Commercial and Financial Management

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Abstract

The general ideas of Islam is respecting freedom in commerce as long as it is in the framework of religion and in accordance with non interference of rulership excepting the forbidden issue.

Prophet of Islam in his time while controlled the market but never interfere it and respected free market.

Key words

National ownership, controlling market, Prohibiting hoarding

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Islam sets the following principles for commercial and financial affairs:

1. Respecting private ownership as long as they are legal.

2. Free market, freedom in producing, and freedom in trades.

3. Commitment to promises and treaties

4. Forbiddance of unpayed-laborship and respecting labors.

Islam also sets laws and regulations for private ownership and trades usual in business, farming and etc.:

1.Forbiddance of some activities and some financial trades

2.Forbiddance of buying and selling some goods

3.Forbiddance of usury

4.Forbiddance of hoarding

NATIONAL OWNERSHIP:

Land, water, farm, jungle, mines, seas, … are controlled by central authority, i.e. the Prophet.

The general ideas of Islam is respecting freedom in commerce as long as it is in the framework of religion and noninterference of rulership (except for the forbidden issues which government should interfere to stop them). But in exceptional cases or catastrophic events like war or natural disaster society and Islamic nation should be supported by government or public associations to prohibit more economical and social tragedies.

Surely the lifestyle of Prophet in terms of Islamic management and financial issues at his time was in accordance with economical freedom, and supply and demand rules.

The holy Prophet did not leave economical activities of his time uncontrolled. From Prophet's traditions it becomes clear that Islamic management controlled two domains in commerce.

1.Controlling market

2.Prevention of hoarding

First: controlling market:

Tabarani said, Prophet chose a place for market of Medina and said,

نعم سوقكم هذا، فلا ينقض، و لا يضربن عليكم خراج.[1]

It seems that the word خراج (kharaj= tax) refers to tax on the profits. It can be understood from this tradition that market is one of the public places and all society benefits from it gratuitously, also it can be concluded from this tradition that Islamic management should be directed to encourage commercial trades and comfortable access to goods without adding heavy taxes to the price of goods. From different traditions it can be realized that in some situations even Prophet controlled the market.[2]

Prophet's biography recorders wrote that the Prophet of God appointed 'Umar as his

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agent for Medina's markets and Said ibn Said ibn al-'As for Mecca's markets.[3]

In the book "al-Isabah", in the biography of Al-Shifa, the mother of Sulayman ibn Abi Hatmah, it is written, the holy Prophet gave control of a part of market to Shifa.[4] It seems that Prophet appointed women to control women sellers to prohibit any abuse of them.

Bukhari narrated from Salim who said, those who sold food with expensive price were punished physically…[5] from these traditions we can understand that market was supervised by government lest trades be unfair. In case of necessity, opponents were warned or punished. …

Second: Prohibiting hoarding

Regarding hoarding, its forbiddance, and in its blame, quite a few number of traditions reached us. The issue of hoarding was common from post-prophethood in Medina and other Islamic cities. It happened during Prophet's life time several times; for example Hakim ibn Hazam was one of the hoarders. Population growth due to migration and centrality of Medina was occurred; therefore, the increase in number of people paved the way for hoarders to hide food supplies like oil, date, wheat, etc. Scarcity of food supplies helped hoarders to sell them with expensive prices. But any seller who hesitated to sell food supplies in real price was sued by Prophet. For example in the letter of Imam 'Ali ibn Abi Talib to Malik Ashtar, his agent in Egypt, we read,

Avoid hoarding that the holy Prophet prohibits it…Try do trade justly and prices wouldn't harm seller or shopper. Anyone who hoards after your warning, punish him but do not exceed limitations of punishment.[6]

It seems that managing market was useful at that time; because there is no news shortage of something or economical problems at his time.

It is mentioned in Sirah of Prophet that people asked him to suggest prices. Four traditions have been narrated in this regard,

1.Mursalah Saduq said, I told Prophet, I wish you give us the prices, because the prices fluctuated a lot. He answered,

ما كنت لالقى الله ببدعه لم يحدث الى فيها شيئا ، فدعوا عبادالله ياكل بعضهم من بعض، و اذا استنصحتم فانصحوا

I would not visit God while I made a change in His religion while He did not tell me anything about it. Let the servants of God be free to earn daily bread, (trading) each other.[he did not choose the price]

2.Tradition of Abu-davood from Abu-hurayrah,

A man came to Prophet and said, oh the holy Prophet of God, choose the price! The holy Prophet said, I will pray.

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Someone else came and said the same thing. Prophet said, I hope in the day I meet God no one is oppressed by me.

3.Tradition of Abu-davood from Anas ibn Malik. He said, people told oh Prophet! Prices go up, you give us price. The holy Prophet said, God is giver, giving relief or difficulty, He is Supplier, I hope I meet God while no one of you is oppressed by me ….

4.Tradition by ibn Majeh from Abu sa'id,

Prices went up at the time of Prophet. People told, oh the holy Prophet of God, it could be so good if you price goods. He replied, I hope the time I depart, none of you is oppressed by me.

Stance of Prophet about pricing declares two things:

First: the Islamic decree on free market, trading and respecting private ownership and legality of sound competition in usual conditions.

The Islamic divine law necessitates less interference of government in social and individual affair of society.

Second: there is no divine law about pricing, so it should be decided upon common sense and to give a price, economical situation of society, production cost, and other related elements should be regarded.

END NOTES:

[1] *Al-Tarātib al-Dariyah*, 2/163

[2] Tirmidhi from Abu Hurayrah narrated Prophet touched a jug which contained food, his finger got wet; he said, what is inside of it? … Can't you put it in a bowl where people can see what is inside? Anyone who tricks in trade is not from us. *Al-Tarātib al-Dariyah*, 1/ 284,285

[3] ibid, 1/ 286, 287, also *Ansab al-Ashraf*, 1/251, *Sirah ibn Hisham*, 1/250, 251

[4] *Al-Tarātib al-Dariyah*, 1/285 narrated from *al-Isti'ab*

[5] *Al-Tarātib al-Dariyah* 1/ 55

[6] *Nahaj*, 3/100

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