

COMPARATIVE ANALYSIS BETWEEN CONVENTIONAL AND RIBA-FREE BANKING

Muhammad Idrees, Research Scholar Dept. of Islamic Studies, Federal Urdu University, Karachi. idreesphd20@gmail.com,

Hafiz Muhammad Sani, In-Charge Dept. of Quran-o-Sunnah, FUUAST, Karachi.

ABSTRACT: Modern age is the age of financial challenges, and it is a great fact that the riba free financial alternate has overcome the whole financial globe. The Islamic Banks are more important than the conventional banks. The differences are very clear between the two, because the conventional banks provide loans only on riba basis, which is obviously against the Shariah. It is therefore the expert Islamic Jurisprudents brought forward its solution which is according to the Shariah and also is conformed to the financial rules. More and more researches are going on, and the Islamic Jurisprudents as well as the financial experts are satisfied with the systems that are being brought forward. In this article I have explained the difference between the two systems, i.e. conventional and riba free banking systems.

KEYWORDS: financial alternate, riba free, Islamic Jurisprudent, Banking.

Introduction

Islamic law does not recognize such matters as transactions and interest, in which any aspect of illegality can be clearly defined, so for that purpose the Shari'ah has identified several important elements, including commercial and business and financial matters. Avoiding the transaction is just as important, in this regard, the most important aspect of the gambling prohibition, which draws a distinction between defining false and corrupt doctrines, which would lead to nullity and corruption in any case.

Forbidding of Riba:

It is no longer a matter of two opinions that the interest and interest transactions are great sins that has been made clear by the Quran, Sunnah and other Shari'ahs. The Scholars and Jurists have worked extensively to protect Islam and Muslims from the curse of interest.

Qimar (Gambling):

In any case in which an amount is charged on the basis of an unforeseen event such that the moneylender loses the amount or receives its double. For example, two people in the race say that if you go ahead, I will give you a thousand rupees and if I go ahead, you will give me a thousand rupees. As if in this case each of the two parties is likely to take the other's property or pass on his wealth to the other on account of this unforeseen event, and whatever is true is called "gambling".

Gambling Prohibition

The basic concept of Islam is that every person should benefit from his or her own hard work and struggle, therefore, trade is not only justified but also better, that the trader receives his hard work and intelligence; and any means by which to exploit the poor without labour, has been prohibited in Islam.

قمار and ميسر in Arabic are synonym words, which are translated as Wagering Gambling.

The verses of the Qur'an which have described gambling as invalid or forbidden

يسئلونك عن الخمر والميسر قل فيهما اثم كبير ومنافع للناس واثمهما اكبر من نفعهما¹

They ask you about wine and gambling. Say, "In both there is great sin, and some benefits for people. And their sin is greater than their benefit."

Almighty Allah said in Surah Al-Mayeda: يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رَجْسٌ مِّنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ لَعَلَّكُمْ تُفْلِحُونَ²

O you who believe! Wine, gambling, altars and divining arrows are filth, made up by Satan. Therefore, refrain from it, so that you may be successful.

In these two verses the words قمار and ميسر are used that in Arabic are synonym words and used for gambling.

Muhammad Bin Sereen, Mujahid, Saeed al-Musayyib. Saeed Bin Jubair, Qatada, Hasan Basri, Tawoos, Ata Bin abi Ribah, Suddi and Zahhak said that the قمار and ميسر are in same meaning.³

Emphasis to avoid gambling:

Holy Prophet H stated: من قال: تعال أقامرك، فليتصدق.⁴

Whoever says to another: 'Come, I will gamble with you,' he should give some charity.

The odds of gambling outweigh interest:

According to Allama Ibn Taymiyah, gambling is worse than interest because there is only one defect in interest, that is obtained illegally and forbidden; while gambling is a drawback, and it is forbidden to make money in a forbidden way, and the other reason is that it has also forbidden game. Furthermore, it prevents from prayer and worship, as well as causing mutual jealousy. That is why the Qur'an and other resources witness that the gambling was forbidden before interest.⁵

The modern era and international gambling market:

In the current era, gambling-related trade and commerce is widely practiced. Banks and financial institutions uncover new schemes and certificates, which are common to gambling. Insurance and other matters are introducing ways that are a total gamble. These all continue from regional to domestic and internationally to small and large, as if gambling has become an integral part of trade. The society in which so much sin is common, if the concept and feeling of sin are removed from the hearts of people, then there is economic hardship, unemployment and the storm of inflation that will destroy everything such as prosperity, blessing and development.⁶

Bank and gambling:

In the context of financial institutions, all this discussion is related to lotteries, holding schemes and bonds, which banks continue to issue from time to time, and of course Islamic banks cannot issue any such scheme bonds which are obviously prohibited in Sharia'h. Although prize bond schemes may save investors' money, the rewards are related to the interest that comes from the accumulated capital. The default is to split

the bonds, the important aspect is that few people have the chance to win the prize without accepting any obligation, while other bond holders suffer losses, so the traditional bonding schemes can be ruled out.

Banking schemes:

The banks which run such schemes usually do not provide any profit to the participants, while many banks pay a modest sum to all the participants of the scheme and to the modest rate and capital accumulated for the majority of the participants. The huge amount of interest pays off to just a few of the millions of participants, which destroys the rights of the majority and benefits some illegally; besides, the impetus for participation in these schemes is to be rewarded overnight, it is not only un-Islamic but also contrary to all the moral principles of the economy and economics, these schemes devote valuable resources to the games of chance and gambling rather than to the real production sector.

غرر (Cheating):

The third major prohibition in the Islamic economic and financial system is غرر (cheating), which means the uncertainty or risk of being struck by the subject matter of an agreement or exchange, agreement or quote. Purchase or transactions in which there is cheating and confusion, are prohibited in Islam.

Literal Definition of غرر (Cheating):

The غرر (cheating) is a word of Arabic language. It literally means to cheat. In *Lisan al-Arab*: فهو مغرور وغرير : خدعه وأطمعه اللحياني غرر : غره يغره غرا وغرورا وغرة ؛ الأخيرة عن : بالباطل ؛ قال إن امرأ غره منكن واحدة بعدي وبعدك في الدنيا ، لمغرور.⁷

Qazi Ayaz رحمه الله تعالى says:

أصل الغرر لغة قال القاضي عياض: هو ما له ظاهر محبوب وباطن مكروه ولذلك سميت الدنيا متاع الغرور.⁸

Translation: غرر (Cheating): Something that is obviously preferred while inwardly masculine and unpleasant. It also means to deceive others, because if something is outwardly beautiful, then the buyer will buy it willingly, but in reality will suffer from internal defects and defects, which will deceive him.

Definition in Islamic Law:

In the jurisprudence the term غرر (Cheating) refers to a matter whose result is unknown, in English it is uncertainty.

The jurists have explained the concept in different ways⁹:

The Qur'an does not mention the rulings of غرر (Cheating) in any detail, but the rule is stated, under which all forms of غرر (Cheating) are entered and it is forbidden to eat one's property illegally.

The Qur'an prohibits the use of illicit substances instead of others.¹⁰

أكل بالباطل (to eat illegally)

So Ibn al-Arabi Maliki writes: يعني ما لا يحل شرعا ولا يفيد مقصودا، لأن الشرع نهى عنه ومنع منه وحرّم تعاطيه كالربا والغرر ونحوهما.¹¹

Translation: It refers to things which are illegal and unprofessional for the purpose of the law, because the Shari'ah has forbidden them and made their affairs invalid as الربا and الغرر atc. Elsewhere, after mentioning 56 types of illicit matters, he says:

ولا تخرج عن ثلاثة أقسام وهي الربا والاكل بالباطل والغرر ويرجع الغرر بالتحقيق الى الباطل فيكون قسمين.¹²
Translation: All of these categories are of three types; ربا (interest), أكل بالباطل (to eat illegally) and الغرر (cheating), and الغرر (cheating) is included in invalid use, so there are two types: Allama Qurtubi after explaining various invalid issues in the interpretation of أكل بالباطل (to eat illegally) explains the reason:

لأنه من باب بيع القمار والغرر والمخاطرة.¹³

Translation: Because it has faults like قمار (gambling), غرر (cheating) and مخاطرة (risk).

The meaning of غرر (cheating) in the age of جاهلية ignorance):

Prior to Islam, ignorance was practiced in a variety of matters, but these matters were not subject to any Shariah rule, but were based on their own traditions and customs. It was not that such a matter was invalid because of its orientation, but rather that the matter which its alias justified, they could pass it on, whether it was or not.

So just as there were legitimate issues at the time: like participation and interest, there were a large number of cases, in which the dominant aspect was prominent, such as: بيع الحمل (Sale of Pregnancy), بيع المناذبة (*bai' al-munabazah*), بيع الحصة (*bai' al-hasaat*) etc. Al-Shaykh Ali al-Khafeef writes about the mutual issues of illiteracy era: وكانوا يتحالفون ويتبايعون ويتداينون ويرهنون ويتجرون ويتنازعون ويتحاكمون ويتناكحون وكانوا في جميع ذلك خاضعين لعادات جارية أو تقاليد موروثة أو عرف مألوف أو متبعين ديانات سابقة وكان كل أولئك الى حد ما باختلاف القبائل ومتأثرا كذالك بهوى رؤسائهم.¹⁴

Translation: At the time of illiteracy era, people swore to one another, worshiped, held mortgages and trade with each other, quarrelled among themselves, then made their decisions, got married among themselves etc., all this in imitation of their ongoing habits, climate were based on the traditions of the former religions, and they were widely disputed because of the ethos of the tribes, as well as being subject to the orders and wishes of their chiefs and elders.

Conversion after Islam: These matters changed after the conversion to Islam. Islam did not declare all affairs issued as illegal, but all of which were in accordance with Shariah principles, they retained and allowed; and those who needed a little improvement, to change it and to adopt it were changed accordingly; and even with the change it was difficult to reform, this is deemed invalid. The issues that are maintained as they were, are مضاربة *mudarabah* and شركة partnership; and those issues are slightly improved, among them are بيع السلم *Bai' al-Salam* and بيع الجزاف (*Bai' al-Juzaf*), and the matters which were declared invalid, among them, were بيع الحمل (Sale of Pregnancy), بيع المناذبة (*bai' al-munabazah*), بيع الحصة (*bai' al-hasaat*) etc., the main reason for calling these cases invalid was because there were subversive elements, this showed that the concept of غرر (Cheating) is found in Islam, the Arabs of ignorance of the time were completely unknown from this.

Modern forms of غرر (Cheating): Lottery:

The lottery is actually the name of a scheme in which different people put a certain amount of money at stake to earn a prize based on a draw, resulting in a draw whose number falls on the list of winning numbers, is given and whose name does not come, he loses not only the reward but also his original money.

Definition of "lottery" in the Concise Oxford Dictionary:

Arrangement for distributing prizes by chance among purchasers of numbered tickets.¹⁵

Reward distribution schemes:

Some schemes are such that it is announced within them that such fixed amount, such as Rs.100/= tickets will be sold. There are usually thousands of participants, but the prizes are few, distributed through a draw, which is awarded to the ticket holders whose prizes come through the draw.

Membership Schemes:

Nowadays membership schemes are much more prevalent, when these schemes were launched, their method was initially that the distribution of prizes was just the basis of membership, each member was charged a fixed fee and who the more members he makes, the higher his name goes and the more he gets rewarded, this is clearly a case of قمار "gambling", as well as the schemes that may not be so popular among the public, so various companies have begun to offer new members something for their fees, for example, someone gave a medicinal powder, someone gave a massage machine, someone gave a beauty cream and someone specialized on a computer course or computer (Space) facilitated, their products are usually not available in the market and not everyone can buy them, but for some former member, he buys the above product, which shows that the real purpose is not to buy or sell goods, but to earn money through membership.

It is true that if a person's intention is to buy something that is being offered in exchange for membership, which is priced at the same price as the market, then it is permissible to buy the goods of these companies. Taking a look at the overall situation of these schemes shows that such schemes are actually designed to raise money only, so if the individuals involved in such schemes continue to make more members in accordance with the laws, they can get a lot of money from the money deposited, but if a person is not able to become a member or his chain (Chain), none of them obey the rules, so he loses his deposit.

Investment Companies Prizes Schemes:

The third type of incentive schemes are those that are used by various trading companies to create their own products, for example, the tea sales company announces that if a person buys our company's canned tea box, the piece of the packet that has the exact number on it is reserved. However, as a result of the draw, the number will be split among the holders of the coupon with those numbers.

Islamic Economic Ethics and Attributes:

Along with the important and fundamental prohibitions, such as ربا (interest) غرر (cheating) قمار (gambling), Islam also provided some of the ethics and attributes that adoption brings about the basic structure of economic activities, especially commercial and financial deals. The Qur'an and Hadith refer to the rules and regulations which relate to the rights and duties of the parties involved in the *Uqood* (covenants) and to **emphasize justice, mutual cooperation and truth**, with a directive to avoid fraud, misrepresentation, injustice, and exploitation, a strong welfare provides the basis for a convincing conviction. These principles are related to the responsiveness of human beings to the Lord's presence. One of the core beliefs of Islam is belief and belief in the Hereafter, whose principle requirement is that no one should seize one's rights.

Principle of Shariah:

The principle view of the Shari'ah is that Allah Almighty forgives his rights (neglect in worship) by his grace, but does not forgive the wrongs done to any other creature, unless the rightful or affected God forgives him. Giving people their rights in a better environment, in the best way, is one of the key components of Islamic ethics.

Transparency of the matter:

Welfare activities should be pure and legitimate income, transparency of the transaction, documented evidence of the transactions, resulting in the clear transparency of the transaction by clearing all kinds of ambiguities and consequently the rights and duties are clear. Social trade is part of the rules and regulations. We will briefly review these principles below.

Fair Justice:

In all economic and commercial activities, justice is the most important principle. Balancing fairness, equality and balance with all. It is the justice of Allah Almighty that the system of the earth and the sky and the universe are moving towards their destination in their own place, this is the source of the piety: So Almighty Allah says: *ولا يجرمكم شنآن قوم على ألا تعدلوا اعدلوا هو اقرب للتقوى*¹⁶

"Malice against a people should not prompt you to avoid doing justice. Do justice. That is nearer to Taqwa. "

Emphasis on justice:

On another place, the Qur'an addresses the believers, emphasizing this point of justice: *يَا أَيُّهَا الَّذِينَ آمَنُوا كُونُوا قَوَّامِينَ بِالْقِسْطِ شُهَدَاءَ لِلَّهِ*¹⁷

"O you who believe, be upholders of justice - witnesses for Allah"

In the early days of Islam and later in the Middle Ages, a lot of work was done on the role of justice in the Islamic states, even with the admonition of fair dealing with enemies, was told.

The Truth:

Deception and lying are among the many sins, the Shariah urges Muslims to believe, to believe in the truth, and to take care of others, especially as the importance of these directives increases in commercial transactions and matters.

التاجر الصدوق الأمين مع النبيين والصديقين والشهداء.¹⁸

"The true and honest merchants will be with the prophets and saints and martyrs on the Day of Judgment."

The truth and transparency of the matter:

The Shariah has provided the buyer with the opportunity to see and examine what was purchased and strongly discouraged the fraud.

As the Holy Prophet H:

المسلم اخو المسلم ولا يحل لمسلم باع من اخيه بيعا فيه عيب الا بينه له.¹⁹

"A Muslim is brother of another Muslim, it is not permissible for a Muslim to sell anything having defect to his brother without disclosing it to him."

Cheating the new comer:

In this way, such a newcomer is not well aware of the layers of the bargaining process and interprets it as a betrayal. As the Holy Prophet H: غبن المسترسل ربا.²⁰

The deception of *mustarsil* is *riba*.

All stakeholders in the market should be aware of the quality of the goods, the price, the price of the customer and the demand for the goods, so that the goods being sold are worth checking, for the sake of transparency it is important that the transaction be in a place where people are aware of the supply and demand situation and are in a position to make decisions with all the relevant information in mind, to keep any important information confidential or to make an agreement in which the parties are unaware of the subject agreement, and comes in praise of ignorance, which is one of the most important prohibited.

Trust on agreement: Business, trade, economic and financial agreements have the rights and responsibilities of the parties and they have to fulfil their obligations according to the agreement. The Shariah emphasizes not only the rights, but also the fulfilment of unilateral commitments and bilateral agreements.

Almighty Allah Says: واوفوا بالعهد ان العهد كان مسئولا²¹

"And fulfill the covenant. Surely, the covenant shall be asked about (on the Day of Reckoning)."

Fair Pricing:

Islam does not forbid any lawful business or transaction, but that does not mean that there is unrestricted freedom in the deal, which is in line with the rules. Islam envisages an open market, defined by the forces of fair prices, supply and demand, and prices will be fair only if the result of the proper operation of market forces. There should be no interference between the free processes of supply and demand, so that there is no injustice to the suppliers and consumers.

(Gaban Fahish) Great Price:

The Holy Prophet H forbid (*Gaban Fahish*) Great Price, which means selling something expensive, but giving the buyer the impression that the item is being sold at the market price. The price of an item is determined by the trader's profit in addition to the raw materials used in its manufacture, production cost, transportation

and other costs. If a person appears to sell in the market for less than his or her generosity and for the benefit of others, it will cause problems for others, which in turn will affect their supply and ultimately harm the people.

Ruling on attributes such as welfare:

Islam mandates attributes such as welfare, but its requirement is that it does not create problems for the real business, but if common interest elements disrupt the market forces or create artificial shortages, in order to start stocking, then it is the responsibility of the state or the regulatory authorities to take appropriate action so that the forces of supply are functioning properly and there is no undue interference, provided that all relevant parties, in order to protect the interests of the Islamic State, it is important not to allow the Islamic State to create a deterioration, thus the basic prohibition of livelihood Should be kept free from catastrophic diseases like gambling etc.²²

Only divine authority:

The prohibition of rubbish, gambling, warehousing illicit goods and services, these are just a few examples of divine restrictions and all of these restrictions together have a cumulative effect on the economy, resulting in economic balance, a fair share of wealth, equality exists in terms of opportunities for distribution and economic activity.²³

Satisfactory and Reasonable Happiness:

This matter is satisfactory that the tendency towards Islamic Banking is increasing day by day which is causing not only Islamic banks, but also the pre-existing conventional Banks are establishing the Islamic banking windows. It not only shows the fact that Islam is the only religion which has the potential to guide new problems that will arise even after fourteen centuries, as well, it is clear that Muslims now do not confine their practical life to mosques and monuments but rather they decided exclusively ones adhere to Islamic financial transactions as well. The fact is that the economic system of Islam is not a purely ideological philosophy which the world has never seen and practiced in real life, but this system has been practically implemented in the world for hundreds of years, and its blessings are present every now and then. Everyone in the country has witnessed.

The current economic system and its adverse effects on distribution of wealth:

It is a fact in its place that the economic system prevailing in the world creates economic unrest. The capitalist system is based on the exploitation of the masses, and in contrast, the socialist system does not recognize the rights of the common people in the financial activities. Both of these systems are false and unnatural; the investment and banking system has a negative impact on the economy and distribution of wealth. But the growing business crowd still needs a financial connection, and in the present case, it cannot be ignored for that reason, and that is the bank.

The Boundaries of Research and Shariah Experts:

In Islam there is a wide range of discussions for the purpose that Islamic societies can make customized changes in their procedures according to the changing needs of the times. In addition, certain rules have been given separate directions for emergencies which benefit when needs be raised, but the work is very critical and this is where the boundaries of research and distortion meet each other, so only those are the actual persons who have spent their entire life understanding the Qur'an and Sunnah.

A few principles:

There are a few basic things to keep in mind before discussing interest (*Riba*) bank alternatives.

(1) Does alternative mean to maintain the existing banking system?

Finding alternatives to interest banking does not mean that the way the existing bank is doing, they should continue to perform the same tasks, because if everything is the same, that has been happening so far, there is no need for "alternative modes".

"Alternatives" means that a procedure should be adopted to carry out the functions of the bank which are necessary or useful in the proposed trading conditions, which are within the purview of the principles of Shariah and which serve the economic purposes of the Shariah and things that are not necessary or useful in accordance with Shariah principles and which cannot be adapted to Shariah principles should only be looked at.

(2) Does the Shariah alternative mean maintaining the prior profit ratio of the parties concerned?

Since the prohibition of interest impacts the entire distribution system, it would also be wrong to expect that the benefit ratio for all relevant parties will remain the same, as found in the interest system. It is, of course, the fact that if the Islamic rules are brought to fruition, that proportion can change drastically, but rather that changes are inevitably needed for an ideal Islamic economy.

(3) Utilizing individual savings:

This aspect is useful in the bank's activities nowadays, but in view of the current economic situation, it is important to unite people's individual savings and use them in industry and trade. If these savings are kept intact, they could not have benefitted from the promotion of trade and commerce, and it is not desired.

The only way of conventional banking system is loan:

But the way that banks have taken to engage these savings in industrialization and trade is a loan way, so these companies encourage investors to invest the financial resources of others for their own benefit, use the majority of the wealth generated from these resources to remain with them, and the real owners of the capital do not have the opportunity to rise, transacting, it does not matter how much profit this business is having, how much profit does it make? And who is benefiting from it and who is harming it?

The Bank is a trading company in accordance with Islamic rules:

According to Islamic rules, the bank cannot remain as an institution whose job is to transact rupees only, instead it will have to become a trading firm, which will collect the savings of many people and help them. Invest in real business and all the people whose savings he has accumulated, be directly involved in the business and their profits are linked to their profit, which is ultimately being done, so the alternative to interest banking the system will be proposed not to object that the bank has relinquished its previous position and has become a trading entity, as it cannot meet the need, which is looking for a replacement system.

(4) Making the new system not workable due to problems:

Fourthly, there are always difficulties in replacing a system that has been frozen for centuries and replacing it with a new one; but if a change in the system is necessary, then only because of these difficulties to declare that the new system becomes unworkable, is not correct in any way. On the other hand, in such cases the solution to these problems is to be sought.

The Shariah procedure of Banking:

After this, the proposals that are now offered for conducting banking in accordance with Shariah principles are that banking is abilateral system. On one hand it is related to the people who put their money in the bank, on the other hand it belongs to them whom the bank finances. Both these types of relations are discussed separately.

Relationship of bank and depositor:

In the current system, the money that is kept in the bank is now called "امانت (trust)" in banking term, but from a jurisprudential point of view, it is in fact a loan. If the bank is run in an Islamic way, then "trustees" with this the bank will deal with partnership or *mudarabah* "trust financing contract", in this way the money will not be a loan, but the situation will now be that the depositors will be *rabb-ul-maal* or "silent partner"/financier and the bank will be *mudarib* or "working partner" and the invested capital will be *rasul maal* or "capital". The bank will not be obliged to pay interest at any particular rate, but the profit will be distributed according to the fixed ratio on the total profit.

Current account:

The Banks still do not pay any interest to the depositor in the "Current Account". In Islamic banking as well no profit will be paid to the depositor and the money kept in the current account will be treated as a non-interest bearing loan given to the bank by the depositor.

Practical difficulty in switching to partnership or *mudarabah*:

However, the practical difficulty in switching to partnership or *mudarabah* is that the general rule of partnership is that the money of all the account holders should come together in a joint account and divide the profit and loss among all the participants by calculating the profit and loss at the same time. But this is not applicable in a bank, because there is a constant flow of people depositing and withdrawing money. Although the fixed deposit has a withdrawal period, but no deposit time, everyone can

open a fixed deposit account every day and the savings account has neither withdrawal date and nor deposit date.

One Solution:

One way to do this is to change the system and require people to deposit money on a certain date and withdraw it on a certain date, and the period of participation should be fixed quarterly or monthly; and at the end of each period after calculating the profit and loss, its distribution comes into effect.

Difficulties:

But in this case, first of all, it will be difficult for people to keep money in the bank, keeping it on the same date and withdrawing it on the same date will also put pressure on the banks and as a result many savings will be left unused.

Another way:

Another method of distributing profit in the participation of banks is proposed by some constituencies, which is called accounting on daily production (Daily production basis) to improve accounting, that is to say, the purpose of this proposal is to give participants the freedom to deposit or withdraw money from the bank as per the rules specified, but when a period of participation is over, it should be seen that how many days the money remained in the bank and what was the average profit per rupee? Then the profit should be distributed on the basis of the amount of money the person stayed in the bank during that period.

An objection:

From a Shariah point of view it may be that the distribution of profits in this way is approximate. it is feared that some part of its real profit will go to the other, for example after six months the profit is distributed, if the profit is higher in the first three months of the six months and the profit is less in the last three months, the amount of Zaid remained in the bank during those six months and the amount of Umar remained in the bank for the last three months and the profit will be equal to the day, so, in this case, part of Zaid's real profit will come to Umar. There is no doubt that this form of distribution of profits exists in the above case.

Reply:

But the answer can be that the wealth of the participants in the partnership is mixed up, so by dividing the profits, it is not seen that each investor has a real profit, but also the total profit, which is the total profit is distributed, although it is possible to gain profit from one's capital and not from other's. It is learned that the actual distribution of profit is not required in partnership, the distribution is sufficient, provided that all participants accept it.

All this detail is when someone enters the bank in the middle of the period or withdraws money in the middle and holds it, if someone is leaving the bank in the interim period, then this is not a problem, well, in that case, it would be better if the bank is not distributing the profit now, but this person is selling his share in the business and the bank is buying it.²⁴

Financial sources, preliminary experiences in Islamic banks of different Islamic countries:

It is generally well-known that commercial banks operating on interest-based banks receive different types of deposits from the common public, whose pay period varies, with different rates paying interest at different rates of maturity; however, instead of interest in Islamic banks, financial resources are allocated in the following ways.

(1) Current accounts:

Like ordinary commercial banks, Islamic banks open their accounts, depositing the funds in these accounts, which are called "Demand deposits". It is said that the account holder can withdraw the amount as per his requirement without informing the bank, the bank guarantees that it will make payments to the account holder, as far as current accounts are concerned, there is not much difference between the general commercial banks and Islamic banks, however, the way accounts are opened and operated in contemporary Islamic banks can be described in terms of the following characteristics:

- 1) Accounts issued in Islamic banks can be opened by individuals or companies. Accounts can also be opened in domestic currency or foreign currency, if the bank is authorized to operate in foreign exchange.
- 2) Islamic banks guarantee that account holders will have the right to withdraw the amount deposited in these accounts. Therefore, the account holders will not be paid any portion of the profits.
- 3) The account holder allows the bank to exercise its obligation temporarily, the benefit of such actions shall be the right of the bank and no part shall be given to the account holders, In the event of any loss, the Bank will bear it.
- 4) No conditions will be imposed on depositing and withdrawing funds from these accounts.
- 5) Account holders will have the option to issue checks.

It is worth mentioning here that two points have been made in relation to the ongoing accounts in the Islamic Bank.

First point of view:

One of these points is that the deposit in the current account is considered as "trust", this approach was first adopted by the Islamic Bank of Jordan, so the current account in this bank is called as "Trust account".

Second point of view:

The second point is that the deposit is considered as "Qarz e Hasan", a view adopted by Islamic banks operating in Iran, so the accounts issued in Iran have been designated as "Qarz e Hasan Current Account". According to the view, the amount deposited in the existing accounts is a free loan from the account holder to the bank, thus the bank can use the money at its sole discretion. The account holders will not be compensated nor do they need any special permission of the account holders,

as in the case of loan beauty, the borrower does not need to be allowed by the lender but the responsibility is to return the original money.

(2) Saving accounts:

Like ordinary commercial banks, Islamic banks open savings accounts, but their approach is different from that of interest banks. In different experiences of Islamic banking, four different ways of opening a saving account have emerged.

- A. Savings deposit should be accepted on the principle of farewell (or dedication). The account holders are requested to allow the bank to use the funds at their discretion, as well as the bank guarantees the full payment of these funds, the banks may voluntarily provide the account holders some profits. This approach has been adopted by Islamic Bank Malaysia.
- B. The savings deposit should be accepted with the permission of the investors and during the specified period in which the minimum amount of the account holder has been deposited and participated in the profit for the period, the proportion of which is predetermined.
- C. Savings deposit should be considered as a Qara e Hasan given by the account holders to the bank and the bank may, at its discretion, charge them with financial or non-financial benefits or profits.
- D. The savings deposit should be placed in a mutual fund, which can be used for investment purposes. Account holders generally have the option of withdrawing the funds from this account, but for the period for which they have withdrawn the funds, they are not entitled to participate in the profits.

The above four methods of opening saving accounts are applicable in Islamic banks.

(3) Investment Account:

A separate investment account is opened in the Islamic banks to receive the investment money, which is because the income that the public avoids spending and which they do not need in near future, they submit it to the bank, so that the original amount is preserved and there is some income. Term Deposits in the interest banking system are run for the same purpose.

(4) Partnership Account (Account Profit and loss sharing) or shared account (Participatory Account):

Investing in Islamic banking is a replacement for (Profit and loss sharing accounts) of interest/loss, and these accounts are also called profit-sharing accounts or partnership accounts (Participatory Account).

Difference between the two accounts:

There are several important differences between these two types of accounts:

First Difference:

The first and most important difference is that long-term accounts are run on interest-based banks in commercial banks, when investment accounts are run on a profit loss-based basis, giving the account holders a higher return on their deposits. Instead of paying a fixed interest rate, the Islamic bank will only tell its capital account

holders the ratio in which they will share with them, depending on how much profit each account holder will actually receive, what is the result of the bank's own trading and investment activities.

Second Difference:

The other difference is that long-term accounts can only be distinguished on the basis of their duration, while investment accounts can be distinguished on both duration and objective basis. It is possible to direct that the money given to it be spent on a specific project or a specific business.

(5) Joint Investment Account:

In general, the method of Islamic banks is to set up an investment fund as an alternative to long-term deposits, the financial resources of which are used in bank's investment operations. Investment funds of different tenures are deposited in the fund. Financial resources are not tied to any particular investment program, but are used in the bank's various investment activities. Total income from investment actions at the end of the year is calculated and the net profit is calculated by dividing the net profit by dividing it into account by the amount and duration of the account. As a factor, the bank's profit margin is deducted from the net profit first, the second method is the issuance of a joint venture account.

(6) Limited term investment accounts:

These accounts have been tested by Kuwait Finance House and Bahrain Islamic Bank. Deposits in these accounts are accepted for a specific and limited period of time. The term is determined by mutual consent between the account holder and the bank. The contract expires at the end of the term but the profits are distributed at the end of the financial year.

(7) Unlimited Term Investment Accounts:

These accounts are unique in that they do not have a fixed term compared to limited time investment accounts. Accounts are constantly renewed for investment, unless they are canceled by a three-month notice, no increase is allowed in such accounts and nor can money be withdrawn from them, but account holders are allowed to open more than one account. Profits are calculated and distributed at the end of the financial year.

(8) Specific investment accounts:

Some Islamic banks have also tried to run some other schemes of investment accounts, including Specified Investment Accounts. In this case, only the profit earned from the prescribed will be divided between the bank and the account holder as per the agreed terms and conditions, and it will have nothing to do with the other actions of the bank.

In this case, the bank acts as an *wakeel* or advocate for account holders and receives a portion of the profits for its services. Such investment accounts are opened in Jordanian Islamic banks.

Real asset-based financing:

One of the most important features of Islamic financing is that it is real asset financing. The traditional capitalist concept of financing is that banks and financial institutions only deal in monetary or monetary paper, which is why banks and financial institutions are not allowed to trade goods and hold business stocks.

Money is a Medium of Exchange:

Islam does not recognize money as commercial content except in specific cases. Money has no personal and internal utility, it is just a medium of exchange and its circulation is one hundred percent equal to the other unit of the same currency, so there is no scope to make profit through the exchange of their units' profit. It can only be earned by buying and selling something for personal gain, or by exchanging different currencies, the same type of currency or the food of the person representing it. The interest earned by transacting (bonds etc.) is usury and haraam. Unlike traditional financial institutions, financing in Islam is always based on non-cash assets, which create real assets and merchandise.

The real and ideal sources of financing in Shariah are Musharakah and Mudaraba:

The real and ideal sources of financing in Shari'a are Musharakah and Mudaraba. When a capital provider adds capital on the basis of these two sources, it is imperative that the same capital be transferred to personal utility assets. Profits will be earned from the sale of real assets.

***Salam* and *Istisna'*-based financing:**

Salam and *Istisna'*-based financing also create real assets. In the case of *Salam*, the financier gets the real goods, which can be sold in the market for a profit. In the case of *Istisna'*, financing is effective only by producing some real assets, in return for which the financier makes a profit.

***Murabaha* and *Ijarah* financing are not ideal methods:**

Murabaha and *Ijarah* are not ideal methods of financing, so they should be used only when necessary and they too, keeping in view the conditions laid down by Shariah. In spite of all this, *Murabaha* and *Ijarah* are also fully on the asset-based financing.

Islam is a practical code of life:

As a practical code of conduct, there are two sets of rules in Islam:

First: It is based on the ideal goals of the Shari'ah, which can be implemented under normal circumstances.

Second: It is based on certain concessions, which are given in exceptional circumstances. The original Islamic system is based on the first principles, while the latter is a leave, which can be used when needed only, but does not reveal the true picture of the Islamic system.

Compulsion and Prohibition:

Due to restrictions, Islamic banks usually rely on other types of orders, so their activities cannot bring about a clear change in the limited scope of their operations,

even if the entire financing system is based on ideal and Islamic rules, it will definitely have a rare effect on the economy.

REFERENCES:

¹ Al-Baqarah: 219

² Al-Maidah: 90

³ Al-Tabari, Muhammad Bin Jareer (1420H=2000AD). *Tafseer Jami al-Bayan fi taweel al-Quran*, v4, p324. Muassa al-Risalah.

⁴ Al-Bukhari, Muhammad bin Ismail bin Ibraheem bin al-Mughirah (1422H). *al-Jami al-Musnad al-Sahih al-Mukhtasar min umoor Rasool صلى الله عليه وسلم wa sunanihi wa ayyamihi*, Hadith No: 4860. Egypt: daar tauq al-Najat, 1st edition.

⁵ Ibn-e-Taimiyah, *majmu'ah al-Fatawa*, chapter walima, v23, p237. Beirut, Lebanon: Idara al-Wafa.

⁶ Dr Mufti Manzoor Ahmad (2017, August), *Tijarat ke fazail o adaab*, p583-593. Rawalpindi: Islamic Research Center, Khalid Awan Associate, Bahria Town.

⁷ Ibn-e-Manzoor, *Lisan-ul-Arab*, v10, p41. Beirut: Dar Ihya al-Turas al-Arabi.

⁸ Al-Qarafi, Shihab al-Deen Abul-Abbas a-Sahnaji, *al-Furooq*, v3, p266. Beirut: Daar al-Marifa, 1st edition.

⁹ Al-Sarakhsi, Shams al-Deen (1414H=1993AD). *Kitab al-Mabsoot*, v12, p193, Beirut: Daar al-Marifa, 1st edition; *Badai' al-Sanai'* v5, p163; Ibnul Humam, Kamal al-Deen Muhammad bin Abdul Wahid bin Abdul Hameed bin Masood, *Fath al-Qadeer ma' al-Hidaya wa-alkifaya*, v6, p136. Quetta: Maktaba Rasheediya; al-Dasooqi, Shams al-Din Muhammad arfa, *Hashiya al-Dasooqi ala al-Sharh al-Kabeer*, v3, p55. Beirut: dar al-Fikr; *al-Furooq lil-Qarafi*, v3, p264; al-Asbahi, Malik bin Anas, *al-Muatta*, p598. Karachi: Noor Muhammad Kar Khana Tijarat; al-Sherazi, Abu Ishaq, *al-Muhazzab*, v1, p262. Egypt: Esa al-Babi al-Halabi & Co; al-Ramali, Shams al-Deen Muhammad bin Abil-Abbas Ahmad bin Hamza, *Nihayat al-Muhtaj*, v3, p392. Beirut: Dar Ihya al-Turas al-Arabi; Ibn-e-Taimiya, Ahmad, Sheikhul al-Islam (1437H=1951AD), *al-Qawa'id al-Noorania al-Fiqhiyya*, p116. Cairo: Matba'at al-Sunnah al-Muhammadiyah, 1st edition; Ibn Battal, Abul Hasan Ali bin Khalaf bin Abdul-Malik (1420H=2000AD), *Sharh Sahih al-Bukhari*, v6, p272. Riyadh: Maktaba al-Rushd, 1st edition.

¹⁰ Al-Baqara: 188, al-Nisa: 29 and 161, al-Tauba: 34

¹¹ Ibn al-Arabi, Abu Bakr Muhammad bin Abdullah, *Ahkam al-Quran*, v1, p47. Beirut: Dar al-Marifa.

¹² *Ahkam al-Quran*, v1, p244.

¹³ Al-Qurtubi, Abu Abdullah Muhammad bin Ahmad al-Ansari (1933AD), *al-Jami' li-Ahkam al-Quran*, v5, p15. Cairo: Matba'a dar al-kutub al-Misriyyah, 1st edition.

¹⁴ Al-Khafeef, Ali, al-Shaikh, *Ahkam al-mua'amalat al-shariah*, p19. al-Bahrain: al-Baraka Islamic Bank.

¹⁵ J.B. sykes (1982), The Concise Oxford Dictionary, New York, U.S.A: Oxford University Press, 7th edition.

¹⁶ Al-Ma'idah: 08

¹⁷ Al-Nisa: 135

¹⁸ A-Tirmizi: chapter about merchants

¹⁹ Sunan Ibn Maja, Chapter: باب من باع عيباً فليبينه, Hadith: 2248

²⁰ Al-Sayuti, Jalal al-Deen Abdul Rahman bin Abu Bakr, *al-Jami' al-Sagheer fi ahadeeth al-Nazeer al-Basheer*, v.2, p.205. Beirut: Daar al-Fikr; *Kanz al-Ummal, Section al-Buyu'*.

²¹ Al-Isra': 34

²² Dr. Muhammad Ayyoub, *Islami Maliaat*, p57-94. Islamabad: Rifah Center of Islamic Business; Maududi (1991), *Tafheem ul Quran*, v2, p15-16, verses: 17, 34, 35. Lahore.

²³ Usmani, Mufti Muhammad Taqi (1428H), *Islami Benkari ki Bunyaden*, p15-17. Faisalabad: maktaba Arifi.

²⁴ *Islam aur Jadid Ma'ishat o tijarat*, p133-136.

BIBLIOGRAHY

Ahmad, Dr Mufti Manzoor. 2017, August. *Tijarat ke fazail o adaab*. Rawalpindi: Islamic Research Center, Khalid Awan Associate, Bahria Town.

al-Asbahi, Malik bin Anas. n.d. *al-Muatta*. Vol. p598. Karachi: Noor Muhammad Kar Khana Tijarat.

al-Dasooqi, Shams al-Din Muhammad arfa. n.d. *Hashiya al-Dasooqi ala al-Sharh al-Kabeer*. Vols. v3, p55. Beirut: dar al-Fikr.

Al-Khateef, Ali, al-Shaikh. n.d. *Ahkam al-mua'amat al-shariah*. al-Bahrain: al-Baraka Islamic Bank.

Al-Qarafi, Shihab al-Deen Abul-Abbas a-Sahnaji. n.d. *al-Furooq*. 1st. Vol. 3. Beirut: Daar al-Marifa.

Al-Qurtubi, Abu Abdullah Muhammad bin Ahmad al-Ansari. 1933AD. *al-Jami' li-Ahkam al-Quran*. Vols. v5, p15. Cairo: Matba'a dar al-kutub al-Misriyyah.

al-Ramali, Shams al-Deen Muhammad bin Abil-Abbas Ahmad bin Hamza. n.d. *Nihayat al-Muhtaj*. Vols. v3, p392. Beirut: Dar Ihya al-Turas al-Arabi.

Al-Sarakhsi, Shams al-Deen. 1414H=1993AD. *Kitab al-Mabsoot*. 1st edition. Vol. 12. Beirut: Daar al-Marifa.

Al-Sayuti, Jalal al-Deen Abdul Rahman bin Abu Bakr. n.d. *al-Jami' al-Sagheer fi ahadeeth al-Nazeer al-Basheer*. Vols. v2, p205. Beirut: Daar al-Fikr.

al-Sherazi, Abu Ishaq. n.d. *al-Muhazzab*. Vols. v1, p262. Egypt: Esa al-Babi al-Halabi & Co.

-
- al-Tabari, Muhammad Bin Jaree. 1420H=2000AD. *Tafseer Jami al-Bayan fi taweel al-Quran*, v4, p324. Muassa al-Risala.
- Al-Tabari, Muhammad Bin Jareer. 1420H=2000AD. *Tafseer Jami al-Bayan fi taweel al-Quran*. Muassa al-Risala.
- Ayyoub, Dr. Muhammad. n.d. *Islami Maliaat*. Vols. p57-94. Islamabad: Rifah Center of Islamic Business.
- Ibn al-Arabi, Abu Bakr Muhammad bin Abdullah. n.d. *Ahkam al-Quran*. Vols. v1, p47. Beirut: Dar al-Marifa.
- Ibn Battal, Abul Hasan Ali bin Khalaf bin Abdul-Malik. 1420H=2000AD. *Sharh Sahih al-Bukhari*. 1st edition. Vols. v6, p272. Riyadh: Maktaba al-Rushd.
- Ibn-e-Manzoor. n.d. *Lisan-ul-Arab*. Vol. 10. Dar Ihya al-Turas al-Arabi.
- Ibn-e-Taimiya, Ahmad, Sheikhu al-Islam. 1437H=1951AD. *al-Qawa'id al-Noorania al-Fiqhiyya*. 1st edition. Cairo: Matba'at al-Sunnah al-Muhammadiyah.
- Ibn-e-Taimiyah. n.d. *majmu'ah al-fatawa*. Vols. v23, p237. Lebanon: Idara al-Wafa.
- Ibnul Humam, Kamal al-Deen Muhammad bin Abdul Wahid bin Abdul Hameed bin Masood. n.d. *Ibnul Humam, Kamal al-Deen Muhammad bin Abdul Wahid Fath al-Qadeer ma' al-Hidaya wa-alkifaya*. Vols. 3, p264. Quetta: Maktaba Rasheediya.
- Maududi. 1991. *Tafheem ul Quran*. Vols. v2, p15-16. Lahore.
- Muhammad bin Ismail bin Ibraheem bin al-Mughirah, al-Bukhari. 1422H. *al-Sahih al-Bukhari*, 4860. Egypt: daar tauq al-Najat, 1st edition.
- sykes, J.B. 1982AD. *The Concise Oxford Dictionary*. 7th edition. New York: Oxford University Press.
- Usmani, Mufti Muhammad Taqi. 1428H. *Islami Benkari ki Bunyaden*. Vols. p15-17. Faisalabad: maktaba Arifi.