

Islam and Economy

At the height of the Islamic Golden Age, the Islamic Empire stretched from Andalusia (Spain) in the West and Indonesia in the Far East. Economy and trade played an important role in the Islamic Empire. Historically the Muslims shared besides the religious ties also international trading ties with fellow Muslims. Amongst others the famous Silk Route Trade was of significant importance to the Muslims. From the North of the Islamic Empire (Tajikistan, Uzbekistan, Iran, Irak, Syria) to China trading goods were being transported to Europe whereby Muslims dominated this trade internationally.

The Silk Route wasn't just a route, it consisted of a sophisticated network of business men and women who locally and internationally traded goods. As the name already describes silk was amongst the many goods that were being traded, others goods such as paper, cotton and jade from China , from West Africa gold, ivory, jewellery and from West Asia glass, silver, ivory and clothing.

Elsewhere in the Islamic Empire another lucrative trading route had developed. From Egypt to India through the Arabian Peninsula. From the Mediterranean and Africa gold, glass and ivory were shipped to India where they were traded for cinnamon, incense, black pepper, sugar and other spices.

Islam is a comprehensive religion in which every aspect of life is explained, including the economic and financial aspects of life. In the Islamic Empire these regulations from the Islamic legal perspective were carefully followed by the Islamic business community. For example any dealings in **Riba** (interest) were strictly prohibited as this is considered a sin in Islam. Also the paying of **Zakat** to cleanse one's wealth was at State level and private level considered as an obligation as it is one of Islam's five pillars, as well as the righteous and honest dealing in any type of transaction or business dealing was considered a must.

Other prime examples of Islamic elements of historical Muslim economy: The **Hawala** transfer system, the Hawala money transfer system was well advanced for its era and was comparable to the current western union transfer system. The difference between the two systems was that the Hawala system relied completely on honor and trust .Whereby they made use of the vast Muslim trading network and established trusted honorable agents who transferred huge amounts of money for business purposes. Currently this system informally still exists in some parts of the world based upon the same principles.



The **Waqf** is a charity trust which collected sadaqah (charity) and distributed it to the needy, examples of recipients were schools, orphanages, hospitals and food distribution to the poor. The **Musharakah** is the equivalent of the western joint venture principle whereby two or more parties invest with money, goods or services to achieve a common shared objective which in majority of the cases is profit.

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