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BASIC PRINCIPLES OF INTEREST AND INTEREST-FREE FINANCE TODAY

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Abstract

Traditional interest-based financial systems, while crucial for economic growth, introduce significant risks and contribute to the gap between financial markets and the real economy. In contrast, interest-free financial systems, which avoid interest and speculative activities, offer potential advantages in minimizing risks and promoting financial stability. The Islamic financial system, grounded in Sharia principles, utilizes profit-sharing, leasing, and sales techniques instead of interest, and is gaining traction worldwide for its resilience against financial crises and its promotion of social and economic justice.

The study explores the foundational principles and global perspectives of interest-free financial systems. The research examines the historical development of banking systems in Turkey and globally, highlighting the rise of participation (Islamic) free financial system. banking. Participation banks operate on a profit-sharing basis, providing an inclusive financial environment for interest-sensitive individuals. Despite their potential, more research is needed to address the inherent challenges and further develop the interest-

Keywords: Banking, Interest-Free Banking, Participation Banking, Interest-Free Financial System

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GÜNÜMÜZDE FAİZ VE FAİZSİZ FİNANSIN TEMEL PRENSİPLERİ

Özet

Geleneksel faiz bazlı finansal sistemler, ekonomik büyüme için önemli olmakla birlikte, önemli riskler doğurur ve finansal piyasalar ile reel ekonomi arasındaki farkın artmasına katkıda bulunur. Buna karşılık, faizsiz finansal sistemler, faiz ve spekülatif faaliyetlerden kaçınarak, riskleri en aza indirme ve finansal istikrarı teşvik etme potansiyeli sunar. Şeriat ilkelerine dayanan İslami finans sistemi, faiz yerine kâr paylaşımı, kira ve satış tekniklerini kullanır ve finansal krizlere karşı dayanıklılığı ve sosyal ve ekonomik adaleti teşvik etmesi nedeniyle dünya çapında ilgi görmektedir.

Çalışma, faizsiz finansal sistemlerin, özellikle İslami finansın temel ilkelerini ve küresel perspektiflerini araştırmakta ve Türkiye'deki ve dünyadaki bankacılık sistemlerinin tarihsel gelişimini inceleyerek, katılım (İslami) bankacılığının yükselişini vurgulamaktadır. Katılım bankaları, faiz hassasiyeti olan bireyler için kapsayıcı bir finansal ortam sağlayarak, kâr paylaşımı esasına göre çalışır. Potansiyellerine rağmen, bu sistemlerin içsel zorluklarını ele almak ve faizsiz finansal sistemin daha da geliştirilmesi için daha fazla araştırma gereklidir.

Anahtar Kelimeler: Bankacılık, Faizsiz Bankacılık, Katılım Bankacılığı, Faizsiz Finans Sistemi

1. Introduction

Financial systems are vital for economic growth. However, the interest-based nature of the financial system implemented worldwide brings various risks. While interest plays a significant role in economic growth, it is also seen as one of the most important reasons for the gap between financial markets and the real economy. The implementation of interest also brings various systemic risks.

The characteristic that sets apart the interest-free financial system from the conventional financial system is not only the absence of interest. It also differs in terms of phenomena such as uncertainty and speculative activities. This indicates that the interest-free financial system may be more effective in minimizing risks and ensuring financial stability.

The interest-free financial system, also known as the Islamic financial system, is based on Islamic principles where interest is considered forbidden. Therefore, the Islamic financial system operates without interest. In this system, the ways of earning and investing money differ from those in an interest-based financial system. For example, profit-sharing, leasing, and sales are among the interest-free financing techniques used.

Interest-free financial system is increasingly gaining attention not only in Islamic countries but also worldwide. It is believed that this system could be more resilient against financial crises. This is because the interest-free financial system can minimize speculative activities and reduce uncertainties. Additionally, it can support social and economic justice and help in the more equitable distribution of financial resources.

However, the interest-free financial system also faces its own challenges and risks. In particular, it may encounter some difficulties in areas such as liquidity management and risk management. Additionally, the interest-free financial system may be less developed compared to traditional financial systems, and there may be infrastructure deficiencies in some countries for implementing this system.

The financial system's reliance on interest worldwide is important for economic growth, but interest application also brings various risks. The interest-free financial system appears to be more effective in minimizing these risks and ensuring financial stability. However, this system also has its own challenges and risks. Therefore, more research and development efforts are needed in the field of interest-free finance system.

People strive to obtain economic benefits and use these benefits to live comfortably. To achieve this, individuals need to work and earn wages. People earn wages by exerting effort and receiving income in return, following the relevant legal provisions. They utilize their earned wages through spending, investment, or saving. In this respect, the wages earned by individuals primarily benefit them and contribute to the country's economy. Taxes deducted from wages and the consumption or investment of wages also contribute to the national economy.

Individuals can use their earned wages through spending, investing, or saving. In this regard, the existing banking system and banks in a country have a significant impact on all these processes. Banks serve as a means for recording the circulating money in the country and ensuring its safe transfer. In addition to individuals, companies, institutions, and all citizens residing in a country, the transfer and valuation of capital operating in the national economy are also carried out through banks. Traditional banks, while facilitating this circulation, prioritize the time value of money, which can be referred to as "interest." In the traditional banking system, when one person lends or transfers money to another, the lender demands the time value of the money from the borrower. The income obtained from all these transactions today is called "interest." Some people in Turkey and worldwide try to distance themselves from interest for various reasons. The avoidance of interest-sensitive individuals from the system prevents their savings from turning into investments, delays their desires, and consequently reduces economic efficiency. Therefore, with the emergence of interest-free banking, interest-sensitive individuals will participate in economic activities, making the banking system more inclusive.

When it comes to interest-free banks, the first thing that comes to mind in the world and in Turkey is undoubtedly participation (Islamic) banking. These banks are defined as banks whose main purpose is to make a profit by managing the funds of depositors and sharing these profits with depositors according to a certain ratio.

Today, in addition to the increasing importance of the traditional banking system, it can be said that the interest-free banking system is also developing rapidly in Turkey and worldwide. The main difference between the interest-free banking system and the traditional banking system, as the name suggests, is that interest income is not obtained through monetary evaluation. In interest-free banking, funds are deposited in banks, and income is obtained at the end of a certain period. This income is called "dividends" and "yield rates" rather than interest. Therefore, participation in the banking system is also reciprocated.

Participation banking systems are also an example of interest-free banking where individuals can evaluate their income. Individuals, who can be referred to as customers and members of participation banks, gain partnership by depositing certain amounts in these banks. Members receive shares from the bank's profits and losses and earn income called "dividends" or "profits" with the appreciation of their funds at the end of a certain period. Since the return on the income deposited in participation banks is not guaranteed, it is not called interest.

The purpose of this study is to examine the historical development and course of the banking system in Turkey and worldwide and to explain the reflections of interest-free banking system in Turkey and globally. Firstly, the meaning of interest is explained, followed by the explanation of the interest-free finance system and its history, and finally, the three fundamental principles of interest-free finance system are explained. In the conclusion section, recommendations are expressed.

2. Interest in Today's World

The term "interest," meaning "profit, yield, production, money lent for commercial purposes" in its dictionary definition, is expressed in the literature of Islamic law as "the predetermined excess amount to be returned within a certain period for the loaned goods or any excess taken in return for extending the repayment period of a loan not repaid on time." In Turkish, the word "faiz" and the Arabic-derived word "riba" are considered synonymous (TDV Islamic Encyclopedia).

In economics, interest originates from two sources: income obtained from capital, considered one of the production factors, and the value of money over time based on a loan agreement. In classical economic theory, interest is the usage fee of borrowed money in the broadest sense. In an economic model where interest is valid, money is considered one of the production factors. Therefore, production factors (natural resources, labor, capital, and entrepreneurship) must come together for producing goods or services (Tunç, 2016).

3. History and Development of the Interest-Free Finance System

The interest-free finance system has developed significantly, especially in recent years, and is now preferred not only in Western and Far Eastern countries but also in countries with a majority Muslim population. Undoubtedly, this preference is due to attracting capital from wealthy oil countries on one hand and seeking to mitigate the impact of increasing economic crisis risks and escape from risks on the other. Because crises directly related to interest rates and some research on the traditional financial system have been conducted, especially in the last 20 years. Although it is still debated whether the interest-free finance system can fully resolve the impasse of the traditional finance system and even its applicability today, the interest-free finance system holds a very important position, as evidenced by its share in the banking sector. Therefore, the principles and results of interest-free financial systems' banking practices, capital market products, and insurance practices today and in the future are worth examining. It should be noted that the principle proposed by the interest-free financial system is not only the non-application of interest but also various principles and rules. In fact, the non-application of interest is a result of these principles and rules, such as the prohibition of uncertainty. The most important fact proposed by the interest-free financial system is defining concepts such as risk and uncertainty, which are important elements in the economy, and classifying the transactions accordingly.

3.1. Banking

The first applications of Islamic finance started predominantly in the banking sector and later developed in the capital markets and insurance sectors (Akten Çürük, 2013). The first concrete example of interest-free banking practice in the world is the bank established in the town of Mit Ghamr in Egypt in 1963 during the presidency of Gamal Abdel Nasser. However, it is worth noting that cooperative-type structures established in Pakistan before this also showed similar practices to Islamic banks but did not possess banking characteristics (Türker, 2010). Contrary to the trend of nationalizing all banks in Egypt at that time, the bank initially established as an experiment was founded by Ahmed El-Naggar, who was also the first shareholder and manager of the bank. This banking model, created to serve the agricultural and commercial needs of Egyptian peasants, encompassed unique models, including profit and loss sharing, takaful (insurance), leasing, and barter transactions (Sümer and Onan, 2015). Following its establishment in Egypt, the Islamic Development Bank was established in Jeddah, Saudi Arabia, in 1975, with its main area of activity being the financing of public projects, making it significant for Islamic banking activities (Türker, 2010). Additionally, the establishment of the Dubai Islamic Bank in the same year, the Islamic Development Bank in 1977, and the Dar-Al Maal Al-Islami in Geneva in 1981 were significant for Islamic banking (Burtan Doğan et al., 2017).

Since the early 1970s, the current surplus created by the Gulf countries due to increasing oil prices has played an important role in the development of the Islamic banking and finance system dominated by the Gulf countries, and Islamic finance has rapidly developed. Additionally, religious motivations in economic and financial transactions involving Muslim populations in the Gulf countries and the globalization of the financial world have also contributed to the development of Islamic finance in these countries. While the Gulf countries led the establishment of the interest-free banking system, Malaysia played a significant role in developing the interest-free banking system in the Far East. For instance, in the Malaysian interest-free banking model, alternative products have been developed for each traditional product, and the share of interest-free banks in this field has reached 20%. Additionally, Malaysia has significantly contributed to developing securities products in the interest-free banking sector (Güngör, 2015). Moreover, Iran hosts seven of the world's ten largest Islamic banks, holding 40% of global Islamic finance assets (Burtan Doğan et al., 2017).

Examining the development of interest-free banking in Turkey, 1983 was a significant turning point. Because with the Decree No. 83/7506 dated 1983, private finance institutions were granted operating permits, known as participation banks from December 12, 2005. It is believed that expanding commercial activities with the Gulf countries and providing capital flow to Turkey played an important role in obtaining this permit. The quality of banks engaged in trade with Gulf countries is of great importance financially and legally. Additionally, the need to include the funds of citizens who do not want to evaluate their money in interest-bearing banks due to their beliefs also significantly affected obtaining the license to participate in banking activities. Therefore, internal and external factors play an important role in developing Islamic banking in Turkey. The first private finance institution established after the decree was Albaraka Türk Private Finance Institution A.Ş., and Faisal Finance Institution A.Ş., followed by the bank established with foreign capital, Kuwait Turkish Evkaf Finance Institution A.Ş. Currently, five participation banks are operating in the country. According to the 2017 report of the Participation Banks Association of Turkey (TKBB), the total non-consolidated assets of these five banks (Albaraka Türk, Kuveyt Türk, Türkiye Finans Participation Bank, Vakıf Katılım, and Ziraat Katılım) reached 160.136 billion TL by the end of 2017, with an increase of 205% compared to the previous year (TKBB, 2017). This statistic alone shows the importance and growth potential of this sector for our country. Additionally, examining the global Islamic finance sector statistics, larger figures are seen, revealing the importance of Islamic finance for the global financial sector. According to the aforementioned TKBB report, the sector's total assets increased from 21 trillion USD in 2015 to 22 trillion USD in 2016, with a 7% increase. Additionally, sukuk issuances reached 979 billion USD in 2017, with a 453% increase, while Malaysia continues to lead in this field.

3.2. Capital Market

The Islamic finance system is reflected in both the capital market and the banking sector. Securities known as "sukuk" are used in capital markets, traded interest-free, and provide income to investors according to Islamic principles. As explained in detail below, sukuk is essentially used as an Islamic bond and is a security that generates income for investors. Looking at the history of Islamic finance in capital markets and insurance, it is seen that the Malaysian government issued the first sukuk-like bonds in 1983. However, this issuance is not considered a complete sukuk issuance, as it is not identical to modern sukuk issuances. Islamic finance continued to develop in the capital markets sector after the 1990s. In the early 1990s, Shell Middle Distillate Synthesis Company established the first Islamic equity and investment fund in Malaysia, valued at 33 million USD. The world's first sukuk was issued by Malaysian Cagamas Berhad for 492 million USD (Avcu, 2015). In the late 1990s, insurance (takaful) was established according to Islamic procedures. In the following years, significant sukuk issuances occurred in Gulf countries, Malaysia, Turkey, Iran, and even Western countries, and these sukuk found buyers abroad. The sukuk market holds a very important position globally, attracting significant investors.

As global financial giants like Dow Jones, FTSE, and Standard & Poor's started publishing Islamic indices, investors had the opportunity to invest in companies operating according to Islamic finance principles. During this period, significant developments were experienced in institutions and products in line with Islamic finance principles. From a developed institutional perspective, transactions initially carried out by participation banks (considered savings banks at first) started to be carried out by commercial and investment banks, insurance companies, investment institutions, portfolio management companies, and brokers in the 2000s. Examining the developed products, in addition to the limited number of savings bank products, takaful products, investment funds, bonds, stocks, and structured products started to be used. Successful Islamic finance practices are not limited to the Gulf countries, the Middle East, and Malaysia; these practices have also attracted the attention of the US and European countries, spreading to these regions (Akten Çürük, 2013). Leading global banks and financial institutions such as HSBC, Citibank, Deutsche Bank, Goldman Sachs, and Standard Chartered Bank have shown interest in Islamic finance and developed products in this direction.

4. Fundamental Principles of Interest-Free Finance System

Firstly, it should be noted that all the principles of the interest-free finance system originate from the Quran and Hadiths, the system's sources, and all transactions within the system must comply with these principles. Additionally, these principles not only pertain to commercial activities and transactions but also determine general business life rules, including ethical and social issues. In fact, the main purpose of these principles is to ensure that people benefit from society in the economic field, eliminating wrongful and unjust practices.

Since the basis of Islamic law is "ibaha," meaning freedom, transactions are permitted unless prohibited. Therefore, unless something is forbidden, it is halal and permissible to do. The main purpose of the prohibitions brought by the Islamic finance system is not to make business life difficult but, on the contrary, to prevent laziness and speculative expectations, encourage work and production, protect the interests of the weak, and ensure mutual benefit. Especially mutual benefit among parties and society as a whole ultimately ensures justice and fairness (Akten Kulyk, 2013). Because Almighty Allah (Surah Al-Baqarah 275) says: "...whereas Allah has permitted trade and forbidden usury." Therefore, the main purpose of prohibiting interest is to prevent unjust gains by forbidding interest and to maintain the continuity of business life by preventing unjust gains. Although the most well-known principle of the Islamic finance system, even the one that gives its name to the system, is the non-application of interest, various other principles exist beyond the prohibition of interest. The general fundamental principles of the Islamic finance system are:

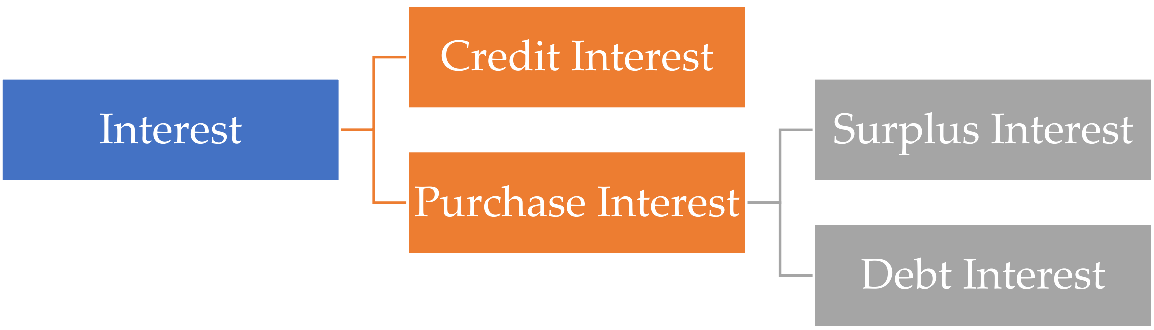
- Prohibition of Riba (Interest)
- Prohibition of Gharar (Uncertainty)
- Prohibition of Maysir (Excessive Risk Taking)

4.1. Prohibition of Riba (Interest)

The term "riba," derived from Arabic, means "excess, growth, increase, spreading" (TDV Islamic Encyclopedia). Riba can be defined as "the collection of excess at the end of a certain period on a credit or the conversion of excess funds in return for an extended period when receivables are not paid on time." The definition of the term actually encompasses two types of benefits categorized by Islamic law. In doctrine, riba is divided into two: Riba an-Nasiah (debt interest) and Riba al-Fadl (purchase interest). When a loan is repaid with a certain excess, the loan carries interest. In this case, the increase in debts is due to the terms. There are two types of purchase interest: surplus interest and deferred interest. Surplus interest refers to the existence of a certain measurable (quantitative or qualitative) excess during the mutual cash exchange of currency or fungible goods. For example, interest must be paid in the exchange of 20 grams of processed gold for 21 grams of unprocessed gold. In such a transaction, it is recommended not to exchange goods, and each product is sold individually for money. Because when these goods are sold for money in the market, the price given is objective and determined according to market conditions, and such purchases do not include interest (Haçkalı, 2010).

Deferred interest accrues in the exchange of money for money or goods for goods, and one of the counterparts is transferred to the other party on credit. The issue related to credit interest is the deferral of the exchange of goods for goods or money for money. In fact, in the Islamic finance system, credit transactions are only permitted if goods are exchanged for a specific currency. Therefore, the deferred exchange of goods for goods or money for money is called credit interest (Haçkalı, 2010). We can illustrate the types of interest in in Table 1.

Table 1. Types of Interest



Examining the regulations on interest, it is seen that interest is prohibited in the Quran and various hadiths. Interest was prohibited gradually in the Quran, but in the first verse regarding interest, it was stated that interest is bad but not explicitly prohibited yet. “Whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in charity, desiring the countenance of Allah, those are the multipliers." (Surah Ar-Rum 30). In later revealed verses, it is explicitly prohibited. Examples of verses that explicitly prohibit interest are as follows:

- “Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, 'Trade is [just] like interest.' But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest] - those are the companions of the Fire; they will abide eternally therein." (Surah Al-Baqarah 275).
- "O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful." (Surah Al-Imran 130).

On the other hand, Prophet Muhammad (peace be upon him) also prohibited interest, and there are various hadiths that explicitly prohibit interest. Examples of events that prohibited interest are as follows:

- "The Messenger of Allah (peace be upon him) cursed the one who consumes interest and the one who pays it." (Muslim, Musaqat 105-106).
- "Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt - like for like, equal for equal, and hand to hand; if the commodities differ, then you may sell as you wish, provided that the exchange is hand to hand." (Bukhari, Buyu' 74-82; Muslim, Musaqat 79-104).
- The Prophet (peace be upon him) said in his Farewell Sermon: "O people! Anyone who has taken a loan should return it to the owner. All interest is canceled, and you are not to return any interest. However, your principal amount is yours to take. Neither you should oppress nor should you be oppressed. Allah has

decreed that all interest is to be canceled, and the first interest I cancel is that of my uncle, Abbas ibn Abdul-Muttalib." (Muslim, Hajj 147).

As mentioned above, the principles put forward by the Islamic finance system are ultimately for the benefit of individuals and society as a whole. Therefore, various arguments have been made as to why interest is prohibited. Some of these arguments are (Sürücü, 2018):

- Interest leads to laziness: Since interest is guaranteed income without any productive activity, it encourages laziness.
- Interest is an unjust gain: Some Islamic jurists believe that interest is an excessive gain obtained without any effort or risk, making it unjust.
- Interest results in the transfer of wealth from the disadvantaged to the well-off: If people believe that borrowing means financial difficulty, adding interest to the debt will create a bigger problem for those in financial distress.

4.2. Prohibition of Gharar (Uncertainty)

The term "gharar," meaning "danger" or "risk" in Arabic, refers to a contract made between two parties based on an uncertain or speculative factor, resulting in an uncertain outcome of the contract (TDV Islamic Encyclopedia). Although gharar is not explicitly prohibited in the Quran, it is explicitly prohibited in the hadiths. In principle, a contract is made if there is sufficient information and consent regarding the subject goods and the price is determined according to market conditions. If the consent regarding the subject goods is somehow jeopardized, the contract will also be jeopardized, and the contract's terms will vary accordingly. It is worth discussing whether gharar is a condition that undermines consent. The question of whether gharar undermines consent should focus on the relationship between ignorance and gharar. In Sharia texts, it is sometimes seen that the words "gharar" and "ignorance" are used interchangeably. In Sharia literature, some authors, particularly Ibn Hazm, believe that ignorance and gharar are the same, while some believe that gharar includes ignorance, and some believe that gharar and ignorance are similar but different (Güney, 2013).

According to the view that gharar includes ignorance, every ignorance is gharar, but not every gharar is ignorance. According to the view that "gharar" is different from "ignorance," "gharar" relates to something whose existence is uncertain, while ignorance pertains to something whose nature is unknown but whose existence is certain. Technically, gharar pertains to something whose occurrence is uncertain. Ignorance relates to something whose nature is unknown, but its existence is known (Güney, 2013).

In fact, gharar pertains to an item whose availability is uncertain; in the absence of information, there is uncertainty about the item's features. To illustrate this problem, selling a horse known for its qualities before it runs away and disappears is an example of gharar, while selling a horse with only visible features known but unseen is an example of ignorance. When it comes to gharar, even if the contract is incomplete, there is consent regarding the goods covered by the contract, so it cannot be said that gharar is a will defect that undermines consent (Güney, 2013).

Ultimately, it is useful to interpret the relationship between gharar and ignorance causally. Ignorance is a situation that leads to deception, and if certain aspects of the contract are not understood, the risk of deception arises. Although gharar does not directly affect consent, it is important for the validity of the contract. Therefore, contemporary Islamic jurists view the prohibition of gharar as a provision of contract freedom. Contract freedom is the freedom to decide whether to enter into a contract and to determine the nature, content, and terms of the contract as desired (Akten Çürük, 2013). The prohibition of gharar, with its current legal regulation, is considered in the context of public order in Islamic law, and it continues to be effective even if the parties decide otherwise (Güney, 2013). Parties cannot stipulate provisions contrary to this prohibition in the contract. This is a matter of public order. Even if a decision is made, it will definitely face invalid sanctions. Therefore, gharar is not a condition that invalidates consent in the contract but rather a restriction on the freedom to contract due to public order. Although, as mentioned above, gharar is not a phenomenon that directly undermines consent, it has a causal relationship with ignorance. Therefore, understanding certain aspects of a contract eliminates the risk of gharar and ensures the contract's validity. Therefore, it is important to determine which situations related to gharar occur in practice.

There are various classifications of "gharar" in Islamic law concerning its relationship with ignorance, and accordingly, the factors that cause "gharar" in real life emerge. The criteria that should be met to avoid gharar can be generally listed as follows (Akten Çürük, 2013; Güney, 2013):

a) Understanding the quantity and quality of the goods subject to the contract
b) Knowing the contract price
c) Knowing the contract duration
d) The owner of the goods being able to deliver the goods according to the contract
e) The existence of the goods subject to the contract.

4.3. Prohibition of Maysir

One of the fundamental principles of Islamic finance is the prohibition of maysir. Maysir means "sharing" in Arabic and, as a term, refers to easy money-making methods, including gambling (Güney, 2013). The Quran prohibits gambling, stating: “O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.” (Surah Al-Ma'idah 90).

In fact, the reason for the prohibition of maysir in Islamic finance is the imbalance in the distribution of risk and reward. Due to the high risks of gambling, one party may gain large profits while the other party may suffer heavy losses, even facing bankruptcy. Gambling harms the business life and wealth of society and can lead to social and economic problems for individuals and society. The primary reason for prohibiting maysir is to protect society socially and economically on an individual basis.

5. Conclusion

The economic crises and financial scandals that have emerged in the world economy in recent years have brought ethics to the forefront of the business and banking sectors. Over the past forty years, banks focusing on social, cultural, and ecological projects have emerged. Banks are becoming more transparent in their actions by deciding which projects to finance based on ethical and economic criteria. Some of these banks operate as traditional companies owned by capital owners, while others break the mold and operate as cooperatives owned by their members.

When it comes to interest-free banks in our country and even worldwide, the first model that comes to mind is participation banking. However, our findings reveal that interest-free banking cannot be limited only to participation banks and that interest-free banking can be applied in different models. Essentially, interest-free banking is implemented worldwide in the form of participation banks, microfinance, and cooperative banks.

The number of interest-free banks has increased significantly in the last decade, and now interest-free programs are also implemented in non-Muslim countries such as Germany, Finland, Spain, the Netherlands, and France.

In this study, we will provide a general introduction to the interest-free finance system, addressing its history, place in the world and Turkey, development, origins, and principles. The topics we address generally include an explanation of interest-free financial systems and interest-free economic systems.

We must note that it is not possible to implement these derivatives in the interest-free finance system envisioned and predicted by scholars. We undoubtedly believe that defining finance and economics more effectively in the theological field and understanding this area more clearly among scholars dealing with Islamic law today will lead to different results in practice. Today's understanding and practices of economy and finance are developing very rapidly, with many new products emerging in terms of the possibilities and opportunities of the age. Implementing these innovations in an interest-free finance system depends on a clear understanding of the elements of the financial system, a thorough discussion of each element in terms of Islamic law, and the emergence of new interpretations and practices. It is also interesting that the majority of studies on interest-free finance systems ignore Ottoman practices. We believe that the Ottoman approach is also very important in establishing and developing the interest-free finance system. Therefore, to research this field, past experiences should be well examined, and new explanations should be proposed. Otherwise, it is clear that the interest-free finance system will never catch up with the traditional finance system and will remain far from being an alternative.

Therefore, research in this field should bring new explanations to the interest-free finance system and ensure that sukuk practices are developed based on past knowledge, experience, and jurisprudence. Research that facilitates mutual enlightenment between finance, law, and Islamic sciences and provides the deepest benefits to these fields will lead to significant developments in the interest-free finance system.

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