

**Financial investments in Islamic economic thinking in relation to the Iraqi Islamic Bank for Investment and Development .**

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**Research extracted from the PhD thesis tagged ( Effectiveness of the real and financial Islamic economy, investments in the Abbasid shrine as a model ) .**

**2021**

## **Abstract**

Financial transactions in Islam are considered one of the legislations that it has set following the rules of which the purpose is a commitment to what God commanded and a compassionate Islamic society, and Islam is keen on sufficiency and justice in the Islamic economy, as it has been concerned with organizing transactions between people in a way that guarantees to build a cohesive and compassionate Islamic society. In fact, financial transactions in Islam are considered one of the legislations that it has set in accordance with the rules of which the purpose is a commitment to what God commanded.

Moreover, financial transactions play an important part in the Islamic economic system, allowing for true economic and financial transactions in all financial institutions, whether they are Islamic banks or other financing institutions. The research challenge is that keeping up with global financial transaction growth is followed by financial transaction risks. Islamic financial contract formulas are more stable, but they require legal adaptation to keep up with these changes.

The research seeks to illustrate financial transactions in Islam and their money of great significance in the day-to-day dealings of the citizen and Muslim communities and in the organization of dealings in compliance with the values of Islamic law in a way that serves the general interest of society. The most critical suggestions made by the research are the need to emphasize the role that Islamic financial transactions play in economic activity, as they are actual transactions free of Usury (Riba), and to enable banks and financial institutions to follow commercial formulas accepted by the Islamic regime in any way because of their great economic significance in economic activity in general and banking activity in particular.

## **Introduction**

The goal of the Islamic economy is to achieve a sufficient standard of living in the Islamic world, as it has taken great interest in arranging transactions between people in a way that ensures the building of a coherent and humane Islamic society. Financial transactions in Islam are complex and systematic to all economic practices through the organization and strict controls that support the person and community in compliance with the principles of tolerant Sharia law.

These transactions were characterized by sincerity, honesty, tolerance, and prohibition of Usury, cheating, fraud, and deception and, as a result of developments in financial dealings in the modern era, it was necessary to highlight the large and comprehensive role of Islamic financial transactions that define financial commercial transactions in agreement with the principles of Islamic law. One of the contracts is the reason for negotiating with them based on the terms of the contracts which are dependent on the duty to satisfy them. The Almighty said (*O believers! Honour your obligations*), and what separates these transactions is that they are transactions whose object is a true financial investment and not a fictional investment built on usury and monopoly.

### **Research Hypothesis**

Islamic financial transactions under the Islamic Law principles include all commercial practices and are monitored to support the Muslim community in general and to eradicate exploitable and greedy usury transactions. It keeps pace with the developments taking place in all financial and banking activities in the modern era through the jurists devising the legal ruling on modern financial transactions by going back to the Prophet's Sunnah and the opinions of previous scholars.

## **Importance of Research**

The importance of the research is due to the role that financial and banking transactions play in the Islamic economic activity in creating real financial economic transactions in all financial institutions, whether they are Islamic banks or other financial financing institutions, and what we observe of the great development in the number of Islamic banks in the Arab countries and the Islamic world has become Islamic banks are one of the largest financing centers in the world.

## **The Problem of Research**

We note that Islamic financial contractual formulas are secured, but legal adaptations are needed to keep pace with those trends, keeping up with the growth of financial transactions around the world and their associated risks in financial transactions.

## **The Aim of the Research**

The research aims to illustrate the importance of financial transactions in Islam and their money in the everyday dealings of individuals and the Muslim community, as well as the organization of dealings in compliance with Islamic law values to support society's public interest.

## **The Theoretical Framework**

### **Financial Transactions in Islam**

#### **The First Requirement:**

#### **The Concept of Financial Transactions in Islam**

In Islam, financial transactions can be defined as *(This doctrinal system contains a series of laws and jurisprudence rules that regulate financial*

*transactions between individuals, including contracts.*)<sup>1</sup>. Islamic transactions are an inevitable result of day-to-day Sales, swaps, transfers, and other commercial practices that create interactions between individuals within a community. Money is considered to be the driver of financial transactions and money is defined in the Islamic economic system as (*What possesses and gets interest of*)<sup>2</sup>. There is a connection in the concept of income, wealth, and money, but money and wealth vary from money to money, because money is a mechanism to correct objects that are not self-serving but can substitute them, a source of trade and a repository of value. Money and riches mean all things and objects that a real or moral being owned and may take advantage of. Financial transactions in Islam are legitimate if the commands of God are acknowledged and required since they reveal the intent of using money in positive economies. The idea of money is accompanied by purpose in the capitalist system by the fulfillment of desire and delight. The Islamic economic structure is driven by the halal and sanctity principles, which aim to create harmony between matter and spirit, as well as between individuals and society, to achieve happiness and security.

### **Characteristics in Islamic financial transfers.**

The Islamic economy aims to make Islamic society efficient and fair, balancing the material and spiritual elements and bringing economic values into line with Islamic ethical, social, and educational principles. The main features of Islamic financial transactions are as follows:

#### **First:**

Money is for God's sake and that people caliphates with it.

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<sup>1</sup> Dr. Ahmed Al-Jazzar and Dr. Muhammad Mushtaq, *The Role of Maqasid al-Sharia in Developing Islamic Finance Formulas*, Research presented at the International Scientific Conference, Yarmouk University, Amman - Jordan, 2013, p.6.

<sup>2</sup> Mahmoud Hamouda and Mostafa Hanin, *Spotlight on Financial Transactions in Islam*, 2<sup>nd</sup> Edition, WaraQ Foundation, Amman - Jordan, 1991, p. 6.

## **Second:**

Financial transactions in Islam are free of usury. The prohibition of usury in Islam is based on the evidence in the Holy Qur'an and the Sunnah of the Prophet. The Almighty said (*But Allah has permitted trading and forbidden interest*)<sup>1</sup>, and the Almighty said (*O believers! Do not Consume interest, multiplying it many times over. And be mindful of Allah, so you may prosper.*)<sup>2</sup>. The Almighty for **Usury** in many Islamic dealings we mention<sup>3</sup>.

1. Usury confines money in the hands of a small class that controls the country's economy and dominates people's life, and this is contrary to the principle of wealth distribution.
2. Usury eliminates the brotherhood among Muslims and works against the Sharia in terms of corruption and love, and imitates Muslim with one body because it is exploited by the rich to the poor.
3. One of the conditions for earning money in Islam (*Any increase in its value goes to him and any loss must be borne by him.*"), but profit in usury is guaranteed, and therefore the usurer depends on laziness and lethargy without undertaking any beneficial and productive work.
4. Usury deepens the feeling of love of money and life to the extent of worshiping money because life is only viewed through interest, which makes the hearts of moneylenders hard.
5. Usury is always a transaction in which the second party is affected weakly and increases hatred between the two parties dealing with it.
6. Usury has a great impact on different societies. Perhaps the biggest problems that countries suffer from are the result of financial systems that

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<sup>1</sup> Surah Al-Baqarah:275

<sup>2</sup> Surah Ali 'Imran :130

<sup>3</sup> Mahmoud Hamouda and Mustafa Hanin, (ibid), pp. 46-47

are based on interest. These systems have created a class of capitalists who made money a goal and justification for colonialism and wars.

**Third:**

Urging the Islamic economic system not to unlawfully exploit people's money and calling for action, The Almighty said (*O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. And do not kill each other or yourselves. Surely Allah is ever merciful to you*)<sup>1</sup>, Islam has forbidden obtaining money without a legitimate view, and perhaps the face of consuming money unlawfully is a lot, just as Islam honored the work with great honor and called to exert effort for that, Prophet Muhammed said “*No one has ever eaten better food than what he eats as a result of the labor of his hands. God's prophet Dawud used to eat from what he had worked for with his hands.*” And it forbade suspicious earning through bribery and the manipulation of authority.

**Fourth:**

The Islamic economic structure stipulated that the price of contracts in Islamic transactions must be known to any of the negotiating partners, so that it would not be acceptable for the price to be undisclosed and thus "*Gambling; Maiser is prohibited*" and that trading on price declines and price rises would be prohibited.

**Fifth:**

Gharar<sup>2</sup>: Not to deal with, the noble Messenger forbade selling what he does not have and what he can deliver, as well as requiring that dealing to be real commodities.

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<sup>1</sup> An-Nisa:29

<sup>2</sup> Gharar: literally means uncertainty, hazard, chance or risk.



### **Sixth:**

Islamic transactions are applicable at any time and in any place. Though Islamic transactions in the age of revelation are plain and straightforward, Islamic jurisprudence has defined the rules and controls that scholars have derived from the generalities of the scriptures, thus restricting their activity in any market established anywhere in the world at any time.

## **The Second Part of this Research**

### **Islamic Economy's Most Influential Financial Transfers**

The Islamic economy analyses economic problems and questions about financial transactions and presents the legitimate provisions in their current form using theoretical and methodological economic instruments to consider and adjust these transactions in agreement with Islamic law.

In the Islamic Economy, the Principal Financial Transactions are:

#### **First:**

#### **“Sale Transaction”<sup>1</sup>**

Because of its value, researchers have begun contracts and parts of financial transactions with the Sales Contract, which is now known to be in negotiating contracts. For such a financial transaction (Sale) to be rendered in compliance with Islamic sharia orders, scholars have stipulated a variety of conditions:

1. **Information about the offering**, which is used to learn about the qualities of the goods and other products to be sold, as well as the factors that influence the buyer's satisfaction.

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<sup>1</sup> Dr. Adel bin Abdul Qadir Qawatah, *The Impact of Exchange and its Contemporary Applications in the Jurisprudence of Financial Transactions*, Islamic Development Bank, King Fahd National Library, 1<sup>st</sup> Edition, 2008, p.91

2. **Knowing the price** is one of the terms of the transaction, and one of the details is located at the time of the deal. The price is the money that refers to the item to be sold, and it is normally money.
3. It's important to understand what's included in the sale and what's not, as well as all the information about the product and the items to be sold. When selling farmland, for example, there is a distinction if the transaction does not require the sale of trees on the property.
4. The financial transaction (Sale) must not be deceptive or fraudulent, and that the seller must not conceal anything about the Sales object.
5. The seller must deliver the sale and the buyer must pay the cost after the terms of the purchase contract have been fulfilled (*the process of enabling the buyer to dispose of the sale and make unimpeded use of it*)<sup>1</sup>.

The value of arranging Islamic transactions, such as a purchase contract, is demonstrated by restricting the circle of forbidden transactions and extending allowable transactions, as the initial in contracts is permissible until there is proof of the prohibition<sup>2</sup>.

### **Second:**

Bai Salam<sup>3</sup>: The sale of Bai Salam<sup>4</sup> is one of the financial transactions that have been implemented and is defined as (*a contract by which a monarchy is established for the price sooner and later in the appraiser*). It is a legitimate sale in all financial transactions and many conditions are required for commodities to achieve its goals, the most important of which are:

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<sup>1</sup> Ahmed bin Muhammad Al-Rizk, *Explanation of Jurisprudence Rules*, Damascus, Dar Al-Alam, 2<sup>nd</sup> Edition, 1989, p. 86.

<sup>2</sup> Taqi al-Din Ahmad Ibn Taymiyyah, *A Great Compilation of Fatwa*, Second Edition, Riyadh, Al-Obeikan Library, 1998, Part 15, p.13.

<sup>3</sup> Bai Salam (Arabic بيع سلم, more accurately transliterated as Bai us Salami) is an Islamic contract in which full payment is made in advance for specific goods (often agricultural products) to be delivered at a future date.

<sup>4</sup> Sheikh Nizam, *The Indian Fatwas*, Beirut, Dar Al Kotob Al-Ilmiyah, 1st edition, Part 3, p. 182

- A. The sale's requirements must be defined, including the gender, form, recipe, number, period, and place.
- B. That the sold is subject to transparency and is unrelated to a source of loyalty limited to the provision of financial purposes.
- C. Expediting the price (the capital), and the mode of this deal is that an individual buys from another particular product for which he pays the price directly in exchange for payment at a later date.

The *Bai Salam* trade has significant economic benefits and significance because it provides manufacturing units with the resources they need to continue operating. Furthermore, the *Bai Salam* trade allows buyers to make significant gains by purchasing commodities at lower rates than anticipated upon arrival.

**Third:** Profit and loss sharing<sup>1</sup> (*Mudarabah*)

The concept of (Profit and loss sharing) overlaps in terms of naming the concept of speculation in the modern era, which means buying and selling foreign currencies and taking advantage of the forward price difference on the contract day and the current price on the maturity day. In Islamic jurisprudence, (profit and loss sharing) is *(a special contract between the capital owner and the investor to establish a trade whose capital is from the first and work is from the second. If the capital owner has his money and the worker has nothing, and the project fails and a half or more of the capital is wasted, the worker will not be responsible for the loss.)*<sup>2</sup>

In fact, “profit and loss sharing”, a very significant economic activity, is achieved by the participation in the production process of the work of two production elements, namely labor and capital, to have the return distributed

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<sup>1</sup> Profit and Loss Sharing (also called PLS or "participatory" banking)

<sup>2</sup> Muhammad Baqir al-Sadr, *The Non-Usury Bank of Islam*, Center for Research and Specialized Studies of the Martyr Al-Sadr, Qom - Iran, 2002, p. 40.

between the work of capital and the owner of capital. Not only do they defend and protect resources from erosion, but also, they have many revenues and create many livelihoods. In modern Islamic banks, the speculation contract was formed by counting all depositors who possess the funds and the bank is the employer and then the bank is giving money to the people working with it (lending).

#### **Fourth:**

##### *(Murabaha) “Cost Plus”*<sup>1</sup>

Murabaha is one of the most prominent economic transaction investment sources and is known as (selling a commodity with what it did on its seller plus an agreed profit between them)<sup>2</sup> Murabaha are fundamental requirements, the most important of which are:<sup>3</sup>

1. The price of the item, as well as the other expenses, should be known be the contracting parties, especially the second customer.
2. The value, whether it is a fixed sum or a percentage of the original price, should be determined.
3. It is not legal to trade cash in exchange for gains, nor is it legal to sell an asset in exchange for anything equal.
4. Since the *Murabaha* contract is attached to the first contract, hence the first contract must be legitimate.

Banking *Murabaha* is known as *(a financing formula established by Islamic banks based on the above-mentioned contract formula, but it also*

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<sup>1</sup> **Murabaha**, (Arabic: مرابحة, derived from ribh Arabic: ربح, meaning profit) was originally a term of fiqh (Islamic jurisprudence) for a sales contract where the buyer and seller agree on the markup (profit) or "cost-plus" price.

<sup>2</sup> Dr. Ashour Abdel-Gawad, *Co-financing from Islamic Financial Institutions*, Researches of the Fourteenth Annual Scientific Conference of Islamic Financial Institutions, Dubai Chamber of Industry and Commerce, Emirates, Volume Four, 2005, P. 1164

<sup>3</sup>Dr. Muhammad Suleiman Al-Ashqar, *Murabaha Sale as the Experience of Islamic Banks*, Amman, Jordan, Dar Al-Naqqash for Publishing and Distribution, 1995, pp. 5-8

*includes the order to buy and the pledge to buy, as the customer orders the bank to buy a product for himself and agrees to buy it from him at a deferred price with profit). This strategy is referred to as order profitability to buy.*<sup>1</sup>

**Fifth:**

Ordering to Make (*contractor*):

Ordering to Make (*contractor*) is defined as someone asking someone else to make something for him, and “Ordering to Make” (*contractor*) can also be defined as (a contract between two parties, one of which (a contractor) under this contract makes something specific to the type and characteristics of the second party (the designer) on the condition that the materials used for the manufacture are from the manufacturer in a specific location<sup>2</sup>.

A contractor does not have to do the work expected of him himself because he can entrust other parties to do so under his oversight and responsibility, and there are general provisions for this transaction, which are<sup>3</sup>:

1. The Contracting Party must be identified, including his type.
2. If it's an “Ordering to Make”, it should be what people negotiate with each other about.
3. A deadline should be determined.
4. It is appropriate for a contractor to defer the whole price or mount it in installments for a set amount of time.

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<sup>1</sup> Fayyad Abdel Moneim Hanin, *Murabaha Sale in Islamic Banks*, International Institute of Islamic Thought, Cairo - Egypt, 1<sup>st</sup> Edition, 1996, p. 26.

<sup>2</sup> Dr. Mahmoud Hussein Al-Wadi and Dr. Hussein Muhammad Samhan, *Islamic Banking, Theoretical Foundations, and Scientific Applications*, 2<sup>nd</sup> Edition, Amman - Jordan, Dar Al Massira For Publishing, Printing & Distribution, 2008, p. 191.

<sup>3</sup> Dr. Nouri Abdul Rasoul Al-Khaqani, *Islamic Banking's Theoretical Foundations and Problems of Application*, Dar AL-YAZORI For Publishing and Distribution, Amman, 2010, p. 127.

These contracts tend to be relevant to manufactured products that are created only when there is a particular and specific need for them, such as producing furniture or constructing structures, bridges, vehicles, and so on, according to the concept of a contractor (agreement) and its terms. In this way, a contractor (agreement) would play a crucial role in the growth and diversification of the Islamic economy's origins. Modern Islamic banks also want to help Islamic countries grow their industries and become more prosperous by using a contractor (agreement) funding formula.

### **Sixth: “Sharing”**

*Sharing* is defined as an agreement between two or more people to mix their money, their work, or their obligations with the intention of profit <sup>1</sup>, and the Sharing contract can be used in financing by Islamic banks and Islamic financing institutions in a variety of ways due to its flexibility, and the most important characteristic of this contract is in the event of a loss, it is borne by the two parties and according to the funding ratios, and the forms of participation vary according to its objectives and the period for each form. The most important forms are <sup>2</sup>:

**A. Permanent Sharing:** Sharing is not linked to a limited time unless the Islamic Bank contributes to the resources of a manufacturing or utility project, which leads to the bank being a partner in the business owning and then overseeing and supervising the project.

**B. Diminishable Sharing Ended by Ownership:** A type of sharing between the bank and the client who is authorized to replace the bank as for owning the project by either paying the cost in cash or in installments according to the terms negotiated between the two parties

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<sup>1</sup> Mustafa Ahmad Al-Rizk, *A Contractor and Its Importance in Contemporary Islamic Investments*, Islamic Development Bank, Arab Institute for Training and Research in Statistics Institute for Training Research, Jeddah, 1999, p. 30.

<sup>2</sup> Mahmoud Hassan Sawan, *Basics of Banking*, pp. 145-146.

as well as the essence of the funding proceedings between the bank and the client.

### **C. Seventh: “Leasing Agreement”**

*Leasing* is known as an exchange of money for benefits, which is a kind of selling because it is owned by each person, it is the sale of advantages and also the exchange of money for profit <sup>1</sup>. The profit can be limited to a period or particular work prescribed, and the rent of a contract is owed to the landlord or the work of its lessor. It is also familiar as a known sum in return for a specific known benefit<sup>2</sup>.

#### **Terms of leasing:**

1. The initial of this financial exchange is plain and the duration of this arrangement is known.
2. The rented property should be used whilst it lasts, and the property is supposed to be concerning the contract term for a long time <sup>3</sup>.
3. The price (the wage) is known and determined in advance.

#### **Leasing is of two types <sup>4</sup>:**

- **The First Form** is known in today's vocabulary as renting stuff out, which rents the advantages of famous people.
- **The Second Form** is people's rent or human leasing and the need for leasing in Islamic banks has developed as a result of technical advances in modern times to keep pace with the developed nation's financial developments.

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<sup>1</sup> Hassan Ayoub, *The Jurisprudence of Financial Transactions in Islam*, Cairo - Egypt, Dar Al Salam for Printing and Publishing, 2003, p. 243.

<sup>2</sup> Dr. Ismail Ibrahim Al-Badawi, *Distribution and Money in The Islamic and Descriptive Economies*, Kuwait University Academic Publication Council, Kuwait, 2004, p. 38.

<sup>3</sup> Hassan Ayoub, *ibid.*, p. 245.

<sup>4</sup> Dr. Adel Abdel-Qadir Qouta, *The Impact of Exchange and its Contemporary Applications in the Jurisprudence of Financial Transactions*, Saudi Arabia, King Fahd National Library for Publishing, 2008, p. 125.

### **Eighth: “Loan”**

The loan shall be a bond between two parties - one is a lender and the other is a borrower, which shall be paid back by the latter or repaid as representations of the times and places agreed upon<sup>1</sup>. The call was made in the Holy Quran and in the year when the Muslims had adequate economic and financial significance.: The Almighty said:( *Who will lend to Allah a good loan which Allah will multiply many times over? It is Allah 'alone' who decreases and increases 'wealth'. And to Him you will 'all' be returned*)<sup>2</sup> . Likewise, God's Messenger said, “*If anyone would like God to save him from the anxieties of the day of resurrection, he should grant a respite to one who is in straitened circumstances, or remit his debt.*”. Muslims have agreed that the loan may be made, provided that there is no more. Every loan is a non-legal condition<sup>3</sup>. The fact that a loan can be given without any excess, interest, or usury has had negative economic and social effects, as well as a sense of corruption, which is the source of the sins. There are several categories of loans known as good loans in many Islamic banks today, and Islamic banks are financial institutions with powerful intellectual channels that take deposits, fund others, and offer financial and banking services. They are not affiliated with any conventional banks.

### **Ninth: “Other Financial Transactions”**

Many financial transactions have been governed by Islamic law, including courses and farming, which deal with the organization of financial transactions in agricultural lands and the investment in them. The work of equipping a ministry, such as the Ministry of Defense, with its equipment or food supply needs is supervised, and how this contract was made is based on a variety of tools and studies. A supply contract is a contract between two parties in which

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<sup>1</sup> Mahmoud Hammouda and Mustafa Hussein, *Spotlight on Financial Transactions in Islam*, Amman, 2nd Edition, Warraq Foundation for Publishing and Distribution, 1999, p. 55.

<sup>2</sup> Al-Baqarah - verse 245

<sup>3</sup> Hassan Ayoub, *ibid.*, p. 158.



one side provides a certain service to the other and the latter party agrees to pay the bill; a mutable payment or a whole lot <sup>1</sup>. The cheque contract is an important instrument for financing investments that contribute to the economic development of a country and is a successful means of modern times. Cheque investment is a contract whose legitimacy follows the nature of the contract because it is reflected in the investment instrument. If there is speculation, participation, or jealousy of contracts, the legitimacy of the cheque is associated with it<sup>2</sup>. The advantages and goals of Islamic checks are numerous, including providing liquidity, saving, and developing wealth.

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<sup>1</sup> Al-Qafi Al-Othmani, Supply and Tender Contract, a paper presented to the Islamic Fiqh Academy in its 12th session, 2000, volume 2

<sup>2</sup> Wahbah al-Zuhayli, Islamic Jurisprudence and its Evidence, Part 7, Dar Al-Fikr for Publishing and Distribution, Damascus, 2011, p. 331.

## **The third Part of this Research : Iraqi Islamic Bank for Investment & Development**

The number of Islamic banks in Iraq has reached (25), a government bank, and (24) private joint-stock banks . The Islamic bank is one of the most important and oldest Islamic banks in Iraq. The Iraqi bank was established following Resolution (205) of 1992 with Equity Capital of (126) million dinars, and it is a private shareholding bank with branches in the governorates, and it is considered the first Islamic bank in Iraq. It started its banking business in Baghdad on 4/25/1993 .

This bank has fifteen branches scattered across Iraq, and they all run following Shariah-Compliant Islamic financial transactions . The following is a review of the Iraq Islamic Bank's financial and monetary indices from 2009 to 2018:

Firstly:

Equity Capital development in the banks (research sample)

Table (1) shows the continuing growth of the equity capital of the Iraqi Islamic Bank (2011-2014) and has been steady over time (2009-2010). For each of those two years, it was 52 billion dinars, followed by (102) billion

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<sup>1</sup> Central Bank of Iraq, Annual Report 2018, p.9.

<sup>1</sup> Dr. Abdul Razzaq Rahim Al-Hiti, *Islamic Banking between Theory and Practice*, Amman, Jordan, Dar Osama For Publishing & Distribution, 1998, p. 644.

<sup>1</sup> Iraqi Islamic Bank, Annual Report, 2018, p.6.

Iraqi dinars in 2011, and this growth rates were (96,15%) in the capital, then grew and reached 152 billion Iraqi dinars (2012) with a growth rate of (152) billion Iraqi dinars (2013) each year (49.01 percent). The rate of equity capital growth then increased until it reached (32.8 percent) in 2013, as the capital of the Iraqi Islamic Bank in this year reached (202) billion dinars, then the capital stabilized for the duration (2014-2018) and did not surpass (250) billion dinars per year.

During the study period (2009-2018), the total capital in the Iraqi Islamic Bank was approximately 1.810 billion Iraqi dinars. The equity capital rises in Iraqi Islamic banks after 2014 were the result of directives provided by the Central Bank of Iraq regarding the need to increase the capital of Islamic and traditional banks in Iraq to allow these banks to face emergency conditions and threats, increase financial leverage, and boost economic stability.

**Table 1:**

This Table shows the capital development at the Iraqi Islamic Bank from 2009 to 2018.

<b>Years</b>	<b>Iraqi Islamic Bank</b>	<b>The Growth %</b>
2009	52	--
2010	52	Zero
2011	102	96.15
2012	152	49.01
2013	202	32.89
2014	250	23.76

2015	250	Zero
2016	250	Zero
2017	250	Zero
2018	250	Zero
Total	1810	

**Source:** A table of the researcher's work based on the annual report of the Iraqi Islamic Bank for the study years.

**Secondly:**

**The development of assets in the Iraqi Islamic Bank.**

It is noted from Table No. (2) that there is a fluctuation in the assets of the Iraqi Islamic Bank and Elaf Bank, as the assets in the Iraqi Islamic Bank decreased by (5.88%) in 2010, reaching (80) billion dinars, after it was (85) billion debt in 2009. The reason for the decline in the Central Bank of Iraq's instructions about the need for government institutions to deposit their money in government banks and withdraw their deposits from private banks, which negatively affected the volume of assets in the bank, but the assets increased dramatically in 2011 and reached (310) billion Iraqi dinars (287.5 percent). The annual growth rate continued to rise for the following years, but it decreased to (-6.5) % In 2016, when the capacity of assets reached an amount of (447) billion Iraqi dinars, and the reason for the decrease in assets is due to the bank's policy of reducing the granting of high-risk<sup>1</sup> financing operations. An increase of (470) billion Iraqi dinars in 2017, with a growth rate of (5.1%)

due to the increase in the liquidity balance, and the increase continued, forming (505) billion Iraqi dinars, with a growth rate of (7.4%).

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<sup>1</sup> The Iraqi Islamic Bank for Investment and Development, Annual Report 2016, p.6

**Table 2:**

**The following Table shows the evolution of properties in the Iraqi Islamic Bank from 2009 to 2018:**

The evolution of investments in *Iraqi Islamic Bank* and *Elaf Islamic Bank* in billions of dollars from 2009 to 2018.

**Table No. 2**

<b>Years</b>	<b>Iraqi Islamic Bank</b>	<b>The Growth %</b>
2009	85	--
2010	80	-5.88
2011	310	287.5
2012	373	20.23
2013	455	22
2014	471	3.5
2015	478	1.40
2016	447	-6.5
2017	470	5.1
2018	505	7.42
<b>Total</b>	<b>3704</b>	

**Source:** A table of the researcher's work based on the annual report of the Iraqi Islamic Bank for the study years.

Finally, the Islamic Bank of Iraq's inventory balance was 3.704 billion Iraqi dinars.

**Thirdly**

**The development of investments in the Iraqi Islamic Bank for the period (2009-2018).**

The investment balances in both the Iraqi Islamic Bank and Elaf Islamic Bank have fluctuated, as seen in Table No. (3). The duration (2009-

2013) was marked by an increase in the resources committed to investment in the Iraqi Islamic Bank, with the average growth rate of investments reaching (12.72 percent) in 2010. It amounting to (6.4) billion dinars, the rise continued until it reached (42) billion dinars in 2013, at an average growth rate of 4%. (42.37 percent). This rise in the Islamic Bank of Iraq's investment balance is due to increased deposits and domestic and foreign funding outlets.

However, investments in this bank decreased by-7.61 In 2014, it amounted to 38.8 billion dinars. This year's low investment was due to a decline in the bank's business investment balance. This increase is due to an increase in the balance of commercial investments and decreased in 2016 to \$44.5 billion. Eight billion dinars with a negative growth rate of up to 8 billion dinars. The decline is because many branches of the bank are located in hot spots.

In 2017, however, the growth rate increased again. The Islamic bank's investment continued to climb, reaching 9 billion dinars. 12.3 billion dinars, with an annual growth rate of 3% (36.6 percent). For 2018, contributions were allocated to the financial sector (42%) and the agricultural sector (13%),

respectively (39 percent). Although the hotel sector (4%) and services (4%) each received a share of the market, for hotel sector (4%) and the services sector (4%) each received a share of the (2 percent).

**Table No.3**

In billions, for the years 2009 to 2018, the following Table shows the evolution of investments in Islamic Bank and Elaf Bank.

<b>Years</b>	<b>Iraqi Islamic Bank</b>	<b>The Growth %</b>
2009	5.5	--
2010	6.2	12.72
2011	6.4	3.22
2012	29.5	367
2013	42	42.37
2014	38.8	-7.61
2015	44.5	14.6
2016	8	-85
2017	9	12.5
2018	12.3	36.6
<b>Total</b>	<b>202.2</b>	

**Source:** The researcher approves the Table.

Finally, according to the formulas of Islamic financial transactions, Islamic finance in the Iraqi Islamic Bank hit (122) billion dinars in 2018, which was allocated as follows :<sup>1</sup>

- Murabaha's financing percentage reached 49% of the financing capital.
- The percentage of financing for small and medium enterprises is (1%).
- The participation financing rate is (48%).

Real estate investments amounted to (2%).

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<sup>1</sup> Iraqi Islamic Bank, Annual Report, 2018, p.20

## **Conclusions and Recommendations**

### **First: Conclusions:**

The following are the Researcher's Conclusions:

1. The Islamic economic structure is a holistic one that defines all economic practices, including financial activity.
2. To achieve economic stability in Muslim society, the Islamic system has established financial transactions in commercial transactions with legal controls.
3. Usury is forbidden in Islam because it has detrimental consequences for individuals and culture, and it breeds hate and corruption because the moneylender sees society through greed and exploitation.
4. The Islamic economic system stipulated financial transactions should be recognized and free from *Deception, Monopoly, Injustice & Deceit*. This determination came with a number of legal and jurisprudential controls aimed at ensuring benefits for all members of society.
- 5- Islamic banks in Iraq play a prominent role in financial activity by providing comprehensive financing for all economic activities in accordance with Islamic law.
- 6- The Islamic bank is considered one of the best and oldest private Islamic banks in Iraq and it provides its services on a regular basis.



## **Second: Recommendations.**

The following are the Researcher's Recommendation:

- 1- The application of commercial transactions according to Islamic formulas whose aim is to implement the orders of God Almighty through specialized bodies to supervise and control financial markets and institutions within the limits of the disciplined freedom advocated by Islamic economic thought
- 2- The importance of Islamic financial transactions as real, usury-free transactions of economic activity should be highlighted By getting acquainted with the work of Islamic banks in Iraq and the various services they provide.
- 3- Encourage banks and financial institutions to follow business formulas set up by the Islamic system for the economic activity in general and the banking activity in particular.
- 4- A call for increased efforts to underline the active role of financial transactions in Islam as academic and specialist studies.
- 5- To keep pace with international and regional growth of financial operations, there should develop derivatives in compliance with Sharia standards to replace suspect financial transactions.

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