IMU601: FIQH MUQARAN

GROUP: GROUP 5 (IC2104B)

ASSESSMENT: ASSIGNMENT

A COMPARATIVE FIQH IN ISLAMIC FINANCE: ISLAMIC ORGANIZATION AND THE PERCEPTION OF RIBA (USURY) AND CONVENTIONAL BANKS AMONG MUSLIMS

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STUDENT DECLARATION

بسم الله الرحيم الرحمن

We hereby acknowledge that in fact all of the work in the preparation of this academic work is the result of our own efforts and works except as expressly stated.

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The hope is that the results of this assignment can provide good and can add knowledge to friends and the public about " A comparative fiqh in Islamic Finance: Islamic Organization and the Perception of riba (Usury) and Conventional Banks Among Muslims". May all this knowledge be beneficial to us and to all readers.

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1.0 Introduction

Islamic finance refers to a financial system that operates according to the principles of Islamic law, known as Shariah. It is a rapidly growing sector of the global financial industry that offers an alternative approach to conventional finance. Islamic finance is based on ethical principles and promotes fairness, justice and social responsibility.

One of the fundamental principles of Islamic finance is the prohibition of interest, or riba, which is seen as exploitative and unfair. On the other hand, Islamic finance encourages risk-sharing and profit-sharing arrangements. It emphasizes the concept of equity and encourages ethical investment in real assets, businesses and projects that contribute positively to society.

Islamic finance also prohibits investment in activities that are considered haram (forbidden) according to Sharia, such as alcohol, gambling, pigs, and certain forms of entertainment and speculation. This encourages investment in sectors that are socially responsible and beneficial to society, such as healthcare, education, renewable energy and infrastructure development.

There are several components in Islamic finance which are prohibition of interest (riba). Islamic finance operates on the principle of risk sharing, where lenders and borrowers share both the risks and rewards of their financial transactions.

Next, Prohibition of uncertainty (gharar). Islamic finance promotes transparency and requires clear and specific terms in financial contracts. Uncertainty or excessive vagueness in the contract is not allowed. Therefore, the prohibition of gambling (maisir) and speculation. Islamic finance does not encourage speculative behavior and transactions such as gambling. Investments should be based on real economic activity and tangible assets.

Also, Ethical Investment. Islamic finance encourages investment in sectors that are aligned with ethical and moral values. It promotes socially responsible investment and aims to benefit society as a whole. To meet the requirements of Islamic law, various financial products and services have been developed, such as Islamic banking, Islamic insurance (Takaful), Islamic bonds (Sukuk), and Islamic investment funds. These products are designed to comply with Shariah principles and provide individuals and businesses with a halal (permitted) alternative to conventional financial products.

Islamic finance has gained significant attention and acceptance around the world, not only in Muslim-majority countries but also in non-Muslim countries. Many financial institutions and