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THE IMPORTANCE OF CONTEMPORARY FIQH IN ISLAMIC BANKING AND FINANCE

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Abstract : Islamic law continues to evolve through the lens of contemporary fiqh, a discipline that responds to the modern realities of Islamic banking and finance. This study aims to understand the basic concepts of contemporary fiqh, to explain its importance in resolving current financial issues from a Sharia-compliant perspective, and to explore real-world Islamic financial products guided by Sharia advisory institutions. These institutions play a crucial role in ensuring that financial instruments remain aligned with Islamic ethical principles while addressing new economic developments. Using a qualitative research approach through library-based research, this research relies on secondary data including academic theses, journals, and digital sources. The findings underscore that contemporary fiqh is not simply a reinterpretation of classical legal thought, but an advancement needed to ensure that Islamic finance remains relevant in addressing the complexities of the modern economy. Through the process of *ijtihad*, contemporary scholars are able to construct solutions to today's financial challenges without compromising the core values of Sharia. By analyzing how products such as *sukuk*, Islamic insurance (*takaful*), and Islamic investment contracts are shaped, this research reveals the dynamic application of fiqh in real-world settings. It also highlights the challenges faced in maintaining both innovation and compliance. Ultimately, the study asserts that contemporary fiqh plays a crucial role in bridging the timeless principles of Islamic law with the demands of the fast-paced financial world—offering ethical, moral, and practical guidance rooted in the objectives of Sharia.

Key word: *Islamic law, Islamic banking and finance, new economic developments*

1.0 INTRODUCTION

The emergence of Islamic banking and finance in the world is as a shariah-based alternative that offers consumers options other than conventional systems. Based on sharia principles, Islamic finance is very concerned with justice, and prohibits the elements of *riba* and *gharar*. Nowadays, Islamic financial institutions are indispensable for all Muslims to continue to innovate without neglecting adherence to sharia principles. (Caliskan, 2022).

However, today's financial system already presents some problems with Shariah compliance, especially with the availability of financial instruments and contracts that are increasingly difficult. Issues such as usury hidden in credit cards, speculative trading and unethical investments require a deeper evaluation from the point of view of Islamic jurisprudence. Therefore, there is an urgent need for a better and simpler approach to *fiqh* to address current financial issues (Abozaid, & Abdulazeem, 2015)

Furthermore, current *fiqh* refers to the *ijtihad* approach used by scholars to overcome new issues that have never been discussed in previous *fiqh*. It plays an important role in linking the laws made in the past with current needs, by adapting Shariah principles in a modern framework. Not only that, current *fiqh* also plays an important role in evaluating and developing innovative and Shariah-compliant financial products. For example, investment in *sukuk*, *takaful* and Islamic derivatives which are the choice of many consumers nowadays. Such financial products are very helpful to ensure that Islamic financial institutions can operate well and effectively in the modern financial environment without compromising Islamic principles.

Therefore, this study aims to understand the current concept of *fiqh* in the context of Islamic banking and finance as well as to explain the importance of addressing current financial issues from a shariah-compliant perspective. Not only that, but we will also explore in depth how contemporary *fiqh* is applied in the development of Islamic financial products as well as the role of Shariah advisory institutions in ensuring compliance with Islamic principles. This study is expected to open the reader's eyes on how Islamic law remains relevant and significant in guiding modern financial practices that are ethical and valid from a Shariah point of view.