

# Islamic finance

Finance



Islamic finance Islamic finance is undergoing a new transition (DiVanna & Sreih, 2009). This is because the world is advancing in technology, which requires the Islamic Finance to upgrade their systems in accordance with new inventories thus thriving not only in their respective regions but also globally. Though some complies with this transition, some still disagrees and curses this revolution citing that it does not comply with Islamic Sharia law tracing their faith and beliefs from Quran and Prophet Mohammed (DiVanna & Sreih, 2009). These sharia laws require all Islam followers to abide by these laws. Hence, the present state of this Islamic finance is trying to upgrade and cope up with the economic, banking and finance crisis with trend and advance in technology and it seems it will still be involving from generations to generations.

The view of charging interest on Islamic finance regarding riba is that their basic idea is they like money contribute to this Islamic finance used to develop mosques' rather than other projects (Swartz, 2011). In accordance to Sharia Islamic religious law riba is considered manipulative and unlawful (Swartz, 2011). In addition, interest from the contributed money is often criticized because perspective view of these whole issues states that it is an effortless profit where the borrower is expected to pay as a form of compensation to the lender. Even in cases like where creditor has right of possession of debtor's property if he or she is unable to settle the debt. Therefore, riba is an economic issue concerning the Muslims. In the fact, it is unlawful and discouraged in one way or another since the inception of this Islamic finance and still Islam is still withstanding this beliefs. Hence, the major concern in analysis to this monetary transaction is to evade riba despite the reality that it is the foundation to growth in economics, banking <https://assignbuster.com/islamic-finance/>

and finance (Hart, Childs & Boyle, 2013).

For Islamic finance to grow and develop a strong basis, banks have introduced use of tawarruq and inah to aid in improving Islamic economic, banking and finance with the intention of replacing the old concepts, which are prohibited in Islam. However, this has ignited controversy and criticism for many believe that the dealings are not Sharia compliant citing their argument that there is no main economic activity involved about Sharia law. Therefore, application of tawarruq and Inah banking system in Islamic finance is invalid and in effective. This is because this monetary institution will face an extensive long-term status risks between clients if they are not contributing any products based on money procurement with interests and risking the whole sector's reliability.

Based on my opinion, I agree with the declaration citing the current trajectory in Islamic finance seems to fly high but on borrowed wings. I think that, some of the issues raised and forbidden by these Islamic laws are outdated and manipulative besides being unjust to some poor traders. In addition, the law sometimes goes beyond valuing human dignity for they oppress a large numbers of poor traders who undergo numerous demoralizing challenges while in their quest of earning something to live on. I think speed cannot be morally good if we are going in the wrong direction. This is because course followed will not yield any positive results. Hence, it will have no chance of contributing towards achieving economic, banking and financial goals outlined. In addition, I think that it will only be possible to correct the path later when you realize you are not trending on the righteous way. However, there will be some consequences incurred.

What is the Difference Between Bai Inah and Tawarruq? Provide Examples.

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Bai' Inah is whereby someone sells merchandise to another person on credit and later the latter afterward then sells back the same merchandise to the previous seller on cash basis but at a lesser value than the initial credit price (Mirakhor & Bacha, 2013). For example, an individual sells a television set on credit to a certain individual. Later, the individual sells back the TV set to the previous seller at lower price. While Tawarruq is a sequence of sales where an individual sells merchandise to another person on a credit basis (Mirakhor & Bacha, 2013). Later, the latter sells the purchased item on ready money to a third individual who is not the ex-seller. For instance, a customer purchases materials at a negotiated price sum which is payable in installments. Then this individual sells them to a contractor on cash basis.

#### References

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