

**ECONOMIC REFORMATION OF  
PROPHET (PBUH) IN MADINAH**

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# **ECONOMIC REFORMATION OF PROPHET (PBUH) IN MADINAH**

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for PG admission

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“Allah destroys interest and gives an increase to charities. And Allah does not like every  
sinning disbeliever”

(Surah Al-Baqarah :276)

*This study is dedicated to my beloved parents; Abdul Kader and Farhat, the source of my inspiration, my siblings and the spiritual guidance and well-wishers in DHIC.*

## **APPROVAL PAGE**

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Bachelor in Islamic and Human Sciences

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## DECLARATION

I do hereby declare that this dissertation is the result of my own research, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at DHIU or other institution.

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*In the name of Allah, Full of compassion, ever compassionate. All praises be to Allah the lord universal let his regards and solutions be upon then holy prophet Muhammed (PBUH) and his family and his companions.*

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finally, I state that I am alone responsible for the entire faults that remain in this research, may Allah accept this humble attempt and make it fruitful and useful for this life and hereafter.

# CONTENTS

<b>APPROVAL PAGE</b> .....	IV
<b>DECLARATION</b> .....	V
<b>ACKNOWLEDGEMENT</b> .....	VI
<b>ABSTRACT IN ENGLISH</b> .....	1
<b>ABSTRACT IN ARABIC</b> .....	2
<b>CHAPTER ONE</b> .....	<b>3</b>
<b>INTRODUCTION TO THE STUDY</b> .....	<b>3</b>
1.1 PREFACE .....	3
1.2 REVIEW OF LITERATURE .....	4
1.3 STATEMENT OF THE PROBLEM .....	6
1.4 RESEARCH QUESTIONS .....	6
1.5 OBJECTIVES .....	7
1.6 METHODOLOGY .....	7
1.7 SCOPE OF THE STUDY .....	8
1.8 ORGANIZATION OF THE STUDY .....	8
<b>CHAPTER TWO</b> .....	<b>10</b>
<b>ECONOMIC ACTIVITIES OF MADINAH IN PRE-PROPHETIC PERIOD</b> .....	<b>10</b>
2.1 INTRODUCTION .....	10



2.2 GEOGRAPHICAL SETTINGS.....	10
2.3 HISTORICAL CONTEXT .....	11
2.4 AGRICULTURE .....	12
2.5 TRADE AND COMMERCE .....	12
2.6 INDUSTRIES AND CRAFTS.....	14
<b>CHAPTER THREE .....</b>	<b>17</b>
<b>IMPACT OF QUR'AN AND HADITH ON ISLAMIC FINANCE .....</b>	<b>17</b>
3.1 INTRODUCTION .....	17
3.2 QUR'AN AND HADITH WORDS ON FINANCE.....	17
3.2.1 Usury .....	17
3.2.2 Avoiding Haram Investments.....	18
3.2.3 Fair and Transparent Contracts .....	19
3.2.4 Zakat (Charity) and Wealth Redistribution .....	19
3.3 ISLAMIC FINANCE.....	20
3.4 RIBA.....	21
3.5 GHARAR.....	22
3.6 MURABAHA .....	23
3.7 ISLAMIC LOANS.....	24
3.8 ADVANTAGES AND DISADVANTAGES .....	24
<b>CHAPTER FOUR.....</b>	<b>26</b>

<b>REFORMATION OF PROPHET IN ECONOMIC GROWTH .....</b>	<b>26</b>
4.1 INTRODUCTION .....	26
4.2 HISTORICAL CONTEXT .....	26
4.3 MISUSES AND CAPITALISM OF THE JEWS.....	27
4.4 THE REFORMS BY THE PROPHET (PBUH) AFTER HIJRAH TO MADINAH .....	28
4.4.1 Legislation of Zakat .....	29
4.4.2 Emphasizing on Charity.....	30
4.4.3 Prohibition of Riba.....	31
4.4.4 Market Control.....	33
4.4.5 Pre-Foundation of Bait-Al-Maal.....	36
4.4.6 Revenue and Taxes:.....	37
4.4.7 Property Management After War .....	38
4.5 THE MODERN APPLICATION OF PROPHETIC ECONOMIC STRATEGIES IN MADINAH .....	38
<b>CONCLUSION .....</b>	<b>40</b>
<b>BIBLIOGRAPHY .....</b>	<b>41</b>

## **ABSTRACT**

When the Prophet Muhammad (PBUH) moved to Madinah with companions in the year 13 after Nubuwwah, Madinah 's economy was severely unbalanced due to a variety of factors. Therefore, the Prophet Muhammad (PBUH) had to deal with a farming challenge to get out of this predicament and reform the entire economic system from top to bottom right after founding the Islamic State of Madinah . Qualitative approach was used for this study. The result of this study is to critically examine the factors that led to those issues and situations, including the Jewish community's capitalism, abuses of power, and Madinah 's pre- Hijrah economy. And the steps the Prophet (PBUH) took to solve and reform them, including: Pre-foundation of Bayt al-mal, Market Control, Prohibition of *Riba*, Zakat Law, Charity Emphasis.

## خلاصة البحث

عندما هاجر النبي محمد (ص) إلى المدينة المنورة مع رفقائه في عام 13 بعد النبوة، كان اقتصاد المدينة المنورة غير متوازن بشدة بسبب مجموعة متنوعة من العوامل. لذلك، كان على النبي محمد (ص) التعامل مع تحدي زراعي للخروج من هذا المأزق وإصلاح النظام الاقتصادي بأكمله من أعلى إلى أسفل بعد تأسيس دولة المدينة الإسلامية. تم استخدام النهج النوعي لهذه الدراسة. نتيجة هذه الدراسة هي لشكل نقدي فحص العوامل التي أدت إلى تلك القضايا والمواقف، بما في ذلك رأسمالية الجالية اليهودية، وإساءة استخدام السلطة، واقتصاد المدينة قبل الهجرة. والخطوات التي اتخذها النبي لحلها وإصلاحها، بما في ذلك: التأسيس المسبق لبيت المال، ومراقبة السوق، وحظر الربا، والزكاة، والحث على الأعمال الخيرية والصدقات.

# CHAPTER ONE

## INTRODUCTION TO THE STUDY

### 1.1 PREFACE

The economic reformation of the Prophet Muhammad (PBUH) in Madinah represents a pivotal chapter in the history of Islamic economics and finance. This study endeavours to delve into the economic activities of Madinah in the pre-Prophetic period, investigate the profound influence of the Qur'an and Hadith on the principles of Islamic finance, and analyse the economic reforms introduced by the Prophet within the city of Madinah.

The Prophet Muhammad's migration to Madinah marked a transformative phase in the evolution of Islamic society, where profound economic changes were initiated in response to the prevailing challenges and to establish a more just and equitable economic order. These reforms not only shaped the socioeconomic dynamics of Madinah at that time but also continue to have a profound impact on the principles of Islamic finance and economic ethics in the contemporary world.

As we embark on this research journey, we aim to explore the economic landscape of pre-Prophetic Madinah, which was characterized by a complex tapestry of tribal economies, trade networks, and societal norms.

Furthermore, the research will critically assess the economic reformation measures undertaken by the Prophet Muhammad (PBUH) upon his arrival in Madinah. It will investigate the establishment of a regulated marketplace (souq), wealth distribution through

mandatory almsgiving (Zakat), and other economic policies aimed at addressing the socioeconomic disparities and challenges of the time.

The study will also delve into the sacred texts of Islam, the Qur'an, and Hadith, which serve as foundational sources of guidance for economic principles in Islamic societies. The Qur'anic verses and Hadith provide valuable insights into concepts such as Zakat, Sadaqah, *riba* (usury), and ethical trade practices, which have profoundly influenced the development of Islamic finance.

The outcomes of this research promise to illuminate the economic principles and practices of the early Islamic community, providing a comprehensive understanding of how they continue to shape modern Islamic finance and economics. In an era marked by increasing interest in ethical finance and social justice, the study of the Prophet's economic reformation carries profound relevance and potential lessons for societies striving to create just and equitable economic systems.

## **1.2 REVIEW OF LITERATURE**

The economic reformation of the Prophet Muhammad (PBUH) in Madinah is a subject that has been studied and analysed from various perspectives. Several scholars and researchers have explored different facets of this topic, shedding light on its historical, economic, and ethical significance.

Mustafa YİĞİTOĞLU's work, "Economic and Commercial Relations of the Prophet Muhammad with the Jews," provides an insightful examination of the economic and commercial interactions between the Prophet Muhammad (PBUH) and the Jewish community in Madinah. This research offers valuable insights into the economic dynamics

of Madinah during the time of the Prophet (PBUH), highlighting the importance of interfaith economic relationships.

“Social and Economic Welfare in Prophetic Principles of Administration: A Study in Contemporary Perspective” by Naseem Akhtar, Mohammad Rashid, Seema, and Hafiz Muhammad Hassan delves into the administrative and economic principles put forth by the Prophet Muhammad (PBUH). This study explores the enduring relevance of the Prophet's principles in contemporary economic and social welfare, emphasizing the importance of these principles in addressing modern societal challenges.

Kamaru Salam Yusof and Rose Abdullah's research on “The Economic Growth Elements in Madinah During the Prophet (PBUH) focuses on the factors that contributed to economic growth in Madinah during the Prophet's time. By identifying the key elements that fostered economic development, this study offers valuable insights into the economic reformation initiated by the Prophet (PBUH).

Usama Alani's work on “Economic and Social Crisis Management Strategies by Prophet Muhammad (PBUH) in Madinah “ presents an analysis of the Prophet's strategies for managing economic and social crises in Madinah . This study provides a deeper understanding of the Prophet's pragmatic approach to addressing challenges and crises in a manner that promoted economic stability and social welfare.

These studies collectively underscore the multifaceted nature of the economic reformation in Madinah during the time of the Prophet Muhammad (PBUH). They emphasize the interconnectedness of economic, social, and ethical dimensions and offer a rich source of information and analysis to inform our own research on this important topic.

By drawing upon the insights from these works, we aim to build upon their findings and contribute to a more comprehensive understanding of the economic reformation of the Prophet (PBUH) in Madinah and its enduring impact on Islamic finance and economics.

### **1.3 STATEMENT OF THE PROBLEM**

The economic reformation of the Prophet Muhammad (PBUH) in Madinah represents a historical epoch of profound significance in the development of Islamic finance and economics. While there exists a considerable body of literature on this topic, several critical issues remain unexplored, demanding rigorous investigation and analysis.

The role and influence of the Qur'an and Hadith on the economic principles and practices of the Prophet have been discussed in a limited manner. A more in-depth examination of these foundational texts is necessary to elucidate their impact on the economic reformation. While several studies have explored the economic policies of the Prophet, there is a need to assess the contemporary relevance and applicability of these principles in the context of modern Islamic finance and socio-economic challenges. Here, I intend to pursue my study to draw a clear picture about economic reformation of prophet (PBUH) in Madinah .

### **1.4 RESEARCH QUESTIONS**

- 1) What were the main economic objectives and challenges in Madinah before the Prophet Muhammad (PBUH) arrived?
- 2) How did the Qur'an and Hadith influence the economic principles and practices of the Prophet Muhammad (PBUH) in Madinah , and what were the key economic concepts derived from these sources?



- 3) How much did the Prophet Muhammad (PBUH)'s economic reforms in Madinah add to the development and prosperity of the local economy?
- 4) How much does modern Islamic finance and economics still draw from the economic theories and practices of the Prophet Muhammad (PBUH) in Madinah ?

### **1.5 OBJECTIVES**

- 1) To analyse the economic activities and challenges in Madinah during the pre-Prophetic period, with a focus on understanding the historical context that necessitated economic reformation.
- 2) To examine the influence of the Qur'an and Hadith on the economic principles and practices of the Prophet Muhammad (PBUH) in Madinah , identifying key concepts and principles that guided his economic policies.
- 3) To assess the impact of the economic reforms initiated by the Prophet in Madinah , particularly their contribution to economic growth, wealth distribution, and social welfare during his time.
- 4) To evaluate the enduring influence of the Prophet's economic principles and policies on modern Islamic finance and economics, considering their applicability in addressing current socio-economic challenges.

### **1.6 METHODOLOGY**

This research will investigate the Economic reformation of prophet in Madinah using a qualitative research methodology. The research will involve a close reading on the modern times, taking into consideration the cultural and religious context in which it was applied.

It will depend on secondary data. It will apply the analytical and descriptive research methodology.

## **1.7 SCOPE OF THE STUDY**

This study aims to provide a comprehensive exploration and analysis of the economic reformation introduced by Prophet Muhammad (PBUH) in Madinah . According to best knowledge of the researcher on the books or written records on modern applicable of economic principles of prophet are not widely available, except some article which is not comprehensive. So, this research will focus on contemporary relevance and applicability of these principles in the context of modern Islamic finance and socio-economic challenges.so this research has importance.

## **1.8 ORGANIZATION OF THE STUDY**

### **CHAPTER ONE:** Introduction to the study

This chapter provides prejudices on the study referred entire of this research and introduce shortly on the study describing its review, objectives and methodology.

### **CHAPTER TWO:** Economic activities of Madinah in pre-prophetic period

This chapter discusses on economic standing of Madinah before arrival of prophet Muhammed (PBUH) and explain their income stream.

### **CHAPTER THREE:** Impact of Hadith and Qur'an on Islamic finance

This chapter emphasizes on the discussion of Islamic finance that influenced from Qur'an and Hadith especially Zakat, Sadaqah, *riba* (usury), and ethical trade practices all are included in this chapter.

## **CHAPTER FOUR: Reformation of prophet in economic growth**

This chapter describes the economic reformation measures undertaken by the Prophet Muhammad (PBUH) upon his arrival in Madinah and modern application of Prophet's strategies.

## **CHAPTER TWO**

### **ECONOMIC ACTIVITIES OF MADINAH IN PRE-PROPHETIC PERIOD**

#### **2.1 INTRODUCTION**

The history of Madinah in the pre-prophetic period is intertwined with the broader historical and cultural tapestry of the Arabian Peninsula. The Arabian Peninsula was home to a diverse array of tribes, each with its traditions, customs, and ways of life. The pre-Islamic Arabian society was primarily tribal, and alliances and rivalries among these tribes shaped the political and social landscape. Yathrib or Madinah as it was then known, was inhabited by various Arab tribes. The tribal structure, a dominant feature of Arabian society, influenced the socioeconomic and political dynamics of Madinah .

#### **2.2 GEOGRAPHICAL SETTINGS**

Yathrib, known as “Madinah al-Munawwarah,” is a city that resides in the Hejaz region of the Arabian Peninsula. Nestled amidst the arid, sun-scorched landscapes of western Arabia, Madinah 's geographical location played a significant role in shaping its destiny. The city is situated approximately 400 kilo meters (250 miles) inland from the Red Sea coast and lies at the western edge of the Nafud Desert, a vast and formidable expanse of dunes that extends eastward. The fertile oasis of Yathrib, as it was known in pre-Islamic times, is a defining feature of Madinah 's geography. This oasis is nourished by numerous natural springs which provide essential freshwater resources for the city's inhabitants.

In addition to the oasis, Madinah is strategically positioned along several important trade routes. To the north, it is connected to the cities of Tabuk and Aila on the Levantine and Red Sea coasts. To the south, it lies along a trade route that leads to the legendary trading hub of Mecca and the port city of Jeddah. This strategic location made Madinah a pivotal point for trade and commerce, connecting various regions of the Arabian Peninsula and beyond.

### **2.3 HISTORICAL CONTEXT**

Before the Hijra, there were mainly two sorts of people abiding in Madinah, they are 1) Arabs and 2) Jews. Arab were mainly in two tribes a) Aws and b) Khazraj, and the Jews were in three groups, a) Banu Qaynuqa b) Banu Nadir, and c) Banu Qurayza,<sup>1</sup> However, Aws and Khazraj were depended mainly on agriculture, and they were in affluence with their lands, dwellings, and business. On the other hand, the Jews excelled at the arts of earning money and trading. They monopolized trading in cereals, dates, wine, clothes, exports, and imports.

For the services they offered to the Arabs, the latter paid heavily. Usury was a common practice amongst them, lending the Arab notables great sums to be squandered on mercenary poets, and in vanity avenues, and return seizing their fertile land given as surety. In this circumstance, the economic power started to be centralized at the hands of the Jews in Madinah, but Aws and Khazraj - being the prime inhabitants of Madinah - began to be poorer day by day.

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<sup>1</sup> al-Mubarakpuri, S. R. *Al-Raheeq al-Makhtum*. Cairo: Dar al-Hadith. (2005).

## **2.4 AGRICULTURE**

The Madinah has become mostly an agricultural one, with most Arabs and Jews engaging in some form of agriculture, and the majority of city dwellers working in various capacities on their agricultural lands because of the city's land's abundance of water and moderate climate. This is because the majority of them lacked sufficient workers to work on their properties, and those of the destitute and impoverished who did not own farms did labor for the pay of those who did.

Since dates and barley were the majority of the city's population's food, agriculture constituted the backbone of the city's economy. Dates were the city's most important economic crop. There were many different crops, including fruits, vegetables, and wheat, along with these two main crops. Banu Nadir was generally engaged in agriculture, while Banu Qurayza with leather in addition to that.<sup>2</sup>

## **2.5 TRADE AND COMMERCE**

Both Arabs and Jews in Madinah engaged mostly in professional trade as one of their financial activities. The narratives that show the Prophet's regular interactions with the Jews make it seem as though at the time of the Prophet's arrival, the Jews made up the great majority of Madinah 's merchants. Furthermore, Jewish merchants made up the majority of the companions. What was known about the Jews may have included their huge usury and intolerance in their dealings with other people, as well as their enormous greed and love of money. The Ansar were frequently at risk of losing their wealth due to their business ties with the Jews, and all of this contributed to their control over the city of Madinah .

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<sup>2</sup> İbn Hişam, (1955). *es-Sfratü'n-Nebeviyye* (Vol. 3). (M. es-Sekka, Trans.) Beirut.

The exchange of various local goods, such as agricultural and animal products for the city's residents and what the people of the desert brought, such as horses, camels, sheep, and their dairy products, wool, and other items, suggests that trade was the city's second most important industry after agriculture. This is on top of the several metal industries that the city's artisans make, such as jewellery , tools, weapons, antiques, and other well-known enterprises.

As a result, the city developed several markets. to exchange things and sell these goods; among these marketplaces were those that were well-known and well-known before the arrival of Islam and remained in place until the arrival of the Prophet (PBUH) the garbage market north of Madinah , and the bridge market in Bani Qaynuqa. It is known by its name, and it is called Souq Banu Qaynuqa.<sup>3</sup> The Banu Qaynuqa, who were so active in trade, had the mentioned market under their name. This shows how much the Jews were active in trade in Madinah . Indeed, the Jews, who became very rich in trade and greatly increased their wealth, built fortresses and walls to protect their property from other tribes

In addition to the market area of the Jewish Banu Qaynuqa, where trade was carried out in Yathrib (Madina's old name) before the emergence of Islam, there were a few more (Zubala, Buthan Valley Bridge, and Muzahim) market places.<sup>4</sup> These markets are located to the west of Yathrib and are listed as Zubala, Qaynuqa and Muzahim from north to south. The most important ones Qaynuqa and Zubala were under the control of Jews, and Muzahim was under the leader of the munafiqs in the Islamic period, Abd-Allah ibn Ubayy.

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<sup>3</sup> İbn Hişam, (1955). *es-Sfratü'n-Nebeviyye* (Vol. 3). (M. esSekka, Trans.) Beirut.

<sup>4</sup> es-Semhüdi. (1326). *Vefau'l-vefâ bi ahbari dâri'l-Mustafa* (Vol 1). Kahire

The location of the city on the ancient trade route extending across the Arabian Peninsula between Yemen in the south to the Levant in the north gave it a good chance of participating in a large share in the foreign trade of the Arab countries. Its location and the fertility of its land helped to make it a trading station, and it became active. It has land trade, and its neighbouring old port has become its outlet on the sea, where many commercial ships coming from Abyssinia and Yemen dock for commercial exchange.

Some of the Jews excelled in foreign trade as well, and it is said that the success of one of them aroused the hatred of some Quraysh merchants in pre-Islamic times, and they considered him a dangerous competitor to them, and some of those Jews would go out themselves for foreign trade and return to Madinah with what its people needed of various types of goods and food, while some of them content themselves with sending their trade to the Levant accompanied by commercial caravans, and they import some different fabrics from the Levant, and the Ansar worked in internal and external trade as well.

## **2.6 INDUSTRIES AND CRAFTS**

Some necessary industries and crafts were established in the city. Among the most important industries established in the city are those industries that depend for their primary resources on local agricultural products, such as drying dates, storing them, preparing them for sale, and making wine from them before it was prohibited. Palm fronds and their fibers were also used to make many tools such as gloves mats, and other things that people need for use in agricultural work and personal use in homes.

Among the industries that were common in the city and also relied on agricultural production: was the carpentry craft. Which was active in providing people's increasing



requirements for home furniture pieces such as chairs, beds and the like that people need in their homes, in addition to making house doors, windows, and other things that use wood in their manufacture. The spread of this craft was helped by the availability of wood in the region. There are many trees of tamarisk and tamarisk on the northern side of the city.

Other industries also emerged that relied on animal products. Among these industries, we mention: tanning animal hides and beading them after tanning them to transform them into useful tools for people's use, as well as preparing and cleaning wool and spinning it to make it suitable for use in the textile industry.

It is worth mentioning that women worked in some previous industries, such as tanning, beadwork, and weaving. Among the industries for which the city was famous was blacksmithing, where the blacksmiths used to make the machines that farmers needed in their agricultural work, such as axes, sweepers, and sickles. They were also skilled at making different types of weapons, such as swords, shields, knives, various hunting tools, and other metal tools. Which are indispensable for people in their daily lives.

The city was also famous for goldsmithing and the manufacture of jewellery and various metal artifacts, and some of the Ansar worked in this industry, but the Jews were more famous for professionalizing this industry, and the Banu Qaynuqa specialized in it in particular, as goldsmithing was the main craft of this neighbourhood of Jews; It is said that they did not work in agriculture and therefore did not have agricultural lands in the city. The Banu Qaynuqa had a large market attributed to them, in which they sold what they made of various types of jewellery and metal artifacts, and their crafts were widely known

in the region, as women would come to their market from Various entities to buy whatever types of jewellery they want.

some of them also worked in the arts of sculpture, photography, and engraving, some also practiced hunting, and others worked in the markets in various jobs related to buying and selling. One of them worked as a porter or a weigher who weighed for people what they needed to weigh. Some of the people of the city also took up other professions, such as tailoring, butchery, cupping, and similar works, and it is inferred from some narratives that there were people in the city who were professionals in teaching boys to read and write.

The profession of herding was one of the jobs practiced by some of the people of the city. They had a fair amount of wealth in camels, cattle, horses, and sheep that needed grazing, so they would go out to graze them in areas suitable for grazing, such as the forest area and others. Some of the city's residents were also engaged in the profession of lumberjacks from the surrounding areas, and they brought what they could collect to sell in the markets, so people bought it to use as fuel for household purposes or to sell it to blacksmiths and goldsmiths who used it as fuel in their work. Watering was also one of the jobs that some people practiced, by carrying water from distant wells and delivering it to people's homes.

## CHAPTER THREE

### IMPACT OF QUR'AN AND HADITH ON ISLAMIC FINANCE

#### 3.1 INTRODUCTION

Deception and usury are avoided in Islamic finance. Deception is known as *gharar*, and usury as *riba*. Islamic banking helps to alleviate poverty and advance sustainable development. The Qur'an and Hadith serve as the foundation for the financial system known as Islamic finance. It aims to give financial transactions and investments a fair and moral foundation.

#### 3.2 QUR'AN AND HADITH WORDS ON FINANCE

##### 3.2.1 Usury

*Riba* is mentioned in 6 verses in the Qur'an:

“Those who consume interest cannot stand [on the Day of Resurrection] except as one stand who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest. So, whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] – those are the companions of the Fire; they will abide eternally therein.”<sup>5</sup>

“Allah destroys interest and gives an increase to charities. And Allah does not like every sinning disbeliever.”<sup>6</sup>

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<sup>5</sup> Surah Al-Baqarah :275

<sup>6</sup> Surah Al-Baqarah: :276

“O believers! Fear Allah, and give up outstanding interest if you are a true believer.”<sup>7</sup>

“O you who have believed, do not consume usury, doubled, and multiplied, but fear Allah that you may be successful.”<sup>8</sup>

“And [for] their taking of usury while they had been forbidden from it, and their consuming of the people’s wealth unjustly. And we have prepared for the disbelievers among them a painful punishment.”<sup>9</sup>

“And whatever you give for interest to increase the wealth of people will not increase with Allah. But what you give in zakat, desiring the countenance of Allah – those are the multipliers.”<sup>10</sup>

Prophet Muhammad (PBUH) emphasized the prohibition of *riba*, stating, “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt—like for like, equal for equal, and hand to hand. If the commodities differ, you may sell as you wish, provided the exchange is hand to hand.”<sup>11</sup>

### **3.2.2 Avoiding *Haram* Investments**

Qur’anic Reference: Islamic finance also prohibits investments in businesses or activities considered haram (forbidden), such as those involved in alcohol, gambling, pork, and other prohibited goods and services. The Qur’an encourages believers to avoid such investments, as engaging in haram activities is against Islamic ethics.

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<sup>7</sup> Surah Al-Baqarah: 278

<sup>8</sup> Surah Aali-Imran:130

<sup>9</sup> Surah AL-Nisa’: 161

<sup>10</sup> Surah AL-Rum: 39

<sup>11</sup> Sahih Muslim

Hadith Guidance: The Prophet Muhammad (PBUH) cautioned against involvement in haram trades. He said, “When you engage in usury and hold onto the tails of cows and are satisfied with agriculture and give up conducting jihad, Allah will send down upon you humiliation, and He will not lift it until you return to your religion.”<sup>12</sup>

### **3.2.3 Fair and Transparent Contracts**

Qur’anic Reference: Islamic finance promotes transparency and fairness in contracts. The Qur’an instructs Muslims to uphold the terms of their agreements and avoid deception in financial transactions. Surah Al-Baqarah states, “O you who have believed, when you contract a debt for a specified term, write it down.”<sup>13</sup>

Hadith Guidance: The Prophet Muhammad (PBUH) emphasized honesty in transactions and condemned deceptive practices. He said, “The buyer and the seller have the option of cancelling or confirming the bargain unless they separate, and if they spoke the truth and made clear the defects of the goods, then they would be blessed in their bargain, and if they told lies and hid some facts, their bargain would be deprived of Allah's blessings.”<sup>14</sup>

### **3.2.4 Zakat (Charity) and Wealth Redistribution**

Qur’anic Reference: Islam stresses the importance of giving zakat (obligatory alms) to help the poor and redistribute wealth. Surah Al-Baqarah mentions, “O you who have believed, spend from the good things which you have earned and from that which We have produced for you from the earth. And do not aim toward the defective therefrom, spending [from

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<sup>12</sup> Sunan Abi Dawud

<sup>13</sup> Surah Al-Baqarah :282

<sup>14</sup> Sahih al-Bukhari

that] while you would not take it [yourself] except with closed eyes. And know that Allah is Free of need and Praiseworthy.”<sup>15</sup>

Hadith Guidance: Prophet Muhammad (PBUH) encouraged charity and reminded believers of the importance of helping those in need. He said, “Charity does not in any way decrease the wealth, and the servant who forgives, Allah adds to his respect; and the one who shows humility, Allah elevates him in the estimation (of the people).”<sup>16</sup>

### **3.3 ISLAMIC FINANCE**

Deception and usury are avoided in Islamic finance. Deception is known as *gharar*, and usury as *riba*. Since interest charged to a borrower is perceived as serving the lender's interests exclusively, *riba* is forbidden. The shapes of the *gharar* might vary. The reason of *gharar* is forbidden is that when things whose existence is questionable are sold, there may be deceit. Insurance is a prime example. To offer insurance in the event of an accident, people pay premiums. Such acts are forbidden because one cannot sell something that may or may not exist or may never reach full fulfilment. Utilizing derivatives to hedge is another way that *gharar* occurs.

Financing with equity is permitted. Investing in businesses that engage in banned business activities is prohibited. They would consist of making alcohol, gambling, and so forth. In the US, many institutions have begun to take a more diverse range of human perspectives and to be more inclusive. More choices for lending money to people in forms such as Islamic finance are now being offered. In contrast to traditional finance, Islamic

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<sup>15</sup> Surah Al-Baqarah :267

<sup>16</sup> Sahih Muslim

financing encourages risk-sharing, does not use interest rates, and does not charge late fees. Conventional financing, on the other hand, levies interest and makes sure that late payments are penalized to discourage them. Conventional finance does not allow for risk-sharing. Islamic financing lowers poverty and encourages sustainable development.

### **3.4 RIBA**

Islamic law prohibits usury. This is a reference to the interest that is assessed on deposits or loans. *Riba* is forbidden by the Qur'an because it is regarded as immoral and unlawful. Prophet Muhammad (PBUH) emphasized the prohibition of *riba*, stating, “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt—like for like, equal for equal, and hand to hand. If the commodities differ, you may sell as you wish, provided the exchange is hand to hand.”<sup>17</sup>

Financial institutions can get around this by creating financial transactions and collecting usage and service fees for bank accounts. A different way to engage in *riba* is to exchange commodities that have different quantities or characteristics. There are two main reasons for banning *riba*. The primary rationale is that its purpose is to guarantee fairness in trade. Islam tries to eliminate sentiments of selfishness from money dealings and encourages charitable giving. Selfish sentiments encourage mistrust and animosity. This is the Islamic reasoning that is put out. Therefore, Islam forbids *riba* to avoid animosity and mistrust.

*Riba* is thought to be exploitative. While everyone agrees that *riba* is forbidden, there is disagreement on what exactly constitutes *riba*, whether it violates Islamic law, and

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<sup>17</sup> Sahih Muslim

whether Allah or people punish those who engage in it. Some people view all interest rates as *riba*, while others only view excessive interest as such. Everything is dependent upon the nation interpreting the Qur'an. According to some contemporary academics, interest should be allowed in that amount given the value of inflation. This would serve to compensate the lenders for the time value of their investment. The lenders would just be making up for the time worth of money; they would not be trying to turn a profit.

The foundation of the Islamic banking sector is the avoidance of *riba*. According to Investopedia, “The Muslim world has struggled with *riba* for quite some time, religiously, morally, and legally, and eventually, economic pressures did allow for a loosening of religious and legal regulation, at least for this period,”

### **3.5 GHARAR**

The Arabic term “gharar” denotes risk, deceit, and uncertainty. It is the selling of goods that do not yet exist. Fish that are not yet in nets and unharvested crops are two examples. Gharar is forbidden by Shariah Law because it includes the sale of uncertainty. Contracts for futures and options are instances of gharar in contemporary finance. The delivery dates for these are scheduled for the future. Due to the nature of the underlying assets, derivative contracts are gharar. The idea that they are sales predicated on things that are not yet existent makes them illegal.

Gharar comes in two Flavors. There are two types: small and large. Commercial insurance is another type of gharar. In today's world, commercial insurance is an essential commodity. However, because it is unclear to buy a premium each month without knowing for sure if one will ever use it, it is seen as a forbidden conduct.



### **3.6 MURABAHA**

Another name for Murabaha is cost-plus financing. The seller and the buyer agree on the price and markup of an asset under this notion of Islamic financing. There is a markup in place of the interest, but there is no interest involved. Since this loan has no interest attached, it is accepted as a form of credit. A Devon bank is one such. They support inclusivity and provide a wide range of ethnicities and religions the opportunity to own properties. They use Murabaha in part of their house purchase. They take the following actions: The individual's desired property is bought by a Devon bank. The buyer will transfer the purchase contract to the bank at closing, enabling the bank to buy the house from the seller. There will then be a second transaction. In the second transaction, the bank will sell the house to the buyer for a fixed amount that is paid in instalments and without interest. The fixed cost covers both the bank's profit and the amount it paid for the house. The purchase price, down payment amount, repayment period, and market rate of return on real estate transactions are all considered by Devon Bank when calculating profit margins. In place of paying interest, the bank acts as a middleman between the buyer and the seller, handling any additional costs. This fulfils both the seller's payment obligation and the buyer's desire to avoid usury.

This process serves as an illustration of how a financial institution complies with the recommendations to be more welcoming to the surrounding community. On its website, it says clearly, “ Devon Bank buys the property of your choice and sells it to you for a fixed price, rather than lending you the money to purchase the property of your choice with interest.” “We have tried to keep Islamic Financing as close to an equivalent conventional loan and to keep any additional costs as low as possible,” the statement adds. To serve a

wider range of clients, more financial institutions are incorporating Islamic financing techniques.

### **3.7 ISLAMIC LOANS**

An Islamic loan is not structured in the same manner as a personal loan in a traditional bank. In a traditional bank, the borrower receives a loan from the lenders, and they are required to repay the loan's principal plus interest to account for the time value of money. Conventional banks make a lot of money from interest rates. It might be rather noticeable when someone receives an 8% interest rate on a loan as opposed to a 10% interest rate. The biggest purchases that people make are mortgages for homes, vehicles, and school loans. These loans have long repayment terms, with interest rates ranging from. Overall, 1% can have a significant impact on the amount of interest paid. By contrast, interest-based transactions, or *Riba*, are avoided in Islamic financing. “Buying something on the borrower's behalf, and selling it back to the borrower at a profit” is the strategy that Islamic finance follows. The contract expressly states the profit rate but does not specify the interest rate. Fixed or fluctuating profit rates are both possible.

### **3.8 ADVANTAGES AND DISADVANTAGES**

The advantages and disadvantages of Islamic finance are numerous. One of the advantages of Islamic financing is that the borrower is taken care of as well as the lender. Islamic finance strikes a balance between the lender and the borrower so that both parties partake in the gains and losses rather than the borrower bearing the entire brunt. Another advantage is that loans cannot be used for any of the products or services that are prohibited in Islam, such as gambling, tobacco, or alcohol. The careful consideration of investments and the

meticulous process of decision-making represent a third advantage. The moral and ethical standards of this banking system are the final benefit. This approach also has several drawbacks.

The first disadvantage is that several administrative costs are required to manage the account because there are no interest rates. According to CompareHero.my, “To maintain the competitiveness of conventional banking, these add-on charges would vary across banks but are probably equal to the conventional product charges.” Another disadvantage is the process's numerous constraints, which give rise to some confusion for both the bank and the client. The last drawback is how difficult it is to modify the funding terms. The parties must create a new “Buy-back agreement,” which entails extra costs, to change the arrangement. Islamic finance adds more value to the economy than traditional banking does, yet it charges roughly the same costs.

## **CHAPTER FOUR**

### **REFORMATION OF PROPHET IN ECONOMIC GROWTH**

#### **4.1 INTRODUCTION**

The Prophet Muhammad (PBUH) founded the Islamic State of Madinah following the Hijra. He started the process of reforming Madinah 's social, religious, political, and economic facets. He had used the best practices to help people reach their full potential and promote sustainable growth across the economy. He was able to successfully overhaul every aspect of Madinah 's economic zone at the time in a short period of time.

#### **4.2 HISTORICAL CONTEXT**

The ruling clans of Mecca started to oppose Muhammad's (PBUH) teachings and his denunciation of idolatry as Islam grew in the city. Because the Quraysh tribe ruled over the Kaaba and derived their religious and political authority from its polytheistic shrines, they started to attack Muslims, leading to the martyrdom of several Muhammad (PBUH) adherents. They made the decision to pay for their faith with the material possessions they owned and to give up all for it, even though it was their beloved nation, after realizing they had no option but leave their country and their finances.

Muslims gave up their children, money, family, and nation in order to escape their religion and beliefs, but where are they going? When they travelled to Abyssinia, they discovered safety and tranquillity, but they were unable to find fertile ground for those seeds to take root and flourish. Migration is a constructive step toward spreading the word, establishing the faith, and establishing the state—the state that represents the hope of the believers—rather than a means of resting and taking advantage of chances for safety and

comfort. This magnificent art is not appropriate for the land of Abyssinia. The inhabitants rebelled against the Negus. How can this nation permit the propagation of the call and the building of the state when he publicly announced his conversion to Islam upon hearing what he heard from the immigration delegation? As a result, it is essential to look for a suitable location where immigrants can seek safety.

The Messenger of God (PBUH) stayed in Mecca awaiting his Lord's command until he was granted permission to migrate. He then accompanied Abu Bakr, may God be pleased with him, and they said goodbye to Mecca and walked to Madinah , arriving on the twelfth Monday. The Muslims made their way to Madinah both individually and in groups. The Ansar welcomed the Messenger of God, may God bless him and grant him peace, together with his companion and the Muslim immigrants who came before them, with honor and warmth, starting in the month of Rabi' al-Awwal.<sup>18</sup>

When the Muhajirs, who were destitute, unemployed, and without money, arrived in Madinah and sought refuge in the Ansar, Madinah 's economic situation often began to deteriorate. In order to address the issues and change the economic conditions in a highly effective manner, the Prophet (PBUH) had to face many difficult challenges in order to establish the unique state of Madinah .

#### **4.3 MISUSES AND CAPITALISM OF THE JEWS**

The economy in Madinah was going to be unbalanced every day before the Prophet (PBUH) arrive for two main reasons:

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<sup>18</sup> Ibn Hisham, Al-Sira:1/492

- a) Capitalism: The Jews dominated Madinah 's economy and took advantage of high interest rates while investing their money. They were therefore getting wealthy and richer. Additionally, they had complete control over where and how they used their property. In addition to this, they also amassed chance by lying, cheating, and inventing crises. As they could benefit more and more, they would fan the flames of tribal strife between the Khazraj and the Aws.
- b) Misuse: On the other hand, there are instances when the Aws and Khazraj unduly misuse their property. Examples include spending money on mercenary poets, going along vanity avenues, renting arms, assembling for tribal conflicts, etc. They were therefore giving in to the Jews and becoming impoverished day by day.

Islam does not recognize the ownership like capitalism, nor it refuses the total ownership of the property for people like communism. But Islam is the moderated one. Islam thus recognizes property ownership, but with some logical conditions. Islam forbids all forms of deceptive income generation and does not tolerate property misuse.

And Allah the Almighty created this Haram as it is said : “You don’t squander, Allah does not like the squanderers.”<sup>19</sup>

#### **4.4 THE REFORMS BY THE PROPHET (PBUH) AFTER HIJRAH TO MADINAH**

The Prophet's (PBUH) migration to Madinah resulted in a reorganization and modification of socioeconomic sectors and conditions were being reshuffled and getting changes, for when the oppression of the Jews was gone away, and the inhabitants of Madinah from

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<sup>19</sup> Sura al-An ‘am, 141

every stand were aware of their duties and started to proper use of the property, the economic stability had been restored.

However, the Prophet (PBUH) also took some steps to manage the economic conditions in Madinah , such as the Zakat obligation, the emphasis on charity, the prohibition of *Riba*, market control, the postponement of Ayaam al-Jahiliyah, the introduction of new investment and business laws, and so on. As a result, the Prophet (PBUH) started the process of implementing economic reforms in Madinah in order to create a stable and balanced financial system and socioeconomic conditions. Here are the detailed approaches that were taken:

#### **4.4.1 Legislation of Zakat**

In order to improve Madinah 's socioeconomic conditions, Zakat was made compulsory for wealthy Muslims and its spending sectors were declared in Sura al-Tawbah:

“The alms are only for the poor and the needy and for those employed in connection therewith, and for those whose hearts are to be reconciled and for the freeing of slaves, and for those in debt, and for the cause of Allah, and for the wayfarer-an obligation from Allah. And Allah is All Knowing, Wise.”<sup>20</sup>

Thus, as we see from the Hadith, Rasul (PBUH) oversaw the collection of Zakat from the wealthy and distributed money to the poor. He also used to transmit the envies to other Muslim communities around Madinah and to his rulers in occupied countries. Ibn Abbas (R.) narrates: The Prophet (PBUH) sent Muadh ibn Jabal to Yemen ordaining him

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<sup>20</sup> Sura al-Tawbah, 60

that “Call them to testify that there is none to be worshipped but Allah, and I am the Messenger from Him, if they would obey it, then inform them that Allah has made Salat compulsory five times a day, if they would obey it, then inform that Allah made the Sadaqah (Zakat) mandatory for them, which will be taken from their wealth and will be distributed among their poor.”<sup>21</sup>

#### **4.4.2 Emphasizing on Charity**

Apart from the giving Zakat, the Prophet Muhammad (PBUH) would emphasize on Nafil Sadaqah (Non-compulsory charity), even sometimes he ordered to pay that as Kaffarah (Expiation for sins and guilty) Sometimes, he persisted because he was successful in the hereafter, etc. Ever and anon, the state of Madinah had to face some serious issues, but the Prophet (PBUH) solve it with the Charity from his companions, for an example, we can recall the Tabuk War issue, the State fund of Madinah was approximately empty, then Allah’s Messenger (PBUH) ordained people to put their Sadaqah and they did it.<sup>22</sup> At last, the critical moment was over.

Beside this, sometimes new Muslims or poor men came to Madinah, who were in their basic needs, then the Prophet (PBUH) used to bid his companions to put Sadaqah, and thus solved the issue.<sup>23</sup> And there were a good number of issues in the Prophetic life in Madinah where he solved many problems with this process. Here may be added, the Prophet (PBUH) was the most advanced in charity, as it is Ibn Abbas said: “The Messenger of Allah (PBUH) was the most generous of the men; and he was the most generous during

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<sup>21</sup> Sahih Al-Bukhari

<sup>22</sup> Al-Qushairy

<sup>23</sup> al-Nasai, Sunan Nasai (Vol. 03). Beirut: Dar al Marifah. and al-Shaibani, A. I. (1999). Al-Musnad (2nd ed., Vol. 17). Cairo: Muassasatur Risalah.



the month of Ramadan when Jibril visited him every night and recited the Qur'an to him. During this period, the generosity of Messenger of Allah (PBUH) waxed faster than the rain bearing wind.”<sup>24</sup>

#### **4.4.3 Prohibition of *Riba***

Before to the arrival of Islam in Madinah , the Jews practised usury among the people. Islam aimed to save them from the curse of usury and maintain stable economic conditions. Although usury has recently been outlawed, the practice has a lengthy history and went through four main stages of prohibition:

First stage: It started in Mecca when Allah the Almighty said:

“And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in Zakat, desiring the countenance of Allah - those are the multipliers.”<sup>25</sup>

Second stage: This is when Allah the Almighty said:

“For wrongdoing on the part of the Jews, we made unlawful for them [certain] good foods which had been lawful to them, and for their averting from the way of Allah many people, and [for] their taking of usury while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have prepared for the disbelievers among them a painful punishment.”<sup>26</sup>

Third stage: At the moment when Allah the Almighty said:

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<sup>24</sup> Al-Bukhari

<sup>25</sup> Surah Al-Rum: 39

<sup>26</sup> Sura AlNisa: 160-161

“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful. And fear the Fire, which has been prepared for the disbelievers.”<sup>27</sup>

Fourth stage: This is the final word of Islam on *Riba* (Usury):

“Allah the Almighty said: “Those who gorge themselves on usury and thereupon desists [from usury], may keep his past gains, and it will be for God to judge him; but as for those who return to it -they are destined for the fire, therein to abide! God deprives usurious gains of all blessing, whereas He blesses charitable deeds with manifold increase. And God does not love anyone who is stubbornly ingrate and persists in sinful ways. Verily, those who have attained to faith and do good works, and are constant in prayer, and dispense charity - they shall have their reward with their Sustainer, and no fear need they have, and neither shall they grieve. O you who have attained to faith! Remain conscious of God. and give up all outstanding gains from usury, if you are [truly] believers; for if you do it not, then know that you are at war with God and His Apostle. But if you repent, then you shall be entitled to [the return of] your principal: you will do no wrong, and neither will you be wronged.<sup>28</sup>. And finally commanded not to consume *Riba*.”<sup>29</sup>

However, the Prophet (PBUH) forbade usury in a number of his messages, saying things like: “You people abstain from seven devastating things, the companions asked: which are those? The Messenger of Allah replied: al-Shirk with Allah, the Magic, killing anybody illegally, taking *Riba*... .”<sup>30</sup> The Prophet (PBUH) also announced: “May Allah’s

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<sup>27</sup> Surah Aali-Imran, 130-131

<sup>28</sup> Surah Al-Baqarah, 275-279

<sup>29</sup> Sabeq, S.Fiqhus Sunnah. Peshawar: Wahidee Kutub Khanah.

<sup>30</sup> Sahih Al-Bukhari

curse be upon taker of *Riba*, its giver, its writer along with its two witnesses.”<sup>31</sup> As a result, it is clear that most people in Madinah avoided *Riba* prior to the revelation of Allah's final order on it, as the Prophet (PBUH) encouraged them to do by his actions, words, and approval.

#### **4.4.4 Market Control**

Following the Prophet's move to Madinah , Muslims started conducting business at the Qaynuqa market. . 'Abd al-Rahman ibn 'Awf was selling butter, Uthman was selling dates.<sup>32</sup> In order to establish economic formation by providing all kinds of political and social infrastructure, the Prophet established a tent alongside the Banu Qaynuqa market according to one narration in what is described in another account as Baki ez-Zubayr, and designated this area as the trade ring. The Prophet set up a market tent, and Ka'b ibn al-Ashraf, the chief of the Banu Nadir tribe, cut the strings. After that, the Prophet moved the market to the region of Madinah in the following times, the Messenger gave the Banu Qaynuqa market as a fief to the Az-Zubayr ibn Al Awwam. The Prophet (PBUH) encouraged Muslims to found new locations that would replace the Jewish markets, saying, “This is your market, nobody will prevent anyone and no one will be taxed” showing the market he established.<sup>33</sup>

There was neither corruption nor chaos in the Madinah market during the time of the Prophet (PBUH). Instead, it was well-managed and appropriate for people of all social

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<sup>31</sup> al-Qushairy, Al-Sahih. Beirut.

<sup>32</sup> Sahih Al-Bukhari ts, p. 722

<sup>33</sup> Ibn Majah, p. 751

classes. Because the Prophet (PBUH) made certain very stringent actions against such. Here could be mentioned them in detail:

1) Adulteration:

Adulteration in food or any other products was strictly prohibited by the Prophet (PBUH), even he said:

“Abu Hurayra (r.) Narrated that the Messenger of Allah (PBUH) was passing by a bunch of food and intruded his hand into it and got it wet. Then asked the owner saying: ‘What is that? The owner said, to him: got wet due to rain. The Prophet (PBUH) told him: ‘Why did not you keep them on the bunch as the byer can see it? Every those who made adulteration is not among us”<sup>34</sup>

2) Brokerage:

Due to the brokers, the prime buyers may get not their proper price of their product, so the Prophet (PBUH) bade to stop all the brokerage in the market of Madinah . The Prophet Muhammad (PBUH) said, “The caravans carrying merchandise should not be met on the way to purchase from them; a man in the city should not sell for a man of the desert.” Tawus (one of the narrators) asked him (Ibn 'Abbas): “What do these words really imply?” He said: “He should not work as an agent on his behalf.”<sup>35</sup> Except this, he also prohibited from artificial inflating prices

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<sup>34</sup> al-Qushairy, . Al-Sahih. Beirut.

<sup>35</sup> Ibid

### 3) Hoarding:

The prophet (PBUH) also prohibited from *Ih'tikar* (hoarding) when the countrymen are in need for but they are not available in the market. He said: "Hoarding is nothing but sin."<sup>36</sup> But when it is available everywhere in the market, or the people are not in crisis then it is permitted.<sup>37</sup> So, artificial food crisis was not possible in the market of Madinah .

### 4) Price hiking:

Price hiking was strictly forbidden in Madinah , there are a lot of Hadith which show us the awful consequence and dreadful torment of price hiking, such as: Imam Ahmad narrated with strong chain, Ma'qal ibn Yasar (R.) said that he had listened to the Prophet (PBUH) saying for many times: "Every who takes any process to increase the price upon Muslims, it is mandatory for Allah to make him sit on the Hellfire in the Day of Resurrection."<sup>38</sup> Additionally, Imam Ahmad also narrated: "Everyone who hoards to price hike upon Muslims is sinner"<sup>39</sup>

### 5) Forbidden goods:

here were some products those the Messenger of Allah (PBUH) forbade to buy and sell in the market; we would like to mention some of them:

- I. *Khamr* (intoxicants), *Maisar* (gambling), *Ansab* (sacrificing on stone to other than Allah), *Azlaam*, Allah the Most Exalted said:

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<sup>36</sup> AlQushairy

<sup>37</sup> al-Mubarakpuri, A. R. *Tuhfatul Ah`wajee bi Sharhi Jami al-Tirmidhi*. Cairo: Dar al-Hadit. (2001)

<sup>38</sup> al-Shaibani, A. I.. *Al-Musnad* (2nd ed., Vol. 17). Cairo: Muassasatur Risalah. (1999)

<sup>39</sup> AlShaibani

“O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.”<sup>40</sup>

II. Price of dog, Brothel, Soothsaying: as we see in the Hadith:

“Allah's Apostle forbade taking the price of a dog, money earned by prostitution and the earnings of a soothsayer.”<sup>41</sup>

III. The earning of copper, or stud fees for a stallion.:

Abu Hurairah narrated: “The Messenger of Allah forbade the earnings of a copper, the price of a dog and stud fees for a stallion.”<sup>42</sup>

#### **4.4.5 Pre-Foundation of *Bait-Al-Maal***

Bait-al-Maal (in the form of official norm) was founded by the second caliph of Islam Umar ibn al-Khattab.<sup>43</sup> But the activities of *Bait-al-Maal* (i.e.: collecting, distributing of wealth, and describing its sectors) was begun from the age of the Prophet (PBUH), such as:

First: Defining the quantity of some sort of taxes, revenues, war after property and their proper and exact execution.

Second: Sending envoys as Walid ibn Uqbah to the tribe of Banu Mustaliq for collecting Zakat or Sadaqat.<sup>44</sup> Abu Ubaidah ibn al-Jarrah to Bahrain for collecting Jizya.<sup>45</sup>

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<sup>40</sup> Sura Al-Maidah, 90

<sup>41</sup> Al-Shaibani

<sup>42</sup> Sunan An-Nasai

<sup>43</sup> Suyuti, J. U.). Taarikh al-Khulafa. Egypt: Matbay`ah al-Say`aadah. (1952

<sup>44</sup> Ibn-Kathir, A. F.. At-Tafseer al-Quran al-Ajim. Riad: Dar Tibah. (1430 A.H.)

<sup>45</sup> Al-Bukhari

Muad ibn Jabal to Yemen as a governor and uttered one of his duties was collection of Zakat and distribution among their poor<sup>46</sup>

Third: Distributing the obtained property in various sectors in accordance with their right, such as: As the Prophet (PBUH) bestowed on Umme Atiyah from the property of Zakat, etc.<sup>47</sup>

#### 4.4.6 Revenue and Taxes:

Revenue and Taxes are the backbone of the finance affairs in a country, So the Prophet Muhammad (PBUH) composed some regulation in Madinah regarding revenues and taxes, they are in the following:

- a) *Ushr* and *Nisf-Ushr*: *Ushr* is one tenth of the crops after it is harvested, it is for the lands under the Muslims.<sup>48</sup> and the land was not irrigated. If the land holder irrigated it then it is one twentieth of the crops<sup>49</sup>) is called *Nisf-Ushr*.
- b) *Kharaj*: Taken revenue from non-Muslims for their cultivating Islamic lands.
- c) *Jizya*: Taken from Non-Muslims as their safety cost in Islamic state.
- d) *Rikaz* and *Ma'dan*: *Rikaz* is the hidden treasure, found in the land. But there is a little difference in scholastic opinion of the Muslim Jury, Imam Abu Hanifa said: *Rikaz* is everything which is found from the land, other scholars said: *Rikaz* is only those things which are hidden by the Ahlul Jahiliya (the people of the age of darkness) found in the land. One fifth of the *Rikaz* is payable to the state. *Ma'dan* is the costly items found in the land. Imam Abu Hanifa said: One fifth of the *Ma'dan*

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<sup>46</sup> Al-Bukhari

<sup>47</sup> AlQushairy

<sup>48</sup> Madkur, D. I. (N. D.). Al-Mujam Al-Wasit. Cairo: Dar al-Dawah.

<sup>49</sup> Al-Bukhari

should be paid to the state whether it is little or more, others said: The minimum quantity of Ma 'dan when it should be paid to state is like the Nisab of Zakat.<sup>50</sup>

#### **4.4.7 Property Management After War :**

- a) *Ghanimat*: *Ghanimat* is the name of gained property from the Ahlul Harb (the people of war against Islam and Muslims) after they had defeated. One fifth of *Ghanimat* is to be paid to Bait al-Maal.
- b) *Nafl*: According to the most of Islamic scholars *Nafl* is same to *Ghanimat*.<sup>51</sup>
- c) *Fai*: The gained property by Muslims from their enemies without having any war.

### **4.5 THE MODERN APPLICATION OF PROPHETIC ECONOMIC STRATEGIES IN MADINAH**

During the last few decades, we notice in different countries of the World a rapid change has been taken place, and Islamic economic system is getting popularity among the people. Even up to 1996, there were about 273 Islamic Banks, financial institutions, and insurances in the World.<sup>52</sup> And of these, 221 were in Muslim and other 52 in non-Muslim countries. There were among the Muslim countries, in Pakistan 57, Sudan 37 and Indonesia 22, on the other hand, among non-Muslim countries, in UK 10, Switzerland 7, Bahamas 7 and USA 4. According to Professor M. S. Hussain: In more than 40 countries, the Islamic banking system and financial activities have been introduced, such as: Afghanistan, Algeria, Argentina, Bahamas, Bahrain, Bangladesh, Cyprus, Denmark, Djibouti, Egypt, Germany, Guinea, India, Indonesia, Iran, Jordan, Kazakhstan, Northern Cyprus, Kuwait,

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<sup>50</sup> Sabeq, S. (N. D.). *Fiqhus Sunnah*. Peshawar: Wahidee Kutub Khanah.

<sup>51</sup> Ibn-Katheer, A. F. *At-Tafseer al-Quran al-Ajim*. Riad: Dar Tibah. (1430 A.H.)

<sup>52</sup> Hamid, M. A. (2002). *Islamic Economy An Introductory Analysis*. Dhaka: Darul Ihsan University.



Liechtenstein, Luxembourg, Malaysia, Mauritania, Morocco, Niger, Pakistan, The Philippines, Palestine, Qatar, Saudi Arabia, Senegal, South Africa, Sudan, Switzerland, Thailand, Tunisia, Turkey, UAE, UK and USE.<sup>53</sup> But in last two decades, the number of countries as well as banks and institutions have a revolutionary change.

They – in general – follow the prophetic investment and saving law like: Mudaraba, Musharakah, Bai Salam, Bai-al-Muajjal, Ijarah and Wadiah etc. In terms of their mission, it is nothing but making finance without Riba, gaining business basis profit, practising permitted way of trading, which are the endeavour started by the Prophet (PBUH) in Madinah 1400 years ago. But following his footsteps, the economic and financial activities are successfully going on, to solve and overcome the current situation. It has already been recognized even by non-Muslim in many countries. We hope that, those days are not so far, when the conventional usuary based economy would be yielding to Islamic financial system, what had been started by the Prophet (PBUH) in Madinah.

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<sup>53</sup> Hussain, M. S. *Islami Banking: Ekty Unnatatar Bank Babostha*. Dhaka: Public Relation Department of Islami Bank Bangladesh Limited. . (1996)

## CONCLUSION

According to the study, the economic condition of Madinah in the time of the holy migration of the Prophet (PBUH) was extremely critical, imbalanced as well as instable. So, the Prophet (PBUH) had to take the hard challenge to reshuffle and reform it. The economic activities of Madinah during the pre-prophetic period, providing a contextual understanding of the challenges and dynamics that set the stage for the transformative reforms to come. Prophet threw a unique model and stood to execute in Madinah . Finally, he handled the circumstances and successfully reform the economic condition within a few years, which strengthened the economy of Islamic state of Madinah and became the model and standard for all. The Qur'an and Hadith Influenced on Islamic finance, identifying key principles and concepts that served as the foundation for the Prophet's economic policies.

Now, basing on that model of Prophet (PBUH) in Madinah , we notice its modern application as: Islamic Banks, insurance and other financial institutions which have been founded and becoming popular day by day in every corner of the Earth.

As a result, it is evident that the economic reformation led by Prophet Muhammad in Madinah represents not only a historical milestone but a source of inspiration for those seeking ethical and equitable economic frameworks. I wish this study will help emphasizing the enduring legacy of the Prophet's economic vision in shaping the trajectory of Islamic finance and economics.

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