



## **CAUSES OF INFLATION IN SRI LANKA AND THE SOLUTIONS PROPOSED BY ISLAM**

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### **Abstract**

The success, development and stability of a country can be determined through how that country solves its economic problems and through micro and macroeconomic indicators of that country. Macroeconomics is the branch of economics that studies the behavior and performance of an economy as a whole. Changes in this indicator will have an impact on the dynamics of economic growth. From an economic point of view inflation means that the purchasing power of the currency of that country decreases in the domestic market due to the general rise in the prices of commodities in the market. Inflation has occupied most countries today. Inflation has become one of the most complex problems faced by the communities, not only in the developing countries but also in developed countries. High inflation rate has adverse effects on the economic performance of a country. Accordingly, this study aims to identify the causes of inflation in Sri Lanka and the solutions given by Islam for them. The data for this qualitative study were obtained from secondary sources such as research articles, books, journals, web articles, publication reports and records. According to the study, the main causes of inflation in Sri Lanka are such as internal political conflicts and civil war, decrease in the value of the rupee, increase in government debt, money supply, government expenditure, increase in public and private investment, natural disasters, changes in import and export prices, and shifts towards export-oriented industrialization. In addition, the study explains the followings as a solutions to them given by the islam, such as prohibition of interest and replaced it with the trade based on profit and loss sharing, obligation of Zakat tax, the prohibition of hoarding business, the prohibition of waste, encourages of the hard work, provide excellent guidance in the matter of credit and the administration of the State. The study also discusses the recent trend of inflation in Sri Lanka and identifies various indicators used to measure Sri Lankan inflation.

**Keywords:** Inflation, Causes, Solutions, Islam

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