

Research Article

Economic Policies of Prophets; Better Teaching Forflawless Nation Building

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Abstract: A stable economy is integral to the survival and balance of a nation. Every citizen builds his life on it. If that gets messed up, everything else goes haywire. Innovative economic systems will help in the progress of the nation. Civilian life will be happy and peaceful. Such economies are the key to the nation's future journey. In most countries that claim economic progress is possible, poverty rates are rising. The financial policies of the holy prophet (pbuh) are an alternative model in a situation where the economic system, which is experiencing leakage and transformation, is sinking into a severe economic depression. The economic policy strategies of the prophet (pbuh) were to prioritize economic growth and welfare issues simultaneously. Madinah, which was not far from the coast, was characterized by a booming agricultural economy. Prophets were bringing this to a favorable state. Agriculture was further encouraged and agriculture was made a better occupation. Prophet Muhammad (pbuh) arrived in Madinah and set his sights on developing an Islamic economy that would make life better and happier for the Ansar and the muhajirs of Madinah. The economic revolution made possible by the prophet (pbuh) should be studied a lot for the economy that is facing serious economic challenges and instability. There have not been enough detailed studies about it. This academic paper intends to unveil a thorough study of the economic policies of the prophet (pbuh) as a remedy for economic crises.

Keywords: Agricultural Economy; Economic Recession; Innovative Financial System; Prophetic Economy In Madeena; Time Value Of Money.

1. Introduction

The life of prophet Muhammad (pbuh) is a constant source of guidance. His words, deeds, proclamations and interventions have acted as guiding lights throughout history. His remarkable intellect was evident across various disciplines, but his economic policies and strategies particularly marked him as an extraordinary economic strategist. He uplifted the cultural stagnant society of the 6th century and initiated economic progress. The Prophet prohibited many unjust trade practices. A thorough examination of his teachings reveals their profound wisdom. His timely actions and decisions had lasting positive impacts. By considering the geographical characteristics of Madinah, the Prophet established appropriate measures, offering the comprehensive guidelines for welfare and development. These frameworks continue to provide effective solutions for contemporary global economic crisis (Nurdiyanto dkk., 2025).

Holy Prophet Muhammed's (Pubh) Economic System In Madinah

Madinah is one of the oldest settled cities with a dispersed population. The oldest city transformed into a single urban society after the Prophet's Migration to Masjid Nabawi. Before the Hijrah, Madinah, a city surrounded by valleys and fields, was entirely polycentric with multiple centers and nuclei, rather than a decentralized form of system. Yathrib was the old name of Madinah. More than 90 names of Madinah have been cited among them Madinah Al Munawwarah was the most famous. Prophet Muhammad (pbuh) migrated from Makkah to Madinah in the 12th year of prophethood. On 12th September AD 622, the prophet and his companions left Makkah and arrived Madinah on Monday. The migration was a milestone in Madinah's history. Before the advent of Islam in Madinah, Qainuqa market, situated at

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southwest part of old Yasmin was occupied by Jews. At Baki-ez-zubayr, prophet Muhammed (pbuh) pitched a tent and converted into a market. Then he said "this is your market, no one will stop you and taxed upon you." It was a revolutionary announcement in the economic sector in Madinah.

Madinah was a eminent in agricultural sector. By describing farming as a good job, prophet encouraged agriculture. The Hadith quoted by Bukhari (RA) and Imam Muslim (RA) mentions when the prophet came to Madinah, the people of Madinah used to trade through 'Salam' system. It is the practice of selling of edible things for one year or two year in advance, taking money upfront. The prophet said if you sell something in advance you must agree on the exact weight, amount and delivery time before taking the money. Here Muhammad Musthafa (pubh) point out the ethical and legal aspects of trading. Long after the fall of Roman Empire, the peasants of Europe were still insecure about their leased land. In "The wealth of Nations" Adam Smith mentions even under the best law the peasants had no security for their land and property. Prophets shows best illustration in fair payment of laborer, even during wars we should try to protect trees and environment. This showcase the economic strategy of prophet. as a way to free prisoners of wars he proposed teaching Muslims how to read and write. Education is the best way to equip a society with comic literacy and background. In the past three decades various research shows echoic literacy adversely helps society in comic development. The prophet groundbreaking policies and strategies implemented in Madinah demonstrate his profound understanding of economic principle (Ngatamri et al., 2026).

Prophet's (Pubh) Profound Knowledge About Market Principles

Economy is the relationship between production, trade and the supply of money in a particular country or region. By researching on prophet, we can understand the holy prophet have established a robust economic framework that centered on production, trade and a stable money supply. He was cautious about both consumer and the market, a deep commitment for the mobility of market. He offers many valuable insight regarding various economic principles. In comic theory, consumer behavior is fundamental aspects by focusing individual consumption pattern. Within capital theory, consumer behavior has been traditionally understood through the lens of economic rationalism. Economic rationalism postulates that consumers make decision based on their logic with maximising satisfaction. Pareto's law of optimality asserts that economic equilibrium is achieved when individual consumption does not negatively impact consumption of others (Puspitasari & Ikhlasiah, 2026).

In a Hadith narrated by Imam Tirmidhi, the Prophet Muhammad (pbuh) said, if you give a person one thing, he will ask for a second and if you give him the second thing, he will ask for third one. And concluded with the best wealth of an individual is a contentful heart. By recognising the potential human greed to destabilise the economic sector, prophet advocates character development to promote societal welfare. His pedagogical approach sought to cultivate a sense of gratitude and economic security among individuals. Ownership rights are the corner stone in economic transactions. British economist Ronald Coase, a Nobel laureate mentions in his work "The problem of social cost" proper ownership helps for efficient economic outcomes. The property rights says restriction on ownership, such as anti resale clauses, territorial limitations or use restriction can hinder investment, innovations and leads to financial losses and collapses (Hutabarat dkk., 2026).

Hakeem bin Hisham ask Prophet Muhammed about what should I reply to someone who comes to me about trading a product without current ownership? The Prophet Muhammed said that you should not sell something that you don't have ownership. The Hadith is further explained in Islamic Jurisprudence, the seller must have full possession over the product at the time selling and without a full possession or ownership a product cannot be sold. Today such parties can be seen in real estate markets and Intrade trading. The concept of uncertainty in the branch of economics deals with product related ambiguity. Nobel laureates George Akerlof, Richard Thaler, Herbert SIMON AND NUMEROUS OTHER economist have contributed to this field of study. Uncertainty related to product, challenges decision making, often leading suboptimal outcomes such as consumer dissatisfaction and market inefficiency. In the Hadith quoted by Imam Muslim (ra), the prophet Muhammed says that three type of trade is forbidden, which are 'Musalamath', 'Munabadath' and 'Hasanath'. The Imam explains the first form of trade is when a person with a wrapped product and by just touching it completes the trade. The trade is not authenticated by Islamic jurisprudence due to lack of knowledge about the product (Thuhfathul Muhthaj).

Behavioural economics is the branch of psychology that investigates psychological aspects in individual's financial decisions. It deals with cognitive processes and emotional biases that shapes consumer behavioural patterns. Richard Thaler, who received the Sveriges Riksbank price in economics in 2017, had made significant contribution to behavioural economics, highlighting the tendency for humans exhibit self control lapse when making decision in consumption.

Research in this field suggests that consumers often engage in transaction without fully analysing the success rate and overestimate the potential benefits. The global financial crisis of 2008 is often attributed by such irrational decision making. In a Hadith quoted by Imam Bukhari (radio), the prophet Muhammed (pbuh) forbids all fraudulent transactions. Imam Nawawi (ra) says that there are certain conditions regarding borrowing and lending money one to another. Moreover, Islamic jurists teaches one should not lend money who cannot repay the money through obvious means. This principle aims to prevent financial hardship and maintain economic stability within the society.

The purchasing power of money is not constant over time. A given amount of money may not purchase the same amount of service or goods in the future. This phenomena is called time value of money. While the passage of time itself does not inherently vary the value of money, various elements such as production, consumption product availability, international market and government policies contribute to fluctuation in purchasing power. The prophet (pbuh) has addressed the time value of money in the 7th century in Madinah. In a Hadith, the Holy Prophet (pbuh) said "Gold for gold, silver for silver, rice for rice, dates for dates and salt for salt, the exchange must be done in the spot, in cash and equal quantities. However when exchanging different types of commodities, the exchange can be done on credit. Scholars of jurisprudence explained the Hadith, by stating that when the exchanging different commodities, the condition of equality is not necessary for an authentic transaction. The condition of exchanging at the same spot or place is an application of time value of money. This clear intervention of the prophet in market systems ensures justice for both consumer and trader and remains as a prime model for even today.

The pricing of commodity is determined by market demands and supply factors. Consumer income, living standards, social influences and product quality contributes in shaping demand of a product in market. Price fluctuations in market are a natural consequence of market dynamics, sometimes artificial manipulation of demand exceeds the pricing of product such as the activities of market bulls can lead to market stability and consumer capacity in consuming. The Harshad Mehta scam of 1992 in India serves as an example of the potential consequences of such practices. The Holy Prophet (pbuh) condemn the practice of 'Najsh', an artificial form of market manipulation in by inflating prices to deceive potential buyers. 'Najsh' means increasing the price of a commodity, which prepared for selling in order to deceive a third person without the desire of buying it. Imam Nawawi (ra) provides an explanation of 'Najsh' in his commentary of Sahih Muslim and Minhaj, by underscoring deceptive nature and its potential to mislead consumers. Here the third person mistakenly believes that the demand for the product has increased due to price fluctuation in the market. This type of fraud is similar to the artificial market manipulation in the stock market. By forbidding this form of trade the Holy Prophet (pbuh) prevented injustice and economic fraud in the market.

Scarcity in market is a fundamental economic challenge often intensified by human behaviour and interventions. Hoarding is a prime example which contribute to scarcity, which is a practice involving accumulation of goods during times of high demand. This practice can disproportionately impact low income and middle class consumer society. While hoarding can be practiced with various goods and services, it is particularly problematic for essential items with inelastic demand. The prophet (pbuh) said, hoarding is only done by sinners. Another Hadith stated that, if an individual hoards food for 40 days, he have cut off his relation with Allah. It is reported that prophet warned that hoarding would lead to leprosy and property. Imam Nawawi (ra) states that prophet prohibits hoarding to relieve the commons from suffering. The Prophet (pbuh) brought all necessary changes into the market system to improve the economic background of all class of society and stability. A comparison with contemporary economic principle and practices clearly demonstrates the justice and fairness in economic system in Madinah.

Welfare Economic System Of Holy Prophet (Pbuh)

In contemporary economic discourse, Welfare economics has gained prominence which emphasise on the importance of ensuring that economic transactions contribute to social well-being rather than individual's benefits and gains. George Akerlof observe that when an

economic system deviate from their core purpose which is the welfare of the society, market could end up in collapse. The term 'Externalities' in economics refers to this phenomenon, which is the unintended consequences of economic activities that affect society. Based on the consequences externalities divide into two, negative and positive. Negative externalities impose costs on society while positive externalities provide benefits. The prophet (pbuh) illustrated a keen understanding of externalities, particularly negative one, by prohibiting the sales of product that could incite violent behaviour or erode human intelligence. The prohibition of alcohol, as a substance with well documented negative externalities in a Hadith stated by Ibn Abbas (ra) prophet prohibits the selling of alcohol and usage of it also. A well functioning society needs a holistic approach for development and growth by ensuring all aspects of human life.

Consumer satisfaction is the most significant factor for sustainable economic development and also favours in increase in demand for supply in market, productivity and consumption. Richard L Oliver, a marketing Professor at the University of Texas, introduced the 'expectation disconfirmation theory' in a paper published in 1977. In this paper, he states that consumer satisfaction is measured by difference between the consumer's satisfaction level before using a product and after using in. The prophet have given importance to consumer satisfaction. Imam Bukhari quotes in Sahih Bukhari, a Hadith narrated by Zaid Bin Sabith (ra). The Prophet ordered not to sell fruits before they are ripe. In here prophet considered consumer satisfaction. He demonstrated a keen understanding of consumer psychology by strategically withholding information that could potentially diminish satisfaction at the time of purchase.

Economics help us to comprehend that human resources should be considered as valuable asset for economic boost and sustainable society. The holy Prophet said, the best food a person eats is obtained through his hard work. (Abu Dawood, Tirmidhi) the answer given by Prophet Muhammed (pbuh) to the questions which is the best occupation was manual labour and authentic trade. In a narration recorded by Ibn Majak (ra), a man from Ansar sought help from the Prophet (pbuh). The Prophet instructed him to bring any sale be item from his home. The man bought the item and they were sold in the gathering for two dirhams, prophet gave the money to the man and told him to buy food with one dirham and a chisel with the other the man did as told. The prophet attached a piece of wood etc the chisel and told him to sell firewood for 15 days and not to meet him. After 15v days the man retired to Prophet and earned 10 dirhams. Prophet said, what you have done is better than having a black mark on your face on judgement day for begging. Here we can see how prophet interact with. A man who had fallen into the pits of poverty. This is how prophet utilised human potential and managed human resource. Here prophet showcase the adequate management of human resources and finances.

Asymmetric information a prevalent cause of market failure, has been extensively studied in economics. It occur when a group of people in a transaction possess more information than the other. For instance, when seller have more information about a product than buyer, this imbalance can lead to market inefficiencies. The Prophet Muhammed (pbuh) warned against such deceptive practices. In a well know Hadit , Prophet Muhammad (pbuh) encounters a grain seller and inserted his hand into piles. He discovers damp grains and questioned about it. He replied it was moistened by rain. The Prophet rebuked the seller for concealing the dampness and told him about the importance of honesty in commerce. The shafi'i Madhhab also highlights the need of symmetric information in commerce. (Thuhfathul Muhthaj) Holy Prophet did not allowed any kind of cheating or fraud in business. His emphasis on welfare based economic system underlines his commitment and social justice by protecting the interests of all class of society regarding all transactions.

American professor Charles T. Clotfelter described lotteries as "a sales of hope". Lottery system makes the people more inactive who do not produce any kind production or labor in the society by failing in the management of human resources and production. In a Hadith narrated by Imam Baihaqi, the Prophet Muhammad (pbuh) says Allah have condemned gambling and usury. In another Hadith he says if anyone invites you to gamble, engage in charity instead (Sahih Bukari, Sahih Muslim). Islam promotes the distribution of wealth from rich to poor through zakat and sadaqah. Zakat is obligatory while sadaqah is strongly encouraged by prophet.

producer\Farmers often sell their goods to middlemen without knowing the actual market price. This allows middleman to profit by selling at higher prices. To address this issue in 2003, Agricultural produce market committee was established. However, Professor Neelakanth Mishra, in his book "what economy needs now"- edited by Nobel laureate Abhijit

Banerjee, says that these APMCs have become monopolies and agricultural sector is facing heavy various challenges.

In the Hadith narrated by Abu Huraira (ra) prophet forbids ‘Thalaqi ruqban’ a trading practice which involves merchants purchase goods from producers or farmers before they reach market or before the market price is known. According to Shafi’i school of thought, this trade is prohibited and grants a right to the producer, that he can withdraw from the trade if found about cheating or any fraudulent in the trade. The Hanafi school goes further, granting producers an unconditional right to cancel the commerce. (Thuhfathul Muhthaj). This highlights Prophet gives importance in protecting the rights of producers. In another Hadith quoted by both Imam Bukhari (ra) and Imam Muslim (ra), the Holy Prophet (pbuh) says that villagers should not sell to city dwellers. By commenting on this Imam Nawawi says this prohibition aimed to prevent city dwellers from taking advantage of rural people by offering them low prices initially and selling the same good at higher price once they reached the market. The Prophet believed it would destroy the economic stability in the villages. These teachings of Prophet in economic principles and theories shows his commitment and billing a sustainable society. The introduce by prophet Muhammed Musthafa (pbuh) were inclusive and people-centred, emphasising the importance of sustainable development.

2. Conclusions

Even after the countless revolutions, global movements and significant advancement, economic instability of contemporary post modern era continues to rise globally. Poverty rates and hunger are still on the increases, while unemployment creating widespread insecurity and nuisance in the society. It is in this context that the economic teachings of prophet Muhammed become particularly relevant. Prophetic policies offers a vivid blend of development and welfare, promoting a sustainable and prosperous society. Madinah’s model Prophetic economic system is characterised by stability and equilibrium. rooted in spirituality, these teachings foster social cohesion and upliftment. A deeper analysis commerce and transaction prohibited by Prophet disclose the potential disastrous consequence of such practices. The Prophet’s economic wisdom was evident in his ability to anticipate future challenges and crisis, and to implement preventive strategies.

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