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How Shari`ah-compliant is Islamic Banking?

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Abstract

This research is a critical analysis of the practice of certain Islamic banks (IBs) and institutions offering Shari`ah-complaint financial services (ISFS). Under the guise of Islam, these IBs and ISFS in fact are the profit maximising business ventures. Their business practices are not in compliance with relevant rules and practices of Shari`ah. Nevertheless, due to absence of a strong yet dedicated regulatory body, no challenge can be mounted against them. The customer base of these IBs and ISFS is only on a note of well wish and good faith. But in absence of a watch dog, the good-will turns out to be a tool to betraying public trust. One the other hand, it makes mockery with the entire IF industry. Most of these IBs and ISFS today grant their Shari`ah Advisory Committees' (SACs) advisory role making their findings voluntary and optional. There may be a true compliance for correcting any breaches found by these bodies, but yet, legality works in a particular way. In absence of an executive power being granted to these bodies as which is also ingrained in the constitution, a bank or institution will fail the legal definition of it being Shari`ah-compliant. Compliance with the Sahri`ah in transactions is either obligatory or optional! There is no second way! At the end, the issue boils down to that of conscience and compliance where one is made victim for lack of it on the part of regulatory establishment. Whereas on the part of the subjected businesses, they are no more than mere ventures that are bent on making profit by any means using appealing slogans! Given the current practice of IBs and ISFS, the study suggests that their SACs must function independently and beyond the control of banks' own executive apparatus. The setting of these SACs and the executive power thereof must be ingrained within the constitution or basic rules. Among others, their power must include disciplinary measures being granted to these SACs by which they may disciple any failing managers or officials for non-compliance. Most of such IBs and ISFS seem to fail on this crucial provision. Therefore, the study finds that such IBs and ISFS are not legally Islamic.

Keywords:

Islamic banks, Islamic banking and finance, Shari`ah Supervisory Board, Shari`ah compliant

Introduction

Islamic banking and finance (IBF) is very dear to us. As an alternative banking, its abode is the closest to our hearts. This research explores to answer the fundamental question: "What makes a bank Shari`ah-compliant?" In many ways, Islamic banking (IB) enjoys the status as "my bank" to Muslims living true to their faith. As a system of economics and finance, Muslims believe Islam to have provided the best alternative to humanity. They are thus absolutely dedicated to see it materialise, succeed as an industry and applied to its fullest use. Muslims are however, against the system being misused by interest quarters abusing the very title "Islamic". This article is the result of long endurance and soul searching due to inaction by certain banks even after being alerted to the defect. Deeper thought and interest of the industry aimed at achieving a reform have thus prevailed. Having to present this paper

is not thus, the cause of celebration, rather a hurtful encounter. The envisaged outcome of this paper is therefore, to see the required reform underway.

A Critical Overview

Commercial products and services of IBs and ISFS stem from the Islamic legal principles and theories on financial matters. Application of these products and services is therefore, expected not to vary significantly. In fact however, they do. Institutions claiming to be sticking to the united stream of Shari`ah-principles in their businesses significantly vary in applications and practices. Gulf of difference may easily be seen between the trade practices of banks and financial institutions operating under the banner "Shari`ah-compliant or Shari`ah-based". In this regard, one may put Islamic financial practices in perspective with their secular and commercial rivals where the factors of profitability alone determine allowable business practices. Finding certain IBs and ISFS fitting the same criteria of non-Shari`ah-compliant conventional banks (CBs) is indeed, regrettable and disheartening.

Due to the declared commitment to observe financial values of the revealed economic principles, inconsistent business practices cannot be justified between IBs and ISFS. Conventional industry of banking and finance has been driven by the profit factor alone and so they have declared. Ethical deterrents, revealed and/or agreed, do not bind them and thus, do not apply. Regrettably however, inconsistencies, non-compliance, and even deliberate misleading of public opinion do exist within the industry of IBF. In many ways unregulated, often the title "Islamic" has been misused and turned into a junk of sacrosanct by interest quarters. There appears to be no incentive for these anomalies to exist, persist and even exacerbate other than the greed of reaping maximum profit in the name of Islam. Natural question thus arises, are these banks in fact Islamic or comply with the tenets of Shari`ah? Or should we conclude that in reality, they are anything but Islamic or Shari`ah-compliant.

Catchy slogans and attractive campaigns would be easily found on display. For instance, "conducted according to Islamic Shari`ah" has been promoted by Islami Bank Bangladesh Limited (IBBL). Likewise, "we will open any door that you wish to enter" has been promoted by Dubai Islamic Bank. If one decides to explore a little deeper, it will be found that what has been offered actually are certain financial products that would be rendered against fixed time and fixed amount of return at the expiry of a fixed tenure. If asked candidly, the bank officers will easily disclose the rates of return charged on the products on offer. Most of the products and services offered by these IBs and ISFS seriously lack in the very basic rule of Islamic finance (IF). The focus of this research is not on individual practices and thus, there was no need to dwell on them.

The umbrella Shari`ah-principle by which IBF are driven is the principle of engaging in actual business practices and commercial venture. Predetermined and fixed rate of return or interest against time would therefore, militate against this very spirit (Ahmad and Hassan, 2006). In a major part thus, it is true to claim that without engaging in real business, there can be no IB or IF. Most practices of these contemporary IBs and ISFS will fail on this test. They are more in extending the funds and keeping the book waiting to add up a profit margin at the end of the year.

Arabic terms such as *Al-Mudharabah* (المضاربة), *Al-Murabahah* (المراوحة), *Al-Musharakah* (المشاركة) and *Bai` bi al-Salam* (البيع بالسلم) are forced on the titles of accounts or practices that are no more than standard savings or current accounts to a conventional non Shari`ah-compliant banking. It is therefore important dwell briefly on the nature of these terms and what they entail.

Mudharabah Finance: Beyond its Scope

Mudharabah is a business venture by which two partners enter into a contractual arrangement and engage in dedicated business dealings under certain terms. It is therefore, much more than the funds management account. Regardless of the terms, without entering into substantive business dealings, there can be no viable *Mudharabah* finance. Calling a savings account as *Mudharabah*, due to some percentages of profits being allocated to it at the end of a financial year, does not in fact make it so (Ahmad, 2010b). This is what the IBBL is doing. The above terms are though prevalent in the books of contemporary and conventional *Fiqh*, their use in themselves does not make a bank Shari`ah-compliant. To reduce IB to such a shallow identity tag is an affront to the industry itself. Systematically audited, most IBs and ISFS will fail on this test. Using these terms beyond their factual contents and actual imports of engaging in real trade and commerce, is no more than a vehicle to deceive public mind avoiding institutional scrutiny.

Engaging in actual business requires investment in trained personnel, risk taking and managing those risks with due expertise. In many ways, the scope of Islamic banking is far diverse, wide and different to the traditional ones. In the real world of business, actually working through investing efforts and funds is involved. So are the will to invest, reap profit as a bonus, or even accrue losses, should this be an eventual outcome. Due to these, most IBs and ISFS we have used as samples would shy away from such a commitment. Instead they are interested in making quick bucks and impressive digits of profit making by forwarding cash against collateral (Ahmad, 2010a). They are very quick and efficient in calling these collaterals back into their coffers upon the customers' failure to repay.

Instead of making extra cash by the power of it, Islam envisaged a system in which cash is entwined with the investment of effort and sweat for legalising the profit (Ahmad and Shahed, 2010). These IBs and ISFS today have a big challenge before them to meet this challenge and prove that they in fact, engage in actual business and trade practices.

Murabahah mode

Murabahah is mostly a spot sale contract wherein the buyers and sellers agree on a price in which undeclared amount of profit or, be it a loss, is also a factor. Regardless of the quantified profit or loss, *Murabahah* is an inherent yet, a factual contract of sale that must always be upheld at a cost. By will or by force, *Murabahah* as a mode will have to involve a deliberately entered business contract between the parties the main subject of which will be a tangible product (Ahmad, 2012). This has been hugely misunderstood and misused, at times, out of ignorance. Entering such a contract of sale would automatically mean that the seller (the bank) must physically possess the goods before surrendering it to the buyer. The guiding principle in this type of transaction is the directive of the Prophet Muhammad (pbuh) that "Do not sell what you do not physically possess *لا تبع ما ليس عندك*" (Tirmidhi and Nasai, n.d.).

Surrendering goods after the physical possession was meant to provide a safeguard against hypothetical sales, where the parties take unrealistic risks leading to harming their interests. For a bank to hand in a cheque to the customer in the name of *Murabahah* finance has therefore, nothing to do with IF as such. The only exclusion that applies to this blanket ruling however, is the forward sale of goods (*البيع بالسلم*) under a tightly made out contract that deals with applicable specifications, terms and conditions.

Musharakah mode

Musharakah denotes entrepreneurial partnership where the parties negotiate the terms of their stakes as to investment of capital, efforts and skills along with the ratio of return to be shared. Once again, it would mean shared investment in actual buying, selling and growing (cultivating). Should it even eventuate, the ratio of loss between stakeholders can also be the subject of a negotiated partnership (Ahmad, 2011). Our scrutiny shows that almost all IBs and ISFS use this term way beyond its factual contexts. Without the bank taking part in actually conducting the partnership, there can be no *Musharakah* finance either.

Providing services alone has very little to do with IBF as an industry. In fact, providing service has only had a modicum to provide as an income for IB to survive. This is one of many distinctions between Shari'ah-compliant and non Shari'ah-compliant CBs. Without achieving a revolutionary change combining banking services with real trade practices and business dealings, IB as a formidable industry will never be realised, let alone survive. This is the difficult area that IBs and ISFS will always shy away from.

Involvement in actual management of the funds and business indeed, is the beauty of IBF. Where CBs will collapse, Islamic banks (IBs) will survive. Credit crunch of 2009, is probably the proof to it. Engaging in banking and finance with focus on trade and commerce is an innovation owed to IB alone as an emerging industry, albeit re-introduced in the late 20th Century. Depriving IB from such business focus will indeed be a disservice to the industry as a whole. Conventional banking remained to be a service industry. However, in perspective to IBs and ISFS, the services they render will never deliver the profits they crave for. In the case of interested-based CBs on the other hand, the double digits of profit they return are usually achieved by engaging in lending cash against a fixed rate of guaranteed return i.e. the prohibited interest.

This is an example of the prohibited interest in the main. It embellishes the power of cash hoarded in the hands of rich and the mighty few by adding more to it. By prohibiting interest through

the power of cash as a business practice, Islam declared an all out war against the business phenomena where human labour does not add as an equation. According to Islamic economic justice, such practice is not a trade and exploits the needy and thus, prohibited. For the IBF to exist as an industry, both the psyche of making more cash by the power of it i.e. without involvement of efforts through business practices, must be abolished. This indeed, is the challenge the industry as a whole faces and meeting it successfully, will determine its long term success or failure.

What Makes a Bank Islamic?

In principle, an Islamic bank must provide written guarantee that all its policies, practices and transactions are conducted according to the Islamic Shari`ah. Functionally however, for a bank to be technically Islamic, the following guarantees must be provided in its constitution or registered basic rules:

1. All policies, practices and transactions of the bank will be conducted according to the Islamic Shari`ah principles and practices.
2. To supervise this, there will be a professional body consist of formally trained scholars in Islamic economics and finance. This body will be known as the Shari`ah Supervisory Board (SSB) and will enjoy executive power and authority to exercise it at will.
3. This body will ensure that the bank complies with the relevant Islamic legal (Shar`i) requirements in all its policies, practices and transactions.
4. The SSB will have executive power to investigate any transaction, summon any official at any time to explore and confirm that the Shari`ah compliance has indeed, been met.
5. The SSB will have ready power to stop, suspend or even cancel any transaction found to be breaching Shari`ah principles and/or practices.
6. Any financial product or service developed must be submitted to the SSB first for its written approval. Without this, no product will be promoted and no such transactions will be executed.
7. The SSB will have power to call any officer/s or manager/s of the bank to interview and ask questions or call for documents in relation to the transactions executed by the officer/s or the manager/s.
8. For any breaches in strict Shari`ah-compliance, judged so by the majority of its members, the SSB will have vested power to discipline the concerned officials as they may see fit. Any appeal to such disciplinary measures may however, be appealed before the Shari`ah Tribunal (ST).
9. The SSB will conduct its businesses and functions according to a document set out within the provisions of articles 1 and 2 above. Known as the Code of Conduct, among others, this document will deal with the financial remunerations for members of the SSB, various codes of conducts, limitation of their power/s including any disciplinary measures where relevant and applicable.
10. Any alleged breaches by the SSB to its code of conduct or for any other matter judged by the board of directors (BoDs) to be detrimental to the bank, will be dealt with in the ST.
11. The ST will consist of three members made out of scholars in Islamic Shari`ah, economics, banking and finance.
12. The members for the ST will be selected for a fixed period of three years on the basis of their known integrity, piety and commitment to Islamic practices in their social and individual life. This is besides their professional credentials as scholars of Islamic Shari`ah, economics, banking and finance.
13. The banks' BoDs will refer any allegation as to the breaches to the Code of Conduct for the SSB or for any other matters judged by them to be detrimental to the bank, to the ST.
14. In all its dealings of businesses, functions and operations, the SSB will operate independent of the bank's board of directors or the chairman thereof.
15. For the sake of public accountability and confidence, the above rules will be displayed for unhindered public viewing and access. They will also be published for circulation.
16. Any other items felt necessary may also be added further.

The gap in up skilling and training

What made the commitment of IBs and ISFS subject to the whim, wish and voluntary adherence by the boards of directors is the absence of a powerful and well equipped SSB. It will be dedicated to regulate operations of individual institutions. Indispensably however, such a regulatory body must be armed with the real powers of punitive measures within the meaning of executive functionality. For IBs and ISFS to exist and grow, creating such skills must be perceived as inherent demands of the industry. Besides, the industry must also embrace the ventures to creating skills and expertise as a tool to grow with competitive edge within the industry.

Against the background of this industrial need, reality check will prove that individual IBs or ISFS are dangerously lagging behind. They fell short in both the will power to facilitate for this venture and the mechanism to drive it forward. An earnest commitment from the IBs and ISFS to undertake the task of creating skill, expertise and trained man-power as permanent yet independent tool is almost non-existent.

In some IBs and ISFS an internal cell would exist which is known as the “Shari`ah Council/Board/Audit Department”. Whatever internal arrangements there may exist is thus, no more than show-piece attachment. In fact, the members in this Shari`ah Council/Board/Audit Department are no more than the salaried employees of the IBs and ISFS and thus, the Shari`ah supervisors/officers have no gut to enrage their paymasters. In such an arrangement, the very crux of the bank’s identity, i.e. the compliance with Shari`ah principles and practices goes missing and defeats the purpose behind the IBs and ISFS.

To achieve this objective, some in Muslim countries governments tend to make provisions in the charter of the central banks and IBs and ISFS for the Shari`ah Advisory bodies to supervise the extent of compliance with the legal principles of Shari`ah.

A Case Study

Despite the public guarantee as “conducted according to the Islamic Shari`ah”, the IBBL would fail on this test. It provides for its internal Shari`ah Council an advisory role only, making the entire office, subject to the mercy of BoDs. As such and having failed its legal definition, there is no way that it is to be considered as a Shari`ah-compliant bank.

Upon inquiry by the authors as to the reason for such failure, an erstwhile chairman of the IBBL commented “if we are to grant the Moulanas the executive power, can they run the bank”? In a general sense, “Moulana” is an innuendo referring to the Shari`ah scholars. This probably is a factual statement reflecting the reality of lacking aptitude within the Shari`ah apparatus of the IBBL at a particular time. No matter how true it may have been, this reality is never an excuse to call this bank Islamic. Having failed the legal definition as above, certain modes of its operations will be found as sympathetic to a Shari`ah-compliant. So be it called. Meeting the legal definition is a technical issue and thus, must be met “as is”.

Due to its failure to meet the legal definition, the Islamic identity of IBBL is indeed arbitrary and water coloured. Whole-selling it under the unchecked guise as ‘Shari`ah-compliant’ is therefore, bound to deform the true face of IBF. For such a bank to promote slogans such as “conducted according to Islamic Shari`ah” is neither befitting nor just. Correcting this anomaly by reforming the basic rules or the constitution is neither asking the earth nor is it impossible to achieve. On the contrary, achieving this outcome is in fact only a board meeting away. Once decided, it must be followed by bold honest and right-minded decisions. But whether the BoDs is willing to share the power base, with the Sahri`ah Council needs further exploration.

Qatar Islamic Bank: an ideal example

Although many countries still remained reluctant to ensure it, Malaysia seems to have taken a leading role in this regard (Hamid and Othman (2009). To our scrutiny, Qatar Islamic Bank (QIB) has an expert auditing mechanism which in most parts, complies with the Islamic legal requirements and thus, deserves being applauded. Known as the Shair`ah Audit Department (قسم التدقيق الشرعي) which is also led by renowned Islamic scholars in the country, no new transaction can be implemented before it is actually checked out and cleared by this department first. Breaching managers can also be readily disciplined by this department. This is what we mean by “executive power” being granted and enjoyed by the SSB. If this has been possible, by the QIB, why could not the same being granted by the IBBL or

any other bank, one may ask. In achieving this outcome, the real problem seems to lie with the willingness of the BoDs to share their power and authority.

The corrective measures proposed

A written and permanent guarantee in the constitution of the IBS and ISFS must be provided that the principles, rules, regulations, moral codes, ethics and value system of IBF will be upheld in all business policies and practices. To determine this, SSB must be vested with the executive powers that are readily enforceable. Failing to comply with this guarantee will subject the managers or relevant officers to the disciplinary actions by the SSB.

In effect it would mean that the executive power base of the BoDs must be shared with the SSB. In operation however, this supervisory body must also be afforded to exist independent of the BoDs in their roles, functions and identities. This mechanism should work similar to the separation of judiciary from the executives, in a political democracy. As we have proposed earlier, there should also be the rules and codes of conducts and ethics applicable to the SSB.

We must reiterate that with some banks at least, reaching at this outcome will not be easy. Out of affection, we prefer and in fact, we do banking and business with the IBBL or any other IBs in the world. Individual banks will be winner by encouraging the customers to deal with them in due pride and integrity to the industry as a whole. True IB is very close to the hearts of every believer.

We must accept that due to its direct attachment to one's Islamic belief, this industry is also subject to lots of emotions and community reactions. If the relevant issues are duly attended to, the industry will grow much bigger with the real financial benefits flowing to the individual banks. Nevertheless, achieving it truly also needs the will to sharing the power and compromise with power base of directors. The bottom line needs reinforcing however, is that our sympathy for IBF must not deter us from speaking truth aimed at protecting originality of this noble industry.

Islamic Banking: A Window of Opportunity

In some countries, incorporated banking businesses would often undertake IB as an emerging window of business opportunity. The Saadiq for example, is the Islamic financial services subsidiary of Standard Chartered Bank in Bangladesh. Many CBs in today's world do run what is known as "Islamic window operation or Islamic banking subsidiary". This is a phenomenon of using IB for profit alone without necessarily subscribing to the tenets of Islamic Shari`ah.

A note of caution needs to be exercised in such cases. Without unconditional commitment to adhere to the revealed principles, moral codes and value system of Islamic trade practices, IBF as industry will not usually function. Islamic economic system is an integral part of Islamic way of life and living. They both therefore, work as complementary to each other. However, if an independent SSB has been devised with the executive power being vested in them as detailed above, as a product and also in principle IB may as well be undertaken by such businesses.

The tendency of resorting to IBF, merely for reaping profit, is the direct outcome of prevailing ignorance as to the values that drive both the principles and practices of Islamic economics and finance. Combined with this ignorance, indifference of central regulators to the industry of IBF within the contemporary nation states has made the non-compliance even worse. Worse still, is the wholesale marketing psyche for the products and services that clearly breach Islamic limits but allowed to continue so unabated. Along with the individual central banks in today's nation states, the failures from the boards of directors within the individual IBs and ISFS are directly responsible for these breaches and non-compliances.

A value laden system

Earning fixed amount of interest against various corporate or individual loans is the life line of modern banking and finance. What made it prohibited in Islam is the use of time as a parameter to determine default in repayment (Ahmad and Hassan, 2006). This is generally done without any regard to the poverty, adverse business environment and thus, the outcome of the borrower defaulting. On the one hand, this would exploit the grinding poverty of the needy. While on the other, it would reward the power of cash and the hoarder to accumulate more. Allowing such trade practices would therefore, lock-in the needy borrower in the vicious circle of poverty and dependence on loan. On the other hand, economic means and resources "will not remain locked in the hands of the rich and fortunate few"

(كي لا يكون دولة بين الأغنياء منكم) is the policy statement of the Qur'an and the core value behind IBF (Al-Qur'an, 59:7). It is therefore, the prime duty of all IBs and ISFS that this core value is upheld at all times. Their products and services thus, must reflect this policy as an effective financial tool and vehicle in mobilising economic resources and productivity.

Respect for human labour, willingness to accommodate human conditions and freedom from having to resort to borrowing and lending as a default means of economic growth and productivity, lies in the very core of IBF. Almost all IBs and ISFS today will fail on this value added mechanism of financing. In the same way as the greed and crave to add extra profit rule conventional banking, most IBs and ISFS will also be found not to be any distinctly different.

The awareness about natural justice to securing which Islam prohibited exploitative trade practices needs no further explanation. Should one be faced with the situation above, Islamic mode of finance is very clear: "If the borrower is in difficulty, grace period leading to easy repayment may be granted *فمنظرة الي ميسرة*" (Al-Qur'an, 2:280)? It presupposes that should it materialise, there will be no extra profit to be reaped from the lending. Naturally, it leaves the only option available to grow fund is through business and trade practices. Failing this, the contracts or the practices will either be the subject of prohibited interest or invalid for other legal reasons.

From our scrutiny it appears that most IBs and ISFS today will fail on the matrix of complying with the Islamic moral codes and practices as well. Driven by the psyche of enhancing the maximum returns and profits for the banks, Islamic moral codes such as granting extra time for the defaulting borrowers, is almost non-existent. The notices for possessing the mortgaged property by IBBL, is a common scene in the news media in Bangladesh. Islam maintains inherent opposition to accumulation of wealth and economic resources within the economic curtail of the elitist few (Al- Qur'an, 59:07). Allowing lending of financial resources as a means to generate income and guaranteed profit will therefore, defeat the very purpose of Islam behind growing fund. Trade and business are thus, the only means by which Islam encourages investment and spending leading to the increased economic activities, growth and productivity.

Conclusion and Recommendations

The IBs and ISFS are deemed to earn profit by engaging in actual buying, selling and other similar investment practices where the loss and profit are the real possibilities. Carefully constructed, Islamic mode of finance and the profit derived from it if any, would make human labour, hard work, entrepreneurial efforts and concerns of the investors and fund managers to growing the business as the factors behind legalising profit. Rather than celebrating the skewed power of cash resting with the financier, Islamic mode of finance intends to reward efforts and entrepreneurial skills of both the funders and the fund managers. By sharing the loss and profit both by the funders and the managers, Islamic mode of finance makes strong statement valuing human labour and the funded capital at the same time. This indeed, is an example where Islamic perception of social justice is entwined with its economic justice. As such and without the wholehearted commitment to upholding the Islamic vision of justice as above, IB will always be unreal and illusive.

Relevant laws and regulations designed for non Sheridan-compliant CBs are therefore, destined to be contradictory in scope, philosophy and objectives to that of IBF. Despite this, the IBBL gives an undertaking to "run the Bank strictly in accordance with Sheridan" principles. This is not practically possible while operating within the secular yet; un-Islamic framework of the country's ordinary banking laws. Worse still, in doing so, it had only foreseen "such minor adjustment as may be considered essential for an Islamic bank to function" (IBBL, 1983).

In many ways, it imprints traces of outrageous ignorance on what constitutes IB. A vision of IBF as narrow, half hearted and short sighted as this tells the story in full. Interest-based conventional banking in scope, philosophy and operation is based on the measures of fixed rate of return on borrowed capital as loan (Ahmad and Hassan, 2007). In Islam, this practice lies at the very core and foundation of interest (*riba*) and thus prohibited. Those who resort to this practice are condemned as to have engaged in war against Allah and His Messenger. The Qur'an declared in this regard: "O you who believe, observe your duty to Allah and give up what remains of your demand for *riba*, if you are indeed believers. If you do it not, take notice of war from Allah and His Messenger." (Al-Qur'an, 2:277-279). Despite this, foreseeing only "such minor adjustment as may be considered for an Islamic bank to function" represents truly naive and simplistic view of IBF (IBBL, 1983).

Besides Malaysia, few other Muslim countries issued and enacted special Acts and legislation to regulate the businesses of IBs in those countries. Pakistan, Iran, Sudan and United Arab Emirates are to be mentioned particularly (Ahmad, 2010b). Many other Muslim countries have also shown great sympathy to promote IBF. Saudi Arabia however, argues that there is no need for the IBs to exist as a separate industry in the country. It pre-supposes that all existing banking laws and practices in this country are necessarily Islamic by default. This needs further investigations.

The countries, where IBF exists as an independent industry, they have granted special privileges and exemptions from restrictions to IB that were otherwise applicable to conventional banking. The IBs in Dubai, Sudan, Egypt, Kuwait, Bahrain, and Jordan have been benefited by such provisions. Due to the far reaching effects of such facilities in promoting the businesses, this preliminary phase of IBs was often quoted as the “golden time” (Atiyyah, 1987).

These initiatives from the governments of Muslim countries are obviously much appreciated. However, the failings of individual IBs and ISFS to adhere to relevant Islamic principles and practices have the potential to erode the industry as a whole. If left to grow unchecked, such non-compliance will either slow down the growth or limit the industry they were supposed to promote and enhance. Worse still, the continued negligence and the instances of deliberate disfigurement of policies and practices for IBF, may even see an end to this noble industry as a whole.

We already know that secularism as a political identity and secularist states as vehicles will never come to the rescue of Islamic economics and finance. Muslim customer base has therefore, a role to play in correcting the non-compliance by the IBs and ISFS. Governing operatives within individual IBs and ISFS have the prime duty to act towards earning public trust by making the Islamic identities of their banks more than skin-deep. IB is obviously, much more than random use of certain Arabic nomenclatures and financial idioms in daily operations, ledgers, cheque books and other dossiers of the banks. Given that reality, let there prevail a sense of worth, value and accountability in what we do under the name and banner of “Islam” or “Islamic”!

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