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An Overview of Economic Paradigm in Prophetic Era

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Abstract:

Economic activity is an indispensable part of human life. It should be based on ethical norms, without which, the markets tend to promote exploitation and inequality among the various social stratas. At the advent of Islam, Ribā(usury), monopolized trade, lack of systematic welfare, concentrated wealth among elites and insecurity were dominant traits of pre-Islamic Arabia. Prophet Muhammad (peace be upon him) provided a revolutionary economic theory based on justice, openness and social accountability.

In this article, the author has discussed the economic structure of Prophetic Era with a particular focus on the reforms that changed the nature of trade, circulation of wealth and labour rights. The important reforms were the banning of Ribā, the codification of Zakāt as redistributive system, and the establishment of an open market in Madīnah. Sources of revenue like Zakāt, Jizyah (taxation on non-Muslims), fay' (peaceful acquisitions) and Kharāj (land tax) provided fiscal stability as well as social welfare. The Prophet Muhammad (PBUH) stressed the value of work, equity in the employment arrangement and responsibility in managing finances and viewed wealth as a divine gift but not a means of oppression.

These reforms are not regarded in the argument as transient, but as a universal paradigm which was a blend of spiritual values as well as practical aspect of governance. Today, humanity is facing injustice and absence of moral values in economic matters, hence the Prophetic model offers a classical balance of fairness and harmony.

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Keywords: Prophetic Era, Islamic Economics, Trade, Zakāt, Labor, Social Justice, Economic Activities

Introduction:

The Prophetic period is a period of structural re-organization which are not only confined to the world of spiritual and social existence, but he also modified the economic practice as well. On assuming power in Madinah, Prophet Muhammad (PBUH) began a set of central changes that included the changes in commerce, money circulation, labour conditions and state spending by focusing on justice and mercy. The economy of Arabs before the advent of Islam was characterised by exploitation in the shape of usury, unfair trade, and monopolisation of the resources of the mighty tribal leaders. These were put to question when Islam surfaced, in which a just and ethical system of economic practice was provided.

The research article in question is therefore devoted to the descriptions of the economic life in the era of the Prophet (PBUH) whereby the following elements of its character were placed in the limelight such as the system of the values underlying it and the factual forms of this life. The subject is reinforced with the qualitative analysis of classical Islamic works and historical precedents, attempting to create an Early Islamic paradigm of economic equity that could be applicable in our contemporary variant of economic activity. The paper may be utilized to extend the debates on ethical funding, inclusive growth and faith-based solutions to economic problems through the re-visit of the Prophetic tradition.

Statement of the Problem:

Modern economies are increasingly plagued by inequality, exploitation, and moral voids in financial systems. Many profit-centered models neglect ethical balance and social equity. As a result, there is a growing interest in historical model that integrated spirituality with socio-economic justice established during the Prophetic era.

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This study investigates the nature of economic activities introduced by Prophet Muhammad (PBUH), focusing on how his leadership addressed unjust trade practices, poverty, and social exclusion. The research seeks to understand that the economic strategies employed in Madinah offer meaningful insights into modern economic challenges.

Objectives:

1. To explore the major economic activities conducted during the Prophetic era.
2. To highlight the ethical framework behind wealth circulation and social justice.
3. To evaluate the long-term impact of Prophetic economic practices on Islamic civilization.
4. To offer insights for applying these principles in contemporary economic systems.

Scope of Study:

The scope of this study is limited to the analysis of economic activities conducted during the lifetime of Prophet Muhammad (PBUH), with particular emphasis on:

- Trade practices and business ethics
- Revenue generation methods such as Zakāt, Jizyah, Fay', and Khums
- Wealth distribution and social welfare initiatives
- Labor policies and agricultural development
- Economic clauses in treaties and public fund management
- The ethical framework governing financial transactions

Outputs and Significance of the Study

This study contributes to the field of Islamic economic thought by outlining the moral and functional foundations of the Prophetic economy. It provides practical insights into how early Muslims engaged in trade, distributed wealth, and structured markets ethically. The article is relevant for researchers, economists, and students interested in exploring faith-based approaches to modern economic problems such as poverty, inequality, and financial injustice.

1. Economic Conditions of Pre-Islamic Arabia

Extremely hierarchical, Pre-Islamic Arabians were highly divided, socio-economically and with huge differences between the rich and the poor individuals. Access to resources

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was established through tribal loyalties and commerce in general was the purview of established clans that dominated trade. It was manifest in monopolies of inter-regional trade by caravans like the Quraysh in Makkah that controlled trade to Syria and Yemen.¹ The systematic inequality was institutionalized through the prevalence of *Ribā* (usury) which exploited the poor by the rich who lent their money with high interest that they could hardly afford to pay back. Public welfare was not an institutionalized enactment, but charity was regarded as an individual virtue, which was represented as a social obligation. There was a lot of money concentration by the few individuals in this setting leaving most of the population in economic insecurity.

According to Sayyid Quṭb, such was the picture of moral and economic condition in Arabia prior to Islam: a kind of savage capitalism that experienced no scales of any social balancing.² In his argument he states that divine guidance was absent and this has led the commercial activity to go unabated where greed had taken away the aspect of justice and empathy in economic relationships. On the same note, W. Montgomery Watt says that despite its successful business activities, Makkah had an economic culture which promoted exploitation but not social responsibility.³ Lack of *Zakāt*, trade regulations created a system where the monetary reward had nothing to do with moral responsibility. This desolate terrain made it obvious that the radical change was not only needed but also it was very much urgent one which was brought by Prophet Muhammad (PBUH) after an epitomizing spiritual and economic reformation in Madinah. The economic injustice was institutionalized by the usury or *Ribā*, and it enabled the rich to take advantage of the poor through offering high-interest loans that could hardly be paid back. Charity was not a system of redistribution or welfare: it was simply a personal virtue. This led to a

¹ Mawdūdī, Sayyid Abū al-A'lā. *The Economic Teachings of the Qur'an*, trans. Khurshid Ahmad (Lahore: Islamic Publications Ltd., 2002), 19–23.

² Quṭb, Sayyid. *Social Justice in Islam*, trans. John B. Hardie (New York: Islamic Publications International, 2000), 30–34.

³ Watt, W. Montgomery. *Muhammad at Mecca* (Oxford: Clarendon Press, 1953), 26–30.

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situation whereby wealth was concentrated to a few elites leaving a majority of the population insecure and poor.⁴

2. Foundations of Economic Justice in Islam

The concept of Islamic economic justice is based in the belief that the wealth is a trust that has been endowed by God and the economic activity has to be directed at the common good instead of being driven by personal benefits. The contention by Sayyid Abū al-A'lā Mawdūdī is that there is no absolute amount of property in Islam because the ownership is conditional based on social accountability. He claims that Islam does not aim at abolishing the personal property but to control it by moral and legal prohibitions so that wealth would not be concentrated only in the hands of the elite.⁵

Prophet Muhammad (PBUH) brought an ideological reformation during his time to redesign the marketplace in Madīnah where exploitative trade as well as hoarding and speculation practices were discouraged. Economist M. Umer Chapra expands this concept by placing justice at the core of Islamic economic objectives. He points out that economic justice in Islam entails equal distribution of resources, openness in terms of contracts, accountability amongst the state when it comes to finance. Islamic economic policy can be derived from the Prophetic period and one of its core issues was considering human dignity and welfare (Falah) as the vital consequence of the economic activity and not just so-called market efficiency.⁶

These are the major values by which a framework of economic system can be developed and based on its ideas, a contemporary Islamic economic system can be made. Islamic economic justice also rests on the higher objectives of Sharī'ah (Maqāṣid al-Sharī'ah), which gives precedence to the protection of five universal values, i.e., religion, life, intellect, lineage, and wealth. Among the latter, fiscal stability preservation of wealth is a major focus of Islamic law (it is now doubted that this is true according to original

⁴ Crone, Patricia. *Meccan Trade and the Rise of Islam*. Princeton: Princeton University Press, 1987, 75–80.

⁵ Mawdūdī, Sayyid Abū al-A'lā. *Economic System of Islam*, trans. Khurshid Ahmad (Lahore: Islamic Publications Ltd., 2006), 24–29

⁶ Chapra, M. Umer. *Islam and the Economic Challenge* (Leicester: Islamic Foundation, 1992), 35–38

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Islamic doctrine). Dr. Jasser Auda, a contemporary thinker in matters of Islamic legal theory, claims economic justice to be not only a secondary by product of Islamic injunctions, but a primary objective.⁷ He points out that the distribution of justice, elimination of poverty and economic integrity are not moral adjuncts but an integral part of the governing blueprint of the Islamic legal and economic thought.

This was channelized through the policy rules of the prophet such as the systematic collection of Zakāt, inheritance systems, and the bans against unethical enrichment. With securing of economic justice to both texts of law and higher moral objectives, Islam provides people a possibility to use markets, in order not to be used by this market. That was the ideological system adapted by Prophet Muḥammad (PBUH) in Madinah, which discouraged greedy activities such as hoarding and speculation and encouraged equality in agreements. Economist M. Umer Chapra underlines that justice is central to the Islamic economic goals, which involve transparency of financial transactions, state responsibility, and the fact that human dignity (Falāḥ) should be central to Islamic economic objectives, rather than simply efficiency.⁸

On top of classical intellectuals, the modern philosophers point out the Maqāṣid al-Sharī‘ah (higher objectives of Islamic law), aiming at safeguarding religion, life, intellect, lineage and wealth. According to Jasser ‘Auda, economic justice is not a secondary one but a central one which is manifested in the institutionalized Zakāt, laws governing inheritance, and the ban on unjust enrichment.⁹

Moreover, Muḥammad Nejatullah Siddiqi adds that economic justice as practiced by the Islam is one which encounters the rights of individuals and the duties of communities, with the former being not exploitative but rather productive.¹⁰ In the same vein, Timur

⁷ ‘Auda, Jasser. *Maqāṣid al-Sharī‘ah as Philosophy of Islamic Law: A Systems Approach* (London: International Institute of Islamic Thought, 2008), 62–66.

⁸ Chapra, M. Umer. *Islam and the Economic Challenge*. Leicester: Islamic Foundation, 1992, 204–210.

⁹ ‘Auda, Jasser. *Maqāṣid al-Sharī‘ah as Philosophy of Islamic Law: A Systems Approach*. London: International Institute of Islamic Thought, 2008, 115–120.

¹⁰ Siddiqī, Muhammad Nejatullah. *Muslim Economic Thinking: A Survey of Contemporary Literature*. Leicester: Islamic Foundation, 1981, 22–27.

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Kuran observes that Islamic institutions like waqf (endowments) established in the early times developed permanent mechanisms of civic welfare and re-distribution.¹¹

3. The Prophet's Role as a Trader and Economic Reformer

Honesty and professionalism in trade were common things that Muḥammad (PBUH) was known prior to the declaration of prophet hood, hence receiving the name al-Amīn (the Trustworthy) and al-Šādiq (the Truthful). He also traded Khadījah's goods (RA) directing the trading caravans to Syria. His moral behavior of charging the right price, measuring precisely and living up to contracts was extraordinary in a society that was rife with dishonesty.¹² As a trader, he understood the market dynamics and social inequality.

Instead of opposing business, he wanted to sanctify the business by cleansing the exploitation and corruption within it. The harmony between religion and economy is one of the majors led by his personal ethical behavior that makes up the Islamic thought of economics. After his migration to Madīnah, the Prophet (PBUH) changed the economic framework of the town. He established a marketplace (sūq), banned the exploitative type of transactions such as ribā, hoarding, and appointed market inspectors (Muhtasibūn) to maintain fair transactions.¹³ His economic governance model was moral and pragmatic in that, it was based on divine teaching but used practical policies.

According to Sayyid Abū al-A‘lā Mawdūdī, the policies of the Prophet were to not only provide justice in personal dealings, but also establish the society in such a manner that circulation of wealth, social care and trust become the spine of economic affairs.¹⁴ The fact that the Prophet (PBUH) was both a trader and reformer at the same time makes him the exclusive economic model to all ages, demonstrating that business and charity can go hand in hand under a system that drives value.

¹¹ Kuran, Timur. Islam and Mammon: The Economic Predicaments of Islamism. Princeton: Princeton University Press, 2004, 56–62.

¹² Lings, Martin. Muḥammad: His Life Based on the Earliest Sources (Rochester, VT: Inner Traditions, 2006), 34–39

¹³ Al-Māwardī, ‘Alī ibn al-Ḥusayn. Al-Āḥkām al-Sultāniyyah: The Laws of Islamic Governance, trans. Asadullah Yate (London: Ta-Ha Publishers, 1996), 233–236.

¹⁴ Mawdūdī, Sayyid Abū al-A‘lā. Economic System of Islam, trans. Khurshid Ahmad (Lahore: Islamic Publications Ltd., 2006), 37–41.

4. Revenue Sources in the Early Islamic State

Early Islamic state founded by Prophet Muḥammad (PBUH) established a systematic and ethical based system of revenue replacing the uncontrolled exploiting systems of the pre-Islamic Arabia. Contrary to the tribal structure, which was based on arbitrary taxation or tribute, the Islamic fiscal system was established on terms of equity, transparency and accountability. The most important sources of income were Zakāt in the form of mandatory almsgiving, the role of which was redistribution of income of the wealthy to poor people. It was not only a religious duty but also a socio-economic policy that made it necessary to circulate wealth on a regular basis, solve the issue of poverty and discourage hoarding.¹⁵ One other significant source included Jizya which was a tax imposed on non-Muslim citizens (Ahl al-Dhimma) in lieu of protection and relieving them of military duty obligations.

Despite the contemporary misconceptions, Jizya was not any form of punishment, but a civic responsibility like Zakāt among the Muslims. It was an allegory of rights and duties of minorities that were suffering protection in the Islamic polity and always much lesser than what Muslims paid as Zakāt. Prophet Muḥammad (PBUH) received Jizya in noted agreements and the payment of Jizya was considered as a contract of mutual benefits.¹⁶

The Kharāj tax is also a land tax levied on agricultural income of conquered regions as a source of revenue system of Islamic state. This was a type of system that enabled the local people to continue owning their own land but pay a share of harvest to the state. Kharāj not only proved to be a great revenue but also promoted the productivity and care of the agriculture. Prophet Muḥammad (PBUH) developed this mechanism following the Battle of Khaybar and it was organized consistently under the Caliphate of Umar ibn al-Khattab.¹⁷ This paradigm made it possible to co-exist with non-Muslim agrarians without the displacement and forceful conversion.

¹⁵ İslāhī, Abdul Azim. Economic Concepts of Ibn Taimiyah (Leicester: The Islamic Foundation, 1988), 64–68.

¹⁶ Mawdūdī, Sayyid Abū al-A'lā. The Islamic Law and Constitution, trans. Khurshid Ahmad (Lahore: Islamic Publications, 1992), 185–190.

¹⁷ Abū Yūsuf. Kitāb al-Kharāj, trans. A.M. Imām (Beirut: Dār al-Ma'rifah, 1979), 89–94.

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The submission to God alone by Muslims will never come at the expense of non-Muslim agrarians through displacement and forcibly converting non-Muslims. Fay' and Ghanīmah (Spoils of War) were also sources of a lot of money. Fay' was the surrender of money or goods without a fight and Ghanīmah was the spoil of war.

This was required to be donated based on God's guidance with certain proportion to the state, the poor and to the soldiers. The Prophet (PBUH) made sure that the benefits of such gains were not kept by themselves rather repoured into the common good – infrastructure, orphans and debt relief. This tendency towards allocated the post-Islamic Arabia war spoils phenomenally different as prior to this, which worked on the favouritism of the tribe and the happiness of individuals.¹⁸

And finally, there was the voluntary nature of contributions and endowments (Sadaqah and Waqf) in the early Islamic state, which aided education, and public works, as well as religious institutions. These mechanisms were not compulsory but were a demonstration that there was an ethical basis of the Islamic economy as the citizens would see wealth as a trust to share. Insufficiently vigilant by the state, these voluntary regimes were, over time, transformed into highly effective societal networks of assistance that were no longer bound by the state.¹⁹ Collectively, these revenues also made up a non-coercive and morally-grounded system of the economy by virtue of which the Islamic state could continue to operate without any coercive tax gathering and continue to maintain both fiscal viability and social stability.

5. Zakāt and Wealth Redistribution Mechanisms

Zakāt is one of the five pillars of the Islam, not only in the sense in which it is a spiritual duty but also as a pillar of Islamic financial justice. As opposed to traditional forms of taxation where the state usually has the priority, Zakāt is geared towards wealth circulation in an ethical manner, elevation of the disadvantaged, and breaking of a monopoly over the available resources. It has a fixed rate which is usually 2.5 percent of

¹⁸ Al-Qaradāwī, Yūsuf. *Fiqh al-Zakāh: A Comparative Study* (Jeddah: Scientific Publishing Centre, 2001), 1:225–232.

¹⁹ Chapra, M. Umer. *The Future of Economics: An Islamic Perspective* (Leicester: Islamic Foundation, 2000), 122–126.

the accumulated wealth; this allows equal giving to take place and does not overwhelm the poor.

Uniqueness of Zakāt is that it is pre-allocated. Beneficiaries are the poor (*Fuqarā'*), the needy (*Masākīn*) the debt-ridden individuals as well as those who work in the cause of Allah as clearly identified in *Sūrat al-Tawbah*.²⁰ The Prophet Muhammad (PBUH) institutionalized Zakāt by having collectors ('āmilūn) appointed to see the proper distribution, and accountability. Through this, Zakāt ceased being only a personal act of charity, but it has developed into a formal mechanism of distributing wealth, economic accessibility and social integration. According to Yusuf al-Qaradawi, the reinforcement of Zakāt is the integration of personal ethical duty and the support of a government promoting state-led execution, resulting in a balanced socio-economic model of charity linking compassion and justice.²¹

Fazlur Rahman also mentions that zakat is the Islamic outlook of converting wealth as a personal property into a trust (*amanah*) to the society and, thus, cleansing up the wealth and the intention of the giver. It made sure that stagnation without movement was discouraged and wealth was used to the common good.²²

Modern researchers also emphasize the socio-economic contribution of Zakāt to the development of institutions of social good. Monzer Kahf notes that Zakāt was traditionally used to finance education, infrastructure, and state works, which indicates that it does not have a significant limitation to poverty alleviation but, in fact, it was one of the means of the long-term development. Through this, Zakāt was one of the first social security systems to be organized by the state.²³

²⁰ Al Qur'an 9:60

²¹ Al-Qaradāwī, Yūsuf. *Fiqh al-Zakāh: A Comparative Study* (Jeddah: Scientific Publishing Centre, 2001), 1:254–256.

²² Rahmān, Fazlur. *Islam and Modernity: Transformation of an Intellectual Tradition*. Chicago: University of Chicago Press, 1982, 33–36.

²³ Kahf, Monzer. *The Islamic Economy: Analytical Study of the Functioning of the Islamic Economic System*. Plainfield: Muslim Students Association of the U.S. and Canada, 1978, 87–92.

6. Trade Ethics and Market Regulation in Madinah

The introduction of a market mechanism by Prophet Muḥammad (PBUH) in Madīnah led to a recasting moment in terms of incorporating principles of ethics into economics. He involved himself in monitoring the commercial behavior, managing marketplaces, and in having supervisors to monitor the fair transactions. The Medinan market was opened and transformed as open-access Waqf and not piloted by any tribal elite.²⁴

Fraudulent actions such as artificial increase of commodity price (Najsh), weight and measure cheatings and seizure of vital commodities were strictly forbidden by the Prophet. The traders were supposed to exhibit morals of honesty, transparency, and social responsibility, those who flouted them were morally and legally responsible. Not only was the market stabilized, but also, trust and inclusivity were lifted as far as economic participation was concerned by use of this framework.

- **Free Market Access:** No taxes or monopolies — trade was accessible to all Muslims and non-Muslims.
- **Moral Guidelines:** Deception, Najsh, and hoarding were religiously and legally banned.
- **Appointment of Market Inspector (Muhtasib):** Ensured fairness in transactions and consumer protection.
- **Integration of Faith and Trade:** The market space was spiritually regulated — ethics were not separate from business.
- **Women and Minorities Participation:** Business was inclusive, and contracts were protected by law.

7. Prohibition of Ribā and Unjust Economic Practices

The ban on Ribā (interest) in Islam is not merely a religious order but an economic radicalism that would construct a fair and secure financial support. Pre-Islamic Arabia was characterized by the exploitative lending culture, whereby the powerful people lent money with compounded interests, which in many cases formed a chain of poverty and social humiliation on the part of the person who had borrowed money. Ribā exists in many forms, and the Prophet Muḥammad (PBUH) forbade it all by stating that it is unjust

²⁴ Khan, Muhammad Akram. An Introduction to Islamic Economics (Islamabad: International Institute of Islamic Thought, 1994), 77–81.

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enrichment due to which no productive effort can be made. Not only did he forbid it in principle but in his Farewell Sermon, invalidated historic debts that entailed Ribā.

Furthermore, other unfair economic aspects that were annihilated by Islamic law include Gharar (undue uncertainty), Najsh (sham bidding) and Maysir (gambling) that distort economic justice and disadvantage those who do not have full information. Chapra explains that the crux of outlawing said practices exists in the need to connect all financial reward with tangible risk, effort, and value creation within marketplace considered a model aimed at preventing inequality, exploitation, and instability in the market.²⁵

This theory made the Madinan economy an area of good faith, visibility, and ethical profit. The harshness of ribā was also brought to the fore by classical scholars. Abu Hamid Al-Ghazālī believed that the interest distorts social unity by making the rich make profits without working, and thus, undermines compassion among the members of society.²⁶

The restriction against Ribā as the basis of Islamic finance is considered by contemporary scholars such as Muḥammad Akram Khan to facilitate equity-based instruments such as Muḍārabah and Mušārakah. These options tie profit to risk-sharing to see to it that financial transactions are just and productive.²⁷

8. Labor Rights and the Dignity of Work in the Prophetic Era

Probably the most radical change to the economy Prophet Muḥammad (PBUH) brought about was the moral deification of labor. The Prophet highlighted the dignity of all kinds of lawful work be it physical work, craftsmanship or trade because in such a society, manual work has been perceived as demeaning. He said, no man ever ate so good meat as that he got by the work of his own hand. The Prophet of Allāh, David, was one who used

²⁵ Ibn Hishām, *Sīrat Rasūl Allāh*, ed. Mustafa al-Saqqā (Cairo: al-Maktabah al-Tijāriyyah, 1955), 4:274.

²⁶ Al-Ghazālī, Abū Ḥāmid. *Iḥyā' 'Ulūm al-Dīn*. Vol. 2. Cairo: Dār al-Kutub al-'Ilmiyyah, 2005, 75–80.

²⁷ Khan, Muḥammad Akram. *An Introduction to Islamic Economics*. Islamabad: International Institute of Islamic Thought, 1994, 58–64.

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to eat of the product of his own hand.²⁸ This instruction was destructive to the elitism view of the world that connected richness with honour and poverty with shame. Islam gave a dignity to work which was otherwise seen as a mere means of survival in life, but now under Islam it became a show of honor and self-dependency, without exploitative dependencies.

During the Prophetic period, workers had rights that could not be enjoyed before. Prophet Muḥammad (PBUH) highly discouraged delay or denial of payment of wage to a worker. In a hadith that is widely known he told us, **“Pay the worker his wages before the sweat dies”**.²⁹ This succinct order was to later be codified in Islamic law books to make employers duty bound about their ethical and legal obligations. Workers, including domestic servants, laborers in the fields, assistants in the marketplace were all presented with empathetic and just attitudes by the Prophet himself who always raised and addressed human dignity. The servants and workers were to be considered as brothers and not subordinates and were to be taken care of in form of feeding them and clothing them equally.

The first Islamic state led by the prophet not only secured the individual workers but also made sure that the issue of labor was valued as creating a value to the society. Sayyid Abū al-A‘lā Mawdūdī says that Islam eliminated an economy which, according to a feudal system of values, categorized individuals as belonging to the working class and the land-owning classes; the system in Islam replaced this element with a value system that was based on Justice, Productivity and Faith.³⁰ No more work was to be done under duress or only to survive; work became ‘Ibādah (an act of worship) when that performance is conducted with higher moral and integrity.

²⁸ Al-Bukhārī, Muḥammad ibn Ismā‘īl. Ṣaḥīḥ al-Bukhārī, trans. M. Muhsin Khān (Riyadh: Dāruṣṣalām, 1997), Ḥadīth no. 2072.

²⁹ Ibn Mājah, Sunan Ibn Mājah, Book 16, Ḥadīth 2443.

³⁰ Mawdūdī, Sayyid Abū al-A‘lā. Economic System of Islam, trans. Khurshid Ahmad (Lahore: Islamic Publications Ltd., 2006), 91–95.

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This revolution made a leveled economy in which no one was valued in terms of status or tribal affiliation but in terms of contribution and hard work. Modern Islamic scholars such as Yusuf al-Qaradawi and M. Umer Chapra emphasize that labor justice is still one of the key focus areas of Islamic economics in the modern times. According to Chapra, the policies made by the Prophet aimed not only at ensuring that people were fairly compensated but they were also aimed at creating the culture of respecting all those who contribute to the economy whether the people are rich or poor, skilled or unskilled.³¹ By so doing, the Islamic role model went beyond material productivity and instilled the basis of a socio-economic system of human dignity, compassion, and communal responsibility.

9. Public Treasury (Bayt al-Māl) and Financial Administration

The establishment of Bayt al-Māl (Public Treasury) during the Prophet's lifetime laid the foundation for a structured and ethically managed Islamic fiscal administration. Although the term "Bayt al-Māl" was formally institutionalized during the caliphate of Umar ibn al-Khattab, its functions existed in nascent form under Prophet Muḥammad (PBUH). The Prophet oversaw the collection and distribution of public revenues including Zakāt, Jizyah, Kharāj, Fay'³², and voluntary charity ensuring transparent management for the welfare of society. He personally maintained accountability in resource allocation, often distributing funds to support widows, orphans, debtors, and new Muslim converts (Mu'allafat al-Qulūb), thereby promoting both spiritual and economic inclusion.

Islamic fiscal governance during the Prophetic era emphasized zero hoarding, swift distribution, and moral accountability. Money was never hoarded; it was moved around to meet the basic needs of people like food security, pay off government debts and to maintain its military defense. The Prophet kept things simple in that his administration was ethically oriented (Ibn Khaldūn, Islamic historian). Wealth was not accumulated but

³¹ Chapra, M. Umer. *The Islamic Vision of Development in the Light of Maqāṣid al-Sharī'ah* (Jeddah: Islamic Research and Training Institute, 2008), 47–51.

³² Al-Qaradāwī, Yūsuf. *Fiqh al-Zakāh: A Comparative Study* (Jeddah: Scientific Publishing Centre, 2001), 2:112–116.

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constantly redistributed.³³ There was favoritism; distribution was done based on need and merit and not social standing.

Al-Māwardī subsequently has these Prophetic principles recorded later in his well-known treatise *Al-Ahkam al-Sultaniyyah*; as they were on the responsibility of state authorities to uphold justice in documentation, act without corruption, and treat public wealth as a divine trust.³⁴

This was the early financial system, since then, a prototype of the later Islamic states, a treasury was no longer a bank of funds, but an instrument of social justice, economic equilibrium and group growth.

Conclusion:

The economic model that was devised by the Prophet Muḥammad (PBUH) is one of the most comprehensive and ethically consistent models of human financial make-up. Based on revelation and yet based on the real-life experience, the Prophetic economic model combined ethical and legal frameworks, that is, it embraced justice, equity, and accountability of all the transactions. The ban on *ribā* and unjust trade, establishment of the institution of *Zakāt*, *Bayt al-Māl*, and protection of labor rights formed the framework of an inclusive economy based upon Islamic principles.

This analysis shows that the reforms offered by Prophet (PBUH) were not fast reactions or tribal, but visionary and universal, they were made to make sure that wealth would not turn into the instrument of repression, but into the instrument of communal elevation. Focus on market transparency, honor of work, and organized state expenditure highlights a profound interest in social parity, and financial harmony. The fact that revenue consisted of many types, fair trade, and sound financial management showed that Islamic economics encapsulated everything and were very advanced.

³³ Ibn Khaldūn, *The Muqaddimah*, trans. Franz Rosenthal (Princeton: Princeton University Press, 2005), 434–436.

³⁴ Al-Māwardī, ‘Alī ibn al-Ḥusayn. *Al-Ahkām al-Sultāniyyah: The Laws of Islamic Governance*, trans. Asadullah Yate (London: Ta-Ha Publishers, 1996), 237–241.

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At a time when the world is faced with an economic reality characterized by inequality, indebtedness and moral bankruptcy, the Prophetic economic vision is a timeless alternative with a vision that is not only just efficient, but also compassionate yet structured. The Madīnah tradition is not just a historical trend, it is an active prototype and still guides people to think ethically in economic terms. To the scholar, the economist and the policymaker, this revisit of this framework is not some purely academic process, it is rather an induction to reconsider prosperity in terms of divine justice.

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