

بسم الله الرحمن الرحيم
الحمد لله رب العالمين والصلاة والسلام على سيد المرسلين وعلى آله وصحبه أجمعين.

Analysis of Interest {Riba} In Islamic Law

Definition of interest and its characteristics

By
Dr. Mohammad Nawaz {al hassani}

Abstract

Muslim jurists have defined interest {Riba} in their valuable classic books taking account of all that was relevant. However, the contemporary scholars are of the view that the meaning of riba is not clear and Islamic law has not defined riba comprehensively, therefore, it is necessary to define riba in a way that gives its clear picture. There is also the need to explain the Shariah standard of riba and its parameters and how it is different from the sale contract?

This article analyzes the definitions of interest {riba} made by classical scholars and tries to support the preferable definition of riba in the light of relevant texts of the Quran and Ahadith.

It also points out the different types of property where riba may be involved such as moveable or immoveable property and fungible {mithly} or non-fungible {qimi} property and usurious and non-usurious property. Besides, it explains the Shariah standard of interest. In short, this article is a humble attempt to give a comprehensive and exclusive definition of riba and elaborates how it differs from other excesses.

Qard Hasan as A Substitute for Social Loans in Libya: A New Approach

By
Dr. Hussam I. Asbeig

Abstract

The aim of this paper is to introduce Qard Hasan (benevolent loan) as a sound substitute for the low-interest social loans that were abolished since the adoption of the full-fledged Islamic banking system in Libya. The paper reviews the literature for the prevailing practices of Qard Hasan and afterward focuses on the case of Libya in order to propose a new approach that may be more convenient for implementing Qard Hasan in the Libyan banking industry. The paper finds that non-profitability and lack of sufficient funding are mainly the reasons why Qard Hasan is not significantly practiced and therefore took its stereotype characteristic as an ethical subject. Thus, the proposed framework is designed to deal with these issues so that Islamic banks in Libya can significantly substitute Qard Hasan for the interest-based Social Loans. The proposed approach may help bridge the gap between conventional and Islamic banking by providing cash to their customers in the form of Qard Hasan without affecting their loanable fund. Locally, the applicability of the proposed framework is expected to support the transition to an Islamic banking system in Libya and deepens public satisfaction with Islamic banking services. Unlike the prevailing experiences and practices that try to encourage Qard Hasan through public funds and charity, this paper proposes regulatory adjustments to facilitate Qard Hasan provision and hence instrumentalize Qard Hasan as a liquidity management and monetary policy tool as well as compensate Social Loan seekers with a Shariah compliant social loans.

Benchmark Rate in Project Valuation & Security Analysis in an Islamic Economy

By
Salman Ahmed Shaikh

Abstract

This research aims to explore the issue of how to price capital, appraise projects and value securities in an Islamic economy. An Islamic economy does not allow interest based financial system. Financial intermediation in an Islamic economy will principally revolve around equity based modes of financing. Still, a problem arises in the valuation of cash flows that are spread over time. In this paper, we explore the possibility of using the nominal GDP growth rate as a benchmark rate for financial valuations. We discuss the issues in using the benchmark from both Islamic principles point of view and the economic and financial point of view. We present empirical evidence using different tools of descriptive statistics. Section 1 discusses the problems with pricing benchmark. Section 2 gives an extensive literature review on this topic. Section 3 presents the proposal. Finally, Section 4 gives a detailed analysis and application of the proposal.

Charity Funds in Islamic Banking Institutions (IBI) – A Conflicting Policy

By
Munir Mansuri

Abstract

Islamic banking and finance is quite a new phenomenon in finance industry. It is aimed to cater to those who want to engage in banking without interest. Almost around five decades old now, the faith based banking idea now is not in its infancy age anymore, but is still in the developing stage. In the light of experiences gained during past few years, it is right and due time for the policy makers, regulators specially, to review their policies to see whether the journey is in the right direction or not. Status of achievement of desired objectives should be the top criteria to assess the performance, progress of Islamic banking operations, Islamic banking institutions and allied set ups. The policy of creation and maintaining charity funds by IBIs is one important area that needs regulators' attention and review as it has some conflicts of interests. The funds, not belonging to IBIs, may be used for their benefits. Unnecessary delay in distribution of amounts available in charity funds (a period of two years), creates serious doubts and addressable concerns. Therefore, situation needs policy review, whether to continue with the current practice i.e. to be maintained by IBIs or to consider setting up a separate independent and national level fund to collect and manage such charity amounts in more prudent, effective and useful heads. This write-up addresses this issue and

An Insight into Sharī'ah Contracts Used to Structure Current Accounts of Islamic Banks

By
Muhammad Abu Bakar

Abstract

Purpose- The purpose of this research is to present a comprehensive analysis of Sharī'ah contracts, used for structuring current accounts of Islamic banks, and find out the impermissible practices. Precisely, this paper attempts to discuss *Qard*, *wadī'ah* and *tawarruq* contracts and potential Sharī'ah issues with regard to their applications in current accounts of Islamic banks.

Design/ methodology/ approach- Library-based research are adopted. In this regard, the classical fiqh literature, writings of scholars, resolutions and standards from International organizations and Sharī'ah councils and policy documents of Bank Negara Malaysia were carefully analyzed.

Findings- Our research finds that *wadī'ah* is only used for trust-based safekeeping originally. Therefore, it is not suitable for guaranteed current accounts. Furthermore, this research finds that the structure of *tawarruq* for the current account is not acceptable according to the majority of scholars including AAOIFI. That's why, it is suggested that the *Qard* shall be used for structuring current accounts rather than *Wadī'ah* and *Tawarruq*. In addition, it is argued that the current practice of *hibah/gift* to current accounts holders is not advisable as it would tantamount to *riba*.

Originality- To the best of our knowledge, this research is a value-added contribution to the existing literature on Islamic financial contracts as it gives some important suggestions and implications in order to improve the Sharī'ah compliance of contemporary applications.

The Role of Cash Waqf in Achieving a Mechanized Agriculture in Nigeria

By

Ibrahim Mohammed Lawal

Abstract

Revamping agriculture has been the top agenda for government and Non Governmental organization (NGO's) taking into cognizance the rate of poverty and hunger that is ravaging the people of the world where Nigerian is not an exception. This is majorly attributed to inadequate food supply arising from the method of production adopted. This is against the backdrop that majority of the farmers in the country are small farmers who rely on the traditional method of production. To remedy this situation creates the needs to mechanize the agricultural system of production. Though, adopting this method of production, the financial capability of the farmers is a determining factor. Government has been spearheading this drive to mechanize its agricultural system but the resources at its disposal are very limited. The dwindling drop in oil prices in the international market, has been negatively affected revenues. This necessitates the need to adopt a waqf system, most especially the cash waqf where it will be incorporated as financing instruments like ijarah, musharakah to these farmers on cooperative basis. The study concludes that by rendering such services to farmers will gradually change the paradigm in terms of the practice of agriculture. i.e it will phase out the traditional agriculture to a mechanized agriculture. Furthermore, the study recommends that an act for setting up waqf should be formulated or a unit should be carved out of the existing structures, public awareness should be properly done, central registry of waqf should be created and such system should be digitalized so as to make collections easier.

The Acceptance of Islamic Credit Card in Brunei

By

Qaisar Ali, Hakimah Yaacob & Asma Salman

Abstract

The recent development in Islamic banking has uplifted the demand for Islamic banking products and services including Islamic credit card (ICC). The main focus of this study is to understand and analyse the factors influencing the acceptance of ICC in Brunei. The theory of reasoned action (TRA) was modified to categorise and determine the factors influencing the acceptance of ICC. Sample data were drawn from 210 Islamic bank customers through a convenience non-probability technique using a self-administrated questionnaire. Multiple regression analysis was performed to categorize the most influential factors. The findings revealed that subjective norms, media awareness and attitude were the most influential factors and had a significant positive impact on the acceptance of ICC. Furthermore, the perceived financial cost had an insignificant negative and reputation had an insignificant positive impact on the acceptance of ICC. The findings suggest the regulators, policy makers and Islamic bankers to enhance the awareness of ICC through electronic and social media to create a better reputation and image. The findings further suggest Islamic bankers to customise ICCs based on customers' demographic characteristics to maximise ICC acceptance. This study contributes to the literature by filling the knowledge gap through empirical findings from a single country analysis based on ICC facility in Brunei.

Islamic Banking in Somalia; Challenges and Opportunities

By
Daud Dahir Hassan

Abstract

Nowadays, we hear about the emerging of Islamic banking in Somalia. The most important purpose of this study was to gain the challenges and opportunity that are facing Islamic banking in Somalia. The methods and procedures used in gathering data was primary and secondary data. Document review questions and personal interviews were used to gather data for the study. Research papers on Islamic banking, textbooks, magazines, and websites were used to analyze information for the purpose. To be specific, research finding shows that The absence of Sharia advisory board in the country, lack of active central Bank and Lack of Financial institution, Lack of awareness and proper understanding is one of the challenges that facing Islamic Banking in Somalia. On the other hand, the research findings show that there are greater opportunities in the Somalia for Islamic banks because the social acceptance for Islamic banking and finance in the country is higher compared to conventional banks, and the existing of some informal practice of Islamic banking products facilitates to have a formal Islamic banking system.