

DISCOURSE AND INCLUSION OF *MAQĀSID AL-SHARĪ'AH* IN ISLAMIC ECONOMICS AND FINANCE

An Analysis of Prof. M.N. Siddiqui's Views

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Islamic economics and finance have much to owe to the efforts and writings of Prof. Mohammad Nejatullah Siddiqi (1931–2022) an economist par excellence who not only has been capable of rediscovering Islamic economic themes in context of the modern financial scenario, but also tried to present Islamic finance in accord with the *Maqāsid* approach. Prof. Siddiqi's ripe scholarship, illustration, and deep insights in Islamic economics paved the way for extensive researches in the subject. His viewpoint and contribution to the subject is evolving globally including Urdu and English works, monographs, policy papers, and working/occasional hand-outs. Prof. Siddiqi asserted that banking and Islamic insurance (*takāful*), as components of Islamic finance, go beyond merely offering products and services that appear to comply with *Shari'ah*. Instead, they must be designed and structured in a way that actively promotes the public good. This requires recognizing the importance of establishing public good over self-interests and profit maximization.

It also requires looking at the harmful consequences of transactions along with the intention and actions contradicting the spirit of Islamic economics. It is this approach which can fulfil the Objectives of the *Shari'ah* (*Maqāsid al-Sharī'ah*). Without all these ingredients, Islamic financial dealings will be seen as a paper exercise and the purpose seemingly no different from those of conventional financial institutions. Achieving the higher intents and objectives of the *Shari'ah* requires righteous behavior and standards of moral conduct in all dealings, and for generosity in the flow of wealth as well as financial mechanism. It is implicit that individuals working in the Islamic finance industry, and more importantly those who manage Islamic financial institutions as well as those responsible for approving financial products and transactions for *Shari'ah* compliance, should aspire to establish the *Maqasid al-Shari'ah*, with utmost sincerity and honesty. The *Maqasid al-Shari'ah* can only be properly realized in Islamic finance when individuals representing stakeholders, in particular the promoters, management, staff, and the *Shari'ah* scholars are collectively conscious and sincerely committed to their moral obligations towards the society.

KEYWORDS: *Maqasid al-Shari'ah*, profit-maximization, public good, *maslahah*, equity financing, IRTI

1. INTRODUCTION

The Qur'anic term "*Ma'ishah*" (20:124) from which comes the word "*Ma'ashiyyah*" is the recognized translation of the word "*Economics*". The renewed focus on Islamic economics has been driven largely by changes in the global order and economic recessions that have raised concerns about the stability of interest-based financial systems worldwide. Prof. Mohammad Nejatullah Siddiqi



(1931–2022) played a pivotal role in reshaping the concept of modern Islamic economics and analyzing socio-economic issues in light of contemporary challenges. He was an Indian economist who carried the legacy of Islamic economic thought after Prof. Muhammad Hamidullah (1908–2002) and wrote extensively to explore the Qur’anic themes as well as objectives of the *Shari’ah*.¹ He was awarded the King Faisal International Prize for Islamic Studies in recognition of his significant contributions to the field, particularly in Islamic economics.² He was born in India in 1931, educated at Aligarh Muslim University as well as Rampur and Azamgarh in Uttar Pradesh. He served as Associate Professor of Economics and Professor of Islamic Studies at the Aligarh Muslim University and as Professor of Economics at the King Abdul Aziz University, Jeddah, Saudi Arabia, in its Centre for Research in Islamic Economics.³ He remained a Fellow at the Centre for Near Eastern Studies at the University of California, Los Angeles, and thereafter as visiting scholar at the Islamic Research & Training Institute, Islamic Development Bank, Jeddah.⁴ Prof. Siddiqi was a prolific writer in Urdu and English having 63 works in 177 publications in five languages and 1,301 library holdings.⁵ Being a scholar of high repute, most of his works have been translated into Arabic, Persian, Turkish, Indonesian, Malaysian, and Thai for academic and scholarly pursuits. Perhaps his most widely read book is “*Banking without Interest*” (1973) having 27 editions between 1973 and 2000 in three languages and is reported to have been held by 220 libraries as documented worldwide.⁶ During his long academic career, he supervised a number of research works in universities in India, Saudi Arabia, and Nigeria which focused on modern discourses in Islamic thought and Muslim societies. He served in various capacities and was very instrumental for sharing his valuable knowledge as well as expertise in Islamic intellectual forums. He was Professor Emeritus in the Department of Management Studies, Aligarh Muslim University, India and served as the Chief Patron of the Indian Centre for Islamic Finance



(ICIF), New Delhi. Prof. Siddiqi died in the USA in November 2022 leaving behind an enormous contribution to Islamic Studies. The books, “*Banking Without Interest*” (Islamic Foundation USA 2007) and “*Maqasid-e-Shariat*” (Objectives of the *Shari‘ah*) are among his highly reputed works, first published by the Islamic Research Academy, Islamabad, and republished by the Markazi Maktabah-e-Islami, New Delhi.⁷ Similarly, his other works on Islamic economics, Insurance, Islamic Finance and emergence of the Islamic Corporate also set new discourse in Islamic economics and finance.

2. THE MAQASID AL-SHARI‘AH

The *Mu‘amalat* (Affairs) contain the socio-economic activities which are to be viewed through *Maqasid al-Shari‘ah* for the broader benefits of society. The term *Maqasid* literally means intent, objective, and purpose with a desire to create harmony with others; this relates to welfare, interest, or benefit. The vital part of the *Maqasid* is preserving public good (*maslahah*), whereby it looks at the public good and welfare of the society as a whole in relation to the consequences of the intentions and actions of individuals.⁸ Thus, *Maqasid* can also be considered the wisdom and knowledge behind governing rules. *Shari‘ah* is a broad term for Islamic law in the sense of principles and rulings and represents the way to the one God (Allah), the Creator and Sustainer of the Universe. The overarching goal of the *Shari‘ah* is to establish justice (*al-‘Adl*).⁹ While the *Shari‘ah* applies to Muslims, it provides guidance that regulates lives for the benefit of mankind; it forbids all that is harmful to human being, society, and the environment, and permits all that is useful and beneficial to human beings, society, and the environment. In the broadest terms, it has comprehensively tackled every aspect of human activity (*Mu‘amalah*) and provided the rules with the greatest concern for public good. The objectives



of *Shari‘ah* are not specifically mentioned in the original sources of the *Shari‘ah*, the Qur’an and the Sunnah. These were developed over the years by Islamic legal scholars (jurists) who sought to protect members of the community by establishing the essential moral values, and validate all measures necessary for their preservation and advancement of a moral society.¹⁰ At an economic level, the *Shari‘ah* encourages work and trading activities in order to enable individuals to sustain a living, and it prescribes a framework of rules and norms to ensure the proper conduct of commercial transactions and financial dealings. Thus, the objectives of the *Shari‘ah* were seen as requirements for the survival and spiritual well-being of individuals, to the extent that their neglect or omission would precipitate the destruction and collapse of the normal functioning of society.¹¹ The *Shari‘ah* was viewed by traditionalists as a set of rules, commands and prohibitions that were addressed to the competent individual. The primary sources from the *Shari‘ah* is derived, and universally accepted by all Muslims are the Qur’an and the Sunnah. Over time the *Shari‘ah* adapted to address new and changing situations and find the correct course of action without compromising the fundamental principles (*Uṣūl*). The key methodologies employed, known as secondary sources, include *Ijma‘* (consensus), *Qiyās* (analogical reasoning aimed at drawing parallels with previously accepted rulings), *Ijtihād* (the process by which jurists use rational effort to arrive at independent judgments), and *‘Urf* (the customs and practices of a particular society). *Maslaḥah* refers to the pursuit of the highest standards of righteousness and morality, resulting from actions that produce benefits or contribute to the common good.¹² It is a fundamental principle in Islamic legal thought, consistently applied to ensure the promotion of public welfare and the prevention of harm.

In this context, Imam Abu Ishaq al-Shatibi (720–790 AH/1320–1388 CE) defined *maslaḥah* as the primary objective of *Shari‘ah*, broad enough to encompass all actions that promote the well-being of individuals and the community.¹³ The benefits of *maslaḥah*,



in their broadest sense, encompass all aspects of individual and community welfare—material, moral, and spiritual—as well as the interests of future generations.¹⁴ Acknowledging that individuals are naturally self-interested, the *maslahah* approach reinforces *Shari‘ah* rules to ensure order and justice in society while balancing individual rights with societal needs. It emphasizes that each person is a responsible member of the community, and that the purity of intentions and just actions are essential for the proper functioning of society, particularly in areas such as commercial transactions and financial dealings.¹⁵

3. MAQASID AL-SHARI‘AH IN ISLAMIC ECONOMICS AND FINANCE

Islamic economics and finance should be understood within a broader context. Those engaged in the Islamic finance industry, particularly those managing Islamic financial institutions and those responsible for ensuring *Shari‘ah* compliance in financial products and transactions, should strive to achieve the *Maqasid al-Shari‘ah* with the highest level of sincerity and integrity. The realization of *Maqasid al-Shari‘ah* is central to Islamic banking and insurance, forming the foundation and essence of all contracts and transactions that are classified as ‘Islamic’.¹⁶ The Objectives of the *Shari‘ah* can only be fully achieved in Islamic finance when all stakeholders, especially the promoters, management, staff, and *Shari‘ah* scholars, are collectively aware of and sincerely committed to their moral responsibilities. This commitment must focus on ensuring that transactions are not only permissible but also serve the public good.¹⁷ Individuals involved in Islamic finance must, both individually and collectively, be prepared to reject transactions that are prohibited and potentially harmful to individuals and society at large. They are obligated to maintain the highest professional standards of honesty and justice,



ensuring full disclosure of all information, particularly regarding the sources of revenue. Their actions and intentions must be scrutinized by distinguishing between what is *halal* (permissible) and *haram* (prohibited). They must not act with hidden motives that overlook the negative consequences of their actions. Furthermore, they must avoid exploiting the vulnerable or seeking unjust gain by withholding crucial information, or by using legal maneuvers or deception to conceal ill-intended purposes behind a transaction. It is essential that individuals consistently examine their own conscience and adhere to what is morally right, avoiding what is wrong.¹⁸ Consequently, Islamic economics, banking, and Islamic insurance (*takāful*), as integral components of Islamic finance, extend far beyond merely offering products and services that appear to comply with Shari‘ah. The essence lies not only in the form but in the substance, ensuring that the principles of Shari‘ah are genuinely upheld in both intention and practice, promoting justice, transparency, and the public good.¹⁹ Islamic economics, banking, and *takāful* must be proposed and structured in ways that prioritize the public good (*istihsān*) over self-interest and profit maximization. This approach necessitates rejecting controversial transactions, no matter how profitable, and fulfilling the obligation of Zakat payments. It also requires a spirit of sacrifice and compassion. Without these essential elements, Islamic financial dealings risk being perceived as merely formal exercises, with their purpose appearing indistinguishable from that of conventional financial institutions.²⁰

4. PROF. NEJATULLAH SIDDIQI’S VIEWS

In addition to his Urdu publications and papers on Islamic discourses, Islamic economics, and contemporary Islamic thought, the following works in English demonstrate Prof. M.N. Siddiqi’s



expertise, deep engagement, and perspective on Islamic economics, as well as its relevance within the modern framework:

1. *Economics, an Islamic Approach*, The Islamic Foundation, Leicester, UK, 1999.
2. *Teaching Economics in Islamic Perspective*, Centre for Research in Islamic Economics, KAAU, Jeddah, 1996.
3. *Role of the State in the Economy*, The Islamic Foundation, Leicester, UK, 1996.
4. *Insurance in an Islamic Economy*, The Islamic Foundation, Leicester, UK, 1985.
5. *Partnership and Profit-Sharing in Islamic Law*, The Islamic Foundation, Leicester, UK, 1985.
6. *Issues in Islamic Banking*, The Islamic Foundation, Leicester, UK, 1983.
7. *Muslim Economic Thinking*. The Islamic Foundation, Leicester, UK, 1981.
8. *Contemporary Literature on Islamic Economics*, The Islamic Foundation, Leicester, UK, 1978.
9. *Economic Enterprise in Islam*, Markazi Maktaba Islami, Delhi, India, 1972.
10. *Some Aspects of the Islamic Economy*, Markazi Maktaba Islami, Delhi, India, 1972.
11. *Muslim Personal Law* (Edited), Markazi Maktaba Islami, Delhi, India, 1972.
12. *Recent Theories of Profit: A Critical Examination*, Asia Publishing House, Bombay, India, 1971.
13. *Banking Without Interest*, Islamic Foundation, USA, 2007, etc.

The content of these works reflects Prof. M. N. Siddiqi's visionary insights into Islamic economics. In his book "*Maqasid-e-Shariat*" (Objectives of the Shari'ah), Prof. Siddiqi emphasizes that the subject of the Objectives of Shari'ah has gained immense



significance in contemporary times. He argues that this is particularly crucial given the numerous new challenges faced by the Ummah in recent years. His work underscores the need for a deeper understanding of the *Maqasid al-Shari'ah* to address these emerging issues effectively, ensuring that Islamic principles guide modern economic and financial practices.²¹ The Urdu language is spoken by a vast number of Muslims and scholars around the world. However, there is a noticeable lack of substantial writings on Islamic economics and related topics in Urdu. Prof. M. N. Siddiqi recognizes this gap and aims to address it by contributing works in Urdu, specifically targeting those who are proficient in the language. His effort is to ensure that critical discussions on Islamic economics, the *Maqasid al-Shari'ah*, and other key Islamic concepts are accessible to a wider audience, particularly those who may not be well-versed in other languages. Through this, he seeks to broaden the reach and impact of these essential topics.²² Prof. Siddiqi asserted that:

Envisioning the Islamic economy in the twenty-first century is best approached with reference to the goals of Islamic law. This perspective allows us to address critical issues such as poverty and inequality” (as observed in his Keynote Address on Islamic Economics: Current State of Knowledge and Development of the Discipline).²³

Prof. Siddiqi emphasizes the importance of distinguishing between the objectives of Islam as a way of life and the objectives of Islamic jurisprudence. Recognizing the need for a more in-depth exploration of this topic, he authored a dedicated work to address it. The publication of this book by such an eminent scholar marks a significant contribution to the field. With his extensive experience in economics, particularly in aligning Qur'anic principles with contemporary social needs, Prof. Siddiqi offers a valuable perspective that harmonizes Islamic teachings with the challenges



of modern society.²⁴ In preparing this book, Dr. Siddiqi benefited from extensive access to a wide range of literature on the topic, both from past and contemporary scholars. This is evident from the comprehensive list of references and sources included in the work, showcasing the depth of his research and engagement with the scholarly discourse on Islamic economics and jurisprudence. His ability to draw from these rich resources further enhances the value and credibility of his contribution to the field.²⁵ Thus, Prof. Siddiqi's work is characterized by deep thinking, serious discussions, innovative methodology, and robust argumentation on the themes and applications of *Maqasid* in Islamic finance. He consistently addresses significant issues with clarity and insight, and invites his readers to engage in dialogue and exchange of ideas. This openness to discussion reflects his commitment to advancing the field of Islamic finance through collective intellectual engagement and critical reflection.²⁶ In Prof. Siddiqi's view, understanding and considering the objectives of Shari'ah is essential and highly significant for addressing the numerous challenges Muslims face in the modern era. While writings on this subject have increased considerably in recent years, many authors primarily focus on demonstrating that all Shari'ah rules are rooted in specific objectives. They argue that the various *ahkām* (laws, rules, and regulations) are not isolated or disconnected elements but form an integrated system crafted by the Lawgiver to promote human welfare. This holistic approach underscores the coherence and purposefulness of Shari'ah in enhancing overall well-being.²⁷ Prof. Siddiqi does not dismiss the value of this exercise, recognizing its utility. However, he believes it is even more important to apply the objectives of Shari'ah when determining rulings on new and emerging issues. He observes that most authors tend to limit their discussions to established *fiqh* rules, while there is a pressing need to extend the application of Shari'ah objectives to other areas, such as calling to Islam (Da`wah), as well as training and reforming society based on Islamic ideals. By doing so, the



broader goals of Shari‘ah can be realized in both individual and societal transformation.²⁸

The chapters of Prof. Siddiqi’s book “*Maqasid-e-Shariat*” (Objectives of the Shari‘ah) encapsulate the application and broad-based objectives of Shari‘ah. The fourth chapter, How to Solve Differences Arising in Understanding and Application of Shariah Objectives, explores methods for resolving differences in interpretation and application of Shari‘ah objectives, emphasizing dialogue and scholarly consensus. The fifth chapter, Recent Efforts in Exercising Ijtihad in the Light of Shariah Objectives, highlights contemporary endeavors to apply ijthad (independent reasoning) by aligning it with the objectives of Shari‘ah to address modern issues. The sixth chapter, An Investigation into Modern Islamic Finance in the Light of Shariah Objectives, delves into an examination of modern Islamic finance practices through the lens of Shari‘ah objectives, assessing their compliance and ethical grounding. In the seventh chapter, Shariah Objectives and the Future of Humankind, the discussion shifts to how the objectives of Shari‘ah can contribute to the future well-being of humanity, addressing global challenges through an Islamic ethical framework. Finally, the eighth chapter, Shariah Objectives – Understanding and Application, provides a comprehensive understanding of Shari‘ah objectives and their practical application in various spheres of life. Together, these chapters offer a holistic view of how the *Maqasid al-Shari‘ah* can be understood and applied to resolve contemporary challenges, especially in areas like finance, societal reform, and the future of humanity.²⁹ In the first chapter, the author highlights the significance of the Shari‘ah objectives and explains why they have garnered attention in the modern era. He also provides a brief historical overview of the evolution of the concept of Shari‘ah objectives. According to him, the idea of Shari‘ah objectives has existed since the earliest days of Islamic history. However, it was al-Juwayni (d. 478/1085) who first articulated the term, which was later expanded by his disciple



al-Ghazali (d. 505/1111), who categorized the objectives into five key areas: protection of religion, life, reason, progeny, and property. Ibn Taymiyyah (d. 728/1328) further developed this concept by introducing the protection of dignity in place of progeny.³⁰ He also argued that the objectives of Shari‘ah should not be limited to merely protecting from harm but should also encompass securing benefits. By doing so, the number of objectives would no longer be confined to just five. Ibn al-Qayyim, following in the footsteps of his teacher, Ibn Taymiyyah, further expanded on this idea by including justice as one of the key objectives of Shari‘ah. This broader perspective highlights the dynamic nature of the objectives, extending beyond protection to actively promoting societal welfare and justice.³¹

Prof. M.N. Siddiqi also critically examined the views of scholars like al-Shatibi (d. 790/1389) and Shah Wali Allah al-Dihlawi (d. 1172/1763), along with a brief survey of contemporary literature on the subject. He disagrees with those who strictly adhere to the five categories of objectives outlined by al-Ghazali, arguing that many other objectives cannot simply be subsumed under these categories. Instead, Prof. Siddiqi proposes the inclusion of additional objectives, such as the honor and dignity of humankind, basic freedom, justice and equity, poverty alleviation, sustenance for all, social equality, bridging the gap between the rich and the poor, peace and security, preservation of societal systems, and global cooperation. These expanded objectives reflect a more comprehensive and inclusive approach to the *Maqasid al-Shari‘ah*, addressing both individual and collective well-being in contemporary contexts.³² Prof. Siddiqi supports his stance by referencing various verses of the Qur’an and the sayings of the Prophet (peace be upon him), particularly in addressing matters such as relations with non-Muslims, the role of women in society, and the challenges posed by globalization. Through these scriptural foundations, he emphasizes the dynamic and adaptable nature of Shari‘ah objectives, advocating for their application



in addressing contemporary issues while maintaining the core values of justice, dignity, and equality for all. This approach highlights the relevance of Islamic teachings in guiding both personal and societal conduct in a rapidly changing world.³³ In the second chapter, Prof. Siddiqi examines the role of Shari‘ah objectives in shaping rules to address the problems and challenges faced by the Ummah over the past fifty years. He provides examples of rulings that were formulated with Shari‘ah objectives in mind, demonstrating their positive impact. Conversely, he highlights the negative consequences that arose when Shari‘ah objectives were ignored in the development of certain rules. Additionally, he acknowledges efforts made in drafting the constitutions of various Muslim governments, the re-compilation of Islamic laws, and the establishment of conferences, research institutions, and *fiqh* academies, all aimed at addressing contemporary issues through the lens of Shari‘ah objectives.³⁴ Prof. Siddiqi cites several examples to support his stance on the importance of Shari‘ah objectives in determining contemporary rulings. These include Shari‘ah rulings on the use of paper money, the permissibility of women traveling without a close male relative, the determination of fasting and prayer times in the extreme conditions of the North and South Poles, the allowance for paying *Ṣadaqat al-Fiṭr* in cash, methods of payment in long-term contracts and employment, and the practice of *Tawarruq*. These examples demonstrate how Shari‘ah objectives can guide practical and relevant rulings in modern contexts, adapting to new challenges while preserving core Islamic principles.³⁵

Prof. Siddiqi aims to illustrate how certain legal opinions (*fatāwā*) were withdrawn or revised to align with Shari‘ah objectives when it became clear that the existing rulings were in conflict with these objectives and leading to negative consequences. By doing so, he highlights the flexibility of Islamic jurisprudence in adapting to changing circumstances, ensuring that the rulings not only adhere to the letter of the law but also uphold the broader



ethical goals of Shari‘ah, such as justice, welfare, and the common good. This approach underscores the dynamic nature of Shari‘ah in addressing contemporary challenges.³⁶ Thus, alternative opinions were adopted that were more aligned with the goals of Shari‘ah and more effectively fulfilled its objectives. This reevaluation was guided by reason and experience, recognizing that certain rules were originally given for specific circumstances, such as the prohibition of women traveling without a close relative or the permission of *Tawarruq*. Through these examples, Prof. M.N. Siddiqi illustrates the methodology of forming legal rulings based on the objectives of Shari‘ah, emphasizing the need for a dynamic approach that considers the underlying purposes of Islamic law in adapting to contemporary challenges.³⁷ In the third chapter, Prof. Siddiqi emphasizes the important role of reason and intuition in identifying and applying Shari‘ah objectives. He highlights examples such as the establishment of justice, the abolition of tyranny and corruption, and the maintenance of peace and security to illustrate this point. Additionally, he discusses the role of reason and intuition in fulfilling the duties of Prophethood, showing how the Prophet (peace be upon him) and his successors adopted different rules and opinions on various occasions, always with the Shari‘ah objectives in mind. This flexible approach, guided by both reason and the overarching goals of Shari‘ah, ensured that rulings remained relevant and effective in different circumstances.³⁸ In chapter four, the author explores how to resolve differences that arise in the understanding and application of Shari‘ah objectives. Prof. Siddiqi argues that such differences are natural and not unusual, as they have been present since the first century of Islam. He explains that these differences stem from varying analyses of situations and conditions, as well as differences in the comprehension of Divine Guidance. According to him, the diversity in perspectives is a product of how individuals interpret both the context and the principles of Shari‘ah, leading to legitimate variations in legal rulings.³⁹



Prof. M.N. Siddiqi emphasizes that arriving at *Hukm al-shar‘i* (Shari‘ah rulings) requires open discussion, broad consultations, and ultimately decision-making through Shura (consultation). He firmly believes that there is no other viable method, as the traditional *taqlīdī* (imitative) approach is unsustainable in addressing contemporary issues. While controversy and differences in opinion are inevitable, they should not be feared. Instead, mutual consultation and collective reasoning offer the best solution for resolving these differences. Prof. Siddiqi advocates for the revival of this approach, which was successfully practiced in the early days of Islam, to ensure that Shari‘ah rulings remain relevant and effective in modern times.⁴⁰ In chapter five, the author reviews various attempts made over the last few decades of the 20th and 21st centuries to establish rulings for new and controversial issues faced by society. Prof. Siddiqi examines how these efforts aimed to align with Shari‘ah objectives in formulating these rulings. He emphasizes the importance of learning from these past endeavors and adopting the correct methodology for addressing contemporary issues, particularly in the fields of economics and finance. By doing so, he advocates for a more thoughtful and purpose-driven approach in line with the broader goals of Shari‘ah in modern contexts.

Prof. Siddiqi says:

The payment obligations of the firms operating with Murabaha-financed goods and services are independent of the profitability of the enterprise, unlike Profit Sharing, thus exposing it to the charge of being inequitable, as in the case of debt financing.⁴¹

While commenting on “Mark-up” system Prof. Siddiqi opines:

I would prefer that *Bai’ Mu‘ajjal* be removed from the list of permissible methods altogether. Even if we acknowledge its permissibility in legal terms, the overriding legal maxim states that



anything leading to something prohibited is itself prohibited. It would be prudent to apply this principle to *Bai' Mu'ajjal* to safeguard interest-free banking from being undermined from within.⁴²

5. REFLECTIONS

Prof. M.N. Siddiqi emphasizes that his goal is not to promote specific solutions or opinions on new issues, but rather to focus on the correct methodology. This methodology is based on an understanding of *Maqasid* (objectives of Shari'ah), supported by reason and intuition. To reinforce his approach, he highlights the significant limitations of overextending analogical reasoning (*qiyās*) beyond its appropriate scope when dealing with new issues, particularly in the fields of economics and finance. By stressing the importance of a balanced methodology, he encourages a more thoughtful and purpose-driven approach to addressing contemporary challenges.⁴³ Prof. Siddiqi critically examines modern Islamic finance through the lens of Shari'ah objectives, selecting this topic due to its significance in contemporary times and his special interest in the subject. He begins by outlining the basic principles of Islamic finance, providing a foundation for readers unfamiliar with the topic. Following this, he explores the state of Islamic finance in the early centuries of Islam, offers an analysis of its current state, and discusses future prospects. Through this comprehensive approach, Prof. Siddiqi provides valuable insights into the evolution and potential trajectory of Islamic finance, always with a focus on aligning it with the objectives of Shari'ah.⁴⁴ Prof. Siddiqi also evaluates the efforts made to reorganize Islamic finance in the modern era, highlighting the problems and challenges encountered along the way. He emphasizes how a focus on Shari'ah objectives can help in addressing these issues. In his analysis, he explains that there are two primary methods of financing: (a) direct and (b) indirect, through intermediaries.



The key challenge is to encourage businesses and institutions to embrace risk-taking. Justice, equity, and benevolence must be integral components of financing to ensure that the negative impacts of partnership and investment are not borne by just one party. Prof. Siddiqi reiterates that this balance, which distributes risks and rewards fairly, is what conventional or capitalistic financing often lacks.⁴⁵

The concept of ethical investment, or socially responsible investment, has been developed within modern Islamic finance. Efficiency and equity are two key values guiding any financial activity, and in cases where these values conflict, justice takes precedence. This is why Islam prohibits practices such as interest (*ribā*), gambling, and uncertain or dubious financial transactions. Additionally, it forbids actions like forestalling, selling something not owned or not yet taken into possession, exploiting someone in need by taking advantage of their helplessness, hoarding, artificially inflating prices without intending to purchase, conducting two sales in one purchase, and selling deferred items on credit. These prohibitions ensure fairness and ethical conduct in financial dealings, reinforcing justice as the overriding principle.⁴⁶ Islam legalized various transactions such as *Mudarabah*, *Musharakah*, *Muzara'ah*, *Musaqah*, *Qard*, and *Ijarah*, along with practices like *Hawalah*, *Kafalah*, *Dhaman*, and *Wa'diah*, all of which align with the spirit of Shari'ah. Over time, new forms of business contracts emerged, including *Suftajah*, *Mudarabah ala'l-mudarabah*, *Bay'al-urbun*, money exchange, *Bay'al-wafa*, *Waqf al-nuqud*, and more recently, insurance (*ta'min*). Prof. M.N. Siddiqi stresses the need for an in-depth study of these contracts to understand the Shari'ah objectives behind them and to assess whether any of them, or a combination of them, could potentially harm those objectives due to changing times. Alternatively, such contracts may offer unexplored possibilities. To distinguish between achieving desired objectives and engaging in corrupt practices, Prof. Siddiqi argues



that sound knowledge of economics—especially micro and macro analysis—and behavioral sciences is essential.

He also highlights that the pioneers of Islamic economics envisioned it as a balanced system between the extremes of capitalism and socialism, advocating for the establishment of Islamic banking and finance based on equitable partnership and fairness. Islamic equity models have a role in the modern commercial landscape and were originally conceived with a macro perspective, mindful of Shari‘ah objectives. This idea was adopted by a few Muslim countries, such as Pakistan, Sudan, and Iran. However, recent banking experiences in the private sectors of countries like Malaysia, Indonesia, and some Persian Gulf nations reveal that their primary focus has been profit-making by simply avoiding clear cases of interest (*ribā*) practices. These institutions aimed to offer profitable investment opportunities to their customers while skirting interest-based transactions, resulting in the widespread use of financial instruments like *Murabahah*, *Ijarah Muntahiah bi'l-Tamlik*, *Al-Salam al-Mutawazi*, *Sukuk*, *‘Inah*, and *Tawarruq*.⁴⁷

6. THE SHARI‘AH ADVISORY BOARDS

Islamic financial institutions are overseen by Shari‘ah Advisory Boards to ensure that their operations align with Shari‘ah principles in financial dealings. However, these Shari‘ah Supervisory Boards sometimes overlook or miss the fundamental objectives of Shari‘ah, particularly the promotion of partnership and equity participation, while inadvertently allowing the inclusion of debt-based practices. This oversight appears to stem from a growing disconnect between productive enterprises and the supply of money, which leads the economy into the very situation that Shari‘ah sought to prevent by prohibiting transactions based on *ribā* (interest), *qimar* (gambling), *gharar* (excessive uncertainty), and the sale of debts. Consequently, activities related to specula-



tion and subterfuge have increased, posing obstacles to the development of a just Islamic banking system rooted in equity-based financing. This divergence undermines the core objectives of Islamic finance, which aim to foster fairness, risk-sharing, and real economic growth.⁴⁸ Prof. Siddiqi expresses hope that financial policymakers will address the flaws that have arisen due to the neglect of Shari‘ah objectives and work to regain the lost ground. He emphasizes that this issue goes beyond just *fiqh* rules. To support his stance, Prof. Siddiqi references verses from the Qur’an that address all of humanity, deriving values related to social life. He further strengthens his argument by pointing to the explication of these verses through the traditions of Prophet Muhammad and the practices of his successors.

Prof. Siddiqi highlights the pressing issues faced by humanity and stresses that Muslims cannot fulfill their role as the “best of people” as they have been raised to be, nor can they effectively solve their own problems, unless they adopt a way of thinking and action that helps them achieve this objective. He categorizes humanity’s problems into two types: first, those that can be solved by specific groups of people, such as the residents of a city, members of a particular community, or people of a specific language, nationality, or color; and second, those problems that concern the entire human race, which cannot be resolved without the collective efforts of the global population.

He reiterates that solutions to modern-day problems will be found through the objectives of Shari‘ah, rather than through piecemeal *fiqh*, as these contemporary challenges did not exist when traditional jurisprudence was developed. Prof. Siddiqi’s perspective emphasizes the need for a holistic and forward-looking approach that derives guidance from Shari‘ah’s overarching goals, rather than narrowly applying rules that were formulated in a different historical context.⁴⁹

Prof. M.N. Siddiqi emphasizes the importance of including the teachings of the Qur’an and Sunnah, which call for goodness



toward all of humanity and require Muslims to actively work towards solving the problems faced by humankind. He stresses the critical need for Muslims to stay fully informed about global efforts to address these challenges. Furthermore, Prof. Siddiqi argues that it is essential for Muslims to develop well-thought-out and clear positions on these issues and to communicate these stances effectively to the world. By doing so, Muslims can contribute meaningfully to the global discourse and help find solutions that are aligned with the values and objectives of Shari‘ah.⁵⁰

7. ANALYSIS OF PROF. M.N. SIDDIQI’S VIEWS

Prof. M.N. Siddiqi viewed socioeconomic activities through the lens of the Shari‘ah perspective, emphasizing that *Ijtihād* (independent reasoning) in these matters presents a significant intellectual challenge for Muslim scholars, particularly those engaged in economics and finance. He strongly advocates for the encouragement of *Ijtihad*, especially in relation to Shari‘ah objectives, as a means to address the complexities of modern times. Prof. Siddiqi asserts that the current era calls for *Ijtihad* rooted in Shari‘ah objectives to confront future challenges effectively. He also highlights that calling people to the religion of Allah and serving as a witness over humanity are among the most important objectives of Shari‘ah, reinforcing the need for a forward-thinking approach grounded in these overarching principles.⁵¹ In Prof. Siddiqi’s opinion, this requires adopting a method that draws people’s attention and prepares their minds and hearts to embrace Islam. He emphasizes the need to avoid approaches that might foster enmity, hatred, disputes, or doubts. Instead of insisting on a single viewpoint, efforts should focus on mutual respect for differing opinions and fostering cooperation among individuals. This inclusive approach encourages harmony and understanding, aligning with the broader objectives of Shari‘ah



in promoting peace and unity within society.⁵² According to Prof. Siddiqi, differences of opinion within the Ummah do not harm its unity; rather, they strengthen its existence. Regarding the extension of the right to *ijtihad* to common people, he clarifies that this does not refer to conventional jurisprudential *ijtihad*. Instead, it applies to general matters of daily life, such as education, health, tourism, relationships with neighbors and friends, raising children, marital relations, calling people to Allah, training those who engage in da‘wah, organizing events, financing them, engaging with national systems, participating in governance, interacting with other communities, and managing international relations. These areas fall outside the domain of traditional jurisprudence but are crucial to the broader functioning of society, where *ijtihad* can play a transformative role.⁵³

Prof. M.N. Siddiqi asserts that *ijtihad* in general matters should be exercised by individuals who are experts in their respective fields. If people are forced to strictly imitate traditional religious practices without flexibility, this mindset could extend to other worldly matters, stifling innovation, invention, and modernization. He explains that life is a unified whole, and there is no separation between religious and worldly affairs. As problems evolve over time, it is unrealistic to expect past solutions to remain relevant. Prof. Siddiqi points to examples in Islamic finance and Shari‘ah supervisory boards, which have shown a lack of seriousness and competence in addressing newly emerging issues. Finance is just one aspect of life, and many other areas also present significant challenges in the modern world. He emphasizes the need for adaptability and expert-led *ijtihad* to address these evolving concerns effectively.⁵⁴ To face modern challenges, Prof. M.N. Siddiqi emphasizes the need for knowledge of contemporary sciences and practical life experience, alongside traditional Islamic sciences. He argues that current problems cannot be addressed solely through traditional methods, advocating instead for the same dynamic methodology employed by the companions of the Prophet, their



followers, and other early leaders of original Islamic thought. Prof. Siddiqi points out that the world in fifty or eighty years will be vastly different from the one that existed fifty years or a century ago, in terms of economy, geopolitics, and social dynamics. As a result, the tools and strategies used by Islamic movements or institutions in the past century will be insufficient to address the complexities of the future. He stresses the importance of evolving approaches that align with the changing landscape of the modern world.⁵⁵ Thus, it is inevitable to revise strategies and reorganize priorities to address the challenges of the coming years in light of Shari‘ah objectives, such as justice, equality, equity, freedom of thought and action, and human dignity. Neglecting these core objectives in socio-economic aspects of life has tarnished the image of the *Ummah* and placed it in a defensive position. Prof. Siddiqi emphasizes that a return to these Shari‘ah-based principles is essential for the *Ummah* to regain its strength, integrity, and ability to lead in solving modern challenges.⁵⁶

CONCLUSION

Achieving the higher intents and objectives of the Shari‘ah (*Maqasid al-Shari‘ah*) requires adherence to righteous behavior and high moral standards in all dealings and transactions (*Mu‘amalat*). Those working in the Islamic finance industry—particularly managers of Islamic financial institutions and those responsible for approving financial products and ensuring Shari‘ah compliance—must strive to uphold these objectives with sincerity and honesty. Prof. Nejatullah Siddiqi suggests that responding to current challenges in a manner consistent with Islamic values requires harnessing the broader intellect, experiences, and abilities within the Muslim community. Experts in fields such as economics, health, and science play a crucial role in helping the *Ummah* understand the implications of these challenges and formulate



appropriate responses. For these experts, it is essential to have a strong understanding of the Qur'an to contribute meaningfully to such debates.

Prof. Siddiqi stresses the importance of distinguishing between contextual rulings and universal guidelines within Islamic teachings. While certain rulings may have been specific to their time and place, the underlying moral principles are often universal, requiring different methods of implementation in varying contexts. He also underscores the challenges posed by rapid globalization, the proliferation of communications technology, the rise of democratic nation-states, and unprecedented migration across continents for trade, industry, employment, and education. According to Prof. Siddiqi, not every change (*Taghawr*) is inherently harmful or disadvantageous to the Muslim population. Some changes offer positive opportunities that can be embraced, while others present negatives that should be identified and appropriately addressed.

Prof. Siddiqi emphasizes the importance of adopting a broader and more comprehensive approach in addressing contemporary challenges, particularly when explicit guidance from Islamic sources is not available. He advocates for drawing on the *Maqasid al-Shari'ah* (objectives of Shari'ah) to extend their application to modern concerns such as human dignity, basic freedoms, justice, poverty alleviation, social protection, social justice, and the equitable distribution of wealth and income.

Prof. M.N. Siddiqi suggests that product development in Islamic finance should go beyond the interests of major sponsors, focusing instead on broader societal and economic impacts. While liquidity management products might be introduced to serve immediate commercial needs, a broader perspective—considering the macroeconomic implications and the goals of equitable wealth distribution—would lead to the development of more inclusive financial products. These would prioritize egalitarian modes of finance, such as *Mudarabah* and *Musharakah*, which are key instruments in Islamic finance.



By engaging economists and social scientists in the discourse, the broader social, macroeconomic, and developmental implications of commercial products can be better understood. This holistic approach would ensure that Islamic financial products align more closely with the broader ethical and societal goals outlined in the *Maqasid al-Shari'ah*.

NOTES

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26. Ibid., p. 187.
27. Ibid., p. 239.
28. Ibid., p. 242.
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33. Ibid., p. 240.
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35. *Tawarruq* is a *Shari'ah*-compliant financing method. Ibid., pp. 244–245.
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