



Islam and The Economy





In the Name of Allah,
the Most Gracious,
the Most Merciful



The **Economic** Aspect of **Islam**

Wealth is a tool, and the means by which life is maintained. The Islamic *Shari'ah* aims to establish a balanced society, wherein social justice is upheld and one can live an honorable life. Allah ﷻ says:

“Wealth and children are the adornment of the life of this world.”

[18:46]

Since Islam considers money one of the indispensable necessities without which neither individual, nor society, can exist, it has ordained that Zakah be taken (2.5%) from the savings of the rich, if the necessary amount from which it is taken is in that person's possession for a full year. This money is to be distributed amongst the poor. It is a due right of the poor, and it is forbidden to withhold it from them.

This does not mean that Islam abolishes individual ownership and private business; rather, it sanctions and respects them. There are many explicit texts which prohibit transgression against the wealth and property of others. Allah ﷻ says:

“And do not eat up one another's wealth unjustly.” [2:188]



Islam has enacted laws and regulations which guarantee the achievement of its goal; to provide an honorable life for each individual in the Islamic society. Some of these regulations are:

- 01 Islam has forbidden interest, for it results in people exploiting others and devouring their wealth wrongfully. Islam has made wealth and property sacred. Due to the fact that interest leads people to forsake acts of kindness and leads to the accumulation of wealth in the hands of a few, Allah ﷻ says:

“O you who believe! Be afraid of Allah and give up what remains due to you from usury, if you are truly believers. And if you do not do it, then take a notice of war from Allah and His Messenger. But if you repent, you may have your principal - thus you do no wrong, nor are you wronged.”

[2:278-9]





02 The Religion of Islam encourages people to give loans. It also encourages that one extend the period (of repayment) if one is having difficulty repaying a loan. One should not be harsh to that individual if he intends on repaying his debt. As for those who have the means to pay the debt off, but choose not to, a different course of action should be taken. Allah ﷻ says:

“And if a debtor is in hardship, then let there be postponement until a time of ease.” [2:280]

The Prophet ﷺ said:

“Whoever loans money to a person in difficulty, he will receive the reward of charity for each day he gives them. And whoever extends the time period for the debtor who has difficulty returning a loan will receive the reward of charity for each day he does so.” [Ibn Maajah]



03 Islam encourages that the loan be pardoned altogether if it is difficult for the debtor to repay it. Allah ﷻ says:

“And if a debtor is in hardship, then let there be postponement until a time of ease. But if you give it as charity, then it is better for you, if you only knew.” [2:280]

The Prophet ﷺ said:

“Whoever wishes that Allah save him from the difficulties of the Day of Judgment, let him extend the time period to a debtor or free him of his loan.” [Muslim]

04 Hoarding and monopolizing of any type of commodity is forbidden, because the trader takes into his possession products which the people need without selling them until the supply decreases, and then he sells them for whatever price he pleases. This incurs much harm, both to the individual and the society, the rich and the poor. The Prophet ﷺ said:

“Whoever hoards commodities would sin...” [Muslim]

Abu Yusuf, the student of *Imam Abu Haneefah*, may Allah have mercy on him, said:

“Anything that is hoarded and proves harmful to the public, it is considered of the prohibited type of monopoly, even if the thing hoarded is gold or silver. Whoever hoards something the public is in need of would have

certainly misused what he owns. The reason monopoly is prohibited is to safeguard people from harm, for indeed, people have many different needs, and monopolizing therein would incur hardship upon people.”

A ruler may force one who hoards a commodity to sell it at a reasonable profit which is neither detrimental to the seller or buyer. If the monopolist refuses to sell at that profit, the ruler may take possession of the hoarded commodity and sell it at a reasonable price in order to prevent those who may be thinking of exploiting the people by monopolizing goods they are in need of.



05 It has prohibited taxes that are taken from a trader to allow them to sell their goods or to import them into the country. The Prophet ﷺ said:

“One who collects the tax imposed on traders, will not enter Paradise.”

[Ahmad & Abu Dawood]

This tax is considered taking money unlawfully and giving it to those who are not entitled to it. All those who contribute to this tax, including tax collectors, clerks, witnesses and receivers come under the Prophet’s saying:

“No flesh that grows from unlawful things shall be admitted into Paradise; Hellfire shall have the best claim to them.” [Tirmidhi]

06 Islam has forbidden hoarding wealth, and not expending from it the due right that belongs to Allah; both the individual, as well as society, would stand to benefit from this. Wealth should be circulated in society to stimulate the economy, and with this, all individuals within society would stand to benefit. Allah ﷻ says:

“And those who hoard up gold and silver and spend it not in the Way of Allah, announce unto them a painful torment.” [9:34]

As Islam respects individual ownership, it imposes rights and duties therein. Among these are obligations which concern and relate to the owner himself, such that he must take care of

himself and his dependents, relatives and those he must maintain. There are other rights which concern the individuals in society, such that they must pay *Zakah*, and give out charity, and help others. Other obligations concern the society at large, such that they must spend to build schools, hospitals, orphanages, mosques, and other facilities which would benefit society. What is sought by this is that resources are not amassed in the hands of a few within society.

07 It has been forbidden to give less in measure and weight, for it is a type of theft, treachery and deception. Allah ﷻ says:

“Woe to those who give less in measure and weight. Those who, when they have to receive by measure from men, demand full measure. And when they have to give by measure or weight to men, give less than due.”

[83:1-3]



08 It has prohibited domination of public domain, such as water and public pastures, which do not belong to anyone, and has also prohibited preventing people from benefiting from it. The Messenger of Allah ﷺ said:

“There are three persons whom Allah will not speak to on the Day of Judgment, nor look at: a seller who falsely swears that he bought a product for a higher price than which the buyer bought it, a person who swears to a false oath after ‘Asr (late

afternoon) so as to usurp the money of a Muslim, and a man who refuses to give excess water. On that day, Allah will say to him, ‘Today I withhold from you my Grace as you withheld what was in excess of your needs, though you are not its creator.’” [Bukhari]

The Prophet ﷺ said:

“All Muslims have equal shares in three things: pasture, water, and fire.”

[Ahmad]



09 The Religion of Islam brought about a just system of inheritance through which wealth is distributed amongst a man's rightful heirs; whether they are young or old, male or female. No one has the right to distribute the inheritance in any other way. One of the benefits of this system is that it divides the estates, no matter how large they may be, into small shares, thus making it impossible for the money to settle with a certain group. The Prophet ﷺ said:

“Indeed, Allah has given each person his due right. So let not one of you bequeath something to someone who is already allotted a portion of the inheritance.” [Abu Dawood]

- 10** Islam has legislated endowments, which are of two types:
- A** Private endowments limited to the family and children of the endower; in order to safeguard them from poverty and begging. The condition of its validity is that the endowment should serve charitable causes after the endower's progeny cease.
 - B** Public charitable endowments which are used to maintain charitable causes; such as building hospitals, schools, streets, public libraries, Mosques, social welfare homes for orphans and the elderly, and all that serve public interest.



11 The Religion of Islam has legislated a system of bequeathal. Therefore, every Muslim has the right to bequeath a portion of his money to be used after his death for righteous purposes. The Religion has limited this portion, to a third so that his heirs would not be harmed. *Aamir bin Sa'd* said:

“The Prophet ﷺ would visit me while I was sick in *Makkah* (Mecca). I said to him, ‘I have some wealth, may I bequeath all of it in charity?’

He replied, 'No.' I said, 'Then half of it?' He replied, 'No.' Then I said, 'A third?' He replied, 'A third is much. If you leave your heirs rich, it would be better than to leave them relying upon others begging for money. Whatever you spend, it will act as a charity for you, even a morsel of food which your hand feeds your wife. Perhaps Allah will raise your status and cause some people to benefit from you....'" [Bukhari]



12 Islam has forbidden all that falls under the words of Allah:

“O you who have believed, do not consume one another’s wealth unjustly.” [4:29]

This includes:

A Taking by force of anything without right, for it involves wronging others and spreading corruption in society. The Prophet ﷺ said:

“Whoever usurps a Muslim’s right through a false oath, Allah makes the Hellfire obligatory upon him and Paradise forbidden.” A man asked, “Even if it were something negligible O Messenger of Allah ﷺ?” He replied, “Even if it were a twig of [the most common tree you know].” [Muslim]

B Deceit and cheating. The Messenger of Allah ﷺ said:

“Whoever fights us is not from us, and whoever deceives us is not from us.” [Muslim]

C Bribery. Allah ﷻ says:

“And do not consume one another’s wealth unjustly, nor send it [in bribery] to the rulers in order that [they might aid] you to consume a portion of the wealth of the people in sin, while you know it is unlawful.” [2:188]

The Prophet ﷺ said:

“May Allah curse the one who gives a bribe and the one who takes it in matters of judicial rulings.” [Tirmidhi]

Allah cursed the one who gives a bribe because he helps to spread evil in society; if he had not offered the bribe there would never have been any bribery. Allah cursed the one who

accepts the bribe because he takes what is not rightfully his, and breaches the trust he was given. He takes a price for a duty which he was designated to do in the first place.

D Theft. The Prophet ﷺ said:

“The fornicator who fornicates is not a true believer so long as he commits it. No thief who steals is a true believer as long as he commits theft. No drunkard who drinks wine is a true believer as long as he drinks it.” [Muslim]

For it includes taking people’s wealth without right. Allah ﷻ says:

“Sever the hand of the thief, male or female, as a recompense for that which they committed, a punishment by way of example from Allah. And Allah is All Powerful, All Wise.” [5:38]

In order for a person’s hand to be severed as a castigatory punishment,

the following conditions have to be met:

Some of the scholars have stated that the repentance of the thief is not accepted until he returns what he has stolen to its owner. If he has no wealth, the owner of the wealth is asked to pardon him. Furthermore, if the owner pardons the thief before the case reaches the court, then the castigatory punishment is dropped.

E It is prohibited that a person sell something to a customer while his brother is in the process of negotiating a deal with him, except if he allows him to do so. This is because it stirs enmity and hatred between individuals in society. The Prophet ﷺ said:

“Let not any person sell something if his brother is about to strike a deal, and let not any person propose

marriage to a woman to whom his brother has already proposed, except if he gave him permission.” [Muslim]

01

The wealth must have been in the custody and protection of the owner

02

The motive behind the theft must not have been the need for food, drink, or clothing. If this were the motive, the hand would not be severed. This is taken from the judgment of ‘Umar in the year of the Ramaadah.

03

The amount stolen must meet the minimum required amount set for the implementation of this punishment - hence it must be larceny and not petty theft.

This is an excerpt
of a larger book titled
“The Message of Islam”
by Abd Ar-Rahman
bin Abd Al-Kareem Ash-Sheha.

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