Production Function According to Yusuf Qardhawi in Islamic Economics

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ABSTRACT
Economic activities, one of which is production, is taught in the Qur'an. In the context of Islamic economics, a Muslim producer must behave in accordance with the norms and ethics of Islamic economic production. It takes a knowledge and understanding of production behavior according to Islam in order to fulfill this behavior. Knowledge of a concept greatly influences a person's behavior. Yusuf Qardhawi's thoughts on the factors of production are that production only has two main elements, namely natural resources and human resources in the form of labor. Yusuf Qardhawi further explained that natural resources are very much needed to be managed by humans, therefore, in production, labor is needed. New production appears when there is a combination of work between human resources and natural resources. While the capital factor is not included in the main factor because capital is nothing more than the result of human labor that is stored. Another reason capital is not included is because this problem is related to usury which is forbidden. Meanwhile, other elements such as organization are only supervision, regulation and production strategy.
1. **Introduction**

The wheels of the economy are determined by consumption patterns, production behavior, and distribution. Consumption behavior is a process that motivates humans to produce. Production is a process that produces or adds to the benefits of a product or service to meet needs (Rahmadana et al., 2021). After the production process is complete, the production must be distributed so that it can be consumed by consumers. In Islam the benefits of the goods or services produced are very concerned. The purpose of an item being produced is to meet human needs, therefore the production of an item must have a relationship with human needs (Imtinan, 2021). So it is not true if an item is produced in excess and is not in accordance with human needs. Humans have a role as a caliphate to unite humans and nature has been determined by Allah SWT. Humans are managers and the earth is a field whose resources will be maximized.

Capital and systems that do not come out of the element of human work are expressed by several economists, one of which is Yusuf Qardhawi. According to Yusuf Qardhawi, capital can be interpreted as the result of stored human work. While the system is planning (plan) and also a guide (guide) (Sirait & Wahyuni, 2021). Imam Al Ghazali also explained that the factors of production in human life are kasab and islah (Shabir, 2022). Where kasab is a physical effort (which is cultivated by humans) and islah is a human effort (an effort to manage and utilize natural resources) in order to have more benefits. Thus, the dominant factors in production are human resources and natural resources.

From the gathering of individuals and household groups in society, economic life cannot be separated from the regulation of the economic order by the government of a country with the aim that the lives of its people can be prosperous and happy according to
the situation and conditions of each member of that society. For example, the regulation and arrangement of people's lives in Indonesia must be planned or conceptualized by involving various institutions both directly and indirectly related to economic activities but are obliged to support the creation of economic conditions that lead to the achievement of a just and prosperous society (Waluyo, 2022). Of course, justice and prosperity are meant for all Indonesian people.

Along with the development of the world economy – including Indonesia – in general, the economic arrangement underlies two general discussions in the economic field, namely microeconomics and macroeconomics which cover various factors that affect the process of running economic activities. From the concepts that are then put into practice, indicators are given to measure the level of success, so that it can be seen how big the level of success of this country's economic management is. In addition, economic indicators are also used as controllers/controllers from time to time so that the level of error in the regulation can be detected early and policies can be taken immediately to redirect to the intended achievement.

Various economic theories that have been practiced by each country in the world cannot be separated from the experience of past economic theories that have been formulated by experts, which although not entirely used, the 'classical' economic concepts that have ever existed can provide inspiration to the drafters. modern economy in each country in order to formulate economic arrangements adapted to developing social conditions. In this paper, the author tries to provide an overview of economic concepts that were developed in the past around before the middle century (XVI century) to modern
economic concepts (post-middle century). And then presented the concept of Islamic economics taught by the Prophet Muhammad SAW.

Managing natural resources is a human responsibility as a caliphate on earth (Noor, 2018). Natural management is carried out optimally and efficiently so that welfare and justice can be upheld. The command to find and use sources that are good and lawful is another value that can be taken from the behavior of production in Islamic economics. Likewise with the results (output) generated from production must be used for good and not harm and disturb other parties. Previous research by Kadir (Kadir, 2014), Muslimin & Huda (2022) and Sudin Mochta (2020) still has not provided information about the concept of Yusuf Qardhawi's thoughts on production factors in Islamic economics. So this research can cover the shortcomings of previous research.

The method used in this research is literature study. The author involves researching, reading, analyzing, evaluating, and summarizing scientific literature on topics related to factors of production as well as Yusuf Qardhawi's thoughts. The results of this literature study are in the form of whole article reports (Cresswell John W, 2014). The literature review assists the author in learning about the history and nature of related topics, and identifies research gaps and problems. The step taken by the researcher is to search for literature related to the topic to identify gaps that can be resolved. Read articles or other sources of information both from the internet and the library. Analyze sources and assess findings for relevance. Thoroughly evaluate and determine how the article is relevant to the research or not. Write about the key findings and how they are relevant to the research being conducted.
2. **Result and Discussion**

**Economic Theories**

Adam Smith's writings in his book "The Wealth of Nations" are considered the pioneers of modern economic theory (Smith, 1937). Adam Smith begins his writing with a discussion of how wealth and prosperity is created through free market capitalism. There are three characteristics of this classic model, namely (Lahuri et al., 2022):

1. **Freedom** (freedom): the right to produce and exchange (trade) products, labor, and capital.
2. **Self-interest** (self-interest): a person's right to do his own business and help the self-interest of others.
3. **Competition**: the right to compete in the production and trade of goods and services.

With these three characteristics will produce a "natural harmony" of interests between workers, landowners, and capitalists. In addition to the three characteristics of the classical model, the classical economic model developed by Smith and supported by his students from generation to generation, consists of four general principles: Frugality, hard work, good self-interest, and generosity to others are virtues and therefore must be supported.

1. The government must limit its activities to regulating justice, strengthening private property rights, and defending the country from foreign attacks.
2. In the economic field, the state must adopt a non-interventional laizzes faire policy (free trade, low taxes, minimal bureaucracy, and so on).
3. The classic gold/silver standard would prevent countries from depreciating currencies and would result in a stable monetary environment in which the economy could thrive.

Although the book The Wealth of Nations is currently difficult to find in the market, quotes in Adam Smith's book can be found in books that talk about the economic theory he put forward. One of them is in Mark Skousen's book (translated edition entitled The Maestro of Modern Economic Theories (Skousen, 2005). With these quotations, it is hoped that it can provide an illustration of how Adam Smith thought in putting forward his economic theory which is believed to be able to guarantee the prosperity of the nation – as the title suggests. His book The Wealth of Nations. The quotes include: 3 - "Universal wealth that will reach even the lowest class of people", this is the desire aimed by Smith in initiating the economic theory he put forward.

Religion may well expect science to purge the superstitious elements that have infiltrated, consciously or unconsciously, into its teachings. But religion is also worried that science will rule it out, or even eliminate it. Although this hope seemed unfulfilled, his anxiety was fortunately not too worrisome. In fact, religion relates to science in a pattern that is not simple. There is a fairly wide spectrum of views on the religion-science relationship: from the extremes of conflict to total dissolution. In The Encounter of Science and Religion, the author presents four different camps of "conflict, contrast, contact, confirmation" on the stage of debate.

With the birth of religion, not only has made mankind have faith, but another thing that cannot be underestimated is the awakening of ethical, moral and civilized human beings who become the view of life for humans in living life in the world. While science with
the peak of development that has been achieved, has also made progress in the world with various brilliant discoveries.

“The main problem we always run into is raising money.” This was put forward because before Adam Smith wrote his book, “that the mercantilist system assumed that wealth meant gold and silver which every nation had to accumulate aggressively and justify any means. Like, Spain and Portugal sent emissaries to faraway areas to search for gold mines and pick them up as much as possible. If it is necessary to go through a war with costs that are no longer a consideration, the important thing is how to get gold. Another way is to carry out a balanced trade, which means that gold and silver deposits must always remain, not decrease.” In this statement Smith wants to say that he does not agree if only gold and silver are goods that can be used as tools to regulate the economy.

Furthermore, it is said "The prosperity of a nation does not come from its gold and silver, but also from its land, buildings, and all kinds of goods that can be consumed", and "The prosperity of a country occurs when all the necessities and facilities for living are available at cheap prices. ."

“Does the law prohibit the importation of all wine overseas just to make red and white wines in Scotland?” Adam Smith's question was raised because the import of grapes became a monopoly of producers (certain people only), which in fact in Scotland by using greenhouses and heating, good grapes can be grown.

“Forbidding large numbers of people from doing what they can in the field of production, or forbidding people from using capital and industry in a way that they value most for themselves, is a flagrant violation of the most sublime human rights.”
statement can spark the imagination and hopes of the workers, not only from England, but also French farmers, German workers, Chinese, American immigrants, because Smith supports the principle of prosperity for the whole world. The freedom to work can free everyone from the shackles of everyday hardship. In another part it says "Every time a law is enacted that regulates the wages of workers, usually the law lowers wages instead of increasing them".

The next quote that describes the existence of the “invisible hand” is, “We get our dinner not from the generosity of the butcher, brewer, or baker, but from their respect for their own interests. We care not for their humanity, but for their self-love. Every individual who uses capital and labor does not intend to promote them, he is guided by an invisible hand to promote real ends, not of his will. By pursuing his own interests he often also promotes the interests of society (without realizing it).”

“Trading people rarely meet for fun and recreation, but their conversations end with conspiracies to harm the public, or invent ways to raise prices.” In this statement, Smith shows his opposition to the monopoly system of trade which leads to evil actions in the economic field by certain groups.

Islam is a teaching that aims to make humans happy in the world and the hereafter together and interrelated (Iman, 2016). The happiness of living in this world must be a means to achieve happiness in life in the hereafter, and the hope of life in the hereafter must be the basis of motivation in carrying out activities in the world based on the instructions of Allah SWT. and His Messenger.6 The following considerations in Islamic studies were conveyed by Abuddin Nata:
First, Islamic teachings regarding the economic field are generally not fully understood by Muslims. This is evidenced by the fact that some of the Muslim economy is still lagging behind, and a small portion of it has an advanced economy, but how to obtain, utilize, and manage it is not in accordance with Islamic teachings. Second, that the practice of economic life that dominates the world today is based on secular and liberal economic concepts, namely economic concepts that are completely based on the results of human thought, without being guided by religious values, and using all kinds of means to achieve goals (Huda, 2017).

Third, that the economic practice of the people who are currently implementing Islamic economics or sharia economics also still contains several weaknesses which if not addressed immediately will tarnish or pollute the sanctity of Islamic law. Some of the people who are customers of Islamic banks, for example, still complain that the Islamic economy is only a logo, brand, or name, while the practice is the same as conventional economics.

In simple terms, Islamic economics is an economy that is based on the values of Islamic teachings (Takhim & Purwanto, 2018). But in a broader sense, Islamic economics is essentially an effort to allocate resources to produce goods or services in accordance with Allah's instructions, in order to obtain His pleasure. Allah's guidance on economic matters has existed since revelation was revealed to the Prophet Muhammad. However, as a stand-alone study using the help of modern sciences (apart from fiqh), it only started around the 1970s. Islamic economics is based on the Qur'an which pays great attention to the realization of socio-economic justice, by attacking the inequalities that existed in the earliest societies. Social justice is upholding a moral and egalitarian social order.
This is clearly seen in the Qur’anic criticism of economic disequilibrium and social injustice. Dinar is currency made of gold metal, while dirham is made of silver metal. Gold and silver were chosen for the reasons, firstly because the two metals have the characteristics of durable goods, secondly they can be broken down into smaller units, and thirdly, they always match their intrinsic value with their nominal value. So that the economy is more stable and inflation can be controlled.

This is different from paper money whose nominal value is not balanced with its intrinsic value (material value). This system is prone to crisis shocks and prone to inflation. Rasulullah SAW. has established gold and silver as money. He made only gold and silver as the standard of money. The standard value of goods and services is returned to this standard of dinars and dirhams.

The paper money system, which has only lasted for about 300 years, has proven to cause many disasters in various countries. Meanwhile, the dinar and dirham currencies that have lasted for more than 3000 years have been proven in history that they did not cause a catastrophic monetary crisis, because their nominal value and this condition did not invite speculation with margin trading, as it is today.

To return to the use of gold and silver, is something that is very difficult. This is due to the limited amount of gold and silver reserves. As a result, the need for transactions in a rapidly accelerating economy is not comparable to the available gold reserves. This condition makes paper money printing no longer need to be guaranteed by gold or precious metal reserves (Ambarwati, 2020).

This reality, in turn, invites the occurrence of a currency speculation business called virtual transactions (Aji & Mukri, 2020). Money has been used as a traded commodity, not
for the needs of the real sector. In fact, in the concept of Islamic economics, money should not be used as a commodity, therefore Islamic economics strictly prohibits currency speculation. Seven hundred years before Adam Smith wrote the book The Wealth of Nations, a figure named Al-Ghazali, had discussed the function of money in the economy. Taqyuddin An-Nabhani, in the book An-Nizhâm Al-Iqtishâdi Al-Islâmi, says, money is a standard of value for goods and services. Therefore, in Islamic economics, money is defined as something that is used to measure the price of every good and service.

Al-Ghazali argues that even in the barter economy, money is needed as a measure of value or goods. For example, a camel is worth 100 dinars and a bushel of wheat costs a few dirhams. With money as a measure of value, money also functions as a medium of exchange. It should be noted, however, that in Islamic economics, money is not needed for money itself. Money was created to facilitate exchange and establish the fair value of the exchange of goods or services.

Because of the injustice in the barter economy, it is classified as usury fadhl. The role of money as a store of value was also regulated by the Prophet Muhammad SAW, when he required zakat on monetary assets (gold and silver). Indirectly the Prophet said that money as a factor of production has the potential to develop through productive efforts. He has made this standard of money in the form of uqiyah, dirham, mitsqal, and dinar. All of this was well known and very well known at the time of the Prophet SAW, where the Arabs had used it as a medium of exchange and a measure of value in the form of transactions.

Referring to the Qur'an, Al-Ghazali criticized people who hoard money (Mawardi, 2018). Such a person is said to be a criminal. What is even worse is people who melt dinars
and dirhams into gold and silver jewelry. The main characteristics of Islamic economic thought which include the goals of Islamic thinkers are: 1. Meeting needs; 2. Justice; 3. Efficiency; 4. Growth; 5. Freedom.

**The history of Islamic economic thought is divided into 4 phases**

1. Phase I is called the development phase (Centurs VI – XI). Phase I is also known as the phase of the basics of Islamic economics which was pioneered by the fuqaha. Their thinking refers to the Qur'an and the Hadith of the Prophet, and is oriented to the problem of utility (maslahah) and disutility (mafsadah) related to economic activity. The figures of Islamic economic thinkers in phase I were: Zaida bin Ali (738 AD), Abu Hanifah (699 - 767 AD), Abu Yusuf (731 - 798 AD), Muhammad bin al-Hasan Al-Syibani (750 - 804 AD ), Ibn Miskawaih (1030 AD).

2. Phase II is called the brilliant phase (Century XA – XV). In this phase, many leave the work or a very rich intellectual heritage. Muslim scholars are able to develop a concept of how people carry out economic activities based on the Qur'an and Hadith. The thinkers in the second phase were: Al-Ghazali (1111 AD), Ibn Taimiyah (13328 AD), Ibn Khaldun (1332 - 1406 AD), Al-Maqrizi (1441 AD).

3. Phase III is called the decline phase (XV – XX centuries). This phase is called the decline phase, namely the closing of the door of ijtihad. The fuqaha only wrote the notes of their predecessors and issued fatwas in accordance with the standard rules for each school. In phase III there is an invitation to return to the Qur'an and Hadith as a source of life guidelines. Phase III figures are Shah Wali Allah (1762 AD),
Jamaludin Al Afghani (1897 AD), Muhammad Abduh (1905 AD), and Muhammad Iqbal (1938 AD).

4. Phase IV is called the institutionalization or rebuilding phase. In modern times, economic thinkers have been born whose ideas have become a reference for sharia economic activities. Phase IV characters are:

a. M. Akram Khan: Economics is an activity that aims to achieve happiness in this world and the hereafter.

b. M. Abdul Manan: Social economics is a part of sociology.

c. Umar Chapra: Knowledge that realizes human happiness through the allocation and distribution of limited resources which refers to Islamic teachings.

d. Kursyid Ahmad: Islamic economics is a systematic effort to understand economic problems and human behavior rationally in an Islamic perspective.

e. eM. Nejatullah Ash Shidiqy: Islamic economics is the response of Muslim thinkers to the economic challenges of a certain period by referring to the Qur'an and Hadith, reason (ijtihad) and experience.

f. Hasanuzzaman: knowledge of extracting and using material resources to meet human needs, the implementation of which is stipulated by the Shari'a.

g. Syed nawab Haider: Islamic economics is a representation of the behavior of Muslims in Muslim societies.

h. Munawar Iqbal: Islamic economics is a discipline that has roots in Islamic law. Islam views revelation as the most important source of knowledge.
i. Ziaudin Hamad: Islamic economics is an effort to allocate human resources to produce goods and services according to Allah's instructions, to gain His pleasure.

Production in Islamic economy

Production in Islamic economics is all forms of activities carried out by humans to create benefits or increase their benefits by exploiting natural resources so that they can meet the needs of mankind (Turmudi, 2017). Production behavior is intended to meet the needs of every human being so that they can establish the independence of the people (Hadi, 2022), that is the actual behavior of production according to one economist Yusuf Qardhawi. While the motive for his behavior is to work and prosper the earth by preserving all existing natural resources such as animals and plants, marine wealth, mining wealth and other natural resources which are carried out to the maximum and done for something lawful.

Factors of Production

Yusuf Qardhawi explained that the most important production factors contained in the Qur'an are natural resources and human work (Wahyuni, 2013). Yusuf Qardhawi further explained that natural resources are needed to be managed by humans, therefore labor is needed in production (Qardhawi, 1997). New production appears when there is a combination of work between humans and natural resources. Work itself is all the capabilities issued by humans both physically and mentally to manage and cultivate natural resources. Capital is not included in the main factor of production because capital is a tool and infrastructure which is the result of stored human work. The real meaning of
production is with all existing resources which are then processed and released all the goodness so that it can produce good and useful production for many people. There are two basic principles for determining the price of production factors in Islam, namely the value of justice (justice) and consideration of resource scarcity (scarcity).

**Production Function in Islam**

Before understanding the theory of production further, the first thing to understand is the production function. The relationship between several factors of production and a predetermined level of production is called the production function. In other words, the production function is the relationship between output or output with input or input. Production function formula:

\[ Q = f(K, L, R, T) \]

Where

- **Q**: production (output)
- **K**: amount of capital
- **L**: number of workers
- **R**: natural resources
- **T**: the level of technology used

The production function that describes the behavior of Muslim producers can be seen based on the behavior of producers in accordance with the Shari’a. Muhammad Abdul Mannan (1992) argues that production behavior does not only pay attention to market demand conditions but also considers the benefit of the people. This opinion is also supported by the opinion of M.M. Metwally (1992) regarding the satisfaction function of a producer is not only influenced by the profit level variable but is also influenced by the...
expenditure variable with the character of charity. So the utility function of a Muslim producer is:

\[ U_{max} = U(F, G) \]

Where

\[ F : \text{rate of profit earned} \]
\[ G : \text{level of expenditure that is charity} \]

According to Metwally, expenditures from producers for charities will increase the demand for products produced because \( G \) will have a double effect on increasing people's purchasing power. The increase in people's purchasing power will increase demand. This function is the combined result of the profit and expenditure functions for charity, with the constraint of profit after paying zakat which is less than the minimum level that is safe for producers.

Net profit before zakat is the profit resulting from reducing total income with production costs and also alms. In addition, there is an additional variable, namely zakat whose value depends on the net profit before zakat. Metawally also adds an additional variable of expenses from profits. So the profit rate is:

\[ F = (1 - \alpha - \beta)(R - C - S) \]

Where

\[ \alpha : \text{zakat} \]
\[ \beta : \text{other expenses} \]
\[ R : \text{total income} \]
\[ C : \text{production cost} \]
\[ S : \text{alms} \]

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The real purpose of the production process is to make the maximum usability or utility function. The maximum condition occurs when the marginal revenue function is equal to the marginal cost function. Costs and income are not the only factors that affect the production efficiency function, but the production efficiency function is also influenced by the alms and zakat variables, which have an impact which, if seen with one eye, will reduce profits.

3. Conclusion

After Muslim producers maximize natural resources, then Muslim producers are required to do good to others in the context of production. The abundance of natural resources given by Allah SWT makes a Muslim producer must be able to prosper his Muslim brothers and sisters around him. There are four basic foundations in the basics of Islamic economics described by Yusuf Qardhawi, namely Islamic economics based on divinity, ethics, humanity, and having a mediating nature. Yusuf Qardhawi’s thought regarding the factors of production is that production in Islam only has two main elements, namely natural resources and human resources in the form of labor. The production function that describes the behavior of Muslim producers can be seen based on the behavior of Muslim producers in accordance with the provisions of the Shari'a.

Reference


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