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**On the Islamic theory  
of  
consumer behaviour :**  
an empirical inquiry in a non Islamic country

by

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On the Islamic theory of the consumer behaviour: an empirical inquiry  
in a non-Islamic country

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Abstract

The major concern of this paper is an empirical investigation into how the Muslim consumer spends his income. Despite the rich literature on the subject, the writer is not aware of any empirical study on the Islamic theory of consumer behaviour. This study is a modest contribution in this area. It examines Muslim consumers in a non-Islamic country, Scotland. Two questions are addressed, firstly how the Muslim consumer spends his income and what priority is given to social-caring spending and saving; secondly, how the Muslim invests his savings and whether this is in accordance with Islamic principles. The paper is concerned with theoretical as well as empirical matters. The theory is outlined with the purpose of bringing the socio-economic approach advocated by Western economists into the comparison, and emphasizing certain points in the pattern, or model, of the Islamic consumer behaviour.

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On the Islamic theory of consumer behaviour: an empirical inquiry in a non-Islamic country

Ahmed A. El-Ashker\*

Introduction

A great deal has been written by Muslim economists on the Islamic approach to the theory of consumer behaviour, so much that the possibility of a major addition or a fundamental change has become rather limited. What could be done perhaps, is a minor addition, a slight modification, or more significantly an empirical investigation. This would demonstrate the theory's applicability, and indicate the extent to which practice conforms to theory. This article attempts this task: it re-examines Islamic consumer theory, looking at it from an unconventional angle of exposure, and it provides an empirical investigation into Islamic consumer behaviour in a non-Islamic country.

Firstly - the theory

There are three major assumptions of consumer behaviour, with three major concepts of consumer, adopted by three main categories of economists.

Conventional economists: they assume that the consumer aims to maximise his consumption utility of goods and services regardless of others in the community, as such the consumer is regarded as "homo-economicus".

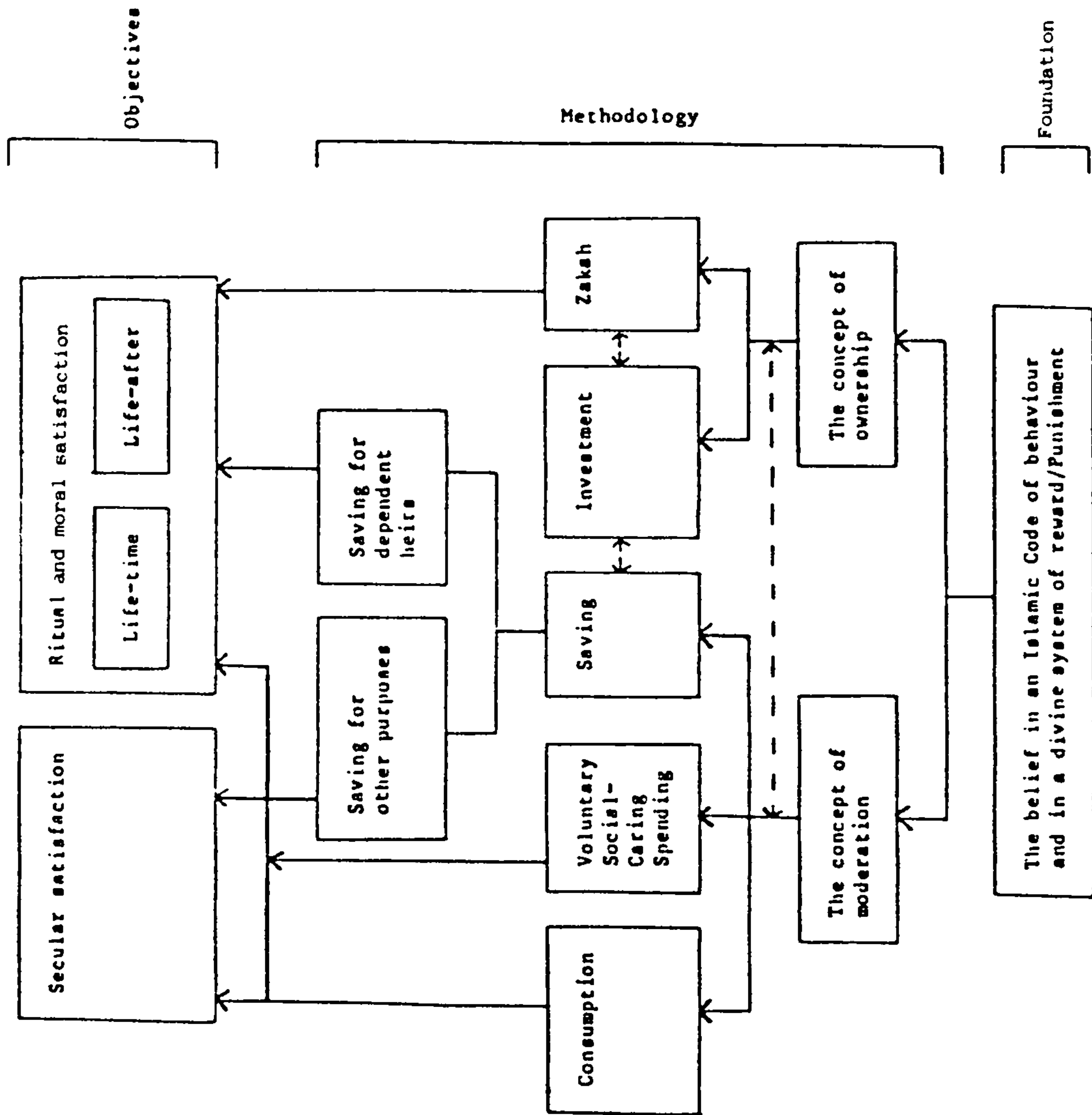
Socio-economists: these criticise the behavioural assumption of conventional economists and argue that more emphasis should be given to the social responsibility of the consumer with a considerable regard to the interest of the surrounding community (eg McKee 1982). They suggest instead, a social image to the concept of consumer who should be regarded as "homo-economicus-humanus" (Nitsch 1982).

Islamic economists: they also criticise the behavioural assumptions of conventional economists and emphasise the social responsibility of the consumer in his pattern of consumption. They regard the consumer as "homo-economicus-Islamicus" (Zarqa 1980). Though the gap between Islamic economists and conventional economists is very wide, that between Islamic economists and socio-economists is very narrow. The line between socio-economists' concept of "homo-economicus-humanus" and the Islamic concept of "homo-economicus-Islamicus" seems to be quite fine. Despite the fact that both socio- and Islamic economists agree on the social responsibility of the consumer to the surrounding community, they differ on the following:

- (a) While the former has a set of ethical values not necessarily religious, the latter has a set of religious beliefs emanating from the Islamic doctrine. The importance of this difference is related to the two following points:
- (b) While the former do not have a specific methodology for the consumer to follow (individuals are free as to the pattern of consumption in relation to their ethical values), the latter have a specific methodology laid down in Islam.
- (c) While the objectives of the consumer in the socio-economic approach are twofold - the satisfaction from goods and services consumption and moral satisfaction, the objectives of the Islamic economic approach are threefold - the satisfaction of goods and services consumption, moral satisfaction and the satisfaction from a divine reward in lifetime and thereafter.

#### The Islamic model of consumption:

Differentiated from both conventional and socio-economists' approaches, the structure of the Islamic approach to consumer behaviour could be envisaged as in figure (1). The structure consists of three main parts: foundation, methodology and objectives: it is founded on





a set of Islamic beliefs that lays down an Islamic methodology which aims to achieve Islamic objectives. Although the figure is self-explanatory, various points can be spelled out as follows:-

(1) Foundation (beliefs):

The mode of consumption in the Islamic model is established on a set of Islamic beliefs that organises the relationship between consumption, saving and investment. But the postulate of Islamic beliefs does not necessitate the assumption of a unified degree of the consumers' love and fear of God or the degree of piety; individuals may vary from merely maintaining the minimum level of religious requirements to the level of sufism. The degree of piety would, therefore, influence the degree of the consumer's adherence to this set of beliefs, which consequently, influence his pattern of consumption.

(2) Objectives:

The Islamic consumer's utility function consists of two main components: secular utility and ritual (and moral) utility. While the first utility is influenced by the consumer's consumption of goods and services, the second is influenced by:

- (a) how "moderate" he is in his goods and services consumption,
- (b) his spending on compulsory social-caring purposes (Zakat),
- (c) His spending on voluntary social-caring purposes (alms),
- (d) his saving for dependent heirs, and
- (e) investing his savings on an interest-free basis; all in relation to his income.

(3) Methodology:

The Islamic methodology could be said to be based on two main inseparable concepts - the concept of moderation and the concept of ownership.

- (A) The concept of moderation: it organises the interrelationship among consumption of goods and services, voluntary spending on social-caring purposes and saving. On goods and services consumption, the no-nigard-no-extravagant pattern of consumption is ordained (Qur'an: 7:31, 17:29). On spending on social-caring purposes, a differentiation should be made between compulsory and voluntary types of spending. While the former, which is represented in Zakat, is not subject to the individual's choice of moderation, since it ought to be said by whoever owns the Nisab, the latter is. This differentiation is important because Islam does not necessitate the absolute trade-off of goods and services consumption for voluntary social-caring spending - subject to the condition of the level of income and the fulfilment of fundamental needs (Qur'an: 28:77, 2:200-202). As for the relationship between saving and the above two types of spending (goods and services consumption and social-caring spending) a differentiation between various types of saving should be made because some are given priority over, and lead to more reward than, others. Saving, as Kahf has pointed out (Kahf 1982), could be sought for various purposes: bequeathing to dependent heirs, as a precaution against future contingencies, postponed consumption and to accumulate wealth. Saving for dependent heirs leads to more rewards than that of other types of saving. Furthermore, once immediate worldly needs have been satisfied, saving for dependent heirs, within moderate levels, is given priority over spending for voluntary social-caring purposes. The story between the Prophet, peace be upon him, and his companion Sa'ad is too well-known to be repeated.



(B) The concept of ownership: in association with the principle of social justice the concept lays down the philosophy of the institution of Zakat and establishes the principle of the relationship between saving and investment. The concept which is based on the principle of ownership-by-trusteeship between man and God, stipulates that: (1) wealth should be utilised (the condemnation of hoarding and the enforcement of Zakah as a capital tax); (2) Wealth should be used for the welfare of human being, towards the achievement of human justice, and with no elements of exploitation; (3) When invested, wealth should be invested on profit-and-loss-sharin basis, not on a fixed-interest basis (the prohibition of interest).

To sum up the above in a mathematical presentation, the utility function of the Islamic consumer (who owns more than the Nisab) could be expressed as:-

$$\text{Maximise } U = U_1(C), U_2[U_1(C), G, Sa, Sb, Z, R], F(p)$$

$$\text{S.t. } Y = C + G + Sa + Sb + Z - R$$

$$\text{Where } Sa = Sa(P)$$

$$Sb = Y - (C + G + Sa + Z - R)$$

$$Y = \text{income}$$

$$U = \text{utility function}$$

$$U_1 = \text{secular utility function}$$

$$U_2 = \text{ritual and moral utility function}$$

$$C = \text{consumption of goods and services}$$

$$G = \text{voluntary social-caring spending}$$

$$Sa = \text{saving for bequeathing to dependent heirs}$$

$$Sb = \text{saving for other purposes}$$

$$P = \text{piety}$$

Z = Zakat payment

R = returns on accumulated wealth at the beginning of year.

### Secondly - the empirical investigation

An attempt has been made in this study to investigate the mode of consumer behaviour among a sample of Muslims in some parts of Scotland, UK. Although the area has been chosen, admittedly, for geographical convenience, it incorporates a tangible number of Muslims. Results, however, are not anticipated to be different from results of other parts of the country. Also, because of the difficulty encountered in collecting data the investigation has been confined to a sample of 150 members. Such a number seems acceptable since the study aims to provide, as a starting point, a preliminary investigation. Again, though a greater sample might provide a different range of distribution it is seemed unlikely that the general findings would be disturbed.

The sample, which consists of Muslims of different nationalities, incorporates various age groups: from 20 to less than 30 years old 35 per cent; from 30 to less than 40 years old, 30 per cent; and from 40 to less than 50 years old, 25 per cent; and older than 50 years 10 per cent; approximately. For marital status the sample is distributed as: 25 per cent single, 10 per cent married with no children and 65 per cent married with children.

The study had two major issues in mind: to investigate the priority of Muslims' spending, and to examine their mode of investment in light of the Islamic prohibition of interest.

#### 1) The priority of spending

Members of the sample were asked (in a questionnaire) to rank various types of spending according to their degrees of priority. Two types of spending were excluded, however; the physiological needs and Zakat payment. For the first, physiological needs would have to be

met first before any consideration might be given to other types of spending in the ranking process. Conceivably, an assumption has been made that these needs have been satisfied in moderation. The members of the sample were asked to rank the types of spending in question, taking into account the fact that their physiological needs have been satisfied first. As for the second, Zakat payment, Zakat by nature is a compulsory type of spending which the consumer is obliged to pay regardless of his degree of preference and as such does not imply freedom of choice. This does not imply that the Muslim consumer pays Zakat reluctantly, or otherwise, but it merely confines the study to these types of spending that might be described as discretionary or at least have some degree of discretion. Nevertheless, in answering a question about the payment of Zakat all the members of the sample stated that they paid Zakat.

The types of spending which the members of the sample were asked to rank were: buying own accommodation, buying a car for own transport, buying domestic electrical goods, buying other electrical goods, social-caring spending, saving for future needs and other spending (holidaying, entertainment . . . etc). After tabulating the data, a utility table was structured as follows:-

(1) A utility number was assigned to each type of spending at each degree of priority, which helps to act as a priority-weight in evaluating the degree of significance given to the spending by the consumer. The utility number was arbitrarily calculated using the following formula:

$$Ut N = \sum_{t=1}^T 1/R_t \times 100$$

Where

Ut N = utility number

R = the ranking position (from 1 to 7)

T = number of ranks (7)

(2) Total units of utility were calculated for each type of spending at each rank by multiplying the number of utils in (1) above by the number of persons in the rank (number of frequency) or:

$$Ut S = F \left( \sum_{t=1}^T 1/R_t \times 100 \right)$$

Where

Ut S = units of utility

F = number of frequencies

The last column in the table shows the utility-weighted percentage of the spending to total units of utility (calculated by dividing the number of utils of the spending by total number of utils of all types of spending). The percentage is deemed to reflect the overall degree of significance of the spending to all other types.

Although the results in the table are self-explanatory, the following points might be made:-

(a) The overall ranks of the spending are as follows:

Buying own accommodation	39%
Social-caring spending (voluntary)	22%
Saving for future needs	14%
Buying car for own transport	9%
Buying domestic electrical goods	8%
Buying other electrical goods	4%
Other spending (holidaying, entertainment...etc.)	<u>4%</u>
Total	<u>100%</u>

(b) Social-caring spending seems to be consistent with the theoretical analysis: it occupies a tangible position in the Islamic consumer's scale of preference, being 22%. The spending, however, seems to be associated with the consumer's degree of religious consciousness, piety, as depicted in the table.

UTILITY TABLE

Types of Spending	Rank utility ( $\frac{1}{R} \times 100$ )	1	2	3	4	5	6	7	Total
		100	50	33.333	25	20	16.667	14.29	
Buying own accommodation		10,800	1,700	-	100	-	-	-	12,600 39
Buying car for own transport		-	1,700	500	300	260	117	-	2,877 8.9
Buying domestic electrical goods		-	600	633	675	540	67	100	2,615 8.1
Buying other electrical goods		-	-	-	675	300	250	171	1,396 4.3
Social-Caring (voluntary)		3,800	1,750	900	300	160	116	57	7,083 21.9
Saving for future needs		400	1,750	1,800	200	140	117	-	4,407 13.7
Other		-	-	400	100	140	250	443	1,333 4.1
		15,000	7,500	4,233	2,350	1,540	917	771	32,311 100

(c) If buying own accommodation is regarded as a type of saving (and indeed investment), or at least a considerable part of it, social caring spending seems to be placed between this type of saving and saving for other purposes. Once more, this is consistent with the theoretical argument, especially if we regard the saving/investment in buying own accommodation as incorporating a portion of saving for dependent heirs. This is not a too theoretical assumption because we should look at the consumer's behaviour in light of his culture structure. Islamic culture is still maintained among Muslim communities in Scotland, as in most parts of the world, of which family ties are an obvious example. It is quite conceivable, therefore to assume that this type of spending implies saving for dependent heirs.

(d) The effect of the economic environment on the consumer behaviour is reflected by the results in the table. It is portrayed for example in buying a car for own transport and buying electrical goods, 9% and 12% respectively. In a country like the UK, cars and electrical goods are not regarded as luxury goods as the case might be in a Middle-Eastern or a Far-Eastern country. A comparison with a similar study from some of these countries might reveal different results.

(e) On the whole, other findings of this part of the study are consistent with the theoretical analysis.

(f) Finally, the writer's feeling is that the members of a sample did not exaggerate their religious feeling in ranking (voluntary) social-caring spending in their answers. They felt free, for example to state in the second part of the questionnaire that they receive interest from their investment (as will be shown shortly) despite the fact that they knew that interest is prohibited. If there had been religious exaggeration in their answers it would have been felt all over the various parts of the questionnaire not necessarily in a



particular part.

(2) Saving and the prohibition of interest

To begin with, the findings of this part of the study are inconsistent with the theoretical analysis. The members of the sample were asked if and where they had been saving. The majority of the sample, 67%, said they saved in fixed-interest types of investment: building societies, interest-bearing bank deposit accounts and government bonds. Only 10% said they saved in Islamic banks. In explaining why they invest in fixed-interest investments, the members have provided the following points:

- (a) Islamic banks are too far away; the nearest Islamic bank is the Islamic Finance House in London, some 400 miles away.
- (b) Islamic banks require a minimum amount of deposit for investment (£500). This does not allow small investors of small savings to invest in Islamic banks. This situation does not necessarily apply to Islamic countries where small amounts are accepted.
- (c) Saving in building societies and the like is safer than saving in Islamic banks (in terms of both income and the repayment of the principal).
- (d) Receiving interest might be justifiable on the basis of reciprocity: in an inevitably interest-based financial system one has to pay interest, hence, one is free to receive it.
- (e) One could receive interest and pay it for charity, particularly in a country that does not apply Islamic Shari'a to its financial system.

A discussion of the degree of reasonability, or otherwise, of these justifications will not be pursued here, this might be the concern of specialised work (for example al-Fanjari, 1984 and JRIE, 1984). What could be said here, however, is that further steps need to be taken by leading Islamic bodies if Islamic principles are to be

reinforced among Muslims in non-Islamic countries in particular. More efforts need to be made to enlighten Muslims on issues of "Riba". Also extra efforts are needed to make Islamic banks and their agents more available in different parts of the country. Limits on the minimum amount invested should be re-examined and reduced if possible to a smaller level. Information about the financial performance of Islamic banks could be made available to Muslims in such a way as to help potential investors alleviate their financial apprehension toward Islamic banks' operations.

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APPENDIX

Questionnaire

General:

Would you be willing to provide a profile of yourself (for example, age, place of birth, occupation, education, marital status, number of children ... etc.).

.....
.....
.....
.....

Country of residence .....

Consumption:

Having satisfied your and your family's essential needs how do you rank the following items of spending (please give No.(1) to the most important item of spending and No.(2) to the next item of importance and so on . . .).

- Buying a house for yourself and your family
- Buying a car for transport and social use
- Buying electrical domestic goods
- Buying other electrical goods
- Spending for the sake of God
- Saving for future needs
- Holidaying
- Other (please indicate)


Spending for the sake of God:

Please tick one or more of what you spend on the following items then put them in order according to how much you spend on average every year (No.(1) being highest rank):

- Donation for building mosques
- Charity to relatives
- Charity to friends, neighbours and others
- Charity to charitable organizations
- Other (please indicate)


Zakat

Do you pay Zakat? Yes/No

Saving:

- (1) Do you save? Yes/No
- (2) If yes, or if you had the ability to save where would you save? (Please tick one or more of the following)

Buying properties (other than what you use for accommodation)

Bank or building societies deposit accounts

Bank profit-sharing deposit accounts

Buying shares

Buying bonds (from governments or companies)

Buying gold for your family

Keeping the money in a private safe place

Other (please indicate)


- (3) Do you earn interest on any of the above Yes/No

- (4) If Yes, do you accept interest because:  
(please tick one or more of the following)

This is the only secured available way of saving

You use the interest in paying for charity

The interest is an important item of income upon which you depend for your living

Other (please indicate)


.....

.....

- (5) Do you save in Islamic banks? Yes/No

If No, is it because:  
(please tick one or more of the following)

Income is not as secured as income from other banks

Income is lower than income from other banks

Islamic banks are too far away from where you live

Islamic banks are not available in your country

Other (please indicate)


- (6) What do you think Islamic banks should do to improve their saving services?

.....

.....

.....

.....

(7) Do you have an insurance policy? Yes/No

If Yes, please indicate what type

.....  
.....  
.....

(8) Why do you, or would you, like to save?  
(please tick one or more of the following, then put  
them in order giving No.(1) to the most important)

To be richer

To leave money for heirs

To be able to buy in the future what cannot be  
obtained at present

To get the feeling of security

To earn income from saving

Other (please indicate)


Borrowing

(1) If you need a loan would you be able to borrow from:  
(please tick one or more)

Friends or relatives without interest

Banks without interest

Governmental bodies without interest

Private societies without interest

Others (please indicate)


(2) Do you have a mortgage account with:

Building society

Governmental bodies

Other bodies


Do you pay interest on any of the above? Yes/No

Haj (pilgrimage)

(1) Have you been to Haj? Yes/No

If yes. was it more than once? Yes/No



(2) If you have not been to Haj can you say why?  
(please tick one or more of the following)

Lack of money

Health reasons

Looking after old parents or young children

Too involved in earning a living

Other (please indicate)


General remarks:

.....  
.....  
.....  
.....  
.....

Thanks

Thank you very much for filling in this questionnaire.

