

## *Prophet Muhammad and Economical System*

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Promoting economic growth through business whilst ensuring that society and the environment do not become victims of businesses financial gains are one of the fundamental challenges faced by societies and businesses.

Nowadays, economic struggle is one of the most issues which most Islamic societies and Muslim individuals are facing. Economic struggle includes poverty, inflation, costly life, low productivity, high debts and etc. High interest, usury and high taxation which are posing by Western societies are reasons for these economic problems.

It is also important to mention that the reasons behind most of crimes which are happening around the world are because of poverty and need for money. Many young peoples do not marry or many married couples stop reproduction or even many people die because of poverty and need for money.

*When Islam was introduced by Prophet Mudammad (peace be upon him) 1400 years ago, one of the main issue which discussed and emphasized was the economic struggle such as usury or interest. All of these issues had negative impact on society and individuals; for example, the unfairness of the usury of debt lies in that the debtor by paying the creditor interest on his funds invested is in fact giving the creditor a higher benefit then what he received*

*from the use of the funds. Interest payment by people, who need to borrow from people who have money to lend, in aggregate, increases economic inequality. In addition, usury displaces worthwhile economic activity which will affect social interest. Therefore, because of these negative impacts Prophet Muhammad (pbuh) implemented the Islamic economic system.*

*Micheal Hart (The 100, pages 3-10) indicates that the Prophet Muhammad "brought about the greatest revolution, even an economic and political miracle in human history".*

*After the implementation of the Islamic economic system by the Prophet Muhammad (pbuh) the economic condition of the people changed.*

The economic system which was introduced by the Prophet Muhammad (pbuh) includes: Zakat, Khoms, Inheritance (mirath) and the Riba-Free System of Transactions. This economic system emphasized three important issues. First issue was that money is not a commodity and it does not reproduce. The only way of economic growth is when money used in an economic activity.

**"Greed, Miserly and Love of Money are also not accepted."**

**" وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا " (Quran, 25: 67).**

Because of that the Prophet Muhammad (pbuh) was encouraging the free trade. For the more, the Prophet Muhammad (pbuh) not only encouraged or believed in free markets, but he himself with his wife Lady Khadija made their living as a merchants.

Second issue was the circulation of money which the Prophet insisted that wealth should be

circulated within the community by investing it rather than saving it. Investment helps to develop the community which creates jobs, prosperity and economic growth. Final issue was that all wealth and property are belong to Allah and are Allah's properties. Thus individuals are appointed as its trustees and custodians who have responsibility toward them.

**“Wasting, Extravagance and Overspending is the Work of Satan”**

يَا بَنِي آدَمَ خُذُوا زِينَتَكُمْ عِنْدَ كُلِّ مَسْجِدٍ وَكُلُوا وَاشْرَبُوا وَلَا  
تُسْرِفُوا إِنَّهُ لَا يُحِبُّ الْمُسْرِفِينَ (Quran, 7:31).

The Prophet Muhammad (pbuh) discouraged too much saving and He said: 'Charity is a necessity for every Muslim'. Thus, due to this issue The Prophet introduced the Islamic tax system which taxes people on their savings rather than on their initial income.

This is type of taxation call “Khoms” which is equal to a fifth of the money a person has left over in their savings at the end of the fiscal year. According to this system the Prophet Muhammad (pbuh) indicated that this system disciplines people who do not invest their savings and just want to save their money when it comes to inflation and time value of money.

The Prophet (pbuh) lived his life true to this principle: he was not owner of any lands, did not have any possessions; he was merely an enforcer of the Will of Allah Almighty.

Therefore, it was the Prophet's (pbuh ) principles, believes, his utter commitment, and total obedience to his system of economics which led to the establishment of the basic infrastructure of a universal and welfare-based economic system. The system which solved and will solve all economic struggles and unfairness gapes between poor and rich.