Islamic finance and economy

Principles of spirituality-based financial investment and revenue

10 main characteristics

- Follows Islamic legislation (shariah)
- Shares profit and loss
- Prohibition of usury
- Prohibits collection and payment of interest
- Requires full disclosure before, during and after the contract
- Prohibits business transactions of forbidden goods and services (harâm)
- Prohibits debt transaction
- Commodity based (fiat avoidance)
- Assets and Liabilities are matched
- Depositors are investors rather than lenders

Base of financial shariah?

- Qur´an
- Prophet´s sayings and actions (hadith)
- Early Muslim traditions and practices
- Legal reasoning (Ûsûl al-fiqh)

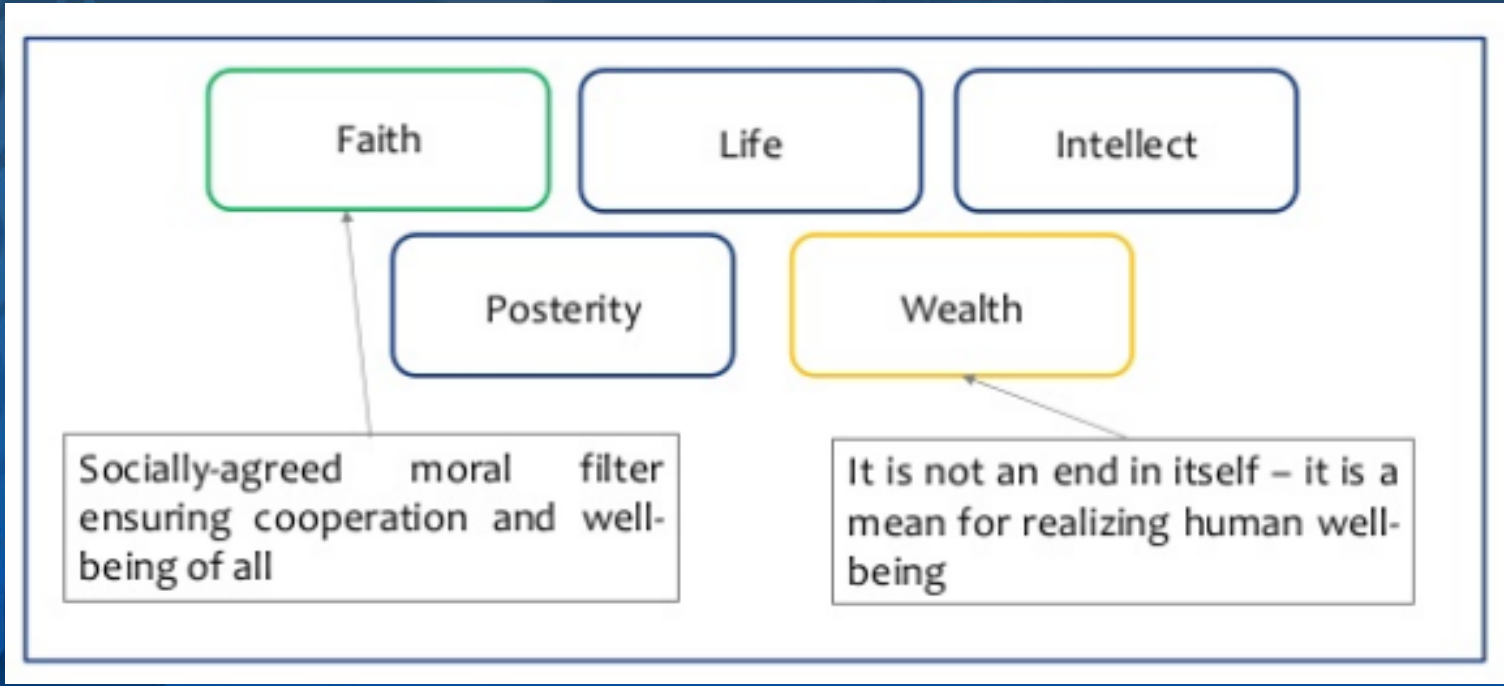
- Zakaht (obligatory tax of 2,5 % income revenue)

Profit and loss balance

- Mushâraka schemes (joint venture)
- Mudâraba schemes (passive capital venture)
- Mutual insurance (takâful)
- Avoiding risk (gharâr)
- Avoiding chance (maysîr)

The purpose of Islamic finance by al-Ghazali:

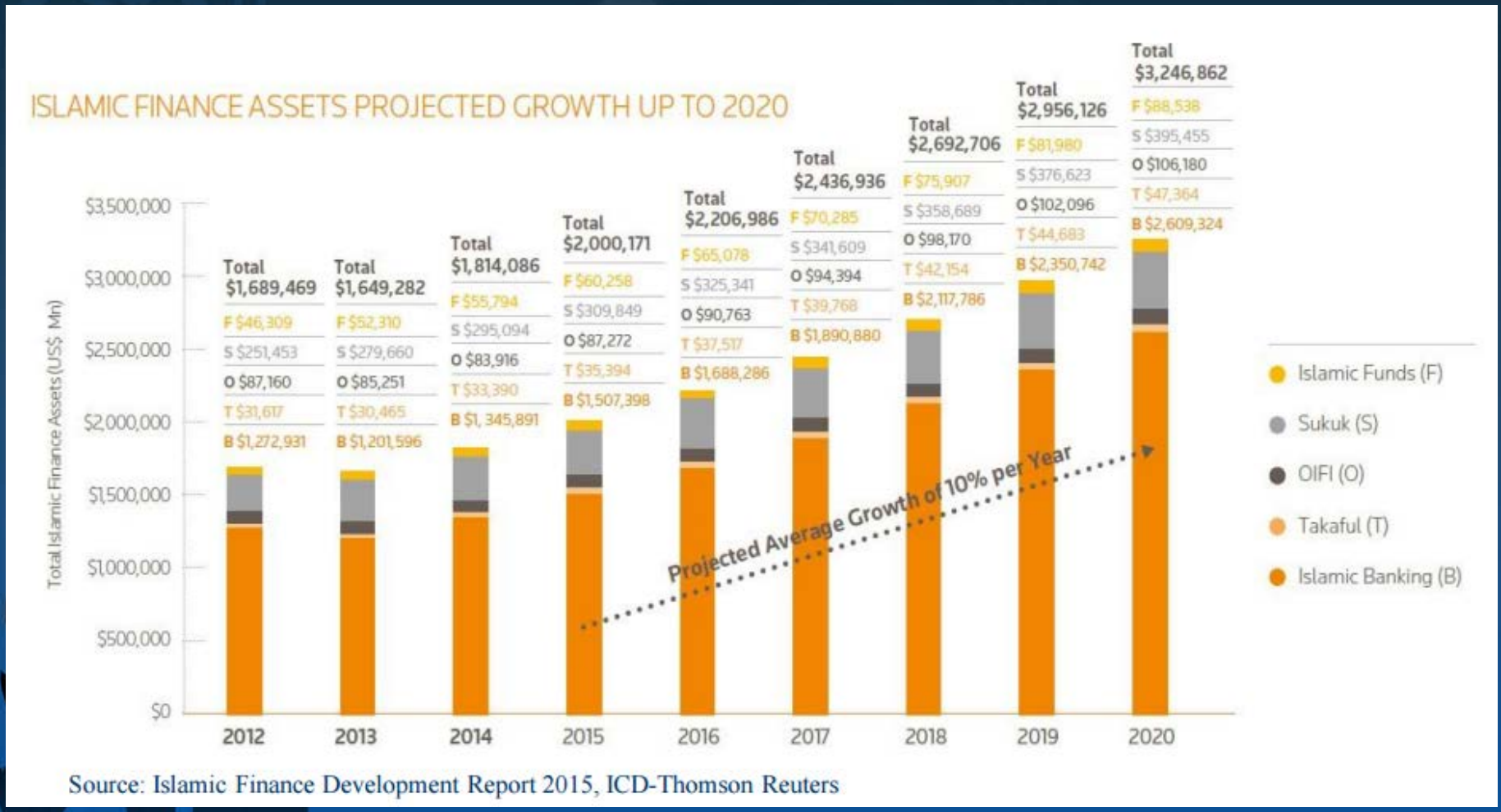
- Enriching and preserving society
- cooperation, not conflict
- Free market capitalism with social responsibilities?



Practical outlook

- Islamic stock market trading portfolio
- Commodity based valuta transactions (gold and silver dinâr)
- Halal-trade (tourism, cosmetics, medicine)
- Ethical investment (no alcohol, pronography, gambling, bonds, call or put options, weapons etc)

Facts and figures



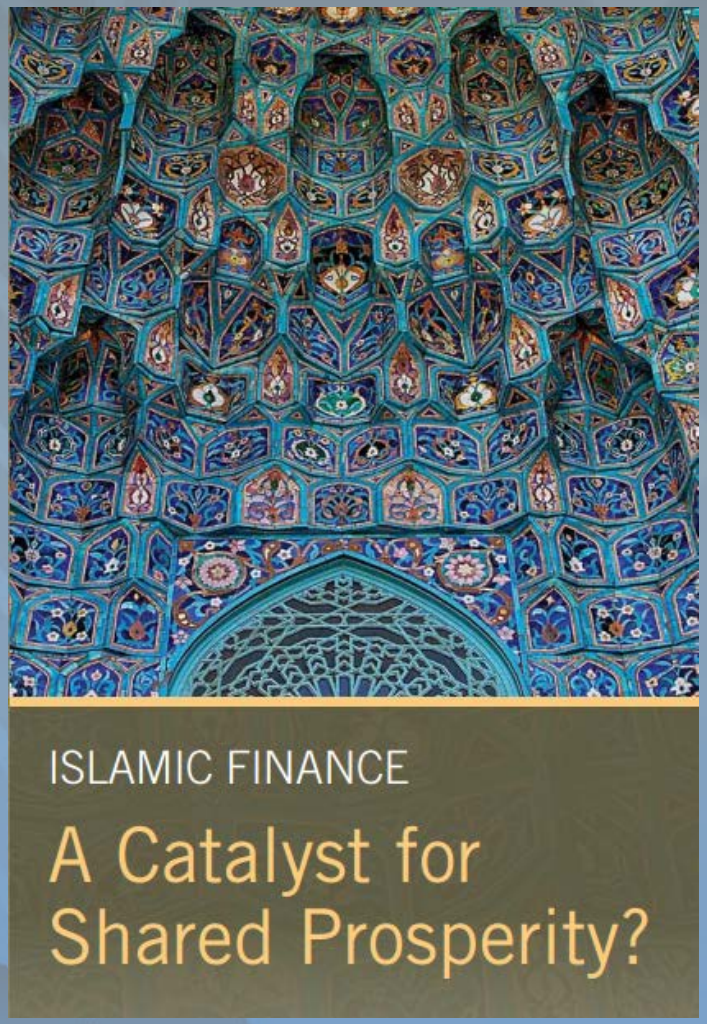
Source: Islamic Finance Development Report 2015, ICD-Thomson Reuters

Growth trend

Islamic Banking Assets Growth Trend

Source: Financial Stability Report 2016, IFSB

Do you want to know more?



Global report on Islamic Finance 2016 issued by The *World Bank Group*

http://www.irti.org/English/News/Documents/438.pdf

Really more?

State of Global Islamic Economy Report 2016 issued by *Thomson Reuters*

https://ceif.iba.edu.pk/pdf/ThomsonReuters-stateoftheGlobalIslamicEconomyReport201617.pdf