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Profit Maximization versus Price Ceiling from Maqasid al-Shari'ah Perspective: A Wasatiyyah Approach

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ABSTRACT
Islamic law does not restrict the magnitude of profit digits if the underlying business undertakings are lawful. Islamic law does not stipulate any specific price or profit of goods and services in a marketplace, and it promotes a non-monopolistic free market. At the same time, the demand and supply forces determine the prices. Thus, Islam has no strict limit on profit rates earned following commodity, place, and period factors. No evidence dictates the limitation of profits to specific percentages. Islamic law advocates the principles of justice *('adalah*) in the distribution of wealth, and hence the profit margin shall comply with that. Contemporary scholars believe that the notion of maximizing the profit is not consistent with the superseding objective of optimally serving society and avoiding manipulation (Chapra, Hassan & Metwally). The issue of profit maximization is related to the issue of fixing specific prices for goods and services. In a typical situation, none should manipulate the market price as fixing the prices is not allowed in Islamic law, and market prices should be left to flow to the market's dynamic. Anas bin Malik (R.) reported, the people said: O Messenger of Allah, the price has become very high; you may fix the price for us. Then the Prophet (pbuh) replied: 'Allah is the one who determines the price, who takes and gives, and He is the provider. I hope to meet Allah while you do not have any claim against me either in blood or in wealth (Ibn Majah). Nevertheless, though the general rule says fixing the price is not permissible of whether to be lower or higher than the market, another second opinion says in some circumstances it is permitted. Fixing the price is permissible when it secures the actualization of *maqasid al-shari'ah* and public well-being. Thus, imposing a ceiling for the price and profit is permissible to preserve justice and eliminate harm and injustice (*zulm*) from the market, ensuring the protection of public interest (*maslahah ammah*). Muslim jurists opine that the government or related authority is allowed to fix the market price when there is a price increase above the average price in the market. Nonetheless, a *wasatiyyah* (balanced) approach shall be maintained to fix the price ceiling and profit margin so that none of the parties involved in the transaction will be affected adversely. Observing a *wasatiyyah* approach would secure the realization of fairness and the removal of harm which is the restrictive clause for the lawfulness of fixing the price and profit.

Keywords: Profit Maximization, Price Ceiling, *Maqasid al-Shari'ah*, *Wasatiyyah*, Islamic Law

1. INTRODUCTION

Since the early days of Islam, trade and business have been an integral part of the Muslims' activity. Prophet Muhammad (pbuh) is reported to be involved in trade activities before he was led the responsibility to teach Islam. Many of his prominent companions were those who were honored for their wealth and prosperity. Thus, Islamic teachings and instructions are abundant in trade and business ethics.

Profit is necessary for business circles or institutions engaged in the business. Any business or trade organization will not survive if the goal of making profits is not emphasized. The obtainment of profit in business is needed. This statement is accepted in the Islamic economic system as economic activities, and participation in business have a spiritual dimension in Islam. Islam encourages believers to come through in this way of life no less than in the life hereafter. It recommends that they engage in almost every material accomplishment, especially trade, and eulogizes profit as God's bounty.

Islam encourages people to trade and advocates it as a way to accumulate sustenance, and hence it recognizes trade productivity or buying and selling. However, Islam does have its prescription and instruction in conducting the business, and Allah's law bounds it. Islam does not lay down any specific price or profit for goods and services in a marketplace, and it promotes non-monopolistic free markets where the demand and supply of the goods dictate their prices. Depending on actual demand and supply, one may impose as often or as little a profit one wants or believes will permit him to earn a livelihood and market his product to his satisfaction in a free market. Some Muslim scholars have argued that when the purpose of a business does not serve society, the business loses its legitimacy (al-Sadr, Chapra). As a brief preview, this chapter will highlight the significant discussion on profit, where the steps to make

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a profit are pointed out in the context of permissibility in Islamic teachings and whether there should be any limit to profit in Islam. Thus, in the following sections, the issues of profit and its restriction to a certain percentage and the issue of fixing the prices from an Islamic point of view have been discussed.

2. MEANING AND NOTION OF PROFIT

The Arabic word for profit is '*al-ribh*,' which literally means increasing and developing in business and commerce (Ibn Manzur). It also denotes the meaning of gain (al-Mu'jam al-Wasit). The Holy Qur'an gives us this meaning when it says: "they are the people (*munafiqun*-hypocrites) who have bartered guidance for error, but their traffic is profitless, and they have lost true direction" (2:16).

Typically profit means the excess of money earned by a firm after all expenses are settled within a period of calculation of an account (Harrap's Dictionary of Business Finance). In addition, profit is a financial benefit realized when the amount of revenue gained from a business activity exceeds the expenses, costs, and taxes needed to sustain the activity. Profit is the surplus remaining after total costs are deducted from total revenue and the basis on which tax is computed, and the dividend is paid. It is the best-known measure of success in an enterprise (Investopedia). Moreover, profit is the sum of money added to the product or service cost. This 'surplus amount' is known as a 'mark-up.' The profit comes from the mark-up; after all, expenses are paid, and all overhead cost is cleared. This 'surplus amount' in the shape of a mark-up is compensation to the trader for spending his time, wealth, and efforts (Abdullah).

In economic terms, profit is defined as a sum of payments to the factors of production after deducting from the revenue earned for a company. The surplus of these deductions is directly related to calculating a gross profit. In net profit calculations, economists typically isolate implicit returns that include rental payments, benefits, wages risk premiums, etc. Placing these returns together is indirectly referred to as average profit, regarded as a cost element of production.

The classical Muslim scholars discussed the concept of profit in many contexts, particularly giving *zakah* in commercial goods and other sale contracts. In *zakah*, the profit (*ribh*) means a capital increase, and such an increase is an obligatory condition for *zakah* in the property. In Islam, the obligation of *zakah* in the property only applies to the growing property (*namiyah*). Also, Muslim scholars discussed the profit in the context of mark-up sales (*murabahah*) and the partnership of all kinds (Al-Qisi).

It shall be noted the majority is deemed to be inclining towards the view that profit (*ribh*) is confined to the commercial activities only. While al-Raghib al-Asfahani opines that it includes all types of increase and increment, whether in the sales or other types of earnings gained as the output of the work, such as the earning of blacksmiths, carpenters, doctors, and others, as such profit (*ribh*) encompasses the yields of all other investment activities (al-Mufradat). Thus, according to Muslim scholars, in the context of *zakah*, profit (*ribh*) denotes a kind of growth and increment, and it is related to business activities and commercial goods. Also, it refers to the capital gain (al-Kasani, al-Dusuqi, al-Sharbini, and Ibn Qudamah).

However, in *zakah,* real growth is not meant as it cannot be considered. Having the possibility of growth is enough for the obligation of *zakah* instead. It is likely to achieve the growth whether by a business or by grazing because the grazing causes to obtain the milk, lineage, and fetus while business causes to make the profit. So the cause is replaced with the effect, and the ruling is made linked with that (al-Kasani). Nevertheless, this is related to the wealth that does not grow by itself, such as gold, silver, livestock, and commercial goods. Hence, passing a year is stipulated because of the possibility of growth during one year. However, in the case of wealth which grows by itself, such as seeds, firms, fruits, and others, the real growth is considered in these, and hence *zakah* will not be due except the real growth happens.

The profit that is meant by the scholars in the case of commercial goods is the growth and development earned after selling or upon making any dealing in that. Thus, growth and development earned before selling or making any dealings considered profit or not is contentious among Muslim scholars. Maliki School opines that such growth and development are not considered profit (ribh) but revenue (*ghallah*) instead. So, in Maliki School, profit (*ribh*) is an additional amount charged on the commercial goods at their initial price. While revenue (*ghallah*) is the new growth in the commercial goods before selling to the end-user, such as the earnings of an enslaved person, the yield of the products ready for sale, and so forth (al-Dusuqi). In this way, Maliki School differentiates between profit (*ribh*) and yield (*ghallah*). According to the Hanbali School, whatever increase happens on a commercial good is considered profit (*ribh*), regardless of whether it happens before or after selling the goods. Thus, they define profit (*ribh*) as the increase in the value of commercial goods (Ibn Qudamah). So whatever increase happens in the capital is considered profit.

Nevertheless, in other contexts of *fiqh,* except for *zakah*, any increase in the capital is considered profit, as the Muslim jurists opine. However, they differ on whether or not this increase is calculated after deducting all the expenses. For instance, in the case of murabahah, it is required that the initial price be known to the second buyer. Since knowing the price is a condition for the contract's validity, the contract becomes void if the initial price is unknown (al-Kasani, Ibn Qudamah, al-Sharbini). Thus, *murabahah* transfers what is possessed through an earlier contract by initial price with an additional amount (al-Kasani, Ibn Humam, al-Marghinani, al-Dusuqi, Ibn Qudamah). So, most scholars believe that profit means the amount added with the capital only used to buy the goods with the consideration of customary practices (al-Kasani, al-Dusuqi, al-Sharibini, Ibn Qudamah). At the same time, Maliki School defines profit as the amount added with the capital used and costs incurred to buy the goods (Ibn Rushd).

Concerning the *mudarabah* partnership, the objective is to obtain profit. This is because *mudarabah* is defined as a partnership contract in profit, not in the property, between two or more parties (Ibn Qudamah, al-Nawawi, Ibn Rushd, al-Kasani&al-Dusuqi). In *mudarabah* partnership, Muslim jurists opine that the profit is the additional amount on the capital after deducting the cost. Thus, profit will not be counted until the losses, and all expenses related to the

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project or company are settled. After that, whatever is left will be considered (*ribh*) profit (Ibn Qudamah, al-Kasani). The cost may exceed the capital itself, so before calculating the profit, if the cost is not taken into account, the capital provider will be the loser which is not consistent with the partnership's objective (Al-Qisi).

3. DISCUSSION OF PROFIT IN THE LEGAL SOURCES OF ISLAM

The lawfulness of profit is verified by the Qur'an, Sunnah as well as by the consensus of the Muslim scholars, as follows:

The Holy Qur'an:

Discussion of profit (*ribh*) is made in the holy Qur'an on many occasions, either explicitly or implicitly, by synonyms. Discussion is also made on the ways to obtain the profit such as business, sales and the like. The Qur'an mentions: "they are the people (*munafiqun*-hypocrites) who have bartered guidance for error, but their traffic is profitless, and they have lost true direction" (2:16). Scholars opine that the words '*fadl'* and '*tijarah,'* mentioned in the Qur'an, refer to profit (*ribh*) as it is the output of the business. Imam al-Tabari views profit from traders as the exchange of an item belonging to whether the exchange value is equal to or exceeds the purchase price of the item. If the exchange value is less than the purchase price, it is considered a loss. He also noted that profits exist when the exchange between price and output is either the exchange rate is the same or exceeds the purchase price. Al-Razi says that the verses mean what the traders look forward to their activities are two things: the safety of the capital and the profit.

While discussing the attributes of the hypocrites (*munafiqun*), al-Zamakhshari says: the verses denote that typically the business people look for capital protection and secure the required profit. These hypocrites lost both of them together. Their capital is guidance what they already lost as they don't have guidance with the error. Once the capital is lost, they cannot be like those who secure the profit, as there is no profit with the destruction of capital. So, they are not guided by the ways of doing business and commerce, and accordingly, they become like those traders who do not know what makes a profit and what makes a loss. In the meaning of '*fadl'* and the lawfulness of sale contract, al-Zamakhshari says: this means to get benefit and profit through trade and commerce.

Thus, all these verses denote the lawfulness of business, *mudarabah,* and *murabahah,* which refer to the validity of profit (*ribh*). Business means dealing with the property to get a profit. *Mudarabah* partnership is also made to obtain the profit and growth, and this is the partnership in profit, not in the wealth. *Murabahah* is also a kind of sale. Thus, it is valid based on the general principle of permissibility like any other sale, unless there is any evidence stipulating otherwise. While the means are legal, whatever yields from that would be legal as well, and thus the profit is lawful as long as the means are lawful (Al-Qisi).

Sunnah of the Prophet (pbuh):

Many words and terms are found in the *Sunnah* of the Prophet (pbuh) in investment and obtainment of profit. The Prophet (pbuh) says: the oath removes the goods and destroys the profit (Muslim); destroys the blessings (Bukhari). In other narration, the Prophet (pbuh) invalidates the profit not accompanied by liability (Tirmidhi, Abu Daud). Also, the Prophet (pbuh) says: 'revenue shall be accompanied by the liability' (Tirmidhi, Ibn Hibban).

In addition, what is narrated by Urwah (R), the Prophet (pbuh) gave him one dinar to buy a goat for him. Urwah purchased two goats with that dinar and then sold one goat with one dinar. Then he came back to the Prophet with one dinar and one goat. The Prophet (pbuh) then prayed for blessing in his sale. After that, even if Urwah buys and sells the sand, he would get some profit thereof (Ibn Hisham).

The Prophet (pbuh) did the *mudarabah* partnership with the wealth of Khadijah (R) and made a considerable profit in that venture, and after that, he shared this story (Bukhari, Ahmad). This indicates the lawfulness of *mudarabah* and the profit yields from it. The Prophetic narrations are innumerable, denoting the validity of profit yields from diverse investment activities. The Prophet summarized it in his answer when asked about the best earnings. He (pbuh) replied: the best earning is the earning of a person by his work and each truthful sale (Ahmad, Hakim).

The consensus of the Scholars:

The Muslim scholars unanimously agree on the validity of *mudarabah* and its profit (al-Kasani, Ibn Qudamah, Mawahib al-Jalil, al-Ramli, al-Nawawi). The companions of the Prophet (pbuh) like Umar, Uthman, Ali, Ibn Ms'ud, Ibn Umar, Aishah, etc., used to invest the wealth of orphans in *mudarabah* venture along with their wealth. Also reported, Umar R. received a portion of the profit for the public treasury from Abu Musa al-Ash'ari because of the wealth he gave to his two sons. At the same time, they did some business with that, and then Umar R. said: I have made it a *mudarabah* venture. Regarding *mudarabah,* Ali R. said that the loss in the wealth and profit of *mudarabah* would be shared as they agreed upon. Abbas ibn Abdul Mutalib R. is used to involve in the *mudarabah* venture, and the Prophet (pbuh) allowed it. Since this is a partnership in profit and all agree on its lawfulness, the profit also would be lawful by the consensus of the Muslim scholars.

Muslim scholars used many terms to indicate profit and related concepts. Thus, they define business as the circulation of wealth and dealing with that on the profit (*ribh*). In contrast, profit (*ribh*) refers to the capital's increment, surplus, and safety. There will be no profit if the capital is not safe and secured. Muslim scholars used many economic terms to denote the notion of profit, like benefit (*fa'idah*), yield (*ghallah*), profit (*ribh*), gain (*manfa'ah*), and revenue (*kharaj*), particularly in the context of *zakah* and *waqf* (religious endowment).

4. LEGAL RULING OF THE PROFIT

The legal ruling of the profit is different, subject to its source and underlying activities. Thus, profit could be lawful, unlawful, and controversial, i.e., neither lawful nor unlawful. The first category is lawful profit obtained from legal and valid transactions like sale, *mudarabah*, partnership (*shirkah*), etc. Profit generated from these contracts is lawful provided that relevant conditions and principles of the contracts are observed. The second category is unlawful profit generated from illegal and not recognized by Islamic law sources, such as interest, gambling, and unlawful business activities. Imam al-Qurtubi says that each counter value that is not valid in Shari'ah, such as interest and

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others, or each void return such as liquor, pig, etc., is considered illegal profit (Mawsu'ah Fiqhiyyah).

The third category of profit is controversial, resulting from human activities in other people's wealth in his custody, either in trust like the depositor or liability like the usurper. Muslim scholars have different opinions in this regard. Imam Abu Hanifah and Muhammad ibn Hasan opine that this profit is not valid and shall be disposed of as charity. If a person deals in other's property, any profit thereof is not valid and shall be given as charity like the deal with the deposit, the usurped item, etc. This is because the profit is generated by illegal means, which is as dealing with other's possession and the way to get rid of this profit is to dispose of it through charity (al-Marghinani, al-Ayni). The second opinion for Imam Abu Yusuf, Maliki School, the latest stand of Shafi'i School, and one stand of Hanbali School opine that the profit will be for one who deals with deposit or usurped item and it will not be for the owner. The profit is obtained under his liability and possession (al-Marghinani, al-Ayni, al-Hattab, al-Qarafi, al-Sharbini, al-Sharh al-Kabir). The third opinion is the earlier stand of Shafi'i School and Hanbali School of law that opine the profit will be for the owner of the deposit and the owner of the usurped item. They argue the profit yielded is the growth of his property, and thus it will be for him (al-Nawawi, al-Sharbini, Ibn Qudamah).

5. PRINCIPLES AND PARAMETERS OF THE PROFIT IN ISLAMIC LAW:

To become lawful and valid, Islam imposes some conditions and parameters for the profit, as follows:

First: No Element of Usury (riba):
Riba is an incremental magnitude or additional value over its original principal stipulated in the sale contract (al-Sarakhsi). It is closely related to other terms such as surplus, increase, growth or excess. *Riba* takes place either in the same subject or commodity to be returned with an increase. The classical Islamic scholars agreed that *riba* takes place in the situation of increase without a corresponding price. More absolutely, it is described as an increase or excess value (*fadl*) in exchange or sale of a commodity that accumulates to the owner (lender) without equivalent counter value (*iwad*).

Second: No Element of Hoarding (*ihtikar*):
In Islamic law, profit must be free from speculation or monopoly. The Prophet says, 'whoever does the hoarding will be sinful' (Muslim). The second Caliph, Umar R., says, 'whoever hoards the foodstuff of the Muslims, Allah swt punishes him with leprosy and insolvency (Ibn Majah). Muslim scholars conclude that hoarding is prohibited under two conditions: first, hoarding at a given time is injurious to the people of that country, and two, the hoarder aims to force the price up to make more profit (al-Qaradawi). Islam encourages people to uphold noble values in setting profit. So, all parties get benefits, and none oppresses the other. Islam prohibits the traders from acting as a syndicate that hoards the merchandise and makes a synthetic demand that increases the price and sells the merchandise at a bizarrely high and unreasonable premium.

Third: No Element of Deception (*ghubn fahish*):
Ghubn literally means shortcoming (*naqs*), deception, lesion, or misrepresentation. Technically it means the sale of a commodity with either less or excess price from the standard price in the market, where the buyer or the seller suffers losses with that price. *Ghubn* can be divided into *ghubn yasir* (light) and *ghubn fahish* (excessive). There are different views to determine the level of excessiveness. One view says in merchandise, the level of excessiveness is 5% of the value, in animals 10%, in real estate one fifth, and in dirham two and a half percent of the value. However, this is applicable when the price of goods is unknown to the people and needs the evaluators' estimation. But if the price is known to the people, such as the price of bread, meat, and so on, then any *ghubn* will not be tolerated, though it is minor, even if one cent (al-Bahr al-Ra'iq, Ibn Nujaym, Dhiyab). Nevertheless, Maliki School views that *ghubn fahish* is charging with an additional one third or more than one third (al-Hattab). At the same time, Shafi'i and Hanbali Schools opine that *ghubn fahish* is not usually tolerated, and in every case, it will be referred to the customary practices (al-Sharbini, al-Mardawi).

Fourth: No Element of Uncertainty (*gharar*):
Gharar refers to any dealing of a probable object whose existence or description is uncertain, and accordingly, the transaction's outcome becomes unsure. Thus, the Prophet (pbuh) prohibited the acquisition of unborn animals within the mother's uterus, sale of milk in the udder before milking, acquisition of spoils of war before distribution, and purchase of a diver's catch, and so forth. *Gharar* happens in all types of transactions where the subject matter, the value, the quality, detailed description, etc., are unknown and not defined. Both parties' mutual consent and satisfaction are required for a valid contract. Full consent can only be obtained in full disclosure, transparency of price, and perfect knowledge of both contracting parties on the counter values intended to be exchanged. Thus, the presence of *gharar* jeopardizes mutual consent of the contracting parties and hence invalidates the contract. It is reported that the Prophet (pbuh) prohibited the sale of throwing stones and the sale of *gharar* (Muslim).

6. PROFIT MARGIN UNDER ISLAMIC LAW

There are two opinions in this regard. According to the first opinion, Islam restricted the maximum limit of profit to one-third. So, earning a profit above this limit would be prohibited. However, this view seems weak, and it comes from some confusion between profit and deception (*ghuban)*, as elaborated by al-Qaradawi. On the contrary, the majority of scholars, including the four juristic schools, opine that Shari'ah has not limited profit margin, though it has provided some general regulations in this judgment.

First Opinion:
The Maliki and Shafi'i schools state that the profit rate shall not be more than 1/3 or 34% of the price. According to Imam Nasir bin Yahya al-Balkhi, the profit rate is divided into three categories; property up to 20%, livestock up to 10%, and goods up to 5%. Hanafi and Hanbali schools view that the allowable profit rate is not fixed at a certain percentage. It rather changes according to the traders' customary practice (urf). However, al-Qaradawi warns that there seems to be grave confusion in what is referred to as the Maliki School. He argues that no evidence in the Maliki literature approves this claim. Therefore, it is not right to claim they have restricted the maximum profit limit to one-

third. This confusion may result from their stance about *ghaban* or exorbitant profit. They hold that pricing over and above one-third will be excessive. But it does not mean that they have restricted the profit limit to one-third.

Second Opinion:
The second standpoint is what is held by the majority of Islamic scholars. They believe that Islam has not restricted profit margin in a transaction. After giving some basic rules about this issue, Islam has left it to the parties to decide what is best in their interest. A comprehensive study of trade-related verses in the Qur'an reveals the fact that profit is for what the business is carried out. If someone's business is not profiting, it means there is some problem in his business or in the people he deals with. In one of the verses, profit has been named the *fadl* or blessing of Allah, which is not prohibited even in the days of pilgrimage. On the other hand, the study of ahadith also shows the same fact that earning profit has been made compulsory. The Prophet (pbuh) states that the guardians of the orphans' property must do business in it so that it is not decreased by *zakah* (Tirmidhi). So there should be so much profit in a business that is enough to pay *zakah*. So Islam accepts profit as the primary motive and incentive behind trade and commerce (al-Qaradawi).

This leads us to the vital question of whether there is a maximum limit for profit. The study of *ahadith* proves that Shari'ah prescribes no such limit, which is precisely the standpoint of the four juristic schools. The logic behind this ruling of Shari'ah, as Qaradawi explains, is that if the profit limit were fixed, it would be for every age, every time, and every situation. This would have led to many severe problems indeed. The reason is that there is a difference in the commodity one deals in. The edibles expire after a short period, are grown many times a year, and are needed by everyone. Animals and land are pretty different from edibles.

Furthermore, some people do business on a small scale; others are the owners of huge companies. Similarly, the transaction is sometimes on the spot and sometimes on credit. As a norm, in the former, the profit is lesser than in the latter. So if Shari'ah had fixed the same amount of profit in all these situations, it would have led to injustice. Therefore, both parties are given the freedom to fix any price they like. However, they must avoid unlawful practices, including fraud, deception, swearing, excessive pricing, etc. Also, there are other ethics that are found in *ahadith,* and they should also be observed while fixing a price.

7. PRICE FIXATION IN ISLAM

Another relevant aspect of the topic under discussion is whether Islam agrees with fixing the price or vice versa. The study of Islamic literature reveals that Islam does not want the prices to be fixed by someone from outside the market. The Prophet (pbuh) refused to fix the prices when asked to do so. In other words, Islam wants two significant market forces, supply and demand, to resolve this pricing issue. Jurists have summarized that it is not good to disturb the market forces determining prices by external interventions. However, there is also a consensus among them that the government or the relevant authorities must intervene and control the situation if some unnatural or artificial forces have caused an imbalance in market prices. Bashar (1997) concludes this debate by stating that the government can interfere if the market is monopolistic. Similarly, in case of any need or emergency, like war or famine, it is the government's responsibility to ensure the right of the masses by fixing a fair price. The juristic opinions on this issue are as follows:

First Opinion:
It is not permissible to fix the price, whether lower or higher than the market. The majority of jurists of Hanafi, Maliki, Shafi'i, and Hanbali disallow for the government to fix the prices of products and services in the case when the market price is regular.

Imam al-Shawkani holds that it is prohibited to fix the price because of the possible element of tyranny (*zulm*) involved. In this case, everyone has their rights to the properties, and the fixing of prices would be an obstacle to them managing their life. The ruler has the responsibility to look after the public interests of all Muslims and not just look after the interests of the buyers in a situation of a lower price in the market or the interests of the sellers in a situation of a higher price in the market. According to al-Mawardi, it is not permissible to fix the prices of essential foods whether at a high or low in the market.

The Qur'an states that "O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent". (Surat An-Nisa':29). Mutual consent (*taradi*) between the parties involved is the main component in a business transaction. The government's intervention, such as determining the market price, can be considered an obstacle to the seller. It is because of the violation of the right of mutual consent (*taradi*) between the seller and the buyer in the business transaction. Thus, government intervention violates the rights of the seller to determine the price of products and services.

Second Opinion:
Determining the price is permissible to preserve the basis of justice between people, avoid the element of injustice (zulm), and protect the public interest (*maslahah ammah*). According to the Hanafi and group of Maliki and Shafi'i scholars, the government is allowed to fix the market price when the price increases above the average price in the market. Ibn Taymiyyah and Ibn Qayyim added that fixing the price is permissible for those who are just (*adl*) but not for the tyrants. Fixing prices becomes lawful when it leads to fairness and justice (*adl*) among the people or prevents harm from them. In addition, there is a third view of Sa'id binal-Musayyib, Rabi'ah bin Abd al-Rahman and Yahya bin Sa'id al-Ansari. They opine that it is permissible for the government to intervene in the market by fixing the price of products and services irrespective of whether the prevailing price is high or low (Abu Rakhiyyah).

Both views are based on *Maslahah*. However, disagreement occurs because the first opinion argues that the *maslahah* of the seller needs to be prioritized, while the second opinion views that *maslahah* of the buyers or the consumers and the public needs to be taken into consideration first. Nevertheless, the opinion of the first group is more substantial because, in such a situation, the traders are more profitable to the advantage over the authorities to fix the price of the goods. In other words, if the

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pricing is done, the danger may have suffered by the dealer is worse than the harm to the people buying. Furthermore, the price of the goods does not burden the public as it would be the regular market price.

8. REALIZATION OF MAQASID IN PRICE FIXATION THROUGH WASATIYYAH APPROACH

In general, the authority should not interfere in the issue of pricing, and it should be left to the power of demand and supply. Still, when the market is not stable and open to speculation and oppression, then it is allowable for the authorities to intervene. It is submitted that in light of *maqasid al-shari'ah*, the government can fix the price because of reasonable justifications based on the principle of Shari'ah. *Maqasid* has been summarized as acquiring benefits and removing harm. Thus, as Ibn Taymiyyah said, under certain circumstances, the government should intervene to determine the market price to avoid monopoly and speculation of traders in the market. As mentioned, the validity of fixing the price is subject to observing justice and public welfare, and that shall be done after consulting the experts and experienced individuals in the related field. Therefore, a *wasatiyyah* approach shall be taken to exercise the price fixation in the market.

Wasatiyyah, a derivation from the root word *wasat*, refers to the justice and middle position. '*Awsat al-shay'* means *a'daluhu*, i.e., the more balanced and just thing; *shay' wasat*, i.e., something between good and evil; *wasat al-shay,'* i.e., what is in between the two edges (Razi & Ibn Manzur). Technically, *wasatiyyah* refers to the mediation or parity between two opposite or opposing parties. At the same time, both of them need each other, and none makes individually any influence so that any one of them does not take more than what he deserves by overlooking his counterparty (al-Qaradawi). So, *wasatiyyah* means taking the balanced and middle stand while two parties oppose each other.

Al-Turki defines *wasatiyyah* and details some sectors of taking the middle stand as he states, '*wasatiyyah* in Islam is the middle stand between who exaggerates in the matters of this life while ignores the Hereafter and who exaggerates in the matters of the Hereafter while looks at the world with negligence and carelessness. Thus, the stand of *wasatiyyah* leads to the apparent balance between here and Hereafter, between transmission and reasoning, between physical and spiritual desire, and between knowledge of the unseen and visible world. *Wasatiyyah,* with this notion, prevailed in the Islamic thoughts in terms of faith, legislation, worship, and calling towards Allah, the Exalted. In addition, *wasatiyyah* refers, in connection with *Shari'ah*, to justice, well-being, and the middle stand between excess and negligence. *Wasatiyyah* in Shari'ah means moderation and balance between two matters or two edges of excess and negligence or extremism and carelessness. Thus, *wasatiyyah* denotes justice and a balanced position where the virtue meets (al-Afifi).

The notion of *wasatiyyah* includes all morals and virtues in general. All good characters have two indignant edges, and human beings are ordered to circumvent all kinds of indignant stuff. They can be avoided by stripping them and staying away from them. The more the distance increases, the more stripping happens, and the most distant point from the two edges is the middle point. This middle point is far away from both edges. Thus, those who hold the middle stand stay far from the indignant edges (Ibnul Athir).

Thus, it is allowable for the authority to intervene provided that the goods or services are the people's basic needs and the hike of the price is not a result of the scarcity of the supply or the increase of people. It is an important mechanism to allow the markets to operate fairly where forces of demand and supply determine prices, wages, and profits. It is also an effective way to ensure no coercion, deception, speculation, and destruction of supplies, leading to the unbearable rise in prices.

9. CONCLUSION

Islamic law does not restrict economic agents from generating any profit in economic activity; instead, it encourages and recognizes profit gains. Though profit is not seen as a measure stick for achieving the goal of economic considerations, Islam relates it to particular principles and coincides it with social obligations. The profit recognized by Islam is free from prohibited elements such as *riba, gharar*, *maysir*, *ihtikar,* etc. Muslims must strive to obtain the profits that are free from those elements. Yet, Islam does not restrict profit to any specific limit. Various narrations explain that any business transaction between two parties is mainly a signified of mutual consent. Islam allowed the parties a right to agree on any profit ratio they like, according to their respective conditions. The basic Islamic principle concerning trade is that the market should be left free to respond to the forces of supply and demand and natural competition. Thus, it can be concluded here that the concept of profit in Islam, as it is being debated by scholars, is so clear that traders can drive it a key in fixing the reasonable rates and ratios of a product or service traded. This set of ratios not merely burdens the buyers but also protects the continuity of the business of the dealer or firm, provided that it satisfies the respective principles.

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