

Psychology of Wealth: An Islamic Perspective on Personal Finance	
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Islam	<p>Addresses the spiritual and economic needs of individuals and societies</p> <p>The obligation of zakah as an economic pillar of worship highlights how wealth and worship cannot be separated</p> <p>Numerous ahādīth and verses of the Qur'an address how wealth should be acquired, spent, and invested</p> <ul style="list-style-type: none"> - “Surely He does not like the excessive” - “Seeking lawful [wealth] is an obligation upon every Muslim.” طَلَبُ الْحَالِلِ فَرِيضَةٌ بَعْدَ الْفَرِيضَةِ - “Invest the wealth of orphans so that it will not be eaten away by zakah” اتَّجِرُوا فِي أَمْوَالِ الْأَيْتَامِ لَا تَأْكُلُوهَا الزَّكَةُ
Qur'an Hadith	
'Umar RA	
Neoclassical economics	<p>Economic philosophy that broadly focuses on supply and demand as the primary forces behind the production, pricing, and consumption of goods and services</p> <ul style="list-style-type: none"> - Assumes that self-interest drives economic behavior and generally excludes the interests of others <p>The dominant economic worldview since the late 19th century</p>
Adam Smith	Economic philosopher who posited that the best way to maximize a person's happiness was to allow him to freely act in his own self-interest
Assumptions	Neoclassical economics rests on three assumptions that human beings possess: unbounded rationality; unbounded willpower; unbounded selfishness
Behavioral economists	<ul style="list-style-type: none"> - Argue that humans make decisions with “bounded rationality,” often make poor decisions due to a lack of self-control, and often make decisions that are selfless
Islamic psychoeconomics	<p>The ultimate goal driving economic activity is not satisfaction of needs and wants, or maximizing carnal pleasure</p> <p>Zakah gives others a right over a portion of a Muslim's wealth and withholding charity is considered blameworthy and a cause of destruction</p> <ul style="list-style-type: none"> - Negates the compatibility between Islam and economic individualism

Love for wealth Qur'an Hadith Danger of obsessing over wealth	<p>Human beings have an intense love for wealth “And you love wealth fervently”</p> <p>“If the son of Adam had a valley full of gold, he would like to have two valleys”</p> <p>Hadith: “I fear you will be given the wealth of the world, just as it was given to those before you. You will compete for it just as they competed for it and it will ruin you just as it ruined them”</p>
Ownership Qur'an	<p>In Islam, Allah is the true Owner of all wealth, and the individual is merely a trustee or executor whose role is to use the wealth in a manner pleasing to Allah</p> <p>“Believe in Allah and His Messenger, and give from what He has entrusted you with. So those of you who believe and give will have a great reward”</p>
Paradox of wealth Psychological principle Hadith	<p>Hadith: “Whoever is focused only on this world, Allah will confound his affairs and make him fear poverty constantly, and he will not get anything of this world except that which has been decreed for him. However, whoever is focused on the Hereafter, Allah will settle his affairs for him and make him feel content with his portion, and his provision and worldly gains will undoubtedly come to him.”</p> <p>مَنْ كَانَ الدُّنْيَا هُمَّهُ فَرَقَ اللَّهُ عَلَيْهِ أَمْرَهُ وَجَعَلَ فَقْرَهُ بَيْنَ عَيْنَيْهِ وَلَمْ يَأْتِهِ مِنَ الدُّنْيَا إِلَّا مَا كُتِبَ لَهُ وَمَنْ كَانَ الْآخِرَةُ هُمَّهُ جَمَعَ اللَّهُ لَهُ أَمْرَهُ وَجَعَلَ غِنَاهُ فِي قَلْبِهِ وَأَنَّهُ الدُّنْيَا وَهِيَ رَاغِبَةٌ</p> <ul style="list-style-type: none"> - Chasing the reward of this life (dunyā) leads to financial anxiety, whereas chasing the reward of the afterlife (āakhirah) leads to financial contentment <p>“O Abū Dharr, do you say an abundance of possessions is wealth?’ I said yes. The Prophet said, ‘Do you say a lack of possessions is poverty?’ I said yes. The Prophet repeated this three times, then he said, ‘Wealth is in the heart and poverty is in the heart. Whoever is wealthy in his heart will not be harmed no matter what happens in the world. Whoever is impoverished in his heart will not be satisfied no matter how much he has in the world. Verily, he will only be harmed by the greed of his own soul.”</p> <p>الْغَنِيُّ فِي الْقَلْبِ، وَالْفَقِيرُ فِي الْقَلْبِ، مَنْ كَانَ الْغَنِيُّ فِي قَلْبِهِ لَا يَضُرُّهُ مَا لَقِيَ مِنَ الدُّنْيَا، وَمَنْ كَانَ الْفَقِيرُ فِي قَلْبِهِ فَلَا يُغْنِيهِ مَا أَكْثَرَ لَهُ فِي الدُّنْيَا، إِنَّمَا يَضُرُّ نَفْسَهُ شُحُّهَا</p>
Spending Qur'an Hadith	<p>The aim in Islam is to avoid extreme stinginess or excessive spending</p> <ul style="list-style-type: none"> - “And those who, when they spend, are neither extravagant nor miserly, and their spending is moderate in between” - “Eat, drink, give in charity, and wear nice clothing, but without pride and extravagance. Verily, Allah loves for His blessings to be seen upon His servants” <p>كُلُوا، وَاشْرَبُوا، وَنَصَدِّقُوا، وَالْبَشُّوا، فِي عَيْرِ مَخِيلَةٍ وَلَا سَرَفٍ، إِنَّ اللَّهَ يُحِبُّ أَنْ تُرَى نِعْمَتُهُ عَلَى عَبْدِهِ</p>

Spending on family Hadith	<p>Spending on family is a type of charity when done with the intention of pleasing Allah</p> <ul style="list-style-type: none"> - “If a Muslim spends on his family seeking reward from Allah, it is charity for him.” <p>إِذَا أَنْفَقَ الْمُسْلِمُ نَفَقَةً عَلَى أَهْلِهِ وَهُوَ يَحْسِبُهَا، كَانَتْ لَهُ صَدَقَةٌ</p>
Investing	<p>A method of allocating wealth into assets that one expects to profit from</p> <p>‘Umar ibn Khattāb advised investing the wealth of orphans so that it is not eaten away by zakah</p> <ul style="list-style-type: none"> - This statement encourages investing money that is lying around <p>Putting wealth in halal investments increases the likelihood of increasing wealth and subsequently giving more</p>
Spiritual investment	<p>The Prophet SAW reframed what constitutes true wealth by encouraging investing in charity as a way to build one's spiritual net worth</p> <ul style="list-style-type: none"> - “The son of Adam boasts: ‘My wealth! My wealth!’ O son of Adam, have you truly earned any wealth but what you ate and consumed, or put on and wore out, or spent in charity so it remained?” - The only wealth that one retains is that which is invested in charity
Prophetic investing principle	<p>Rather than interpret what has been given away as ceasing to be in one's possession, what has been given away should be seen as an investment that one retains</p>
Ākhirah investment portfolio	<p>Investing in one's ākhirah from a young age disciplines the soul, builds trust in Allah, and the returns in the afterlife will be greater than if one began investing in their ākhirah portfolio later in life</p>
Consistency	<p>Set aside a percentage of your income or a fixed amount for weekly or monthly investments</p> <ul style="list-style-type: none"> - Regularly contributing ensures that one's ākhirah investment steadily grows over time
Invest early in projects with potential	<p>Invest in projects that have tremendous potential and the reward is greater in the early phases of a righteous project</p> <ul style="list-style-type: none"> - “Not equal among you are those who spent before the conquest of Makkah and fought [and those who did so after it]. They are greater in degree than those who spent afterwards and fought”
Diversify your portfolio	<p>Invest in a variety of righteous causes, including masājid, schools, poverty relief, education and social issues</p>

<p>Personal relative deprivation</p> <p>Qur'an</p>	<p>Feelings of resentment and lack of financial contentment due to believing one is deprived of what they desire and deserve</p> <ul style="list-style-type: none"> - Linked to preference for smaller, immediate rewards over larger, delayed rewards in the future <p>"Satan promises you deprivation and thus commands you to immorality, whereas Allah promises you forgiveness from Him and bounty"</p> <ul style="list-style-type: none"> - Satan will be diligent in finding ways to make a person feel deprived, which include feeling deprived of a higher income, a bigger home, a nicer car, and even non-material things that a person desires. He will push and prod the person to seek what they desire by any means possible. It may be through encouraging interest-bearing loans to purchase what they desire or gambling to gain quick access to wealth, or suggesting that it is detrimental to be charitable at this particular time in life - Satan exploits people's fear of deprivation as a motivator to engage in immoral financial behavior, whereas Allah promises forgiveness and to give from His abundance as a motivator to engage in moral financial behavior
<p>Treatment to feeling deprived</p>	<p>Hadith: "Compare [yourself] to those who are lower than you [in wealth] and do not look at those who are above you [in wealth], for it is more suitable that you do not discount the blessings of Allah"</p> <p>Using the wealthy as a reference point may lead to a scarcity mindset that leads to stinginess, whereas using the poor as a reference point should lead to an abundance mindset that leads to generosity</p>
<p>Wealth is a test</p>	<p>Qur'an: "And do not extend your eyes toward that by which We have given enjoyment to some groups of them, its being but the splendor of worldly life by which We test them. And the provision of your Lord is better and more enduring"</p> <p>The test of possessing wealth includes being grateful for it, being humble, and spending it appropriately; therefore, many scholars considered the test of wealth to be more difficult than the test of poverty</p>
<p>Is wealth a sign of Allah's favor?</p> <p>Qur'an</p>	<p>The reality is that both wealth and lack of it are trials that have no bearing on a person's value in the sight of Allah</p> <p>"And as for man, when his Lord <i>tests</i> him and thus is generous to him and favors him, he says, 'My Lord has honored me.' But when He <i>tests</i> him and restricts his provision, he says, 'My Lord has humiliated me.'</p> <ul style="list-style-type: none"> - In this verse, both abundance and scarcity are labeled as tests

Qārūn	<p>Allah gave tremendous wealth to Qārūn, who was an Israelite in the land of the Pharaoh and he took credit for his wealth saying, “I was only given it because of the knowledge I have.” He would flaunt his wealth before the people and some of them became enamored with his wealth and wished, “Oh, would that we had like what was given to Qārūn. Indeed, he is one of great fortune.” Then, Allah caused an enormous sinkhole to destroy Qārūn and his palace and the people came to the realization that “Allah extends provision to whom He wills of His servants and restricts it” and “the disbelievers do not succeed.”</p> <ul style="list-style-type: none"> - The lesson is not to envy the wealthy nor consider them more honorable in the sight of Allah because “indeed, the most honorable of you in the sight of Allah is the most righteous of you.”
Allah's distribution of wealth Qur'an	<p>Allah with His infinite wisdom distributes wealth with people's best interests in mind</p> <p>Allah may withhold an abundance of wealth from someone out of His infinite knowledge that the person would become corrupted by it</p> <ul style="list-style-type: none"> - “If Allah were to grant ample sustenance to His servants they would go about transgressing in the land. But He sends down in due measure whatever He wills. He is truly All-Aware, All-Seeing of His servants”
The ingredient of Barakah Hadith	<p>Barakah implies increase and growth, and it may apply to that which is tangible (e.g., wealth) or immaterial (e.g., time).</p> <p>Barakah connotes that something has received divine blessing and is therefore more productive, efficient, nourishing, or valuable</p> <ul style="list-style-type: none"> - The extent to which the commodity benefits is proportional to the barakah it has been given <p>“Both parties in a business transaction have the right to accept or reject the deal as long as they have not parted. If they tell the truth and make everything clear to each other [e.g., describe the defects and qualities of the goods], then their transaction is blessed. If they conceal anything and lie to each other, the blessing of their transaction will be eliminated.”</p> <p style="text-align: right;">الْبَيْعَانُ بِالْخَيْرِ مَا لَمْ يَتَقَرَّفَا فَإِنْ صَدَقَا وَبَيْنَا بُورَكَ لَهُمَا فِي بَيْعِهِمَا، وَإِنْ كَنَّا وَكَذَّبَا مُحَقَّ بَرَكَةُ بَيْعِهِمَا</p>
Rāzī	<ul style="list-style-type: none"> - Muslims have an awareness that things can have more value than what is apparent because of barakah <p>When Allah declares that He alone increases and decreases wealth, this implies that one should never hold back from giving freely, for if Allah gives then charity will not decrease one's wealth, and if He restricts then holding onto one's wealth will not increase it</p>

<p>Giving to family</p> <p>Qur'an</p> <p>Modern research</p>	<p>We are commanded to give generously to our relatives, the poor, and travelers</p> <p>"So give the relative his right, as well as the needy and the traveler. That is best for those who desire the countenance of Allah, and it is they who will be successful"</p> <p>Recent neuroscience research has found that people who believe in the obligation to help family and kin find giving money to them to be just as personally rewarding and pleasurable as receiving money themselves</p>
<p>Charity gains versus interest</p> <p>Qur'an</p> <p>Qur'an</p>	<p>Allah informs us that money invested in interest-bearing assets do not grow from His perspective, which is the only perspective that truly matters</p> <ul style="list-style-type: none"> "Whatever you lend out in usury to gain value through other people's wealth will not increase in God's eyes. But whatever charity you give, seeking Allah's pleasure, it is such people who multiply (their wealth in real terms)" <p>Charitable investments go further than interest-based investments due to the presence of barakah:</p> <ul style="list-style-type: none"> "Allah destroys interest and gives increase for charities."
<p>Hadith</p>	<p>"The generous one is near to Allah, near to Paradise, near to the people, and far from the Hellfire. The miserly one is far from Allah, far from Paradise, far from the people, and near to the Hellfire."</p> <p>السَّخِيُّ قَرِيبٌ مِّنَ اللَّهِ قَرِيبٌ مِّنَ الْجَنَّةِ بَعِيدٌ مِّنَ النَّارِ وَالْخَلِيلُ بَعِيدٌ مِّنَ اللَّهِ بَعِيدٌ مِّنَ الْجَنَّةِ بَعِيدٌ مِّنَ النَّاسِ قَرِيبٌ مِّنَ النَّارِ</p>
<p>Islamic mindset versus Capitalist mindset</p>	<p>The diagram illustrates the two financial mindsets through a series of interconnected statements:</p> <p>Islamic Financial Mindset (Top Row):</p> <ul style="list-style-type: none"> My wealth belongs to Allah Wealth is a test Allah gives with infinite wisdom I have an abundance Mindset <p>Capitalist Financial Mindset (Bottom Row):</p> <ul style="list-style-type: none"> My wealth belongs to Me Wealth is due to my efforts alone The economy gives Scarcity mindset <p>Connections:</p> <ul style="list-style-type: none"> From "My wealth belongs to Allah" to "I am merely a trustee of wealth". From "Wealth is a test" to "I will be asked about how I used my wealth". From "Allah gives with infinite wisdom" to "I am content with what He gives me". From "I have an abundance Mindset" to "I feel blessed and not deprived". From "My wealth belongs to Me" to "I can do what I want with my wealth". From "Wealth is due to my efforts alone" to "I need more". From "The economy gives" to "It's a dog-eat-dog world". From "Scarcity mindset" to "I need more".