



ISSN NO. 2320-5407

Journal homepage: <http://www.journalijar.com>

INTERNATIONAL JOURNAL
OF ADVANCED RESEARCH

RESEARCH ARTICLE

INCOME DISTRIBUTION MEASUREMENT IN ISLAMIC PERSPECTIVE

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Manuscript Info**Manuscript History:**

Received: 11 July 2015

Final Accepted: 25 August 2015

Published Online: September 2015

Key words:Income distribution, *mudharabah*, profit sharing***Corresponding Author****Atih Rohaeti Dariah****Abstract**

The research aims to find a measurement method for functional income distribution in Islamic perspective, realized in the practice of *akad mudharabah* (business partnership contract) involving three actors, namely *shahibulmaal* (capital owner), *mudharib* (manager), and labor.

In order to understand in-depth the meaning of *mudharabah* and *ijarah* (employment contract), content analysis of Al-Qur'an and Hadith was conducted. Data were also taken from previous research results on the measurement of conventional income distribution and experts' views of the measurement which were obtained through interview and FGD. The analysis of the whole data resulted in the proposition of an idea to measure functional income distribution in Islamic perspective.

Research results show that the calculation method of income distribution in *mudharabah* framework is a specific regression model, where the independent variables consist of profit sharing, trust, *amanah* (fulfilling trust), business characteristics, productivity, skills, prudence, and dummy of *mudharabah* practice versus the conventional one. Meanwhile, the dependent variable is income distribution, including the sub-variables of *shahibulmaal*, *mudharib*, and labor that will be specifically calculated with the Gini Index method.

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INTRODUCTION

Measurement of income distribution introducing Islamic values is not something new. The literature, for instance, shows that Ahmad (2000) has conducted measurement of income distribution in both Muslim and non-Muslim countries. He employed Gini coefficient as the proxy of income distribution. With the institutionalization of Islamic economy, Ahmad (2000) proposes a hypothesis that income distribution in Muslim countries is better than that in non-Muslim countries. His hypothesis was tested by looking at the Gini coefficient of each country. The main cause of the gap lies in the ownership of production tools and physical capital, concentrated land ownership, sizes of land ownership, and the low bargaining power of the working farmers.

Our previous research has resulted proposition determining income distribution in *mudharabah* practice which is a direct reflection of the behaviors of the actors involved in the practice, namely *shahibulmaal*, *mudharib*, and workers (Dariah, et. al, 2014 and 2015). Terminologically, Islamic clerics define the term *mudharabah* differently, albeit the definitions are essentially the same, namely referring to a form of partnership between the capital owner (*shahibul mal*) and the capital manager (*mudharib*) with previously agreed profit sharing.

Details of our proposition are as follows:

- (1) The overvaluation of *shahibulmaal* over his or her own capital will lower wage level.
- (2) Increased product prices will raise labor wage, and consequently prompting the need for additional work time in the company, demanding the workers to reduce their work time in their other jobs.