

ISLAMIC FINANCE 1ST

Islamic Finance 1st is a Monthly Islamic Finance e-Notes published by SALIHIN Academy

- *Maqasid al-Shariah* -

Editor's Note: The theme for this month Islamic Finance e-Notes is Maqasid al-Shariah, where in this edition, we aim to briefly highlight the concept of this term. Maqasid-al-Shariah is basic concept in Islam serves as a foundation or pillar for various fields of knowledge and practice, such as Islamic Finance, Economics, Wealth Management and Social Development. Knowledge model that is built based on Maqasid al-Shariah will develop a strong and clear framework to solve arising issues or ambiguity of the subject matters. In general, Maqasid al-Shariah is utilized to serve as a guiding principle in our daily activities.

Maqasid al-Shariah

The terminology Maqasid al-Shariah, in general, means purpose and wisdom behind the enactment of all or most of the Shari'ah rulings. Specifically, it is defined as as specific target to the objectives that are designed for the people in their daily activities, such as the application of Islamic finance (Ibn Ashur). Other scholar, namely Alal al-Fasi defined Maqasid al-Shariah as the end that is sought for each enactments of the Shariah rulings and the secrets or justification involved.

Maqasid al-Shariah encompasses:

- **Universal objectives and values that are consistent with Shariah**
- **Public interests of people, society at large and universe**
- **High moral standards/ virtues**
- **Avoidance of immoral behavior/ vices**

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Classification of Maqasid al-Shariah

Maqasid al-Shariah is divided into three major categories as follows:

Necessities/ Essentials (Daruriyyat)

Necessities (Daruriyyat) are the one that people depended on and and absence of it will make the whole society collapse. Fundamentals of Daruriyyat are:

Protection of Religion
(al-Din)

Protection of Life
(al-Nafs)

Protection of Intellect/
Mind (al-Aql)

Protection of Human
Being (al-Nasl)
/ Family (al-'Ird)

Protection of Property
(al-Mal)

Needs (Hajiyyat)

Needs (Hajiyyat) refers to the supporting and interests required for life. The life without these needs lead to hardship and may affect the social functions.

Shatibi defined Hajiyyat as "Something that is needed to attain comfort and alleviate hardship. If it is neglected, human subjects (mukallafin) will suffer hardship.

Examples:

Development of an integrated transportation infrastructure to link rural and urban areas as well as countries worldwide, provision of sale contracts such as salam & istisna

Complementary/ Embellishments (Tahsiniyyat)

Complementary or embellishments (tahsiniyyat) refers to the interest which improve the society, quality of life, and increase the moral and spiritual in the Muslim society.

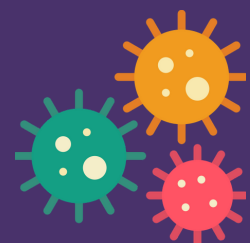
The non-existence of complementary does not affect the society function, and will not interrupt the normal process of life in the society. The nation will become a model for others if the complementary needs are provided for its people.

Examples:

Development of shopping malls, recreational parks and provision of voluntary contracts (eg. hibah, sadaqah, waqf)

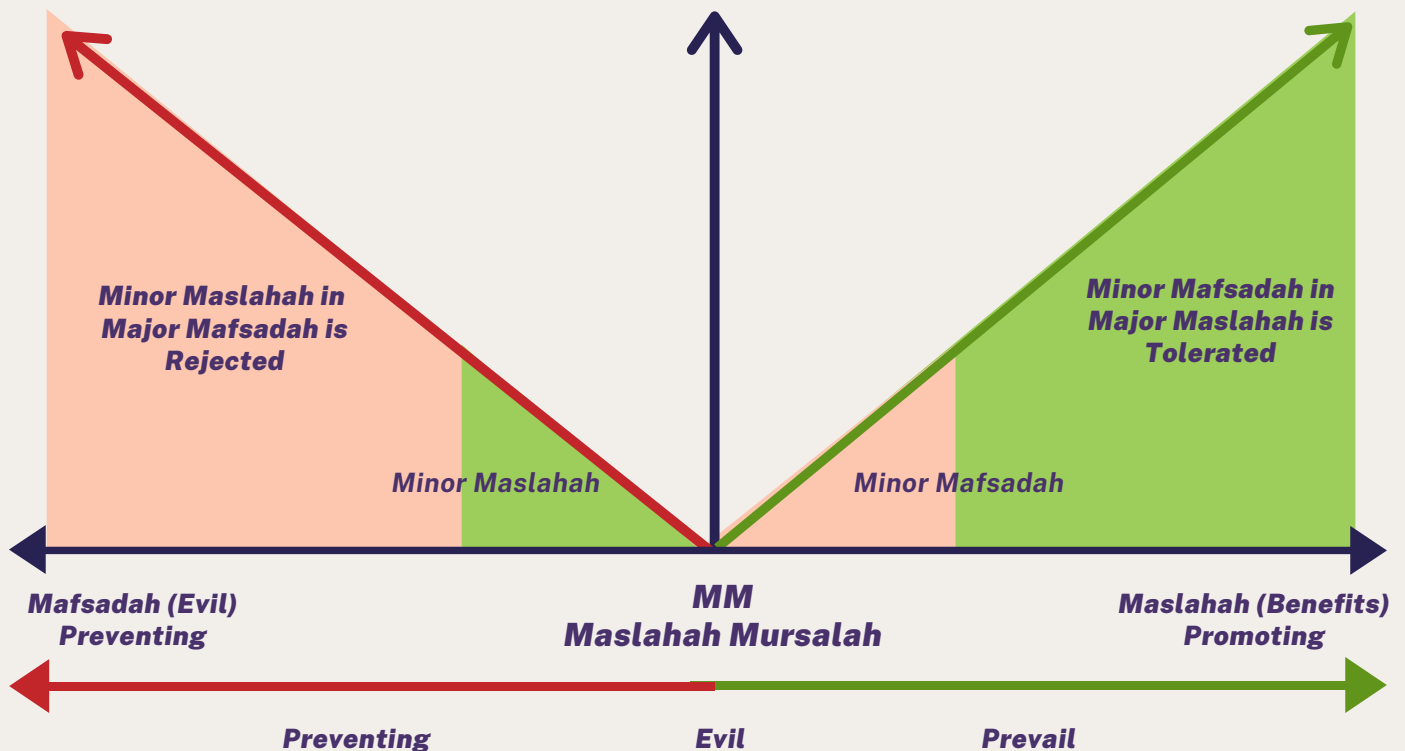
Adoption of Daruriyyat to fight COVID-19:

- Movement Control Order (MCO) - Protection of Life
- Adoption of Online Learning for Schools - Protection of Intellect
- Requirement to Wear Mask - Protection of Human Being
- Adoption of Moratorium - Protection of Property



Concept of Maslahah & Mafsadah in the Context of Maqasid al-Shariah

Maqasid al-Shariah sets the parameters for the concept of maslahah (benefit) and mafsadah (evil) framework. Therefore, maslahah and mafsadah in the context of Maqasid al-Shariah is depicted in the diagram below.



Source: *Maqasid al-Shariah in Islamic Finance*, Ahcene Lahsasna (IBFIM Publication)

The positive side represents maslahah which acknowledged by the Lawgiver, whereas the negative side represents the maslahah which is rejected by the Lawgiver

Shariah promotes and allows the positive maslahah due to the realized benefits, whereas prohibits the negative maslahah due to the prevailed harm, damage and evil.

A minor mafsadah in the scope of maslahah is ignored by Shariah due to the major benefits that existed. Therefore, maslahah is accepted and minor mafsadah is tolerated.

A minor maslahah in the scope of mafsadah is not acknowledged by Shariah due to the major evil existed. Therefore, minor maslahah is rejected.

This fundamental philosophy of Shariah is based on the argument that there is no pure maslahah or pure mafsadah; maslahah always being associated with minor mafsadah and mafsadah is always being associated with minor maslahah. In this case, Shariah weight and accept major maslahah with minor mafsadah and reject minor maslahah in major mafsadah.

Practical Aspect of Maqasid al-Shariah

Maqasid al-Shariah & Wealth



- To increase halal (permissible) wealth in Shariah
- To encourage mankind to work where it is regarded as 'ibadah
- To protect wealth through the takaful scheme
- To cleanse and purify wealth in forms of zakat and sadaqah
- To contribute to the society the legitimate income generated for further improvement of the society, Islam and nation

Maqasid al-Shariah & Financial Planning



- To develop and invest wealth
- To circulate wealth in business transaction through a proper financial planning and management
- To provide transparency in wealth and finance
- To prevent harm and hardship through wealth management
- To ensure justice in circulation of wealth
- To preserve and protect the wealth

Maqasid al-Shariah & Islamic Banking



- To provide an avenue for the purpose of saving to secure the financial future
- To create a pool of fund to provide liquidity in the form of different types of financing to fit different business activities
- To encourage local and international trade markets where it links buyers and sellers in the marketplace.
- To protect and preserve wealth through risk mitigation tools and instruments
- To facilitate the circulation of wealth to many hands as much as possible through the trade and finance instruments

Maqasid al-Shariah & Islamic Economics & Finance



- To promote stability of economics, finance & business
- To ensure justice in business and finance
- To instill the principle of equity
- To establish contracts/instruments in acquiring property and wealth
- To circulate wealth in financial system
- To preserve and protect wealth
- To promote transparency in business and trade
- To prevent harm and hardship in business and finance

Relationship of Maqasid al-Shariah

Maqasid al-Shariah & Takaful



- To protect life of a person (the contributor) who died, or become disabled, and his or her family
- To protect property from damage and destruction
- To promote values of shared responsibility, mutuality, cooperation, brotherhood, joint indemnity and solidarity in the society
- To eliminate prohibited elements from the marketplace
- To give opportunities to the participants for investment elements in addition to the protection purpose

Maqasid al-Shariah & Corporate Governance



- To ensure a proper management of the organization according to the principle of Shariah
- To ensure the accountability, responsibility, transparency & fairness in decision-making process
- To create check and balance system with the goal of enhancing shareholder value and stakeholders while protecting the interests of Shariah
- To promote honesty and good ethics, while preventing breach of trust, receiving income from non-halal sources, price manipulation, dishonesty, fraud and bribery

Maqasid al-Shariah & Islamic Capital Market



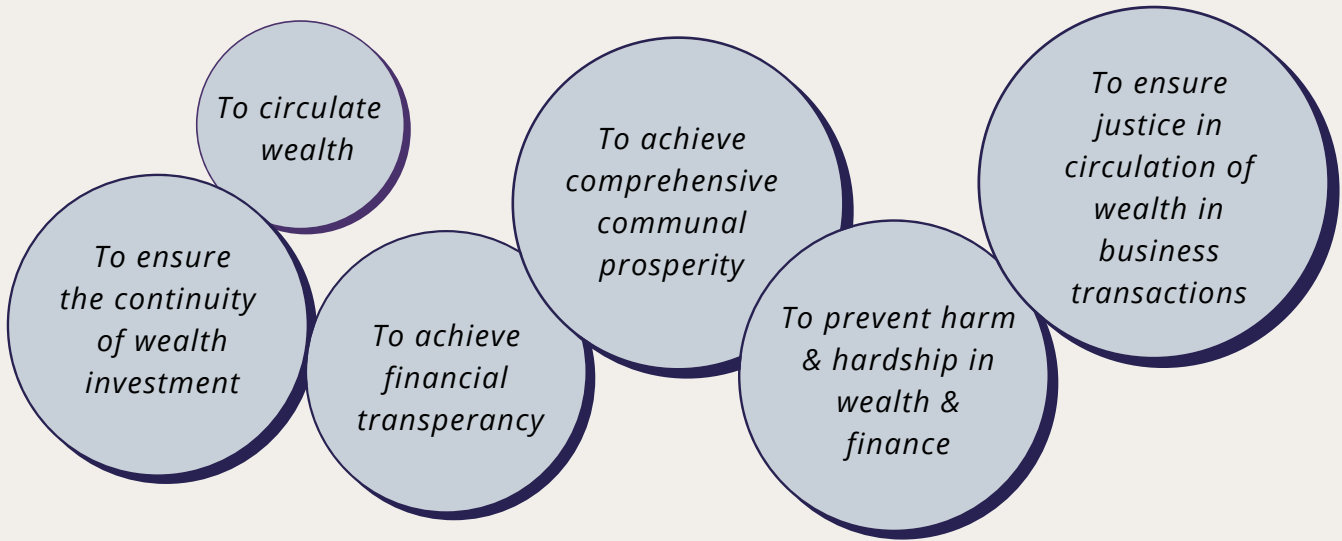
- To attract the saving fund and channel it to the Shariah compliant productive purposes in Shariah compliance manner
- To provide liquidity in the market through primary market and secondary market
- To ensure the investment is made in Shariah compliant capital market products such as sukuk

Maqasid al-Shariah & Islamic Stock Market



- To determine the permissible activities in the marketplace
- To enable the Muslim investors to acquire profit and wealth in Shariah compliant manner
- To create liquidity in the market
- To expand the scope of trade and sale, where there is a movement from a traditional market to sophisticated market
- To promote risk sharing concept in the investment community specifically in stock market and equity market

Maqasid al-Shariah in Islamic Finance



Islamic Financial Planning Based On Maqasid al-Shariah

Financial planning dimension in Islam covers five areas; Wealth Creation, Wealth Generation, Wealth Purification, Wealth Protection and Wealth Distribution.



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