The Philosophy of Islamic Finance

Total Marks: 30

1. Answer the short Questions: (10)

i. Is the term 'interest free banking' accurate for 'Islamic Banking' or there is any
ii. others difference between the two?
iii. Can an Islamic Bank ask the client for a security deposit when giving loan? If so, for which type of financing methods?
iv. Does Shari'ah Law allow pre - fixed returns on investment? If so, how does it work?
v. What are the basics of the philosophy of Islamic finance?
vi. Which of the following items could be leased out according to Shari'ah Compliance:
   a. Petrol
   b. Grains
   c. House
   d. Money
   e. Ship
   f. Fuel
   g. Motor vehicles
   h. Oil
   i. Shop

2. "Islamic Banks deal in goods, not in money". Discuss this. (6)

3. What is the time value of money in Islam? How is money treated differently in Islamic Banking when compared to conventional banking? (6)

Case Study (8)

Car Ijara is a Shari'ah compliance car leasing scheme offered by an Islamic bank. It is based on the principles of Ijara and is completely free from interest. This product is designed for interest averse individuals looking for a car financing scheme that helps in avoiding interest based transactions. So, the Car Ijara is simply a rental agreement under which the car will be given to the customer in exchange for rent for a period, agreed at the time of contract.

Keeping in view the above answer the following questions:

a. In what sense is a car Ijara interest - free?
b. What is the difference between a conventional lease and an Islamic lease?