

## **HISTORY OF MARKETS, HISBAH AND ITS IMPLEMENTATION IN THE ERA OF THE PROPHET SAW UNTIL MODERN TIMES**

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### **Abstract**

Abstract This study aims to explore the historical development and contemporary implementation of hisbah—the Islamic institution of market supervision—from the era of Prophet Muhammad SAW to the modern context. Employing a qualitative approach through historical-normative library research, this study analyzes primary sources including the Qur'an, Hadith, and classical Islamic texts, as well as secondary data from scholarly journals, books, and institutional reports. The research focuses on the conceptualization of markets in Islam, the establishment of hisbah as a regulatory institution, and its transformation in response to modern economic governance. Findings reveal that the Islamic market, as structured by the Prophet SAW, was founded on principles of justice, transparency, and public welfare, with hisbah functioning as a moral safeguard against fraud, exploitation, and market distortion. The role of the muhtasib (market inspector) historically ensured ethical compliance in economic transactions. In contemporary times, while formal hisbah institutions have diminished, their ethical foundations are echoed in various regulatory bodies such as consumer protection agencies and Islamic financial authorities. This research contributes to Islamic economic literature by reaffirming the relevance of hisbah in modern economic systems and highlighting the need for ethical reintegration in market policies. The study suggests further empirical research on the institutional adaptation of hisbah values in different national contexts to support the development of equitable and morally grounded market systems.

**Keywords:** Hisbah, Islamic Market, Business Ethics

## A. INTRODUCTION

Market texts are socio-economic institutions that have played a central role in supporting social life since the dawn of civilization. In the modern economic context, markets not only reflect buying and selling activities but also serve as arenas for battles over capitalist power, price controls, and power relations. The unequal distribution and economic exploitation within the neoliberal system have prompted many thinkers to reexamine conventional economic models and advocate alternative approaches based on moral and spiritual values (Basri, 2023). In Indonesia, local and national market dynamics present serious challenges to integrity and equity. Hoarding, unreasonable price fluctuations, and the dominance of large businesses over traditional markets are recurring issues every year. A report by the Business Competition Supervisory Commission (KPPU) noted strong indications of cartel practices, supply manipulation, and a disregard for trade ethics ahead of crucial moments such as Ramadan and Eid al-Fitr (Nurbaeti & Nugraha, 2022).

Islam views markets not merely as a place for transactions, but as an integral part of spiritual life that demands high ethical standards. The Prophet Muhammad (peace be upon him) made markets a medium for preaching and moral education, emphasizing the principle of free enterprise, safeguarded by honesty, justice, and the prohibition of exploitation. The establishment of a free market in Medina, free from taxes and usury, is a clear demonstration of the Prophet's commitment to economic justice for the people (Muhammad & Ridwan, 2024). To maintain market stability and fairness, the Prophet Muhammad established a supervisory institution known as *hisbah*. Its primary function is to ensure that all transactions comply with sharia principles, prevent fraudulent practices, and maintain equality between producers and consumers. The existence of *muhtasib*—market supervisors—during the Prophet's time set an important precedent for the development of a moral audit system in Islamic economics (Sirajuddin & Wardani, 2021).

The institution of *hisbah* has undergone institutional evolution throughout Islamic history. During the era of the Caliphate, the Umayyads, and the Abbasids, *hisbah* served as a state instrument that not only monitored markets but also enforced public morality. In modern times, its function has been supplanted by state institutions such as the Financial Services Authority (OJK) and the Financial and Development Supervisory Commission (KPPU), but the fundamental spirit of *hisbah* remains relevant as an ethical control within the market system (Hasibuan et al., 2025). However, public understanding of the concept of *hisbah* is often limited to formal legal aspects without linking it to sociological and cultural transformations in the economy. In fact, *hisbah* reflects the unity between religious norms, societal values, and structural justice in economic activity. This emphasizes that the implementation of *hisbah* should transcend regulatory aspects and become part of the collective consciousness

(Hasibuan et al., 2025).

Amidst the digital revolution, the challenges of market oversight are increasingly complex. Trading activities through e-commerce, marketplaces, and fintech give rise to new potentials in the form of data exploitation, virtual fraud, and price opacity. In this context, the values of hisbah, such as openness, honesty, and protection of the vulnerable, are urgently needed to be revitalized in digital systems (Mawadat S.W., 2025). Unfortunately, most academic research still focuses on a descriptive-historical approach, without addressing the actualization of hisbah values within a modern economic framework in an applicable manner. This creates a significant scientific gap (literature gap), particularly in bridging the gap between classical Islamic norms and contemporary challenges that are transnational and technology-based (Ferliana, 2018).

This research aims to fill this gap with a qualitative approach that combines historical, normative, and contextual dimensions. The author examines how markets and hisbah were formed in the Prophetic tradition, developed throughout the history of Islamic civilization, and ultimately adapted to modern regulatory structures. This approach allows for a holistic and relevant study of current realities.

The primary focus of this research is the relationship between the value of hisbah and economic justice within the framework of the contemporary market system. Drawing on secondary data from classical texts, scholarly journals, and public policy documents, this article presents an in-depth reflection on the potential of hisbah as a moral and systemic instrument in market and economic reform in the Muslim community.

The true value of hisbah is not merely a technical instrument, but reflects the collective Islamic ethics of protecting the economic rights of society, particularly vulnerable groups. This makes hisbah not solely the preserve of religious scholars or regulators, but the responsibility of all social elements to safeguard market integrity from greed and structural inequality (Hakim, 2016). Socially, hisbah emphasizes the importance of community participation and collective moral development. This distinguishes it from the capitalist system, which tends to separate law and ethics. Culturally, hisbah strengthens solidarity, social accountability, and a spirit of mutual assistance in economic activities (Kusuma & Zahwa, 2024).

The implementation of hisbah values in the education system is also a strategic issue. Integrating hisbah principles into the Islamic economics curriculum will shape the character of fair, honest, and responsible business actors. This aligns with the objectives of the maqasid sharia, particularly regarding the protection of assets and the achievement of social justice (Sirajuddin & Wardani, 2021). In the context of public policy, state involvement is essential in designing regulations that reflect the spirit of hisbah. Meanwhile, civil society organizations, Islamic financial institutions, and business actors also need to build a business ecosystem that prioritizes

transparency and ethics. This opens up space for multi-stakeholder collaboration to revitalize hisbah values in the business world (Basri, 2023).

Ultimately, this article aims not only to reflect on the history of markets and hisbah retrospectively but also to formulate new directions for their future application. With an analytical and transformative approach, this research makes theoretical contributions to the field of Islamic economics and provides practical input for policymakers, academics, and Islamic economic practitioners (Mawadat S.W., 2025).

## **B. METHOD**

This study uses a qualitative approach with a library research approach, aiming to explore the meaning and historical-normative transformation of the concepts of market and hisbah in Islam. This approach examines primary texts such as the Qur'an, hadith, and classical works such as *Al-Ahkam al-Sulthaniyyah* (Al-Mawardi), *Ihya Ulumuddin* (Al-Ghazali), and Ibn Taymiyyah's treatise on hisbah, as well as secondary texts in the form of scientific journals, academic books, and policy documents. Data collection techniques were carried out through systematic documentation and keyword exploration in digital and physical sources from January to May 2025, both in libraries and online repositories. Data validity was ensured through source triangulation—comparing interpretations of classical and contemporary texts—and an audit trail to maintain transparency in the analysis process (Moleong, 2018); (Creswell & Poth, 2018).

Data analysis used a combination of content analysis and comparative-historical approaches to examine changes in market values, functions, and institutions from the time of the Prophet Muhammad (peace be upon him) to the modern era. All data were analyzed using the Miles and Huberman interactive model, which includes simultaneous data reduction, presentation, and verification of conclusions (Miles et al., 2014). This approach allows for a systematic mapping of the correlation between sharia values, supervisory institutions, and modern economic practices. Therefore, the research results are expected to provide theoretical and practical contributions to the development of a just and ethical Islamic economy (D. Sari et al., 2025); (Jannah, 2022); (Jaelani, 2013); (Rahman & Miftahurrazak, 2024))

## **C. RESULT AND DISCUSSION**

### **History of the Market in the Time of the Prophet SAW**

During the time of the Prophet Muhammad (peace be upon him), markets were not only economic spaces but also a means of establishing a just social order. The Prophet personally established an Islamic market in Medina as an alternative to the dominance of the Jewish market of Banu Qainuqa. The market was exempt from customs and government intervention and managed based on the principles of monotheism and ethical values of transactions. When a companion attempted to impose a tax on the

market, the Prophet forbade it, stating that the market belonged to Allah SWT (Jaelani, 2020). This reflects the market paradigm as spiritual and social, not merely capitalist.

The Prophet Muhammad (peace be upon him) also emphasized the principles of transparency, honesty, and justice in market activities. Practices detrimental to consumers, such as hoarding (*ihtikar*), deceiving the quality of goods (*tadlis*), and offering false offers (*tanajusy*), are strictly prohibited in his hadiths. Even when his companions asked the Prophet to set prices due to scarcity, he refused unless there was an element of injustice, demonstrating respect for free market mechanisms while remaining ethically constrained (Ahyar, 2020). This demonstrates that regulations in Islamic economics are responsive to socio-economic conditions.

### **Formation and Role of Hisbah Institutions**

The hisbah institution emerged in response to the need to ensure economic activity complies with sharia principles. In early Islamic history, the Prophet Muhammad (peace be upon him) appointed certain individuals as *muhtasibs*, or market supervisors, one of whom was Said ibn Sa'id. Their primary function was not simply to regulate the market, but also to ensure that the principles of enjoining good and forbidding evil were collectively implemented within the social order. This makes hisbah a moral institution based on active public oversight.

Functionally, hisbah plays a role in controlling the quality of goods, the accuracy of measurements and weights, and the conformity of prices to fair market value. The *muhtasib* also has the authority to reprimand and take action against economic actors who violate trade ethics. In this context, hisbah serves as an institutionalized form of moral authority to guarantee the protection of consumer rights and safeguard market integrity from exploitative practices that harm society at large (Anwar et al., 2020).

One concrete example of the implementation of hisbah occurred when the Prophet Muhammad reprimanded traders who mixed good wheat with wet wheat to make it appear more plentiful. He said, "Whoever deceives us is not one of us." This demonstrates that integrity and honesty are the primary foundations of trade in Islam. This oversight role was later passed down to the Caliphs (*Khalaf al-Rasyidin*), who developed a more formal oversight structure, including the appointment of *muhtasibs* (religious leaders) with broader administrative duties.

### **The Development of Hisbah Implementation in Islamic History**

During the Umayyad Dynasty, the hisbah institution began to be institutionalized systematically with the appointment of *muhtasibs* as official officials who had jurisdiction over markets, roads and public facilities. Their function extends not only to economic supervision, but also to public moral matters such as the honesty of traders, the prohibition of *ikhtilat* in public places, and the supervision of deviant behavior in social spaces. This reflects the integration of religious values and social systems in one cohesive unit of authority.

The peak of hisbah's development occurred during the Abbasid Dynasty, when al-Mawardi compiled the monumental treatise "al-Ahkam al-Sulthaniyyah," detailing the legal duties of the muhtasib. In his work, al-Mawardi emphasized that the muhtasib must possess adequate knowledge, high moral integrity, and courage in upholding the command of good and forbidding evil. His duties included overseeing the production and distribution of goods, as well as prohibiting practices that undermine market structures (Supyadillah, 2023). This institution even had limited judicial authority to enforce market regulations.

During the Ottoman Dynasty, hisbah underwent significant institutional transformation. Hisbah was incorporated into the Islamic judicial system and became part of the state bureaucratic structure. Market oversight was coordinated with other institutions such as the police and the qadi (Islamic judge), making the muhtasib part of a formal and integrated system of social control. However, with the influx of European colonialism into Islamic territories, the hisbah system began to be marginalized and replaced by secular positive law not based on Sharia principles (Azwirman et al., 2024).

### **Implementation of Hisbah in a Modern Context**

In the modern era, the influence of legal secularization and economic globalization has diminished the dominance of hisbah institutions as they did in classical times. Nevertheless, hisbah values remain relevant and have been adapted into modern institutional forms. In Indonesia, for example, institutions such as the Sharia Financial Services Authority (OJK) and the National Consumer Protection Agency (BPKN) perform market oversight and consumer protection functions. Although not explicitly using the hisbah nomenclature, these institutions uphold the principles of transparency, fairness, and moral oversight (Susanti, 2025).

Malaysia provides an example of adapting hisbah values within the halal regulatory framework through JAKIM (Jabatan Progress Islam Malaysia). JAKIM is tasked with ensuring halal standards in the production, distribution and consumption of products in Malaysia. This task is identical to the function of the muhtasib who is responsible for maintaining product purity and trade ethics. This country is a pioneer in making hisbah values a concrete public policy instrument, as well as part of the national legal system that regulates the social and economic life of Muslim communities.

In Saudi Arabia, the Wilayatul Hisbah (Islamic Supervisory Body) was once an official state institution tasked with enforcing social order based on Sharia principles, including market oversight and public behavior. However, in recent decades, its functions have been integrated into the Ministry of Islamic Affairs and the police. Nevertheless, the principle of moral oversight of public spaces remains a key state agenda in building a moral and law-abiding Islamic society (Wiranda, 2019). This demonstrates that despite changes in the institutional structure, the essence of hisbah remains intact.

The main challenge in implementing hisbah values in the modern era is the dualism of the legal system between sharia and positive state law. In many Muslim countries, secular legal systems dominate public policy, while

hisbah principles have not been fully integrated. This has resulted in a weak Sharia-based supervisory function, particularly in the market and trade sectors. Therefore, a holistic approach that combines sharia values with a modern regulatory framework is needed to ensure the effective functioning of hisbah institutions in the contemporary economic system.

Revitalizing the values of hisbah can be achieved through integrated Islamic business ethics education in higher education curricula, institutional training for business actors, and public policy reform based on the maqasid sharia. Furthermore, synergy between Islamic financial authorities, legal entities, and socio-religious institutions is crucial for creating institutional structures that support fair and moral business practices. In this way, the values of hisbah become more than just normative discourse but can be realized in institutional realities with broad impact.

By understanding the historical journey and transformation of the hisbah institution from the era of the Prophet Muhammad (peace be upon him) to the present day, it can be concluded that despite changes in structure and methods, the basic principles of hisbah remain relevant. The values of justice, consumer protection, and market integrity are key pillars of Islamic economics that must continue to be upheld. Therefore, implementing hisbah values in a modern economic system is not a utopia, but rather an inevitability that requires collective efforts by the state, society, and businesses.

#### **D. CONCLUSION**

This research confirms that markets in Islam since the time of the Prophet Muhammad (peace be upon him) have not only been a vehicle for economic transactions, but also a social institution that upholds the values of justice, transparency, and moral responsibility. The hisbah institution emerged as a Sharia-compliant oversight tool that ethically regulates the behavior of market participants and has proven to play a crucial role in maintaining the balance between economic freedom and consumer protection. Over the course of history, hisbah has undergone institutional transformation, from an informal model during the time of the Prophet Muhammad (peace be upon him) to a bureaucratic form during the Caliphate, and then adapted to the modern institutional framework of Muslim countries today.

The primary contribution of this study lies in its systematic explanation of the continuity of hisbah values in market management, and how these principles can still be actualized in modern legal systems and economic policies. Theoretically, this study enriches the Islamic institutional literature by emphasizing the importance of ethical and normative dimensions in market analysis. Practically, these findings provide a reference for contemporary supervisory institutions, such as the OJK Syariah and JAKIM, to adopt hisbah principles in strengthening regulations and consumer protection. From a policy perspective, this study recommends the need to

integrate Islamic ethical values into the national legal system through education, fatwas, and institutional reform.

Future research can focus on empirical studies of the implementation of hisbah values in specific sectors, such as Islamic banking, the halal industry, and Sharia-based e-commerce. Furthermore, a comparative approach across countries is needed to assess the successes and challenges of adapting hisbah within various legal systems and economic cultures. Therefore, this research is expected to provide a conceptual foundation and strategic direction for the development of an Islamic economy based on justice and sustainability.

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