

QUESTION NO: 2:-

Write down the principles of Islamic financial system - Is interest free financial system possible in 21st century?

Introduction:

Islam being a practical religion provides guidance in every field of life. In addition to the provision of guiding principles in the field of justice, governance, Islam clearly stated financial principles. Detailed study of Islamic financial principles reveals the importance of equality and Halal ways of earning. Islam categorically prohibits the system of interest payments. Well-established system of zakaat and other Islamic taxes ensures the distribution of wealth among all sections of society. Islam stresses the need for struggle and freedom of individual within given situation. Interest free financial system is possible in 21st century as is evident from the successful operation of Islamic banks in Pakistan, Saudi Arabia and other Muslim states. The interest free financial system ensure the formation of equitable society.

ISLAMIC FINANCIAL SYSTEM:

Islamic financial system provides complete guidance towards the establishment of

of an economic system. It takes positive view of life and visualizes man as vicegerant of God. It is rightly said in Quran.

"Man can have nothing but what he strives for" (An-Najm)

Irrespective of the ongoing economic systems of Capitalism and Marxism, Islam recognizes the interests of both. It minimized the conflict between the interests of individuals and the state.

PRINCIPLES OF ISLAMIC FINANCIAL SYSTEM:

1. COLLECTION OF ZAKAAT AND OTHER TAXES:

Islam emphasized the collection of zakaat from wealthy individuals of society. The amount collected is distributed according to the categories mentioned in Quran. The collection of Zakaat and other taxes are distributed among the poor and deserving. This ensures the distribution of wealth and accumulation of wealth in single tier of society is prohibited.

2- PROHIBITION OF INTEREST (RIBA) ON LOANS:

Interest is used as a tool of exploitation. Interest acquisition ensures that the one taking loans never overcome the economic burden. Islam strictly prohibited interest charged on loans. Allah says in Quran:

"O you who believe, do not consume usury, doubled and multiplied, but fear Allah so that you may be successful." (Al-Quran).

Interest is prohibited in strict terms. Allah has declared war with those who acquire interests on loan.

"Allah will destroy Riba."
(Al-Baqarah)

Holy Prophet (SAWW) prohibited the practise of riba during his last sermon.

3- EQUITABLE DISTRIBUTION OF WEALTH:

The unequal distribution of wealth leads to unrest in society. Islam strongly advocated for the equitable distribution of wealth. Hazrat Umar (RA) said that everyone has an equal right in the wealth of a state.

4- FREEDOM OF AN INDIVIDUAL:

Islam prohibited slavery or any form of system which threatened the freedom of an individual. Freedom from bondage is a principle of Islamic financial system. In this context Hazrat Umar (RA) said:

"Since when have you enslaved people, when their mothers had born them free."

Imam Shafi says:

God has created you free, therefore be nothing but free.

5- TRADE ETHICS IN ISLAMIC FINANCIAL SYSTEM:

The Islamic system of finance categorically discourages the process of hoarding. This practise leads to a number of other evils and deprives society of resources. Islam instructs its followers to be very fair in their dealings. The ethics of honesty, transparency are the core principles.

"O you who have believed, do not consume one another's wealth unjustly but only (lawful) through mutual consent."
(Al-Quran)

Mutual consent and cooperation be the guiding principles while dealing with each other. Islam prohibits gambling and hoarding. It promotes dealing fairly.

6. ENCOURAGEMENT OF STRUGGLE AND HARDWORK FOR EARNING:

Islam has made it compulsory for its followers to work hard and struggle for earning finances. Islam discourages beggary and theft.

"And when the prayer concludes, disperse within the land and seek from bounty of Allah." (Al-Quran).

Beggary is discouraged and halal earnings are encouraged within the Islamic financial system.

7. DISTRIBUTION OF WEALTH AND SYSTEM OF BAIT-ULMAAL:

Islam has enlisted different forms of taxes including zakat, jizya, ushr, al-kharaj. The collected public money was deposited in Bait ul Mal. Out of this collection, the needy, poor and deserving factions were provided with means of living so that just environment can be setup. Hazrat Umar (RA) during his

Caliphate was very much concerned about this and said.

"Even if a dog dies due to hunger or thirst, Umeir will be answerable to God."

The system of zakat collection ensures distribution of wealth among different tiers of society so that no one remains without food and other basic necessities of life.

8. PROVISION OF SALARIES ON TIME:

Islam instructs its followers to pay the salaries of their workers on time. It is said that the salary of a laborer must be given before the sweat goes away. The delay in provision of salaries is against the teachings of Islam.

INTEREST FREE SYSTEM IN 21ST CENTURY:

Interest free system can be established in 21st century. The acquisition of tax is just a means of exploitation of lower class. In 21st century when the world is facing serious economic problems the solution lies in the use of interest free payment.

system. The rising poverty, class difference and other social evils demands shift towards easy payment system. The world demands end to the exploitation of poor. The lower class is often trapped in vicious debt traps as they have to pay the interests on loans acquired.

→ RISING FINANCIAL PROBLEMS:

The International Financial Institutes use the technique of interest payments. As a result many developing states including Pakistan, Sri Lanka are trapped in the vicious debt trap cycle. The loan payment, aside the interest rate alone is causing the worst crisis world wide.

INTEREST FREE SYSTEM OF BANKING:

Many Muslim states used the interest free system of banking and this can be expanded to large scale as well. Iran, Pakistan, Qatar, Malaysia and Saudi Arabia are some examples of states that adopted interest free payment system. The hurdles in complete shift towards interest free system mainly include globalization and increased

dependency of states. The use of interest free payments is used by Islamic states only.

CONCLUSION:

In a nutshell, Islam has provided very strong basis for establishment of financial system. Prohibiting usury, beggary and haram ways Islam ensures the equitable distribution of wealth. The system of zakat collection and other taxes enables distribution of wealth in society and helps in poverty alleviation. Strict implementation of Islamic principle will lead to peaceful and just societies. Interest free banking system is possible in 21st century sighting its use in different economic models worldwide. Increased globalization and interest payment method used by other states hinders the establishment of interest free system globally.

Lack of references

QUESTION NO:1:-

What do you mean by Ummah - Enlist ---
solutions - ?

INTRODUCTION:

Ummah comprises of all individuals sharing common religion. Primarily Ummah denotes the union of different individuals, based in different geographical areas, bound by religious teaching. Muslim Ummah faces major challenges of rising Islamophobia, Lack of representation in the International arena. Lack of Unity and Brotherhood among the Muslim states remains one of the major challenge. The perceived threat of linking terrorism with Islam adds up to the challenges of Ummah. Proper consensus building among the Muslim world and the empowerment of OIC and other platforms will help allivate the situation. Joint efforts to delink terrorism and Islam will stabilize the Muslim Ummah.

Ummah : A Brief Overview:

Ummah is defined by the experts as combination of individuals of different races, geographical location and ethnicity under the umbrella of Islam. Ummah

was formed on the guiding principles of Islam. The Muslim Ummah ruled ~~the~~ many parts of the World previously. As they got away with the application of Islamic teachings it led to the disharmony and unrest. Ummah includes the Muslims dispersed all around the World. Unfortunately the Muslim Ummah faces a number of challenges. The ongoing genocide against Gaza and the inability of Ummah to take concrete steps points toward serious challenges facing the Muslim World.

2-

3-

CONTEMPORARY CHALLENGES OF MUSLIM UMMAH:

1- GENOCIDE OF PALESTINEAN PEOPLE:

Israel's commission of genocide on the people of Gaza, who do not have any weapons for defence. The unlawful war waged against civilian population is against International Humanitarian Law and humanity. Inability of Ummah to take crucial steps to stop the unjust war is a challenge for Muslim World.

2. RISING THREAT OF EXTREMISM:

The threat of extremist ideology is flourishing which undermines the sacred teachings of Islam. Some of the rural areas continued the teaching the extremist generation to the young minds. There is a need to check the curriculum and curb that threat of rising extremism.

3. LINKING OF TERRORISM WITH ISLAM:

Islam categorically discourses the killing of even a single human being. It is unfortunate that the terrorists claim to be Muslims and the World believes them. This narrative needs to be changed. Allah says in Quran and its meaning is quoted as:

"Whoever kills one soul, it is as if he killed the entire mankind -"
(meaning of verse)

Strong narrative building through media to delink terrorism and Islam - As the ones committing the act of terrorism exit the circle of Islam. The terrorism has been linked to Islam which is a challenge for Muslim Ummah -

4- WEAK MEDIA INFLUENCE OF UMMAH:

The media of Muslim world is very weak in comparison to the media of Western World. Media plays important role in narrative building and projection of true image of a society. Only one media network of Qatar is available. Aljazeera is only one such channel.

5- LACK OF UNITY AND CONSENSUS BUILDING:

Muslim Ummah faces the most important challenge of the lack of unity. The Ummah once was a symbol of Unity. The lack of consensus among the Muslim world is another major challenge to the Ummah. The inability of Muslim World to reach a consensus on the plight of the people of Gaza and the lack of any crucial steps indicate the lack of unity among the Muslim World which needs to be eliminated.

6- FAILURE OF OIC :

7- LACK OF ^{GOOD} LITERACY LEVEL :-

8-

9- RISING ~~EAD~~ ECONOMIC DEPENDENCY ON WEST:

SOLUTIONS TO OVERCOME CHALLENGES:

- 1- Need for Consensus building.
- 2- Promotion of brotherly relations.
3. Focus on improving Literacy rate.
- 4- Empowering the forum of OIC-
- 5- Narrative building to delink terrorism from Islam.
- 6- Gaining economic independence.

CONCLUSION.