

## ISLAMIC FINANCE IN THEORY AND PRACTICE: A CRITICAL ANALYSIS

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**Abstrak. Analisis Kritis Keuangan Islam: Teori dan Praktik.** *Keuangan Islam tidak dapat lagi dipengaruhi sebagai satu model keuangan yang masa lampau atau sebagai satu fenomena sekunder dari revivalism Islam. Sekarang ini, Lembaga keuangan Islam telah beroperasi di lebih dari 70 negara. Asset dari bank meningkat lebih dari 40 kali lipat pada 1982 dengan pencapaian lebih dari \$200 milyar. Pada tahun 1996 dan 1997 rata-rata mereka mengalami perkembangan dari 24% dan 26% tiap-tiap tahun. Berlandaskan beberapa taksiran, lebih dari setengah tabungan dari dunia Islam di masa mendatang akan diatur oleh lembaga keuangan Islam. Bagaimanapun, pada perkembangan yang telah dicapai, disitu adalah beberapa isu-isu terjadi pada tataran operasional lembaga keuangan Islam. Oleh sebab itu, bahasan di artikel ini akan memaparkan satu analisis kritis dari operasional lembaga keuangan Islam, termasuk; definisi dari lembaga keuangan Islam, sumber-sumber yang dipergunakan sebagai dasar pedoman, pandangan umum tentang keuangan Islam dan pada bagian akhir akan dijelaskan tentang gambaran besar dari keuangan Islam melalui pendekatan pada kontekstual, historikal, komparatif dan multidisiplin.*

**Kata Kunci:** *Keuangan Islam, Teori dan Praktik, Analisis Kritis.*

**Abstract. Islamic Finance in Theory and Practice: A Critical Analysis.** *Islamic finance can no longer be regarded as an ancient financial model or as a secondary phenomenon of Islamic Revivalism. Nowadays, Islamic financial institutions are already operating in more than 70 countries. The assets of banks increased more than 40 times in 1982 with achievements exceeding \$ 200 billion. In 1996 and 1997 they experienced an average growth of 24% and 26% annually. Based on some estimates (perhaps too optimistic) more than half the savings of the Islamic world in the future will be managed by Islamic financial institutions. However, in the development that has been achieved there are several issues occurred in the operation of Islamic financial institutions. Therefore, the discussion in this article will provide a critical analysis of the operation of Islamic financial institutions, including; The definition of Islamic financial institutions, the literature used as the basis, the general perception of Islam and Islamic finance and at the end will be explained about the wide of image Islamic Finance through the emphasis on context, Historical, Comparative and Interdisciplinary approach.*

**Keywords:** *Islamic Finance, Theory and Practice, a Critical Analysis.*

## **INTRODUCTION**

Shariah Islam is the way of human life and was created to bring people to happiness in the world and the hereafter (*falah*) through the enforcement of various appeals contained in al-Quran dan as-Hadith. The rules govern people in various aspects,<sup>1</sup> namely the field 'ubudiyah and muamalah.<sup>2</sup> In addition to the principles of Shariah economy as mentioned above, in Islamic Law has also economic morality, known as the "Golden Five", namely justice, freedom, equality, participation, and accountability. This Golden Five serves as the general principles underlying the principles of Sharia economics.<sup>3</sup> As with any conventional Bank, Sharia Bank also functions as an intermediary institution, which is to collect funds from the community and to channel the funds back to the community in need in the form of financing.<sup>4</sup> The philosophy of Bank Syariah financing should meet the aspects of sharia and economic aspects.<sup>5</sup>

The Islamic Bank was first established in the 1970s, coinciding with the beginning of Aggiornamento (The process of modernization/ renewal) of Islamic doctrine in banking. At that time Islamic banks were commercial banks operating with the concept of interest free. Today, as a consequence of major changes in the political-economic environment, a new generation of more diverse and innovative Islamic financial institutions emerges along with the reform process of Islamic doctrine. Perhaps, the most important development today is the more integrated Islamic finance into the global economy. In the Dow Jones Islamic Market Index (DJIMI) there are 600 companies whose products and services do not violate Islamic law norms. Foreign institutions, such as Citibank, have also established Islamic banking branches, allowing many conventional banks not only in the Muslim world but also in the United States and Europe to offer Islamic products that are sometimes aimed at non-Muslims.

It makes Islam worthy to run in the global economy. All of this seems to be even more surprising and paradoxical with statements stating that Islam is not competitive with the New World Order born with the end of Cold War.<sup>6</sup> In addition, can a medieval economic system be relevant in a revolutionary and high-tech global

financial world? Can a flower-free system be compatible with a broader interest-based financial system?

### **1. Definition of Islamic finance**

There are several definitions of Islamic finance; Start a broad definition (finances made by Muslims) to a more specific (interest-free banking). A commonly used definition is based on the teachings of the Qur'an. Thus the institution is different from other financial institutions that do not have that specificity. This definition is more ambiguous than the definition of Islamic finance as the interest-free banking. Within the Islamic financial system as specified risk and uncertainty;<sup>7</sup> Must be based on the principle of halal (religiously permitted); And in general should be committed to religious justice norms and ethics. Broadly speaking there are two aspects of Islamic finance that must be separate. First the philosophy of risk sharing.

The existence of the interest rate determined on the one hand (lenders) and the risks borne by the other (the risk borne by the other) borrower and contains elements of exploitation social disproportion even a futile economy). Therefore the creditors must share the risk with the debtor and the financing model is profit and loss sharing (PLS). Second promote economic and social development through certain business practices and zakat. Most Islamic financial institutions have the Sharia Supervisory Board (a commission composed of scholars or experts whose task is to determine whether a new instrument is acceptable or not and to audit banking activities based on Islamic principles). Such privileges as well as other features indicate<sup>8</sup> Their status as an institution characterized by religion. In short a significant difference between Islamic finance and conventional finance is profit maximization with guidance of religious norms.<sup>9</sup>

There is no definition of Islamic finance that seems satisfactory. There are always inconsistencies in every major criteria of Islamic financial institutions Islamic financial institutions institutions serving Muslim clients institutions overseen by the Sharia Supervisory Board (DPS) institutions owned by the International Islamic Banking Association (IAIB) and others. Even on the most obvious principal (an Islamic institution is an institution characterized by Islam) there is inconsistency. For example such as Turkish Finance House and Saudi Arabia's al-Rajhi Banking and

Investment Company that do not have clear Islamic features. While concerning the main focus on profit and loss sharing transactions it is now more of an idea than its realization.

Islamic finance includes not only banking institutions but also non-bank institutions that include mutual funds securities companies insurance and others. In the mid-1970s Islamic banks were few in number and easy to identify but now it has become a difficult phenomenon in light of the development of Islamic finance institutions and the increasingly borderline between conventional banking and other types of financial activity. Another more puzzling factor is that a large number of conventional financial institutions both inside and outside the Muslim world have recently established branches and offer products based on Islamic finance in addition to conventional ones.

For ordinary people the obvious question will be how can a financial system operate without applying interest? The answer is that through the development of profit and loss sharing mechanisms or through alternative means such as fixed service charges or by acting as purchasing agents for customers.

## **2. Literature**

Many but less qualified that's the picture of writing about Islamic economics especially Islamic banking. The study of Islamic finance is more theological textual and very few writings that can be considered as qualified research as careful social science research. As a result most literature misrepresents the main picture and even seems to cover important issues. In general there are 4 deficiencies in Islamic finance studies namely; (1) the official character of many of these institutions; (2) narrow geographical focus and lack of comparative analysis; (3) reductionism (religious financial and legal); And (4) false assumptions about the relationship between theory and practice.

### **2.1. The problem of lack of literature**

The first step to assess the validity of science from various types of research for example; About the impact of cigarettes on health or on the healing rate of a drug is by knowing the parties involved behind the research or those who finance the

research. Research sponsors often make an agenda and expect that the research should produce specific conclusions. From that point of view much of the research on Islamic finance has to be done carefully. The presence of Islamic finance in the 1970s led to urgent interests and the Islamic economy is still a time of growth and modern Islamic banking as a new concept so substantial research (in sufficient quantities) is needed. Islamic finance institutions easily allocate large amounts of funds to research institutions and to promote publications conferences symposia and seminars on Islamic finance. Because wanting to produce a literary framework in quick time and oriented towards a certain conclusion ultimately makes them create many Literature but otherwise with a disappointing quality. Thousands of Islamic finance literature (books and articles) made over the past few years but few fall into the serious and thorough research category. More than a dozen magazines specializing in Islamic finance. For information business magazines (local national and international) often write articles on Islamic finance many of which promote Islamic finance. In many publications (magazines newspapers etc.) articles that specialize in Islamic finance become 'mandatory' articles for publication. However articles such as itubiasanya unpack other writings that have been officially published just repeating the analysis as well as citing the data and statements of the same expert. Overall as in many other areas of finance it would be very difficult for any researcher to keep his research independent and not just a media campaign.

## **2.2. Islamic Geoeconomics**

Currently the study of Islamic finance has been widespread as the development of Islamic financial institutions themselves but most studies are still focused on the Arab or Persian region (Iran) and its classification is based on political and non-economic factors. Arab countries account for only 20% of the world's Muslim population and Muslim populations in Arab Turkish and Persian regions make up only one-third of the world's total Muslim population. Egypt as the most populous Arab Muslim country ranks only eight as the most populous Muslim country.<sup>10</sup>

This focus has led many Islamic financial analyzes to ignore developments outside the Middle East,<sup>11</sup> where in fact there are many important innovations that occur outside the Middle East. In addition to pioneering countries such as Pakistan

and Malaysia there are experiments on Islam also happening throughout the Islamic world and in Islamic communities outside the Islamic world. In parallel the Western perception of Islam is shaped by some of the most extreme political manifestations (Iranian Revolution Taliban terrorism issues etc.) that do not present both Islam and its economic aspects. The geo-economic of Islam is of course very different from the geopolitics of Islam. Countries with many Muslims are Indonesia Pakistan Bangladesh and India not countries in the Middle East.

Middle-class Muslims are also growing in Asia Africa and the United States. Central Asian countries such as Azerbaijan Kazakhstan Turkmenistan Uzbekistan Kirgiztan and Tajikistan have also begun to take part in the world economy using money derived from oil gas and other natural resources. In addition certain countries or communities (the Sultanate of Brunei Darussalam) have large amounts of wealth even though politically it has no significant role. Thus the study of Islamic finance must recognize such geo-economic differences.

### **2.3. Religious financial and legal reductionism**

Most literature on Islamic finance falls into three categories theology finance and law. Theological literature tends to assume an ahistorical world whose application of religious principles is timeless in the rigid sense of the classical Islamic tradition. The literature written by financial experts (whose thoughts are contained in international business media and in textbooks on finance) on the other hand is considered less responsive to the complexity of Islamic tradition or the complexity of the environment in which it operates.<sup>12</sup> The most thorough and diverse writing on Islamic finance comes from lawyers. Their greatest mistake however is to define Islamic finance as modern finance based on Islamic legal doctrine interpreted modified and implemented by fuqaha in medieval times.<sup>13</sup> In other words Islamic finance is only about the law that deals with ushul fiqh and the interpretation of the transactional models of various schools. Empirical studies of Islamic finance are not just about legal aspects. The legal aspect is only one aspect which is perhaps not the most crucial aspect of the real world of Islamic finance.

In short the literature on Islamic finance is extremely unsatisfactory especially since the literature is not empirical (based on evidence) and is not interdisciplinary

looking at all the facts of complex multidimensional phenomena. The literature or writings of the most frequently studied contents tend to be very detailed which is more of a daily diet of jurists and religions. On the other hand other literatures tend to be very superficial and follow market tastes; Just about "the current emerging market" and on Islamic finance as a promising new trend or otherwise. Thus the literature tends to offer a simple perspective on complex topics (even too simple).

#### **2.4. Commitment and implementation**

One side of the paradox of Islamic finance is the contrast between the strong commitment of Islamic groups to the principles of Islamic banking with their lack of involvement in the implementation. On the one hand Islamicizing the financial system is usually the top priority of the Islamic group. One reason is the command to avoid usury which is a special feature of Islam. However the practical implementation of Islamic finance rarely becomes a part of the 'elite' world of politics as Islamic movements also rarely have specific economic programs used to achieve their goals. They tend to talk publicly about the implementation of Shariah but have no idea for Sharia to play a role in promoting economic prosperity or true social justice. This is due to ambiguity in Islamic economic norms which makes consensus about actual policy decisions to be difficult to understand and also because economic policy is usually only a second priority after political and cultural issues.<sup>14</sup>

Although theological and legal approaches assume that the Islamization process in finance is based on a tough application of religious law and jurisprudence but empirical facts say otherwise. Economic issues and especially the implementation of financial legislation are not top priority on the agenda of Islamic groups and almost all have no clear economic agenda. On the problems of banking legislation the principle of expediency will defeat the justified ways of Islam (Islamic correctness). Typically the word legislation will accommodate general principles but will become too broad to accommodate a wide range of interpretations. The common interests (*maslahah*) and urgent needs (*darudah*) the need to achieve economic prosperity and the global economy are articulated or not will overcome religious and legal issues..

### **3. Perception, Label and Classification**

#### **3.1. General perception of Islam and Islamic finance**

In addition to practitioners of Islamic finance, few know what Islamic finance really is. Nevertheless, there is a general perception of Islam (and Islamic finance) that is widely embraced by the general public and a small number of financial experts. In a poll in America, more than half of respondents described Islam as anti-American, no-Western, supporter of terrorism, though There are only 5% of all respondents who have a personal relationship with Muslims. Such perceptions also occur among political elites. If we look at the influence of thinkers such as Francis Fukuyama and Samuel Huntington, we will realize that a lack of understanding of Islam does not deter people from making generalized statements that would be a common assumption that could lead to debate among intellectuals and politics. When Fukuyama talks about the endless conflict between Islam and liberalism, or when Huntington declares that "in Islam, God is the King of Kings" or "the Qur'an and Sunnah are the legal basis for Islamic society," they not only make too simplistic statements. They have also made statements whose validity is incompatible with more careful social-scientific or historical analysis.<sup>15</sup>

In much of the journalistic literature on Islam the same stereotype applies. Islamic finance is usually associated with politics related to Islam.<sup>16</sup> There has even been published a book from France entitled *The Fatwa againts the West* which discusses about Islamic finance in some parts. The book implies that the ultimate goal (if not the only) of Islamic financial institutions is to fund terrorism.<sup>17</sup>

A survey of banking experts from Europe and America has been conducted. The results of the survey suggest that many of these bankers are unaware of the existence of Islamic finance.<sup>18</sup> When asked about their ideas about Islamic finance most answers mention the following terms monolithic rigid no-Western inconsistent with modern finance ancient funded by oil BCCI terrorism and Arab. There are few respondents who seem to understand Islamic finance who responded with the term 'interest-free'. With categorization of such respondents there are two attitudes about Islamic finance. First it is the view that Islamic finance will not work because it does not apply interest. An almost similar view is that assuming interest-free is the same as 'without profit'. Secondly those who consider Islamic financial institutions to be no

different from similar conventional institutions because Islamic banks actually put flowers only the terms and skins are different.<sup>19</sup>

Islam is usually represented in the form of a monolithic ummah (a fellow community of Muslims only) and a system of belief that has not changed since the seventeenth century. In that understanding Islam is a unique religion although every major religion has many opposing often intolerant and inclusive moderate and radical streams it is resigned and political advocates of old and progressive values peaceful and violent mystical and Worldly and so forth.<sup>20</sup>

In the late 1990s the general perception of Islam in the West was Radical Fundamentalists like the Taliban in Afghanistan and figures like Osama bin Laden. Sami Zubeida sees the unity of views between Islamist movements and Western scholars writing about the tradition of Orientalism. Each formulates a cultural essence that underlies and unifies Islamic history and distinguishes it from a similar reductionist idea from the West.<sup>21</sup>

One of the more misleading generalizations is that Islam is the most complete view of life unlike other religions. On the one hand this can be said also happened to other religions because other religions also teach to do good in everyday life. The implication of this view is that Islamic demands are inconsistent with the conditions of modern life. In many ways Islam has fewer 'structures' than any other religion. All Muslims are embraced by the core of Islamic teachings called the Five Pillars of Islam.<sup>22</sup> Muslim scholars do not regulate religious rituals their task is more like the duty of jurists / religions ie to interpret the content of the Qur'an. Unlike in other religions the process of embracing Islam is very easy; Simply recite the shahadah. Islam does not recognize rituals of baptism or other rituals. Muslims are not grouped according to the congregation the mosque is open for all people. Islam also teaches that everyone can deal directly with God and does not require intermediaries. Many of the customs in Islam known to the West (such as the obligation to wear the hijab for Muslim women) are not taught in Islam alone but derive from the 'fundamental' interpretations of Islam or from local customs.

Opinions linking Islam as an absolute lifeline lead to two general statements relating to the political and economic fields. First it states that Islam determines very specific norms. Second states that Islam is very political because it becomes its

nature. In fact Islamic norms on political and economic issues are very broad in character and slightly ambiguous leading to multiple interpretations.<sup>23</sup> Many Islamic scholars actually separate between 'Political Islam' and 'Enlightened Islam'.<sup>24</sup> Extremist political organizations such as Hizbullah and Islamic Jihad whose members have continued to increase to hundreds or even thousands have gained widespread coverage while non-political or religious propagation organizations such as Jamaah Tabligh that have millions of members are not widely covered by the media and are not noticed by 'Experts' about Islam.<sup>25</sup>

### **3.2. Diversity in Islam**

The marvelous character of Islam is the sharp differences that occur in it. Muslims are the majority in about 50 countries in Africa Middle East South Asia and Southeast Asia. Muslims are a minority in many parts of the world generally growing rapidly covering Western and Eastern Europe America and Australia. The distinction concerns religious racial ethnic political social economic and cultural aspects. Although there are languages that unite Muslims Islam itself is actually fragmented and decentralized with no parishioner and central authority working like the Vatican Church. Only a few countries especially Iran have a tradition of autonomous and hierarchically structured religious institutions.

Most people are familiar with the division of the two schools of Sunni and Shiite. In reality however there is a greater diversity of groups beliefs and practices than the two groups. These differences can be attributed to the implementation of diversity activities but generally to differences in historical traces as well as external influences. In certain areas as in Saudi Arabia there is a tradition of religious homogeneity (with the exception of minority Shi'i schools). The presence of non-Muslims is almost non-existent and outside influences are extremely rare (there are only a handful of Ottoman influences and significant communication with the West beginning with World War I). Its history as the birthplace of Islam is of course also a crucial element in the country's identity and the religious practices and beliefs that exist there.

In the vast Islamic world there are a number of traditions (Persia Turkey Indo-Pakistan Indonesia Malaysia and so on) that have little in common with the traditions

of the Arabian Peninsula. The character of Islamic beliefs and traditions is constituted by a number of factors summarizing the beginnings and pengkislaman of a region according to the character of pre-existing beliefs to external influences. In Indonesia and Malaysia for example the process of Islamization occurred on a large scale in the XV century. The locals were invited to Islam by merchants and not through military conquests. The deeply rooted Islamic brand is almost entirely influenced by Sufism thus having a mystical foundation contrary to the theological and literal biases that can be found elsewhere in the Islamic world. The Islamization process in these two countries is also separated by geographical and historical reasons from the Islamic empire. As a result the growing Islamic brand at that time was idiosyncratic and also syncretic which integrated a large number of local and regional influences.<sup>26</sup>

In the countries of Eastern Europe and the state of the Soviet Union Islam has long been suppressed and fooled (retarded) will only reappear in the context of chaos and foreign disturbances against it. In the Balkan country 8 million Muslims today are inherited from the Ottomans. In the country of Yugoslavia much of the territory in Bosnia-Herzegovina Macedonia and Kosovo is Muslim (Muslim) and so are the majority of Albanian and Bulgarian societies. 'Ethnic cleansing' by the Serbian military led to NATO's bombing of Bosnia-Herzegovina in 1995 and declaring war openly against Serbs who occupied Kosovo in 1999. In the Russian Federation the minorities underwent long repression engaged in an open war for secession Against the Russian military. In the Caucasus Azerbaijan Muslims have a long history of hostility with Armenian Christians. Central Asia Kazakhstan Turkmenistan Uzbekistan Kyrgyzstan and Tajikistan also have a predominantly Muslim population. Of all the above groups they all live in decades under a political system that is against religion.

Another phenomenon is the increase in the number of Muslims (recently and almost entirely through immigration) in non-Muslim areas. In the United States within a few years Islam is thought to be the largest religion in the country. One third of the five million Muslims in the United States are black Americans while others are embraced by some Arab Persian or Pakistani-Indian descent. Western Europe is home to 14 million Muslims although the origins of citizenship government policies and levels of assimilation vary widely. French Muslims are mainly from North Africa

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(Algeria Tunisia and Morocco) and experience a specific and tradition-based mode of integration. In Germany Muslims usually come from Turkey and experience differentiation of rules and practices. Their status and descendants are 'guest workers' making them not German citizens). In Britain Muslims are mostly from the Indian mainland and are integrated into British society as a group rather than an individual.<sup>27</sup>

From all the above reasons and phenomena we can know the vast diversity of Islamic practices and beliefs which in reality can also be found in other religions such as Hinduism, Christianity and Judaism. On a spectrum there are hard-line Muslim groups who love religious life expanded in all aspects of political and economic life.<sup>28</sup> In fact in that category there is a wide diversity of understanding of religion and its teachings so there is a significant difference in the way that Islamization can be achieved.<sup>29</sup> At the other end of the spectrum there are 'nominal Muslims' or 'sociological Muslims' who do not practice their religion and very little knowledge of their own religion. Many Muslims in today's world limit religion to private areas such as personal jurisdictions and separate them from economic and socio-political activities. With this understanding it will be a more accurate discussion when it comes to 'Islam in terms of its diversity'.<sup>30</sup>

### **3.3. Fundamentalism**

A dilemma experienced by researchers is that for the purposes of description and comparison, labels are important but some of these labels belong to Western categories and perceptions that usually do not always correspond to reality in Islam. The labels used to describe various types of Islam (Islamism, fundamentalism, neo-fundamentalism, revivalism, modernism, traditionalism, liberalism, moderate Islam, populist Islam, conservatism and others) are often misleading.<sup>31</sup> Perhaps one of the most commonly used and most misleading is the label of 'fundamentalism'. The word fundamentalism is originally associated with American Protestantism, which means a literal reading of the Gospels. In Western thought, the word raises a picture of a group of people shouting death to the United States, the bombed murder and piracy embassies that sacrifice the lives of innocent people, the punishment of hands and the

oppression of women. In many cases fundamentalism is used interchangeably with Islamic conceptions and radical extremism.

The label of fundamentalism which is considered to have two meanings namely religion and politics has been thrown at the governments of Libya, Saudi Arabia, Pakistan, Iran and Sudan as well as almost every Islamic organization and group. In the case of religion (the Islamic brand they follow the role of the ulama in political leadership) and politics (the nature of political institutions relating to the West the scope they desire to export their institutions) the countries above have a striking difference. In addition fundamentalist groups have different shapes and sizes. One study estimated that in the early 1990s there were 175 Islamic groups (3/4 of which were militants and radicals) in the Middle East.<sup>32</sup> Another study found 45 special Islamic groups in Egypt alone.<sup>33</sup>

The word fundamentalist has many meanings. Ian Lustick defines it as a political style that can not be compromised and characterized by; (1) the motivation to achieve a radical transformation of society; (2) based on a transcendental feeling with God directly; and (3) through political vehicles.<sup>34</sup> Fundamentalism can also lead to those who want to return to practice in the emergence of Islam or who seek to adapt the basics of Islam to modern conditions. For example reinterpretation of traditional Islamic concepts such as shura (deliberation) and ijma '(general consensus)' in modern reality. Thus fundamentalism is not necessarily the same as literalism and modernism does not necessarily contradict the 'attempt to seek authenticity (purity).<sup>35</sup> Therefore a fundamentalist may be a traditionalist of the modernist and even a liberalist. Leonard Binder observes that 'Islamic fundamentalism and liberal Islam use the same religious sources. They often use the same type of thinking and usually also concentrate on the same authoritative decisions so in some cases the differences between the two thoughts are hard to see.<sup>36</sup>

The historical figures started from Ibn Taymiyyah (1268-1328) until Ayatollah Khomeini (1903-1989) was both a fundamentalist and a modernist. They are the figures of his era who internalize foreign thoughts to the thinking of their day as well as fight against foreign influences. In their desire to empty Islam from the growth of foreign influences and return it to a pure tradition they often unwittingly innovate change old ideas concepts or institutions in radically different environments.

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Ayatollah Khomeini introduces and applies countless innovations to traditional Islamic doctrines.<sup>37</sup> He created a Constitution based on innovative and sometimes controversial Islamic principles (even among traditional Muslims) against Islamic principles.<sup>38</sup> In line with the above many radical fundamentalists have internalized Rousseau's thought Fanon or liberal theology who want an authenticity.<sup>39</sup>

The leading Islamic Modernist movement, Salafiyah can also be characterized as fundamentalist.<sup>40</sup> Edward Mortimer notes that Rashid Rida (1865-1935) sought to reinterpret Islam for "obedience to the predecessors of Islam (*Salaf*) and obedience to the basic texts of Islam". He adopted a modernist interpretation of usury but he was also a fan of militant Wahabi followers "If fundamentalism" implies an attempt to define the basis or foundation of one's religion and a refusal to abandon it after all the foundations or foundations of the religion can be explained, of course Rida is fundamentalism (but does any serious person with religious belief be called a fundamentalist in this sense?).<sup>41</sup>

Another source of confusion is that various clerical groups have their conventions and codes. In a French study of Contemporary, Islam a distinction is drawn between 'Islamists', who have an explicit political agenda and an Islamization from above and 'neo-fundamentalization', associated with Islamising from below and above all very keenly Islamizing society and promoting diversity . Based on that framework the terms 'Islamist' and 'neo-fundamentalist' are terms that represent the latest manifestations of Islam while the 'fundamentalist', label will lead to more traditional political movements such as the Muslim Brothers.<sup>42</sup>

In this article, the word 'Islamist' is used generally to include groups that try to raise the role of Islam in political and economic life, and the word 'radical' refers to groups usually non-Western, who seek to achieve political influence through the use of power

### **3.4. Tradisionalism and modernism**

For the purposes of modern financial studies, a useful though imperfect dichotomy is between 'traditional' versus 'modern' approaches based on their own inclinations. When it comes to the problems of concepts and financial products, to adopt a literalist, scholastic and legalistic approach contrary to the tendency to accept

non-Islamic innovations based on an understanding of Islamic economic morals. In other words, the key to the distinction is between approaches that tend to follow religious texts literally (including classical Islamic fiqh) and approaches that are more inclined to religious-based thought

These approaches are of course the ideal type, because the reality is much more complex. In such diversity at one extremity there are those who are not troubled by the interest rate and do not see the importance of Islamic banking, whereas in other extremities there are those who principally reject any banking concept because it does not refer to the early days of Islam.<sup>43</sup> Some Islamic thinkers have no position on these two extremities and can be positioned in a series of unity. Thin differences and combinations of traditionalism and modernism result in unlimited diversity. In addition, there is no agreement on what can be called 'progress', so the old and the new will go together in a way that was never expected. As discussions of Iran are shown in this article, many 'modern' thoughts are internalized by 'traditional' religious leaders. An illustration of the adoption of other selective innovations of course in the use of tools of modern technology by Ayatollah Khomeini during his exile.<sup>44</sup> The more obvious incident about the inconsistency of the old and the new is the use of the Internet to spread aggressively the rejection of modern finance.<sup>45</sup>

However, for the purpose of analyzing the role of Islamic finance in the global economy the distinction between traditionalist and modernist is very useful. There are two schools of thought that can be found in the Islamic tradition. *The first*, school of thought prioritized the 'purity' of Islam and worried about foreign influences, and *the second* were more secular and more prepared to accept non-Muslim innovations that could be useful. Both streams of course each claim the most authentic.<sup>46</sup>

Both streams often allow and prohibit certain economic practices. Given the nature of a decentralized religious hierarchy, especially in the Sunni world, the two streams can legitimize itself with some fatwa claims. As is usually the case in religious controversies, each party will claim to represent true Islam and strengthen its position through the game of quoting and counter it. For traditionalists the words in the Qur'an and Hadith (such as the Classical fiqh) are sacred, so the freedom of interpretation must be limited. Anything new or different will not be approved. Contrary to traditionalists modernists who believe that Islam can be fully harmonized

with all progressiveness, rationality and scholarship. It does not feel necessary to replicate precisely the conditions at the beginning of Islam but to try to find a more appropriate Islamic response to emerging new challenges.<sup>47</sup> They will make a distinction between the law of God (contained in the Qur'an) and man-made law (jurisprudence developed at the beginning of the rise of Islam).<sup>48</sup> Their idealism is when Islamic cities become centers of learning and culture so they appreciate the flexibility of Islam as well as differences of thought in Islamic economics as a manifestation of the inherent and natural potential of Allah's revelation or in other words its flexibility to be interpreted Differently and accommodate different cultures of its kind.<sup>49</sup>

Although traditional schools of thought are more suited to Western stereotypes about Islam, modernist thought seems to be more general and will be able to develop more in the future in finance and banking. Examples that can be considered are more complex new products such as derivatives. The traditional approach will segregate the product in its elements and examine what the Classical Fiqh schools say about each of these elements. The modern approach, which relies on the basic principles of Islamic economic morals is likely to be more useful in the global economy.

Regarding Zakat, traditionalists have the argument that "no authority on earth has the right to change the zakat (nisab) determination".<sup>50</sup> They look at the fiscal system built during the time of Prophet Muhammad and his successors (khalifah al-rashidun) as a perfection and a permanent and irreversible redistribution system. Under the system nisab in certain livestock fruits and grapes is specified very carefully. For example, Khalifah Umar decided that dates and grapes should be taken out of Zakat while peaches or pomegranates were not included. The application of these regulations by default will make zakat a rigid and non-functional ritual so that it is further away from the original purpose of zakat enforcement. Contemporary schemes to establish traditional zakat will have an impact on farmers many of whom still live below the poverty line as tax subjects. While many of the owners of wealth and wage earners are released.<sup>51</sup> The modernist approach will reevaluate zakat and re-create it with consideration of contemporary institutions and contexts rather than replicating past practices.

### **3.5. Excessive simplification and the consequences**

Assessment of Islamic banking tends to incorporate it into one of two categories ie an overreact or overt refusal. Existing official literature tends to portray a beautiful picture of Islamic economics and finance. A world without inflation unemployment no exploitation and no poverty.<sup>52</sup> In contrast, many scholars have completely rejected the phenomenon of Islamic banking. Many Islamic books have written chapters on Islamic finance, which contain generalizing generalizations and without concrete evidence of the phenomenon and significance of Islamic banking. We will easily find questions like this "Islamic economy is not really something other than rhetoric under the guise of socialism and statism (its theory/praxis centralized economic and political power).<sup>53</sup> Regarding the political impact of Islamic banking, some scholars view Islamic finance as a potential tool for political transformation,<sup>54</sup> while some other scholars see it as a technocratic and non-ideological tool designed to adapt the financial sector to the global economy without having to change the social order and political.<sup>55</sup> Regarding issues of Islamic banking differences with conventional banking we will find the same tendency toward statements that sound painful and generalizing. Islamic finance is merely a conventional finance by another name or a financial system fundamentally different from the financial system that first dominated the world.<sup>56</sup>

Such claims will not help the effort to understand complex and multi-type phenomena. The Islamic banking system by some is regarded as a success, while others consider it a failure. Actually it is something unique from Islamic banking but at the same time most Islamic banking operations tend to mimic conventional banking. Regarding the interest issues, we can reject everything about Islamic finance on the grounds that "time is a price measured by interest and no economic system can override it." The arguments of Islamic scholars seem more subtle and sharp. In fact, Islamic law accepts the notion of the value of money by time or opportunity cost.<sup>57</sup> As said by Fuad al-Omar and Mohammed Abdel-Haq "Sharia recognizes the difference in the value of money by time and does not prohibit the realization of the time value of money. What is forbidden is any claim regarding the time value of money as a quantity calculated previously with pre-determined interest rates.<sup>58</sup>

In line with the above on issues concerning the role of Islam in the global economy and its harmony with the New World Order. Islamic finance has advanced rapidly in the global economy. However although Islam is well integrated economically it is now often underestimated culturally and politically in the New World Order.

#### **4. Capturing the 'Big Picture' of Islamic finance**

As pointed out earlier, almost all studies of Islamic finance are characterized by theological, financial, legalistic and reductionism. In addition, most studies have a strong case study orientation, focusing on one country sometimes on one bank to illustrate broad conclusions. Such an approach provides a superficial view of the differences and complexities of this Islamic finance phenomenon. They also prevent us from grasping the big picture of Islamic finance and incorporating it in perspective and allowing for a better understanding of the significance and possible development of Islamic finance phenomena. To anticipate monolithic, abstract and dogmatic perspectives. This paper will explain it empirically (emphasis on context) historical comparative and interdisciplinary.

##### **4.1. Empirical Emphasis (emphasis on context)**

Writing on Islamic finance tends to be abstract and idealistic. Only a few facts are offered so many statistics are deceptive or useless. Many of them are based on moral analysis and moral principles of Aggiornamento I, without following the changes that occur in global finance let alone the actual practice results and performance of Islamic banking. Much of the literature says that Islamic banking deals with profit loss sharing (PLS) but in reality such operations are only a small part of Islamic banking.

Almost all Islamic finance studies assume a closed world, monolithic and without change.<sup>59</sup> Contrary to that view this paper emphasizes diversity in Islamic finance that is dynamic and interactions with the environment around. Therefore in the historical context politics, economy, social and culture (culture). There are many examples of how much Islamic finance is embedded within the cultural framework. Saudi Arabia is said to be a fundamentalist Islamic state in the sense that its

institutions and societies are based on a harsh and pure interpretation of Islam. Contrary to this fact it is precisely the cause of Islamic finance and banking issues that are politically very sensitive. The reason is that by the time Islamic banks start emerging Saudi Arabia is a rich country in many ways a country whose economy relies on investment oil production foreign investment and interest income.

In Egypt, the history of the emergence of Islamic finance cannot be separated from government policy. In the early 1970s the Egyptian government promoted Islamic banks as a component of *infitah* policy and as a counterweight to the left wing and opposition Nasser. As government policies become increasingly severe against Islamic groups economic wars and rhetoric between conventional institutions and Islamic institutions are heating up each of them accusing one another as an un-Islamic institution. In a secular but wealthy Turkish state Islamic banks, are well received but are not allowed to use the word 'Islami' in the name of their bank and also explicitly show their Islamization. In the Jordanian state in general policies are quite accommodative to Islamic groups. In Malaysia and Indonesia, Islamic finance has reflected the brand of Islam in a syncretic way both in terms of government policies.<sup>60</sup>

Islamic finance continues to grow by referring it to two Aggiornamento. The birth of Islamic finance was a political-economic product of the 1970s (rising oil prices and self-confidence of Southern countries the increasing influence of Saudi Arabia on regional politics and its role in the emergence of Islamic movements). Since the 1980s the international economy and politics have undergone significant changes. Because of the lack of a better phrase we will refer to the global economy. A broad concept includes a wide range of phenomena the end of the Cold War and the emergence of a unipolar world deregulation and increased market openness increased financial roles accelerated technological change and etc.

#### **4.2. Historical Approach (historical)**

Timur Kuran wrote that Islamic economics avoided confrontation with historical facts.<sup>61</sup> A historical perspective is essential to eradicate the myth of an irreversible model. From the very beginning of its emergence the Islamic economy was familiar with adaptation and change. In fact the early period of Islamic history

contains the learning of values about a need to create new institutions to deal with new situations and conditions.<sup>62</sup> A historical perspective is also important to understand the changing nature of the relationship between Islam and the West, and the consequences of the turn of the era from growth and glory to periods of stagnation and decline. When Europe was still in the Dark Ages, culture and science advanced rapidly in the Islamic world,<sup>63</sup> Then as the West was through their great transformation the Islamic World again stagnated.

In the XIX century almost the entire Islamic world was brought into a Western-designated Economic Order that would later prove to be unprepared. Between the golden age of Islam and the encounter between the two in the present the world of thought and institutions has changed dramatically. Most of the institutions that have relevance to today's financial world (capital markets corporations etc.) are not available in the early days of Islam. This is also important but not too visible is the change of thinking. A new understanding of cause and effect in the issue of wealth creation; New empirical and normative perspectives on lending and borrowing issues risks assets and so forth.

The modern market system revolutionized political, social and human relations. An intellectual and institutional revolution preceded and accompanied the change.<sup>64</sup> Modern society is characterized by a different ethos and different belief systems and institutions. The science of political economy then called economics is based on the interaction of individuals with a vested interest in a scarce world. Although financial transactions have existed for a long time the XIV Century institution is exclusively devoted to banking. The birth of modern banking took place in northern Italy and rapidly spread throughout Europe.<sup>65</sup> One of the most noteworthy intellectual developments in relation to modern financial instruments; the new stance on the risks of new discoveries in the world of mathematics and the probability of timing in the course of financial revolutionization.<sup>66</sup>

In line with the above economic and political transformation new perspectives emerged in borrowing and borrowing. A view long held by Hamlet in a famous temple; "Do not make yourself a borrower or a lender. Because debts often beat themselves and friends. And debt dulls the sharpness of precision".

Then along with the rise of capitalism and industrial revolution credit earned a positive outlook. Walter Bagehot wrote it in the XIX Century "In countries that have little money to lend then the few are lent in a forced and slow way. The hard-working merchants will be severely hampered because they cannot borrow capital immediately without their skills and knowledge will be useless".<sup>67</sup>

In the Islamic world thoughts and perceptions have also changed though not in the same way as in the West. The law has developed,<sup>68</sup> as have rhetorical arguments on various issues.<sup>69</sup> In an attempt to interpret Islam because of changing circumstances or to reconstruct old paradigms. So it is important if the effort connects ideas with its specific context. From that point of view Islam is not possible to fit modern finances as many people think.

Even in some ways, classical Islam has anticipated modern finance. Islam innovates in its perspectives on private property its emphasis on written contracts and more generally on those views which favor trade ventures. Some forms of Islamic business such as the commenda partnership have been recorded in the Book of European Laws and Regulations. When Europeans in the Middle Ages tried to circumvent their own prohibition of interest they adopted certain Islamic *hiyal*. Many advances in science have implications for future discoveries. In some ways the role played by a number of Arabic numbering systems and inventions in the modern era.<sup>70</sup> Many of the contributions proved valuable to future progress in the areas of probability, statistics risk analysis and modern financial tools. Umar Khayyam (1050-1130), well-known as a poet philosopher and also a mathematician discovered the basis of concepts developed by French mathematician in the XVII Century Blaise Pascal known as one of the Fathers of probability theory, Blaise Pascal yang dikenal sebagai salah satu Bapak teori probabilitas.<sup>71</sup> Thus, it is not surprising that the word hazard is derived from the Arabic (which means dice), the word algebra derived from al-Jabr (which means the collection of separate parts), or the word algorithm (rule in the calculation ) Which originated al-Khawarizmi mathematician in the IX Century.

If the Islamic world during its golden age resulted in major discoveries the period between the XV century that the XX century of the Islamic world suffered a setback. Muhammad Arkoun notes that during that period many parts of the Islamic world experienced double breaking with the Islamic world itself in the past (in the

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classical era of the VII Century and the XIV century), and with the Western world. In the field of science "various things are not taken as objects of thought so have no idea of them".<sup>72</sup> In Bernard Lewis's formulation, "the Renaissance era the Reformation and even the Revolution of science and the epoch of the Enlightenment have gone unnoticed never recorded in the Islamic world."<sup>73</sup> Therefore, there is a discontinuity between the XVth through the XXth centuries and the need for Muslim revivalists to reconstruct or rediscover past Islam, and the need for Muslim revivalists to reconstruct or rediscover past Islam. As said by Muhammad Arkoun an 'improved coherence is found based on randomly selected fragments and traditions'.<sup>74</sup>

So that the end of the XIII Century Islamic financial instruments are much more developed and innovative than the Western world. Some of them argue that the word check comes from the Arabic shakk (meaning non written monetary document).<sup>75</sup> According to Udovitch's interpretation the reason for the absence of banks in the Islamic world at that time was related to the structure of economic life. On the one hand finance is not an independent activity but is part of a trading activity. Compared with the European economy in the latter half financial relationships embedded in personal and communal bonds. Western banking emerges as a combination of two factors, capital income by collecting lots of deposits on one side and borrowing money and providing credit for some on the other. In the Islamic world, there is a disconnect between savings and credit so financial intermediation (savings conversion in the form of loans) is not required. Money in the Islamic world is stored in the form of savings (*al-Wadiah*), while in Europe savings can be used by savers.<sup>76</sup> In the first case the savings will be returned without being touched at all, while in the second case it can be used for credit purposes. In the Islamic world, credit and financial operations are conducted through transactions that typically involve the principle of profit loss sharing and are not related to savings.

Moreover, the need to collect small amounts of deposits and lend them was driven by the needs of the ever-poor European rulers. In Islam, the down payment to the public treasurer and the ruling dynasty takes the form of agricultural, business taxes arrangements charged to individuals who have liquid capital resulting from trade gains by the government are returned as compensation for the right to farm in a particular territory for a certain period of time.<sup>77</sup>

Such historical considerations are indispensable for understanding the evolution of Islam and to provide a moral or moral economy derived from religion, although it has not been widely found in writings on Islamic finance.

#### **4.3. Comparative Approach**

In addition to historical references comparisons are necessary to incorporate all phenomena that occur in the proper perspective and illustrate useful (parallel) relationships. In the case of Islam especially on Islamic finance, comparisons are increasingly necessary to dispel the myths generated in the early days of Islam.<sup>78</sup> In economic and financial matters, the Gospel has more than 2000 references on borrowing saving and alms.<sup>79</sup> The Talmud gives detailed instructions on all aspects of business conduct. The legal norm of the Church discusses usury with a very scary picture. Secular finance institutions should not be separated from religious considerations. In the late nineteenth century a German Protestant, Frederic Raiffesen and at the beginning of the XX century a Kana Catholic, Alphonse Desjardins, created mutual saving from moral or religious encouragement (both of them are not banking experts) to protect poor farmers from moneylenders.<sup>80</sup> At the present time, a considerable amount of social investment is run by religious groups and almost on financial issues ethical issues (which are overwhelmingly colored by religion) are always there. On the same basis non-exclusive religious revival movements are limited to Islam only although this is rarely discussed in a comparative perspective.<sup>81</sup>

#### **4.4. Interdisciplinary Approach**

To capture the many aspects of Islamic finance, an interdisciplinary approach is essential. Almost all of the issues raised can be seen from different sides. Viewed from a purely economic, point of view the usury debate is not such a big deal because something that is equal to interest will be accommodated in a certain way albeit under a different name. However, this issue is very important if considered from a religious point of view. Economists may conclude that there is no such thing as Islamic finance, while for the banking executive of product differentiation it is important to determine the strategy of creating and selling an Islamic product will be

very different than the conventional product. In line with the above subject from a religious point of view (be it the obedient customer or religious authority) the difference is not so plasticity of secular glasses is not then become unimportant. There are five dimensions of the phenomenon of Islamic banking special namely management, economy regulation, politics and religion.<sup>82</sup>

### **Conclusion**

One of the arguments in this article states that the globalization of the financial system has provided significant Islamic financial opportunities and there has been a merger between Islamic banking and conventional banking in recent years. When the traditional financial world dominated by interest-based commercial banks, it can potentially cause alarming theological issues. The new world of finance characterized by blurring the differences between commercial banking in other areas of finance, lowering interest income and financial innovation has provided many opportunities to Islamic financial institutions. In fact, Islamic finance has made financial modernization in different parts of the Islamic world.

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**Endnotes:**

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<sup>1</sup> This global Qur'anic teaching is in harmony with the dynamic nature of humanity following the changing times. If the majority of the verses of ahkam al-quran are absolute and detailed, human beings necessarily become bound that will ultimately hamper the development of society. This is the wisdom of the announcement of the verses. See Harun Nasution. 1986. *Akal dan Wahyu dalam Islam* (Jakarta: UI Press), 29; Adiwarmar Karim. 2004. *Sejarah Pemikiran Ekonomi Islam* (Jakarta: PT.Raja Grafindo Persada), p. 5; J. Michael Taylor (2003), "Islamic Banking The Feasibility of Establishing an Islamic Bank In The United State", *American Business Law Journal*, 40 *Am. Bus. L. J.* 385, (Winter 2003), p. 387.

<sup>2</sup> Nima Mersadi Tabari. 2010. "Islamic Finance and The Modern World: The Legal Principles Governing Islamic Finance in International Trade", *Journal Company Law, Comp. Law*. Vol. 31 (8) 2010, p. 249-254.

<sup>3</sup> Muhammad Fadel. 2009. "Shari'a: Islamic Law in Contemporary Context" Edited by Abbas Amanat and Frank Griffel, *Journal of Law and Religion*, Vol. XXIV (2009), hal. 102. Lihat juga Faisal. 2011. "Rekstrukturisasi Pembiayaan *Murabahah* Dalam Mendukung Manajemen Resiko Sebagai Implementasi *Prudential Principle* Pada Bank Syariah di Indonesia", *Jurnal Dinamika Hukum*, Vol. 11 No. 3 (September 2011), p. 463-471.

<sup>4</sup> Muhammad. 2005. *Manajemen Pembiayaan Bank Syariah*, (Yogyakarta: Unit Penerbit dan Percetakan AMP YKPN), p. 17.

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- <sup>5</sup> Abdullah Saed. 2008. *Bank Islam dan Bunga*, (Yogyakarta: Pustaka Pelajar), p. 138.
- <sup>6</sup> Samuel Huntington. 1997. *The Clash of Civilizations and the Remaking of World Order* (New York: Simon and Schuster Touchstone), p. 211.
- <sup>7</sup> Hadith extends the notion of gharar to include trade transactions containing uncertainty. Among the significant hadiths are the following: 1) The Prophet forbade a sale such as throwing a pebble (the sale of a chosen or determined object such as throwing a pebble or rock) and buying and selling gharar. 2) "Do not buy fish that is still at sea, because it is gharar 3). Prophets forbid the sale of fruit that is still not grown 4). Prophets prohibit the buying and selling of anything that is still in the womb, Dairy milk (udder), buying and selling slaves when he goes, and buying and selling 'the results of a diver' (darbat al-gha 'is: buying and selling ahead of the diver's rescue) 5) Whoever buys food, may not sell it Until he has perfect ownership 6) Whoever buys food, should not sell it until he weighs the item.7) The Prophet forbade the sale of grapes until they became black, and the sale of grains to hard. See Frank E. Vogel and Samuel L. Hyaes III. 1998. *Islamic Law and Finance: Religion, Risk and Return* (The Hague: Kluwer Law International), p. 87-88: Ahmad Maulidizen. 2016. Riba, Gharar dan Moral Ekonomi Islam dalam perspektif sejarah dan komparatif: Satu sorotan literatur, *Jurnal Islamicomic*, Vol 7 (2): p. 141-164.
- <sup>8</sup> For example, the existence of places of worship, the hours of rest to perform worship for workers and other worship applications. See Ibrahim Warde. 2000. *Islamic Finance in the Global Economy* (Edinburgh University Press, Edinburgh), p. 59.
- <sup>9</sup> A complex factor in the classification is that a distinction must be drawn between 'Islamic financial institutions' whose entire product line is Islamic and 'Islamic products', which are increasingly offered by conventional institutions in addition to their conventional products.
- <sup>10</sup> In 1994, President of the Institute of Middle Eastern Studies (MESA) Rashid Khalidi in his speech said: "We as people who research about the Middle East often fail to establish relationships with those who research on other areas, including those who research other areas Whose characteristics and problems are similar to those occurring here, in the Middle East such as in Central Asia, Africa, South Asia and the Mediterranean. See Ibrahim Warde. 2000. *Islamic Finance in the Global Economy*, p. 19.
- <sup>11</sup> Nicholas Dylan Ray. 1995. *Arab Islamic Banking and Renewal of Islamic Law* (London: Graham dan Trotman), hal. 3
- <sup>12</sup> Frank E. Vogel and Samuel L. Hayes. 1998. III, *Islamic Law and Finance: Religion, Risk and Return* (the Hague: Kluwer Law International). p. 45
- <sup>13</sup> Nicholas Dylan Ray. 1995. *Arab Islamic Banking and the Renewal of Islamic Law* (London: Graham and Trotman), p. 90-91
- <sup>14</sup> As indicated by Ayatollah Khomeini's statement, "this is a Revolution about Islam, not about the price of melons". Alan Richard and John Waterbury. 1996. *A Political Economy of the Middle East* (Boulder: Westview Press), p. 351
- <sup>15</sup> For example comparison with Leonard Binder. 1988. *Islamic Liberalism: A Critique of Development Ideologis* (The University of Chicago Press); and Oliver Carre. 1993. *Islam lique ou le retour a la Grande Tradition* (Paris: Aemand Cloin).
- <sup>16</sup> Judith Miller. 1996. *God Has Ninety-Nine Names: A Reporter's Journey Through a Militant Middle East* (New York: Simon and Schuster), p. 151.
- <sup>17</sup> Ronald Jacquard. 1998. *Fatwa contre l'Occident* (Paris: Albin Michel), p. 157-168.
- <sup>18</sup> Ibrahim Warde. 1997. *Perceptions of Islamic banks among European and American bankers* (San Fransisco: IBPC Working Papers).
- <sup>19</sup> *Ibid*
- <sup>20</sup> John Esposito states that when confronted with new interpretations or applications about Islam, they often cast criticism from the point of view of traditional practices and beliefs. On the one hand, Islam is considered an absolute religion, so Muslims are seen as too reluctant to accept change. On the other hand, when a change occurs, the change is considered unorthodox, opportunistic, the reason for adopting things outside of Islam. See John L. Esposito. 1992. *The IslamicThreat: Myth or Reality?* (Oxford University Press), p. 205.
- <sup>21</sup> Sami Zubaida. "Islam Iran an Islamic State?" in Joel Beinin and Jose Stork. 1997. *Op. Cit*, p. 103.
- <sup>22</sup> Ibrahim Warde. 1997. *Op. Cit*, p. 27.
- <sup>23</sup> Timur Kuran. 1986. "The Economic System in Contemporary Islamic Thought: Interpretation and Assessment". *International Journal of Middle East Studies* (18), p. 140.
- <sup>24</sup> William E. Shepard, "Muhammad Sa'id al-Ashmawi and the Application of the Shari'a in Egypt". *International Journal of Middle East Studies* (18).
- <sup>25</sup> Yahya Sadowski. 1996. "Just a Religion: for the Tablighi Jama'at, Islam is not totalitarian". *Brooking Review Summer* (14), p. 3.

- <sup>26</sup> Bernard Botiveau and Jocelyne Cesari. 1997. *Geopolitique des Islams* (Paris: Economica), p. 40-41
- <sup>27</sup> Bernard Botiveau and Jocelyne Cesari. 1997. *Op.Cit.* p. 84-90
- <sup>28</sup> Oliver Carre. 1993. *Op. Cit.* P. 58.
- <sup>29</sup> Ibrahim Warde. 1997. *Op. Cit.* p. 32
- <sup>30</sup> As Aziz al-Azmeh says: "Islam is not a generalizable essence, but a unifying, nominal entity, in the name of Islam, diverse society, culture, history, and politics. See Aziz al-Azmeh. 1993. *Op. Cit.* p. 1.
- <sup>31</sup> William E. Shepard. 1987. "Islam and Theology: Towards a Typology". *International Journal of Middle East Studies* (19). p. 307-336.
- <sup>32</sup> R. Hrair Dekmejian. 1995. *Islam in Revolution* (Syracuse University Press). p. 57.
- <sup>33</sup> Sana Abed-Kotob. 1995. "The Accommodationists Speak: Goals and Strategies of the Muslim Brotherhood of Egypt". *International Journal of Middle East Studies* (27). p. 332.
- <sup>34</sup> Ian S. Lustick. 1998. *For the Land and the Lord: Jewish Fundamentalism in Israel* (New York: Council on Foreign Relations), p. 4-6.
- <sup>35</sup> Joel Beinin and Joe Stork, "On the Modernity, Historical Specificity and International Context of Political Islam". In Joel Beinin and Joe Stork. 1997. *Op. Cit.* p. 3.
- <sup>36</sup> Leonard Binder. 1988. *Op. Cit.* p. 357.
- <sup>37</sup> Chibli Mallat. 1993. *The Renewal of Islamic Law: Muhammad Baqer as-Sadr, Najaf and the Shi'i International* (Cambridge University Press).
- <sup>38</sup> Sami Zubeida. 1989. *Islam, The People and the State: Essays on Political Ideas and Movement in the Middle East* (London: Routledge), p. ix.
- <sup>39</sup> John Esposito. *Op.Cit.* p. 107; See also Gudrun Kramer, "Islamist Notions of Democracy". In Joel Beinin and Joe Stork. 1997. *Op. Cit.* p. 76.
- <sup>40</sup> Malcolm Kerr. 1966. *Islamic Reform: the Political and Legal Theories of Muhammad Abduh and Rasyid Rida* (University of California Press).
- <sup>41</sup> Edward Mortimer concludes that: "The real meaning of fundamentalism if used in the context of Islam will always be out of my imprisonment". See Edward Mortimer. 1982. *Faith and Power: the Politics of Islam* (New York: Random House), hal, 249; On the same occasion, John Esposito notes that fundamentalism "tells us everything, even though at the same time does not say anything". See John Esposito. *Op.Cit.* hal, 7; William Shepard very well summarizes the dilemma experienced by researchers: "On the one hand, such labels often serve as an appeal to the real understanding of a person and his tendencies, in part because they are widely used without explicit definition, as Again because they often put together a variety of different phenomena and partly because they often carry an explanation of implicit or subjective judgments. In my opinion, this is particularly true of the 'fundamentalist' label. On the other hand, We can not avoid labels if we talk about a thing, so obviously we can not begin to make an understanding of an area as large and complex as the modern Muslim world unless we can analyze these diverse phenomena into a number of categories that can be governed by true explanations. See William E. Shepard, *Op. Cit.* p. 307.
- <sup>42</sup> Ibrahim Warde. 2000. *Op. Cit.* p. 38.
- <sup>43</sup> Nicholas Dylan Ray. 1995. *Op. Cit.* p. 8.
- <sup>44</sup> At that time, his harshly recorded criticism of the Shah's regime and all things Western was duplicated throughout Iran. See James A. Bill. 1989. *The Eagle and the Lion: the Tragedy of the American Iranian Relations* (Yale University Press).
- <sup>45</sup> In a 'cyberfatwa' entitled 'The Fallacy of the' Islamic Bank ', Umar Ibrahim Vadillo writes that: "The so-called' Islamic bank 'is a riba institution that is contrary to Islam The Islamic bank is an unreasonable attempt to Resolving, as is done in the cases of Christians, the consistent Islamic opposition to riba for 14 centuries. Since the beginning of its emergence, Islamic banks have been supported and promoted by usury actors. " The author rejects ' riba ' as an invention of Western colonialism designed to incorporate the Muslim world into the international monetary and financial system. He added that "Contrary to the confusion of the modernists, the position of Shariah Islam is clear and does not accept any controversy.From this it is clear that Muslims not only have to leave riba, but also obliged to fight usury". See <http://eldarco.com/murabit/index.html#fallacy> (April 1997); Ibrahim Warde. 2000. *Op. Cit.* 40
- <sup>46</sup> Fazlur Rahman. 1984. *Islam and Modernity* (University of Chicago Press).
- <sup>47</sup> John Esposito. 1992. *Op.Cit.* p. 165.
- <sup>48</sup> Muhammad Sa'id al-Ashmawi. 1990. *L' Islamisme Contre l' Islam* (Paris: La Decouverte).
- <sup>49</sup> Mohammad Aslam Haneef. 1995. *Contemporary Islamic Economic Thought: A Selected Comparative Analysis* (Selangor Malaysia: Ikrak). p. 140.
- <sup>50</sup> Timur Kuran. 1986. *Op. Cit.* p. 148

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- <sup>51</sup> *Ibid.* p. 148
- <sup>52</sup> Ahmed Abdel Aziz El-Nagar. 1980. *One Hundred Questions & One Hundred Answers Concerning Islamic Banks* (Cairo: International Association of Islamic Banks). p. 8.
- <sup>53</sup> Oliver Roy. 1992. *L'echec de l'Islam Politique* (Paris: Editions du seuil). p. 10.
- <sup>54</sup> Clement M. Henry. 1996. *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey* (University Press of Florida). p. 22
- <sup>55</sup> Oliver Roy. 1992. *Op. Cit.* p. 176
- <sup>56</sup> Nicholas Dylan Ray. 1995. *Op. Cit.* p. 5
- <sup>57</sup> Frank E. Vogel dan Samuel L. Hyaes III. 1998. *Op. Cit.* p. 2
- <sup>58</sup> Fuad al-Omar and Mohamme Abdel-Haq. 1996. *Islamic Banking: Theory, Practice and Challeges* (London: Zed Books). p. 25
- <sup>59</sup> Criticism of such views, lihat Oliver Roy. 1992. p. 7 & 20; Robert Vitalis in Joel Beinin and Jose Stork. 1997. p. 102; and Nazih N. Ayyubi, "State Islam and Communal Plurality", in Charles E. Butterworth and I. William Zartman. 1992. *Political Islam, The Annuals of the American Academy of Political and Social Science* (November). p.87
- <sup>60</sup> Khoo Boo Teik. 1995. *Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohammed* (Oxford University Press).
- <sup>61</sup> Timur Kuran. 1986. p. 159
- <sup>62</sup> *Ibid.* p. 149
- <sup>63</sup> Karl Polanyi. 1957. *The Great Transformation: the Political and Economic Origins of Our Time* (Boston: Beacon Press).
- <sup>64</sup> Albert Hirschman. 1977. *The Passions and the Interest: Political Arguments for Capitalism Before Its Triumph* (Princeton University Press)
- <sup>65</sup> Center of Medieval and Renaissance Studies, University of California, Los Angeles. 1977. *The Down of Modern Banking* (Yale University Press)
- <sup>66</sup> Peter Bernstein. 1996. *Against the Gods: the Remarkable Story of Risk* (New York: Wiley). p. 2
- <sup>67</sup> Walter Bagehot. 1962. *Lombard Street: A Description of the Money Market* (Homewood, III: Richard D. Irvin). p. 7
- <sup>68</sup> Frank E. Vogel dan Samuel L. Hyaes III. 1998. *Op. Cit.* p. 38.
- <sup>69</sup> Walter Bagehot. 1962. *Op. Cit.* p. 28
- <sup>70</sup> Peter Bernstein. 1996. *Op. Cit.* p.32-33.
- <sup>71</sup> *Ibid.* p. 34.
- <sup>72</sup> Muhammed Arkoun, "Islam et modernite", in Alain Gresh (ed.). 1994. *Un peril Islamiste?* (Brussels: Editions Complexe). p. 205-206
- <sup>73</sup> Bernard Lewis. 1993. *Islam and the West* (Oxford University Press). p. 183
- <sup>74</sup> Alain Gresh (ed.). 1994. p. 208
- <sup>75</sup> Yves Thoraval. 1995. *Dictionnaire de civilization musulmane* (Paris: Larousse). p. 80
- <sup>76</sup> Abraham L. Udovitch, "Bankers without Banks: Commerce, Banking and Society in the Islamic World of the Middle Ages", in Center of Medieval and Renaissance Studies, University of California, Los Angeles. 1977. p. 259
- <sup>77</sup> *Ibid.* p. 260.
- <sup>78</sup> Concerning the uniqueness of Islam as a comprehensive worldview, John Esposito writes that: "What is almost forgotten is that all religions of the world based on historicity and origin can be said to be a comprehensive view of life. Although religion to politics varies widely, A view of life with a strong emphasis on community life as well as personal, for example the views of the Torah, the 'straight path' in Islam, the middle way in Buddhism, the 'dharma' (dharma) in Hinduism, Diet, wealth management, life stage (birth, marriage and death), and rituals of worship". See John Esposito. 1992. *Op.Cit.* p. 198.
- <sup>79</sup> Ibrahim Warde. 2000. p. 56
- <sup>80</sup> *Ibid.* p. 57
- <sup>81</sup> Among the exceptions are The Fundamentalism Project, a multi-volume series book edited by Martin E. Marty and R. Scott Appleby and published by the University of Chicago Press.
- <sup>82</sup> Ibrahim Warde. 2000. p. 59.