

Shari'ah Model of Foreign Exchange

By

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Abstract

Foreign exchange (FOREX) market is not a new phenomenon in the applied economic environment, which acts as a centre for facilitating legitimate currency conversion from one to another in standard and acceptable value. In a FOREX market, buyers and sellers trade (exchange) one currency with another on a published (indexed) rate of value.ⁱ As a sale contract, the currency of the seller and the currency of the buyer both position as the consideration in the deal, while the subject matter of the contract is the act of exchanging two different currencies. In Islamic money market such transaction is recognised and is known as al-Sarf, which is justified by the Shari'ah principles. Allah (swt) directed mankind to exchange goods and utilities through buying and selling (trading) with mutual consent without allowing any wrongful objective or element involved herein. Because, the rational outlook of a legitimate transaction is to ensure a just and comfortable socio-economic status quo for all, besides encouraging mankind to be productive.ⁱⁱ Allah (swt) thus, commanded to the effect: "O you who believe, do not consume your property among yourselves wrongfully, but let there be trade and traffic by mutual consent..."ⁱⁱⁱ

The purpose of this research is to discuss the issues pertaining to FOREX or currency exchange model under the Shari'ah principles. The main issue with regard to currency is to establish whether paper currencies fall under thaman haqiqi (gold and silver), or thaman istalahi (inferior metals which serve as means of exchange). If paper money is considered as thaman haqiqi, subsequently, the concept of bai-sarf (exchange) must be applied to them. A further analysis ought to be made to rule out possible issues that facilitate FOREX (trading) under the broad principles of Shari'ah.

ⁱ *The foreign exchange market*, Institute of Bankers Malaysia (<http://www.ibbm.org.my>), 20th March 2000 at p. 1.

ⁱⁱ Yusuf al-Qaradawi, *The lawful and the prohibited in Islam*, Hindustan Publications, India, 1986 at p. 252-253.

ⁱⁱⁱ Al-Qur'an, *Al-Nisa'*: 29.

The Potential Effectiveness of Financing Based on Musharakah and Ijarah on Agriculture: A Case Study of Pakistan

By
Shamim Saleem

Abstract

Microfinance has been identified as an important policy instrument that allows greater financial and social independence for poor and destitute by facilitating access to financial services for rural class. Microfinance institutions (MFIs) have mostly high concentration on providing self financing that generally is for women beneficiaries and aim at alleviation of poverty in all its forms. The principle purpose of microfinance institutions is to be social performing by reducing poverty. However, they have to reconcile this objective with financial performance by trying to be profitable and sustainable. The research paper is based on qualitative research. The researcher chose Pakistan and studied its agriculture financial sector, identified problems with present financial system developed a financial model based on Musharakh and Ijarah for farmers particularly and for sustainable development of rural in general where bank will provide all the assistance that includes technical as well as other assistance. It will provide credible alternative which allows poor population to have access to basic financial services at low cost.

The Need of Adequate Policies for Collection & Distribution of Zakat

*By
Muhammad Zeeshan Farrukh*

Abstract

The proper collection and effective distribution of zakat in an appropriate manner is one of the biggest challenges of the present day Muslim world. Zakat might be the very important source of revenue for the Muslim states particularly for the poor Muslim states. This paper elaborates the commandments of Almighty Allah with respect to collection and distribution of zakat along with practice in the early Islamic period and highlights the problems and issues of Muslim states regarding collection and distribution of zakat particularly with respect to lack of confidence of the people upon the public officials. Therefore, it is observed that the majority of the Muslims prefer to perform this religious duty themselves without any involvement of the government. This behavior is the biggest hindrance in an effective utilization of this large source of revenue in the Muslim states. This paper gives suggestions how to build and revive the confidence of the people as they can think to use this money on a large scale rather on a small scale with the peace of mind that their money will be utilized and distribute more efficiently and effectively. This paper deals this issue not only on the national level but also on international level keeping in view the constructive usage for the prosperity of the Muslim population living both in Muslim or non-Muslim states.

Shariah Ruling of Bill Discounting and its Alternative

(Bai Salam in Currency)

By

Uzair Ashraf Usmani

Abstract:

With the growing use of financial services in international trade, the importance of bill discounting is not beyond comprehension. It is undoubtedly one of the most important tools of trade financing. Now, it has become very easy for importers and exporters to sale any product to a complete stranger anywhere in the world and get the bill against it discounted before its maturity date. That is why; this tool is in the practice of all conventional banks. But, regarding Shariah rulings, the prevailing practice in conventional banks is not Shariah compliant as this transaction consists of debt sale and interest. But, due to its vital need, Islamic Shariah jurists have stepped forward with its different alternatives based on Murabaha, Wakalah, Musharkah and Bai Salam in currency. In this article, we have covered the rationale behind the Shariah rulings of prevailing bill discounting in conventional banks and addressed the Bai Salam as an alternative in currencies and its executive model in Islamic banks. Furthermore, we have discussed the different opinions of modern scholars regarding these issues.

Islamic Bonds: Economic Benefits and International Political Risk

Mathematical Theorizing - Thinking outside the Box

By

Ghada Goma A. Mohamed, PhD, PDF

Abstract

This paper makes a comparison between the Islamic bonds "Sukuk" and the conventional bonds within a classical theoretical framework. The paper uses the simple open economic version of the Solow model as a classical model to show the possibility of adopting Islamic bonds within a secular economy from one side and the economic benefit in addition to the possible political risk behind adopting such different financial instrument from the other side. This paper is considered a different way of thinking outside the mainstream boxes. It gives an indication of the evolution of different types of economic thought that could be added to the economic literature in general.

Islamic View on Money Laundering and Terrorist Financing

By

Muhammad Fayyaz, Muhammad Subtain Raza

Abstract

Money laundering and terrorist financing are global threats for global economy, security and society. Islam is not just a religion; it is a comprehensive system that includes all aspects of human life. Islamic law cannot be separated from its moral, ethical and religious principles. This paper is an endeavor to highlight the Islamic legal framework's contemporary perspectives to denounce the money laundering, other economic crimes and terrorist acts. Further this paper signifies the Islamic approach on financial crimes and appraises its uniformity with the international conventions in this arena. The first part of paper introduces the basic concepts, related offences and international conventions on money laundering & terrorist financing. The second part accentuates Islamic viewpoints and compliance regime on two menaces. Final part concludes that Islam encompasses all affairs of human life and provides a regulatory system to repercussions of money laundering and terrorist financing and deprecates them even today.

Economic Systems Human Thoughts and Islamic Precepts

*By
Maher Kababji*

Abstract

Fallacies are the root of the technique of thinking in economics. By the lapse of time these fallacies have been blindly accepted as if they represent a part of the natural life which people have to live with. The outcome is that present economic systems failed to realize prosperity. This paper aims to highlight the pitfalls in economic thinking, introduce the basic concepts of Islamic economic system, and present an integrated economic system in light of the Holy Qur'an and the sayings of the Prophet (Pbuh).