



Strategies to Control Inflation in the Islamic Economy

Dr. Hafiz Muhammad Saleem¹, Muhammad Hammad Ul Mustafa², Dr. Wajid Mehmood³, Dr. Waleed Khan⁴, Talib Ali Awan⁵, Muhammad Akram⁶. ¹Assistant Prof, Dept of Islamic Studies, Mohio ud din Islamic University, Nerian Sharif, AJK, ²Phd Research Scholar, Dept of Islamic Studies, Mohio ud din Islamic University, Nerian Sharif, AJK, ³School Education Dept, Punjab, ⁴Assistant Professor, Islamic Studies, University of Sialkot, ^{5,6}PhD Scholar, University of Gujrat Pakistan. Corresponding Author: hammad.mustafa89@gmail.com^{*2}

This study highlights the strategies for controlling inflation in the Islamic economy. Inflation is the state of the economy when a large amount of money is pursuing a very small amount of goods. Inflation in an economy is mainly caused by disequilibriums and imbalances of economic factors. The structure of the Islamic economy has been structured in such a way that the opportunities for inflation to rise have become more and more limited. There are automated factors within the economy that keep inflationary trends at bay. They can be called auto-stabilizers. Conventional economic policies are no longer able to solve this problem. The Problem statement of this study is that at present the Pakistani economy is facing the problem of inflation, so what guidance the Islamic economic system has provided to solve this problem? The purpose of this study is to describe the strategies that Islam has put in place to address the problem of inflation. Qualitative method is used in this research to collect, compare and interpret information. Implementing the true teaching of Islam there should be smooth flow for factor of production. There is no disturbance in demand and supply, unless any disaster takes place. It may prevail for short period only if everyone has true spirit to follow the teachings of Quran and Sunnah.

Keywords: *Inflation, strategies, Islamic Economics, disaster, prevail*



Introduction:

The religion of Islam has the distinguishing feature that it provides perfect guidance for every individual of humanity in every age and in every matter of life. Islam has provided a complete system for the economic aspect of human life which is the guarantor of the solution of economic problems of every age.

In the current era, the Pakistani economy is facing the most serious economic problems, especially at the global level of which, inflation is the most serious one. It has a devastating effect on the whole of economy, law and order and the country's economic development. Therefore I have chosen this topic for my research, so that through this research the problem may be studied and analysed, and solution to this problem may be found in the light of the instructions of the Holy Quran and the Holy Prophet (peace and blessings of Allah be upon him) and the Sira al-Taiba.

May Allah Almighty guide and help me in this endeavor and grant me the ability to serve my nation in this regard.

Strategies to control the economic activities of wealth consumption:

In economic terms, consumption of wealth means spending one's resources to have goods and services that directly satisfy one's needs. For example food, clothing, shelter, treatment, education, entertainment etc.

1-Spending on halal and good items:

The provisions that Allah, the Exalted, has created in this universe, which are lawful and good, should be enjoyed and used to the fullest to satisfy human needs. Abandoning them is by no means desirable. Allah says (interpretation of the meaning).

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا.¹

O mankind! Eat of that which is lawful and good on the earth.

In the light of this verse, only halal and good things ought to be purchased in the Muslim society. As a result, there will be stability in the demand for these things. Traders and manufacturers will increase the supply of these items, which will have a positive effect on price stability.

2- Prohibition of extravagance and waste:

Islam recognizes the right of man to dispose of wealth earned through halal means and allows him to use it only to meet his real needs or to give it to other members of society as aid or donation. But in spending wealth, Islam imposes the necessary restrictions to protect the

collective interest of society. It means that the absolute right of man even to halal food has not been recognized. It is forbidden to spend money on things that destroy one's character and morals, such as alcohol and other drugs. Moreover all forms of extravagance are strictly prohibited.

وَكُلُوا وَاشْرَبُوا وَلَا تُسْرِفُوا إِنَّهُ لَا يُحِبُّ الْمُسْرِفِينَ²

Eat and drink but waste not by extravagance, certainly He (Allah) those who waste by extravagance.

وَلَا تُبَدِّرْ تَبَدِيرًا - إِنَّ الْمُبَدِّرِينَ كَانُوا إِخْوَانَ الشَّيَاطِينِ³

Do not spend extravagantly, surely those who spend extravagantly are brothers of the devils.

In the light of these warnings, in a Muslim society, only halal and good things are considered worthwhile to be purchased, and the money saved from haram or unnecessary spending is used for business and investment. This type of conduct results in price stability.

Thus, in the Islamic economic system, consumption of wealth has been restricted and its benefits have been ensured and thus society has been protected from its vices.

3- Ruling on moderation in expenditure:

In the Islamic economy, moderation is commanded only in the field of expenditure: The Quran says:

وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا⁴

And those who, when they spend, are neither extravagant nor niggardly, but hold a medium way between those extremes.

When a person while spending money on halal and good things, adopts a wasteful or stingy attitude, it leads to increase or decrease in aggregate demand and instability in prices. Therefore Islam commands moderation to avoid both extremes so that the aggregate demand stays stable and prices remain stable and inflation does not rise.

4. Expenses on neighbours and relatives:

In the Islamic economy, regarding spending of wealth the Holy Quran states:

يَسْأَلُونَكَ مَاذَا يُنْفِقُونَ قُلْ مَا أَنْفَقْتُمْ مِنْ خَيْرٍ فَلِلَّوَالِدَيْنِ وَالْأَقْرَبِينَ وَالْيَتَامَى وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ⁵

People ask you what they should spend. Say: Whatever you spend out of your wealth, must be for parents and the relatives and orphans and the needy and the wayfarers.

This blessed verse shows that spending money on neighbours and relatives also promotes economic activities and the process of circulating wealth continues. This creates a purchasing power of the permanent needy which leads to immediate outflow of manufactured goods. Thus, there is no stockpile of unsold goods in the economy. The process of investing and generating new income continues, so the economy continues to grow along healthy lines.

Strategies to control the economic activities of the wealthy

The creation of wealth means to make resources of the universe created by Allah, the Lord of Glory, more useful through intellect and physical exertion and to increase their essence of usefulness. For this purpose, man does not work with his hands, but with the help of tools and instruments and native ability, and ability to create and adopt new methods (technology) has been instilled in the nature of man by Allah Almighty. As a result of this mental and physical effort, goods and services come into existence. Almighty Allah says:

وَابْتَغُوا مِنْ فَضْلِ اللَّهِ وَاذْكُرُوا اللَّهَ كَثِيرًا لَعَلَّكُمْ تُفْلِحُونَ⁶

And seek the bounty of Allah, and remember Allah much, that you may prosper.

For this purpose, it is necessary for individuals to maintain their productive activities in moderation. They should not produce indiscriminately in the lure of higher profits, nor should they give up the process of creation. This is how Islam guides the producers.

1- Avoiding haram and suspicious sources:

Islam has ordered its followers to use the means of production in such a way as to produce halal and healthy products, such as crops, that are grown on fertile lands but as poppy cultivation yields opium, it must not be grown fertile lands. Growing poppy will reduce the availability of fertile land for essential commodities and reduction in the production of the essential commodities will result in the increase in prices. Thus use of opium is unlawful in Islam.

2- Prohibition of monopoly:

The following verses are noteworthy for the prohibition of monopoly and the obligation of almsgiving.

والذين يكنزون الذهب والفضة ولا ينفقونها في سبيل الله فيبشرهم بعذاب اليم⁷

And as for those who hoard up gold and silver and do not spend it in the way of Allah, announce to there a painful torment.

كى لا يكون دولة بين الاغنياء منكم⁸



Don't let wealth continue to circulate among your wealthy person.

واقموا الصلوة واتوا الزكوة.⁹

And keep up prayer and pay the poor-rate.

The hadith also forbids monopoly:

عن عمر رضى الله عنه عن النبي صلى الله عليه وآله وسلم قال الجالب مرزوق والمحتكر ملعون.¹⁰

It is narrated on the authority of Umar R.A that the Prophet (peace and blessings of Allah be upon him) said: The merchant is given sustenance and the hoarder is cursed.

The wisdom in these verses behind the prohibition of monopoly and giving zakat is that wealth is not for accumulation but for distribution so that its benefits can be maximized.

If the people stop hoarding and the artificial shortage of goods is eliminated, there will be a balance between supply and demand, and as a result there will be no inflation.

3- Prohibition of loss and loss of business:

The Holy Qur'an states:

لا تظلمون ولا تظلمون.¹¹

Do not deal unjustly and you shall not be dealt with unjustly.

No method should be adopted in the production process which is intended to harm the other party. It is said by Hazrat Muhammad peace be upon him:

لا ضرر ولا ضرار.¹²

Neither harm (anyone) nor be harmed (by anyone).

Damage refers to those ways of doing business that directly or indirectly damage the lives, property and reputation of others. It also includes methods that cause dirt, grime and pollution. Blending, hoarding, deliberate destruction of grain and artificially increasing prices are also included in the "harm". Fraud, deception and all matters that cause controversy are included in "ghorar".

Avoiding these pitfalls results in price stability.

4. Prohibition of exploitation of consumers:

All forms of consumer exploitation should be avoided. Every effort should be made to provide for their needs and facilities should be created for them in this regard. The Holy Quran says:

النَّاسِ يَسْتَوْفُونَ - وَإِذَا كَالُوهُمْ أَوْ وُزَنُوا لَهُمْ يُحْسِرُونَ¹³ - وَيُلِّمُ لِلْمُطَفِّفِينَ - الَّذِينَ إِذَا اكْتَالُوا عَلَى

Woe to those who lose (in the scales) - those who, when they take the measure, take full measure from (other) people, and when they measure, for them, or when they weigh, they give less. In this regard, it is important to clarify that in principle, Islam has not laid down any fixed rules for determining profits, however, by encouraging the struggle for profit in accordance with the spirit of justice and benevolence, as well as prohibiting the tactics of deception and the exploitation of customers, has turned the rate of return towards a reasonable standard by controlling unscrupulous businessmen. In the presence of these limitations, employers' demand and supply responses will establish a reasonable rate of profit in the market and business.

5. Ending Monopolies:

Monopolies, be they employers or consumers, run counter to the spirit of cooperation. Therefore, they should be prevented at any cost. Sometimes a single business has a monopoly in the market. This may be result from natural factors or artificial factors. Artificially established monopolies. Or improperly established monopolies are in themselves wrong. However, even in the case of natural monopolies, it is forbidden to make a profit by making goods expensive and exploit others due to monopolistic power, to keep the quality of goods low or to deliberately keep the supply of goods less than the quantity demanded. As this policy is detrimental to both individuals and society.

“In the time of Hazrat Umar (RA) a man started raising horses in Madinah. He forbade him, later on requesting a review against the decision, he ordered that fodder for horses. Call from outside Madinah so that fodder becomes more expensive in Madinah. So he arranged for fodder from Yemen”¹⁴.

The purpose of this principle was to prevent an individual from being harmed by harming society.

Strategies for controlling the economic activities of the exchange of wealth

Exchange of wealth refers to the exchange of goods and services produced by different people of the society. This exchange can also take place through money and also through exchange of goods. In economics, economists place the greatest importance on wealth, but wealth is only possible until the process of creation of wealth is completed and then each person exchanges with other goods and services he has created. If it is not done according to the needs, then the

exchange of wealth is, in fact, connected only with wealth and proves helpful in the matter of wealth.

1-Mutual exchange:

Allah says (interpretation of the meaning):

لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا.¹⁵

And do not consume one another's wealth in vain, except trade by mutual consent.

Regulating the activities of the exchange of wealth is essential for the management of an economy and the overall interest of people. Every form of harm and oppression must be prohibited in transactions so that prices can be stabilized and inflation can be avoided.

2- Good manners and kindness:

In the business dealings, one should be cheerful, gentle and forgiving, and should adopt a benevolent attitude.

The Prophet (peace and blessings of Allah be upon him) said:

رَحِمَ اللَّهُ رَجُلًا سَمَحًا إِذَا بَاعَ وَإِذَا اشْتَرَى وَإِذَا اقْتَضَى.¹⁶

May God have mercy on the person who, when he sells or buys or asks for a loan, treats others with kindness and forgiveness.

This attitude increases mutual love and empathy and does not lead to overcharging or underestimating the buyer and only a fair price is charged.

3-Measurement accuracy:

Merchants must use accurate and standard scales for transactions and must not reduce the scales in any way.

وَرَزَوْهُمْ يُخْسِرُونَ-¹⁷ وَإِذَا كَالُواهُمْ أَوْ وُئِلَ لِلْمُطَفِّفِينَ * الَّذِينَ إِذَا اكْتَالُوا عَلَى النَّاسِ يَسْتَوْفُونَ *

Woe to those who lose (in the scales), those who, when they measure by measure, take full measure from (other) people, and when they measure, for them, or when they weigh, they give less. -

One form of inflation is to sell goods at the prevailing price but to lose weight. This increase in weights and measures is strictly prohibited. Because it opens the door to exploitation and oppression of others in society and promotes selfishness.



4-Prohibition of adulteration:

In any case, there should be no unlawful interference in buying and selling, at any cost, Falsehood and deception must be avoided. One form of it is selling adulterated items.

It is haram to mix anything inferior in them and to make a profit by deceiving buyers.

According to the instructions of the Prophet (peace and blessings of Allah be upon him), all the blessings of trade are reserved for the sale of “mabroor”, that is, the true trade of goodness and virtue.

Adulterated is forbidden as the Prophet (peace and blessings of Allah be upon him) is reported to have said:

مَنْ عَشَّ فَلَيْسَ مِنَّا.¹⁸

He who deceives (adulterates) is not one of us.

Strategies for controlling the distribution of wealth and economic activities

In the Islamic economic system, the basic and most important principle of the distribution of wealth, ie the payment of birth compensation, is that the payment of compensation should be fair. And no birth right should be deprived of the right to pay compensation.

Since the distribution of wealth refers to the factors that contribute to the creation of national income, it is to compensate for their services. The more equitable the process of compensation, the greater the motivation to work on these factors, and the better the economic sector will be, free from internal strife.

1- Justice and fairness:

Allah says (interpretation of the meaning):

اعْدِلُوا هُوَ أَقْرَبُ لِلتَّقْوَى-¹⁹

Do justice, it is closer than piety.

That is to say, if the birth control workers are treated fairly in the payment of compensation, the cost of manufacturing the items will also be within the fair range and the price will also remain within the reasonable range as their cost will be reduced.

2-Circulation wealth measures:

In the Holy Qur'an, Allah says:

Don't let wealth continue to circulate among your rich.

As the circulation of wealth increases, it is used for productive purposes and increases domestic production, thus increasing supply over demand and stabilizing prices.

3-Inheritance system:

Islam has taken another measure to spread the wealth that has been accumulated in one place in spite of paying alms and zakat in the way of God for spending on one's own needs. This is the law of inheritance, this law. The intention is that the person who dies leaving a fortune, whether it is more or less, should be dismembered and spread among close and distant relatives under a rule. And if a person does not have an heir or is not found, then instead of being given the right to make a mutnabi, his property has been declared as national property by depositing it in the treasury so that the whole nation can benefit from it.

لِلرِّجَالِ نَصِيبٌ مِّمَّا تَرَكَ الْوَالِدَانِ وَالْأَقْرَبُونَ وَلِلنِّسَاءِ نَصِيبٌ مِّمَّا تَرَكَ الْوَالِدَانِ وَالْأَقْرَبُونَ مِمَّا قَلَّ مِنْهُ أَوْ كَثُرَ نَصِيبًا مَّفْرُوضًا.²⁰

Men have a share in the wealth left by their mothers, fathers and relatives, and women have a share in the wealth left by their parents and relatives.

عَنْ ابْنِ عَبَّاسٍ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ أَقْسِمُوا أَلْمَالَ بَيْنَ أَهْلِ الْفَرَايِضِ عَلَى كِتَابِ اللَّهِ.²¹

Hazrat Abdullah bin Abbas (may Allah be pleased with him) narrated that the Holy Prophet (peace and blessings of Allah be upon him) said: Divide your wealth among those whose right has been determined according to the Book of Allah (Qur'an).

It is a system in which the goods of wealth are in circulation at all times and both supply and demand increase. Price levels remain stable and inflation conditions do not arise.

4- Prohibition on haram sources of income:

Interest and other illicit sources of income should be eradicated which restrict the circulation of wealth and lead to its concentration in the hands of a few.

يَمْحَقُ اللَّهُ الرِّبَا وَيُزْبِئُ الصَّدَقَاتِ.²²

Allah Almighty eliminates usury and promotes charity.

Islam has emphasized the circulation and distribution of wealth by banning illicit sources of income so that there is a reasonable increase in supply and demand and prices do not fluctuate. And Islam uproots all forms of economic exploitation and economic measures. At the same time,



by improving the morals and character of individuals, the distribution of wealth removes every obstacle that stands in the way of making the system fair.

5- Ruling on paying Zakat:

Allah says (interpretation of the meaning):

واقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ.²³

And keep up prayer and pay the poor-rate.

By ordering the payment of Zakat, the rich have been encouraged to invest the rest of their wealth in business activities, which has the effect of increasing supply and production and stabilizing prices.

Research Summary

Inflation in an economy is mainly caused by the imbalances and disequilibrium of economic factors. Although the Islamic economy is basically a free economy, its freedom is limited by the limits of Sharia. Therefore, the economic factors within it cannot be unrestrained like the capitalist system. Consumers, producers, businesses and operators of birth are not bound by any state coercion or direction in their actions, but all must abide by the limits and conditions set by Shariah within their sphere of influence.

Islamic economy is a part of Islamic way of life. Therefore, individuals engaged in economic struggles are characterized by the basic tenets and values of the Islamic way of life, such as piety, justice, benevolence, self-sacrifice and a sense of responsibility for the Hereafter. The first motive of their activities is not the pursuit of personal gain but the welfare of the hereafter. Therefore, their actions in the individual and collective spheres remain on the path of balance and moderation.

Also, obedience to the government and the state is a part of their faith. Therefore, the implementation of government policies adopted for the betterment of the situation is effectively implemented. These two aspects of the Islamic economic system, including inflation, are key to protecting society from the evils of inequality.

The structure of the Islamic economy is set in such a way that opportunities for inflation to rise are limited. There are automated factors within the economy that keep inflationary trends at bay. They can be called automatic stabilizers. These automated factors affect the following areas.

1. Only the department of wealth
2. The department of birth wealth
3. Department of Exchange of Wealth
4. Department of Distribution of Wealth



Result:

In the concept of life presented by Islam, the present life is a part of a great tomorrow, the well-being of which depends on the success of the life to come. If this life is lived under Islamic principles and rules, reforms are made and economic problems do not arise.

The method that Islam has proposed to control inflation is to control the economic activities of human beings which are based on the creation of wealth, exchange of wealth and distribution of wealth through Islamic teachings. - In particular, a number of measures have been taken to moderate wealth, which can lead to other problems, including inflation. These measures are linked to the social system and the political system, and moral values are linked to the economic system in such a way that a Muslim seeks the pleasure of God Almighty in his economic activities and the love of the Holy Prophet (PBUH) and Obedience makes him a beacon of good for the whole society and he enjoys bringing ease and comfort to others and seeks to alleviate their difficulties.

¹ Al-Baqarah:168

² Al-A 'raf: 31

³ Al- Isra: 26, 27

⁴ Al- Furqan: 67

⁵ Al-Baqarah: 215

⁶ Al-Jumu'ah: 10

⁷ At-Taubah:34

⁸ Al-Hashr:7

⁹ Al-Baqarah:43

¹⁰ Ibn Majah, Hafiz Abu Abdullah Muhammad bin Yazid, Sunan Ibn Majah, Muhtabai Press Delhi, Chp on Al-Hikr and Jalb, p. 156

¹¹ Al-Baqarah:279

¹² Ibn Majah, Hafiz Abu Abdullah Muhammad bin Yazid, Sunan Ibn Majah, Muhtabai Press Delhi, Kitab al-Ahkam, chp on building in his right what harms his neighbour, p.169

¹³ Al-Mutaffifin:1,2,3

¹⁴ Al-Tabari, Muhammad Ibn Jarir, History of Tabari, Nafis Academy Karachi, 1982

¹⁵ An-Nisa:29

¹⁶ Al-Bukhari, Abu Abdullah Muhammad Bin Ismail, Al-Jami Al-Sahih, Ancient Library Karachi,vol.1,Hadith.1996

¹⁷ Al-Mutaffifin:1,2,3

¹⁸ Al-Tirmidhi, Abu Isa Muhammad ibn Isa, Jami 'al-Sunan, Dar al-Fikr Beirut,vol.1,Hadith.1337

¹⁹ Al-Ma'idah:8

²⁰ An-Nisa:7

²¹ Al-Muslim, Al-Sahih, Vol. 2, Hadith: 1650

²² Al-Baqarah:276

²³ Al-Baqarah:43