

An Overview of the Evolution of Islamic Financial System in Pakistan

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Abstract:

This study presents the evolution of Islamic Banking and the financial system in Pakistan which has been legalized by the jurist and many people do not use any Islamic banking product for themselves, whether it is Takaful or Madharba. Our leader Quaid-e-Azam Muhammad Ali Jinnah was very keen on introducing the Islamic economic system in the country. The SBP also aimed to eliminate the interest rate system from the country. We are currently breathing in the atmosphere of the interest system where every child in the world is indebted to usury where even if one buys the Qur'an, the food they buy only by paying indirect interest. All these issues and the key terms of the Islamic financial system have been explained in the contemporary context in this study.

Key Words: Quran, Jurist, Financial system, State bank, Islamic Philosophy

Introduction and Data interpretation

Islam is a perfect and complete religion which has laid down broad and general rules for every stage of the individual, collective, social and economic life of the Muslims which contains the solution to every problem that will arise till the Day of Judgment. Now there are some things that are really necessary for human beings and some things that are not necessary but they have been made necessary. It is not only desirable but sometimes obligatory to look for alternatives to things that have really entered or have entered into human need, but the way to obtain them has been wrong and illegitimate.

Islamic philosophy of economics

Islamic law has ample scope for adhering to strict rules according to circumstances and needs. Therefore, one of the principles of jurisprudence is that some illegitimate things become permissible due to necessity and where there is difficulty in following a rule of Shari'ah, it is made easier.

The Holy Qur'an and the hadiths of the Prophet (peace and blessings of Allaah be upon him) also point to this adherence to Shari'ah. For example:

"لَا يَكْفُلُ اللَّهُ نَفْسَ الْإِنْسَانِ مَا سَعَىٰ" ٤

Allah does not put under stress any soul more than its endurance.

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⁴ Al-Baqarah 2:286

"يُرِيدُ اللَّهُ بِكُمُ الْيُسْرَ وَ لَا يُرِيدُ بِكُمُ الْعُسْرَ" °

Allah desires ease for you and does not desire hardship for you.

In the context of the Shari'ah, the removal of evils and the avoidance of haraam and the elimination of corruption are more important than the attainment of good deeds and the fulfillment of duties and obligations. Therefore, she does not hesitate to allow taboos in labor missions with great generosity. In the case of travel and illness, the machines have not been used for the use of impure and haraam things as much as they have been used for prayers, fasting and other duties.

Islam is not a new religion: it's far the equal fact that God found out through all His prophets. All religions are the equal in essence, whether or not given, for example, to Noah, Abraham, Moses, or Jesus, or to the holy Prophet of Islam. For a 5th of the world's population, Islam is each a faith and a whole code of life.⁶

Economic growth is the principle transmission channel for improvement. Islam does now no longer contradict growth; it promotes sustainable improvement and growth.⁷

Socio-monetary (distributive) justice: The closing goal of an Islamic economy. Achieving improvement, primarily based totally on socio-monetary justice, care and compassion for all, in phrases of whole human personality.⁸

The monetary guidelines that facilitate unhindered flows of worldwide trade, capital, and participation in hard work flows like reduced tariff and elimination of non-tariff barriers, elimination of rate distortions, bendy policies and law of hard work, healthful and sound financial area and capital markets, funding in talent improvement and technological assimilation and macroeconomic balance are pretty according to the economic ideas of Islam.⁹

Dr Nejatullah Siddiqui says:

Some of the details of the economic teachings of Islam are that the Qur'an and the Hadith of the Prophet (peace be upon him) have three kinds of instructions and teachings regarding the economic aspect of human life. One is the status of moral sermons and It is like incentives and is based on benevolence and self-sacrifice. Benefit means to give one's good will as a good deed and to give one's useful material thing to another without material compensation. Therefore, the purpose of these teachings is that People should voluntarily give their possessions to each other out of compassion and benevolence and benefit each other without any material

⁵ Al-Baqarah 2: 185

⁶ Hamid S, Craig R and Clarke F (2013) Religion: A Confounding Cultural Element in the International Harmonization of Accounting? *Abacus* 29(2): 131-148.

⁷ Haniffa R and Hudaib M (2007) Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics* 76: 97-116.

⁸ Haniffa R and Hudaib M (2007) Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics* 76: 97-116.

⁹ Hassan MK and Lewis MK (2007) *Islamic Finance: A System at the Crossroads?* *Thunderbird International Business Review* 49(2): 151-160.

compensation. These moral and benevolent teachings are optional in practice and not compulsory. Individuals have the right to choose whether or not to comply.¹⁰

Second, those whose nature is like permanent and real laws are based on justice and installment. Here, justice and fairness mean that the rightful claimants have the right to fulfill their right, and these teachings have meant that in matters of compensation, each party should have its right equally and in full, and each party should be equal to the other's property. And pay full compensation and no one's right is lost. They have the status of permanent laws, so they are not optional in terms of practice, they are enforced. Muslims are compelled to follow them.¹¹

The third is those whose position is similar to the provisional and temporary orders. They are interpreted as interim or temporary orders, based on temporary expediency. Temporal expediency means that in unfavorable circumstances it is necessary and unavoidable to adopt one of the two bad things, then adopt it or give up the small good for the sake of the great good. The purpose of these teachings, therefore, is to follow a situation in which it is not impossible to follow a hundred percent match, which is closer and better than Christ. Their status is that of interim and temporary laws, in terms of mill they are mandatory and not optional. It is imperative to act on the circumstances to which they are related. Because by following them, economic oppression and chaos are reduced and the collective condition of the society is improved. Therefore, its aim is to establish justice by removing oppression and corruption from the society.¹²

This division should be something like this. The first duties, the second voluntary, the third forbidden.

Duties to be performed on a syllabus, which includes all the rules that apply to all matters of Islamic economics, including zakat, ushr, tribute and all other taxes. Which the government receives to meet its expenses and which have been declared permissible by jurists and scholars.

Forbidden means those matters which have been declared haraam or forbidden by Allah and His Messenger (peace and blessings of Allah be upon him), including usury and gambling. Interest is at the top of the list, the sanctity of which is proved by the Holy Quran and hadiths.

Islamic law is not a static and frozen law that has always been adapted to a particular time and circumstances, and has not changed as time and circumstances have changed. can go. Those who are like this to me are mistaken, but we will say that they have not understood the spirit of Islamic law.

In fact, Islamic law is based on wisdom and justice. Legislation (The main purpose of legislation is to organize the affairs and relations of the servants of God in such a way

¹⁰ Siddiqui, Nijatullah, *Islam kiMaashiTaleemataurHmaraJadeedMuashra*, (NazroFikr, Vol 04, 1966), p, 285, 297

¹¹ Siddiqui, Nijatullah, *Islam kiMaashiTaleemataurHmaraJadeedMuashra*, (NazroFikr, Vol 04, 1966), p, 285, 297

¹² Siddiqui, Nijatullah, *Islam kiMaashiTaleemataurHmaraJadeedMuashra*, (NazroFikr, Vol 04, 1966), p, 285, 297

that instead of resistance and competition between them, cooperation and sympathetic cooperation helps in the development of each other's personality or at least Do not become a hindrance to their development and cause mischief.

Although these instructions were given at a particular time and in special circumstances and were enforced within a particular society, but by their words and in the ways that the Prophet (peace and blessings of Allaah be upon him) put them into practice. There are a few universal principles of law that are equally useful and applicable to the just organization of human society in all times and circumstances. These are the things that are irrevocable and unchangeable in Islam.

Now it is the duty of the mujtahids of all times to enforce these matters in such a way that the real purpose of the Shari'ah may be fulfilled, as circumstances and incidents occur in practical life. Just as the principles of Shari'ah are unchangeable, so are the laws that human beings have formulated from these principles unalterable, they are all for the sake of circumstances and events and for special circumstances and special events.

After understanding the Shari'ah, the important condition is to look at all the rules of the Shari'ah regarding the area of life in which the law needs to be made and to find out by considering them.

In the case of Allama Ibn Taymiyyah, it is written that during the time of the Tatar tribulation, they passed by a group who were engaged in alcohol and kebabs. Allama's companions wanted to forbid them from drinking alcohol, but Allama stopped them. He said, "Allah has forbidden alcohol to close the door of sedition and mischief, and here it is that alcohol prevents these oppressors from a great sedition of money and wealth." It is against the law to stop.¹³

This shows that the rules can be changed depending on the nature of the incidents. But the change should not be such that the real purpose of the Shari'ah is to be cleansed.

Thus there are certain injunctions which were given in special words with the exception of special circumstances. Now it is not the job of the jurist to follow the same words in spite of the change of circumstances. Rather, he should understand the real purpose of the Shari'ah with these words and formulate appropriate rules according to the circumstances to fulfill this purpose.

For example, the Prophet (peace and blessings of Allaah be upon him) commanded to give one saa 'of dates or one saa' of barley or one saa 'of raisins in charity.¹⁴ -

This is not to say that the Sa'a that was prevalent in Madinah at that time and the commodities mentioned by the Holy Prophet (sws). These are exactly what is planned. The real purpose of the Shari'ah is only to give so much charity to every person on the day of Eid that one of his incapacitated brothers can spend at least the

¹³ Muhammad Taseen, *Islami Iqtsadiyatsy Mutaliq Chand Usooli Batain*, (Idara Rahban Lahore 1976), p, 88

¹⁴ Afghani, *Shamasul Deen, Islam ka Maashi Nizam*, (Nazro Fikr, Vol 06, 1968), p, 275

time of Eid happily with his children in this charity. This purpose can be fulfilled in any other way which is closer to the suggestion of the Shariah.

It is also important to understand the principles of interpretation and the style of legislation of the Shari'ah, so that in formulating the rules according to the occasion and place, the same principles can be followed and the same style can be followed. This cannot be achieved unless one considers the structure of the Shari'ah as a whole and then the characteristics of its rules one by one. How the Shari'ah has established justice and balance in the rules. How he has compromised with human nature. What methods has he adopted to ward off corruption and attract spices? How does he organize and discipline human affairs? In what way does he lead man to his lofty goals and at the same time create appropriate facilities in his path by keeping in view his weaknesses? All these matters need reflection and deliberation and it is necessary for them to consider the literal and spiritual implications of the Qur'anic texts and the wisdom of the actions and sayings of the Prophet (peace and blessings of Allaah be upon him). A person who is endowed with this knowledge and jurisprudence can also make partial changes in the rules depending on the occasion and place.

It is necessary to examine the changes in the circumstances and the rules and regulations which wish to formulate new rules in two ways. One is the status quo of which forces are at work. The second is the nature of what changes have taken place in them from the point of view of Islamic law and what kind of change is required in the rules of each type.

Review of existing financial institutions

If we look at the existing banks, many of their functions have become a human need. Today, anyone who has any savings is almost forced to keep it in the banks. There is no safer way than this. Besides, gathering the sisters of the people in one place and using them in the industry and trade of the country is a right goal in itself. Emphasizing the importance of international institutions, Dr. Mahmoud Ahmad Ghazi writes:

What is the status of Macs in the current economic system? The whole world economy is running on vaccines. Commercial activities are being promoted through banks. The institutions that control international trade are the big banks. The most efficient and easy means of communication between the investor and the trading party is the banking system. If the banks do not do this, then not only for the big investors, but also for those who do not have small ones, it is almost possible to reach out to the potential parties and invest their capital or savings in the work plan by choosing the parties. It is possible. Finding a reliable partner or a reliable partner is not for everyone. This is very easy to do through banks. "¹⁵

But for all these legitimate purposes, the path of usury was taken which was haraam and harmful, so it was necessary to find an alternative through which these legitimate purposes could be achieved by offering usurpation of usury and modern societies. May the problems and difficulties of Islam be solved and may the modern generation

¹⁵ DrMehmood Ahmad Ghazi, *Muhazrat e Maeeshat o Tijarat*, (Lahore: Al-Faisal Nashran o Tajiran, April 2010), p 76

not fall into the mistake that Islam is incapable of solving the problems of the present day.

That is why the scholars considered it their duty and debt that just as our forefathers recounted modern events and accidents and new issues in their own time and then solved them in the light of ancient Islamic jurisprudence. The jurists of the time also seek solutions to modern problems in the light of ancient Islamic jurisprudence.

Is it necessary to find an alternative?

We find clear guidance in this regard from the Holy Qur'an and the Holy Sunnah of the Holy Prophet (sws). In the Holy Qur'an, Allaah says (interpretation of the meaning):

احل الله البيع وختم الربا¹⁶

Allaah has made buying and selling lawful and usury unlawful.

Note that in this blessed verse, the prohibition of 'Ra' has been mentioned later and the status of its substitute 'Bi' has been mentioned first.

When the Master of the Universe (peace and blessings of Allaah be upon him) declared buying one saa 'of dates from two saa' of dates as interest and did not forbid it, at the same time he suggested an alternative method. Buy good dates with bombs.¹⁷

Obedience of the Messenger

Shams-ul-Imam Allama Surakhsi (may Allah have mercy on him) has written to the followers of the Prophet (peace and blessings of Allah be upon him) to suggest an alternative to protect the questioner from haraam and illegitimate.

عن أبي جيل قال أَل عبد الله بن عمر رضي الله عنهما قلت: إن تقدم أرض الشام ومنا الورق الوفا الا فقه ونكهة الورق الجفاف الكايت أفتنا ورقم العتم بشعير ويض؟ فقال: لا تفعل ولكن بغير ورقك ي. والشروقة بالهلب، ولا تفارقه حتى توفي، وإن وب من سطح قيت معد¹⁸

Abu Jabalah said: I asked 'Abdullah ibn' Umar (may Allah be pleased with him) that when we go to Syria, we have heavy silver (in the doorway) which goes well in the bazaar and they have heavy silver doorway which If that doesn't work, can we buy ten of their silver for nine and a half of our silver? He said to him: "Do this, but do it in such a way that you give them six pieces of silver in exchange for gold, and buy their silver from gold, and you will not be separated from Luan until you have seized it. Jump with

Commenting on this incident, Shams-ul-Imam Allama Surakhsi (may Allah have mercy on him) writes:

¹⁶ Al-Baqarah 2:275

¹⁷ Al-Bukhari, Muhammad bin Ismail, Sahih Bukhari, (Nashir: Dar Tauq al-Nijah, 1422AH), باب إذا أراد بيع تمر بنتمر خبير منه، Hadith no: 2201

¹⁸ Al-Sarkhasi, Muhammad bin Ahmad Abi Sahal Shamasul Aimah, Al-Mabsut, Kitabal Saraf, (Beirut: Darul Marifah 2005), P 14

وفيه دليل التي إذا تبين جواب ما شئل عنه فلا بأس أن يبين للشاي الطريق البي يخصل به مقصو مع التز عن الحرام، ويكون هذا ما هو مموه من تغيير النيل بل هو اقتناء پر شول الله - صلى الله عليه وسلم¹⁹

This incident also proves that when a question is asked to the Mufti and he clarifies the answer, there is nothing wrong with him telling the questioner the way in which his purpose is to avoid haraam. If it is obtained, it is not evil, but the followers of the Prophet (peace and blessings of Allaah be upon him).

In addition, dozens of examples can be given on this subject.

The Muslim economy and trade should be free from the menace of usury, legitimate goals should be achieved through legitimate means and the need for Western financial institutions should not remain. Scholars have made strenuous efforts to establish the financial system on the lines of Shari'a and to make Islamic financial institutions more competitive than commercial and interest-bearing financial institutions around the world, initially at the individual level and eventually collectively. Took shape and introduced an Islamic financial system in practice. Attempts were made in several stages to establish this system, the details of which are as follows: To summarize the Islamic bank, it means all the backbone of Shariah. Conduct its business transactions on the prescribed principles and in all transactions within the scope prescribed by Shariah. The current model of Islamic banking was first introduced in Malaysia and Egypt in 1963, and has since continued to be used in other parts of the Muslim world. Islamic banking did not gain much traction until the 1970s, but since the twentieth century, the world has begun to research and critique it. Many critics call this system and the term ridiculous because in today's world it is not possible to be free from the banking interest system, so how can it be called Islamic if it goes hand in hand from beginning to end? Because there are clear injunctions in the Qur'an that the act of usury is tantamount to declaring war on Allah and His Messenger. Proponents of Islamic banking, however, include many well-known scholars in the Islamic world, who say its principles are closer to those of Islamic economics.²⁰

Despite the criticism, the Islamic banking system is not only popular in Arabia and Ajam today, but is being adopted to the extent of life and education. His research and the prevailing Islamic system of government became even more popular in 2007 when the "Economic Recession" took place, in which the international financial institutions of the Western world, including the United States, were selling out due to the crisis. Adopted The only way to understand and put this system into practice was in the wake of the 2010 bureaucracy crisis in Europe. This led to research in European universities, and eventually the European world began a practical and academic effort on Islamic banking in their countries, which was incorporated as an exchange system. The Islamic banking system can be used as a tool for the benefit and development of the economic system. There are two types of production of Islamic Bank, one is depositing money which is called deposit in general term and the other is financing.

¹⁹ Al-Mabsut, p 5

²⁰ State of the Global Islamic Economy Report 2015/16 (PDF). Thomson Reuters & Dinar Standard. pp. 54-55

The following principles are followed in Islamic banking. According to Taseen, some basic principles need to be understood.²¹

Mudharaba:

Mudharaba is one of the basic and earliest principles in the Islamic economic system, as defined by the Accounting and Auditing Organization for Islamic Financial Institutions. Mudaraba refers to a partnership between two parties in which a party It is said that the one who provides his money as an investment in the business and the other party which is "Mudharib" is responsible for managing the business. In case of profit, the profit will be distributed according to the ratio fixed between the two partners, while in case of loss, only the Lord of Finance will bear the loss. In Islamic banking, Mudaraba in savings and current accounts is usually used by the bank for project financing in which the bank provides capital and does not participate in any business activities and Mudaraba acts as the major of the project. Is . In case of profit the profit is distributed according to the fixed ratio and in case of loss the bank bears the loss. In Mudaraba, the ratio of profit is fixed in advance but the ratio of loss is not fixed.²²

Murabaha

Murabaha is derived from the word "R" meaning profit. In Marabaha, Islamic Bank buys anything at the request of its caster and collects its actual price and its profit. In Maraba, the risk remains with the Islamic Bank until the ownership is transferred from Islamic Black to Custer. Murabaha contracts are usually done under a financing facility. Murabaha is a type in which the price and profit of the item are stated in advance. The bank buys for the customer what he wants to buy on credit and the bank buys it and gives it back to the customer at a profit while it also includes the cost price. Custer returns the props to the bank from the prescribed wire and may later charge a back compensation fee if Custer fails to pay on the due date.²³

Lease:

Lease literally means lending something and charging rent in return - lease is an e-product that buys goods or property for a backstayer and lends it to the caster (cocktail) while the custodian borrows the item. Expectations and negatives. The first buyer buys the goods from the back supplier in advance and arranges the delivery line according to the customer's requirement. The second part is the asset use contract - the lease is used in two ways, an "operating lease" and a finance lease - as well as if the

²¹ Choudhury, M.A. and Malike, U.A. (1992) *The Foundations of Islamic Political Economy*, London: Macmillan; New York: St. Martin's Press., p. 104

²² Qureshi, Anwar Iqbal. *Islam and the Theory of Interest*, with an Introduction by Syed Sullaiman Nadvi, Lahore, Muhammad Ashraf, xxiv, 223p. Arabic translation *al-Islam wa'l riba* by Faruq Hilmi, al-Qahirah Maktabah, Misr, 158p.

1. ²³ Siddiqi, Muhammad Nejatullah (1981). *Muslim Economic Thinking*. UK: The Islamic Foundation. pp. 29–30.

lease ends with the tenant ever acquiring the property. If it is transferred to, it is called 'IjtaraMunthiyaBaltmik'.²⁴

Salam

Slim is a type of sale in which the seller promises to deliver the specific item to the buyer on the due date and receives the payment in advance, thus the seller is paid and the buyer is paid. The thing is found in the future. In Islamic banking, the Muslim seller has a moral obligation to deliver the goods to the buyer on time. Currency slim is also considered legal in some places in slim. The practical side of slimming is usually used for small farmers who need money to grow crops and meet their household expenses. The Holy Prophet (peace and blessings of Allaah be upon him) allowed people to drink their crops ahead of time.

Istisna:

The word istisna 'comes from hearing which means to make something on order. In this contract, you order someone to make something for you at the pre-arranged Shadhar Qom - in Islamic finance, it is a long-term contract in which a party begins to target the obligation not to. Will deliver to Custer. The money is paid in the form of installment which lasts till the completion of the project. According to the scholars, istisna is also proved by the hadith.

Musharkah

The word Musharkah is derived from sharkeh which means partnership and it also means shirk. Under the Partnership Act 1932 in Pakistan, it states: "A relationship between two parties in which both parties agree to make a profit and run the business together." Consider that banks and customers are partners. Profit comes in proportion to the default ratio and loss in proportion to the share of goods shared. Musharraf plays a very important role in Islamic financing - Musharraf is commonly used for property purchase, real estate, investment. Every party that invests is involved in management.

Kafala

Kafala means to combine something. Kafala is a very important contract in the transaction of Islamic economy in which the rights and responsibilities of the controlling parties are protected. The sponsorship contract can be used as an option to strengthen any other contract. In Kafala, one's responsibility is combined with another's responsibility to improve payment performance. The Contract Act 1872 defines kafala as follows:

A contract of guarantee in which the promise is fulfilled and the liability of the third servant is removed if he breaks it. A person who is giving a guarantee is called a

²⁴ Khan, What Is Wrong with Islamic Economics?, 2013: p. 143

surety and a person who is being given a guarantee due to his fault is called a principal debtor and a person who is being given a guarantee is called a creditor.²⁵

Hawalah

The term “Hawala” is taken to mean that the responsibility for the repayment of a loan is transferred from the original debtor to another person. In reference, one person appoints another person as an agent so that The first addict is called Pernel (the victim) and the second addict is called the agent (lawyer).²⁶

Sukuk:

The word sukuk is derived from "suk". Sukuk is an Arabic name used for "financial certificate" which means certificate or legal instrument. Sukuk is used in Islamic banking as a substitute for bonds and stocks. Islamic Banking believes that bonds and stocks are based on usury and interest. According to AAOFI, sukuk is defined as: “Securities of equal denomination representing individual ownership interests in a portfolio of eligible existing or future assets.”²⁷

For example, those who have sukuk, the property that is being built, is shown to be the owner of the property. In this way the sukuk holders receive a profit as rent of the property which is halal. In Islamic law because they are showing ownership of the asset.

Sketching and basics

In July 1969, Dr. Muhammad Nejatullah Siddiqui, an economist at the Muslim University of Aligarh, presented a basic outline of Islamic banking called "Non-Interest Banking".

Siddiqui Sahib writes:

How the banking system will be implemented and how it will perform all the necessary and useful services that modern banking system performs. The foreword book has been written to meet this need. In the following pages we will An outline of the non-interest banking system would suggest. Given the breadth of the topic, this outline is still comprehensive and some aspects of it need to be discussed in detail separately, but we have tried to highlight the shortcomings of the non-interest banking system and provide the necessary basics for further elaboration.²⁸

He further writes:

²⁵ Usmani, Introduction to Islamic Finance, 1998: p.136

²⁶ Mohammad Hashim Kamali. Equity and Fairness in Islam [Cambridge, UK: The Islamic Texts Society, 2005], p. 104

²⁷ Siddiqui, DrNijatullah, GhairSodiBankari, (Lahore: Islamic Publication Limited, July, 1969), p, 102

²⁸ GhairSodiBankari, p 11-12

This book will only explain how the principles of participation and competition can be implemented and how they can perform their duties well.²⁹

In the years 1936 and 1937, discussions were held between Quaid-e-Azam and Allama Iqbal for the establishment of an Islamic financial system.

Leading economist Dr. Mahmood Ahmad Ghazi says: In the years 1935, 1936, 1937, when there was correspondence between Quaid-e-Azam and Allama Iqbal and many issues of the proposed Muslim state were being discussed between these two personalities. I also spoke on Islamic economics. In this important post of this period, Allama Iqbal wrote in response to a question from Quaid-e-Azam that the problem of Muslim economy, bread and poverty in Pakistan is not very difficult. This problem can be solved if the rules of Shariah are implemented properly.³⁰

In the last speech of his life, Quaid-e-Azam pointed out the shortcomings of the non-Islamic financial system and directed the State Bank of Pakistan to frame a new economic system in accordance with Islamic principles. It was rumored that interest would be eliminated from Pakistan's economy. And as soon as possible, the country's economy will be cleansed of usury.

The late Sheikh Ahmad Irshad was the first to introduce the concept of an Islamic financial system in the independent Islamic world immediately after the formation of Pakistan and made efforts to establish a financial system. He did banking inside and outside the country for many years. He gained competence and experience and for the first time in 1964 wrote a valuable book on the banking system, the destruction of interest-bearing business and the public welfare of the Islamic financial system, entitled "Interest Free Banking³¹."

At the same time, Cairo's famous scholar, Muhammad Abdullah Al-Arabi, also published a research book in Arabic on the current banking system and the Islamic financial system, entitled "Consumer Affairs Lecturer and Islam in It." Afroz presented an article in the Cairo Islamic Research Council in which he discussed the abominations of the concentration of wealth and the virtues of the Islamic financial system in contrast.³²

Practical steps

According to Islamic banking experts, the 1970s are the time of the birth of Islamic banking. In the same period, the well-known economist Dr. Mahmood Ahmad Ghazi, a well-known Islamic bank, said: "We can say that the decade of 70 is the birth of Islamic banking. In this decade, several Islamic banks have sprung up in Dubai,

²⁹ GhairSodiBankari, p 13

³⁰ DrMehmood Ahmad Ghazi, Muhazrat e Maeeshat o Tijarat, (Lahore: Al-Faisal Nashran o Tajiran, April 2010), p 76

³¹ Muhazrat e Maeeshat o Tijarat,p 78

³² Mufti Muhammad TaqiUsmani, GhairSodiBankari, (Karachi: MaktabahMaariful Quran, May 2009), pp 66-67

Sudan, Egypt, Kuwait, and Bahrain. In some countries, these banks have been exempted from certain rules and regulations.³³

First experience

The first experiment of Islamic banking in Hyderabad Deccan took place which showed that Islamic banking is not just a theoretical discussion nor an imaginary concept but it is a real and practical need and can be implemented.

Following this successful experience in Islamic financial institutions in Pakistan, the late Sheikh Ahmad Irshad took the initiative in Pakistan and founded an Islamic financial institution called The Co-operative Investment and Finance Corporation Limited. The deed was hailed and praised in newspapers and magazines and was hailed by dignitaries as a ray of hope in the dark shadows of despair and hopelessness.³⁴ -

Dr. Mahmoud Ahmad Ghazi further writes:

The most prominent name among those who pioneered the establishment of Islamic banks is Prince Muhammad Al-Faisal, son of Shah Faisal. He worked hard at a time when the Muslim world was in turmoil and hesitation Unwilling to do so, he made successful visits to various countries, met with the rulers and discussed the issue with those in charge, and played a significant role in shaping public opinion on a large scale.³⁵ .

The quarterly statement states that: "Efforts to bring Islamic banking into practice have been made in several phases, a summary of which is as follows: The first phase and individual initiatives were the efforts of Dr. Ahmed Najjar of Egypt, TabongHabi in Malaysia." Sheikh Ahmad Irshad's efforts in Pakistan are noteworthy.

Second step:

Government and government initiatives Initially, the official attitude of Islamic countries towards Islamic banking was cold and neutral. But when he saw the merits and demerits of this system, he turned his attention to it and gradually began to work on it. As a result, two important backlash came into being. Establishment of the Islamic Development Bank in Jeddah, Saudi Arabia in 1975. In 1977, the International Union of Islamic Banks was established in Makkah.

Step 3: International measures

This stage is very important in its nature and nature. This was the time when this dream and long-cherished dream of establishing a non-interest economy came true. It was the Islamic banks and Islamic financial institutions that put this ideology and concept into practice and set a living and practical example of this ideological

³³ Muhazrat e Maeeshat o Tijarat, p 79

³⁴ GhairSodiBankari, p 27

³⁵ Muhazrat e Maeeshat o Tijarat, p 74

concept, took the world of Islam out of imagination and concepts and Branches of Islamic banks have been established in different countries of the world. Here are some of them:

Dubai Islamic Bank: Established in 1975 in the United Arab Emirates. This bank is the first fully Islamic bank.

Faisal Bank (Saudi Arabia) 1977

Kuwait Finance House (Kuwait) 1977

Brian Islamic Becky 1979

Abu Dhabi Islamic Bank 1997

And also many Islamic banks came into existence and established themselves in the Islamic world in particular and in the world community in general.

Step 4:

Comprehensive measures: These measures included a practical effort to Islamize the entire banking system. So that it is clear to the Western world that the Islamic economic system is suitable for any place and any time. And it can pay its dues better than any other system. As a result of this effort, many Islamic countries made significant efforts to break free from the traditional banking system and implement a complete Islamic system in financial institutions. These include Pakistan, Sudan, etc. Banks in many Western countries have also announced the opening of Islamic branches. As a result of these measures, the number of banks established in 53 countries around the world increased to 396 in 2008. And the assets of these banks were 44 442 billion. While the number of commercial banks and traditional banks that had opened Islamic branches and provided Islamic products was 320 banks. And they had 200 billion in assets. "³⁶

Efforts to set up interest free financial institutions in Pakistan

Pakistan is also leading the way in establishing Islamic banking. Several attempts have been made to get rid of the interest based system and to establish the economic system offered by the Qur'an and Sunnah. Some of them have been mentioned in the previous pages. Some of the efforts made at the official level are as follows: Under General Zia-ul-Haq, the Islamic Ideological Council was tasked with devising a way to get rid of the menace of usury in line with the principles of Islamic economics. The Islamic Ideological Council, in collaboration with economists and banking experts, submitted an interim report in November 1978 and a final report in June 1980. On February 10, 1979, the three financial institutions of the country, National Investment Trust, ICP Mutual Fund and House Building Finance Corporation, announced the abolition of interest, which came into effect on July 1979. The gist of the report of the Islamic Ideological Council was that interest-free banking would be based on profit

³⁶ Quarterly Al-Biyan Karachi, 2013, p 10

and loss, most of the mecca would be based on partnership and speculation and leases, marabaha, etc. could be used only as a temporary alternative. In the late 1980s, the State Bank of Pakistan issued an order to all commercial banks that from 1981 onwards, they would be bound to conduct all their transactions on a non-interest basis. In view of the SBP order, the government-owned commercial banks launched a scheme to open non-interest bearing accounts in the name of PLM accounts and hinted that the entire banking system would be gradually transformed into a non-interest bearing system.³⁷

From the beginning of the establishment of interest free banking to the issuance of the SBP order and the operation of commercial banks, the progress that has been made has been such that interest has been given a new identity in the name of mark-up. It did not work and no bank was mentally prepared to run the Islamic economy. Scholars have termed all this as a sham and a shameful deception in the name of Islam, and an attempt to throw dust in the eyes. The Islamic Ideological Council, chaired by Justice Mutnazil al-Haman, reminded the government in 1983 that the three-year period set by the government in 1979 to eliminate interest rates from the country's economy had expired in December 1981. - But the interest rate system is not over yet. On the contrary, the steps taken by the government over the last five years are stabilizing the existing interest rates. The Islamic Ideological Council also pointed out the facts in this regard. Even after that, many attempts were made but no significant results were forthcoming. In 1984, the country's finance minister, Ghulam Ishaq Khan, announced on the occasion of the national budget that the country would be interest-free in 1985 and no bank would conduct interest-based transactions after July 1, 1985.³⁸

Issued an announcement, but neither McCoy nor DPLI nor the State Bank of Pakistan reviewed the implementation of the orders and did not arrest anyone for violations. The lack of a clear procedure and direction and the criminal negligence in the interrogation resulted in the commercial banks abandoning the mash-up and adopting the mark-up method.

The result of this year's struggle, meetings, seminars, resolutions, announcements of the federal government is simply that the microcosm was named after the genie. And the thief was thrown into the water through the gates. In 2002, Islamic banks in Pakistan, which can be called interest-free banks, were licensed, first to Meezan Bank and then to Albar Ki Beck. At the same time, interest bearing banks were allowed to open separate branches in the name of Islamic banking. The purpose is to combine moisture and moisture. The aim was to amass wealth of consumers in the name of Islam. If we look at the growth rate of Islamic banks in Pakistan, according to a report published in the daily Jang Karachi: By the end of December 2004, the assets of Islamic banks had exceeded 44 billion, and their deposits were worth 5. 30 billion. A report published in July 2005 compiled by the Islamic Banking Division of a private accountancy firm said that by the end of 2014, deposits of Islamic banks in Pakistan would reach 780 billion and expand. It will be much higher than in Bahrain, Qatar and

³⁷ Quarterly Al-Biyan Karachi, 2013, p 11

³⁸ Quarterly Al-Biyan Karachi, 2013, p 12

Kuwait. However, in Pakistan Islamic banking accounts for 8% of traditional banking. The SBP estimates that this proportion will increase to 10% by 2020.³⁹

Conclusion:

In Short, in Islam, there is ample scope to change the rules and regulations in terms of the circumstances of the events according to this principle, and to formulate laws to meet the needs as they arise. The mujtahids of every age and every country have full authority over inference rules and entertainment issues according to their temporal and spatial circumstances, and it is not at all the case that the scholars of a particular period have a law for all languages and all nations. All other powers have been taken away by chartering. But this does not mean that every person has the freedom to change the rules according to his own intentions and circumstances, to distort the rules and make them in the ultimate tension, and to change the rules from the real purpose of the Shari'ah. Be There is a rule and a few conditions for this too. The first thing that needs to be done in order to compile the bylaws is to have a good understanding of the nature of Shari'ah. This can only be achieved by teaching the Holy Qur'an and meditating on the life of the Prophet (peace and blessings of Allaah be upon him). The person who has a wide and deep eye on the things will become acquainted with the temperament of Shari'ah and at every opportunity his insight will tell him which method in different ways is suitable for the temperament of Shari'ah and which method Adopting will create an imbalance in his mood. With his insight, the changes that will be made in the rules will not only be appropriate and moderate, but will be just as effective in fulfilling the real purpose of the Shariah in his particular palace as the Shariah rule.

Prospects:

1. Future relies upon revolutionary units to enhance liquidity, broaden secondary cash and capital markets and introduce public finance units.

2. We want suitable institutional arrangements, criminal framework, taxation problems and human aid improvement want to be taken care of.

Challenges:

- ❖ Enforcement of contracts isn't effective.
- ❖ Inefficient device for early recovery.
- ❖ Ineffective code of behavior for professionals.
- ❖ Development of Shariah-compliant authorities securities.
- ❖ Research and improvement withinside the subject of Islamic finance and economies.
- ❖ HR improvement and education to the banks personnel on Islamic Banking and Finance.
- ❖ Education and public consciousness approximately Islamic monetary device.

³⁹

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