

Financial Instruments of Islamic Banking: A Critical Analysis

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Abstract : Interest based transactions led the advent of Islamic banking. In order to provide an alternative to Interest based banking, financial transactions found in classical books of fiqh were employed. Musharakah, Mudarabah, Murabahah Salam, Ijara, and some other modes were adopted. These modes were modified so that they can be adopted for banking and satisfy the needs of customers. Since the inception of Islamic banking, these modes are being used and with the passage of time, are being molded and experimented with to cater different kinds of customers and requirements. Human efforts cannot be errorless. These modes too bear legal defects which need an in-depth scrutiny and refinement. The aim of this paper is to dig the basis and rulings of these modes in classical books of fiqh and analyze its modification and adoption in Islamic banking and the legal defects that these modes are bearing. Paper will prove itself fruitful by providing remedies for the legal defects.

Keywords : financial instruments, legal defects, remedies, Islamic banking

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