

Factors of production and how to determine their returns from an Islamic perspective

The production concept in Islam:

Exerting persistent effort in investing the resources of wealth and doubling the yield for the sake of the prosperity of society, its existence and its supreme values

Production motives:

1-Islam encouraging production and linking it to worship

Allah says ((He is the One Who smoothed out the earth for you, so move about in its regions and eat from His provisions. And to Him is the resurrection of all`.)

The prophet (peace be upon him) said “No one has ever eaten better food than what he eats as a result of the labor of his hands. God’s prophet David used to eat from what he had worked for with his hands”

Islam is unique, because it makes production a worshipping methodology, if it is related with the desire and intention. Prophet said "(The value of) an action depends on the intention behind it. A man will be rewarded only for what he intended. ."

2- Playing a role in developing the land as a caliph:

Caliph means a successive `human` authority on earth. Allah says (He is the One Who has placed you as successors on earth and elevated some of you in rank over others) and said (your Lord said to the angels, “I am going to place a successive `human` authority on earth.”). Albaqarah:30

This concept is created inside our minds in order to encourage us to spend for God's sake. Allah says (Believe in Allah and His Messenger and donate from what He has entrusted you with.). Alhadeed:7

It also makes the successor realize the production not only for himself but for the generations that follow him, the prophet ﷺ said “If you leave your heirs independent of means, that is better than if you leave them poor and holding out their hands to people.”

3-Realizing that Allah has made the universe subservient to humankind for the purpose of developing the earth

Allah says (Have you not seen that Allah has subjected for you whatever is in the heavens and whatever is on the earth, and has lavished His favors upon you, both seen and unseen?). Luqmn:20

Production elements:

Firstly: Work

It is every intentional and organized physical or mental effort to find or increase a legitimate benefit.

Work Ethics from an Islamic Perspective

- 1- Mastering the Work: The Prophet (peace and blessings be upon him) said, "Indeed, Allah loves that when one of you do a job, he does it with excellence"
- 2- Choosing the work that suits the worker or that he can perform efficiently and capably: Allah says, "She said, 'O my father, hire him. Indeed, the best one you could hire is the strong and trustworthy one.)al qasas:26
- 3- Knowing the requirements and needs of the worker to improve his performance. Allah says– about Prophet Yussef(Peace be upon him) appoint me over the storehouses of the land. Indeed, I am a knowing guardian."
- 4- Willingness and sincerity
They represent a proactive, honest, and dedicated approach to professional responsibilities. These traits foster trust, and often lead to higher performance and career advancement.
- 5- Honesty in doing the work the prophet (ﷺ) said, "The trustworthy treasurer who fulfills what Allah has commanded willingly is one of the charitable givers."

The role of the community and the guardian:

- 1- Providing the people with job opportunities and training
- 2- Supervising economic activity and the relationship between the worker and the employer.
- 3-The government has the authority to compel people with necessary professions to carry out their work, and it also has the right to prevent the practice of harmful activities.

Secondly: Capital

It is that portion of wealth used to produce goods and services.

Importance of capital:

- 1- It has a major part of the production process, so production cannot take place without the presence of capital
- 2- It has an effective role in the prosperity of the country's economy

Islamic Economic Policies in Capital Formation:

- 1- Rationalizing spending moderating it without extravagance or stinginess. Allah Almighty said: (And those who, when they spend, are neither extravagant nor stingy, and there is a constant between that)
 - 2- Directing surplus income or savings to investment instead of hoarding
- Saving: is deducting a portion of the income for the purpose of investing, enriching the heirs, or facing an emergency (with paying zakah)
- Hoarding: is the withholding of money from circulation treasuring money without paying Zakah

Types of capital:

- 1- Cash capital
- 2-Real Capital (assets)

Forms of cash capital:

First form

Two individuals may jointly contribute capital from their own funds and work with their labor, with profits divided between them according to their respective shares or as they agree. The following conditions apply:

- 1- The capital must be in cash.
- 2- The amount of capital must be known.
- 3- Neither partner may dispose of the capital without the other's permission.

Second form: Two partners, one contributing their effort and the other their money, with one giving their money to the other to trade with, and the profit being shared between them according to their agreement. This arrangement is called brokerage.

Third Form: Two partners contributing their effort and their money. If there is 9000 S.R between two men, one has 6000 and the other one 3000. It is permitted for the copartner of the 6000 to allow the other one to invest the cash and divide the profits.

Fourth Form: Two partners contributing their effort and one with his money, i.e. the cash should be from one of them and they work together, meanwhile the profits should be divided upon their agreement.

Fifth Form: For a man to have money and trade with it himself, buying and selling, is what is known as trade.

Real Capital (assets)

They are already-produced, durable goods or any non-financial asset that is used in production of goods or services

A person may work by his capital which is constituted of machines, tools and properties, whereas its annuity could be invested through leasing.

Thirdly: Land (Natural Resources):

This includes the land and what it contains within and on its surface, as well as the natural resources surrounding it, such as minerals, soil, crops, rivers, and others.

Methods of Utilizing Owned Land:

1- Musaqah (Sharecropping): The owner gives his crops to someone who will irrigate and care for them in exchange for a known share of the produce. Evidence for its permissibility: Narrated by Abdullah ibn Umar: The Messenger of Allah (peace and blessings be upon him) made an agreement with the people of Khaybar for half of what came out of their land, whether fruit or crops.

2- Muzara'ah (Sharecropping): The owner gives his land to someone who will cultivate it in exchange for a known share of the produce. Evidence for its permissibility: The practice of Muslims during the time of our Prophet Muhammad (peace and blessings be upon him) and his approval of it.

In both methods, the worker receives a known, shared portion of the entire products, such as half, third, or similar.

These two types require

1-The farmer should receive a known and agreed upon part of the crops such as half or third.

2- The portion should be from the entire products