

Islamic Banking Industry – Growing Amid Challenges

By

Ahmed Ali Siddiqui

ABSTRACT

Islamic banking has proved over time that it is based on firm and sound economic principles and has a good potential for become an alternative system of banking especially in view of the global financial crises. However, there is a need for dedicated research & steps from the government to develop a sound legal and regulatory framework for Islamic financial industry. Attempts should be made to modify the existing structure to provide better products and quality service within the ambit of Islamic laws. While interestbased banking has taken hundreds of years to mature to the level where it is today, expecting the same maturity from Islamic banking in its nascent stage will be expecting too much. To develop an economic system truly reflective of the sacred principles of Islam, all stakeholders should understand the limitations at this stage and work towards its advancement.

Why Murabaha (Cost-plus Finance) Is Allowed Whereas Lending On Interest Is Prohibited In Islam?

By

Syed Zahid Ahmad

Abstract

Opponents of ban on interest have been accusing Murabaha, the Shariah approved methodology of trade from the earliest times to be no different from earning interest. They also viewed earning through trade to be quite similar to lending on interest and dubbed trade as usury. However the Holy Quran has repeatedly expressed in forceful terms against the practice of Riba and permitted trade. The article has limelighted twelve particular differences between loan on interest and Murabaha. It has also illustrated the economic advantages of cost plus finance over lending on interest. It has also enumerated several other advantages of the system.

Response To Meera's Critique Of The ZDBM

By

Prof. Dr. Zubair Hasan

ABSTRACT

This paper responds to the criticism of the Zubair's Diminishing Balance model for Islamic home financing that Ahmad Kameel Meera published in the ISRA Journal. The response argues that most of the comments of Meera are frivolous and misplaced. It reiterates that the ZDBM is much different from other models; it is cheaper for the customer without being costlier to the bank. It is more efficient in resource allocation and improves liquidity in the financial system. However, the mathematical appendix is a positive contribution of the paper.

Islam And Environmental Economics

By

Salman Ahmed Shaikh

ABSTRACT

Economic choices influenced by animalistic instincts in an ethically neutral framework has not only resulted in huge disparity in distribution of income, wealth and standard of living, but, as we now realize, it has also resulted in unprecedented loss to ecology and environment with catastrophic consequences for future generations. More than ever, Economics as a discipline of knowledge needs an ethical base to rekindle spiritual rationality that can enable us to take into account equity considerations more explicitly. This paper explains how Islamic economics can help in bridging the gap. Section 1 explains the philosophy of Islamic economics and the role of market mechanism in an Islamic economy. Section 2 explores briefly the environmental issues faced currently and provides a brief literature review. Section 3 discusses the teachings of Islam on different environmental issues and how Islamic teachings can help in encouraging and reinforcing environmental friendly choices and behavior.

An Analysis Of Bankers Competency In The Context Of Marketing Strategies Employed In Islamic Banks Of Pakistan

By

*Qaiser Imtiaz**
&
Mohammad Shahid

Abstract

The study attempts to gauge the bankers competency in context with marketing strategies employed in the Islamic banking industry of Pakistan. The research was conducted in Islamic banks to analyse the views of employees about marketing practices (product, price, place, promotion and people) of Islamic banking, working experience and the training provided in Islamic banks in Pakistan. The research was confined to the employees of Islamic banks. The analysis would strengthen the knowledge related to marketing strategies. It was found out their less and more experienced employees have the potential in diverse kind of marketing practices. More experienced employees have a vast experience with relevance to marketing strategies. It is recommended that Islamic banking system standardize the marketing practices as per Islamic principles. Staff development programs would be designed to enhance the professional competence of employees.

Capitalism, Globalization & Islamic Economic System

By

Muhammad Zeeshan Farrukh

ABSTRACT

This paper explains the principles of Islamic economic system by differentiating conventional and Islamic economic systems. It is proved that there is an absolute clash between the secular and Islamic concept of economics as the one is self-centric while the other is based upon the welfare of the society respectively. The main reason of this attitude is the concept of a'akhirah (life after death) in Islamic economics but no such concept in western or secular concept, because the secular economic concept separates the religious thought from the worldly life. It is a pity fact that the present globalized world has been captured in the evil of self-centric economic system i.e. Capitalism. The main objective of Islam is to establish and maintain a welfare state which can be achieved by equitable distribution of wealth therefore Islam gives secondary importance to but the secular concept gives primary importance and wealth accumulation is the main objective of this concept. In this paper, the point of view has been explained with references from the Qura'anic verses and Ahadith. It has been explained that Islamic Economic System is not the name of implementation of just few Islamic Economic principles and modes in a society but it has linkage with the whole religion otherwise the fruits of this system could not be obtained. As far as prevalent Islamic Financial system is concerned, it is a good step towards the implementation of Islamic economic system but there is a requirement of seriousness in this context so that there is an obligation upon every Muslim to play a part to implement Islamic economic system.

Beneath The Failed Islamic Financial Institutions – Was It A Failure Of Islamic Finance?

By

Imran Hussain Minhas

ABSTRACT

Islamic financial institutions made a good start and developed at a remarkable pace in the first instance. However after only a brief period there was a set back in non banking financial institutions. The article is devoted to find out the factors which caused the debacle.

Shariah Compliance In Modarabas

By

Muhammad Samiullah

ABSTRACT

Modaraba companies & modaraba (Floatation & Control) Ordinance, 1980 was promulgated in June, 1980, Moadaraba Rules in 1981 and Prudential Regulations for Modarabas were issued in 2004. First Modaraba floated in July, 1980. Shariah Compliance & Shariah Audit Mechanism (SCSAM) introduced in February, 2012 by SECP. Objectives of SCSAM is to strengthen the shariah compliance of Modarabas. NBFIs & Modaraba Association of Pakistan plays a vital role in implementation of SCSAM. The Modaraba Sector being the pioneer in providing Islamic financial services in Pakistan is an important segment of the financial sector. Shariah Advisors have been appointed to monitor day to day transactions and ensure shariah compliance.

Interest-Free Financing In USA

By

Dr. S.M.Hasanuzzaman

Abstract

There are so far five interest-free financial institutions in the US. They are: Lariba Finance House (California, 1991), Devon Bank (Illinois, 2003), Guidance Bank (Virginia, 2002), University Islamic Financial (Michigan, 2003) and Ijara Loans (Texas, 2005). Residential financing tops the list of financing activity in all the five institutions. Lariba also finances autos, businesses, and equipment. UIF provides many banking services. Ijara Finance offers investment opportunities based on ijara and murabaha as well as sukuk-al-ijara contracts. The modus operandi of Lariba bank is declining partnership of the usufruct of the property with a concept of joint ownership. Devon Bank advances its funds on the condition of murabaha (except in three states where it also practices leasing). The ownership of the purchased property is placed in a holding company. Guidance works on the basis of co-ownership till such time as the customer pays off the entire amount of Guidance's share. The customer pays rent of the Guidance's share in equity. UIF has adopted both murabaha and ijara. Ijara Finance practices lease-to-own, with the rights of ownership vested in a trust. Late payment is penalized in all the cases. Similarly all expenses, taxes and insurance premium are paid by the customer alone, irrespective of the ownership of the property during this process. The sources of funds of all the five institutions are largely the government sponsored Freddie Mac or Fannie Mae or both. The case for sharia compliance is different in different cases. Guidance has a very impressive list of its sharia supervisory board and consists of Sheikh Taqi Usmani, Abu Sattar Abu Ghudda, Sheikh Nizam Yaqubi, Sheikh Yusuf Talal DeLorenzo, Mohammad al-Gari and Imran Usmani. Devon Bank claims to have independently developed the product by using the writings of an internationally known scholar on Islamic finance (name not given). Lariba devised its programme in light of the fatwas published in Arabic and the methodology outlined by Sheikh Taqi Usmani. UIF claims to enjoy the support of Sheikh Nizam Yaqubi, Sheikh Yusuf DeLorenzo and Dr. Ahmad Shleibak. Ijara Loans programme was created by a Board of internationally recognized sharia scholars in 1996. Sheikh Mufti Umar Ismail is their sharia advisor and Mufti Muneer Akhoun is the chairman of sharia advisory board.

The Role Of Non Interest Banking In National Economic Development

By

MOBOLAJI, Hakeem Ishola (PhD)

ABSTRACT

This is a preliminary study that attempts to analyze the role of non interest banking (NIB) in national economic development in Nigeria. It uses a theoretical construct and employs a discourse technique for the analysis. The paper suggests that NIB has potentials of enhancing financial inclusion and social capital in the country while reducing the cost of and risk associated with financial transactions. Through its operational modalities, it may also enhance financial depth and breadth and capable of improving financial effectiveness and efficiency which are needed for national economic development. NIB reduces asymmetry and facilitates entrepreneurship and innovation. For the NIB to fully realize its potentials and impact on the economy, some challenges have to be attended to such provision of a well structured regulatory framework on NIB to guide against abuses and ensure uniformity in practices, manpower development, more public enlightenment and standardization of accounting procedures to accommodate NIBs among others. The existence of NIB only put the country among countries with dual banking systems, combining the ethical feature of the NIB and the financial innovation of the conventional banking system, the existence of the two systems would further enhance the potential impact of the financial sector in facilitating economic development as the two systems should be seen as complementary and not substitute.