

Laying the Foundation of the Economic System during the Time of the Prophet Saw in Medina

Dzulfikri Hidayat¹, Kholid Mawardi²

Corresponding author. Email: dfikri46@gmail.com

^{1,2}UIN Prof. K.H. Saifuddin Zuhri Purwokerto, Indonesia

Abstract

In the early days of the Prophet Muhammad's proselytizing, he did not directly deal with economic problems because he had to focus on spreading Islam. The Prophet's economic activities were only carried out while in Medina by managing the government while managing the economy. Supported by the command of Allah Almighty. In the Qur'an surah Al Baqarah verse 275, where it is explained that we as Muslims are encouraged to trade and are prohibited from staying away from usury. Based on this, it can be said that Islam is also very concerned about economic activities. It will be Allah Almighty. Educating his servants through the intermediary of the Prophet Muhammad SAW, one of which was by setting an example in the form of economic system activity at that time. This research is a qualitative research using the literature study method. Based on the data that has been collected, several things were found that became the basis of the economic system at the time of the Prophet.

Keywords: laying the foundation, the economic system, the time of the prophet.

1. Introduction

Economics is a human activity that intersects with all processes and ways of obtaining and utilizing production, distribution, and use (Anafarhanah 2015). The economy is also one of the things that support people's lives. Not infrequently the economy is also used as a parameter of the level of progress of a country or a civilization.

In the early days of the Prophet Muhammad preaching, he did not directly deal with economic problems because he had to focus on the spread of Islam. The Prophet's economic activities were only carried out while in Medina by managing the government as well as managing the economy of the people of Medina (Zulaekah 2014).

Supported by the command of Allah SWT. in Al-Qur'an letter Al Baqarah verse 275, where it is explained that we as Muslims are encouraged to trade and are forbidden to stay away from usury. Based on this, it can be said that Islam is also very concerned about economic activities. It will be Allah SWT. teach his servants through the intermediary of the Prophet Muhammad SAW, one of which is by setting an example in the form of economic system activities at that time.

2. Research Methods

This research is a qualitative research, with library research methods. The data that has been collected is obtained using the documentation method. The data is obtained from relevant sources such as book articles, notes and journals, which are related to the topic to be discussed. The data analysis technique used is *content analysis*. Reading literacy repeatedly and checking between literatures in order to get the right research results. This is done because the author is aware that he still has limitations and has not been able to examine in depth, complete and perfect. This research is presented in a simple form to make it easier for readers to understand the contents of the Basic Laying of the Economic System at the time of the Prophet in Medina.

3. Results and Discussion

3.1 Economic System

The Islamic economic system is an economic science that is carried out in daily practice for individuals, families, community groups, and the government which aims to regulate the factors of production, distribution, and utilization of goods or services obtained in accordance with Islamic rules (Kusuma 2018). It provides equal opportunities between rights for all, namely, property rights and business freedoms, and at the same time, maintains a balanced distribution of wealth; but in order to maintain stability in the economic system, private property rights and economic freedoms are not restricted as under capitalism, but are given legal and moral restrictions (Anafarhanah 2015).

In fact, the economic system does not address property development, only property development. Islam also never mentions the development of property, even gives cases of property development to individuals to be developed in uslub and what factors of production they consider appropriate to be used (Berlianto 2019). The Islamic economic system is based on 3 main foundations, namely monotheism, sharia and morality. Tawhid is the main foundation for carrying out sharia and morals. Sharia guides economic activities to stay within the corridor of Islam. Morals guide economic activities so that they always prioritize morality and ethics. So these 3 points are a mutually reinforcing unit.

3.2 Classical Islamic Economic Concept

Siddiqi divides the history of Islamic economic thought into three periods: the fundamental stages of Islamic economics, the stages of progress and the stages of stagnation (Subaidi 2014). The first stage, from the beginning to the 5th century Hijri or the 11th century AD, is referred to as the basic stage of Islamic economics, where fiqh, Sufis, and philosophers pioneered this. This stage is also considered very important because it was used as the initial foundation before Islam became a considerable economic force at that time.

After some progress in economic activity, scholars of the 2nd century Hijri began to decide on some rules for the further development of an Islamic economic system in a country or government. This is attempted because it is to maintain the consistency of Islamic economic progress so that it does not falter and remains strong when it comes into contact with other systems or highly volatile economic turmoil. The third stage, which started from 1446 AD to 1932 AD, was the stage of closing the gate of *ijtihad (independent judgment)*, also known as the stage of stagnation. The people at that time were deadlocked in exploring to develop the economy. Because there is no longer *ijtihad* which results in barren ideas for economic progress.

3.3 Embedding the Fundamentals of the Economic System

Human life cannot be separated from what is involved in the system, and the economy is no exception. Askari said, *Paradigms have become relevant because paradigms in economics do have conceptions of*

humans and society, and their interrelationships (Askari, Iqbal, and Mirakhor 2014). A paradigm that is compatible with real life, in the human economy cannot be separated from society and reciprocity. It describes a system that runs in a life. With regard to the economic system, the Prophet SAW also made arrangements during his early tenure as head of state. During his stay in Medina, he had given some basic principles of economic management, even though the economic situation at that time was still very simple.

Indeed, the task of human caliphate is to realize and strive for prosperity and prosperity in life (Berlianto 2019). As for the ideas about Islamic economics that have been imitated by scholars from the west, namely, about the *invisible hands discourse* where this theory originates from the Prophet SAW who is quite famous for scholars. Anas RA said, regarding the soaring prices in the market of the city of Medina. As the hadith states, "Prices soared at the time of the Prophet Muhammad. The people at that time gave advice to the Prophet by saying: "O Messenger of Allah, let you determine the price". Rasulullah SAW. said: "Indeed, it is Allah who determines the price, who holds back and expands and provides sustenance. I sincerely hope that one day I will meet Allah in a state where none of you will sue me about injustice in blood or property (Berlianto 2019).

This shows that price regulation is left to the impersonality of the market mechanism, and should not be monopolized by certain parties because it will disrupt economic stability. As in other Arab societies, most of the inhabitants of Medina lived as traders, then the rest were farming, livestock, and gardening. So that the market sector is very prominent, to maintain market stability the Prophet SAW always controls (*market controlling*).

In addition to the Prophet Muhammad regulating the conditions and stability of the market, he also laid the foundations of social life, or what we are familiar with the term *Medina Muslims Center* (MMC). Namely:

- a. Build a mosque as an Islamic Center.
- b. Establishing Islamic brotherhood between the Muhajirin and the Ansar.
- c. Maintaining peace in the country.
- d. Issue rights and obligations for its citizens.
- e. Make a state constitution.
- f. Develop the Medina defense system.
- g. Laying the foundations of state finances.

The laying of the foundations of life is solely a form of the Prophet's efforts to maintain the emotional atmosphere of the community as economic actors. After resolving political and constitutional issues, the Prophet SAW made changes to the economic and financial sector system according to the rules contained in the Qur'an. The principles of these economic policies are:

- a. Allah SWT is the holder of the greatest power as well as the holder of control over the entire universe.
- b. Humans are just caliphs sent by Allah SWT to this earth, and are not the real owners.
- c. Everything that is owned and obtained by humans is by the power and permission of Allah SWT. Therefore, people who are less fortunate are entitled to some of the wealth of others who are more fortunate.
- d. Wealth must be revolving and should not be hoarded.
- e. Economic exploitation in all its forms, including usury, must be eliminated.
- f. Implementing the legacy system as a medium of wealth redistribution.
- g. Establish obligations for all individuals, including the poor.

Furthermore, if viewed demographically, the population of the country at that time consisted of two tribes, namely muhajirin and ansor. The Muhajirin are immigrants and the Ansar are indigenous people who in fact have quite a lot of wealth than the Ansar. The Prophet (PBUH) ordered the Ansar to share a small portion of their wealth with the Muhajirin. This is done to maintain economic stability and avoid high social inequality.

The Prophet also tried to maintain security which always threatens the country and will affect the economic condition. The Prophet SAW made the mosque not only a place for worship but also as a center of government activities at that time .

3.14 Implementation of Fiscal Policy

Fiscal policy can be understood as the government's decision to change the tax or spending system (called government spending in macro concepts). The purpose of the tax system in economics is to realize welfare as the main benefit in individual life, in particular to achieve the goals of efficient resource allocation, economic stability, growth, distribution of income and assets.

The Prophet's efforts in developing the economy were indeed considered quite heavy, because at that time the state did not have enough income. The state has almost no promising sources of income except the spoils of war (*ghanimah*). Quoted from Mudhiiah as said by Karim, during his leadership era, Medina experienced rapid development and when it even reached a decade it became a big country when compared to other Arab countries (Zulaekah 2014).

The steps taken in determining fiscal policy are:

a. Enabling the Baitul Maal

Rasulullah was the first head of state who, in the 7th century, proposed a new concept of state finances, in which all state revenues must first be collected and then spent according to the needs of the state. This concept will be very helpful in the process of collecting wealth and will be very easy to minimize corruption. Baitul Maal was founded by the Prophet Muhammad SAW as a fundraising center or a flashlight for collecting Islamic State assets to be used for exclusive spending, because Khums, zakat, kharaj and jizyah are the main sources of income for the Islamic government (Berlianto 2019). In subsequent developments, this institution played an active role in the administrative and financial sectors in the early days of Islam, especially under the leadership of Khul afaurasyidin. Until now, there are also several such financial institutions in remote areas such as BMT (baitul maal wa baitul tamwil) which are quite helpful for people with middle to lower economic conditions.

b. National Income and Work Participation.

The Prophet Muhammad's policy in regulating the economy was to increase income and employment by employing Muhajirin and Ansar. This step produces a mechanism for distributing income and assets so that it will increase aggregate *demand for output puts* to be produced. Then Rasulullah SAW gave capital in the form of land so that people could work and earn *income*. Because, the Ansar and Muhajirin have the ability to farm, besides that only agriculture is the main livelihood and generates *income* . This policy is in line with the basic theory, that a country or region wants its economy to progress, so it must not override the original potential contained in that region. All of these steps will have a positive impact because people can get income and jobs according to their cultural conditions and native skills, so there is no high economic disparity.

c. Tax Policy.

This tax policy is one of the decisions imposed by the Islamic government referring to the type and quantity (proportional tax). For example, when it comes to land tax, it can be adjusted to land productivity or it could be based on area. So there is no stiffness in terms of quantity or magnitude obtained.

d. Muslim Income Policy

1) Zakat

It can be understood that zakat has two dimensions, namely worship carried out through wealth in order to obey the commands of Allah SWT. and hope that its rewards and social dimensions are revealed. Setting aside part of one's wealth with the intention of fulfilling Allah's commands is something related to one's spirituality, while setting aside part of one's wealth for the sake of others is a form of our concern for others. The position of zakat is an obligatory worship which is not only ceremonial (personal) but also social. Although the teachings of zakat were generally only implemented in the last years of the life of the Prophet Muhammad, but since he was sent the offer to help the weak has become the main focus of the Qur'an (Sarhini 2013). This shows that zakat is a means of worship and at the same time a very important policy for the welfare of Muslims.

2) Ushr

Ushr is an import fee that applies to all entrepreneurs. Paid once a year and only applies to commodities whose value exceeds 200 dirhams. Ushr can also be called a tax aimed at every item that enters the territory of Islam, but this only worked normally during the Caliph Umar bin Khatab. As stated by Hasbi. Ushr is Contribution for productive land. Ushur is a tax taken from trade goods that enter Muslim territory, it was applied during the time of Umar bin Khatab (Nawawi, Zidny, and Hasbi 2021). Ushr should be done because as a source of income from the import sector, a country is also entitled to benefit from foreign trade.

3) Waqf

Property dedicated to Muslims for the sake of Allah and the income will be deposited in Baitul Mal.

4) Jizyah

Namely a tax imposed on non-Muslims as a substitute for socio-economic services and guarantees of security protection from an Islamic state.

5) Kharaj

It is a land tax, this tax is determined according to the level of land production. More specifically, this tax is determined by three factors, namely the characteristics or fertility of the soil, the type of crop, and the type of irrigation. So the amount of taxes issued by land owners will differ from one another, because what they manage is also different from the treatment, type and result. This can also be called fair, because fair is not necessarily the same.

e. Government Expenditure Policy

1) Spread of Islam

The spread of Islam is arranged according to the rules and ethics in accordance with fiqh. The economic effect of the spread of Islam was the increase in the Army as well as the US. AD increased in the sense that the population of the conquered lands entered the Islamic lands. At the same time, a lot of land that was unproductive because it could not be cultivated by the Ansar group turned into productive because it was cultivated by the Muhajirin group.

2) Education and culture

Education and culture are the keys to improving the quality of existing human resources. This policy will be continued under the next task of the government to seek to improve the quality of human resources. The development of education & culture will also facilitate the spread of Islam, because humans always have a culture that will accompany their lives, humans will also always develop by relying on the knowledge they have.

3) Science Development

The rapid development of science and technology occurred at the outbreak of the Haibar War. At that time, weapons of war were made in the form of stone throwers and movable forts. If you imagine it at first glance, it looks like a tank or armored vehicle today. According to Abdullah, the human brain is the embodiment of science and technology that allows humans to change and adapt the

natural environment for their welfare and happiness, now and in the future (Abdullah and Kamal 2019). Humans are the most perfect creatures of Allah so it is not wrong if humans are sent as caliphs on earth. Only by using an organ called the brain, humans can change the contents of this earth, with the human brain can seek peace or even division. Therefore, it is important for us to study science.

4) Infrastructure development

Infrastructure is very important and deserves enough priority. During the time of the Prophet Muhammad SAW, infrastructure was built in the form of public wells, headquarters, roads, and markets. All of this is done in order to make it easier for the community to carry out mobility in meeting the needs of life. Wells as a source of clean water because humans cannot live without water, headquarters as a place for gatherings to maintain security, roads as a means to facilitate access to certain places, and markets as transaction centers as well as economic centers for a country.

5) Provision of Social Welfare Services

Assistance from the state which prioritizes the needy and poor is delivered in a not small percentage, plus there is a guarantee from the government for 1 year so that they are sufficient. This is done for the welfare of the people. Increase the number of prosperity among the people, thereby increasing their confidence in the leadership held by the Prophet.

4. Conclusion

The Prophet SAW made arrangements when he served as head of state. While in Medina he had given the basic principles for economic management, as human caliphs must be able to strive for the realization of prosperity and welfare for the people. After the Prophet SAW fostered the basics in managing the economy to the community. His next step is to establish a fiscal policy with the aim of achieving prosperity and every individual can feel financial security guaranteed by the state, this policy is also intended to achieve an efficient allocation of resources, a stable economy, increase, and distribution of income and assets that are in ideal conditions and under government supervision.

References

- Abdullah, Muh. Ruslan, and Fasiha Kamal. 2019. *Pengantar Islamic Economics Mengenal Konsep Dan Praktek Ekonomi Islam*. Makasar: Lumbung Informasi Pendidikan.
- Anafarhanah, Sri. 2015. "Peran Ekonomi Islam Dalam Dakwah Nabi." *Alhadharah* 14 (28): 15. [http://download.portalgaruda.org/article.php?article=519207&val=10626&title=Peran Ekonomi Islam dalam Dakwah Nabi Muhammad SAW](http://download.portalgaruda.org/article.php?article=519207&val=10626&title=Peran%20Ekonomi%20Islam%20dalam%20Dakwah%20Nabi%20Muhammad%20SAW).
- Askari, Hossein, Zamir Iqbal, and Abbas Mirakhor. 2014. *Introduction to Islamic Economics: Theory and Application*. United States: Wiley.
- Berlianto. 2019. *Sistem Dan Praktik Ekonomi Islam Dapa Dinasti Abbasyiyah. Sejarah Pemikiran Ekonomi Islam (Masa Rasulullah Sampai Masa Kontemporer)*.
- Kusuma, Kumara Adji. 2018. *Pengantar Ilmu Ekonomi Islam*. Sidoarjo: Umida Press.
- Nawawi, Imam, M Zidny, and Nafi ' Hasbi. 2021. "Problematika Implementasi Akad Bai` Bitsaman Ajil Perspektif Hukum Islam Pada BMT Sidogiri Cabang Situbondo." *Jurnal Ilmiah Ekonomi Islam* 7 (3): 1338–46. <https://www.jurnal.stie-aas.ac.id/index.php/jei/article/view/2927>.
- Sarbini, Ahmad. 2013. "Zakat Dan Pajak." *Jurnal Syari'ah* 2 (2): 63–72.
- Subaidi. 2014. "Teori Ekonomi Junaidi Al-Baghdadi." *At-Tahdzib: Jurnal Studi Islam Dan Muamalah* 2 (1).
- Zulaekah, Zulaekah. 2014. "Pemikiran Ekonomi Taqiyuddin an Nabhani." *IQTISHADIA Jurnal*

Ekonomi & Perbankan Syariah 1 (1): 76–97. <https://doi.org/10.19105/iqtishadia.v1i1.367>.