

**DESIRED MONEY IN ISLAMIC FINANCING:  
A CASE STUDY OF PAKISTAN**



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## **Abstract**

This research describes the use of paper money and Islamic financing. Islamic financing is an Islamic concept. Thus the implementation of Islamic financing in conventional economic systems has led to certain issues. The issues are prevailing due to the conventional money concepts. Historical Islamic money is analyzed to substitute it with the modern paper money. Islamic monetary systems are currently not prevailing in any country with full implementation. Thus the descriptive methodology is used to analyze the historical records of Islamic monetary systems. It has described the reasons for their use, their benefits and disadvantages. On the basis of the data available and the observations of the present needs of the peasants, it is difficult to obtain the feasibility of metallic coins. It is rather found that the reserves of Paper currency must be maintained in full with real assets like gold and silver for the purpose of backing. It is also found that today's paper money is also not able to fulfill the true attributes of the currency. Other than this ethical education is also an important factor that must be implemented in this regard. Making an economy interest free does not require the introduction of Islamic banking only but the changes in the initiators of interest is required.

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## CHAPTER 1: INTRODUCTION

### *1.1 Islamic Finance History*

Islam is a complete code of conduct. History of Islamic finance starts with the history of Islam. It encompasses certain beliefs that are to be abided by every Muslim. Islamic finance in this way possesses religious ethical finance position like in other religions. It allows Muslims to trade but discourage the practices of wealth hoarding and making usury (Interest) and Gharar (Uncertain) transactions. The early financing forms can be found in the era of caliphate between 8<sup>th</sup> to 12<sup>th</sup> centuries. Trades were made at that time in Dinars and many business techniques were introduced at that time. These includes several financing form like early forms of partnership (Mufawada), limited partnership (Mudarabah), early forms of credit, debit, profit and loss, Capital (Al- Mal), Capital accumulation (Nama Al- Mal), Circulating capital, loaning etc. Trade was the main business activity of the tribes in the Muhammad's era. In pre Islamic era Jews play the role of money lenders who lend on certain terms and conditions. These loans from Jews were obtained on interest basis which become double if not fully paid. At that time the merchants take the caravans from one place to another that were financed by other persons. Prophet (S.A.W) before revelation also had a Mudarabah enterprise with Khadija (R.A) by which he traded her goods to the other places. This Mudarabah contract later on becomes the proof for Fuqaha to allow the Islamic trade in such a way. Under this contract one person invests while the other person works and the profits are shared among them at the time of realization of transaction. Additionally at that time the peasants of Madina used to share their crops under the contract. These agriculture contracts include Muzara'ah and Musaqah. In the first one land was provided to grow crops while in the later one orchards of trees were provided. In this way the gross output generated after the work and sale was distributed among the owner and the worker. Sale on credit was also existed at that time. Prophet (S.A.W) also used to take loans and buy on credit by giving the personal belongings as security.

According to Al Bukhari V 3, page 13 and 251;

“The Prophet (S.A.W) bought some food from a Jew and gave him his mail (armor) as a security”

According to Ahmad V 2, page 509;

“The Prophet (S.A.W) borrowed a male camel”

In both the above Ahadith commodities are borrowed on credit for both the consumption and production purposes. This allows the concept of Salam according to which the future sale concept arises. Arabs were mostly agricultural traders and thus their trades were seasonal due to which Salam sale and forward delivery was common in their life. Bai’ al Salam was made lawful by the Prophet (S.A.W) to accommodate financial needs of the manufacturer by way of which they can obtain funds in initial stage for raw material and labor and other working capital needs and later when the product is manufactured it would be delivered to the investor.

## ***1.2 Overall Developments***

During the 18<sup>th</sup> to 20<sup>th</sup> century almost all over the Islamic world was controlled by the European nations in terms of economy and financial matters of Muslim countries. After World War II movements to manage their economies by themselves according to their norms were started by the Islamic colonies. As a result of which the first modern Islamic financial institution called Mit Ghamr was set up in Egypt. Then in Asia first Islamic bank was developed in the same year in Malaysia with the name of Tabung Haji for the people to save their income for the expenditures of Hajj. In 1975 Islamic development bank was established in Jeddah, Saudi Arabia with a duty to perform as an international banking institution. It was entrusted to perform the functions of promoting foreign trade and economic co-operations among the Muslim countries. It was also authorized to conduct the research to enable the economic, banking and financial activities in Muslim countries that accords the Shariah. After the successful initiative of Islamic Development Bank it paved the new doors for modern Islamic commercial banking with the opening of Dubai Islamic Bank in the same year. Banks being one form of financial institutions doesn't fulfill the requirements of complete financial system. Financial systems

comprises of banks, insurance companies and stock exchanges that deals with the businesses, individuals and governments to perform financial activities. As a result of which in 1979 first Takaful product was introduced by African nation of Sudan to fulfill the insurance requirement of the Muslim nation. Before 1975 no bank was established under the Shariah Supervisory Board. Islamic finance is based on Shariah or the body of the Islamic Law. That's why in the second half of 1970's, Shariah scholars get involved in the growing Islamic banking industry as a result of which Faisal Islamic Bank of Egypt and Jordan Islamic Bank were established in 1976 and 1978 under a formal Shariah Supervisory Board to gain the credibility among the Muslim clients. This practice continues from that day till now. In 1986 the world's first Islamic mutual fund that invests only in Shariah compliant equities was established in Indiana by the name of Amana Income Fund. In 1990 the accounting and auditing organization for Islamic financial institution was established to create the accounting standards for the growing industry. In the same year the Islamic bond market was also emerged when the first tradable Islamic bonds with the name of Sukuk was issued by Shell MDS in Malaysia. In 1996 Citi investment Islamic bank was established in Bahrain. In 1999 the first successful benchmark for the performance of Islamic investment funds was established by the name of Dow Jones Islamic Market Index. In 2002 international standard setting body for Islamic financial institutions was established in Malaysia by the name of Islamic Financial Service Board. Outside Muslim world first Islamic commercial bank was developed in 2004 by the name of Islamic Bank of Britain. More than 500 Islamic financial institutions have been developed up till now since 1970. By 2009 there were almost \$822 US Billion assets being managed in more than 300 Islamic banks and 250 mutual funds around the world according to the Shariah rules. In 2014 almost \$2 trillion are Shariah complaint. Islamic banking assets are growing at an annual rate of 17.6% from 2009 to 2013 and it is expected that it will be increased to the 19.7% a year to 2018. Islamic financial institutions are currently functioning in almost 75 Muslim and Non Muslim countries.

### ***1.3 History In Pakistan***

Pakistan was established on the ideology of Islam. Several steps were taken by the government of Pakistan to implement Islamization in the country. Among those steps the most important one was the removal of Riba from the economy. Council of Islamic ideology first time examined the issue of Riba in their meeting held on June and September 1963 in the response of official reference made by Ministry of finance, Government of Pakistan in March 1963. On 13<sup>th</sup> January, 1964 decision was made by the council to establish an interest free economy with no delay. In the council's meeting held on 10<sup>th</sup> December, 1966 a questionnaire was circulated in which questions regarding prohibition of Riba and Quranic definitions of Riba were sought. This questionnaire was not approved until 1976; however the advisory council of Islamic ideology took the historical decision by them self on 23<sup>rd</sup> December, 1969 that additional principal amount of loan was Riba irrespective of the parties to the transaction of loan. On 31<sup>st</sup> January, 1976 the Islamic ideology council amended its pending questionnaire and finalized it for general circulation. On 31<sup>st</sup> January, 1977 the council examined the responses towards the questionnaire and due to weak responses they decided to wait for the opinions from the Ulama's of other Muslim countries. Then in 1977 Late General Muhammad Zia-Ul-Haq imposed martial law in the country. In his era a comprehensive scheme of Islamization in political, legal, economical and educational sector of Pakistani society was implemented. He specifically asked the Islamic ideology council of Pakistan on 29<sup>th</sup> September, 1977 to prepare a formal document of interest free economic system. Later it was implemented on the 10<sup>th</sup> of February 1979 and resulted in a time limit of 3 years for the eradication of interest from the economy of Pakistan. The board of economists and Bankers who were assigned to prepare interest free commercial banking framework presented their final report to the council in February, 1980. After few modifications and substitutions council adopted this report on 15<sup>th</sup> June, 1980. This new system was named as "Non Interest Banking System" and was initiated in 1979. On 1<sup>st</sup> January, 1981 all the nationalized commercial banks were asked to accept profit and loss sharing deposits along with interest bearing accounts. Until the end of 1983 all the progress made was not totally appreciated by the council. It was held between the meetings of State bank of Pakistan, Ministry of Finance and other banks that the parallel conventional system must

be ended during the course of 1984-1985. On 20<sup>th</sup> June, 1984 the Banking Control department of State Bank of Pakistan issued their circular no. 13 that describes the permissible mode of financing along with the modes that required the necessary steps. These includes the policies regarding the financing of all type of Governments, public sector corporations, public and private joint stock companies, all entities including individuals must be made by any one of the Islamic mode of financing. Banks were disallowed to take interest bearing deposits and were allowed to use profit and loss sharing deposits with neither interest nor profit bearing current accounts. Foreign currency deposits and foreign loans were not bound under these instructions. Other then these policies circular had also included several modes of financing that are to be used by all the banks. These modes of financing includes Loans carrying service charges, Qard-e-Hasanah, Salam purchase, Purchase of trade bills, Diminishing Musharakah, Ijarah, Istisna, Musharakah, Mudarabah and Project Financing.

#### ***1.4 Developments In Pakistan***

Pakistan was among the first three countries to implement the Interest free banking countrywide. It was rather difficult to convert the whole economy from one system to another at once that's why it was implemented in several phases. In early 1980's several measures were taken to introduce interest free banking with amendments in Banking laws and other relevant laws to facilitate interest free banking in Pakistan. Amendments were made in Banking Companies Ordinance, 1962. These amendments comprises of the provision of bank finance through profit and loss sharing, mark up in prices, leasing and hire purchase. Interest free counters separately started operating in all the nationalized commercial banks. On 1<sup>st</sup> January, 1981 Bank of Oman also started to mobilize their deposits on profit and loss sharing basis in Pakistan. In March, 1981 financing of import and inland bills along with Rice Export, Cotton Export and Trading Corporation of Pakistan were also shifted on the Mark up basis. Amendments were also made in the operations of State Bank of Pakistan that allowed it to provide finance against Participation Term Certificate and Promissory Notes supported by these Participation Term Certificates or Mudarabah Certificates. From 1<sup>st</sup> July, 1982 banks were allowed to finance the working capital needs of the trade and industry on a selective basis under the

mode of Musharakah. From 1<sup>st</sup> April, 1985 all entities including individuals were financed through any one of the specified Islamic interest free modes. From 1<sup>st</sup> July, 1985 all the commercial banking in local currency was made interest free. In November, 1991 The Federal Shariat Court declared all the steps taken by the banks in Pakistan since 1985 as non Islamic due to some laws that were harmful for Islamization in the country. In the result of this decision Government and some banks file an appeal against this decision to the Shariat Appellate Bench of Supreme Court of Pakistan. On 23<sup>rd</sup> December, 1999 these appeals were rejected and the decision of Shariat Court was ceased to make effective by 30<sup>th</sup> June, 2001. In January, 2000 State Bank of Pakistan formed the Commission for Transformation of Financial Systems. In August, 2001 the commission submitted its final report along with the 2 interim reports to the Government. According to commission's report, initial steps for introduction of Shariah Compliant Financial System briefly includes legal, infrastructural, educational and general awareness programs. After the commission's report the amendments were made in the House Building Finance Corporation Act which resulted in the "Ghar Asaan Scheme" based on the diminishing Musharakah Concept. The Finance Minister in his budget speech for financial year 2002 declared the Government's concern for the elimination of Riba and promotion of Islamic banking in the country and took several steps in this regard. In December, 2001 State Bank of Pakistan Issued a detailed criteria circular for the establishment of pure Islamic commercial banks in the private capacity. In January, 2002 the first Islamic commercial banking license was given to the Al-Meezan investment Bank. On 15<sup>th</sup> September, 2003 Islamic Banking Department was established By State Bank to develop and strengthen the Shariah Compliance Framework. Islamic Banking industry in Pakistan is enjoying tremendous growth of more than 30% in its assets annually with a network of 5 full fledged Islamic Banks and 14 commercial Banks standalone branches operating in the country. As on the June, 2014 it has assets and deposits of Rs.1,089 and Rs.932 billion and fetched a market share of 9.8% in total assets and 10.6% in total deposits with 1,335 Islamic branches in total.

### ***1.5 Objectives***

- **To Prove Whether The Paper Currency Is Acceptable Or Not In Islamic Finance.**

History of Islam is full of several means for the general exchange. The most important and popular mean among them is gold and silver coinage known as Dinar and Dirham. All the mediums of exchange presented in the Islamic history comprises of commodities only. These means were not formed but rather adopted by the Muslims. These were generally accepted by the people for trade purposes. All the financing in those times were performed in the metallic coinage even barter trade was restricted by Prophet (S.A.W) because of the presence of chances for Riba. General acceptability was driven in that time from the needs and desires of the people and it was not imposed by the government. This was the reason for their free market economies. Paper currency was not used in the Islamic territories in the past thus the evidences of their use are not available. In Pakistan paper currency is used as a legal tender imposed by the government. Government of Pakistan also intervenes in the markets to set price ceilings and price floors.

- **To Identify The Prevailing Problems Related To Paper Currency.**

Paper currency was introduced by the mankind with an intention of ease. Historically it is the modern form of promissory notes that were used to issue for the sake of securities. Formerly it was adapted by the modern economies with an ease of printability, ease of handling and ease of standardization. Although these benefits work great in the start but with the passage of time it has proved to be the worst choice ever made by mankind. Historically those currencies that were made with a value below their face value had led the nations toward the loss of their wealth. The side effects of the usage of paper currency have been emerged with the expansions of the economies. These effects have become the matter of concern for several modern economists to review the system. Pakistan is facing continuous problem of excessive money supply that is resulting in the severe inflation and devaluation of the currency.

- **To Determine The Replaceability Of The Paper Currency.**

Paper currency is widely used in every country by every person irrespective of their religion and language. It is not used because it is a commodity in itself. Instead it is a piece of paper with numerics in the corners. The more zeros the paper possess the more satisfaction it can provide. These numerics represent the artificial value assigned to the currency by their respective governments and accepted by the peasants of the society. In this way it becomes more valuable than a normal paper. The cost for its printing is much lesser than the face value it follows. All in all the value paper currency can purchase is more than the value it originally possess. Another issue lies with the printing of paper money that makes the intrinsic value of paper money uncertain because of minimum gold reserves in the backing. In Islamic perspective uncertain transactions are restricted for the Muslims. Pakistani currency is issued against gold and other reserves. As at 30<sup>th</sup> June, 2012 these gold reserves constitute 17.61% of total bank notes circulating in Pakistan and 8.19% of total State Bank assets according to the State Bank of Pakistan.

- **To Recognize The Indemnification Of Paper Currency By Islamic Currency.**

Islamic currencies were adopted in the past from the prevailing monetary systems of those times. In Quran and Ahadith Allah Tala has taught the mankind the concept of wealth and its use. In the time of Prophet (S.A.W) the metallic currency was adopted without the backing factors because of their high value and stability. The main purpose of the currency was to fulfill the desires of the people by the means through which they can serve their needs. The measures and goods were also different in those times. Most of the people use to run their own businesses. The concept of employment was not emerged in those times. Slaves were used to do the employee jobs without salary. In Pakistan most of the people belongs to the employee category. Self entrepreneurs are very few in Pakistan. Pakistani currency is not much stable and frequent devaluations are found in it.



- **To Understand The Issues Expected To Be Faced By The Markets In Case Of Islamic Currency.**

Paper currency has become the need of the markets in today's economy. The pricing and weights are determined now on the basis of paper currency. The characteristics of paper money serves far better than the commodity money. The most important among them is the ease of handling and carrying which is not possible in the case of commodities. Thus the marketers are familiar with this kind. The needs and desires of modern world are not the same as of the past times. Now a day's people do not use to buy in large quantities. They only bought that much that can serve their current desire. They try to save the remainder for the time of need. Islamic currencies have the potential to serve as the currency. They can serve far better than modern paper money because of their natural value. Although, their characteristics are many more but they possess high value as well. In Pakistan people mostly use day to day transactions because of their lower incomes. In Pakistan prices and incomes are set according to the Pakistani currency.

- **To Seek The Follow Up Of The Use Of Islamic Currency.**

Islamic currencies are made of natural materials. These are precious in nature and thus possess the value more than any other commodity. They are commodities instead and possess chances of wear and tear by the use. Gold and silver are the commodities that are used as Islamic currencies in the past. Gold and silver are the natural resources that are to be mined before use. Thus they possess the mining and extraction cost. These resources are limited in the world which makes them scarce. Thus the scarcity and the high mining costs make them valuable. Both have several uses other than currency. They are used to make ornaments especially gold. While silver is used in several industries as the parts of machine and other uses. In Pakistan mostly gold is used for the female jewelry. There are reserves of 5.9 billion tons of raw metal in Pakistan at the place of Reko Diq, Balochistan. Due to high extraction and purification costs these reserves are not apparently available for use.

## ***1.6 Hypothesis***

### **H1: Dirham And Dinar Are More Progressive.**

Dirham and dinar are highly valued currencies. These currencies are made up of precious metals like gold and silver. Their value is high because of the scarcity of the metals and their high extraction costs. These metals are found in the earth and thus are mined from it. Now a day's these commodities are widely used for as ornaments and as investments. It is the most reliable commodity for the investment these days. Reason behind its reliability is its value. In past several nations had used them as a mean of exchange. Even Islam has adopted them because of their general acceptability. Several sources in Quran and Sunnah are present that describes their high stability and natural value. Dinar and Dirham are the standards that were made for their recognition. These standards describe the metals to be used, their purity and lastly the weight of the metal to be minted. It is general phenomena that only value can buy another value. The metal coins were used in the past because the needs of those times. The economies and market structures of those times were totally different. There was a concept of slaves in the past who serve their masters without any remuneration. They were provided by their masters a place to live and food to eat. Thus the concept of small quantity purchases was very limited and small quantities were rather bartered. Even though gold and silver possesses high value but in today's world the modern need patterns restrict their use. Through this research we will try to find out the progressiveness of Dinar and Dirham.

### **H2: Paper Currency Is Against The Nature Of The Currency.**

Paper currency is widely accepted these days as a medium of exchange. It is in the nature of mankind to fulfill its desire. Thus to fulfill the desires mankind trades with others and so on. These desires have led the man from the use of barter to the paper money system. This system was introduced by the Mongols in 6<sup>th</sup> century in china. They use to issue Promissory notes in several territories by holding the written number of coins with specific weights. The ease of transportability and security led it to the emergence and use throughout the world. History doesn't provide any proof about the usage of the wealth of any nation for the sole benefit of government. Thus the purpose of the currency notes issuance was to use these resources in the national productive plans. These plans not only

redoubled the resources of government but also provided the income opportunities for the masses. With the passage of time the roles and duties of the governments have been changed. Thus the concept of paper money is also changed now. According to today's practical economics it is not necessary to hold that many gold and silver resources that is necessary for the valuation of the piece of paper. Today paper currency doesn't possess the value it may have before. Irrespective of the ease of use and handling people are facing several problems with this form of money. Currency is something that truly represents the wealth other than its ease of handling. Even in islamic history coins other than gold and silver were also operated. They were used as commodities and not as artificial valued currency because they were weighted at the time of transactions. Through this research we will try to evaluate the paper currency either falls under the nature of currency or not.

### ***1.7 Methodology***

This is an exploratory research thesis in which descriptive methodology is adopted. It is used to present detailed contents of the area of research. This research attempts to analyze the possibilities of removing current conflicts of paper currency by substituting it with an Islamic currency in Islamic finance. It is based on the literature available about the use of Islamic currency in the past and its feasibility in the present economic scenario. Secondary data is gathered for the sake of research from the analysis made by Islamic scholars regarding Islamic currency and their usage. Regulations passed by the government and central bank of Pakistan in the implementation of Riba free economy have also been used as a secondary data.

The limited operationality of Islamic finance and scarcity of the literature in this regard inspired the author towards this research. Availability of Islamic financing techniques from the past and the eager of the nation for interest free transactions lead to the development of Islamic finance. It is a relatively a newer concept, after the golden era of Islam it has been recognized in the conventional economic systems no more than fifty years ago. In Pakistan islamic banking was re-launched in 2001 thus literature available for this industry is also scarce and very limited work can be found for the islamic banking industry in Pakistan. This is the prime reason for the scarce availability of the literature

on the limited operationality of Islamic financing with current monetary systems. This research is carried out to fill this gap of Pakistani banking industry and to provide appropriate suggestions for the monetary system improvements in Islamic perspective on the basis of document analysis technique.

The hypothesis will be tested on the basis of available literature and document analysis technique. Secondary data gathered from books and past literature will be analyzed on the basis of current economic needs of Pakistan. All the data related to Islamic laws contingent to Islamic financing in Pakistan will also be analyzed in the present scenario to evaluate the feasibility of their imposition. Unstructured informal interviews would also be conducted to observe the general thinking of the income earning peasants about the currency and current monetary systems.

This study may help the policy makers, bankers, academicians and practitioners in the country to cater their current deficiencies in the economic structure. It would also help the ethical societies to recognize the deficiencies in the ethical dimensions of general public and their root causes. It would also help the Islamic Scholars to redefine their prevailing Shariah rules in the context of current monetary system. It would also help them to recognize the root causes that hinders and restricts the operationality of Islamic financing. It would also help to implement the new and reviewed regulations that would provide the nationals of the country with Shariah compliant financial and investment ease.

This research will provide the sound grounds for the future researchers to empirically evaluate the compulsion of the Islamic financing with the Islamic structures. It will also assist them in the structuring of Islamic state and the implementation of Islamic laws contingent to Islamic financing in their respective countries.

### ***1.8 Literature Review***

Money is used as the primary form of the wealth these days and the present concept of money has led to the frequent devaluation of the wealth, money in conventional thought considered as diminishing value commodity; thus it is different from the Islamic thought of being just a medium of exchange (Batcha 2009). The devaluation impact has made the people more concerned for the progressive modes of returns and Islam in this regard has precisely defined the ways for earning Halal returns, amount against the diminished value can be earned through business and trade of goods in Islamic perspective; thus not from the individual borrower in case of debt and loan (Ahmad and Hassan n.d.). Conventional economic structures are based on the interest rate paradigm and these paradigms restrict the development of profit oriented investments fulfilling the present needs of the economies; thus conventional economic systems are not supportive to the Islamic rulings based on Quran and Sunnah only (Kuran 1986). Ethics is the most important attribute required for the mutual transactions of the peasants; thus maximized social welfare results, based on the policies of the governmental structures of the society can be obtained by the implementation of ethical imposition (Choudhury 1990). Islam has taught the mankind the most ethical ways of living while obtaining benefits for the whole society; thus Islamic ethics impose the liabilities on the mankind for the destruction to their natural environment (Ahmad and Mansoor 2008). Islam is a complete code of conduct; thus Development and removal of equalities is not possible in the Islamic countries until and unless they follow the islamization of their societies and economies (Chapra 1995). Islam has described the benefits and limitations for conducting business activities; thus Islamic legal principles thoroughly describe the obligations and duties of the stakeholders of the economy in both explicit and implicit forms (Iqbal and Mirakhor 2004). Muslims believe in the sole ownership of Allah in this universe and the implications from the concept of ownership of everything possessed by Allah; thus makes Muslims conscious about their spending and searching's (Hamid and Sa'ri 2011). Muslim spends in a way that makes the Allah happy and restricts themselves from the search of those activities that attract His anger; thus Concept of Taqwa and Islamic leadership are the basic assets of the Muslim entrepreneur for conducting a successful business (Yaccob and Azmi n.d.). Unlike western businessman the sole motive of the Muslims is not to

earn the huge profits; thus the Islamic business practices require the individual to maintain equilibrium between profit motives and humanity (Alserhan n.d.). The humanity requirements restrict Muslims from the production of Haram goods and they are governed under Shariah rulings that define the ethical ways for business; thus Islamic businesses comply with the Shariah laws that prevent them from engaging themselves in the practices that are harmful for the society (Hassan and Hippler 2014). As the businesses make returns, Muslims are bound to serve the poor and to help their society to grow: these bounding makes them able to pursue for making new things that are beneficial for the society; thus the concept of Waqf in Islam helps the businesses to innovate new things and the eradication of the poverty from the society through wealth distribution (Salarzahi, Nikbin and Armesh 2010).

Financial institutions play a major role in the today's economy and fill the gap of short pockets and needs and thus initiate transactions; thus financial institutions are important for the growth of the economy by the way of smooth exchanges of goods and services and attracting investments (Beck 2011). Rational behaviors are assessed in the economies by the way of mutual transactions; combining with Islam these transactions could ascertain better results, thus the development of Islamic economic systems based on the moral values of Islam requires primary changes in the operability of the financial institutions (Khan and Mirakhor 1989). Islam prefers the Muslims to trade and forbade the interest on them which leads to the requirement of that financial system that helps in making equities and not debt; thus the crux of the Islamic financing lies within the promotion of equity based instruments and not the debt based financing (Hassan, Sadaf and Sohail 2013). Islamic banks are working on the profit based philosophy and deals in the sale of products and not in the sale of money; thus Islamic banks are the only financial institutions that have filled the gap of the Muslim countries economies (Chachi 2005). Muslim scholars consider the fixed returns as interest and thus prefer the variable returns for the Muslims, It is due to the interpretation of laws related to Riba in Quran and Sunnah; thus Islamic principles of financing are based on the profit sharing motives (Monzer and Tariqullah 1992). Islamic financing is based on Shariah rules and these rules define the fundamental policies for the management of Islamic finance, Shariah precisely defines the limits and the boundaries for the Muslims to achieve the betterment of the

society as whole; thus the growth of Islamic financing in the Muslim communities is achieved by the products and services offered that comply with Shariah laws under Government supervision (Shirley and Robin 2006). Shariah laws are based on the guidance from Quran, Hadith, Ijma and Qiyas, Quran and Hadith are available in written form where as Ijma and Qiyas are drawn from the thinking in the betterment of the society; thus the Shariah laws focuses on the benefits that are earned in fair way by the mean of bearing risk of loss and restricts hoarding and tort (Julius and Josefina n.d.). Islamic financing is far different from the conventional financing; based on the prohibitions imposed by Shariah it is limited to the business activities that are beneficial for the society, Islamic financing provides the atmosphere in which financial transactions can be executed without harming any party (Alsadek and Andrew 2009). Islamic financing is primarily introduced by the Islamic banks independently and conventional banks through Islamic windows and they are functioning on the guidance provided by Shariah, Islamic banks are totally different from the conventional banks which provide the individual benefits and not the benefits for whole society (Memon 2013). Islamic financial systems are entrepreneurship supportive and promote business activities, Islamic banks deal with the projects based on their feasibility irrespective of the size of the collateral and they instead interested in the profitability; thus Islamic banks will continually expand and grow based on effective and efficient innovative ideas (Ariff 1988). Although Islamic banks are performing better in the Muslim countries but still they have not achieved their optimum levels, the roadblocks in the better performance of the Islamic banks include the modern economic and legal policies of the Muslim countries; thus the commercial banking laws in the several Islamic countries restrict the scope of Islamic banks with in the practices of conventional banks (Iqbal and Molynux 2005).

The most important hurdle in the operations of Islamic banks is the modern taxation policies, conventional taxes are levied on both the spending and earnings but Islam only call for the taxes on the earnings of the individual; thus the deposits received from the Islamic banks for the sake of investment are taxed for being the reserves in the bank and affects the performance of the Islamic Bank (Bashir 2001). In Pakistan Islamic banking is introduced no more than fifteen years whereas, the steps for islamization of the banking

sector were taken from the early sixties: Masses have positive responses towards the services of Islamic banks in Pakistan due to the religious content (Hareem and Nida 2012). Religion is not the sole decision maker for the use of any product, in case of Islamic banking the philosophy of products and the benefits of the society attract the investors; thus Islamic banking is widely accepted due to the Islamic laws, social benefits and psychological impacts (Mazhar, Aqeel and Sattar 2010). Effective supervision is the key source for the development and success of the institution and it can be obtained by the cooperation of central banks with other concerned authorities that can combinedly provide the environment for market driven development; Islamic banking has the capability for the development of the society and the growth of the economy (Qorchi 2005). Current economic systems are not supportive to the development of the Islamic economic structures; they are expense supportive and have the potential for increasing costs, political impact is necessary for the implementation of the Islamic norms in the society (Zubair 2010). An Islamic bank are providing several products and most popular among them is the Murabaha financing techniques that are more attractive and a little complex to their conventional counterparts; Islamic bank offers various kinds of financial products that are in the assets form and not in the liability form (Ausaf 1993). Other than Murabaha several other Islamic products are also being used these days like Ijarah and diminishing Musharakah both are also based on the asset based concept, Musharakah is another product but is not widely accepted by the people because of its risk attachment and the lack of trust; thus the primary issue with the Musharakah financing is the familiarity with the conventional financing system which can be removed only with the expansions and growth of Islamic financial institutions (Hanif and Iqbal 2010). Some other products are also available in Islamic financial markets and these products can encounter the new emerging financial derivatives, Salam is one of the products but its applicability is restricted to the contracts of goods only and not the currency; The complexity of derivatives can be solved with the dinar based economy which will eradicate the need for futures and options (Nuradli and Sanep 2005). With the passage of time the financial needs are changing due to the ups and downs in the international economies; Surviving in the modern economic structures requires the modernization of the financial structures that can make Islamic system more competitive (Karim and Cyril



1987). International economies are based on Fiat money, which has proved to be the greatest disaster for the economies; it is the reason that led towards the modernization of the financial instruments and the most important thing to be changed must be the currency, Islamic currency has the potential to be replaced with the current fiat money and it is able to maintain monetary stability, Shariah based justice, economic sustainability and more trading activities based on equity concepts with limited resources (Kameel and Moussa 2004).

Gold Dinar and silver Dirham are valuable for the Muslims as they have been described in the holy book Quran and in the Ahadith of Prophet (S.A.W); the modern economists use the materialistic approach which ends up in the non functionality of the Islamic monetary system, thus gold Dinars must be banished from the discussions of the economy and Islam because of the general acceptability of paper money authorized by the International monetary fund (Zubair 2008). Paper money is the modern mode of exchange used by every country of the world and they are issued without containing the proper counter value behind them, they have changed the foundations of money and social background for trade and they are the primary reason for inflation in the world; The indication of holding money without any constant value in real assets is subject to the uncertainty (Nikolaus n.d). The uncertainty in the value of money makes it fiat money that is easy to issue; the modern time has increased the eager of the societies to grow economically that has emerged the concept of favoritism by the economists for the excessive issue of the fiat money, this conception was introduced with the ideology of positive effects on the economy but has adversely affected the economic systems and thus fiat monetary systems lead to the instability of the economy by the mean of increased money supply (Mansor 2006). This situation leads to the requirement of substitution of the fiat monetary systems with the valued monetary systems; in the past gold and silver based systems had served the economies for long time, these systems were not introduced by the Muslims initially but were adopted by them and the difficulty of counting and the exchange rates between gold and silver coins were the reasons for the introduction of paper money (Zarra 2004). Muslims had introduced the rules for the weight and exchange of the metals; the weight for gold coin was 4.25 grams and for silver coin was 2.975 grams and the exchange rates were floating based on the demand

and supply of the material, several historical books have mentioned more than one exchange rates, these rates were started with the 1 to 7 ratio of coins and ended to the 1 to 22 ratio, these concepts reveal the real value possessed by the coins and hence, gold and silver reflects the high monetary stability which can be used to achieve socio economic stability (Sanusi 2001). Gold and silvers are commodities instead; commodities possessed the intrinsic values unlike the fiat money, value is the only thing that is desired by the mankind for the satisfaction of their desires and it is determined for the commodities under the free markets by the demand and supply forces, thus gold and silver are the commodities with an intrinsic value which can't be faded or destructed over time and they were used in the past for trade which makes it pure wealth from than to now (Ramo and Narela 2012). Commodities in exchange for commodities were the initial trade medium and are known as barter now and had been used for many years, this system led towards the emergence of the common currency that can handle the problems of measure of value and store of value, the concept of exchange is related with the exchange of values and not the medium of exchange; thus Islamic economic systems are based on the barter that exchanges value for value by achieving the goals of Shariah (Ahamad and Moussa 2009). Gold possess the characteristics for trade and hence the value can be obtained by the value, the most important of all is the consideration of Islamic Shariah laws relating to Zakat, Sadqa, Deed, and Hadiya are all based on the metals and not on the currency; paper currency is introduced in the results of Judeo Christian alliance (Hosein 2007).

Current economic policies are interest supportive; conceptualizing this base fiat money was introduced with the control measures of interest rates, in Islamic terms this concept is attractive for two major problems that are strictly prohibited for the Muslims, thus implementation of metallic monetary based systems is necessary, Fiqhi requirements of fairness and justice without conducting Riba, Gharar and Maysir are possible with the Islamic currency system (Bedjo n.d.). Fiat monetary systems had left the mankind with greed to have more money which has increased the options of investments for the mankind; some of the contents of the different types of investments have driven them to the uncertain transactions thus gold and silver being commodities are valued on their demand and supply and they are able to provide the expected value with certainty (Abu-

Bakar, Nuradli and Norhayati 2002). Gold and silver systems are supportive to the stable prices for the goods, they are scarce resources in nature and hence it is difficult to maintain their supply in the economy, reduction in money supply also results in stabilization and reduces the chances for inflation; These stabilized prices will lead to the implementation of short term and long term instruments for the real sector economic growth (Omar 2011). Thus more innovative and environment friendly instruments can be introduced further by the Islamic institutions and these instruments would optimize their operability in the economic environment; Dinar and Dirham could be used as a medium of exchange for the improved financial operations (Halim and Norization 2009). The globalization impact has taken the world in a single boat, now the economies are related with one and another; hence the survival is possible with the mutual trade and policy sharing, several Islamic countries are developing and they trade to run their economies, the benefit from the coinage is only possible if at least all the Islamic countries follow the same notion, The monetary union of OIC countries is capable to maintain the exchange rate stability and the credibility in these countries (Lee n.d.). Islamic Fuqaha are still in the paradigm between metallic and fiat monetary systems and thus no proper and concise monetary theory is available in the historical books of Islam; the realization of the present economic situations has lead to the concise agreement on the viability of both systems, money in any form can be used but it must be able to fulfill the Shariah requirements (Hazik n.d). It is not necessary that the currency must be used in pure form of gold and silver coins; the present economic systems have made the life easy and support those systems that provide ease to the masses, the difficulty with Islamic coins is the carriage of heavy weight coins, another most important difficulty lies with the denomination problem, gold and silver coins are highly valued and thus it is impracticable to use them for the small value exchanges and thus paper money should be backed with the pure resources to handle the economic instability (Zubair 2011). Islam has mentioned the use of gold and silver as the currency but did not describe the form in which they may be used, it is not necessary to use them in pure form and thus minting gold and silver coins is not necessary for them, paper money is more feasible with the modern economic and need structures of the societies; Thus there is a need for developing a system that requires the valued commodities in their reserves that is

possible only if the Islamic Ummah produce such a currency that holds the real assets to back in full, the backing for paper money comes with the government enforcement and general acceptance from the real world (Abdullah 1984).

### ***1.9 Findings & Results***

The hypothesis of the study is analyzed on the basis of available literature and sources available in Quran and Sunnah, the available stats and Fatwas. Gold and silver are highly valued commodities. Thematic Analysis technique is used in this research to analyse the available sources.

According to the available Stats regarding gold and silver prices and the dollar price in Pakistan, the Dinars and Dirhams are more progressive. The data regarding gold and silver prices are fetched for the years 1915 to 2015 from the available sources. The Data is available in “Appendix C”. The prices of gold and silver are available in American Dollar with the quantity of one Ounce. These prices are inflation adjusted. The dollar prices data in Pakistani Rupee is also fetched from the available sources for the year 1947 to 2015. All the data related to the months of January of each year. Dinars and Dirhams are the Units of Gold and Silver with specific Weights. From the available sources we have found that the Prices of gold and silver increase more often. In case of Pakistan the prices of gold and silver increased at higher rate than the increase in the price of each dollar. Thus in Case of Pakistan, Dirhams and Dinars being a unit of highly valued commodities gold and silver could be more progressive. From the available stats it is also found that the prices of gold and silver in Pakistan related to prices of dollar remained high. Thus we accept our H1.

There is fatwa available for the use of Paper currency. Available fatwa is about the Islamic prohibition of using paper money as a medium of exchange. It was made in Granada on 18<sup>th</sup> of August 1991. Fatwa is available in “Appendix B”. This Fatwa concludes that money in any form as debt or as merchandise, promotes usury that is Haram in Islam. According to the above mentioned Fatwa paper money is against the nature of money in Islam. In Islam money is the wealth of the individuals where without the content of debt in it. According to this fatwa the paper money constitutes the debt for the individual and not presents the status of wealth in true meaning. Thus the use of

current monetary system must be evacuated from the economy of Pakistan as well. Another monetary system must be introduced that must follow the instructions for money available in Sunnah. However a commodity can be used for the sake of exchange in the daily transactions. Islam prohibits the usury and allows the trade. Thus through this source we could well justify the 2<sup>nd</sup> hypothesis of the research. Thus we accept H2 based on the available source.

### ***1.10 Limitations***

This research is based on the historical records available for the use of monetary systems used in the past. Literature available in this regard is in very large numbers. However most of the literature is in Arabic which is difficult to understand due to language barrier. Literature used in this research is limited to the translated researches and islamic books. Time limit is also one of the limitation for the research. This research is conducted in limited time period due to which more literature could not be accessed. Limited resources were also another issue due to which the physically state bank and other concerned authorities could not be visited.

Muslims in the past has adopted the monetary system prevailing in that time. This system includes the gold and silver coins namely Dirham and Dinar. This system was ended from the Muslim states with the fall of the Ottoman Empire. Afterwards new monetary systems were introduced with paper money. Initially it was fully backed with real assets, gold and silver. With the passage of time this system was replaced with the fiat money to assist the countries for growth without considering its negative effects. Currently the practical implementation of metallic monetary systems is very rarely found. This is the main reason that hinders the expectation from the metallic monetary systems in present economic scenario. Malaysian government has taken the steps towards the introduction of historical Islamic monetary systems. They have started using the Dirham and Dinars in specific industries and regions as a prototype. Thus the practical results for the Dinar and Dirham coins will be available soon.

Modern economic structures are being followed by almost all the countries of the world. Even Muslim countries do follow them. The mindset of the people of Muslim countries is also set with the modern systems. These systems have led them far away from the Islamic

teachings. The things that have been prohibited by the Islam are being used in the Muslim countries as well. Islam prohibits Interest, gambling, hoarding but modern economics promote them. Modern economic structures do not support the implementation of Islamic laws. A glass can be use to drink both wine and water but neither wine fill the thirst of water nor the water fills the thirst of wine. Thus the whole infrastructure of the economies must be changed for the implementation of the Islamic monetary system. Currently Islamic economic structure is not followed by Muslim countries. Instead most of the Muslim countries have started taken steps towards the formation of non interest economy. This is the reason for the development of Islamic financial institutions. Thus the performance of islamic economic systems could not be assessed right now.

Lastly and most importantly this study is based on the belief, a belief in the Oneness of Allah, and the sole ownership of universe, by the Almighty. Beliefs are not accepted in the logical world of non Muslims and some of the Muslims. Thus the research is limited to those who believe in oneness of Allah and believes in his ownership of whole universe. Islamic laws and traditions are mostly taught to the youngsters of Muslim families by their parents and other family members. The role of modern Ulama's is found very rare in most of the Muslim countries. Thus the teaching of whole society is necessary to implement the Islamic systems. Islamic systems require the changing of mindsets which is only possible by the role of Muslim Ulama's. The whole world is a global village now. Thus the cooperation between muslim countries is necessary for the survival and growth. Muslim countries should unite together to follow the Islamic economy systems for mutual growth. Thus by this way the pure Islamic systems can be followed in the world again. The message of Islam is not to worship the Allah only but to provide the welfare of the society. Thus obtaining social welfare is more important than the personal benefits.

## CHAPTER 2: EFFECTIVENESS & EFFICIENCY

### *2.1 Reasons For Slow Development*

Islamic financial markets are functioning below their potential capacities because of the absence of several necessary required components. Some of these issues are discussed below:

- The basic component of Islamic financial systems is the uniformity of regulations and legal framework which are not yet developed in Pakistan. Currently Islamic banking in Pakistan is operating under the amended Banking Companies Ordinance 1964. Philosophy of Islamic banking is totally different from conventional banking but no separate ordinance is present in the country. Likewise in most of the Islamic countries regulatory laws and Islamic framework related to Islamic banking are not available. Same is the case with those Islamic banks that are operating in non Islamic countries because of the regulatory body which do not follow the Islamic principles. The integration of Islamic and international financial markets could be enhanced with the development of that regulatory and supervisory body that resolves the issues specific to the Islamic institutions.
- Currently there is no institution that is operating according to the pure Islamic principles. Stock markets are although actively performing in developing Islamic countries like Pakistan but still they are not fully consistent with the Islamic principles. Where as in Iran and Sudan they are operating according to the Islamic principles. Other than this because of the non availability of viable instruments, the secondary markets are hollow and money markets almost do not exist.
- Every system requires a sound accountability procedures and standards to operate the whole system. Islamic systems are following the same western accounting procedures and standards irrespective of their changed ideologies. In Pakistan only three out of twenty six accounting and recording standards were issued. Among these three standards two have been regulated and one still in consideration. Well defined standards and procedures are necessary for the disclosure, transparency, monitoring and controlling. Proper standards will also

help the Islamic financial markets to integrate with international financial markets.

- Training and education is also one major issue for Islamic institutions. They have lacking of professionals that can manage Islamic financial issues, maintain the portfolios and invent new products. Only a small number of institutions could afford to train their resources and deploy them in product development. In Pakistan there are very few islamic professionals who could understand and use the islamic financing in productive ways. No university in Pakistan is providing a professional degree of islamic banking specialists. However in some degree programs approved by HEC, two to three courses related to islamic banking and shariah laws are taught.
- Religious principles applied in Islamic countries lack the consistency of islamic rules. Due to the absence of central religious authority like international shariah council, Islamic banks have formed their own religious boards for guidance. They need approvals from their respective boards for their financial matters. Because of the large number of boards their decisions differ from one to another because of the different school of thoughts they follow. Thus one financial matter is deal in one country with other way and in another country in other way. Thus Islamic financial institutions require a uniform council that makes rules on the basis of all school of thoughts and they then followed by all.
- Innovations in Islamic market are very slow. They are offering same traditional instruments like those used in conventional systems instead of islamic based instruments. No inventions are being made to compensate the effects of high volatility of currency and commodity markets. Other than this lack of alternatives for the public debt financing also requires the innovation. In Pakistan islamic sukuk have been made in 2014 to raise \$ 1 billion at a rate of 6.75%.

## ***2.2 Paper Money***

Money is anything that is generally accepted as mode of payment for monetary transactions. The main distinguishing functions of money are medium of exchange, unit of account and store of value. Thus anything that fulfills these requirements could be



served as money. Money is historically originated for the markets as commodity money but nearly all current money systems are based on fiat money. Fiat money does not contain any intrinsic value like a physical commodity. Government declares its value as a legal tender, Such that it is compulsory to be accepted as mode of payments within the boundaries of the countries. These rules provide the money with that extrinsic value that can be used to buy any good or service in the issuer nation.

Historically the concept of common currency is derived after the failure of barter system. This system was prevailed in the societies around the thousands of years ago. Evidences of the societies that completely rely on barter are weak but the societies were largely available that were operating on the principles of gift economics and debt. Evidences of barter are found among those transactions that had taken place among the strangers or enemies. Due to the several disadvantages many societies eventually developed the use of commodity money. Barley was firstly used as a currency with a specific weight known as shekel in its time. The proofs of the usage of this term came from the Mesopotamia circa 3000 BC. Then the evidences of shell money were also found that were used in the societies of America, Africa, Australia and Asia. According to the Herodotus, the ancestors of gold and silver coins were the Lydians. In the opinions of modern scholars the first stamped coins were used around 650-600 BC. Due to the differences in the availability of the commodities the concept of representative currency evolved. This system was introduced by the increasing concepts of receipts issued against gold and silver by the Merchants and the goldsmiths. These receipts began to use as mean of currency and were generally accepted by people in their daily transactions. Paper money or Banknotes were firstly issued by China during the song Dynasty. These banknotes were known as Jiaozi and were the modern form of promissory notes that were used in the 7<sup>th</sup> century. They couldn't replace the commodity money at that time and so the jiaozi was used along with the coins. Paper money was introduced in Europe in the 13<sup>th</sup> century by Marco Polo and William of Rubruck. Banknotes were firstly issued in Europe in 1661 by the Stockholms Banco and these were also used along with the coins. In 17<sup>th</sup> and 19<sup>th</sup> century gold coins were abandoned in Europe with the concept of the gold standards. These gold standard notes then become legal tender by the government and the withdrawal of the gold coins became restricted. With the start of the 20<sup>th</sup> century all

countries adopted the concept of gold standard and issued their gold backing notes. After the World War II almost all the countries left the gold standard system and then adopted fiat money concept with backing of US Dollars. Thus US dollars replaced the gold. In 1971 the US government suspended the use of gold backing against the US dollar. After this many countries abandoned the use of US dollar backing system and start using Fiat concept with nothing or few things at backing. This fiat money concept is the main reason for the increase in money supply and the highly increasing inflation rates.

The burden of exchanging thousand of copper coins and the need of credit with a soft medium became the reason for the development of paper money in China. This new economic reform was a slow and gradual process that took place from the late Tang Dynasty into the Song Dynasty. It began with the receipts of deposits issued by the wholesalers as promissory notes. These notes were valid for temporary use in small regional territories with the benefit of less burden carrying thousands of coins. The Song Dynasty government circulated these currency notes among the traders in their monopolized salt industry in the 10<sup>th</sup> century. The Song government allowed the several shops to issue banknotes and in the early years of the 12<sup>th</sup> century these shops were takeover by the government to produce state issued currency. The early issued banknotes were regionally valid until the mid of 13<sup>th</sup> century and then standardization and uniformity were taken into account to make them acceptable as a nationwide currency. At the same time a monetary economy system was also introduced in the 7<sup>th</sup>-12<sup>th</sup> centuries with a high stable value currency named as the Dinar in the Islamic world. Early Muslim economists, traders and merchants also introduced uses of credit, Cheques, promissory notes, saving accounts, transactional accounts, loaning, trusts, exchange rates, credit and debt transfers and the banking institutions for loans and deposits. In Europe the paper money was initially developed in Sweden in 1661. Sweden had large resources of copper and due to the poor value of copper they had to produce heavy weight large size coins. Paper currency has numerous advantages. It reduced the risk of theft of gold and silver, it made loaning of gold and silver easier on interest, it also allowed the lenders to issue as many receipts as they want. These advantages also come up with strong disadvantages. As the notes do not possess any intrinsic value, the authorities can issue much more notes than the resources that backed them. This results in increase in Money supply that boosts

inflation. Thus paper money can burn away the whole economy if the people start demanding the hard money. The printing of paper money is associated with wars and their financing. That's why it is considered as a part of keeping a standing army. Due to this reason most of Europe and America are in hate with the paper currency. The gold and silver were collected and hold by the authorities as taxes. At that time both gold and silver were accepted by the government as legal tender. In 19<sup>th</sup> century the instability of the ration between gold and silver grow with the increase in the supply of silver and trade. At that time gold standard was followed by many industrializing nations. Paper notes and silver coins were the main circulating mediums. Many of the governments and private banks followed the Gresham's law. According to this law gold and silver are paid but in the form of paper notes. It also prevailed in the world with slow pace. It started in the early 20<sup>th</sup> century and lasted till the late of 20<sup>th</sup> century. After then the fiat currency concept arrives. According to this concept the currency is not fully backed by gold and silver. The last country that abandoned the gold standard from their economy was the United States. In 1971 US government stop backing their currency by the gold and silver and thus finally US dollar becomes the last currency with no intrinsic value. Today no country in the world has any of the gold or silver standard currency system and because of the adverse effects of the fiat money most of the economists are thinking to move back to the gold and silver standard system. Increasing inflation rates throughout the world has realized them the importance of hard currencies. Paper money in Pakistan is backed with proportion of gold and foreign reserves. These foreign reserves consist of foreign currencies, foreign treasury bills and notes.

### ***2.3 History Of Currency In Islam***

Historically the Muslims of Arab doesn't have their own monetary system so they have adopted the ancestor's coinage in the conquered regions. These coins were used with slight modifications in their faces. These coins were made up of gold, copper and silver and were named as Byzantine and Sasanian. The first attempt to start the Islamic coins was made during the caliphate of Hazrat Ali Bin Abu Talib. This attempt was not succeeded at that time because of the severe political dilemma. Maurice Lombard has written in "The Golden Age of Islam", "Caliph Ali was the first to attempt a reform at

Barsa in 660, by introducing an Islamic Dirham with the inscriptions in Kufic scripts, but this attempt failed. After 40 years they were again introduced and this time they were succeeded". In Arab region Roman gold coins and Iranian silver coins were in circulation at that time. Gold coins were weighing 4.25 grams bearing a christen symbol of cross whereas the silver coins were of 1.40 grams. The Muslim kingdoms had no monetary system of their own and they were severely dependent on the foreign currencies for their transactions. Abd Al-Malik sensed the severity of the situation and asked for the meeting of consultative assembly. In this meeting Muhammad Al-Bakir was also invited. The proposal for developing Islamic coins had been accepted by the assembly with the recommendation of Al-Bakir for using Islamic legends on both sides as inscription. Thus first Islamic coins were made in the Mint installed at Damascus. In the reign of Umayyad Caliph Abd Al-Malik ibn Marwan, coins with purely Islamic needs were made. In 696 CE, The caliph issued first Islamic gold Dinars weighing 4.25 grams whereas Islamic silver Dirhams weighing 2.97 grams were issued in 698 CE. These coins were unnamed bearing religious phrases along with dates and mint on Dirhams only. The copper coins were not made with such uniform designs and were named as Fulus. With the introduction of new Islamic coins the Byzantine emperor becomes angry and refused to accept new Islamic currency that leads to the war among them. During the Abbasid Caliphate the coins were made with slight changes in their faces and phrases. In 770's, the name of caliph and other officials appeared on the coins for the first time. This was the time from when the Dinars were also bearing mint on them. During the 9<sup>th</sup> century the copper coins were almost abandoned in the Muslim world and the Islamic Dirhams become the most important trading medium in even outside the caliphate. The standard design for metal coinage was retained even after the various dynasties that took over the political authority from Abbasids. With the existing coins new ones were introduced at first in Abbasid Yemen. With the independence of the western lands from the Abbasids they started their one coinage. In Spain the Umayyads started using their own silver coins same as available in Umayyads Dynasties and later they also introduced gold coinage. Almoravides introduced their coins having fighting legends that reflects their warmth feeling for holy War. The Dirhams of Idrisids were lighter then Abbasids where as the Sunni Aghlabid gold coinage was the same as Abbasids type and weight. In the east of

Muslim territories Tahirids were the former of independent coins issuance. Their coins named Saffarid and Samnid were the normal Dirhams of Abbasid type. The new coinage of the region was one of the Buyids which was found in gold.

From the 940's the Sumanids started producing low grade silver coins weighing up to 20 grams. Large copper plated coins were first made by Qarakhanids. They were also known as bullion coins. This coinage came into use mostly and followed by several dynasties. By 1010, the pure silver coinage become orthodox in Muslim world and the stability of Umyyads standards of monetary was never reached again. In Fatimid Dynasty the classical coin designs were changed. Al- Muizz developed new coins bearing militant Shi i inscription in the coin design. Dinars were introduced with the pure gold standard. In the 12<sup>th</sup> century the copper coins were again appeared in the eastern Islamic lands in big copper coins. Other than these silver Dirhams were also redeveloped in the era of Sultan Saladin. Mamluks developed different metal coins and copper that played a bench mark role in their time because of the several monetary reforms. In 1225, the new Mamluk gold coins named as Asharfi were introduced with the same standard of Venetian gold Ducat. It was also adopted by the ottomans. In the west the Almohads were also using the different new type of coins that explains their rebellion beliefs. Their coins were square in shape for silver and square in circle shaped coins were one by another adopted by all western Dynasties. In the late 12<sup>th</sup> and 13<sup>th</sup> centuries, silver coins were also begun to use in Anatolia, Iran and Iraq. The Rum Seljuk Dirhams were developed abundantly. Under the rule of Mangols, Ghazan Mahmud stopped the use of prevailing local coinages. He thus created then silver coinage with uniform standards. With the start of 14<sup>th</sup> century made severe reductions under his successors that change the coin appearance. This system was then limited to the regional level of post Iikhanid dynasts. The Timurids coinage was based on the Iikhanid legacy with new and big size silver coins. Timurid design and coins were accepted by Safavid Iran and Northern India widely. In the times of each of the great empires of Ottoman, Iranian and Mughals had their own diversified and difficult coinage. Gold and silver coins remained the legal currency until the fall of Caliphate. Several paper currencies were introduced after the downfall in the different states.

In Quran Allah Talah says (3. 74):

“Among the people of Book there are some who, if you trust them with a pile of gold, will return it to you. But there are others among them who, if you trust them with a single Dinar, will not return it to you, unless you stay standing over them.”

About this Surah, Qadi Abu Bakr Al-Arabi wrote in his famous book “Ahkam Al-Quran”:

“The benefit that can be taken from this is the prohibition of entrusting the people of the books with goods.”

Thus entrusting wealth to a non Muslim is restricted not only this but the partnership agreements with them outside the Islamic region is also forbidden. Reason behind this is their usage of wealth that may lead our wealth to forbidden transactions. Paper money is made on the concept of promise to pay. This promise is not allowed to use as a medium of exchange in Islam. According to the Islamic laws both the Dinar and Dirham possess specified weights that are to be follow. On the basis of these weights Umar Ibn Al-Khattab have established a standard relationship according to which 7 Dinars must be equivalent to the 10 Dirhams.

#### ***2.4 Roles Of Islamic Currency***

Evolution of Islam has provided the hints to the Muslim Ummah about the determinant for the prices of goods. The Quran has revealed us that precious metals will always be desired by men. In this regard Allah Tala says in Quran:

“Alluring to men is the love of things they covet, women, and sons, hoarded treasures of gold and silver, and highly bred horses, cattle and land.”

Allah Tala has created gold and silver as a monetary unit. Thus money should possess the attributes of something that is alluring to men. Allah Tala has made gold and silver transportable, reliable, require able, unique and scarce so that they would fulfill the basic characteristically requirements of money. Ibn Khaldun presented his views in his book named Muqaddimah as:

“Allah has created the two mineral stones, gold and silver, as the measure of value for all capital accumulations. Gold and silver are what the inhabitants of this world, by preference, consider treasure and property to consist of. Even if, under certain circumstances, other things are acquired, it is only for the purpose of ultimately obtaining gold and silver. All other things are subject to market fluctuations, from which gold and silver are exempt. They are the basis of profit, property and treasure.”

Al-Maqrizi further argues on this point. He said:

“According to all reports, either valid or invalid, no nation or group of people is ever known to have paid for goods or remunerated for work in ancient or recent times in a currency other than gold and silver.”

Qudamah Ibn Jafar shares the similar view. He adds that:

“Since barter transaction are so troublesome a case, men have been guided by the divine-given discernment to seek out something that would associate all goods and constitute, in the eyes of everyone, Thaman that is price and Qimah that is value for whatever they need of an art, a craft, a crop, a fruit, and anything else demandable. And they agreed that it would be constant, as a requisite for its preservation and saving. For it was to be the essential character of what would be set as the price of all demandable goods. Whatever is vulnerable to quick decay and change is not fit in that regard so, what they set as the price for everything desirable was gold. Firstly because of its constancy and secondly because of its impressionability and malleability, to be imprinted with effigies and inscriptions that would preserve it from forgery. And since silver was lesser than gold in fineness, they reduced its value to a parity with gold commensurate with its fineness and durability. Now, since copper was lesser than silver in fineness, they reduced its value to a parity with silver accordingly. Now, the finest of all demandable goods which is amongst these three articles is preferable for the management of livelihood, when it is minted, to its use in the old system. For this reason there has arisen a need for issuing gold and silver coins or the like and for tendering them the way we explained so far.”

In the above discussed arguments about gold and silver as the currency, Muslims jurists have admitted that fundamental and basic function of currency is the function of medium

of exchange. They have further emphasized the reason of adoption of the precious metals by the people as an intermediary. These are adopted because of their qualities like general acceptance, fine quality, durable, constant, saving capacity and malleability required of coinage which are naturally possessed by Allah.

The Prophet (S.A.W) prohibits Muslim Ummah from using the utensils made of gold and silver. He also forbids the male Muslims from wearing gold jewelry. Thus this prohibition reflects the temperament and disposition of Islam. The precious metals should be used for coinage. Thus if money is to be exchanged for money then it must be completed simultaneously and without any delay.

Abu Said Al-Khudri Said (Bukhari, Muslim):

“Bilal brought the Prophet (S.A.W) some Barni dates and when he asked him, where he had gotten them, he replied; “I had some inferior quality dates so I exchanged 2 SA’s of them for 1 SA”. The Prophet (S.A.W) responded, this is the very essence of the Riba, the very essence of the Riba, do not so, but when you wish to buy, sell the dates in a separate transactions, then buy with what you get.”

This Hadith reveals that exchange should be equal and on spot. Barter was also practiced by the people of that time. Thus Prophet (S.A.W) prohibits this type of transaction and asked to make transactions separately. The prophet (S.A.W) has also imposed Zakat on the Muslims who had prescribed amount of gold and silver. The possessor of the prescribed quantity is liable to pay Zakat to needy persons if he had retained it for a year. The person who does not follow this instruction will be liable for the severe punishment. Thus Zakat reduces the idle savings only to the level above the individual Nisab. Islam encourages the investment of retained savings for the productive services and prohibits its delayed utilization. The Prophet (S.A.W) has also ordered the trustees of the orphans to invest their money so that it wouldn’t be worn away by mean of Zakat. He also taught Muslims to not to make money on the loss of any other person. Money is meant to use in transactions and not to be saved for personal satisfaction. Imam Al-Ghazali has discussed the use of gold and silver in life. He transcend the modern economists by agreeing that Allah Tala have created both Dinar and Dirham to move between hands, as a medium of



exchange, and a measure of value, and as a means to possess other objects. The Prophet (S.A.W) has prayed for the continuity of the gold standard for the Ummah to remain as a flourishing community. Al-Maqrizi shows in the historical context that currency is valued by means of Dinar and Dirham because they remained stable for time periods of time in Islamic history. Thus Quran and Hadith revealed that gold and silver is made by Allah with great value and this value will be retained in the next world as well. Quran also revealed that Allah has created the gold and silver to be used among different things as money. It is the only money that has some intrinsic value that can't be overcome by anything else. Thus gold and silver can be used as a coin for the usage in trade and other transactions without the worry of value loss.

### ***2.5 Characteristics Of Islamic Currency***

In the classical texts of Fiqah, coins are considered as money. The legal position of gold and silver coins is different from the role of raw metals. Copper money has a different characteristic, that's why they are assessed separately in classical Fiqah. Management of raw gold and silver is undoubtedly determined in Shariah. A Hadith in the respect of these metals also prohibits their forward sale. That is:

“Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, equal for equal, hand to hand. If these types differ, then sell them as you wish, if it is hand to hand.”

This Hadith prohibits two types of Riba. First is Riba Al-Fadl which is exchange in unequal amounts and is prohibited for the Jins, that is goods of the same type. Second is Riba Al-Nasi'a which is the exchange with delay within the type and is Haram. Most of the Ulama agree that every item named in the Hadith stands for a Jins. Thus an unequal exchange of gold for silver is permitted for instance. All four schools of Islamic Fuqaha agree that the six named items are just examples for the kinds of goods. The disagreements among Fuqaha starts with the question of defining the kind of goods. These kinds are extracted from the above mentioned Hadith through argument by Qiyas. Thus their results differ from each other with respect to money.

According to the Hanafis' interpretation of the Hadith, all these goods stand for two characteristics. First is Mawzunat that is goods measured in weight and Makilat that is goods measured in volume. Gold and silver are weighable and thus belongs to the Mawzunat. According to Hanafi school money is also treated as weighable good similar to the raw metal. Thus they prohibit the forward sale of money for any other goods that are usually weighed. The Hanbalis School generally shares the Hanafi's view in this respect. However, in their understanding currencies form a special position. According to Ibn Qayyim, "there is a rational concept peculiar to money not extending to the rest of weighed objects." Thus Bay' Al-Salam is permitted in the Hanbali School but in this school money may be only the item that is given at once. Since it is not treated as good at all thus it must not be served as Al-Muslim Fih that is the part that is given on time. Shafi's and Malaki's interpret the Hadith differently. They suggest that last four items relate to food items and the first two items represents the prices. Thus every sale of goods for money is legally sound. According to the Shafi School neither Makilat nor Mawzunat can be treated as money. Other than this, they are separated from all other goods by the consent of people who use money as such. Ibn Hazm has given a sophisticated argument against this special role of money. According to him, "Everything can be used as money because they can be evaluated against anything else." Thus anything may have the property of Thamaniya. Thus Shafi School provides many degrees of freedom. His reasoning supports the practical argument regarding sale because the Prophet stated it to be a "Useful way to earn one's living". He continues: "Since an exchange between gold and silver and other goods is allowed in other hands, this provides hint to an Illa which implies that they do not belongs to the goods. This Illa makes them to belong to the category of Athman that is price.

With the introduction of Thamaniya, Al-Shafi School has opened new dimensions of money. Now money does not remain a good in itself. Against the concept of gold money is not acquired for the sake of usability. It is rather hold by people because it is easily convertible into the goods that are ultimately required by them. Their face value may differ with their intrinsic value irrespective of their metal content. Other schools opposed this thought and believe in the rule of money as a weighable thing. Shafi school has allowed the difference in number during an exchange of money if it settles the issue of

unequal measures in weight. Thus inequality of weights is not allowed at all but acceptable in the thought of Shafi. Even Shafi School has in writings that measurement of money should be in weight rather than the numbers. In the time of Shafi coins were also treated as weighable item that's why he had to take this into account. Maliki School has taken this dimension to a further step. They allowed the Shafi's concept of weight and considered it as a Tafaddul that is generosity. The difference in weight of coins may not be compensated with numbers of coins. Thus two inequalities would really constitute Tafaddul and hence Riba Al-Fadl. Thus Maliki School allowed counting of money but disapproved the combination of both ways. This disapproval is based on the thought that measurement in weight cannot be compensated with the unequal numbers because weight is the best way of measurement.

Malik then proclaims in last that there is a connection between money as a numeric and as a good for the Zakat purpose. Zakat is levied only on the weights and not the numbers of coins of gold and silver. This distinction between weights and numbers plays an important role towards the conceptualization of money. Other legal scholars also believe in the complete distinction between dealing in numbers and weights. It is also important to consider this distinction while dealing in struck coins during the exchange in Juzaf that is undetermined quantities. Danger of Gharar usually involves with this kind of sales that's why Malik reject the concept of counting goods. According to him, "Dinar and Dirhams belong to the counted goods in this context and are therefore excluded from the Bay Juzaf". To understand whether Dinars count as a weighable or a countable good, Maliki School concern themselves with the Verse that says:

"They sold him for a low price of counted Dirhams."

One belief regarding this verse is that Dirhams have to be counted rather than measuring them in weights. Another belief is that only small prices are to be counted where as higher prices are to be measured in weights. First statement excludes Dinar from the countable items whereas second statement makes them countable if use them for lower prices. Classical Scholars do not distinguish clearly between counting and weighing thus the understanding of distinction between coins and raw metal is still disputed.

The other major topic is the determination of rate of exchange between Dinar and Dirham. In starting of Islam the both types of coins were prevailed in different territories without any differentiation. Although both the coins were mostly used primarily in east and west, and mostly interacts with each other. Thus it holds the interest of Scholars from early on. This issue is dealt mainly in the context of theft.

Quran have pointed out the severe punishments for theft but jurists' believe that these punishments depend upon the amount stolen. The Nisab that is minimum amount for those punishments is also conflicted in the classical texts. The Hanafi Scholar mentioned the following Hadith in this regard:

“Do not cut the hand except if (the theft is) a Dinar or 10 Dirhams”.

Whereas Malik presents the Nisab as: 3 Dirham for a quarter of Dinar. Al Shafi represents a view with a contradictory Hadith sources that exchange rate prevail between 3 to 8 Dirhams per quarter Dinar. Al Shafi is based in Egypt where silver was not used as a medium of exchange. Thus he considers Gold as a currency and silver as a good. The upper mentioned floating rates are suggested on the view of floating goods prices. This view is also visible with current prevailing about Zakat. Al Shafi is the only Scholar who supports the concept of minimum Zakat calculation on gold and silver separately. Whereas other scholars considers both cumulatively and then levied Zakat on their sum in total. Al Shafi treated both metals separately and thus they cannot be combined to form Inan that is partnership capital. Other Schools of thought accepted the partnership capital formation with both metals with the condition of agreement for this by all partners. Conversion rate in this case is floating as well which allows the floating exchange rates between currencies.

Third major topic is related to the difference between the intrinsic and face values of the currency. Fullus and Maghshosh money both possesses the intrinsic value less than their face value. Fullus is termed as the ancestor of the modern money. All Schools of thought allowed the use of Fallus and showed disagreement towards their type whether Mal Ribawi or not. As the Fullus intrinsic value is less than their face value thus their holding implies the danger of Gharar that is uncertainty. Same is the case with Maghshosh money

and thus their rate of conversion remains unsecure. Classical text provides two ways for securing the convertibility of money. Either money can be traded with local restrictions. These restrictions may be applied to the small circle of traders or upon the acceptors of agreement to accept money. Fallus attracted the Scholars interest to determine whether being Mal Rabawi it can attract Riba or not. Abu Hanifa and his student Abu Yusuf permits the use of Fullus as the Muslim Fih in the Salam contract. One student of Abu Hanifa Named Al-Shaybani disagrees with his teacher and presented his view that Fullus also provides representation of prices like Dinar and Dirham. Thus they are also capable to attract Riba. Al Shafi disagrees with the use of Fullus as currency and hence provides a different view for Salam contract. Ahmad Ibn Hambal restricts the use of Fullus as Muslim Fih. Maliki is not clear about the suggested problem but also provides disapproval. In case of Maghshosh money, same problem occurs. In this type of money gold and silver are mixed up with brass and copper. Hanafi's suggests that, if the coins are used mostly at face value than they permit counting. Danger of Gharar in this case is reduced by the view that they will be accepted by others. Whereas other schools suggest that: if the value is not known than they should not be counted thus it constitutes Gharar. At the same time, because of the heavy use by the people restricts the applicability of the legal findings. Thus the use of Maghshosh money is allowed by jurists to assist the people in their daily transactions.

## ***2.6 Viewpoints For Currency***

Viewpoints on money by Muslim scholars can be traced back to the beginning era of Islamic history. In that period the jurists focused on issues related to the laws on Riba, Zakat, Exchange, Sales, Loans, Leasing etc. The jurists considering these issues did not look at them in purely economic perspective. These jurists consist of scholars of Tafseer and Hadith as well as historians. According to Al-Maqrizi, the issue of depreciation of money firstly occurred in the year 64 AH. Thus Fuqaha of that time had their opinion about this issue.

While discussing the issue of money, one must also keep in mind that the views on money by different scholars were also affected by the legislations of the state, of their time. Thus the early scholars had seen Gold and silver as the only currency whereas;

copper was also circulating as coins but in limited quantity. Thus based on these Fullus coins one may consider that other forms of money can also be adopted. For example in 728 AH, Ibn Taymiyyah accepted Fullus when they were not treated as major currency. He favors the Fullus to be minted without any injustice to the people's transactions. In 751 AH, Ibn Al-Qayyim the student of former scholar also favors the use of Fullus. According to him the inflation at his time can be catered by minting better quality Fullus than the previously prevailing ones. However, as the time passes and the use of Fullus become common, the scholars increasingly faced the problems of excessive use of copper based money. In 808 AH, Ibn Khaldun and later in 845 AH, his student Al-Maqrizi limited the money to only two minerals, gold and silver. Al-Maqrizi argued that the currency that may be used to determine the prices of commodities and cost of labor must be consisted of only gold and silver.

According to Al-Maqrizi the main reason of economic crises in 806 AH was the excessive use of the Fullus coins. The severe effects of Fullus on the economy paved the way for Al-Maqrizi to limits the currency only to gold and silver for major use. Thus major expenses may be covered by these precious metal coins while minor expenses may be covered by the Fullus currency. Thus due to the change in economic and financial dimensions of the money, the issues of money were given more attentions. Special written treaties by scholars can also be find on this money issue. Other then Al-Maqrizi, one can also be benefited by the writings of Al-Suyuti 911 AH, Al-Tumurtashi 1004 AH and Ibn Abidin 1252 AH.

There are two schools of thought regarding money in the Islamic literature.

- Views that favor the use of gold and silver as currency.
- Views that are against the use of gold and silver as currency.

Both of these schools possess the scholars from past and present as well. Among these scholars those are more cited that belongs to the era of currency before copper currency. Like Abu Hanifa did not mention gold and silver directly to be used as currency while, other scholars based their opinions on their interpretation of earlier writings.

Those later scholars who supported the view of using gold and silver as money based their decision on the interpretation of the views of Abu Hanifa through Ijtihad. They positioned their statement on the reason that since Abu Hanifa and Abu Yusuf did not mention the possibility of Riba on copper coins. Thus it is used as a proof that gold and silver are the only currencies in their consideration. On the other hand those scholars who do not restrict the use of gold and silver as money, they follow the views of Al-Shaybani. According to whom Riba is also possible on the copper money. Thus it provides the base for those scholars who believe any acceptable thing can be served as money. Likewise similar cases of differences in opinion can also be found in other schools of legal thought. In the present time it has become an interesting subject for the scholars to discuss the money in Islamic perspective. Other than conferences and meetings of the Fuqaha, several Fiqh councils are established to resolve these issues.

Before discussing the two views on gold and silver as a currency, it is important to highlight certain commonalities held by the majority.

- The basic objective of Shariah is to protect the wealth of the Muslims to promote human welfare. According to scholars money is only one type of several wealth.
- Shariah clearly prefers to make transaction through money rather than the use of barter trade. Thus it encourages the economic activity.
- Gold and silver are accepted as money because of their natural worth.
- They are approved by Prophet (S.A.W) to be used as money.
- Their value is relatively stable than other forms of money.
- State is responsible to mint, regulate and supply them.
- Money is considered as a medium of exchange and measure of value rather than the commodity itself.
- The Illah of Riba in money is presented due to the functions of money. The earlier scholars considered the Illah to be the weight of the gold and silver. Whereas new scholars after make an extensive research provided the view that Riba can be found even when the coins are weigh.

### ***2.6.1 Views That Favor The Use Of Gold And Silver As Currency***

Scholars in this group do not consider the use of Fullus as currency. They believe that only gold and silver can be served as currency. Thus the rules relating to Riba and Sarf that is exchange, only assists in the case of gold and silver. Whereas Urud rules that is wealth other than money applies to the Fullus. Other than this the scholars also considered the Illah of Riba to be limited to gold and silver only. This group includes Hanafi Scholars like Abu Hanifa, Abu Yusuf. Past Maliki Scholars like Ibn Nafi, Al-Adwani, Shaykh Alish a mufti of Maliki school in Egypt. Shafi scholars like Al Ghazali, Al-Nawwawi, Al-Suyuti, Al-Maqrizi. Views of the followers of one of the Hambli schools like Mujahid and Nakhai are also included.

Other than above mentioned scholars, we can find some other scholars who favor the view of using gold and silver as money. These include Shaykh Ahmad Al-Khatib, Shaykh Abd Al-Rahman Al-Sadi, Ibn Badran, Ahmad Al-Husayni, Shaykh Al-Mutii, Shaykh Muhammad Amin Al-Shanqiti, Taqi Al-Din Al-Nabhani, Muhammad Baqir Al-Sadr, Muhammad Mukhluf, Hassan Ayyub and Nasir Farid Wasil.

#### ***2.6.1.1 The Affirmations Following This View***

- According to Sunnah Taqririyyah, The Prophet (S.A.W) approved the assistance of gold and silver in Makkah and Madina for economic transactions. Thus it makes Hukm Shari to use gold and silver as money and due to this gold and silver can be used as money.
- Muamalah and Ibadah Maliyyah consist of gold and silver. Likewise calculation of Zakat on money is based on gold and silver, Other than this Diyah that is blood money, Hadd Al-Sariqah that is theft punishment and exchange transactions are based on gold and silver calculations.
- Several Verses in Quran indicates that gold and silver are to be functioned as money. In Surah Al-Tawbah, 34: Forbids the hoarding of gold and silver which shows that these metals are to be served as money. Surah Al-Imran, 75 and 91: presents the feature of money as store and measure of value. Surah Yusuf, 20: presenting silver as a medium of exchange and measure of value. Surah Al-Kahf, 20: using silver as a medium of exchange.



- Gold and silver possesses the features of money naturally.
- A Hadith presented in Ibn Majah that prevents the Muslims from the destruction of their monetary systems.
- Al-Shafi and Maliki Scholars have limited the Illah of Thamaniyyah only to gold and silver. Thus other things cannot be treated as money.
- The fact of prohibiting the use of gold and silver as ornaments and jewelry for man provides the hint for their functionality as money.
- The objective of Shariah to achieve justice in monetary system requires the stability of measure of value. Thus gold and silver being relatively stable can be used as money.
- Prohibition of hoarding of gold and silver and rules of Zakat on them also reveals the fact that they must be remained in circulation. Thus by this way they must be used as money.
- The Fullus was not presented in the time of Prophet (S.A.W) thus neither Hadith relating to Riba on Fullus is found and nor the Hadith relating to Zakat on this Fullus.

### ***2.6.2 Views That Are Against The Use Of Gold And Silver As Currency***

Scholars in this group consist of those who favor the use of Fullus as money. Thus they distort the limitations imposed by the other schools of thought who have limited the scope of Illah on Riba to the gold and silver only. Thus they belie that it can be applied to anything that is acceptable in society as money.

The scholars constitute this group includes Hanafi Scholars like Al-Shaybani, Maliki scholars like Al-Hattab, Al-Wansharisi. Some Shafi and Humbli scholars like Ibn Taymiyyah, Ibn Qayyim. Zahiri scholars like Ibn Hazm and their followers like Laith Ibn Saad, Al-Zuhri. The majority of modern scholars include Yusuf Al-Qaradawi, Muhammad Taqi Usmani, Abd Allah Sulayman Al-Mani and also the Fiqh Councils in the Muslim world.

#### ***2.6.2.1 The Affirmations Following This View***

- The Sunnah Taqrririyyah supports the view of gold and silver as money but it does not interprets that nothing else could be used as money.

- Khalifa Umar Ibn Al-Khattab wanted to use the skin of camels as money but the Sahaba of that time denied it. The reason for denying was not that it cannot be served as money but the reason was it may create the shortage of camels. Thus Umar Ibn Al-Khattab intentions also favors that anything can be used as money.
- There is no prohibition found in Quran and Sunnah relating the use of anything to be served as money.
- The issues of money fall under the types of Al-Masalih Al-Mursalah and thus the scholars possess the authority to determine the source of money of Al-Shariah. Thus it open the ways for the authorities to decide the source of money in better interest of the society.
- Customs should be evaluated by their meanings. Money means anything that serves the functions of Medium of exchange and measure of value. Thus it does not mean to limit it to only gold and silver.
- Purpose of Shariah is to provide easy living to the Muslims. Thus with the limited supply of gold and silver it would be difficult to fulfill economic and financial needs of the society. In this way money other than gold and silver is to be applied.
- Accepting any money other than gold and silver will assist in observing the Shariah obligations like payment of Zakat and Riba avoidance. If only gold and silver are to be used as money then people will stop paying Zakat on their other wealth and will also involve themselves with the Riba as well.
- According to Ibn Taymiyyah, Illah of Thamaniyyah is absolute for money and not limited to gold and silver only.

There are two other evidences given by the firstly discussed group but they are not directly opposed by the secondly presented group. Thus from the second group we could not recognize the value of the money to be used. Although the rule of Nisab for the calculation of Zakat is based on highly valued materials, which's hoarding is also prohibited by Prophet (S.A.W) through his Ahadith and by Allah Tala through Quran. Second group argue that anything can be used as money but they forget to convey that those things must possess some value.

## CHAPTER 3: IMPLEMENTATION

### *3.1 Realistic Approach*

There are certain believes that makes the things real. Other than these believe, one and most important thing is to understand the philosophy of the desired thing. The understanding of the concept of money first requires the understanding of the philosophy of economics. Economics is the study of optimization of the resources. Thus it is based on the two concepts first; everyone possesses unlimited desires and second, is to fill these desires with limited resources. Unlimited desires show the general behavior of the creatures of Allah. When we look into the behavior of animals we will find that they use to save their food to feed their children and sometimes for their future time. As mankind also belongs to the animal family thus they also possess the same nature. Being human they have brains that provide them more solutions than other animals and thus they could ultimately save their resources for more time than the other kinds have. This saving capacity of mankind paved their ways to desire more than their thoughts. This behavior ultimately leads to the desires of having more and more. On the other hand limited resources are available to every living thing in this universe. In Islamic perspective, Allah Tala has made them scarce to remind his creatures that He is the only authority that can provide them anything. Thus this act of Allah Tala leads to the two types of behaviors. One is of those who try to fetch from others by making their own territories and boundaries from where no other can be benefited. The other one is the group of those who believes in the authority of Allah Tala and asks Him to provide them what they desire. Both of these behaviors can be seen in any creature of Allah. If we look into the animals we will found that they made their territories in jungle. In these territories no other animal is allowed to search for food. Same is the case with humans where no poor is allowed to enjoy the benefits of a richer. In the case of Believers, animals feed themselves with that much that is required by them for that time and leave the remaining with a belief that next day Their Lord will provide them resource to feed themselves. Whereas in humankind the believers earn that much, which they could consume and then distribute the remaining through Zakat and Sadqah to the poor which ultimately makes them able to satisfy their basic needs at least.

### ***3.1.1 Philosophy Of Economics***

Being human, let's discuss the philosophy of economics in human perspective now. As we have discussed earlier that due to unlimited desires and limited resources every human being saves his resources. The desire for more and more force them to use their saved resources in such a way that can assist them to serve their other desires. These ways are known as investments and for these investments they search for those sources that provide them maximum return. These returns are interest and comprises of risk free rate, expected inflation and risk premium. Risk free rate is the amount charged for nothing. It means that it is the profit that one will earn if he gives his saving to other. Expected inflation is the amount charged to cope up the loss that the lender will face, if the price of goods increases. In last risk premium is the amount that is charged for being the lender of the resource. Thus the borrower of these resources either uses them for personal consumption or for the production of sources. Those who use it for personal consumption satisfy their current needs and pay for them later on with interest. Those who use it for production, generates new sources and after selling them they pay their loans.

First way increases the demand and second way fulfills the supply. These activities enhance the economic transactions in the society. Thus the supply fulfills the demand. If the cost of production increases and results in decrease of supply or the demand of goods increases with the previous supply, inflation occurs. The authorities then intervene to reduce these gaps by imposing the taxes and maintaining the interest rates to cater this inflation. Several other factors also pave the ways for inflation; the most important among them is money supply. Money supply means the generation of money and then its circulation in the society. It is among the basic instinct of human kind to have more. These authorities are also made up of humans and thus other than some times of need of economy they create more money that satisfy their desires. This money creation not only increases the money supply but also affects the society adversely. It increases inflation that reduces interests which declines the investments. As the investment reduces, it reduces production that hits the inflation twice which then ends up the economic activity and ultimately results in devaluation of the currency. Thus handling inflation is much more important than to handle any other thing.

### ***3.1.2 Philosophy Of Money***

Money is anything that constitutes the three basic attributes. These are medium of exchange, store of value and measure of value. All these characteristics are associated with paper money not because itself it possesses any intrinsic value but because human beings have associated these characteristics to money. Initially paper money has three kinds. These kinds are representative paper money, convertible paper money and inconvertible paper money. Representative paper money is the one which is totally backed with gold reserves behind it. America was the last country that has left this kind of currency in 1971. Representative paper money is the one that is backed by metallic reserves but currency is issued more than the reserves ratio. This type of currency had never been issued by State Bank of Pakistan. Lastly inconvertible paper currency is that which is not backed by any metal resources and government is not liable to pay for them when demanded. This type of money is also known as fiat money. Now a day's several countries including Pakistan are making inconvertible paper money. The paper currency issued in Pakistan bears a promise by the government. This promise is visible on every paper note with words "The bearer will be paid on demand" and it is signed by the governor of state bank. All the countries in this world issues currency notes but all of them differ with each other. This discrimination is not made on the basis of their better quality but on the basis of their value. Thus what matters the most is the value of the paper money. In this regard Bretton Woods's conference by United Nations in 1944 played an important role. This conference resulted in the development of International Monetary Fund and the International Bank of Reconstruction and Development. The purpose of this conference was to make international monetary rules for finance and commerce. It was agreed in the conference that all the allied countries must Peg their currencies with gold and remaining balance for trade will be assisted by the IMF and IBRD in foreign currencies. Thus ultimately this assistance resulted in more dollars and ultimately made it the most acceptable currency. This conception ultimately ends up the gold from the reserve backing of almost all the countries. Now every country has their currencies that are backed by the international reserves and most specifically these are dollars rather than gold. Dollars itself are backed by the gold and other assets. Thus now

a day the currency we use is totally Fiat in Islamic thought and it is considered as Fullus in Islamic system.

As we have mentioned earlier the concept of Fullus was not prevailed in the time of Prophet (S.A.W). In the time of Prophet (S.A.W) only two types of currencies were used other than barter and they were gold and silver. This is why the main reason that most of the Islamic literature's calculation of Nisab is based on gold and silver. All the literature regarding legal and financial issues of that time is found in gold and silver. They were not only used as commodities at that time but also used as a mean of exchange. This is why in Quran and Sunnah there are several evidences that prohibits the hoarding of wealth and also to use them as mean of exchange. As we have discussed earlier that Islam is a complete code of conduct so how one could deny that it does not provides knowledge about financial issues. Even Prophet (S.A.W) has done the business of trade himself. When he himself conducts the trade then it is impossible that he would be unaware of the financing issues. As he was aware of these problems that's why he has provided the solutions for the Ummah with the Knowledge provided to him by Allah Tala.

### ***3.1.3 Philosophy Of Riba***

Now let's try to understand the philosophy of currency and the related issues that were described with them. Riba is the primary issue that is discussed in Quran and Sunnah several times and it is also the notion of interest for all the Fuqaha of the Muslim Ummah. According the definition of these days, Riba is any excess charged on the principal amount. Thus the modern Fuqaha believe that the interest of today's economy is as same as the Riba of previous times. Let's discuss the reason that describes why the Riba should be prohibited. Take an example of commodity. Commodity is anything that is used to serve the consumption to fulfill the desire of the mankind. Commodities possess some value that is completely market driven. These market forces determine its price. If the demand of a certain commodity increased then its shortage of supply boosts up the price of the commodity. Thus with the passage of time the value of commodity will also increase. It means the value of commodity at the time of lending was much lesser than the time of receiving back. Thus by this way he has earned the same value as it is prevailing now. This value is already more than the value of commodity he lends

before. Thus according to modern interest theory the commodity concept already fulfills the requirement of risk free rate and expected inflation. When additional commodity is charged then this will represent only the risk premium received by the lender which is Haram and considered as Riba in Islam. In case of Fiat money whose value doesn't increase with passage of time. The reason behind this is that it does not possess any value thus the lender of the fiat money will face the problem of expected inflation. According to modern Fuqaha additional amount charge either on this fiat money is Riba. In general perspective the lender of fiat money is in loss and the borrower is in benefit. According to Quran and Sunnah, Transactions should not be resulted in the loss of another party. Thus it is the main reason that currency should be the one that possesses some value. Value increases with the passage of time but the thing without value always decreases with the passage of time. Islam prohibits Muslims from benefiting themselves on the loss of others. This dilemma requires serious intention of the Fuqaha to resolve this issue. This issue could be catered if the currency to be used must possess any value. Among the high value ones gold and silver are preferable because they have been used by mankind in the past.

### ***3.1.4 Philosophy Of Zakat***

Let's now discuss the philosophy of taxation in the context of Islam. Islam permitted only two major types of taxes, one is for Muslims that is Zakat and other is Jizya for non Muslims. Jizya is levied on non Muslims for the security of their wealth and life. It is imposed by the Muslim state in which they accept through agreement the authority of Muslims. This agreement determines the rate and time for these levied taxes and in most of the times they were found very nominal. Evidences for the imposition of this tax are found in Quran and Sunnah. In these sources it is found to be levied them or fight them in the name of Allah Tala. The purpose behind these taxes was to provide them with sufficient time so that they could create affiliation with the Islamic norms. Other than this it is also used to fulfill the treasury requirements of the state. As Muslims are charged with Zakat so non Muslims have to pay this but on the belief that government will protect their wealth and life.

Zakat on the other hand is levied on Muslims to help the state and its people. There are several sources available in the Quran and Sunnah that requires the implementation of Zakat. Concept of Zakat includes several things but among them most important is to assist the poor. The rationale behind the implementation of Zakat provides the hint for economic activity. According to Quran and Sunnah sources, Zakat purifies the wealth and is a source for redoubling the wealth. Thus this purification refers to the non hoarding of wealth as the hoarding of wealth is strictly restricted in Quran and Sunnah. This Non hoarding of wealth leads to the distribution of wealth to those who need it. People who need it are those who hardly satisfy their basic needs. When they receive the wealth in the form of Zakat, they try to satisfy their basic needs. Thus this satisfaction leads them to the markets from where they can buy the commodities to fulfill their needs and ultimately this wealth goes back to the Zakat payer. On the other hand the part of the Zakat that is used by the government provides the feasibility of business expansion and employment opportunities. These opportunities are generated by the way of capital expenditures in the benefit of the State. Thus by this way currency remains in circulation and this circulation increases the economic activity in the society. This increased economic activity leads to the balancing of both supply and demand only if the valued currency is used. If the valued currency is used it will resist the inflation impact. As the money supply increases it will also increase the demands for goods. This demand for goods will lead to the increase in supply of goods which will be assisted by the government. With this assistance, the seller would be able to satisfy that additional demand. This will ultimately leads to the price maintenance and hence no inflation in the society. In case of fiat money, if the demand of goods increases than other than government assistance the producer will require additional money. It is because the value of money before Tax was more than after the implementation of tax. Thus to fulfill the additional requirement the producer will borrow from any other person. This will leads to increase its cost of production. This increased cost of production leads to increase prices and thus ultimately ends in inflation. As the without value money can be made as much as could than it would not only reduces the welfare of the society but also adversely affects the economy and hence economic activities in the society. This philosophy thus also supports the use of that currency that possesses some value in it.



### ***3.1.5 Philosophy Of Exchange Rates***

Let's now discuss the concept of exchange rates of currency in context of Islam. We have discussed earlier that several rates of exchange can be found in the books of several Fuqaha. Sources are also provided in which coins were treated as countable and weighable items by several Fuqaha. Rates of exchange were provided to determine the price of one commodity in terms of another. The way of determining these rates is also provided to assist the mankind while making economic transactions. This helps to eradicate the benefit on the loss of others. Several sources in Quran and Sunnah are also available that prohibits Muslims from enjoying the benefits on the loss of others. While looking in the concept of the exchange rate we can easily find that exchange rates are formed for the exchange of different commodities. It is not for the exchange of same commodity. The sources that prohibits the exchange of same commodity they prohibits in the case of similarity in quality and quantity. It means that no superior quality of same commodity can be exchange with its inferior quality. Same is the case with the quantity that lower quantity of same commodity can't be exchange with its higher quantity. Thus it paved the ways for the exchange of same commodities in two ways, one is to use barter but in same weights and second is to sell it in the market and make a separate transaction through a medium of exchange.

There are two types of commodities, some are countable and some are weighable. These weighing and counting qualities are associated to the commodities naturally. Thus no commodity could be assigned with either weighing or counting by any mankind. Neither dozen eggs could be sold in the market by expressing them as a liter of eggs nor the liter of Milk could be sold by expressing it as a dozen milk. According to our Fuqaha, paper money is not a commodity and thus it can't be weight or count. It is a piece of paper with a value assigned by the government. Every country in this world issues the same piece of paper with difference in outlook and value. Thus to exchange one paper note with another country's paper note, a difference is to be paid. This difference is to be paid due to change in values but in Islam value is possessed by only natural things. This change in value is due to the inflation and growth factor differences that devalue the currency. As paper money is not a currency with value. Thus no Islamic exchange rate can be applied on this type of exchange. If an Islamic country accepts the different exchange rates than

the Fuqaha must consider paper money as a commodity. Most of the Fuqaha consider paper money as a countable item. If it is a countable item then it must be exchange in same counting. Practically they are exchanged with the weight of value. This difference in theory and practice can only be overcome if the currency made with precious metals is used. The coins of gold and silver have the capacity to remove this gap. As if both the countries have same commodity money then their exchange will be based on their weights. Thus the counting concept will be eradicated. Counting has a problem of differences which could be covered up by the weights. This is the reason why specific weights of coins are mentioned in several Islamic history books. The exchange rate between gold and silver is also mentioned there. Fullus on the other hand has no exchange value. It is because the face value assigned to them is much higher than their original value. Thus their exchange is not possible. The modern currency of the world is like Fullus. It is because their face value is higher than their intrinsic value. Thus the better way to save from such situation is to use the precious metals as mean of currency.

### ***3.2 Benefits***

Muslims are not the founder of metal currency. Hence they are the followers of the metal currency. In the time of Prophet (S.A.W) two mediums were used for economic transactions. These modes were barter and metal coins. Several Ahadith are present in Islamic literature in which use of currency was preferred on barter trade. It so because in barter there are more chances of Riba other than currency. Thus it is important to understand the benefits of the metallic currency that opens their way for the use as a medium of exchange.

Islam is the most peaceful and humanity based religion. Thus it believes in the mutual benefits and not the benefit of individual. On the other hand it is legitimate in Islam that compensation to the worker must be provided according to his hard work. Thus it means that the compensation should be in the form that could be used to fulfill the desires and needs of the worker. These needs and desires can only be fulfilled if the currency to be used must possess some value. The reason behind this is that the desire for work comes with the desire for consuming utility. Thus when the desire for consuming utility emerges, one has to wait for the time to receive the remuneration for his work. In this

time period the price of that good might increase and hence he might not fulfill the utility due to lack of money. It is so because the value of paper money could easily be decreased by printing more and more paper money. Thus they boost the inflation and thus prices increase for each item. Gold and silver on the other hand are commodities whose value increases with the passage of time. It is because they are scarce resources and no one can make them on their own. Thus they are helpful in maintaining the market prices stable. Thus the compensation in gold and silver serves as more store of value than the fiat money.

From the past it is in the nature of mankind to exchange their possessed goods and services with the one possessed by others. This concept is based on the desires to be fulfilled. If we look around near ourselves, everyone is trying to barter his services or goods for the sake of utility. In past they use to exchange goods or services for goods or services. The dynamic changes in this world has changed the monetary system and introduced generally acceptable currency. These currencies are in the form of paper primarily. Thus now people use to exchange their goods and services for this paper money and then buy their desired utility from this medium. It serves as a medium of exchange in a particular region. In other countries same paper form of money is used but with other style and designs. One country's paper money cannot serve as the medium of exchange in other country. It is so because each country possesses own medium. Other than this the prices for goods and services and their quality also differs which makes it inappropriate to use them as a medium in foreign countries. Whereas in case of gold and silver; everyone would accept it because it is demanded by all the mankind. Thus it could be used to obtain the desired utility according to the price and weights of precious metal in that country. Being better store of value its price and value would be same in every country. As it combines with general acceptability it could be serve as the better medium of exchange than any other form of paper money.

Barter in the past has the difficulty to measure the value. This lacking of barter paved the way to use such medium through which goods or services could easily be measured. According to the modern economists paper is also the kind of currency that can serve as that measure. Economics is a science whose laws come up with certain assumptions and

limitations. Thus it is appropriate to consider that evolution in paper money also comes up with some assumptions and limitations. In the time of introduction, paper money possessed some value which was based primarily on gold and silver. As the time passes almost every country has diminished these reserve requirements and maintained the paper money without these reserves. The paper money which we use now, in actual doesn't possess any value. It is just merely a promissory note without any chance of fulfillment. Hence how it is possible that the thing that don't possess any value could be able to measure the value of others. If it does possess the value it is not because of the paper quality but because of the reserves of gold behind it. Thus the thing that measures the value is gold and thus could be used as better measure of value than paper money.

Islamic currency is mostly based on metal coinage. Development of metallic currency in the past and understanding of economic theory proves it to be best modes of exchange. In the past time people use to trade these metallic coins for economic exchanges. They not only fulfill the trade requirements but also provide the continuity of value over time the most important factor of these currencies is that they must be mined to fulfill the economic needs of the countries. Their extraction from the earth is very costly. Thus production of these metals is limited due to the expensive extraction procedures. These metals remained scarce because of their high extraction costs. Thus the supply of these metallic coins remains limited which maintained the money supply naturally. If these metals are used as the monetary commodities, the demand from the people to use them will remain high. This will lead to the ability of the people to value these coins in future as well. This is so because of the factor of continuity over time. People will sell their goods and services in exchange of these coins. Due to the continuity of demand for these metals, it encourages the miners to search for new sources of gold and silver. It will result in slow and predictable supply of currency. This limitation allows the individuals to predict prices more accurately. The accurate decisions will be made on the basis of the available supply of particular goods and services. Thus their focus will tend towards the supply of the non monetary side rather than the monetary side of the transaction. Stability in the monetary side helps them to make error free forecasting that leads to the benefit for everyone. This currency is totally based on the demand factor and hence their supply is not controlled by the government.

Inflation is not possible in the case of gold and silver monetary standards. Mostly gold is found in people's possession where as silver is mostly used in industries. Even in this aspect inflation is not possible. Reason behind this is that their mining is difficult and costly and thus the money supply remains limited. The breakdown of exchange because of the contraction of money does not provide the basis for economic collapse. If these coins are used as primary medium for exchange then the increase in the production tends to lower prices. As the supply of goods is high and demand for them is low, the equilibrium will lead to the new lower prices.

Steady increase in goods and services will leads to increased supply of goods because of their continuous production and by mean of lower money supply because of the scarcity, their prices will remain low. These steadily lower prices, fulfills the economic goal. As we take the scarcity as the liability then the increase in productivity reduces this effect of liability. Decrease in scarcity comes with the decrease in general price level because of the competitive forces. Lower prices are an indicator for increase in wealth. Thus price deflation reflects social and individual benefit. Deflation in the sense of contraction of money supply does not possess any benefit. Thus gold and silver contains the characteristic of price deflation and not the monetary contraction. Thus gold and silver usage as currency is better than fiat paper currency being used around the world.

Those economists who believe in the metallic monetary system are dismissed as the gold bugs. The reason of their dismissal was the belief of their critics that all economic policies must be made and implemented by the government only. They do not believe in the free market economy and thus the individual decisions. They lack the trust on the individuals with regard to their money possession decisions. They are the believers of the state sovereignty that's why they dismissed the theology of gold. As the followers of the governments they are against the defenders of the individual responsibility regarding the quality, quantity and physical form of the monetary unit. Thus by this way theology of state sovereignty have took over the theology of the free market. Whereas free markets, can only be obtained by the use of gold and silver.

There are several features of those commodities that have become money historically. Metal money thus possesses all five of these characteristics in larger degree than any

other commodity. These characteristics are; recognize ability, divisibility, and transportability, high value in relation to weight and volume and continuity of value over time. Above all these characteristics every commodity being used as money must have liquidity. In terms of economists it is a transfer of a physical characteristic to an economic characteristic. Any asset is considered liquid if it can be converted into the cash without any cost. Thus any item by which exchange of goods and services is not possible is not considered as money. They have the characteristic to save the creditor from the effect of change in money value. As the supply of the metal is scarce then with the passage of time its value will always increase. Without even interest charging the creditor will gain the coins of more value than those which were issued by them on credit.

Metal coins also possess the characteristic to resist risk. Firstly they are scarce thus it is difficult to increase the money supply at any time. Secondly if they are possessed by anyone than expansion in the businesses will only be to the extent of their wealth. The increase in business activity will lead to the increase in demand for labor. This increase will even not increase the production as much that may give disaster if not increased continuously. Other than this it reduces the cost of production because one has not to pay the interest on the additional capital. Thus the prices of the products remained low due to the deflation impact. Their demand will be low because of the slow money supply. This all situation will lead to the position to eradicate risk.

### ***3.3 Expected Issues***

Gold and silver are the blessings of Allah Tala on the mankind. They possess a precious value in themselves. They are mostly used in jewelry these days. The concept of using them as a currency is totally abandoned now. Although they fulfill all the requirements to serve as a currency but still they possess several issues. These issues hindered the ways for using them as a currency. Despite the fact that they are being used in the past all over the world and still several countries are looking to implement it. There are several issues but most important of them is the lacking of basic ethics. The monetary systems are made according to the requirements of the masses of the particular country. Thus they reflect the life style of the people living in that particular region. The crux of the Islamic education is to perform those things that are beneficial for whole society and not for the

individuals only. If we look into the modern dealing approach of the masses, they are for their individual benefits. In Pakistan those rules are prevailing that are for the benefit of the individuals. On the other hand even masses also favor those policies that are in their benefits. Even though with lots of benefits gold and silver coinage will face several issues. To resolve these issues it must be kept in mind that firstly basic ethics should be followed by individuals. The issues in this scenario can be of two types:

- Strategic Issues
- Operational issues

Strategy issues are related to the main issues that would be faced at the time of implementation and making policies and operational issues would incur after implementation. Let's discuss these issues in detail.

### ***3.3.1 Strategic Issues***

Strategies are made for the future with an available information and infrastructure. In Pakistan Implementation of gold and silver money will firstly face the issues of modern economy system that is based on paper money. It is in the nature of mankind that it resists change. Thus it would be difficult by the people to accept it for the sake of trade.

- Firstly, it would be difficult for them to carry the large amount of coins of gold and silver. Both the gold and silver possesses weight much higher than the paper money. Thus it will increase the chance of theft as well as uncomfoting of carrying them.
- Secondly, it would be difficult for them to make purchases in small quantities. As we have mentioned earlier that gold coins have specific weight of 4.25 grams and silver coins have a specific weight of 2.95 grams. Both of these coins possess more value than the current legal tender lower denomination coins and bank notes. Thus those things that are priced at lower denominations would be difficult to buy in same quantity from gold and silver coins.
- Thirdly, they can't be made in different denominations. Due to the specific weights and specific exchange rates among gold and silver, it doesn't allow

making the same coin with different denominations. It is due to the reason that they must be used on their intrinsic value and not on their face values.

Gold and silver monetary system firstly requires their reserves. Although their reserves are in large quantity in Pakistan but still it is very costly to extract them. Even if they are extracted, it would be not enough to fulfill the future demand for gold coins. Thus with the passage of time and increasing population with demand for currency will lead to the end of resources. Other than this if Pakistani government starts using it, it will face the problems of international trade. In international trade foreign currency is used. Thus by two ways foreign currency can be obtained one by exports and other by foreign remittances. Being a developing country, import bills of Pakistan is more than its exports. Thus for the balance of payment a fraction of gold coins would be used to pay off the balances. Thus with limited production of gold coins there is a possibility for shortage of gold coins in the economy of Pakistan. To fulfill the gap more exploration would be required and thus more expenses are to be made. Other way to fulfill this gap is to buy from international market. Thus for a short time period it will create the shortage of money supply. This shortage of money supply will lead to the unemployment. If the people starts hoarding of money because of their individual benefits at the same time than the circulation of money in the economy will stop. As the money circulation stops then it would be difficult to revive the system. Even if the Pakistani government have to buy it from international market, than revival of the system is not possible. This situation thus can lead to the collapse of the economy.

Now a day's monetary systems are controlled by the representative governments of the particular economy. Both the production and supply of the currency is managed by the governments. Thus government plays the role of regulatory body. In case of gold and silver, government would play the same role. In case of production, government could not bane the duplicate production. Thus to prevent duplication, severe check and balance systems should be introduced. As we have discussed earlier that now a day's most of people believe in individual benefits, thus there are more chances of making gold and silver coins but with lower quality. On the other hand supply of gold and silver is not in the hand of government. Thus this system would be totally dependent upon the mining of



gold and silver. In this way the money supply would become totally independent of government. The monetary policies and money supply forecasting would be difficult. The demand of money on the other hand is totally dependent on the masses and their business transactions. This means that demand would be increased and thus the value of the money will also be increased. This increase in the value of money is helpful in the eradication of inflation on the other hand it will also reduce the money supply. The shortage of gold and silver will affect the prices of particular region and not the international market. Pakistan being a developing country has to bear more expenses. These expenses would be more because of the use of foreign machineries for mining. As the prices in the international market will be high, thus the amount to be paid is more than the previous time. If government allows the local people to mint these precious metal coins, then their cost would be shared by people. The reason behind this is that in a case of government all the minting expenses would be borne by government. While in case of locals the higher cost would be covered by selling on higher prices. This is why it is a severe issue for the government to manage the production of coins and maintaining their circulation.

### ***3.3.2 Operational Issues***

Gold and silver coins are precious metal currencies and thus possess high value. If they serve as a monetary unit, then there are chances of instability in the prices of general goods. Being high value monetary units their value is highly volatile in nature. This volatility is based on the high demand and limited supply of money supply. Thus this volatility will impact the prices of general commodities. A minor change in the value will cause the prices of the commodities to be changed. It would make problems for regulatory body to manage the prices on the daily basis. Now a day's most of the shopkeepers do not buy on the daily basis. They maintain their stocks according to their buying capacities. They do so to avail the discounts in bulk quantity. Thus if the highly volatile currency is used to buy from them will cause them loss most of the times. The reason behind this is the difference in the time of purchases and sales. It is due to the change of value impact in the currency in time. Thus it will create the situation in

which more quantity is to be sold for same amount. Whereas the quantity purchased by the shopkeeper was much lesser. Thus it will create the problem of measure of value.

Gold and silver are commodities and hence bear the risk of wear and tear. If their coins are circulated in the markets for trade and consumption purpose than with the passage of time there are chances of their breakage and loss. As they have to move in different hands than general wear and tear with the use of coin will be common. In this way it is a chance of value loss for those who possess these coins. If these coins are lost or theft, it would also be a major issue. Government being regulatory body is responsible for the wear and tear and the lost of currency. In case of gold and silver it would be difficult for the government to issue new coins by taking old coins back. It is because the high extraction and minting costs of the coins. On the other hand it is also difficult to recognize whether they lost to the coins is caused by the usage or by the individual intentionally. As the government fails to resolve the wear and tear issue than people would probably try to make duplicate coins. Thus it would affect the monitoring of the currency in the country.

Gold and silver possesses the high value because they are not generally held by the people. If they are start using as the mean of exchange than their value would become less. It is because that they would become common. As they become common then their demand for other use will also be reduced. Thus their demand to use as a currency will prevail only. Thus their value would become constant till the supply of metals is available to the country. In this time the gold and silver would become cheap for the international market. It is so because they remain uncommon in the international market. Thus there are chances that people would try to sell them for higher prices in foreign markets. This will affect the trade and money circulation of the country. As the money circulation would be less in the country than the production would become expensive and thus people will stop making goods. This situation will then lead to the low economic growth. Low economic growth will generate demand for more government expenditures. This will end up with the situation of shortage of minted coins.

Gold and silver being metals and produced naturally thus it is difficult to make appropriate distinctions in the coins. Currency while operating in the economy requires those ways that can differentiate it with the forged currencies. As the currency that can't

be differentiated, can't be recognized legal or illegal. Thus it would be difficult for the government to play a regulatory and monitoring role. If these government fails to play these roles than the belief in the currency will be damaged. This lacking will also emerge those mints that will make coins of lower quality gold. It is difficult to recognize the quality of gold at once thus there are chances that the high quality gold would be taken out of the market. These coins will initiate inflation in the society. This inflation would be in effect of the low quality currency. If the government issues the high quality coins in the market then it would also create the shortage in the government reserves. This shortage will also affect the money supply in the economy.

Mostly people use their earnings for the consumption purposes. Thus the prices and quantities are recognized according to the prevailing currencies. Gold and silver being precious metals posses the high value. Due to their high value it would be difficult for the people to make smaller quantity transactions. Gold and silver coins will be minted according to their weights prescribed in Islamic literature. The price of that weights coin is high as compared to the prevailing paper currency. Thus it leaves no feasibility for the purchase of lower value good from the market. On the other hand they are heavy in terms of weight as well. It would be difficult to carry these coins from one place to another. Now a day's banking has provided the ease of access to the personal paper money through ATM. In case of gold and silver coins it would be difficult to use the ATM service because of the heavy weights and their shape and size.

Gold and silver coins have the tendency for the deflation. As the gold and silver coins will start circulating in the markets, there demand will become higher. People will try to expend their businesses and thus seek for loans. These loans will be used than to buy machinery and land. In Pakistan most of the machinery is imported and thus gold coins would be exchanged for them. The lender of the loan amount would be secured because the outflow of gold from economy will raise the demand in the economy. The borrower in this way has to work harder to pay the debt. The increase in money demand with shortage of supply can lead to the situation of deflation in commodities. This deflation will increase the burden of borrower for the repayment of loan.

Gold and silver coins are favorable for the economy until they are circulating in the economy. Thus it leaves no room for the saving. Thus they are harmful for the modern economic structures. Modern economies deal in interest and favor it to cater the deflation. Whereas gold possesses the natural value, that caters the inflation. Thus it is harmful to use interest with the gold and silver coins. Interest rates in gold and silver double the return of value. Thus it supports the variable rule of earning. Hence it would be difficult for those who want the stable fixed earnings. Therefore using gold and silver requires a system that is opposed to the modern conventional system. In the current system ease to use gold and silver as a currency is not available. Thus gold and silver will not perform as better as they perceived to be performed.

### ***3.4 Role Of The State***

State is the only governing body that can regulate and implement policies to govern the masses. Pakistan is an Islamic country. Thus the Islamic rules of governing must be implemented in it. According to Islamic rules, a promise is an obligation which is to be fulfilled by the promisor. The State Bank of Pakistan issues the currency note with a promise to pay on demand to the bearer. It is a unilateral promise that makes the belief of the holder that he owes something. This is the main reason that makes paper money acceptable to use as a medium of exchange. According to modern practices of economics each country has to maintain its reserves to issue paper currency. These reserves are in the form of mixture of gold, silver, foreign currencies and foreign bills. These factors maintain the value of domestic currency in the international and local markets. The ease of this system is that it can easily increase the amount of currency for the growth of the economy. It means that more and more currency notes can be issued while having the limited reserves. This increase in money supply ends up in the devaluation of the currency. In Islamic terms the obligations to fulfill would increase leaving the payment resources limited. Thus as the amount increases from the principal it opens the door for Riba. People do not use paper currency because of their willingness but because of the environment that accepts it only. Thus it is the responsibility of the state to maintain the money supply according to the reserves it owes. If in certain circumstances it has to

increase the money supply than it must first collect that many reserves that are necessary for the prevailing money supply.

Value of the currency depends upon the reserves which are backed for them. Foreign currency and foreign bills thus also depends upon the foreign reserves owned by the foreign countries. Thus the promise to pay depends upon the promise to pay by another country. Thus it makes the obligation of native country contingent to the obligation of foreign country. This situation consist the element of Gharar that is uncertainty. According to Islamic laws any agreement that contains uncertainty is Haram. Thus the value of the currency that depends upon the value of foreign currency is not permissible. In such situation government should increase the reserves of those values that are not dependent upon the values of others. These values are gold and silver because they possess value that is natural in them. Thus it is the responsibility of Islamic state to maintain gold and silver reserves for the valuation of the local currency. It can be done by either purchasing the gold and silver reserves from the local and international market or by mining gold from their region. Islam prefers the productive use of the wealth. Thus the government should use these foreign reserves for the mining of gold and silver in Pakistan. It would not only increase the employment opportunities but would also increase the reserves for the state. As the reserves of gold and silver would increase, than the value of Pakistani Rupee will also increase in the international and local market. On the other hand increased amount of gold and silver would also helps in increasing the money supply in the market. Thus government of Pakistan should adopt those productive policies that would benefit the masses and the governing bodies of the society as well.

Islamic state possesses several responsibilities towards the society. These are security of life, security of wealth, freedom of Conscience, freedom of religion and honor. These are the keen responsibilities that require continuous monitoring of the society. Being Islamic state it is the responsibility of the government to impose proper taxation and corporate and legal law structures. In Islam conventional taxes are not found from the historical background of Islam. Islam permits only Zakat on the Muslims and Jizyah on non Muslims to serve as taxes. The Islamic rules regarding these taxes are mentioned earlier. The government of Pakistan must substitute the conventional taxes with Islamic taxation

for the welfare of the society. These Islamic taxes have the potential to boost up the growth of the economy. It would not only be helpful in the eradication of corruption from the society but it would also increase the production activities. A large population of Muslims in Pakistan pays Zakat to the needy ones on their own. They don't submit it in the Bait Ul Maal because of two reasons. First is the lack of confidence upon the Bait Ul Maal administration and second their incomes are already taxed before reaching them. Thus the ratio of Zakat collected by Government is much lesser. The only source that collects Zakat is the bank of the individuals. Conventional taxes are not only charged on the income of the individuals but also on their consumptions by way of VAT and GST. Thus it makes difficult for few people to even pay Zakat. On the other hand government should also substitute the conventional corporate and legal laws with the Islamic laws. Conventional laws are not supportive to the Islamic teachings. They favor the controlled economies and not support the demand supply driven economies. Islam on the other hand believes in market driven forces. Thus the implementation of Islamic policies requires Islamic laws. Although it is a great step of the Government of Pakistan to develop an Islamic banking structure but still it is not optimum utilized. The optimum utilization of Islamic structure can only be achieved when the Islamic ruling are implemented and regularly monitored.

It is well said that education teaches the humanity and ethics to the people. In Pakistan this rule is totally opposite. The more the person is educated the more he becomes stubborn. Thus it is the major responsibility of the state to educate its masses at least regarding to the social ethics. Pakistani government has introduced the course of Islamic financing in several certifications and degrees. The purpose of these courses is to make them aware of the basic fundamentals of the Islamic financing. This awareness was necessary for the implementation and acceptance of Islamic banks in the society. This awareness responsibility of the government doesn't end up here. In Islamic financing several things are inter related with each other. These include Riba, Zakat, Currency, Business etc. thus the government should also take the steps toward these basic issues. They must teach people that how they could avoid Riba. They must also teach people the significance of Zakat in Islamic system by implementing Islamic taxation. The most important of all them is currency. Thus the government should impose strict rules

regarding the use of currency in the benefit of the society. It must also teach the masses about the side effects of the hoarding and stealing of the wealth of others. All these education and implementation programs are possible if the currency of the country becomes strong. It can be done by either using both gold and silver as a currency or they are to be fully backed against the currency.

## **CHAPTER 4: SUGGESTIONS & CONCLUSION**

Islam is the most peaceful and humanity based religion. It doesn't limit the religious activities to the Ibadah of Allah Tala only. Quran is the book of guidance for all the spheres of life. Almost every aspect of human life is derived from the guidance of Quran and Sunnah. It is a mere hard luck of Muslim Ummah that they couldn't benefit from these two sources as much as other nations have. The main reason behind this is the lack of ethical education. Islam is ethics for the Muslims thus the role of Islamic Ulama's in this regard is very serious. First of all there is a need of improved Ulama's structure that not only teaches the Muslims about the religious ethics but also provide the ways for the pure implementation. Starting with the basics every Muslim should know his duties towards other Muslim brothers. Thus at least that much steps might taken that can resist every Muslim from obtaining benefits on the loss of other Muslims. This thing will at least lead to the requirement of Islamic laws and systems that assists in implementation of Islamic ethics.

Islamic Ulama's have made certain laws that ought to be implemented as Shariah laws. These laws are derived from the Quranic and Ahadith sources. All the Ulama's agree on these laws without any query for them. They agree on the use of paper money where as some curious ones are still working to find out the issues of the paper money. All the laws and practices for Islamic financing are inter related with Islamic ethics. The rules regarding Riba in case of today's paper money must be revised. According to the State Bank of Pakistan the reserves for the issue of currency includes gold and foreign reserves. These foreign reserves are again in the form of paper and not in gold. Thus the reserves against Pakistani rupees consist of gold reserve in ratio and not in full. This is the reason for the continue reduction in the value of the Pakistani rupee. In 2014, monetary gold, coin and bullion constitute 65 % of the total money in circulation according to state bank of Pakistan. This is the currency that devalues often where as gold and silver are real commodities that couldn't devalue as often as paper money does. This is the reason that the lender of gold don't often bear loss without interest but the lender of paper money bears the loss without charging the value for the devaluation of currency. Thus the Ulama's must either implement that wealth that secures them from loss over time or revise the rulings regarding Riba for the current monetary systems prevailing.



Current monetary system can be changed if the strict rules regarding the 100% reserve maintenance rules are implemented. This will at least resist the value of paper money from the often devaluations. This resistance will help in maintaining the secure wealth of Muslims. This will eradicate the need of revising the Shariah rules regarding the Riba. In the current scenario of international dependent economy it is very essential to take these sorts of steps. This will also help in making the financing of people easy. Another suggestion is to change the statement mentioned on every note. It must include the word In Sha Allah with payable to the bearer on demand. This will help in developing trust of Muslims on the paper currency. These two suggestions will not only help in building foundations for Islamic financing but also to develop a belief based Islamic economic structure.

The analysis of the historical records regarding currency and Islamic financing reveals that gold and silver coins are more progressive in their nature. Being high valued commodity it doesn't mean that they are able to fulfill the current desires of the people. Usually the transactions in daily life are not that high that needs the metallic coins. Paper money in this regard provides the ease of buying lower quantity and cheap products easily. They are easy to carry and handle. Another problem with gold and silver coins comes with their use in international trade. In international trade they might fail because of the economic structures of conventional economies. They are high enough to buy commodities in large quantities from foreign countries but the foreign countries might not accept them. Even if they accept them this may reduce the coins from Islamic countries economies. Gold and silver are scarce metals and they are extracted from the ore of the earth. It is very expensive to extract them. In the past times resources were generated by the means of wars and mining. Now the possibility of war is not possible thus it leaves the Muslim countries with the option of extraction. It would be difficult to mint large quantity of coins and monitoring and controlling them. Thus the minting coins concept is not feasible in today's world. The thing that can happen is to maintain real assets reserves against the paper money. This full reserved paper money will not only help in maintaining smooth economy but will also fulfill the requirements of Shariah based rulings.

Paper money in itself is not against the nature of currency. Currency is the medium of exchange that is generally accepted by people in their general transactions. Although anything that is used as currency, might possess some worth. Every one obtains currency by the way of rendering their services and products. Thus the resulted currency must reflect their hardship. In this way the currency that is being used in world is not the true representative of their masses hardship. The reason behind this is the maintenance of non real assets as the reserve. Thus current paper money does not represent the true currency. Acceptance of Fiat money by Fuqaha is not reasonable. Based on the conception of the Omar Bin Khattab's intension; use of the leather of camel as a currency does not mean that anything can be used as currency. The leather of camel also possesses the value of camel instead. Money must be anything that have some worth or otherwise represents some worth to the holder. It must compensate the holder for the suffering he or she has done to obtain it.

In the last every system to change requires the changes from roots. Islamic financing is the first step for the development of Islamic economic system in Islamic countries. It requires several improvements in this regard. Implementation of Islamic systems requires the belief in the sole ownership of Allah. After belief the environmental necessities come that may be implemented by the way of Ulama's ruling. Thus every Muslim should play his role for the development of Islamic economy. This research suggests the possible ways for improvement. Further research is required to ascertain the beneficial effects of this research. The Government of Malaysia has started implementing the use of gold and silver coins for the sake of smoothness in their economy. Pakistan can also use gold and silver currency concept but in the form of paper money to eradicate the problems from the economy of Pakistan.

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## APPENDIX A

Ahadith = Sum of Hadiths

Al Mal = Capital

Bai Al Salam = Contract of Deferred Delivery

Bait Ul Maal = Islamic Wealth Bank

Byzantine = Ancient Gold Coins

Deed = Islamic Tax on Non Muslims

Diminishing Musharakah = Partial Payment Partnership

Dinar = Gold Coin

Dirham = Silver Coin

Diyah = Blood Money

Fiqah = Islamic School of Thought

Fiqh = Deep Understanding

Fullus = Copper Coins

Fuqaha = Islamic Scholars

Gharar = Uncertainty

Hadd Al Sariqah = Theft punishment

Hadith = Statements of Muhammad (S.A.W)

Hadiya = Gift

Halal = Permitted in Islam

Haram = Forbidden in Islam

Ibadah Maliyah = Wealth Spent in The Name of Allah

Ijarah = Leasing

Ijmah = Consensus

Illah = Reason

Inam = Partnership capital

Istisna = Purchase of Manufactureable Item on Deferred Delivery

Jiaozi = Ancient Chinese Currency  
Jins = Homogenous Goods  
Juzaf = Undetermined Quantities  
Lydians = Ancient Gold and Silver Coins  
Maghshosh = Mixed Metal Coin  
Makilat = Countable Goods  
Mawzunat = Measureable Goods  
Maysir = Speculation  
Muamalah = Islamic Issue Payments  
Mudarabah = Profit and Loss Sharing  
Mufawada = Partnership  
Murabah = Limited Partnership  
Musaqah = Sharing Orchard  
Musharakah = Joint Partnership  
Muzara'ah = Share Cropping  
Nama Al Mal = Capital Accumulation  
Nisab = Wealth  
Qard E Hasanah = Loan at Zero Profit  
Qimah = Value  
Qiyas = Analogical Reasoning  
Quranic = Statements Derived From Quran  
Riba = Additional amount Charged  
Sadqah = Wealth Spent in The Name of Allah  
Salam = Sale on Deferred Delivery  
Sasanian = Ancient Silver Coin  
Shariah = Islamic Law  
Sukuk = Islamic Bonds



Sunnah = Life Style of Muhammad (S.A.W)

Tafaddul = Generosity

Taqwah = Fear of Allah

Thaman = Price

Thamaniyyah = Medium of Exchange

Ulama = Islamic Scholars

Ummah = Muslim Nations

Usury = Interest

Waqf = An Endowment by Muslim for Religious Purpose

Zakat = Islamic Tax on Muslims

**APPENDIX B**  
**FATWA CONCERNING THE ISLAMIC PROHIBITION OF USING PAPER-MONEY AS A MEDIUM OF EXCHANGE.**

After examining the nature of paper money in all possible forms: as a debt (a promise to pay a merchandise or representing a merchandise) and as a merchandise, we have seen its use makes the transactions usurious.

Paper money cannot be accepted as a medium of exchange even if it represents a merchandise gold or silver, on a nominal and one to one basis. Even if that were the case it could not be used outside the closed circuit of depositors and receivers. Only on a private scale it can be transferred but may not circulate.

But if we consider the nowadays paper-money has become nothing but a pure symbol with no reality attached except the imposition of the law, then it is clear that the use of paper money is usury because:

- Its 'legal value' is an imposition by the state on the people and
- Its production is a limited monopoly by the same state that imposes it.

Without these two elements which are usurious conditions the value of the paper-money would be nothing.

Therefore we declare a Fatwa in Granada, for all the Muslims, by which:

After examining all the aspects of paper-money, in the Light of the Qur'an and Sunna, we declare that the use of paper-money in any form of exchange is usury and is therefore haram. It is not permitted for the Muslim to accept or to give paper-money in a commercial transaction. It is an obligation on the Muslim to abandon usury and to introduce new media of exchange, or money, and the best way is to follow the sunna of the Messenger of Allah, Salallahu alaihi wa salaam, by using gold and silver, or any other merchandise commonly accepted as a medium of exchange.

## APPENDIX C

| Year | Dollar Price of Gold Per Ounce | Dollar Price of Silver Per Ounce | Rupee Price of Gold Per ounce | Rupee Price of Silver Per Ounce | Rupee To Dollar Exchange Rate |
|------|--------------------------------|----------------------------------|-------------------------------|---------------------------------|-------------------------------|
| 1947 | 380.45                         | 7.83                             | 1259.29                       | 25.9173                         | 3.31                          |
| 1948 | 345.14                         | 7.3                              | 1142.413                      | 24.163                          | 3.31                          |
| 1949 | 310.45                         | 7.01                             | 1027.59                       | 23.2031                         | 3.31                          |
| 1950 | 348.08                         | 7.36                             | 1152.145                      | 24.3616                         | 3.31                          |
| 1951 | 327.18                         | 6.92                             | 1082.966                      | 22.9052                         | 3.31                          |
| 1952 | 308.67                         | 7.85                             | 1021.698                      | 25.9835                         | 3.31                          |
| 1953 | 307.51                         | 7.47                             | 1017.858                      | 24.7257                         | 3.31                          |
| 1954 | 306.77                         | 7.38                             | 1015.409                      | 24.4278                         | 3.31                          |
| 1955 | 309.07                         | 7.79                             | 1474.264                      | 37.1583                         | 4.77                          |
| 1956 | 307.9                          | 8.02                             | 1468.683                      | 38.2554                         | 4.77                          |
| 1957 | 299.01                         | 7.79                             | 1426.278                      | 37.1583                         | 4.77                          |
| 1958 | 288.02                         | 7.57                             | 1373.855                      | 36.1089                         | 4.77                          |
| 1959 | 284.56                         | 7.41                             | 1357.351                      | 35.3457                         | 4.77                          |
| 1960 | 281.63                         | 7.34                             | 1343.375                      | 35.0118                         | 4.77                          |
| 1961 | 276.94                         | 7.29                             | 1321.004                      | 34.7733                         | 4.77                          |
| 1962 | 275.06                         | 7.24                             | 1312.036                      | 34.5348                         | 4.77                          |
| 1963 | 271.46                         | 8.38                             | 1294.864                      | 39.9726                         | 4.77                          |
| 1964 | 267.05                         | 9.83                             | 1273.829                      | 46.8891                         | 4.77                          |
| 1965 | 264.51                         | 9.74                             | 1261.713                      | 46.4598                         | 4.77                          |
| 1966 | 259.49                         | 9.55                             | 1237.767                      | 45.5535                         | 4.77                          |
| 1967 | 250.84                         | 11.08                            | 1196.507                      | 52.8516                         | 4.77                          |
| 1968 | 243.43                         | 10.75                            | 1161.161                      | 51.2775                         | 4.77                          |
| 1969 | 265.36                         | 12.84                            | 1265.767                      | 61.2468                         | 4.77                          |
| 1970 | 226.05                         | 11.81                            | 1078.259                      | 56.3337                         | 4.77                          |
| 1971 | 222.43                         | 9.34                             | 1060.991                      | 44.5518                         | 4.77                          |
| 1972 | 260.13                         | 8.53                             | 2864.031                      | 93.9153                         | 11.01                         |
| 1973 | 357.36                         | 11.03                            | 3541.438                      | 109.3073                        | 9.91                          |
| 1974 | 540.05                         | 16.49                            | 5351.896                      | 163.4159                        | 9.91                          |
| 1975 | 827.29                         | 20.13                            | 8198.444                      | 199.4883                        | 9.91                          |
| 1976 | 551.64                         | 16.85                            | 5466.752                      | 166.9835                        | 9.91                          |
| 1977 | 528.14                         | 17.78                            | 5233.867                      | 176.1998                        | 9.91                          |
| 1978 | 648.16                         | 18.51                            | 6423.266                      | 183.4341                        | 9.91                          |
| 1979 | 716.98                         | 20.78                            | 7105.272                      | 205.9298                        | 9.91                          |
| 1980 | 1389.19                        | 98.11                            | 13766.87                      | 972.2701                        | 9.91                          |
| 1981 | 1492.96                        | 35.32                            | 15302.84                      | 362.03                          | 10.25                         |
| 1982 | 951.43                         | 20.52                            | 12216.36                      | 263.4768                        | 12.84                         |

|      |         |       |          |          |        |
|------|---------|-------|----------|----------|--------|
| 1983 | 1153.8  | 33.03 | 15726.29 | 450.1989 | 13.63  |
| 1984 | 850.24  | 19.33 | 13153.21 | 299.0351 | 15.47  |
| 1985 | 709.1   | 13.96 | 11338.51 | 223.2204 | 15.99  |
| 1986 | 687.6   | 12.4  | 11867.98 | 214.024  | 17.26  |
| 1987 | 858.23  | 11.67 | 15027.61 | 204.3417 | 17.51  |
| 1988 | 961.3   | 13.23 | 18255.09 | 251.2377 | 18.99  |
| 1989 | 778.89  | 11.29 | 16722.77 | 242.3963 | 21.47  |
| 1990 | 752.84  | 9.56  | 16660.35 | 211.5628 | 22.13  |
| 1991 | 659.82  | 7.32  | 16330.55 | 181.17   | 24.75  |
| 1992 | 599.93  | 6.99  | 15586.18 | 181.6002 | 25.98  |
| 1993 | 539.31  | 6.08  | 16335.7  | 184.1632 | 30.29  |
| 1994 | 618.11  | 8.09  | 19111.96 | 250.1428 | 30.92  |
| 1995 | 588.47  | 7.31  | 20208.06 | 251.0254 | 34.34  |
| 1996 | 589.93  | 7.83  | 23726.98 | 314.9226 | 40.22  |
| 1997 | 543.83  | 7.08  | 24015.53 | 312.6528 | 44.16  |
| 1998 | 418.11  | 8.75  | 19279.05 | 403.4625 | 46.11  |
| 1999 | 408.21  | 7.45  | 20357.43 | 371.5315 | 49.87  |
| 2000 | 393.78  | 7.29  | 20385.99 | 377.4033 | 51.77  |
| 2001 | 354.43  | 6.39  | 20932.64 | 377.3934 | 59.06  |
| 2002 | 364.95  | 5.98  | 21969.99 | 359.996  | 60.2   |
| 2003 | 428.84  | 6.03  | 24949.91 | 350.8254 | 58.18  |
| 2004 | 522.2   | 7.86  | 29974.28 | 451.164  | 57.4   |
| 2005 | 519.86  | 8.24  | 30905.68 | 489.868  | 59.45  |
| 2006 | 648.28  | 11.68 | 38793.08 | 698.9312 | 59.84  |
| 2007 | 729     | 15.43 | 44381.52 | 939.3784 | 60.88  |
| 2008 | 893.96  | 16.43 | 55756.29 | 1024.739 | 62.37  |
| 2009 | 1017.89 | 13.85 | 80504.92 | 1095.397 | 79.09  |
| 2010 | 1163.7  | 17.58 | 98355.92 | 1485.862 | 84.52  |
| 2011 | 1407.95 | 29.44 | 120633.2 | 2522.419 | 85.68  |
| 2012 | 1798.06 | 31.74 | 162077.1 | 2861.044 | 90.14  |
| 2013 | 1687.34 | 30.69 | 164465   | 2991.354 | 97.47  |
| 2014 | 1208.11 | 19.71 | 127721.4 | 2083.741 | 105.72 |
| 2015 | 1260.25 | 17.43 | 126680.3 | 1752.064 | 100.52 |