Stock Market (legitimate economic view)

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Abstract

The stock exchange or the stock market is a market, but it differs from other markets, as it does not offer or own in most cases goods and commodities.

The stock exchange is a market with legal and technical rules governing its performance and governing how to choose a specific security and the timing of disposing of it. An unreasonable or unqualified investor may be exposed to a major loss if he buys or sells securities in the stock exchange because he based his conclusion in buying or selling on data Wrong or inaccurate or he misjudged that data.

Introduction

Praise be to God, Lord of the worlds, and the best prayers and peace be upon our master Muhammad (peace and blessings of God be upon him), the master of the first and the last, and his good and pure household, his faithful companions, and whoever was guided by his guidance on the Day of Judgment, because the study of economics is considered one of the broad and useful sciences, and Islamic economics is the discipline of positive economics due to its excellence On the legal rulings that would purify all financial transactions in a legal way according to the legal rules and provisions drawn for us by the Islamic religion, and that the stock exchange, which is the subject of the research, is one of those financial transactions. Stock.

Importance of the topic:

To know this type of market and study it carefully and give the legal ruling on its legitimacy, and its importance came due to the number of developments taking place in the financial and investment environment and the increase in the importance of joint-stock companies and the increase in their number.

The importance of the research also lies in the emergence of some failures in the application of stock exchange operations due to lack of understanding of its nature and inappropriate use of it.

Reasons for choosing the topic:

It requires studies and research in order to find out the reasons for the occurrence of imbalances and the possibility that the stock market is considered one of the important operations that have solutions to this issue.

Difficulties:

There are several difficulties I encountered in writing this research, such as the lack of specialized references in the library that deal in detail with the issue of the stock market.

Research Methodology:

I followed the descriptive approach in my research and the analytical approach with the aim of knowing the aspects of the subject and shedding light on the most important aspects of the subject of research in the stock exchange operations.

The research plan required that it be divided into an introduction and two sections, and each section was divided into four demands, as follows:

The first topic: the stock market

The first requirement: the concept of the stock market

The second requirement: the difference between the stock exchange and the regular markets

The third requirement: the concept of shares

The fourth requirement: the ruling on dealing in shares in the view of Islamic law

The second topic: bonds

The first requirement: the concept of bonds

The second requirement: types of bonds

The third requirement: the ruling on dealing with bonds

The fourth requirement: the face of the difference between stocks and bonds

And Peyton's conclusion contains the most important findings of my findings, then I mentioned the sources and references.

first research

stock market

There is a market in which financial papers are traded, which are sukuk issued by countries or companies such as shares and bonds that are negotiable in this market, which is the stock exchange. The stock exchange is:

The first requirement

stock exchange concept

“It is an organized market that is held in specific places and at specific times, usually on a daily basis between dealers buying and selling various securities, and similarities whose amounts are determined by measure, weight or number, according to laws and regulations that define the rules of transactions and the conditions that must be met by dealers and the commodity in question.”

As it is well known, the stock exchange is not Arabic, but rather French, and it means (bag of money) and that the reason for calling this term on the market in which deals or contracts for commodities and securities are concluded is that the merchants who used to come to the market designated for that while carrying money in bags with them. It was also said: Because the merchants used to come to the city of Bruges in Belgium and stay at a hotel for a family that is a professional money exchanger, where it is called Van der Bors, and they used to engrave bags of money on their hotel and homes.

The second requirement

The difference between the stock market and the regular markets

There are several differences between the stock exchange and the regular markets, and this is in several aspects, including:

stock market	regular markets
1- Intermediaries and brokers are the ones who carry out commercial operations.	**1-** The merchant meets with the consumer or whoever wants to buy face to face.
2- Goods are found outside	**2-** The goods are

it, either in private banks or warehouses.	available in front of the dealers.
3 This is not the case.	**3-** The sale takes place and the commodity and the price are delivered, after the buyer has seen what he wants to buy.
4- It is done by speculating on the price difference without paying the price and delivering the sold item.	**4** Buying and selling are real.

The third requirement

stock concept

First: Stocks in language:

Shares are plural, and it is called luck and share, and it is combined with shares, arrows, and two shares, and the share is based on the weight of the share room. And the arrow is one of the nobility.

Second: Stocks in the terminology of economists:

It is called two things:

the first:

It depends on the share provided by the partner in the joint-stock company, and thus it represents part of the company's capital, and the share is represented in the form of a check given to the shareholder in order to be a means of proving his rights in the company.

the second:

The instrument that is given to the shareholder is proof of his right, and the second meaning is what we mean by commercial dealings, and there is no harm in carrying the share on these two meanings.

Third: Types of Shares: -

Shares vary according to different types:

First division:

Shares are divided according to the share paid by the partner into:

1- Cash shares: These are the shares that are paid in cash.

2- In-kind shares: These are the shares that are paid in the form of money without cash.

Second division:

Shares are divided in terms of the rights they give to their owner into:

1- Ordinary shares: These are the shares that are equal in value, giving the shareholders equal rights.

2- Preferred shares: These are the shares that give special rights to their owner, as they are not found in ordinary shares, in order to attract the public to subscribe to them. Among these rights are:

• The right to recover the full value of the share when the company is liquidated.

• The right to obtain fixed profits whether the company wins or not.

• The right to grant the holder of the preferred share more than one vote in the General Assembly.

This type of shares is considered impermissible in the view of Islamic law, because it involves usury and is inconsistent with the justice that Islam has commanded us to do.

Third division:

Stocks are divided in terms of shape into types

1- Bearer Shares: These shares do not carry the bearer’s name. Rather, the shareholder is considered the owner in the eyes of the company.

2- Nominal shares: As for these shares, they bear the name of the shareholder and prove his ownership of them.

3- Shares for the order: These are the shares that include (to the order), so it is endorsable.

Fourth division:

It is divided in terms of recovering its nominal value, before the expiration of the company and non-recovery to

1- Enjoyment shares: They are the shares that the company consumes so that the company returns its value to the shareholder before the expiry of the company. Thus, its owner remains a partner who has the right to obtain profits and also to vote in the general assembly. This process is called (stock depreciation).

This type of shares is considered one of the shares that may not be issued, because the partner, after he recovers the value of the shares, is not considered a partner, and he is not entitled to participate in the profits, because the profit in companies is deserved through these three reasons: which are money, work, and guarantee, and there is no The cause of them in the share owner enjoyment.

2- Capital shares: meaning that as long as the company exists, its owner may not recover its value from the company.

The fourth requirement

Ruling on dealing in shares in the view of Islamic law

Contemporary scholars have differed in dealing with shares issued to companies, and this follows the difference in the ruling on the permissibility of these companies as follows:

First saying:

Most of the contemporary scholars went to the legalization of shares because the basic principle in transactions is permissiveness and it does not conflict with the Islamic Sharia, as well as it fulfills the Sharia conditions, as Dr. Muhammad Yusuf Musa said: ((There is no doubt about the permissibility of participating in companies by owning a number of their shares due to the fulfillment of the legal conditions in them for their validity, and because they have their share of the profit and they have their share of the loss. The profit is deserved sometimes by work and sometimes by money, and there is nothing of usury in this process))

Sheikh Shaltut said: ((The shares are among the companies that Islam has permitted in the name of speculation, and it is the shares in which the company's profit and loss follow)).

The second saying:

Some contemporary scholars have gone to the prohibition of dealing in shares absolutely without differentiating between their types, because the share represents only a share of the assets of a legally invalid company, and that is because this company is one of the capitalist companies that cannot be compatible with Islam and the rules of companies in Islamic jurisprudence, for two reasons:

The first thing:

Failure to achieve the personal element in the company, because the company in Islam requires the presence of the body, meaning that there must be a person who acts, and if there is no such thing, then the company is considered invalid. The joint-stock company does not have a body, but relies on removing the personal element from the company and does not give it any consideration because the contract that pertains to the joint-stock company is a contract between funds only and there is no presence of the personal element in it.

When we look at what the scholars said about permissibility, we find that they permitted dealing in shares, but without distinguishing between their types and their sources, because some types of shares entered into usury and some of them may be issued from companies with illegal purposes, such as the liquor company and a company establishing usurious banks and others, so it was more appropriate to restrict this with several restrictions.

As for the scholars' saying that it is forbidden, this is not valid at all, because one of the pillars of the company is (offer and acceptance), and they are available in the joint-stock company.

The second thing:

As for the personal element, it is realized in the company because the shareholders are the ones who choose one of them as a board of directors to act on their behalf to manage and supervise the company.

Likewise, the body is not considered a condition in some companies according to Islamic jurisprudence, as is the case in speculation.

The second topic

bond

The first requirement

Bond concept

Firstly:

bond language:

Bonds are the plural of a bond, which in language is the joining of one thing to another, so it is said: I was supported by a bond, I was based by a basis, and others were supported by a chain of transmission.

secondly:

Bonds:

Bonds in the terminology of commercial law scholars: (a long-term loan under which the borrowing company undertakes to pay its value on specific dates) , and investment bonds issued by the state were known as: (what is offered to the public for the purpose of investing capital and interest at a specific date).

Bonds are considered among the securities issued by the joint-stock company, countries or institutions, which are: (negotiable instruments issued by companies or institutions, and the instrument represents a long-term loan usually held through public subscription).

Bonds were also known as a type of financial instrument, as it is considered a long-term loan and gives the holder of the bond contract the right to receive the loan in installments plus interest at a specific date in the contract, so it gives the right to borrow with interest, i. On real money account.

They also defined it as a negotiable instrument that also represents a loan that is usually concluded by public subscription and issued by companies or the government and its branches. The holder of the company's bond is considered (a creditor to the company) and is not considered a partner in it. These bonds give the owner the right to obtain a specific income.

The second requirement

Types of bonds

The most prominent types and classes of bonds

1 Corporate bonds.

2 Guaranteed bonds.

2 Unsecured bonds.

3 Second-class unsecured bonds.

4 Participation bonds.

5 Bearer bonds.

6 Bonds registered in the names of their owners.

7 Bonds convertible into shares.

8 General interest rate bonds.

9 Bad bonds.

10 Government bonds.

11 Central government bonds.

12 Local government bonds.

The bonds have a legal characteristic and the characteristic of trading in the stock exchange, and they have complex details, summing up that they deal with usury and trap many of those who are deceived in their nets. They are based on exploitation and extortion. They are a vital arm of the phantom economy and an effective tool of phantom money.

The third requirement

Ruling on dealing with bonds

Contemporary scholars differed regarding the ruling on dealing in bonds as follows:

The first saying:

Most of the contemporary scholars are of the opinion that it is not permissible to deal with bonds and investment certificates without distinguishing between their types, including Dr. Yusuf al-Qaradawi, Dr. Muhammad Yusuf Musa, Dr. Ali al-Salous , and Dr. Saleh al-Marzouqi.

They reasoned the following:

1- God Almighty said: ((Those who devour usury do not stand up except as stands one who has been knocked down by Satan’s touch)) , and the Almighty said: ((God destroys usury and increases alms, and God does not love every sinful unbeliever).

Because the bond is a loan to the company or institution that issued it for a fixed term, with a conditional and fixed interest, it is considered to be among the interest of credit, which was revealed by the prohibition of the Noble Qur’an, and it also includes interest of credit.

2- This loan is considered a form of bank deposits, meaning that interest is calculated for it in all its types. The deposit is not intended to be kept as a trust in the bank, but rather those amounts are used in private investments after they are owned with a guarantee of repayment and increase.

This loan is considered to be the interest-based productive loan that was common at the time in the Jahiliyyah and was forbidden in the Qur’an and Sunnah.

The second saying:

It is the opinion of the Mufti of the Arab Republic of Egypt, Dr. Muhammad Sayyid Tantawi, that it is permissible to deal with investment certificates and that their profits are permissible.

They inferred the following:

1- Investment certificates (bonds) are considered a form of speculation, and they are legally permissible.

2- The investment certificates are purchased by a person with the intention of helping the state and not with the intention of exploiting specific individuals.

3 Investment certificates in modern transactions, which in turn achieve benefit for individuals and the nation, and the original in transactions is permissible, so what is beneficial is permissible from them.

4- This transaction is based on mutual consent between the two parties, and this agreement makes the transaction permissible.

5- There is a kind of reward or gift that the owner of these certificates obtains, and the state has the right to reward its wise sons on the authority of Abdullah bin Omar, who said: The Messenger of God, may God's prayers and peace be upon him, said: "He who seeks refuge in God is conscious And whoever asks for God, give him, and whoever calls you, answer him, and whoever makes Do you a favour, so reward him, and if you do not find something to repay him, pray for him until you see that you have repaid him. It is done with a greeting, so greet with a better one, or return it.

And the most correct:

It is what the first opinion went to, as the bonds are loans with interest, meaning that it is cash money that was given to the company, and its owner received a usurious increase in return, so it is from the on-office interest that was forbidden in the Book and the Sunnah.

From this we see that the prizes are nothing but usurious interest for deposits and loans, and were distributed and divided through lotteries or gambling, which Islam came to forbid.

The fourth requirement

Face the difference between stocks and bonds

Stock	**bond**
1- A share is a share of the capital, and its owner is considered a partner.	**1-** The bond represents a debt owed by the company, and its owner is considered a creditor to the company.
2- The owner of the share does not get profits unless the company profits.	**2-** The bond gives its owner a right to a fixed interest, whether this company wins or loses.
3- The owner of the share deserves it all.	**3-** The bond does not give its owner the right to attend the general assembly of the company, nor to vote and participate in management, oversight, and so on.
4- The owner of the share does not take anything except after liquidating the bonds and paying off the debts.	**4-** The holder of the bond has priority in obtaining the value of the bond upon liquidation of the company.
5- The shareholder is a partner in the company to the extent of his contribution.	**5-** The holder of the bond is a creditor of the value of the bond.
6- The earnings per share are variable according to the activity and may be a loss.	**6** The yield of the bond is fixed and is not affected by the loss.
7- The holder of the share does not recover his money except by selling on the stock exchange or upon liquidation, and it is not required that what he paid is what was recovered, and it is subject to increase or decrease.	**7-** The holder of the bond shall recover his capital on the date specified for the maturity of payment in full.
8- The current value of the share depends on the amount of expected return from the share and the current interest rate.	**8** The current value of the bond depends on the current interest rate and the nominal interest rate on the bond.
9- The share can be issued at the nominal	**9-** Bonds can be issued at the nominal value or at a

value or at a value higher than the nominal value, and the issuance price is what is known as the issuance premium	value higher than it, and it is repaid at a value higher than the nominal value.

Conclusion

After conducting this study on the subject of the Stock Exchange, I came to some conclusions and recommendations, the most important of which are:

1- Encouraging savings so that their owners can buy these shares and bonds.

2- Helping small and medium enterprises to join the stock exchange.

3- Increasing the number of companies and institutions to activate the financial market and focus on stocks instead of focusing on bonds.

In conclusion, we ask God Almighty for success and payment, and we thank God and thank Him for His virtuous blessings, and prayers and peace be upon our master Muhammad and his family and companions.

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