

PAYMENT BY CURRENCY UNDER ISLAMIC LAW

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ABSTRACT

The law of payment by currency varies from jurisdiction to jurisdiction but this phenomenon is entirely different under Islamic law. Divine law is considered free of errors and thus provides a universal way of payment by currency from both sides i.e. from one person to another or from one entity to another. The rules under Islamic law may be adopted in any jurisdiction irrelevant of the fact whether such state is Sharia Compliance or a secular. It is usually considered that the system of payment by currency under Islamic law is complex and old. The paper below in the first part elaborates the philosophy of Islamic banking which is often criticized by international bankers and jurists on aforementioned pretext. Islam gives a perfect code of life in which every person has been given holy commands to abstain from doing something contrary to Islamic injunctions and also allows doing business for living by following the financial rules given in Quran and Sunnah. The mode of payment in conventional system are so much complex to understand as there is riba in such transactions which is strictly and expressly prohibited under Islamic law, on the other hand Islamic law provides an easy mechanism that may be understood and practiced by anyone. The paper below considers that how Islamic Law provides such mechanism.

Key words: Zakat & Ushr , Kharaj, Khums , Jaziya, Fay, Waqf, Al-Luqta, Maal –e- Ganimat

Introduction

The Quran verily says, " O mankind ! be mindful of your duties to your Lord who created you from a single soul and from it created its mate and from them twain has spread abroad a multitude of men andwomen" (Quran 4: 1). Islamic law is the essence of the Islamic spirit, the most typical manifestation of the Islamic way of life, the kernel of Islam itself. For the majority of Muslims, the law has always been and still is of much greater practical importance than the dogma. Even today, the law remains a decisive element in the struggle which is being fought in Islam between traditionalism and modernism under the impact of Western ideas. "Islamic law, the Sharia, embodied in Islamic finance, has moved from the classrooms of the Middle East and Southeast Asia and from the rarified air of the faculty offices of Western academia to boardrooms throughout the world"¹ (Michael, 2008). In short, there are so many ways of payment for the parties to each other that may be Islamic or western. It is the duty of every person to fulfill obligations when he involves himself in some kind of business transactions or a contract.

Methodology: Data was collected through various sources that are Quranic injunctions, Sunnah and Islamic schools of thoughts as primary and opinions and techniques used by modern experts as secondary.

Problem statements:

1. How Islamic banks pay to individuals and receive from the individuals, the obligations of the banks and customers under Islamic Law.
2. When a rich person should pay to poor people, their private contractual obligations, revoking the contracts, Zakat, Ushr, Prohibited sources of income, legal sources of income and sources of revenue for a state.

1. First Approach:

The philosophy of Islamic banking: To understand the first part of the topic concerned it is necessary to have an understanding of the philosophy of Islamic banking, it takes the lead from Islamic Shariah. As Islamic banking has gained momentum, controversy has risen over the role and methods of operation in financial intermediation. Acting as an Islamic bank means following the principles of Sharia in financial transactions, but definition is difficult because of the many ways that Islamic law is interpreted and applied (Delwin 1991). Islamic banking is defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Interest free banking is a narrow concept denoting a number of banking instruments or operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy (Butt, Saleem, Ahmed, Altaf, Jaffer, & Mahmood 2011). According to Islamic Shariah, Islamic banking cannot deal in transactions involving interest/riba (an increase stipulated or sought over the principal of a loan or debt). Further, they cannot deal in the transactions having the element of Gharar or Maiser. Moreover, they cannot deal in any transaction, the subject matter of which is invalid (Manaf & Markom***). Islamic banks focus on generating returns through investment tools which are Shariah compliant as well. Islamic Shariah links the gain on capital with its performance (Zaher, & Hassan, 2001). Operating within the ambit of Shariah, the operations of Islamic banking are based on sharing the risk which may arise through trading and investment activities using contracts of various Islamic modes of finance. The prohibition of a risk free return and permission of trading, as enshrined in the Verse 2:275 of the Holy Quran, makes the financial activities asset-backed in an Islamic set-up with

ability to cause 'value addition' (Imran & Gulam, 2003). The principles of Islamic Banking come from the sources of the Holy Quran, Hadith, Sunnah, Ijma (Consensus of the Ummah), Qayas (Analogy) and Ijtihad. One of the principles of Islamic banking is the prohibition of Riba. Riba is an Arabic word which stands for excess, increase, expansion or growth. Islamic banking is known as Interest free Transaction in banks based upon the clear and transparent systems (Awan and Azhar, 2014).

Islamic banks are not authorized to offer fixed interest and /or predetermined rates on deposits and they are not allowed to charge interest on loans. From this fact, the perception of a predetermined fixed rate, completely disconnected from the actual performance of the underlying asset, is not lawful. The interest is replaced by a sharing of profits and losses (Profit and Loss Sharing principle, PLS), which reduces the antagonism between the providers of capital and those who thrive of it by their work and expertise (Chapra, 2008).

Modes of Payment by the Banks to Individuals: An Islamic bank is a financial institution that identifies itself with the spirit of Shariah, as laid down by the Holy Qur'an and Sunnah, as regards its objectives, principles, practices and operations (Usmani, 2002). An Islamic bank does not normally lend money except interest-free loans that are termed as Qard Hasanah (Benevolent Loans) while Muslim Scholars have also permitted loans on service charge, not exceeding the actual administrative cost of such loans (Hussain, 2011).

MURABAHA: Literally, it means a sale on mutually agreed profit. Technically, it is a contract of sale in which the seller declares his cost and profit. Islamic banks have adopted this as a mode of financing (Alsayed, 2010). As a financing technique, it involves a request by the client to the bank to purchase certain goods for him. The bank does that for a definite profit over the cost, which is stipulated in advance (Kettell, 2011). Mudaraba is a trust based financing agreement whereby an investor Islamic bank, entrusts capital to an agent Mudarib for a project. Profits are based on a pre-arranged and agreed on ratio. Mudaraba agreement is akin to Western style limited partnership, with one party contributing capital while the other runs the business, and profit is distributed based on a negotiated percentage of ownership. In case of a loss, the bank earns no return or a negative return on its investment and the agent receives no compensation for his/her effort (Tarek, Zaher & Kabir ***).

IJARAH: Ijarah is a contract of a known and proposed usufruct against a specified and lawful return or consideration for the service or return for the benefit proposed to be taken, or for the effort or work proposed to be expended (Usmani et al, 2006). In other words, Ijarah or leasing is the transfer of usufruct for a consideration which is rent in case of hiring of assets or things and wage in case of hiring of persons (Ghuddah, 1998).

IJARAH-WAL-IQTINA: A contract under which an Islamic bank provides equipment, building or other assets to the client against an agreed rental together with a unilateral undertaking by the bank or the client that at the end of the lease period, the ownership in the asset would be transferred to the lessee (Qadri, 2007). The undertaking or the promise does not become an integral part of the lease contract to make it conditional. The rentals as well as the purchase price are fixed in such manner that the bank gets back its principal sum along with profit over the period of lease (Dakhlallah, & Miniaoui, 2011).

MUSAWAMAH: Musawamah is a general and regular kind of sale in which price of the commodity to be traded is bargained between seller and the buyer without any reference to the price paid or cost incurred by the former. Thus, it is different from Murabaha in respect of pricing formula. Unlike Murabaha, seller in Musawamah is not obliged to reveal his cost. Both the parties negotiate on the price (Usmani, 2003). All other conditions relevant to Murabaha are valid for Musawamah as well. Musawamah can be used where the seller is not in a position to ascertain precisely the costs of commodities that he is offering to sell (Manzoor, Fahim, Chauhan, Raja, & Siddiqui, 2011).

ISTISNA'A: It is a contractual agreement for manufacturing goods and commodities, allowing cash payment in advance and future delivery or a future payment and future delivery. Istisna'a can be used for providing the facility of financing the manufacture or construction of houses, plants, projects and building of bridges, roads and highways (Iqbal, & Mirakhor, 2011).

BAI MUAJJAL: Literally it means a credit sale. Technically, a financing technique adopted by Islamic banks takes the form of Murabaha Muajjal. It is a contract in which the bank earns a profit margin on his purchase price and allows the buyer to pay the price of the commodity at a future date in a lump sum or in installments (Mashal, 2012). It has to expressly mention cost of the commodity and the margin of profit is mutually agreed. The price fixed for the commodity in such a transaction can be the same as the spot price or higher or lower than the spot price (Fabozzi, Fuss, & Kaiser, 2008).

MUDARABAH: A form of partnership where one party provides the funds while the other provides expertise and management. The latter is referred to as the Mudarib. Any profits accrued are shared between the two parties on a pre-agreed basis, while loss is borne only by the provider of the capital (Mobin, & Ahmad, 2017).

MUSHARAKAH: Musharakah means a relationship established under a contract by the mutual consent of the parties for sharing of profits and losses in the joint business. It is an agreement under which the Islamic bank provides funds, which are mixed with the funds of the business enterprise and others (Burhonov, 2006). Recently a new Islamic mutual insurance type of fund Takaful has been introduced. Participants pay installments into a fund and the bank acts as managing trustee. In addition, a new Islamic banking product was tested in the European market at the end of 2000. The product is an equity Repo, which is similar to a Murabaha or cost plus profit transaction. The typical maturity of the Islamic equity Repo is three months. The equity Repo is the product of collaboration between Cede bank a leading provider of global Repo services and a major European bank in London (Tarek et al ***). All providers of capital are entitled to participate in management, but not necessarily required to do

so. The profit is distributed among the partners in pre-agreed ratios, while the loss is borne by each partner strictly in proportion to respective capital contributions (Tohirin, & Ismail, 2011).

BAI SALAM: Salam means a contract in which advance payment is made for goods to be delivered later on. The seller undertakes to supply some specific goods to the buyer at a future date in exchange of an advance price fully paid at the time of contract. It is necessary that the quality of the commodity intended to be purchased is fully specified leaving no ambiguity leading to dispute (Kamali, 2005). The objects of this sale are goods and cannot be gold, silver or currencies. Barring this, Bai Salam covers almost everything, which is capable of being definitely described as to quantity, quality and workmanship. Islamic banking is conducted on the basis of Islamic principles, in particular the prohibition of giving or taking interest. The argument is that taking the interest before a completed economic activity is unfair. Islamic banking is based on the idea of profit sharing after the economic transaction has been completed (Isa, 2008).

Banker Customer Relationship under Islamic Law: The religion is the main factor which attracts customers towards an Islamic Bank and some other factors are responsive attitude of the bank staff, influence of friends and relatives, Service quality, good will and reputation of the bank (Awan et.al. 2014). The relationship arises between a banker and a customer with the opening of an account by the customer with a banker. The application for opening an account is considered as a letter of agreement for establishing the banker-customer relationship. The general view is that the banker-customer relationship is mainly that of a debtor and a creditor with certain special features. As the banker-customer relationship can be established, so it can also be terminated. It arises between a banker and a customer with the opening of an account by the customer with a banker. So, the relationship terminates if the account is closed for any reason. Banker-Customer relationships in Islam are established on a profit/loss income sharing arrangement instead of interest (Lynch, 1991). The Islamic Shariah prescribes how a society is to be organized, what will be the relationships of its members, and how the affairs of the members are to be conducted. Accordingly, the relationship between a banker and a customer was established under the Islamic banking system (IBB. 2015). In Islamic banking both banker and customers have some rights and duties and these are creditor and debtor, customer is creditor and bank is debtor and these are almost similar to the conventional banker customer relationship except Interest (Riba). Banks must have sufficient funds that if on one single day all the customers come and ask for their money the bank is bound to satisfy their needs (Ahmad, 2007). The bank is bound to give proper advise to the account holders and if acting upon the advice the customer suffers loss the bank is responsible. The bank cannot charge interest as interest is strictly prohibited under shariah law (Siddiqi, 2004).

2. **Second Approach:** When a rich person should pay to poor people (Zakat and Ushr)? Contracts, prohibited sources of income, legal sources of income and sources of revenue for a state.

The Quran and Hadith on Zakat and Ushr: The law states that 2.5% of a wealthy Muslim's savings must be donated to the cause. Zakah, is derived from the verb zaka, (which signifies "to thrive," "to be wholesome," "to be pure") means purification. Giving up of a portion of the wealth one may possess in excess of what is needed for sustenance is to "purify" or legalize it so that the remainder may lawfully be used by the alms giver. The law of Zakah is to take from those who have wealth and give it away to those who do not. This rotation of wealth is a way to balance social inequality. 'Lo those who believe and do good deeds and establish Salah and pay Zakah, their reward is with the Sustainer; and no fear shall come on them, nor shall they grieve (Quran 2:227). Islam has established this institution to make concern for the poor a permanent and compulsory duty. This means an annual contribution of two and a half percent of one's income to public welfare. The rate on other types of wealth such as agricultural produce and jewelry is more. It is incumbent on minors and adults, males and females, living or dead (Nienhaus, 2006). The Qur'an stipulates the specific uses of Zakah within the community: 'The alms are only for the poor and the needy, and for those employed in connection therewith, and for those whose hearts are to be reconciled, and for the freeing of slaves, and for those in debt, and for the cause of Allah, and for the wayfarer (Quran 9:60). Above all, Zakah is given in the name of Allah to further His ways amongst the Muslims. Zakah is one of the five immutable pillars of Islamic faith. Literally, the word, 'Zakah' means sweetening and it is meant to purify wealth from its evil tendency to accumulate more and more in fewer and fewer hands on account of the unequal opportunities which men enjoy (Stefon, 2009). Through Zakah the wealthy Muslims are made responsible individually and collectively to provide for the basic necessities of all members of the society. Islam does not object to the earning of large sums, but makes it a bounden duty of the wealthy to see that not a single soul is deprived of the basic needs of living (Choudhury, 1983). A special economic significance of Zakah is that it is the avowed enemy of hoarding. A man's wealth, according to Islam, has to be spent partly on the necessities of living and comfort, in productive investment, in charity, for the benefit of Muslims in general and in the way of God. After these whatever remains standing for a year is liable to be taxed under Zakah (Al-Faruqi, 2012). Zakah revenue consists of a levy of 2.5 per cent on all idle wealth, one-tenth to one-twentieth of all agricultural produce, one-fifth of all mineral wealth, and a tax on the entire earning from capital of the nation. Zakah fund is payable to... (1) the poor, (2) the needy, (3) for the propagation of Islam, (4) for those in bondage, (5) for those in debt, (6) for the wayfarer, (7) on the functionaries who collect and distribute Zakah, as their remuneration, (8) on other noble causes for which money is required. It must, however, be clearly understood that it is only the principle behind Zakah that remains immutable in Islam, but not so the ways of collecting and distributing it on the broadest possible aspects of the eight categories of expenditure mentioned above (Choudhury, 1982).

Ushr: 'Ushr is the same as ish-ru-u, in Hebrew Ma'shir, the tenth which the kings and the religious sanctuaries received from the subjects and which the Mosaic Law wished to introduce as compulsory (Clark 1986). The term 'Ushr is not found in the Qur'an. But according to some of the jurist commentators the verse <<Fahtu Haq al Youmal Hasabah>> in Sura al-An'am, admittedly a Meccan revelation, is taken to refer to tithe or half tithe (Siddiqi 2008). According to some others, 'Ushr is not meant by the above verse; it is rather repealed by the verse of Zakat which came down in the second year of Hijra. Whatever the case, it does not appear that Zakat, or for that matter, 'Ushr became regular sources of revenue until after the conquest of Mecca when the

Prophet sent to his administrators posted at different regions detailed instructions as to how and what to collect as Zakat and 'Ushr from the Muslims (Ahmed 1980). Ushr is paid by the Muslims as a matter of worship and obligation. It is collected on the Crops on 1/20 (Irrigated land) and 1/10 (the land that depends on rain only). The reason of this difference is that hard work is required on first one and the later one does not require hard work. The ushr may be exempted due to natural disasters i.e. land sliding, heavy rain, floods etc. however if due to excessive water (mistake of owner) crops are destroyed he shall pay the ushr on the same percentage (Rahim,1867 Published in 2011).

Who would pay Ushr? According to Dr. Muhammad Sharief Chaudhry in Pillars of Islam, Ch. 23... "Ushr is payable only when there is actual produce, the land is Ushr land and the producer or owner of the produce is a Muslim. Owner may be an adult or a minor, a man or a woman, a sane or an insane, a slave or a free man, Ushr will have to be paid. Even a waqf is subjected to Ushr if there is produce from the lands owned by it. In case the owner of the land has himself cultivated it, he will be charged to Ushr. If the land has been given on lease or rent by the owner and has been cultivated by the tenant or leaseholder, then the tenant or leaseholder would be paying the Ushr because he is the owner of the produce (Abu Yusuf). In Mazaraat, i.e., when the land is given to the tenant on the basis of produce sharing, Ushr would be paid by the landlord if the seed has been supplied by him. If the seed is supplied by the tenant then the land-owner and the tenant, both of them, would be paying Ushr according to their shares in produce". If the land is leased or rented to a Zimmi, the Ushr would be paid by its Muslim owner, since by renting the land to a non-Muslim, he has deprived the state of its right (Coase, 1937).

Contracts in Islamic Law: In the Islamic legal system, like other legal systems of the world, certain formalities and substantive elements are essential for juristic acts to become legally binding on the parties. Classical Muslim jurists developed a clear concept of juristic acts which produced a legal effect. Contractual transactions, whether written or unwritten, constitute the vast majority of juristic acts (Islam, 1998). The corresponding Arabic word for contract is 'aqd which literally means tie or bond. This term 'aqd has a much wider connotation than the term 'contract' in Common law (Shimizu, 1989). The basic essentials of a contract in Islamic Law are Offer & Acceptance, (Ijab & Qabool), Two parties (Legally allowed to contract), Subject matter or Consideration (Maal ul Aqd), witnesses fulfilling the criteria of Tazkia tul Sahood (El-Gamal, 2006). The contract may be written or unwritten Element of fraud, undue influence, coercion or any other illegal factor makes the contract void. The beauty of the Islamic contract is that offer and acceptance is made in the same session and once the offer or acceptance is made or the contract has been signed either of the party may revoke the contract without assigning any reason.

Types of Shariah Contracts: Different scholars and school of thought have classified contracts differently. The following are widely accepted in classification of contracts:- Contracts of Transfer of Ownership, Contracts of Elimination, Contracts of Removing Restrictions, Contracts of Imposing Restrictions, Contracts of Partnership, Contract of Security and Contracts of Safekeeping (Ali, 2010). Shariah emphasizes the importance of clearly defining key contractual elements such as subject matter, delivery and price in a manner in which it cannot lead to disputes • Dependent upon the varying contractual elements the status of the contract will either be valid or void. • Future's sales are not valid under Shariah according to most scholars as the subject matter must be owned (Qabdh) at the point of sale. • An alternative view to the mainstream is held by Ibn Taymiyyah & Ibn Al-Qayyim who stress that the possession of the subject matter is not the central pillar of sale but instead the ability to deliver it (Siddiqi, 1985).

Quran and Sunnah on Contracts: "O you who believe! Fulfil all your covenants"(Quran, 5:1) "Fulfil (every) engagement, for (every) engagement will be enquired into (on the Day of Reckoning)"(Quran 17: 34). "O you who believe! Eat not up your property among yourselves in vanities: But let there be amongst you Traffic and trade by mutual good-will."(Quran 4: 29) "And when the (Friday) prayer is finished, then may you disperse through the land, and seek of the Bounty of Allah: and celebrate the Praises of Allah often (and without stint): that you say prosper" (Quran 62:10). "Allah has permitted trade and forbidden usury" (Quran 2: 75). "And O my people! Give just measure and weight, do not withhold from the people the things that are their due: commit not evil in the land with intent to do mischief. That which is left you by Allah is best for you, if you (but) believed! but I am not set over you to keep watch!"(Quran 11:85). The holy Prophet (PBUH) (saw) was asked what type of earning was the best, to which The holy Prophet (PBUH) (SAW) answered, "The work of a man's own hand, and every pious sale". [Hakim] The holy Prophet (PBUH) (saw) said, "A trustworthy and an honest and truthful businessman will rise up with martyrs on the Day of Resurrection." [IbnMajah, Hakim] He (saw) also said, "A truthful, and trustworthy trader will rise up with the Prophets, the righteous and the martyrs." [al-Hamim, Tirmidhi]. Ibn 'Umar (ra) related that The holy Prophet (PBUH) (saw) said, "Do not go out to meet merchandise on the way, (wait) until it is brought into the market." [Muslim]. Abu Hurayrah (ra) related that The holy Prophet (PBUH) (saw) said, "Do not meet the merchant on the way and enter into business transaction with him, and whoever meets him and buys from him (and in case it is done, see) that when the owner of the (merchandise) comes into the market (and finds that he has been paid a lower price) he has the option (to declare the transaction null and void)." [Muslim]. Abu Hurayrah (ra) related that The holy Prophet (PBUH) (saw) said, "The townsman should not sell for a man from the desert (with a view to taking advantage of his ignorance of the market conditions of the city)." [Muslim] Ibn 'Umar (ra) related that The holy Prophet (PBUH) (saw) said, "No-one amongst you should enter into a transaction when another is bargaining." Ibn 'Umar (ra) related that The holy Prophet (PBUH) (saw) said, "A person should not enter into a transaction when his brother is already making a transaction and should not make a proposal of marriage when his brother has already made a proposal except when he gives permission" (Muslim).

Permitted and Prohibited Sources of Income in Islam: Earning of wealth through trade was encouraged by the Holy Prophet. He has said that Allah has mercy on him who is generous when he buys and when he sells and when he demands his dues (Bukhari). He says again that the best profession for earning is handicraft, agriculture, calligraphy and all those which are free from unfair means. Trade in wine, swines, dogs, cats, singing girls, idols and fats of dead animals have been forbidden by him. He condemned artificial rise in price. Withholding of cereals or any commodity for profiteering is also prohibited. Such profiteers,

according to the Prophet, may suffer leprosy or poverty. Barter trade is allowed. Honest traders, according to the Prophet, are to be placed in the ranks of prophets, pious ones and martyrs. The best earning in the opinion of the Prophet is that of a labourer provided he does his job with care and regard for the employer (Rahman, (1984). Moreover, it is an Islamic rule which states that all worldly matters are permissible, that includes jobs and businesses, unless they are specifically prohibited. On the hand, in religious matters, everything is impermissible unless there is Islamic proof for it. Based on this principle, most jobs and businesses are permissible with the following major exceptions:

Riba (interest), gambling, pornography, and liquor are haram, and no matter how attractive the financial rewards of engaging in those enterprises may seem to be, a Muslim must refrain from them. It is also not allowed to work in a company whose main business is riba (like a conventional bank) or gambling (like a casino). Similarly, it is not allowed to trade in stocks of such companies (Abdullah & Chee, 2010). "They say, trade is like interest and Allah has allowed trade and prohibited interest" (Quran 2:275). "Whatever you pay as interest, so that it may increase in the property of (other) men, it does not increase with Allah"(Quran 30:39). "O you who believe, do not take interest, doubling and quadrupling, and keep your duty to Allah, so that you may prosper" (Quran 3: 130). "O you who believe, observe your duty to Allah and give up what remains (due) from interest, if you are believers. But if you do not do it, then be warned of war from Allah and His messenger; and if you repent, then you shall have your capital. Do not exploit and be not exploited" (Quran 2: 278-9). The quoted texts by Muslim legislators do not really lift the ambiguity between the concept of usury and that of interest. The Arabic word riba' which comes from the verb raba': increase, seems very general. But it is known that the Prophet Mohammed condemned in particular what is today called the riba' el-jahiliyyah (the riba' of the age of ignorance) a practice that doubles the amount of interest by doubling the loan period in case of any payment delay. This practice was putting debtors already in difficulty or in even greater difficulty (Jean-Yves, 2014).

Prostitution: Likewise, Islam does not permit Adultery, sexually provocative dancing or erotic activities, such as suggestive or obscene songs, or writing or producing sexually provocative material. Working in a night club or dance hall is prohibited. Selling and making musical instruments is also not allowed (Lesson 3, Lawful Earning***).

Business in Swine: It is haram to do business in swine, idols, statues, or anything of this sort whose consumption and use Islam has prohibited. Islam prohibits the acquisition of statues and even more strongly the making of them (Saleem, 2012).

Manufacturing Intoxicants and Drugs: Islam prohibits any participation in the promotion of alcoholic beverages, whether it be in their manufacture, distribution, or consumption, and that anyone who participates in any of these is cursed by the Messenger of Allah. Working in a bar, liquor shop, or a company that makes alcoholic beverages is also not allowed (Beekun 1997).

Support of Injustice: Any service rendered in support of injustice or in promoting what is haram is forbidden. It is not permissible for a Muslim neither to be an officer or soldier in an army which is openly fighting against Muslims, nor to work in a corporation or factory which manufactures arms to be used against Muslims, nor in an organization which is hostile to Islam and fights its adherents (Mufti, 2014).

Sources of Revenue of Islamic State: An Islamic state generates her revenue by following ways **Zakat & Ushr:** These two sources have been discussed above. It must be noted here, that after taking taxes under different categories from Muslims and Non-Muslims within its territorial jurisdiction, it becomes the duty of the state to protect the life, property and dignity of them.

Kharaj: Al-Kharāj and kharj are used in the Quran but not to mean land tax. The words generally means a gift/income as in Surah al-Mu'minun verse 72: "Or is it that thou askest them for some recompense? But the recompense of thy Lord is best: He is the Best of those who give sustenance" (Quran, 23:72). Al-Kharaj is defined as taxes, revenue, revenue obtained from human property, tribute, rental, income, general property, a public's revenue or revenue from land, and sometimes it is defined as a rates. Al-Kharaj is an Arabic word of Greek origin and also said take from literary official language of Rome, Byzantine and Ancient Greek which generally means 'tax. However, throughout the history of Islam it was used to refer to land tax (Johari, 2014). Al-Kharaj represents a specific percentage of income obtained from land or property and it includes land obtained from war or by peaceful means. Al-Kharaj was implemented early in the Islamic rule in Khaibar when the Jews requested for the land that Muslims had conquered to remain as theirs because they were very good farmers. The prophet (P.B.U.H) consented to the request on condition that they surrender half the revenue obtained from the land as tax al-kharaj; in accordance with the al-muzara'ah principle. Initially al-kharaj included in ghanimah's type of asset, which should be divided among the Muslim soldiers but Caliph 'Umar felt that the practice was a waste for Muslims of that time as well as the future if the land in Iraq and Syam were divided among Muslim soldiers (Johari & Ibrahim, 2010). So he proposed that the land remained the owners' on condition that they pay kharaj (Johari et al, p. 631). Referring specifically to land tax, Mahmud Saedon Awang Othman & Muhammad Arifin suppose that the ruling party can impose additional taxes on the public with regard to 'just and fair' as the element of that tax characteristic and the most important criteria is that the tax revenue must be spent for the benefit of the public as a whole ((Johari et al, p. 632). According to al-Mawardi, al-kharāj is the fee imposed on land ownership and it is the kind of obligation that has to be fulfilled. In the Quran, the description for tax is different from that of jizyah. Therefore, the imposition of taxes has been left entirely to the ijtiḥād of imams (Al-Mawardi, 2000).

Khums: Khums is one of the pillars of Islam which was ordained by Allah and practiced during the life of the Messenger of Allah. Khums literally means "one-fifth or 20%". In Islamic legal terminology, it means "one-fifth of certain items which a person acquires as wealth, and which must be paid as an Islamic tax" (Nafiu, 2013). The Quran mentions it in the following verse: Know that whatever of a thing you acquire, a fifth of it is for Allah, for the Messenger, for the near relative, and the orphans, the needy, and the wayfarer (Quran, 8:41). Khums, in brief, means paying one-fifth of the surplus of one's income after taking away the expenses of the person and his dependants. It consists of two equal parts: one being the share of the Imam,

meaning that this part goes for constructing masjids, Islamic seminaries, Islamic schools, libraries, hospitals or clinics, orphanages, printing of the Noble Quran, hadith books, Islamic books and lectures, and others things which will benefit, defend, or propagate Islam. The second part is the portion for the poor sayyids (descendants of the Prophet), since they are banned from receiving zakat (charity) (Zulfiqar, 2011). Many historical references from different schools of thought mention that the khums existed during the time of the Prophet and was banned during the time of the first and second caliphs. The interpretation by the Ahlul Bayt of the word "ghanimtum" in the Quran, chapter 8, verse 41 is "everything you gained"—whether from war, work, trade, or other sources, since Islam's history testifies that the Prophet took out one-fifth from the war booty, and also from assets other than the war booty during peacetime. Other non-Shi'a scholars have supported this position. If khums becomes wajib on an item, then khums should be paid out of that item (if it is practicable). But Islamic sharia also allows pay an equivalent value of it in cash as khums. If you have a shirt unused for one year, then you have to pay khums on it in cash (Hasan, 2001).

Methods of Khums: There are three methods on when to pay khums when you receive an income or any new item: Method 1: You pay khums immediately: When you receive an income or any item, you are allowed to pay khums on the whole amount or item immediately. Then you do not have to worry about waiting for one year and paying khums on net savings or unused item. Method 2: You pay khums after one year: When you receive an income or any item, then khums can be paid after one year on the net savings of that income or on the item if it remained unused. Method 3: You pay khums on your selected khums date: You fix a date of your khums calculation in a year, and work out and pay khums on all savings and unused items existing on that date every year. Then you do not have to worry whether the income or the unused items were one year old or less (Hasan, 2001).

Jizya: Arabic word Jizya means "is a tax on land and a capitation tax imposed on non-Muslim subjects" (Yadav, 2013). The word jizyah is derived from the word jaza which means compensation (Peerzade, 2010), The word jizya appears in Quran: "Fight those among the People of the Book [Christians and Jews] who do not believe in Allah nor the Last Day, nor forbid what Allah and his Messenger have forbidden, nor embrace the religion of truth, until they pay the jizya with willing submission and feel themselves subdued (emphasis added)" (Quran 9: 29) In the hadith, the Messenger of Allah, Muhammad, regularly calls on Muslims to demand jizya of non-Muslims: "If they refuse to accept Islam," said the Islamic prophet, "demand from them the jizya. If they agree to pay, accept it from them and hold off your hands. If they refuse to pay jizya, seek Allah's help and fight them." (Sahih Muslim). Jizya is a compensation for protection. It is evident also from the fact that if any non-Muslim tribe accepted military service, it was exempt from jizya just like any Muslim tribe. In the tribe of Uthman, when Habib Ibn Muslimah conquered the Jarajimah tribe, they elected to join the Muslim Army in times of emergency and for this reason the whole tribe was exempted from the payment of jizya (Pakistan Historical Society, 1968). According to the Maliki school of thought, the amount of jizya is four dinars for those who transact in gold and forty dirhams who transact in silver. According to the Shafi'i School of thought, the minimum amount of jizya is fixed at one dinar and the maximum is dependent on what the parties negotiate. According to Hanafi School of thought, the jizya ranges between 12 dirhams, 24 dirhams and 48 dirhams. The poor person is not to pay less than twelve dirhams and the rich person is not to pay 48 dirhams. The person of average means is to pay 24 dirhams. As far the mode of payment of jizya, it is to be paid in money but it may be paid in kind, e.g., garments. In modern times, jizya is nowhere levied or paid in any Islamic state. The last trace of it disappeared after the revolution in Turkey since when Christians also do military service (Mughal & Ahmed, 2011). This is to mean a payment made for living in an organized society, a land tax, which is expected to provide protection to its members and control disturbances affecting their day-to-day economic activities. The Muslim subjects of an Islamic state contribute to the national exchequer by paying zakah and other imposts, the non-Muslims too are required to contribute their share. Since zakah is a form of ibbadah (worship) and an integral part of the Islamic faith, its scope cannot be extended to cover non-Muslims. Zakah is purely a non-secular impost and it is to be paid by the eligible Muslims only. This, according to Aghnides, is the most remarkable feature. He writes: "The outstanding feature of Mohammedan financial theory is, if one may put it so, its dual nature due the distinction between religious and secular revenue" (Stefon, 2009).

Fay: The conquered agricultural lands. Fay' means (literally rujū), or return of thing. This has been derived from the word afā'a which occurs in the verses 6-7 of Sūrah al-Hashr. Though the fay' verses of Sūrah al-Hashr fall into two distinct parts, and belong to two different historical context but have more or less similar Commandments (Iqbal, 2000). (i) That fay' or conquered lands belong to all Muslims'. The verse 7 of Sūrah al-Hashr reads as follows: What God has bestowed On His Apostle (and taken Away) from the people Of the townships,—belongs To God,—to His Apostle And to kindred and orphans, The needy and the wayfarer; In order that it may not (Merely) make a circuit Between the wealthy among you. So take what the Apostle Assigns to you, and deny Yourself that which he Withholds from you. And fear God; for God is strict in Punishment (Quran 59: 7). (ii) The second category of the fay' verse relates to the lands of the Banū Nadeer. These verses have reinforced the concept of "Common" fay'. It has clearly been stated that conquered lands belong to all the three classes of the poor Muslims mentioned in these verses of the Holy Qur'ān: "Whatever spoils of war God has given to His Messenger (peace be on him) from the people and the cities, belong to God, and His Messenger (peace be on him) and the near Kinsmen, Orphans, the needy, and the traveller, so that it be not a thing taken in turns among the rich of you, whatever the Messenger (peace be on him) gives you take; what ever he forbids, you give over. And fear God; Surely God is terrible in retribution" (Quran 59: 7). Fay' is a wealth obtained from a belligerent state without war. It is wealth obtained from non-Muslim sources without war. The subject of Fay' is dealt with under a separate heading in Islamic legal literature. In Shari'ah there are well defined rules for acquisition of disposal of wealth. (Mughal et al 2011, p.75).

Waqf: The basic definition of Waqf is to transfer own property rights to Allah Almighty. The literal meaning of Waqf is status quo. The Waqif (trustee) uses it for a specific purpose i.e. for charitable purpose. Waqf further reiterates that this donation is for perpetuity. In other words, we can say that Waqf means hold or prohibition, which means that it prohibits the use of the Waqf property other than its use for which it has been dedicated. Waqf is applicable to fixed assets only (Mohiddin & Mas, 2015).

Basic Rules of Waqf Fund: • Waqf Property cannot be sold, gifted or cannot be distributed. • Waqf Fund is a legal entity and act as a person • Waqif is the manager of the Waqf Fund • Conditions given by Waqif will be treated as the commandment of Allah. • The usufruct of Waqf Fund must be defined and must be followed.

Characteristics: There are three basic characteristics of Waqf Fund:

- Perpetuity: it means that property or an asset given as Waqf will remain in the ownership of Waqf forever.
- Permanence of stipulation of the Waqf Founder: The purpose of the Waqf Fund which is decided by the founder must not be changed. If the purpose becomes unfeasible then this can be used for the most nearest reverent purpose.
- Irrevocability: it means that the Waqf once exit from the ownership of Waqif, cannot be transferred to Waqif's property in any case.
- Founder: The founder of the fund must be an adult, wise man and capable of handling the affairs related to Waqf (Bello, 2014).

Seed Money: The initial investment through which the Waqf is created is called the seed money, which must be maintained forever. This can be invested only in low risk instruments otherwise, it should not be invested (Ahmed 2007).

Ownership of Waqf Fund: The ownership of the Waqf fund can be increased through: Profit on seed money: seed money can be invested into low risk avenues, the profit of which will be used to increase the Waqf fund. Donation: Waqf fund can accept any type of donation for increasing the ownership of the Waqf fund. Zakaat: Waqf Fund cannot take Zakaat directly into its account, but it can be done that Waqf Fund can act as an agent of the poor people and they can sign a Wakalat agreement. Poor will sign on Wakalat agreement in which they allow Waqf fund to collect Zakaat on their behalf and can use this money to increase the Waqf Fund (Tahir 2011).

How Waqf Fund will work? Waqf fund will be created by the investment of Waqif by investing the seed money into the Waqf fund. Once Waqif creates the Waqf fund then the following methodology will be adopted: Waqf Fund will attract investors to invest in Waqf Fund by designing instruments, which are Sharia compliant and approved by contemporary Sharia Advisors. The investors is entitled to profit/ and loss of Waqf Fund. Consequently, the profit is distributed between the investor and Waqf Fund. The proceeds from the investment will further utilized to invest or to help the poor people of the society (Abdullah, 2014).

Al-Luqta: It means An item misplaced by its owner and found by someone else. 'Al-Luqatah' refers to anything that is found and picked up from the ground. Technically, as Imaam Ibn Qudamah may Allah have mercy upon him a Muslim scholar, defined it as: 'Property that the owner loses and a person finds and takes away (to preserve it in trust).' Muslim scholars vary about the ruling. The Hanafi and Shaafi'i jurists maintain that it is better to pick up a lost property because a Muslim is duty-bound to preserve his Muslim brother's property, as evidenced by the saying of the Prophet (PBUH) when he was asked about Al-Luqatah: "Remember the description of its container and the string with which it is tied. Make a public announcement of it for one year. If nobody comes and claims it, then utilise the money but keep it as a trust with you. And if its owner comes back one day seeking it, then return it to him." Al-(Bukhaari and Muslim) According to the Maaliki and Hanbali jurists, it is a Makrooh (disliked) act to take away such property. This is also the opinion of Ibn 'Umar and Ibn 'Abbaas may Allah be pleased with them. They argued that by taking away such lost items, one is bound to use something that is deemed unlawful. They also argued that one may not be able to undertake his duty efficiently regarding it, in terms of advertising it, returning it to its lawful owner and preserving it (The Islamic ruling on Al-Luqatah, Online***).

Its Ruling in Terms of Liability: Al-Luqatah remains a trust with the person who finds it and keeps it, and he is deemed liable for it only if he abuses it. He is also deemed liable for it if he gives it to somebody else without the permission of a judge. If it is damaged while still in the finder's possession, after publicly announcing that he has found it and asking people to refer its rightful owner to him, then he is not deemed liable for such damage because he volunteered to preserve it in trust. The hadith on this issue are very clear. The Prophet (PBUH) said in the above-quoted Hadeeth: "But keep it as a trust with you".

Types of Al-Luqatah: If it is an animal, the finder should see if it is able to protect itself or not. If it is able to, then he is not allowed to take it away. When the Prophet (PBUH) was asked about the Islamic ruling concerning a lost camel, he replied: "It is none of your concern. Leave it, for it has its feet and a water-container (reservoir), and it will reach water and eat from the trees until its owner finds it" (Al-Bukhari). However, if the lost animal is not able to protect itself, such as a sheep, a sick camel or a horse with a broken leg, the finder is allowed to take it away. When the Prophet (PBUH) was asked about the ruling concerning a lost sheep, he replied: "Take it, for it is either for you, or for your brother (i.e., its owner), or for the wolf" (Al-Bukhaari). As for lost property that is not an animal, such as money of an unknown owner, one should consider the following rulings:

The Ruling Concerning Trivial Fallen Items: For trivial items such as a loaf of bread, a whip, a date or anything that people generally do not claim when they lose, according to the predominant custom, the person who finds such an item is allowed to claim it as his own without publicly announcing it. He is also allowed to utilize it. Jabir bin 'Abdullah may Allah be pleased with him who was one of the Prophet's companions, said: "The Messenger of Allah (PBUH) allowed us to utilise (such trivial objects as) a rod, a whip and a rope if we found it." [Al-Bukhaari and Muslim].

Maal –e- Ganimat (War Booty): And know that whatever ye take as spoils of war, lo! A fifth thereof is for Allah, and for the messenger and for the kinsman (who hath need) and orphans and the needy and the wayfarer, if ye believe in Allah and that which We revealed unto Our slave on the Day of Discrimination, the day when the two armies met. And Allah is Able to do all things (Quran, 8:41). So enjoy what you have gotten of booty in war, lawful and good' (Quran, 8:69)

War booty (ghaneemah) is wealth in the form of money, property and other useful things which the Mujahiden (Soldiers of Islam) who are fighting for the sake of Allah have taken in their battles with the kuffar (Non Muslims). And the Prophet (peace and blessings of Allah be upon him) used to do this in his wars and his jihaad against the kuffar, when he confiscated their property and wealth. The way it is to be distributed is as follows:

- A share for Allah and His Messenger, which is to be used to serve the common interest of the Muslims, not for any specific person(s). Allah has stated that this is for Him and for His Messenger (peace and blessings of Allah be upon him). Allah and His Messenger have no need of it, therefore we know that it is for the slaves of Allah. The fact that Allah did not state that it was for anyone in particular indicates that it should be spent to serve the common interests of all. (Tafseer Ibn Sa'di, 3/169)
- A share for the relatives of the Prophet (PBUH) from Bani Haashim and Bani al-Muttalib they are all equally entitled to it, rich and poor, male and female.
- Orphans – those who have lost their fathers whilst they are still young i.e., before the age of puberty.
- The poor and needy.
- The wayfarer, i.e. travelers who are cut off and need money in order to get back home.

Some Islamic jurists said that the khums (one-fifth) of the war booty should not be given to anyone outside of these categories, and that it need not be shared out equally between these groups, but should be distributed in the manner that best suits the current circumstances. This was the view regarded as most correct by Ibn Sa'di, may Allah have mercy on him (Islam Question and Answer, 7461, Online***).

Conclusion:

In conclusion, we can say that the Islamic Economic system is based upon the notion of justice. It is through justice that the existence of the rules governing the economic behavior of the individual and economic institutions in Islam can be understood. In addition to the above basic principles Islam has laid down many more rules about economic life. An Islamic state must bring all productive resources into use, including unemployed man-power, unused land, water resources and minerals. An Islamic state must take steps to root out corruption and all harmful pursuits even if they are economically lucrative. Individual freedom may have to be sacrificed for the social good. Islam encourages simplicity, modesty, charity, mutual help and cooperation. It discourages miserliness, greed, extravagance and unnecessary waste. Islam has a very important advantage which other principles do not have. Islam binds man to God. It makes him think of God's satisfaction, reward, and punishment too. Islam starts from the depths of the human conscience, and proceeds in its endeavors to secure a happy life for all.

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