
48. Harrison *et al.* (2005) p. 12.
49. Al-Kiswani (1990).
50. Kahf (2000).
51. Schoon (2010); Ahmed (2010); Mohamed *et al.* (2012).
52. Al-Naqashi (2006); Asertee (2004).

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Corresponding author

Ahmad Asad Ibrahim can be contacted at: asad@bibf.com