

ISLAMIC ENTREPRENEURSHIP (DIB2443)

CHAPTER 3: FACTORS OF PRODUCTION IN ISLAM AND ISLAMIC ENTREPRENEURSHIP

- To differentiate production and production in Islamic perspective
- To determine the factors of production
- To explain the factors of production
- To explain the needs and wants
- To determine the needs and wants in economic

LEARNING OUTCOMES

- Production can be defined as the creation of utility or the creation of goods and services for the purpose of satisfying human wants.
- It is the transformation of raw materials into finished goods and their distribution to the consumer in order to satisfy their wants.
- Production is a process of combining various material inputs and immaterial inputs (plans, know-how) in order to make something for consumption (the output).
- It is the act of creating output, a good or service which has value and contributes to the utility of individuals.

PRODUCTION

- Islam consider production as means using the wealth and the effort of the person to produce commodities which satisfy his living needs on this earth in a concept of Halal and Haram
- Any means used outside this concept no matter the goods are do not consider production in the view of the Shari'ah.

PRODUCTION IN ISLAM



LAND



LABOUR



CAPITAL



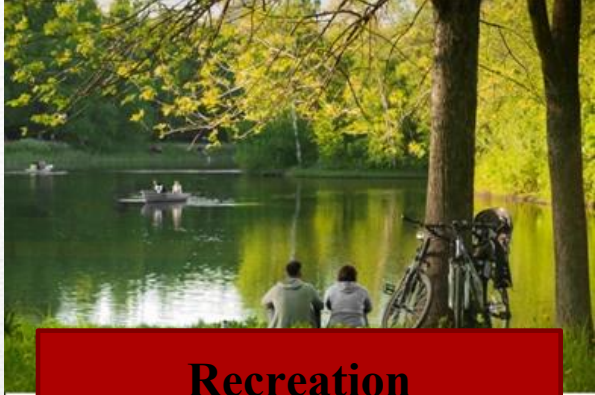
ORGANIZATION

FACTORS OF PRODUCTION

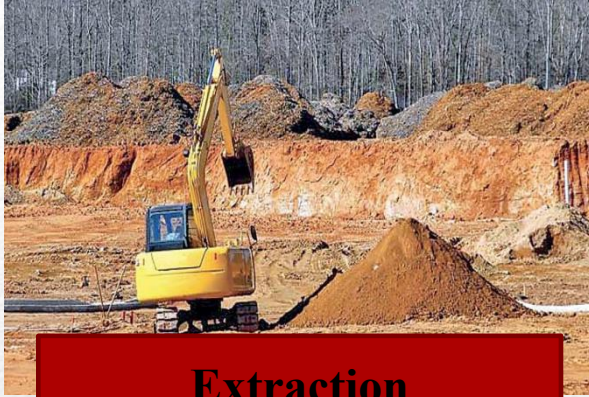
1. Earth
2. Mineral
3. Mountain
4. Forests
5. Animals
6. Climates and rainfall
7. Wider significance of land



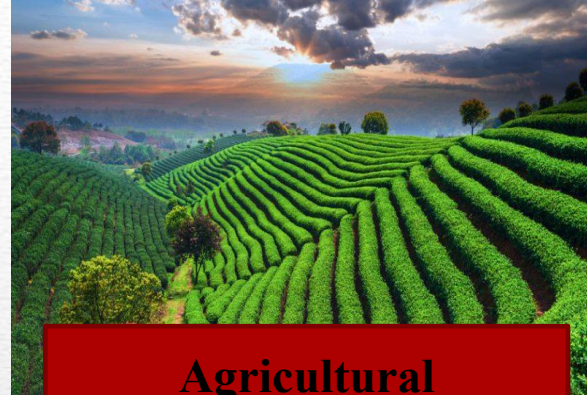
1. LAND/ NATURAL RESOURCES



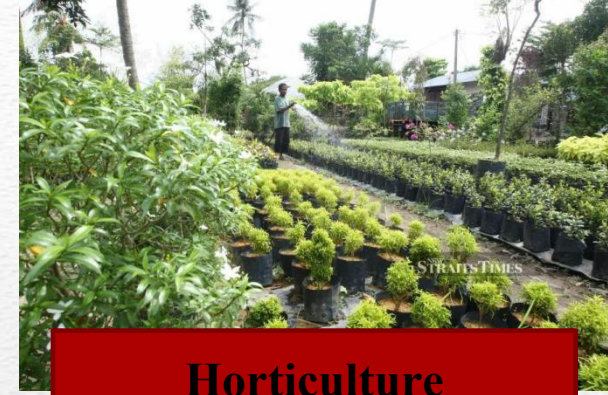
Recreation



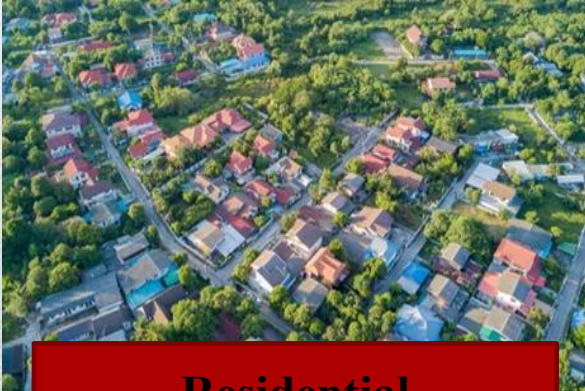
Extraction



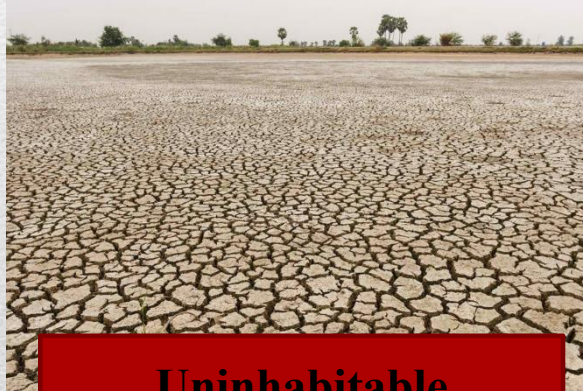
Agricultural



Horticulture



Residential



Uninhabitable



Commercial

Contd: Types of Land

2. LABOR

1. Man was created to work
 2. Physical Labor
 3. Intellectual Labor
 4. Supply of Labor
 1. Efficiency of labor
 1. Physical and moral health
 2. Mental fitness
 3. Education and training
 4. Beauty and grace
 2. Mobility of labor
 3. Population
 5. Freedom of occupation
 6. Dignity of Labor
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Unskilled Labour



Semi-skilled Labour



Skilled Labour



Professional

Contd: TYPES OF LABOUR

1. Accumulation of capital

1. Growth of income

1. Compulsory measures

- Payment zakat
- Prohibition of interest

2. Optional measures

- To encourage growth of capital in the community
- Re-investment of cash
- Leaving successors wealthy

2. Avoidance of extravagance

3. Hoarding

4. Peace and security



3. CAPITAL



Contd: TYPES OF CAPITAL

1. Business contract
2. Form of Business Organizations
 1. Profit sharing
 2. Partnership
 3. Joint-stock companies
 4. Business on commission
 5. Government undertaking



4. ORGANIZATION

1. Right Quality

- The quality of the product is established based upon the customers' needs.

2. Right Quantity

- The quality of the product is established based upon the customers' needs.

3. Manufacturing Costs

- Manufacturing costs are established before the product is actually manufactured.

4. Manufacturing Schedule

- Timeliness of delivery (schedule) is one of the important parameter to judge the effectiveness of production department.

THE OBJECTIVES OF PRODUCTION IN ISLAM

- *Needs* are things that are required in order to live. Everyone needs food, water, clean air, clothing, and shelter. Other needs in today's economy are a good education, a good job, and safety. Most people need transportation to and from school and work. People who have health problems need health care and medicines.
- *Wants* are things that add comfort and pleasure to your life. You may believe you can't live without name brand jeans and the latest cell phone technology, but you can, and many people do. A small apartment provides needed shelter, but many people want a large apartment or a house. Public transportation is available in many cities, but a late-model luxury car might provide a driver with an image of success.
- Your needs and wants never end. You are limited only by your imagination and by what businesses make available for sale.

Man's Need and Wants

- ✓ By the term needs, we mean those requirements which are extremely necessary for a human being to live a healthy life.
- ✓ They are personal, psychological, cultural, social, etc. that are important for an organism to survive.
- ✓ In ancient times the three basic needs of the man are food, clothing and shelter but with the passage of time, education and healthcare also became integral, as they improve the quality of life.
- ✓ They are a person's first priority as they are the things, that they keep us healthy and safe.
- ✓ Therefore, if needs are not satisfied in time, it may result in illness, inability in functioning properly or even death.

NEEDS

- ✓ In economics, wants are defined as something that a person would like to possess, either immediately or at a later time.
- ✓ Simply put, wants are the desires that cause business activities to produce such products and services that are demanded by the economy.
- ✓ They are optional, i.e. an individual is going to survive, even if not satisfied.
- ✓ Further, wants may vary from person to person and time to time.
- ✓ We all know that human wants are unlimited while the means to satisfy those wants are limited.
- ✓ Hence, all the wants of an individual cannot be met and they must seek for alternatives.

WANTS

- Human wants unlimited
- Any particular wants satiable
- Wants are complementary
- Wants are competitive
- Wants are alternatives
- Wants vary with time, place and person
- Wants vary in urgency and intensity
- Wants change into habits

WANTS

- Satisfying customer needs and wants is the easiest way to increase profits and sell more products and services.
- Often several needs are fulfilled at the same time to build stronger client satisfaction.
- Fulfilling the consumer needs start with understanding what your product does and how it helps people.
- Consumers may have more than one need or have a need plus a desire.

FULFILLING THE NEEDS

- ❑ The fact that any single want is satiable leads to the law of diminishing marginal utility, which says that every successive unit of a commodity consumed has less utility.
- ❑ This is one of the fundamental laws of Economics on which are based several other economic laws, e.g., the law of demand, consumers' surplus, elasticity of demand and the principle of progressive taxation.
- ❑ The competitive nature of human wants has given us the law of substitution.
- ❑ Two of the other characteristics of human wants that we have considered above are that many wants recur again and again and some of them change into habits. In this way, they become an integral part of a man's standard of living.
- ❑ The modern theory of wages is based, on the supply side, on the standard of living prevailing at any time.

Importance of Characteristics of Wants in Economic Theory
