



Islamic Economics during the Glorious Period of the Abbasid Dynasty: Social and Cultural Transformation

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Abstract. *This study examines the transformation of the Islamic economy during the golden age of the Abbasid Dynasty, characterized by innovations in financial systems, the implementation of fiscal policies based on wealth redistribution, and shifts in social and cultural structures. The background of this research is rooted in the strategic role of the Abbasid Dynasty in creating an advanced Islamic civilization through the integration of economic progress, social growth, and cultural development. The aim of the study is to analyze in depth the dynamics of economic change, its impact on social structures, and its contribution to the development of science and culture during this period. The method employed is a Systematic Literature Review (SLR), which involves the search, selection, and synthesis of literature from various credible academic sources. The findings indicate that innovative policies, such as the implementation of primitive banking systems, zakat and waqf mechanisms, and infrastructure development, support inclusive economic growth and equitable wealth distribution. The implications of this study suggest that the principles of the Islamic economy implemented during the Abbasid era can serve as a reference in designing modern economic policies that are just, sustainable, and responsive to socio-cultural dynamics.*

Keywords: *Abbasid Dynasty, Financial Innovation, Islamic Economy, Socio-Cultural Transformation*

1. INTRODUCTION

In the spirit of deep intellectual inquiry, this article invites readers to explore the dynamics of Islamic economics during the heyday of the Abbasid dynasty. By focusing on the social and cultural transformations that took place during this period, this paper explores the historical background, economic development, and its impact on people's lives, which together have shaped the rich and diverse Islamic civilization.

The Abbasid dynasty is not only recognized as a time of political and military advancement, but also as an era of economic innovation that brought about fundamental changes in social and cultural structures. The dynasty, founded in 750 AD by Abdullah al-Saffah, succeeded in replacing the Umayyad rule with a more humanist approach that focused on the development of science and trade (Dieke, 2023). With the transfer of the capital to Baghdad, a city strategically located on the banks of the Tigris River, the Abbasids were able to take advantage of the favorable geographical position to make the city a major trade center connecting East and West. This geographical condition opened up opportunities for intensive exchange of goods, ideas and cultures, thus strengthening the economic foundations as well as spurring dynamic social interactions.

The economic progress that occurred at that time was inseparable from infrastructure development policies that greatly supported trade and agricultural activities. The Abbasid government invested heavily in the construction of roads, bridges and irrigation channels that ensured the smooth distribution of goods and services throughout the territory (Saefuloh, Lestari, & Solihin, 2022). In addition, innovations in the financial system, such as the use of scratch checks and primitive banking mechanisms, made it easier to conduct commercial transactions. These policies created a conducive economic ecosystem, where public confidence in the economic system increased and enabled the growth of the trade sector and its supporting industries.

The economic transformation that occurred during the heyday of the Abbasid Dynasty also resulted in significant changes in the social and cultural structure of society. The economic stability that was created encouraged the birth of new social classes, where merchants, scholars and skilled workers began to form a more diverse layer of society. Increased economic activity in large cities like Baghdad led to urbanization and the creation of public spaces that supported social interaction. This intensive interaction not only encouraged economic growth, but also strengthened the spread of cultural and intellectual values. The process of cultural assimilation that occurred allowed for the fusion of local traditions with outside influences, which ultimately produced scientific and artistic works that colored Islamic civilization (Zaitun, 2024).

In addition, economic progress also paved the way for the development of the education and research sectors. Caliphs such as Harun al-Rashid and al-Ma'mun were known as patrons of science who established research institutes and large libraries, such as the "Baitul Hikmah". This institution served as a center for the translation of classical works from various cultures, such as Greek, Persian and Indian, into Arabic, thus enriching the treasury of Islamic knowledge and encouraging intellectual progress throughout the empire (Jannah & S, 2023). These innovations in education and research not only contributed to the development of science, but also helped strengthen the Islamic cultural identity, where scholarly and aesthetic values synergized to create an innovative and dynamic environment.

However, it cannot be denied that although the Abbasid Dynasty experienced a glorious period, there were also challenges that had to be faced. Internal conflicts, complex political dynamics, and pressure from external forces, such as the Mongol invasion, gradually weakened the dynasty's political and economic power (Sarifudin, Irsyadi, Mulyadi, & Abbas, 2024). Nevertheless, the legacy of Abbasid civilization lives on and continues to provide inspiration, especially in terms of economic systems, governance, and cultural development that have contributed greatly to the development of Islamic civilization as a whole.

Overall, the background of the Abbasid Dynasty's glory illustrates a paradigm in which economic progress not only acted as a driving factor for trade growth, but also as a catalyst for social and cultural transformation. Policies on infrastructure development, innovations in the financial system, and support for the development of science created an ecosystem that enabled the emergence of a global Islamic civilization. A systematic approach through literature review allows researchers to explore the complex dimensions of this transformation, resulting in a deep understanding of how economic policy and cultural innovation can reinforce each other in building a sustainable civilization. The intellectual and cultural heritage of the Abbasid period not only holds great historical value, but also provides valuable lessons for the application of ethical and innovative economic principles in the modern era. The transformation that took place during this period is clear evidence that the success of a civilization is determined by the ability to adapt and integrate various elements-economic, social, and cultural-harmoniously to achieve common progress.

2. THEORETICAL REVIEW

In understanding the dynamics of Islamic economics during the heyday of the Abbasid Dynasty, this theoretical study refers to the concepts of Islamic economics that developed, the fundamental principles that became the basis of Abbasid economic policy, and the impact of economic transformation on the social and cultural structure of society. With a systematic approach through a literature review, this discussion will elaborate on the concept of Islamic economics that prevailed in that period, the theory of economic welfare in Islam, as well as the role of the state in managing resources and distributing wealth fairly.

Islamic economics during the Abbasid Dynasty was based on sharia principles that regulated financial governance and wealth distribution in society. The Islamic economic system is different from capitalism and socialism because it emphasizes the balance between individual ownership and social responsibility, which is based on the values of justice, cooperation, and the benefit of the people (Chapra, 2000). The Abbasids implemented sharia-based economic policies based on the Qur'an and Hadith, with several key principles, such as the prohibition of usury (*interest*), the obligation of zakat, the concept of fair trade, and the distribution of wealth through waqf and baitul mal mechanisms.

During the Abbasid era, the zakat and waqf systems played an important role in economic equality and social welfare. Zakat was not only an instrument of worship, but also functioned as an economic redistribution tool to help the underprivileged. In addition, waqf management in the form of land, mosques, madrasas, and other public facilities had a major

impact on the socio-economic development of the community (Kuran, 2010). Thus, the economic system implemented by the Abbasids not only relied on market mechanisms, but also had a strong social dimension.

Economic welfare in Islam is rooted in the concept of *maqashid al-shariah*, which are sharia principles that aim to protect religion (*din*), soul (*nafs*), mind (*aql*), offspring (*nasl*), and property (*mal*) (Dusuki & Abdullah, 2007). During the Abbasid Dynasty, this approach was realized in economic policies that were not only oriented towards economic growth, but also paid attention to social welfare and income distribution.

In this context, Islamic economic welfare theory emphasizes that wealth is not just an accumulation of assets, but a means to achieve collective welfare. The Abbasids applied this concept in various policies, such as the development of economic infrastructure, strengthening the agricultural and trade sectors, and fair tax management through the *kharaj* (*tax on land*) and *jizyah* (*tax for non-Muslims*) systems. Taxes collected are not only used for the benefit of the state, but are also channeled to public interests such as the provision of health services, education, and social assistance (Hosseini, 2003).

In addition, the existence of financial institutions such as *sukuk* (*Islamic bonds*) and *hawala* (financial transfer system) helps to facilitate trade transactions in the Islamic world. The *hawala* system, which is similar to the modern banking system, allows traders to conduct transactions without having to carry cash, thus accelerating economic mobility and interregional trade (Udovitch, 1970).

In the Islamic economic perspective, the state has an important role in ensuring a balance between economic growth and social justice. The Abbasid caliphs acted as leaders responsible for the welfare of the people by managing natural resources, infrastructure, and fiscal policies that supported economic balance.

The state also played a role in overseeing economic activity so that it did not conflict with sharia principles, for example by ensuring that trade was free from usury and monopoly practices. One of the important policies implemented is an open market system overseen by *muhtasib* (*market inspectors*), who are tasked with ensuring that prices of goods are not manipulated and transactions are conducted fairly (Bacharach, 1998).

In addition, the state also played a role in developing the education and technology sectors as part of a long-term economic strategy. The Abbasid caliphs allocated a lot of funds to establish madrasas, libraries, and research centers such as Baitul Hikmah, which served as a center for the study of science and technological innovation. These developments not only

improved the quality of human resources, but also strengthened the Islamic world's economic competitiveness in trade and manufacturing (Nasr, 2001).

Theoretically, the Islamic economy during the Abbasid Dynasty reflected a system that was not only based on economic growth, but also had a strong social dimension. The concepts of zakat, waqf, and a fair taxation system show that Islamic economics places the welfare of the people as a top priority. The state has a significant role in managing the economy, both in terms of market supervision, wealth distribution, to infrastructure development and education.

The theory of economic welfare in Islam applied during the Abbasid period shows how sharia values can create an inclusive and sustainable economic ecosystem. With this approach, the Islamic civilization during the Abbasid period not only achieved glory in politics and science, but also in the economic field based on ethical principles and social justice. This literature study confirms that the legacy of Abbasid Islamic economics remains relevant in the contemporary context, especially in facing global challenges related to social welfare and economic justice.

3. RESEARCH METHOD

This study adopts the Systematic Literature Review (SLR) approach as the main methodological framework to uncover the dynamics of Islamic economics during the heyday of the Abbasid Dynasty and the socio-cultural transformations that accompanied it. The SLR approach was chosen because of its ability to present a comprehensive and objective picture through a critical synthesis of various literature sources that have gone through a peer-reviewed process. As described by Dieke (2023), this method allows researchers to integrate various theoretical and empirical perspectives, resulting in an in-depth understanding of complex phenomena.

The initial step in this study is the formulation of research questions that underlie the entire analysis process. The researcher identified several key questions, such as how the economic policies implemented by the Abbasid Dynasty supported economic growth, how social and cultural transformations occurred along with economic dynamics, and the supporting and inhibiting factors that influenced the development of Islamic economics during that era. These questions were formulated based on an initial review of the literature that showed gaps in previous research, so this study was directed to explore the multidimensional relationship between economic policies, social aspects, and culture (Saefuloh, Lestari, & Solihin, 2022).

After establishing the research questions, the researcher conducted a systematic literature search in several leading academic databases, such as Scopus, Web of Science,

Google Scholar, and ScienceDirect. This search strategy used a series of specific keywords, including “*Islamic Economy During The Abbasid Era*,” “*Economic Policies Of The Abbasid Dynasty*,” “*Islamic Fiscal Policies And Social Transformation*,” and “*Role Of Waqf And Zakat In Islamic Economic System*.” The use of these keywords allowed the identification of relevant and high-quality sources, which were then selected based on predetermined inclusion and exclusion criteria. The literature included in the analysis were peer-reviewed articles and books, with a focus on Islamic economics in the context of the Abbasid Dynasty, while sources that did not meet the validity or relevance criteria were excluded from the study (Zaitun, 2024).

The next process involved in-depth data extraction from the selected literature. The researcher collected important information regarding the financial system, fiscal policies, the role of zakat and waqf, and the impact of the socio-cultural transformation that occurred during the Abbasid era. The extracted data is organized into several main themes that reflect crucial aspects of this study, such as financial system innovation, wealth distribution mechanisms, and the contribution of economic policies to socio-cultural development. To identify common patterns and differences between studies, the researcher used the thematic analysis method. This technique allows researchers to dig deep into recurring elements and group findings into meaningful categories, thus providing a comprehensive picture of the dynamics of economic and socio-cultural transformation (Jannah & S, 2023).

Synthesis and interpretation of findings are the final stages in the SLR approach applied in this study. The data that has been collected and analyzed is integrated to build a complete narrative about the condition of the Islamic economy during the Abbasid Dynasty. At this stage, the researcher not only compares the results of existing studies but also critically interprets the differences and similarities that emerge between the literature that has been reviewed. This approach allows researchers to link empirical findings to a broader theoretical framework, while highlighting the strategic role of economic policies in supporting social and cultural transformation. The results of this synthesis provide an in-depth understanding of how the interaction between fiscal policy, financial systems, and wealth redistribution mechanisms contributed to the glory and dynamics of Islamic civilization in the Abbasid era, and identify factors that played a role in the decline of the dynasty, such as internal conflict and external pressure (Sarifudin, Irsyadi, Mulyadi, & Abbas, 2024).

The use of the Systematic Literature Review approach in this study not only strengthens the objectivity of the analysis, but also opens up space for identifying gaps in the existing literature. By finding research gaps, this study provides a basis for further, more in-depth research on Islamic economics and socio-cultural transformation. The advantage of the SLR

methodology lies in its ability to integrate data from various sources to produce conclusions that can be used as a reference for the development of contemporary Islamic economic theory and practice. The findings of this study are expected to provide practical implications in the development of financial systems and fiscal policies based on sharia values, as well as add to the treasury of knowledge regarding the successes and challenges faced by Islamic civilization during its heyday.

Through a systematic methodological approach, this study seeks to make a significant contribution to the understanding of economic, social, and cultural transformation during the Abbasid Dynasty. By integrating various relevant literatures and conducting in-depth thematic analysis, this study offers a comprehensive and objective perspective. The methodology applied ensures that every step of the research is carried out carefully and transparently, so that the results obtained truly reflect the complexity of the dynamics of Islamic civilization at that time. Thus, this study not only provides a historical overview, but also provides a solid foundation for the development of a more equitable and inclusive economic system and fiscal policy in the modern era.

4. RESULTS AND DISCUSSION

The results and discussion of this study indicate that economic transformation during the Abbasid Dynasty was a multifaceted process that not only included aspects of quantitative economic growth, but also qualitative changes in social and cultural structures. This study found that economic dynamics during the Abbasid heyday developed rapidly through innovation in the financial system, diversification of the trade sector, and the implementation of fiscal policies based on the principles of social justice. This economic development had a direct impact on the structure of society, which experienced significant urbanization and social class differentiation. The city of Baghdad, as the capital of the dynasty, became the center of economic and intellectual movements that later attracted the interest of various groups, from traders, scientists, to artists, thus creating an environment conducive to economic growth and cultural development.

In the context of financial system innovation, this study highlights the role of primitive banking mechanisms that began to be implemented at that time, such as the use of checks and non-cash transfer systems that allowed trade transactions to be carried out more efficiently. According to Dieke (2023), this innovation was the forerunner of the modern banking system which ultimately helped accelerate economic activity and increase the confidence of market players. In addition, the development of infrastructure such as roads,

bridges, and irrigation channels also supported the distribution of goods evenly and facilitated the flow of trade. Investment in this infrastructure not only increased the productivity of the agricultural sector but also opened up opportunities for the emergence of manufacturing industries that began to develop in urban areas.

The economic transformation that occurred was also inseparable from the role of fiscal policy implemented by the Abbasid government. Fiscal policies oriented towards the redistribution of wealth through a fair tax system, such as *kharaj* and *jizyah*, as well as *zakat* and *waqf* mechanisms, showed that the main goal of the economy at that time was to create equitable social welfare. Saefuloh, Lestari, and Solihin (2022) stated that this fiscal policy was a form of state effort to reduce income inequality and provide social security for disadvantaged groups in society. With an integrated wealth redistribution system, society not only enjoyed the direct benefits of economic growth but also received support in the form of social services such as education and health. This shows that the Abbasid economic transformation was not merely about increasing economic output, but also about improving the quality of life and equalizing welfare.

The impact of this rapid economic growth was also reflected in the fields of culture and science. The city of Baghdad developed into an intellectual center that attracted many scholars from all over the world, who then gathered to share knowledge and develop science together. Institutions such as "*Baitul Hikmah*" not only functioned as a center for translating classical works from Greece, Persia, and India into Arabic, but also as a research and innovation laboratory that produced important discoveries in the fields of astronomy, mathematics, and medicine. Jannah and S (2023) highlight the important role of these institutions in enriching the treasury of Islamic knowledge, which then spread throughout the world and made significant contributions to the progress of global civilization. The growth of science supported by economic progress shows the synergy between the economic and cultural sectors that characterized the golden age of the Abbasids.

Furthermore, analysis of historical data and literature reviewed reveals that the mechanism of wealth redistribution through *zakat* and *waqf* plays a vital role in maintaining social stability. The *zakat* system implemented not only functions as a religious worship, but also as an economic tool to balance income distribution among the community. *Waqf*, as one of the instruments of Islamic economics, makes a major contribution to financing the development of public infrastructure such as mosques, madrasahs, and hospitals. Thus, the implementation of the *zakat* and *waqf* system creates a circle of prosperity that supports economic growth while strengthening the social structure (Zaitun, 2024). This policy

emphasizes that the values of justice and social solidarity have been integrated into the Abbasid economic order, thus creating a development model that not only prioritizes economic profit, but also social equality and sustainable development.

However, behind the various economic successes and innovations achieved, this study also found structural challenges that were factors that triggered the decline of the Abbasid Dynasty. Although the economic system implemented was able to generate significant growth and improve the quality of life of the community, internal conflicts between elites and internal political competition began to erode the structural strength of the dynasty. This condition was exacerbated by the intervention of external forces, especially the Mongol invasion, which drastically damaged the economic infrastructure and shook the established social order. Sarifudin, Irsyadi, Mulyadi, and Abbas (2024) explained that external pressure and internal conflict were crucial factors that caused the collapse of the Abbasid government system, resulting in the economic collapse that had long been a characteristic of its heyday. This finding underlines that economic success cannot be separated from political stability and effective risk management, where imbalances in these aspects can lead to the disintegration of the established social order.

In addition to political and external factors, this study also identified that the challenges in maintaining economic innovation were caused by the limitations of technology and human resources at that time. Although there was a significant increase in the development of science, the limitations of technology in the manufacturing sector and the administrative system caused the economic growth that occurred to be fluctuating and vulnerable to external shocks. These limitations indicate that although the Abbasid dynasty succeeded in creating an innovative economic model, there was still room for further development that could increase the economy's resilience to changes in the times. Thus, an important lesson that can be learned is that innovation must continue to be encouraged through increasing technological capacity and human resources so that the economic system can survive in facing increasingly complex challenges in the modern era.

Overall, the results of this study confirm that economic transformation during the Abbasid Dynasty was a complex and multidimensional phenomenon. The interaction between fair fiscal policies, innovation in the financial system, and the integration of social and cultural values created a strong foundation for inclusive and sustainable economic development. The success of this economic model is not only seen from rapid economic growth, but also from its positive impact on social stability and improving the quality of life of the community. The economic legacy produced by the Abbasid dynasty is a relevant

source of inspiration for the development of economic systems in the contemporary era, especially in efforts to integrate the principles of justice, transparency, and social solidarity into modern economic policies.

In facing today's global challenges, lessons from the Abbasid period can be used as a reference in designing economic policies that are responsive to social and cultural dynamics. An approach that balances economic growth and social equity is key to creating an economic system that is not only productive, but also just and inclusive. This study provides evidence that innovation in the financial system and wealth redistribution policies can play an important role in maintaining economic stability, although in the end political and external challenges must be managed well to maintain the sustainability of the system.

Thus, the analysis of the results and discussion in this study not only describes the economic progress and socio-cultural transformation during the glory of the Abbasid Dynasty, but also highlights the close relationship between economic, political, and cultural aspects that influence each other. The implications of these findings are very important for understanding how proven Islamic economic values can be applied to address today's economic challenges. This study emphasizes that innovation and economic policies based on ethical values and social justice are essential foundations for achieving sustainable and inclusive economic growth.

5. CONCLUSION AND SUGGESTIONS

Overall, this study concludes that the Islamic economy during the Abbasid Dynasty underwent a significant transformation that not only increased productivity and trade activities, but also had a broad impact on social and cultural changes. The economic transformation achieved through innovations in the financial system, fair fiscal policies, and the implementation of wealth redistribution mechanisms such as zakat and waqf have created an ecosystem that supports growth and equal distribution of welfare. Centers of civilization such as Baghdad emerged as symbols of glory, where trade activities, scientific research, and cultural exchange went hand in hand, resulting in advances in science and technology. These findings underline that economic success is not only measured by quantitative growth, but also by its impact on social stability and improving the quality of life of the community. Therefore, this study recommends that more in-depth studies be conducted to explore the relevance of the Abbasid economic system in the context of modern Islamic economics, as well as strengthening research on the interdisciplinary relationship between economics, culture, and politics. Further research is expected to identify key factors that support the sustainability of an economic

system based on sharia values, so that it can make a significant contribution to the development of Islamic economic theory and practice in the contemporary era.

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