



اَبُو سَيِّدِي قَوَاتِلِكُمْ اَوَّلِي
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**ISLAMIC FINANCE AND CONTEMPORARY ECONOMIC PRACTICES:
CHALLENGES AND SOLUTIONS**

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ABSTRACT

The fundamentals of Islamic economics, as well as the ways in which it affects society, are thoroughly examined in this book. Examining Islamic finance's principles, practices, and difficulties, as well as its unique financial offerings, regulatory environments, and ethical underpinnings, is the study. Regulatory compliance and risk management are two of the primary challenges that Islamic finance faces, and this paper outlines these issues and suggests ways to solve them. Islamic economics varies from the conventional economic system in that it places a strong emphasis on social justice. This document's overall goal is to increase understanding of Islamic banking and how it may support equality and social justice within the world financial system.

1 INTRODUCTION

Islam presents guiding principles, and establishes a set of rules, for all aspects of human life, including economic aspects. Islamic economics is a science that studies human activities to manage natural resources for the sake of self and common good to gain the pleasure of Allah S.W.T. The Islamic economic system gives freedom to all people in finding and evaluating property according to their ability. Property owners cannot ignore the property rights of others and social interests. Islam also teaches that justice should be upheld to whoever Allah S.W.T says:

"O people who believe! You should be people who always uphold justice and be witnesses (explaining the truth) for the sake of God, even against yourselves, or your parents and relatives" (An-Nisa' verse 135).

One of the forms of justice emphasized by Islam is social justice. This social justice means that every individual gets his rights and at the same time he also needs to carry out all his responsibilities to realize justice in his life. For example, in everyday life, the rich are free to collect as much wealth as possible in a reasonable way, but the rights of the poor in their wealth should not be forgotten (Norfaizah Othman, 2021). While the conventional economic system is more concerned with individual interests absolutely. In a conventional economic system, the division of property is not shared with others. It creates a huge gap between the rich and the poor.

It is only in the last few decades that efforts have been made to explain the principles and rules of Islamic finance and economics in modern analytical terms and, despite the many published studies, there is still some confusion regarding the application of the exact definition to the various social sciences prefixed with the term "Islam," such as "Islamic economics" or "Islamic finance." (Mirakhor, 2011). One of the main reasons for this confusion is the tendency to look at various aspects of such a system in isolation, without seeing it as a whole. For example, the term "Islamic finance" is often considered a system that prohibits "interest." However, this simplistic description is not only inaccurate but is itself a source of further confusion.

So, this writing is written to provide understanding in Islamic finance in all aspects such as the definition, the application of Islamic finance in the economic structure of the country, understanding the advantages and also shortcomings, bringing solutions to overcome the shortcomings, and also the challenges that need to be overcome in each framework Islamic