**Sukuk Investment Contracts in Islamic Finance**

**Mahmoud Melhem,**

Kuwait International Law School

**Introduction**

The Islamic economic system is an Utopian economic system. It is an ethical system with distinction that emphasizes a set of ethics in dealing with man. The Islamic economic system is a realistic system that recognizes man's own desires to own property, as well as the capabilities of mankind. The Islamic economic system is distinguished from other economic systems in the world as it is the only system that includes most of the ideas of positive economic systems with the sifting of the bad ones and rejecting them. The Islamic economy has to conform to the dictates of Islamic Shari'ah. "The principles of Islamic banking follow Sharia law, which is based on the Quran and the Hadith"([[1]](#footnote-1)).

**How Do Islamic Banks Make a Profi**t**?** To earn money without the use of charging interest, Islamic banks use equity participation systems. Equity participation means if a bank loans money to a business, the business will pay back the loan without interest, but instead gives the bank a share in its profits." Two fundamental principles of Islamic banking are the sharing of profit and loss, and the prohibition of the collection and payment of interest by lenders and investors. Islamic law prohibits collecting interest or "*Riba*"([[2]](#footnote-2)). "Islamic jurisprudence stressed that it is a legitimate necessity to find alternatives that put an end to *Haram* and pave the way for *Halal.* Thiswas intended to operate for the stagnant Islamic capital, in which people stopped dealing bonds forbidden to know their sanctity Islam has created alternatives that are sufficient for this purpose. One of these alternatives is the Investment *Sukuk*. The Investment *Sukuk* is defined by the Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI) as: “Equivalent documents representing common shares in the ownership of objects, benefits, services, or assets of a particular project or private investment activity. After collecting the value of the *Sukuk*, and closing the subscription door, and starting to use them for which it was issued"([[3]](#footnote-3)). The alternative that benefits both ends by sharing in profit and loss, included quite a few in the global financial markets. Islamic finance, also known as, the non-interest system, that is on the principles of Islamic or Shariah law and guided by Islamic economics. Islamic Finance makes a profit through equity participation which requires a borrower to give the bank a share in their profits rather than paying interest in view of the clear prohibition of interest in Islam. The financial system of an Islamic economy has to be organized on a basis which steers clear of interest. Thus, instead of traditional accounts with given interest rates, Islamic banks provide accounts which offer profit/loss. The bank in turn purchases assets with your money, which generate returns for the bank. Islamic banking is grounded in Shariah (Islamic, principles), and all bank undertakings follow those Islamic morals. During the financial crises the Islamic banks remained stable as opposed to the conventional banks. Islamic banks were relatively unaffected during the recent financial meltdown. This has raised the possibility that financial institutions, operating on Islamic principles are more stable compared to their conventional counterparts.

***The first topic:***

**The Contemporary Importance of *Sukuk* Investment Policy in Islamic Finance**

This importance appears as follows:

1. Finance in the form of investment instruments (*Sukuk*) as a legitimate financing policy that responds to the medium and long term, and thus meets the needs of projects of this type. These instruments are not limited to the private sector of public companies and institutions, but they extended to their governmental institutions in financing their projects as well. This means that these Shariah-compliant investment instruments finance projects in all their terms and forms. They also have the capacity to accommodate their short, medium, or even long term investments. This type of flexibility and versatility is required by the entrepreneurs to meet their needs and ambitious plans.
2. Shariah-compliant investment instruments *(Sukuk)* have many economic and financial added values. These investment instruments finance outgrowth projects help in creating job opportunities for many members of the society. This will help to spin the wheel of the economy and finance in the country. In other words, these Shariah compliant investment instruments are one of the most important ways to lead to economic prosperity in any country. Shariah-compliant *Sukuk* is the best way to agitate the slowness ofworking capital in the business cycle in productive institutions and companies due to low funding.
3. Investment instruments are one of the most important alternatives to usurious interest bearing loans, which are under unanimous prohibition, alongside interest-bearing bonds. **Why Investment *Sukuk* and not bond**s? A Muslim investor is more comfortable dealing with Shariah compliant *Sukuk* because they carry “*Halal*” (permissible) logos, as they do not have specific usurious interest as in bonds. The income of the *Sukuk* is the profit from the income of the assets. Therefore, it is not usurious interest bearing, whereas the bond is defined, so it is considered usury, i.e. "*Haram*" (forbidden). Accordingly, Shariah-compliant *Sukuk* are considered as legitimate solutions and alternatives in case of shortage in financing. Since these Shariah-compliant investment instruments are based on the idea of ​​investment, so their owners do not have a lump sum, but have a percentage of the profit, the project, and assets. The owner here is a partner in assets, or/and project. Unlike the usury bonds that determine a defined interest without any ownership, or right to participate in the project, or even own any of the assets project or assets.
4. The value of Shariah-compliant *Sukuk* is more than $40 billion in the Middle East and Asia. Its largest market now is Malaysia, which has possessed three quarters of global instruments. Malaysia is the capital of Islamic finance in the world where it has an authenticated investment agenda based on a comprehensive and diversified range of sustainable investment instruments. Shariah-compliant *Sukuk* instruments become the corner stone in the Malaysian capital and economy.By 2009, there were over 300 banks and 250 mutual funds around the world complying with Islamic principles. And, as of 2014, a total assets of around $2 trillion were Shariah-compliant([[4]](#footnote-4)). Shariah-compliant *Sukuk* market is an active and promising market that meets and fulfill the needs of the global economy of expansion. This has encouraged so many non-Muslim countries to take part in, and to replace or to add to their traditional issuance with instruments similar to Shariah-compliant instruments(*Sukuk*) , such as India, Russia, and Britain.
5. We have recommend the establishment of a company specialized in the issuance of Shariah-compliant instruments and working to find a secondary market for this type of instruments, as well as the development of the asset management industry. The management and exchange of Shariah-compliant instruments are permissible by law and through financial intermediaries, or other institutions and companies authorized by law. This type of specialized companies create a secondary market that helps *Sukuk* holders to transfer their ownership or mortgage or financial transactions.
6. The investment instruments policy succeeded in attracting small savings and initiating large projects, especially infrastructure projects. The system of Shariah*Sukuk* is a safe system, and it can be sold directly if the investor senses the risk. This type of safety has helped to attract small and medium-sized capitals to the labor market, providing huge capital capable of managing development projects that benefit the society.
7. In general, Shariah-compliant investment instruments (*Sukuk*) have become the most important tools for investing surplus resources in society and to achieve many purposes. These instruments provide a fast and diversified cash through the credit management of individuals, institutions, and governments profitably. Then credits are redirected to the constructing and achieving many projects that have benefited on all society.
8. The diversity by which Islamic investment instruments are issued in according to the form, value, and duration provide alternative opportunities and broad jurisprudence resilience that meets many needs. Shariah-complaint investment instruments (*Sukuk*) finance any project, and to respond to both medium and long terms in an investment process. These are submitted to a vast group of resilient regulations, and the most important of which is “*Al-Ghunm Be Al-Ghurm*”([[5]](#footnote-5)), meaning “sharing in profit and loss.” In other words, "No claim bonus on renewal".
9. Due to the importance of contemporary investment instruments, related legal provisions have been issued defining its system as a kind of securities issued by companies and governments. A good example for such case is the French law issued in this regard. In addition, a decision by the Minister of Commerce and Industry on 17/6/2007 in Kuwait was issued to regulate investment instruments. These investment instruments are managed on the basis of a legitimate contract with legal controls regulating the relationship between the parties and the mechanism of issuance and circulation as well as their income. The *Sukuk* will be traded in accordance with the Shariah-complaint "regulations and conditions prescribed in the trading of the assets, benefits, and services they provide"([[6]](#footnote-6)).

***The second topic:***

**Misconceptions to be Avoided in Investment Instruments:**

**First:**

*"Eenah*" (a kind of transactions): What is meant by "*Eenah*" transactions? ‘*Eenah* transaction means to sell something for a price to be paid at a later date, then to buy it back for a lower price to be paid immediately. There are several definitions of the "*Eenah*" that are forbidden, and the most well known of which is the sale of an item for a certain price to be paid at a later date, and then that same item is bought back for cash for a lower price. Then, at the end of the specified period, the buyer pays the first price. The difference between the two prices is "*Riba"* (usury) for the first seller, and the whole transaction boils down to lending ten and getting back fifteen, so the sale is a means to engage in *"Riba*" (usury)([[7]](#footnote-7)). This is a trick used to circumvent the prohibition on lending with interest. When the seller purchases for himself and at a lower price what he sold for a higher price. The Messenger of Allah, Mohammad, (peace and blessings of Allah be upon him) says:“When you enter into ‘Eenah transactions, take hold of the tails of cattle and are content with farming, and you forsake jihad, Allah will cause humiliation to prevail over you and will not withdraw it until you return to your religion.”([[8]](#footnote-8))

**Second:**

*"Soriah"*(a kind of transaction) What is meant by ‘*"Soriah"* transactions? It is a mockery transaction. It means a form that conceals the true intent and purpose. There is no real ownership of the *Sukuk* holders, which entitles them to the rights and effects of ownership. *"Soriah"* is based on the discrepancy between two important elements: First, is manifested will and the second, is the intention. It is a fictitious transfer of the ownership of the asset to the *Sukuk* holders which is against the principles of *Shariah*. *Umar ibn al-Khattab* narrated: "*I heard Allah's Messenger (peace and blessings be upon him)saying,* "The (reward of) deeds, depend upon the intentions and every person will get the reward according to what he has intended. So whoever emigrated for the sake of Allah and His Apostle, then his emigration will be considered to be for Allah and His Apostle, and whoever emigrated for the sake of worldly gain or for a woman to marry, then his emigration will be considered to be for what he emigrated for."([[9]](#footnote-9))

**Third:**

Undertaking to secure full coverage of capital in the *Sukuk* with a commission as the pledge is a guarantee and no commission may be charged. In Shariah, it is forbidden to pay for securing *Sukuk* holders' capital. That is because it is a duty on the second part since the second part takes an unlawful commission it will be considered as a kind of corruption.

"And do not consume one another’s wealth by unjust means, nor deliberately offer it as bribes to authorities in order to illicitly consume part of people’s wealth"([[10]](#footnote-10))."O you who have believed, do not consume one another’s wealth unjustly, but only {in lawful} business by mutual consent. And do not kill yourselves, Allah is to you ever Merciful"([[11]](#footnote-11)).

**Fourth:**

Guaranteeing constant incomes – whatever they may be called – regardless of actual profit and loss. As well as, guaranteeing a lump sum or immutable profit. If the text expressly stipulates or guarantees this the condition of the guarantee is canceled and the speculator is entitled to a speculative profit. Incomes whether operating or capital resulting from the project shall be distributed at a rate to be agreed upon. These incomes may not be determined at a specified rate or a flat profit. This will contradict with the bases on which the Shariah-compliant investment instruments are established for, and they convert the process into a bond form of usury. Most Muslims believe that all forms of interest on loans (also on bonds, bank deposits etc.) are "*Riba*" and hence prohibited by Islam. (Such loans — or banks that make them — are sometimes referred to as *Riba*wi(*Riba*), i.e. carrying *Riba( usury)* . " That is because they say, “Commerce is like usury.” But, Allah has permitted commerce, and He has forbidden usury"([[12]](#footnote-12)).

**Fifth:**

Guaranteeing the capital of *Sukuk*, which is managed by an agency or speculator because the speculator and the agent are both trustworthy, and they are not obliged what is under their management except by infringement, default, and violation of conditions. In case of loss, the participants( the *Sukuk*s' holders), and the issuer of the *Sukuk*, shall be liable unless there is a negligence from the entity that manages the project. Then the *Sukuk*s' holders will remain within the guarantee against loss . The issuer does not bear the loss and does not guarantee the capital of the holder of the instrument, as this would convert the process into a form of usury which contradict with Shariah-complaint principles.

**Sixth:**

It is permissible for the speculator to volunteer with the guarantee provided that:

1) It is separate from the "Mudaraba" (speculation) contract, i.e., after the completion of the contract the participant's entry shall not be based on the existence of such guarantee as advised by some *Maliki Scholars*. The prospectus or financial instrument shall not include the requirement to guarantee the risks of investment in the project against the Mudaraba (speculation). Otherwise, the instrument is not legally permissible.

2) He may also volunteer the guarantee without charge of any third party on the following terms:

* He should be of a separate personality and an independent financial position from the parties to the contract.
* It is an obligation independent from the Mudaraba (speculation) contract. It shall not be a condition in the entry into force of the contract with provisions to be made between the parties.

A third party may intervene to guarantee the *Sukuk* capital or guarantee a minimum rate of income. This is done on the basis of donation and virility, such as the government and the jurists have authorized it.

**Seventh:**

In the case of managing the instruments on the basis of partnership, the managing partner shall not be allocated a separate share of profit for his work because this prevents partnership in profits.

It should be noted that management on a partnership basis differs from the management on the basis of speculation in terms of permitting the intervention of capital owners in the management as capital owners in speculation is not permitted to do so. In other words, because if the partnership-based management may allocate the manager a share of the incomes which contradict with the principles of Shariah-complaint instruments (*Sukuk*).

***The third topic:***

**Alerts and Cautions that must be Taken into Account**

**First:**

In investment instruments that are based on speculation: **consideration must be given to:**

1. Profit should be known as a common rate of returns. It is not legally prohibited to review the proportion of profit conditional upon mutual consent between the parties to the contract, even if in the manner of notice of the amendment, with the determination of a period of time after which the approval of the investor is presumed.

There is no objection to provide in the investment instruments to declare an expected rate or percentage of profit because it does not entail an obligation on both sides. Therefore, the point is the actual profits, whether they have increased or decreased, or did not occur in the first place or even suffered loss.

1. It is not permissible to stipulate a fixed amount for the *Sukuk* holders or the owner of the project in the issuance prospectus, and the Mudaraba instruments issued on the basis thereof because this leads to the company to declare a precise profit. Therefore, any term which doesn't identify or precise a certain amount of profit can be accredited. For example, requirement of a certain amount due by the investor or speculator if the profit exceeds a certain percentage of 15%. Operating profits may also be agreed at a rate different from capital. The operating returns (profits), as well as the capital returns (profits) arising from the project or the operation in which the capital is invested (the value of the *Sukuk*) are distributed between the issuer, and the participants of the *Sukuk* at a common rate to be agreed upon, which is referred to in the prospectus. And, it should be consult any time within a mutual agreement.

**Second:**

The trading of investment instruments where the investment instrument represents the ownership of a common share in the assets of the issuance and this property continues over its duration, and entail all the rights including the actions stipulated by law of the owner in his possession, subject to the provisions **of the assets at all times:**

* If the trading happens before the initiation of work and the fund is still "cash", then the provisions of the legitimate payment are applied and shall be provided for in the prospectus.
* If the assets become debts, debt trading provisions shall submitted to the dept trading provisions.
* If the assets become mixed: cash, debts, objects, benefits, and moral rights, it is stipulated that non-cash and debt prevail. Only some *"fatwa"* are based on the principle of subordination based on the fact that the assets are not limited to cash and debts, where it is subordinate to the objects and benefits if the purpose of the instruments provided for therein is applied on them.

**Third:**

There is no objection to the issuer of the *Sukuk* to undertake to repurchase it upon demand at the price in the market or namely without committing to it, so that it does not result in guaranteeing the asset with profit. The issuer of the *Sukuk* may undertake to repurchase the *Sukuk* from its holders according to its market value or the price it offers. This is done by mutual consent between the parties. The *Sukuk* is amortized either once at the end of the project, process, or at periodic intervals. This is called amortization, and it should be noted in the prospectus.

**Fourth:**

As a general principle in investment instruments:

The Shari'a provisions of each form of financing and the basis of a legal contract such as *Ijara* (lease contract), *Bai Salam* (advance purchase and sale) and *Istisna'a* (selling before availability) must be observed:

1) In the case of the issuance of *Salam* instruments (*Sukuk*), it must be non-negotiable as the assets here are debts. ***SalamSukuk*** (advance purchase and sale)are certificates of equal value issued for the purpose of mobilizing Salam capital. The issuer of the certificates is a seller of the goods of Salam (advance purchase and sale); the holders are the buyers of the goods. They are entitled to the sale price of the certificates, or the sale price of the *Salam* goods sold through a parallel *Salam*, if any. Investors pay in an advance funds to the SPV in return for a promise to deliver a commodity at a future date. The profit of the holders of the *Sukuk* is the difference between the purchase price and the sale price([[13]](#footnote-13)).

2) In the case of issuing *Istisna'a* instruments (selling before availability), it must also be closed (non-negotiable) as the assets are debt. Unless, the *Istisna'a* instruments represent the same physical assets of the manufacturer, and if the value is more than the value of the manufactured after it has been made and sold to the requesting party. Assets here are more than the debts, and in this case this would be the trading document. ***Istisna’aSukuk*** (selling before availability) are certificates that carry equal value, and are issued to mobilize funds required for production of goods products that will be owned by the certificate holders. The issuer of these certificates is the manufacturer; the subscribers are the buyers of the intended product, while the funds realized from subscription are the cost of the product. *"Istisna'a*" applies to the construction of buildings, shipbuilding, aircraft, bridges, roads, power plants, water, and others according to the specifications specified in the contract, and the date of receipt and a specific value to be agreed upon. Other formats can be combined with it to respond to business and funding requirements.

3) In case of issuing *Ijara* contracts (lease contract), the lessee who has the right of sub-lease may issue *Ijara* instruments provided that the instruments are issued before the contract is concluded with the tenants, whether the rent is less, more, or equal to the first lease fee. If the contracts are concluded with the subtenants before issuing the instruments then it is not permissible because it represents debts to the issuer of the instruments with the tenants. *IjaraSukuk* (lease contract) relates to leased property, utilities, and services defined by the International Islamic FiqhAcademy([[14]](#footnote-14)) as “bonds of equal value, representing common shares in the property of interest or interest with income”([[15]](#footnote-15)). ***IjaraSukuk*** (lease contract) is a hybrid between an operational lease and a finance/capital lease with certain 'ownership' risks, such as the obligation to undertake capital maintenance of the leased asset and the obligation to insure the asset remaining with the lessor. The lessor may appoint an agent, usually the lessee itself to carry out these duties on its behalf under a servicing agency agreement. The prevalence of *IjaraSukuk* is due to its significant characteristics and advantages:

* It has a high degree of price stability and semi-stability in yield where the yield is determined in advance at the time of purchase of the instrument in accordance with the *Ijara* contract (lease contract).
* It has the flexibility that other instruments do not have. They do not restrict the issuer of such instruments to a particular type of activities, projects, or uses of the funds collected.

***The fourth topic:***

**Financial and Legal Control Over Investment Instruments at all Stages**

Financial and Shariah Supervision on Investment *Sukuk* in all its stages compliant with Islamic Shariah, after reviewing the international experiences with regulating *Sukuk*. Islamic Economy: Its Ideological and Legal Foundations "the flexible character of Islamic rules, but we will show it from the economic angle. Briefly, Islam supplied this system with all necessary elements which enable it to accommodate the vital changes which occur frequently and rapidly in the economic field. The reason is that the economy is a field related to the complexities of man's social life, as well as to nature's ability to provide, and the proper environmental conditions, and so on"([[16]](#footnote-16)).

**First:**

Central banks must exercise an effective and proper control over the operations of the investment instruments in all details and stages of its issuance, their size, quality, maturity periods, the mechanism of redemption, the personality of exporters, their financial position, their viability, their competence, and their type, as well as the circulation of these instruments. Especially, that they exceed international borders and thus are exposed to exchange rate fluctuations in major currencies, or even in local currency. In particular, central banks must achieve balance and full care for investment development and savings protection at the same time.

Central banks, through the Financial Supervisory Authority, are required to prepare laws and "legal information; including details of laws, decrees, decisions, permits, or approvals under which Islamic bonds were issued, and details of any Islamic debts or *Sukuk* that have priority to be paid prior to the issuance in question"([[17]](#footnote-17)). In order to regulate *Sukuk* that are compliant with Islamic Shariah and issue a summary of the rights granted by the Sukuk to its owners, the issue price, a statement of the expected profit, details of the depreciation after reviewing the international experiences in regulating the *Sukuk*. Laws that guarantee a fair balance for the rights of the issuer, subscriber, and customers should be prepared. The procedures of issuance of investment units (*Sukuk*), the instruments of collecting such funds, and the assurance of their cash holding should be verified.

**Second:**

The Shariah Supervisory Boards should be effective and accurate in all stages of issuance in terms of contracts governing the relations between the parties, the prospectus, and the regulations, as well as the components of *Sukuk*. The permissible and the forbidden, and most importantly the role of Shariah Supervisory Boards in reviewing and auditing activities and businesses, as well as the extent to which Zakat is committed to and properly implemented. The Shariah Supervisory Board shall be an independent body managed by a group of experts registered in *Dar Al Iftaa*. Shariah Supervision works on the issuance of investment units (*Sukuk*) to ensure that the terms of the" Mudaraba (profit-sharing and loss-bearing"([[18]](#footnote-18)) contract are legally fulfilled, and it will not include any non-permissible clauses or terms. For example, "It is not permissible to lease Sukuk, which are money, because Ijara cash falls within the door of usury, forbidden; It is not permissible to lease the instruments of debts, because if the debts are in cash and It is not permissible to lease Sukuk that represent goods and real estate"([[19]](#footnote-19)). The Shariah Supervisory Board shall carry out an audit that is subject to review. An audit of the operations of the periodic valuation of the value of investment units, and reassurance that it has followed the foundations and standards of Islamic law and accounting, especially issued by the Accounting and Auditing Organization for Islamic Financial Institutions, for instance.

**Research Results and Recommendations**

Islam is concerned with the organization of relations and economic matters like any other life, and relied on many verses of the Koran and the prophetic *Hadith* in the formulation of many of the basic rules of the Islamic economic system. And, some of the Quran verses which clarified usury "But Allah has permitted trade and has forbidden interest"([[20]](#footnote-20)) Also, the Islamic economy cared for contract among people as the Quran verses "O you who have believed, when you contract a debt for a specified term, write it down"[[21]](#footnote-21). The Islamic economy took care in following up the entire monetary trades either related to spending money or saving it. Allah says "And do not keep your hand tied to your neck, nor spread it out fully, lest you end up liable and regretful"([[22]](#footnote-22)). Islamic economy is related to ethic, i.e. it maintains the Islamic moral values and well trait like honesty, and sticking to good deeds "*Halal"* in all economic activities. The Islamic economy is close to reality; it is concerned with the nature of the particular social and economic situation of individuals, and does not rely on any unrealistic estimates or fantasies, as in other economic systems. Allah says: "This is My path, straight, so follow it. And do not follow the other paths, lest they divert you from His path. All this He has enjoined upon you, that you may refrain from wrongdoing.”([[23]](#footnote-23)).

Allah says:“Say, “My Lord has guided me to a straight path, an upright religion, the creed of Abraham the Monotheist, who was not a polytheist.”([[24]](#footnote-24))

The Islamic Religion has many Values Related Life Affairs:

**Today**, we are dealing with the (economic) and (banking) issues that are now being affected in our contemporary world by two popular ideologies: European American globalization and Islamic universality. What we really need today more than ever is to prepare a full dimension of integrated dimensions, consistent planning, at least in the economic and banking areas, targeting at the human mind with sound thinking and correct information, and can achieve **goodness and welfare of all people**. Also, it can achieve the good use of money, avoid dissension and thus pass through the ordeal. Then, it would be possible to achieve goodness for people and the life promised welfare and prosperity by Allah Almighty: "And when We said, Enter this town, and eat plentifully from it whatever you wish; but enter the gate humbly, and say, ‘Absolve us.' We will forgive your sins, and give increase to the virtuous.”([[25]](#footnote-25))

Allah says: "And Allah presents an example: a city which was safe and secure, its provision coming to it in abundance from every location”([[26]](#footnote-26)).

One would wonder: Do we have the Required Abilities:

1. Intellectual abilities.
2. Practical mechanisms.
3. The realistic materialistic potentialities that enable us to offer people an economic and banking example that supports all people and achieves goodness and welfare for them.

The answer is: **YES WE HAVE**

Yes, we have all the potentiality, but there is a difference between possessing and putting what we own in good use. Statistics and data confirm that we have: Intellectual abilities - practical mechanisms – potentialities.

Modern Islamic financial practices, however, promote legal forms over economic substance creating an expectations gap between theory and practice. In the wake of the global financial crisis of 2007–2008, the ideas underlying Islamic finance appeal to people who are concerned with the broad impact of finance on society. With all that in mind, the universality of Islam can assimilate all the achievements and the virtues of globalization and correct all its errors. The outstand **errors in globalization** is what is proved in the report of the United Nations Human Development Program at the end of 1999, when proved the risks of globalization including the following:

**The Risk of Globalization**

**First:**

Threats for human peace and security (including the threat of economic security) which is any economic security.One of the manifestations of globalization is that it aims to promote the culture of consumption for the food produced by western countries, drinks, etc. The objective of the economic system in Islam as Allah says: "Who has fed them, [saving them] from hunger and made them safe, [saving them] from fear”([[27]](#footnote-27)). “Among them are a moderate community, but many of them - evil is that which they do”([[28]](#footnote-28)). "A city which was safe and secure, its provision coming to it in abundance from every location”([[29]](#footnote-29)).

**Second:**

Increasing the possibilities of creating an atmosphere of tension and violence among counties. Competitive mass-production manufacturing induces advanced countries to exploit the resources and markets of developing countries in ways that often entail violence. The gap between rich and poor has become too wide, too fast. The very richest are richer than ever, while the poorest are still suffering starvation deaths.

Globalization is the western domination of all parts of the world economy. It aims to control all types of hard currencies and control all the marine tranches, and dominate the global means of communication and global techniques from weapons manufacturing, so it works hard to spread tension and violence in all countries.

**Third:**

The danger of erasing minorities’ cultures and the cultural identity of peoples. Globalization has almost become alienated because of this western superiority, and the intolerance of its civilization to other civilizations. For example, the English language has become the first global language to dominate all languages ​​with the dominance of American economic and media, especially with the proliferation of the Internet in this language. Globalization is the culmination of the capitalist system, and western liberal values ​​at the level of the universe opening the way for cultural dominance and other forms of domination.

**The Islamic Universality**

The Islamic universality has so many objectives to offers to globalization and the whole world, as the following:

**First:**

The financial, banking, investment and Islamic institutions, and the cooperative insurance institutions / Takaful (cooperative), and the Islamic financial market. These institutions are truly the greatest cultural achievement provided by the legal mentality of mankind in the twentieth century. These institutions work according to an integrated approach in its sources and means, emerging from an economic system that has proved its efficiency in the depth of Islamic history, and its guarantee for all people. In the first hundred years of the Islamic system and specifically in the era of the Caliph Umar bin Abdul Aziz, people were searching in all sides of the vast Islamic state in Sham, Africa, and Asia looking here and there for the poor to give them the charity, and they couldn't find them. There was a surplus of Zakat funds in Bayt al-mal. Poor people are described in the prophetic Hadith:

 “Messenger of Allah (peace and blessings of Allah be upon him) said*,* "A needy person is not the one who goes from door to door, begging and is turned away with a morsel or two or with a date or two. But a needy person is the one who does not have enough to live upon, and neither from his appearance it occurs that he is needy and should be given alms, nor does he himself beg anything from others.”([[30]](#footnote-30)).

Ensure the basic needs of individuals and treat poverty, and ensure a decent living for everyone in society. The discipline of economic behavior is ethical, and it is part and parcel of religion and belief. A balance between the public interest and the private interest, in a way that no one overwhelm the other. Characteristics of the economic system in Islam are: the equitable distribution of wealth and income, and therefore initiated many provisions that reduce the disparity in the distribution of wealth, including: gambling.

Prohibition of illegal means of gain, which leads to the concentration of wealth in the hands of a minority, such as monopoly, usury, and his heirs. Legislating provisions that fragment wealth, such as inheritance that results in the distribution of wealth to a large number of the poor. Legislating provisions that redistribute part of the wealth among groups of society, such as: Zakat and spending on the poor. It was narrated that Ali ibnAbiTalib (may Allaah be pleased with him) said: “The needy will not bother if they are hungry or forced to do so except by what the rich do.”([[31]](#footnote-31))

I state that in accordance with the recognition by world leaders at the celebration of the third millennium in the United Nations that: the problem of poverty has become "insulting and humiliating" **I say:** it is humiliating to the poor and degrading to the dominant economic systems.

Therefore, we should not be surprised when we find the world's largest banks seeking the Islamic banking, and the world's largest contemporary economies are adjusting their banking laws in line with Islamic banking.

The assumptions of selfishness, greed, and acquisitiveness as instinctive in man are not supported by Qur'an injunctions. The Qur'an informs that man has been created with an inborn nobility and has been equipped with positive qualities of character. These are universally honored moral qualities.

**Second:**

 **The Universality of Islam is gifting Globalization with:**

Islamic banking in which there are many models and examples that suit any time and any place, such as:

* Providing banking services.
* Carrying out financing operations at various times.
* In addition to the above models, the financial investments carried out for its own account or for the account of third parties.
* One of the optimal model is the one which direct investment operations in commercial, industrial, real estate, and other economic activities. All these models of Islamic banking recognize that investment is linked to the Shariah purpose of preserving money. This is one of the five necessities agreed upon and one of the supreme purposes of Islamic law.

The contemporary reality imposes variety of financial needs, and to fulfill these needs Muslim jurists specialized in financial transactions worked hard to develop novel financial products and solutions compatible with Shariah meeting the requirements of individuals and corporate perfectly. Herein mentioned some of main Islamic Finance tools.

**Third:**

**The Universality of Islam is gifting Globalization with:**

Islamic banking of a specific methodology: which means that it is derived from the Islamic approach based on investment and trade. Theorists of the so-called Islamic economy believe that the Qur'an preempted all economic theories when it urged increased spending and consumption as a means of reviving the economy. Some of those theorists thought that the Islamic economy has paved the way and helped in introducing and integrating contemporary theories for expenditure. The Holy Quran includes hundreds of verses that adorn Muslims with love of spending and call them to avoid miserliness. Governments increase public spending in a recession as a way to overcome the crisis.

Therefore, it achieves the Quranic comprehensive meaning of "spending":**Allah says:“Spend out of that in which He has made you successors”**([[32]](#footnote-32)) **“Spend from that which We have provided for you before there comes a Day in which there is no exchange and no friendship and no intercession. And the disbelievers - they are the wrongdoers”**([[33]](#footnote-33))

This refers to the four types of expenditure:

1. Production expenditure.
2. Investment expenditure.
3. Charity, both imposed and voluntary.
4. Consumer expenditure.

1)Production expenditure:"Economic well-being is created in a production process. This means all economic activities that aim directly or indirectly to satisfy human wants and needs. The degree to which the needs are satisfied is often accepted as a measure of economic well-being. In production there are two features which explain increasing economic well-being"([[34]](#footnote-34)) "When the production grows and becomes more efficient, the income tends to increase. In production this brings about an increased ability to pay salaries, taxes and profits. The growth of production and improved productivity generate additional income for the producing community"([[35]](#footnote-35)).

2)Investment expenditure: "Money spent on capital goods, or goods used in the production of capital, goods, or services. Investment spending may include purchases such as machinery, land, production inputs, or infrastructure. Investment spending should not be confused with investment, which refers to the purchase of financial instruments such as stocks, bonds, and derivatives. Also called capital formation"([[36]](#footnote-36)).

3)Charity, both imposed and voluntary: Spending may be the duty of the taxpayer to observe and preserve himself. Spending may be due to the job and the legitimate financial mandate, such as Zakat performance, cooperative spending, and then voluntary charity.

4)Consumer expenditure: Consumer spending; means to purchase goods and services necessary to satisfy the humanitarian needs of food, drink, and others. As for the controls of consumer spending, the most important are: orientation towards the satisfaction of the needs required by human to live and live a good life, spending on the good *halal* and away from the malicious *haram*.

Indeed, a simple look at the text and perhaps the verse ***(and what we have given them spend)* {but his hands are simple spend how he wants)**([[37]](#footnote-37))**.**

\* Expenditure: Islam set spending controls to achieve the interest of the individual and the community in the world and the hereafter.

\* Moderation in expenditure, means that the mediator in the spending of money between the wasteful and stingy.

\* Spending money in the good, and stay away from spending in the taboo, and the damage such as alcohol.

**Fourth:**

**The Universality of Islam is gifting Globalization with:**

"Banking" stems from the technical bases in the **foundations** of the program of the economic reform as referred to in Surah Yusuf, which is:

1. Stimulate production: which is indicated by the verse: **"You will plant for seven years consecutively;"**([[38]](#footnote-38)) Production: any work or effort that creates a new benefit, or adds a benefit to a previous benefit, and Islam takes great care in directing the individual and society towards production. The call to work, where the Prophet (peace and blessings of Allah be upon him) says: **“No one has ever eaten anything good than the work of his hands.”**([[39]](#footnote-39)) Narrated by Bukhari. Encouraging the exploitation of natural resources that God has harnessed for man. Architecture of the earth is one of the most important functions of mankind for which he was created on this earth. Allah warns against disrupting these resources, and wasting and destroying materials in peace or in war is a corruption of the earth.
2. Encouragement of saving: which is indicated by the verse: " and what you harvest leave in its spikes”([[40]](#footnote-40)). It's not just spending that revives the economy, no development without saving. One should invest his or her savings. It is not right to keep your savings in cash and not even thinking about investing them. So, if you're looking for a way to boost these savings, investing is the best way to do it. That are commensurate with the risks you can afford.
3. Rationalization of consumption, which is indicated by the verse: save "**except a little from which you will eat**"([[41]](#footnote-41)). Rationalization of expenses, what remains of our consciousness if we harm ourselves and the environment around us with luxury consumption. The call for rationalization of consumption is not intended to deny the enjoyment of the pleasures of the world.
4. The period required for the reform program to be fruitful.

**Fifth:**

**The universality of Islam is gifting Globalization with:**

Islamic banking operating within the framework of an economic system based on reforms or structural corrections based on:

1. Correcting the understanding of the money’s function from three aspects:
* Do not hoard it up. “Those who hoard gold and silver, and do not spend it in God’s way, inform them of a painful punishment."([[42]](#footnote-42))

Fatimah bint Qais narrated that: she asked the Prophet about Zakat, and he said: "Indeed there is a duty on wealthy aside from Zakat."([[43]](#footnote-43))

* Do not consume unjustly. "And for their taking usury, although they were forbidden it; and for their consuming people's wealth dishonestly. We have prepared for the faithless among them a painful punishment.([[44]](#footnote-44))
* And do not spoil its functions. (A measure of value and intermediary of exchange) The scholars of Islam say: money is use to trade, not to be traded. Islam authorized the use of money to gain more wealth through legitimate means, and opened a set of outlets that achieve social justice and community development.
1. Structural reforms based on: the diversity of the ownership base in its various forms with the consideration of private property as the foundation. Including the diversity of the ownership base - the endowment and its economies. Property in Islam is divided into three types: private property, public property and state ownership. It is a matter of addressing the public domain as it has to do with fiscal policy.
2. Structural reforms based on: the variety and diversity of tools and investment formulas, which I refer to as the contracts and legal transactions basket.
3. Structural reforms based on: the commitment to ethical, moral and economic values, ​​and principles. Strictly adhere to the rule of "*halal and haram*" in carrying out its investment activities where it should avoid the forbidden. Receive financial resources if the source is *Haraam* and must not finance economic activities. Ibn al-Qayyim says:

"The rule of sharia, which cannot be demolished, is that the purposes and beliefs shall be considered in the behaviors and customs as they are considered in the piety and servitude.”([[45]](#footnote-45))

**Why the Islamic Economy**

Peoples have tried the laws they put in place for the modern world economy and saw this economy and how it collapsed. They saw famines and disasters ... until the world reached the existence of two rich and poor classes, and the middle class vanished. The capitalist system, most recently caused by the real estate crisis of SABB Prime in the United States of America in 2007. Recently, economists are working to create a more coherent system that ensures economic stability for the future of states. Loretta Napoleone called for the solution and from her point of view “Islamic economics can be a solution to many of the problems of the global economy, simply because wealth depends entirely on physical and intellectual effort”([[46]](#footnote-46)) Simple because the fortune in this world depends entirely on the mental and physical efforts. All this, then makes this economic system, and its institutions an urgent need to meet the needs of contemporary societies and achieve security of all kinds. An indication of the credibility of what we say is:

**First:**

The World Survey on the Economic System in Islam conducted by the Organization for Economic Cooperation and Development (OECD)([[47]](#footnote-47)) that included the report on the economic system in Islam stats:

**"Islamic teachings differ from capitalism in its opposition to the accumulation of obscene wealth. They differ from socialism because they preserve the rights of ownership to the means of production"**([[48]](#footnote-48))**.** In a true society that follows the teachings of Islam, the interests of the classes of society must not conflict. They must coexist in communion and compassion through conscious and responsible participation.

The rights of the individual must be respected, but in a fair manner that is in the interests of society as a whole.

**Second:**

An evidence of the credibility of what we say is: that the American Economists Association has made of the formation of the Higher Education Committee in Economy with the membership of brilliant experiences in economy. They surveyed the economics departments of 90 American universities graduating more than 90% PhD holders in economics. They reported that economists are no longer agreeing on what constitutes their profession. **"Economists don’t know anything, they can’t agree on much, and they fail to spot the big, important economic trends. They ignore inequality, oversell the benefits of global trade, and did not foresee the financial crisis."**([[49]](#footnote-49)) They started to believe that the economy **"is guided by the famous *invisible hand* of capitalism"**([[50]](#footnote-50)).

**"The capitalist system is a system that is not governed by principles, but ruled by interests and everything has its price,"**([[51]](#footnote-51)) says an American economist, Lester Thurow. **"It transforms the society into a forest that will result in crime, homelessness, and social injustices.”**([[52]](#footnote-52))**. "In a capitalistic society, profits-and losses- hold center stages"**([[53]](#footnote-53))

**Third:**

 An evidence of the credibility of what we say is: what I call the latest statement of condemnation of the economic system: The United Nations Development Program (UNDP), the tenth annual Human Development Report, stated that the average income in the world's five richest countries is 74 times that of the poorest countries in the world, which are all concentrated in Africa.

The wealth of the world's three richest people is more than the GDP (Gross Domestic Income) of the group of least developed countries with a population of 600 million. Microsoft's budget is $100 billion a year, which exceeds the budgets of 48 third-world countries. The report notes that social welfare, which is the hidden axis of human development, faces a threat in a competitive market economy. In this regard, it points to the growing impoverishment of human beings, the increasing levels of family disintegration, and crime while the total global profit is $1.5 trillion a year.

Economic collapse refers to a period of national or regional economic breakdown where the economy is in distress for a long period, which can range from a few years to several decades. During periods of economic distress, a country is characterized by social chaos, social unrest, bankruptcies, reduced trade volumes, currency volatility, and breakdown of law and order. Today, the world is experiencing successive financial crises, huge economic contradictions, or financial crises (financial collapses) in a frightening manner as they are frequent, destructive, and rampant. In the second half of the 1990s, the world witnessed four crises or collapses, from Mexico in 1995 to South-East Asia.

**A New Global Financial System**

First of all, what do we mean by a global financial system? This means **"The global financial system is the worldwide framework of legal agreements, institutions, and both formal and informal economic actors that together facilitate international flows of financial capital for purposes of investment and trade financing"**([[54]](#footnote-54)). The economy faces many challenges. Globalization and technology are bringing huge improvements in our standards of living, but not without dislocations. The middle class and those with less education have not seen large wage gains. Many are seeing their jobs disappear. Some men have left the labor force entirely.

1. This made an international expert call for a new global financial system:

Global economic expert Alan Blinder called for reforming the current global financial system to protect innocent citizens around the world from the risks of financial crises created by current practices. He stressed that the situation has changed now, and the interest in financial crises is no longer confined to an economic elite. Markets and people are unpredictable, and economic models are always incomplete. Attempting to strike the right balance is messy, and is exactly what economics aims to achieve. The profession has learned from its mistakes drawing on humility and an openness to disagreement—that is, the qualities that many critics of economics do not have.

 In the second half of the 1990s, starting with Mexico in 1995, Southeast Asia in 1997, Russia in 1998, and finally Brazil in 1999, as economic concerns became headlines, and financial crises were taking over the interest of most people that globe.

Alen Palander, a professor of economics at Princeton University, and Vice Chairman of the Board of Governors of the Federal Reserve from 1994 to 1996, said that many economists consume that financial collapses have become so frequent, destructive, and rampant that no one can ignore them, or turn a blind eye to them. The current world order has failed miserably to protect ordinary people from its perilous dangers.

1. Many international experts call for the establishment of a new financial system in the world because they realize that the collapse of the International Monetary System is so close. Kurtzman([[55]](#footnote-55)) said, **"We need easier monetary policy. We had a tight monetary policy and a loose fiscal policy, which gave us the current mix of high interest rates and big deficit spending. It is, however, a bad policy mix that we needed to keep the value of the dollar high"**([[56]](#footnote-56)). The international monetary system has collapsed three times in the past hundred years, in 1914, 1939, and 1971. Each collapse was followed by a period of tumult: war, civil unrest, or significant damage to the stability of the global economy.

James Rickards writes, “The coming collapse of the dollar and the international monetary system is entirely foreseeable... Only nations and individuals who make provision today will survive the maelstrom to come.”([[57]](#footnote-57)) Robert Skidelsky reports that, **"we need to get ready for another one"**([[58]](#footnote-58)); he means we need to be ready for another collapse. He says, **"The lessons of 2008 have not been fully learned: stop risky lending by banks, address fiscal policy and reduce inequality"**([[59]](#footnote-59))

The director of a group of 24 in Washington, Dr. William Laraldi, stressed the need to formulate a new global financial system that protects the interests of developing countries, reduces the dominance of the major industrialized countries, and prevents the occurrence of crises or shocks to financial and monetary instability in the world. He pointed out that the existing financial system has always been dependent on the interests of the major industrial countries, and is used to serve their interests to such an extent that the situation is becoming more and more important. Given that these countries capture influential financial sectors and possess currencies that are used as cash reserves and have the upper hand in decision making within the international financial institutions. These international institutions can take a decision that goes beyond the will of those countries that dominate them.

**Characteristics in Investment Tools in Islamic Banks**

**"Could Islamic banking have prevented the financial crisis if only it had been further established in the western world?" "May it help prevent future crisis due to its Shariah based approach?"**([[60]](#footnote-60))

For this purpose, which is sweeping the positive economic system, its institutions, and its thinkers, who are no longer in agreement on what constitutes their profession, according to the report of the American Economists Association, we present the research tools of investment in Islamic banks, which reflect the nature of practicing banking in Islamic banks, and Islamic economic. The contemporary reality imposes a variety of financial needs, and to fulfill these needs Muslim jurists specialized in financial transactions worked hard to develop novel financial products and solutions compatible with Shariah meeting the requirements of individuals and corporate perfectly. Herein mentioned some of main Islamic finance tools. Some of the most important characteristics in investment tools in Islamic banks are the following:

**First:**

It is integrated to meet more and more practical needs. In the sales package, we find *Istisnaa* (selling before availability). This tool helps to fulfill a necessity in construction sector, for example, where the delay or installment of the payment can be integrated with the *Salam* (advance purchase and sale) where the whole price must be paid at the time of the contract. All this shall be mentioned in detail in the research.

**Second:**

It enjoys sufficient practical and procedural flexibility:

* *Murabaha* is considered as the most common finance tool as a clear practical solution for buying different goods. The bank buys the product requested by the client from supplier, and then resells it to the client for installments after adding the profit of the bank to the gross selling price. It is conducted in a simple manner as is done in the manner of *Murabaha* to the purchase ordered, and as it deals with the method of documentary credit and correcting them legally. The parties of "Murabaha" are three: seller, buyer and the bank. A "Murabaha" contract depends on two factors, promise "Wa'd" and credit sale.
* *Musharaka* (partnership) in its various types and development to diminishing *Musharaka* or partnership ending with ownership where one partner purchases the other partner’s share gradually.
* *Mudarahah* (speculating) in its simple form between the investor and working speculators expands to include "speculators speculating," or what some financial institutions call "complex speculation". As well as, the development of speculation to become the basis of multiple and diverse funds / portfolios, including its rules and detailed legal provisions.
* *Ijarah* (lease contract) and its classifications such as the so-called operating lease, and the so-called lease-to-own in accordance with the Sharia and detailed provisions.

**Third:**

The partnership package in its multiple and diverse forms embody the main principle underlying Islamic and investment banking in the economic system in Islam. This principle is based on the rule of “there is no return without risk”([[61]](#footnote-61)) i.e. profit or loss, and the technical mechanism are based the most important of which is “*Al-Ghunm Be Al-Ghurm* ”, meaning “sharing in profit and loss.” In other words, "no claim bonus on renewal". In addition, the package will stimulate savings regardless of how low on the one hand, and stimulate business and expertise on the other.

**Fourth:**

What these tools reflect such as the validity of the individual and institutional engagement as a package of sales of different types, such as absolute sale, and Bai al-Amanah (a sale whereby both parties express trust in each other) according to its detailed provisions.

**Fifth:**

As for the added values ​​and competitive advantages offered by the investment tools in Islamic banks are undoubtedly:

* Al-Kharajbil Daman - there is no return without risk – money is used for trading, and not to be traded.
* The capital of the company should be present, not a debt unavailable as stated by the majority of jurists.
* Profit is as agreed and loss is based on capital.
* The prohibition of profit unless guaranteed.
* Every condition that allocates a percentage of profit for the company is invalid.
* The distinction between the so-called contract rule and the so-called contract right.
* The prohibition of surplus risk (uncertainty).
* Lying and treason in regards to price in measure or description leads to the availability of option.
* All this within the framework of *Halal* and *Haram*: this is *Halal* and it should be followed, and this is *Haram* and should be avoided.

After all this, we wonder about the economic system and its institutions in Islam and say: but have all the problems and all the challenges been solved? The answer is no, especially in light of the transformation of the world's economies, what is called the economic dominance and consequent political, social and cultural domination.

This requires scientists, researchers, scholars, and practitioners to exert maximum energy and means to solve the problems, adapt the challenges and correct them, and rearrange the structural, technical, professional, and procedural conditions that prepares for the economic system in Islam, and it’s banking institutions and enables it to achieve good and charity for all people. Allah Almighty said:

**“Had they observed the Torah, and the Gospel, and what was revealed to them from their Lord, they would have consumed amply from above them, and from beneath their feet. Among them is a moderate community, but evil is what many of them are doing.”**([[62]](#footnote-62))

**The Most Important Recommendations**

1. In an era of globalization, banks need to form strategic alliances among themselves to achieve cooperation in many areas, including participation in the provision of expensive technological services. **"Strategic alliances are a means of rationalizing business operations and improving the overall competitive position of a company and are important because of the sheer speed and dynamism of technological change which has opened up a wide range of new activity areas"**([[63]](#footnote-63)).
2. In the age of globalization, the capital of Islamic banks must be restructured, and the promotion of mergers among them, especially across borders. In an era of globalization, **"the world of competition is like a jungle where monsters gobble smaller ones therefore one has to be competent enough to win the rivalry"**([[64]](#footnote-64))**.** Many analysts view the idea of ​​integration in the banking world as an expression of a state of challenge to constantly evolving realities. Continuity, indicating the need to respond to new data.
3. The urgent need to establish alliances in world of globalization. Islamic banks should work to establish alliances with traditional banks and build bridges with them, especially those wishing to carry out banking activities in accordance with the principles and provisions of Islamic Shariah.
4. A number of critical developments for the Islamic banking industry in the region have recently taken place, and several Islamic financial institutions have been merged and restructured in an attempt to meet the challenges of globalization. Islamic banking and finance industry has been making breakthrough improvements to become a truly viable, and a competitive alternative to conventional systems at the global level([[65]](#footnote-65)). To work hard to establish International Islamic Banks to act as the last financier and to arrange the services of correspondents for Islamic banks and invest liquidity available in some banks. Islamic banks have tended to employ large liquidity in these global banks, expand their market base, and increase their financial and investment services, through the establishment of local investment portfolios and investment funds in global equities.
5. The need to urge Central Banks to adopt the specific nature of Islamic banking and to establish appropriate regulatory standards. The Central Bank, as the State Bank, undertakes the task of drawing up monetary policies and supervising their implementation. The supervising banks operating within the state, whether traditional or Islamic, with a view to ensure the implementation of the decisions and directives issued by the Central Bank to ensure the smooth running of their business in order to achieve the objectives of monetary policy and to safeguard their financial rights.
6. Developing the methods of financial control and disclosure to keep abreast of the developments of banking supervision at the international level in accordance with the provisions of Islamic law. A supervisory body that supports Islamic banks and companies with scientific and practical methods to solve field problems related to Islamic banking. In order to address these challenges, proper risk management is required in light of international standards.
7. To strive to revive the Supreme Fatwa and Shari'ah Supervisory Board of Islamic banks and financial institutions to provide the support needed by these institutions to demonstrate the legal provisions that enhance their progress, and to make them above reproach. The terms of reference of this body are defined as follows:
* Monitor the activities of Islamic banks and financial institutions that are members of the union to ensure their compliance with the provisions of Islamic Shariah.
* Providing Shariah opinion on banking and financial matters required by Islamic banks or financial institutions.
* The authority's decisions and *Fatwas* should be binding on Islamic banks and financial institutions.
1. To strive for the establishment of a Global Financial and Islamic Institute to graduate qualified human cadres to work in Islamic financial and banking institutions, as well as to develop Islamic financial thought. Interest in studying the experiences of Islamic banks is increasing in the recent period by scientific centers and universities. Such as, the leading Islamic University in the field of banking and Islamic economy, and it is the first university institution in the world to establish a department of Islamic economy since 1968, granting degrees, and organize courses in fields of banking and finance.
2. To pay attention to the development of human capacities working in Islamic financial and banking institutions through continuous training and developing their creative skills and performance. The expansion of Islamic banking and finance has always been associated with the involvement of professional Shariah scholars([[66]](#footnote-66)). There is a dearth of specialized cadres in this field. It is necessary to establish institutes and universities that prepare and graduate trained professional cadres the aim of which is to prepare specialists in Islamic banking.
3. Islamic Banks (IBs) are considered as having ethical identity, since the foundation of their business philosophy is closely tied to religion([[67]](#footnote-67)). To consider the importance of the developmental, social, environmental, and moral dimensions of the activities of the financial and banking institutions. Islamic banks have tended to employ large liquidity in these global banks, expand their market base, and increase their financial and investment services, through the establishment of local investment portfolios and investment funds in global equities. The intense commitment of Islam to justice and brotherhood demands that business organization should take care of some of the needs of the community([[68]](#footnote-68)).
4. To work on providing and activating the inter-bank market for Islamic banks and financial institutions to facilitate a secondary market presence for Islamic Sukuk trading. The main problems faced by Islamic banks is that their banking transactions are small in size, and investments in them are small. They must find secondary markets for trading in Islamic Sukuk.
5. To provide support for the establishment of the Islamic capital market. International and global conditions, liquidity requirements, capital efficiency, etc. are becoming more stringent, which are difficult for small banks to meet. It recognizes upfront that Islamic banking offers an alternative banking system that is attractive to both Muslims and non-Muslims([[69]](#footnote-69)).
6. To urge countries and governments to enact the necessary laws and amend the laws in force to protect and activate the Islamic banking and Islamic law. And, to provide the appropriate legal environment for such financial, banking, and security institutions to start their work and accelerate the pace of development towards the best manner similar to what is happening in some major countries for the interests of peoples.
7. To invite competent authorities to introduce the Islamic economy and the Islamic banks in the higher education curricula to enrich sciences and take its share of study, scrutiny, and deepening.

**Abbreviations:**

AAOIFI:Accounting and Auditing Organization for Islamic Financial Institutions

AEA:American Economist Association

BD:Business Dictionary

CBs:Conventional Banks

FSA:Financial Supervisory Authority

GDP:Gross Domestic Income

IBs:Islamic Banks

ISSN:International Standard Serial Number

OECD:Organization for Economic Cooperation and Development

SFTR:Securities Financing Transactions Regulation

SSB:Shariah Supervisory Boards

SSCs:Shariah Supervisory Committees

TR:Trade Repository

UNDP:United Nations Development Program

1. () Islamic Banking BY SANDRA LIM. [↑](#footnote-ref-1)
2. () Islamic Banking BY SANDRA LIM. [↑](#footnote-ref-2)
3. () Accounting and Auditing Organization for Islamic Financial Institutions, Shariah Standards, Standard No. 17, Investment Sukuk, p. 288, i. 2007. [↑](#footnote-ref-3)
4. () Wikipedia : Islamic banking and finance. [↑](#footnote-ref-4)
5. () AlqawaeidAlfqhiatWatatbiqatuha fi AlmadhahibAlarbe: Rule [97] By Dr. MuhamadMustafaaAlzahili. [↑](#footnote-ref-5)
6. () Al-Qbas newspaper : 9May2017 [↑](#footnote-ref-6)
7. () Al-Mawsoo’ah al-Fiqhiyyah (9/96) [↑](#footnote-ref-7)
8. () Narrated by SunanAbiDawud: (1301)Chapter: Regarding The Prohibition Of Al-'Eenah [↑](#footnote-ref-8)
9. () Sahih al-Bukhari 6689: Chapter: The intention in taking oaths. [↑](#footnote-ref-9)
10. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (188) [↑](#footnote-ref-10)
11. () The Quran. English Meanings and Notes by SaheenInternational:Surah an-Nisa (29) [↑](#footnote-ref-11)
12. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (275) [↑](#footnote-ref-12)
13. () http://www.financialislam.com [↑](#footnote-ref-13)
14. () http://www.financialislam.com [↑](#footnote-ref-14)
15. () An Academy for advanced study of Islam based in Jeddah, Saudi Arabia [↑](#footnote-ref-15)
16. () https://www.al-islam.org. [↑](#footnote-ref-16)
17. () Investment instruments and their role in economic development

By: Dr. Ramadan Abdullah Alsawi

Associate Professor of Jurisprudence

Faculty of Shariah and Law [↑](#footnote-ref-17)
18. () Wikipedia: Islamic banking and Finance [↑](#footnote-ref-18)
19. () Investment instruments and their role in economic development

By: Dr. Ramadan Abdullah Alsawi

Associate Professor of Jurisprudence

Faculty of Shariah and Law [↑](#footnote-ref-19)
20. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (275) [↑](#footnote-ref-20)
21. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (282) [↑](#footnote-ref-21)
22. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Isra (29) [↑](#footnote-ref-22)
23. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-An'am (153) [↑](#footnote-ref-23)
24. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-An'am (161) [↑](#footnote-ref-24)
25. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (58) [↑](#footnote-ref-25)
26. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Nahl (112) [↑](#footnote-ref-26)
27. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Quraysh (4) [↑](#footnote-ref-27)
28. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Ma'idah (66) [↑](#footnote-ref-28)
29. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Nahl (112) [↑](#footnote-ref-29)
30. () The Book of Miscellany. Abu Hurairah narrated. Hadith (537) [↑](#footnote-ref-30)
31. () Ali ibnAbiTalib's Say [↑](#footnote-ref-31)
32. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Hadeed (7) [↑](#footnote-ref-32)
33. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Baqarah (254) [↑](#footnote-ref-33)
34. () https://en.m.wikipedia.org/: production [↑](#footnote-ref-34)
35. () Wikipedia [↑](#footnote-ref-35)
36. () Business Dictionary (BD). [↑](#footnote-ref-36)
37. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Ma'idah (64) [↑](#footnote-ref-37)
38. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Yusuf (47) [↑](#footnote-ref-38)
39. () Book of Sales and Trade. Chapter: The earnings of a person and his manual labour:Hadith (286) [↑](#footnote-ref-39)
40. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Yusuf (47) [↑](#footnote-ref-40)
41. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Yusuf (47) [↑](#footnote-ref-41)
42. () The Quran. English Meanings and Notes by SaheenInternational: Surah al-Tabah (34) [↑](#footnote-ref-42)
43. () Jami` at-Tirmidhi: Hadith 659 [↑](#footnote-ref-43)
44. () The Quran. English Meanings and Notes by SaheenInternational: Surah al-Nisa (161) [↑](#footnote-ref-44)
45. () Book Iielam al-Muaqieinean Rabi al-Ealamin .108/3

By IbnQayyim al-Jawiyya [↑](#footnote-ref-45)
46. () Loretta Napoleone is an economist. The author of best-selling books:

Islam is the Solution [↑](#footnote-ref-46)
47. () (OECD) is an intergovernmental economic organization with 36 member countries,[1] founded in 1961 to stimulate economic progress and world trade.(Wikipedia) [↑](#footnote-ref-47)
48. () https://IislamicMarkets.com/education/difference-between-islam-capitalism-and socialism [↑](#footnote-ref-48)
49. () An Article: In defense of economics. By Allison Schrager September 24, 2019 [↑](#footnote-ref-49)
50. () An Article. Profits. By Lester C Thurow [↑](#footnote-ref-50)
51. () An Article. Profits. By Lester C Thurow [↑](#footnote-ref-51)
52. () An Article. Profits. By Lester C Thurow [↑](#footnote-ref-52)
53. () An Article. Profits. By Lester C Thurow [↑](#footnote-ref-53)
54. () Defined in Wikipedia [↑](#footnote-ref-54)
55. () Joel Allen Kurtzman (June 25, 1947 – April 6, 2016) was an American economist. He was the Editor-in-Chief of the Harvard Business Review [↑](#footnote-ref-55)
56. () The New York Times: BUSINESS FORUM: ECONOMISTS LOOK AT THE MARKET COLLAPSE; an article written by Joel Allen Kurtzman [↑](#footnote-ref-56)
57. () A study published in Foreign Affairs magazine [↑](#footnote-ref-57)
58. () The Gaurdian newspaper:Ten years on from the financial crash. An article by Robert Skidelsky [↑](#footnote-ref-58)
59. () The Gaurdian newspaper:Ten years on from the financial crash. An article by Robert Skidelsky [↑](#footnote-ref-59)
60. () Sarah Müller from University of LaplandRovaniemi, Finland [↑](#footnote-ref-60)
61. () AlqawaeidAlfqhiatWatatbiqatuha fi AlmadhahibAlarbe: Rule [97]

By Dr. MuhamadMustafaaAlzahili. [↑](#footnote-ref-61)
62. () The Quran. English Meanings and Notes by SaheenInternational:Surah al-Ma'ida(66) [↑](#footnote-ref-62)
63. () Management Decision. An abstract by Paul F. Takac, C.P. Singh. ISSN: 0025-1747 [↑](#footnote-ref-63)
64. () SOME EMERGING ISSUES. An Article by Krishn A Goyal [↑](#footnote-ref-64)
65. () Islamic banking and finance: on its way to globalization. By M. Mansoor Khan, ISSN: 0307-4358 [↑](#footnote-ref-65)
66. () Strategic Trends in the Islamic Banking and Finance Movement by MonzerKahf [↑](#footnote-ref-66)
67. () Journal of Business Ethics. Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports. By Roszaini Haniffa (RoszainiHaniffa is a Senior Lecturer and Head of Accounting and Finance at the Bradford University School of Management.) [↑](#footnote-ref-67)
68. () Corporate social responsibility of Islamic financial institutions and businesses

BY Abul Hassan, Hjh Salma Binti Abdul Latiff . ISSN: 0828-8666 [↑](#footnote-ref-68)
69. () Article: Towards establishing an Islamic retail bank in a Muslim-minority country. By Najmul Hussein Rassool [↑](#footnote-ref-69)