

Islamic Banking: Between Myth and Reality

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Abstract This research is a critical analysis of the practice of certain Islamic banks (IBs) and institutions offering Islamic financial services (IIFS). Under the guise of Islam, these IBs and IIFS are, in fact, profit maximising business ventures. Their business practices are not in compliance with relevant rules and practices of Shari`ah. Nevertheless, due to the absence of a strong and dedicated regulatory body, no challenge can be mounted against them. The customer base of these IBs and IIFS is faith-based, trusting the institutions to be, in fact, Shari`ah compliant. But in absence of a watchdog, the good-will turns out to be a tool to betray public trust. It makes a mockery of the entire IF industry. Most of these IBs and IIFS today grant their Shari`ah Advisory Committees' (SACs) an advisory role, making their findings non-binding. There may be a true compliance for correcting any breaches found by these bodies, but yet, legality works in a particular way. In the absence of executive power being granted to these bodies in the institution's bylaws, a bank or institution will fail the legal definition of being Shari`ah compliant. Compliance with the Shari`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 commercial ventures bent on making profit by any means using appealing slogans! Given the current practice of IBs and IIFS, the study suggests that their SACs must function independently and beyond the control of the banks' own executive apparatus. The power and status of these SACs must be stipulated within the bylaws of the institutions. Their powers must include the authority to take disciplinary measures against any managers or employees responsible for non-compliance. Most of such IBs and IIFS seem to fail on this crucial provision. Therefore, the study finds that such IBs and IIFS are not legally Islamic.

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

INTRODUCTION

Islamic banking and finance (IBF) is very dear to us in its potential to offer an alternative to conventional banking. This research endeavours to answer the fundamental question: "What makes a bank Shari`ah compliant?" In many ways, Islamic banking (IB) enjoys the status of "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 seeing IBF materialise, succeed as an industry and be applied to the fullest. Muslims are, however, against the system being misused by parties with vested interests taking advantage of the "Islamic" label. This article is the result of long endurance and soul searching due to inaction by certain banks even after having been alerted to defects in need of correction. Deep thought has led us to the conclusion that reform is essential to safeguarding the vital long-term interests of the industry. Having to present this paper is not thus, a cause for celebration; rather, a painful duty. The envisaged outcome of this paper is, therefore, to see the required reform get underway.

A Critical Overview:

Commercial products and services of IBs and IIFS stem from 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. The extent of the 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 those of their secular and commercial rivals for whom the factors of profitability alone determine allowable business practices. Finding certain IBs and IIFS using the same criteria as those of non-Shari`ah-compliant conventional banks (CBs) is indeed, regrettable and disheartening.

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Due to the declared commitment to observe the financial values of the revealed economic principles, inconsistent business practices cannot be justified between IBs and IIFS. The conventional banking and finance industry 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 exist within the IBF industry. In many ways unregulated, the “Islamic” label has often been misused and desecrated by certain parties to advance their own interests. There appears to be no incentive for the existence and persistence of these anomalies other than greed, reaping maximum profit in the name of Islam. The natural question thus arises, are these banks, in fact, Islamic? Do they comply with the tenets of the Shari`ah? Or should we conclude that in reality, they are anything but Islamic or Shari`ah-compliant?

Catchy slogans and attractive campaigns can easily be found. 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 actually been offered are certain financial products that would be rendered against fixed amount of return and 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 IIFS seriously lack in the very basic rule of Islamic finance (IF). The focus of this research is not on individual practices, and thus, there is no need to dwell on them.

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

Arabic terms such as *Al-Mudharabah* (المضاربة), *Al-Murabahah* (المرايحة), *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 in conventional non-Shari`ah-compliant banking. It is therefore important to 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 *Mudharabah* due to some percentage of profits being allocated to it at the end of a financial year does not in fact make it so (Ahmad, 2010). This is what IBBL is doing. Although the abovementioned terms are 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. Were they to be systematically audited, most IBs and IIFS would fail 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 the public mind and avoid 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 more diverse than conventional. The real world of business involves actually working through investing efforts and funds. It requires the willingness to invest, to reap profits in case of success and bear losses in case of failure. Most IBs and IIFS 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, 2010). They are very quick and efficient in calling these collaterals back into their coffers upon the customers’ failure to repay.

Islam does not recognize the ability of cash by itself to make money. Instead, it envisages a system in which cash is entwined with the investment of effort and sweat for legalising profit (Ahmad and Shahed, 2010). The challenge facing IBs and IIFS today is to prove that they, in fact, engage in actual business and trade practices.

Murabahah Mode:

Murabahah was, in classical *fiqh*, mostly a spot sale contract wherein the buyer and seller agree on a price in which undeclared amount of profit or, be it a loss, is also a factor. Regardless of the quantified profit, *Murabahah* is a real 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 sale 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 good 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 precisely specified 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 IIFS 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 provided a modicum of income for IBs. This is one of many distinctions between Shari`ah-compliant banks 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 IIFS will always shy away from.

Involvement in the actual management of funds and business is, indeed, the beauty of IBF. Where CBs will collapse, Islamic banks (IBs) will survive. The credit crunch of 2009 is probably proof of that. 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 remains a service industry. However, in perspective to IBs and IIFS, 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 the rich and 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 in which human labour is ignored in the equation of wealth creation. According to Islamic economic justice, such practice is not trade and exploits the needy and is, thus, prohibited. For the IBF to exist as an industry, both the psyche of making more cash by the supposed power of it, i.e., without involvement of effort through business practices, must be abolished. This, indeed, is the challenge that 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 a 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 bylaws:

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 consisting 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 Shari`ah compliance has indeed, been fulfilled.
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 remuneration for members of the SSB, a code of conduct, and limitation of their power/s, including any disciplinary measures where relevant and applicable.
10. Any alleged breaches by the SSB of 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 up 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 breaches of the Code of Conduct by the SSB, or any other matters judged by them to be detrimental to the bank, to the ST.
14. In all its business dealings, functions and operations, the SSB will operate independently of the bank's board of directors and chairman.
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.

The Gap in Upgrading Skills and Training:

What has made the commitment of IBs and IIFS subject to the whims, wishes 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 IIFS to exist and grow, creating such skills must be perceived as an inherent demand of the industry. Besides, the industry must also embrace initiatives to create skills and expertise as a means of giving the industry a competitive edge.

Against the background of this industrial need, a reality check will prove that individual IBs or IIFS are dangerously lagging behind. They have fallen short in both the will to facilitate such initiatives and the means for realising them. An earnest commitment from the IBs and IIFS to undertake the task of creating skills, expertise and trained manpower as a permanent yet independent tool is almost non-existent.

In some IBs and IIFS, an internal cell, known as the "Shari`ah Council/Board/Audit Department", exists. Whatever internal arrangements may exist are, however, no more than a show-piece. In fact, the members in this Shari`ah Council/Board/Audit Department are no more than the salaried employees of the IBs and IIFS. There is an inherent problem with this arrangement as the Shari`ah supervisors/officers have no incentive to annoy 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 IIFS.

To achieve this objective, some Muslim countries' governments make provisions in the charter of the central banks and IBs and IIFS 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 that its activities are "conducted according to the Islamic Shari`ah", 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 executive power, can they run the bank"? ("Moulana" is an allusion to the Shari`ah scholars.) This probably is a factual statement reflecting the reality of a lack of aptitude within the Shari`ah apparatus of the IBBL at a particular time. No matter how true it may have been, this reality offers no excuse to call this bank Islamic. Having failed the legal definition as above, certain modes of its operations will be found as sympathetic to Shari`ah compliance. So it should be 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. Selling it under the guise of '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 bylaws is not an outlandish demand nor is it impossible to achieve. On the contrary, achieving it 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 power with the Shari`ah Council needs further exploration.

Qatar Islamic Bank: An Ideal Example:

Although many countries have remained reluctant to ensure it, Malaysia seems to have taken a leading role in this regard (Hamid and Othman (2009). According 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 commendation. Known as the Shari'ah Audit Department (قسم التدقيق الشرعي) and 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. Managers who breach Shari'ah rules 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 in QIB, why could not the same arrangement be approved by IBBL or any other bank? The real impediment to achieving this outcome seems to lie in the willingness of the BoDs to share their power and authority.

The Corrective Measures Proposed:

A written and permanent guarantee in the bylaws of the IBS and IIFS 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, the SSB must be vested with 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 allowed to exist independently of the BoDs in their roles, functions and identity. This mechanism should work similar to the separation of the judiciary from the executive branch of government in a political democracy. As we have proposed earlier, there should also be rules and a code of conduct and ethics applicable to the SSB.

We must reiterate that, with some banks at least, reaching 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 IB in the world. Individual banks will be winners 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 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 share power and compromise with the power base of the directors. The bottom line that needs reinforcing, however, is that our sympathy for IBF must not deter us from speaking the truth aimed at protecting the authenticity of this noble industry.

Islamic Banking: A Window of Opportunity:

In some countries, incorporated banking businesses often undertake IB as an emerging window of business opportunity. Al-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 an "Islamic window operation or Islamic banking subsidiary". This is a phenomenon of using IB for profit alone without necessarily subscribing to the tenets of the 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 an industry will not function. The Islamic economic system is an integral part of the Islamic way of life. 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, the indifference of central regulators to the IBF industry within the contemporary nation states has made non-compliance even worse. Worse still is the wholesale marketing psyche being applied to products and services that clearly breach Islamic limits but are allowed to continue unabated. Along with the individual central banks in today's nation states, the failures from the boards of directors within the individual IBs and IIFS are directly responsible for these instances of non-compliance.

A Value-Laden System:

Earning a fixed amount of interest against various corporate or individual loans is the lifeline 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 poverty or an adverse business environment and, thus, the outcome is that the borrower defaults. On the one hand, this exploits the grinding poverty of the needy while, on the other, it rewards the power of cash and enables 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 loans. On the other hand, the policy statement of the Qur'an is that economic means and resources "will not remain locked in the hands of the rich and fortunate few" (كي لا يكون دولة بين الأغنياء منكم) (Al-Qur'an, 59:7), and the core value behind IBF. It is, therefore, the prime duty of all IBs and IIFS that this core value be upheld at all times. Their products and services must, thus, 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, lie at the very core of IBF. Almost all IBs and IIFS today would fail on this value-added mechanism of financing. Greed for higher profits rules conventional banking, and most IBs and IIFS will not be found any different.

Awareness of natural justice, due to which Islam prohibited exploitative trade practices, needs no further explanation. Should one be faced with the situation above, the Islamic mode of finance is very clear: "If the borrower is in difficulty, a grace period leading to easy repayment should be granted" (ففترة 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 business and trade practices the only option available to grow funds. 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 IIFS 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 are almost non-existent. Notices to possess mortgaged property by IBBL are a common scene in the news media in Bangladesh. Islam maintains inherent opposition to accumulation of wealth and economic resources exclusively by 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 increased economic activity, growth and productivity.

Conclusion and Recommendations:

The IBs and IIFS should earn profit by engaging in actual buying, selling and other similar investment practices where loss and profit are both 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, the Islamic mode of finance intends to reward efforts and entrepreneurial skills of both the funders and the fund managers. By having both the funders and the managers share the loss and profit, the Islamic mode of finance makes a strong statement valuing human labour and capital at the same time. This, indeed, is an example where Islamic perception of social justice is entwined with economic justice. As such, without the wholehearted commitment to upholding the Islamic vision of justice as above, IB will always be unreal and illusory.

Relevant laws and regulations designed for non-Shari'ah-compliant CBs are destined to be contradictory in scope, philosophy and objectives to those suitable for IBF. Despite this, IBBL gives an undertaking to "run the Bank strictly in accordance with Shari'ah" principles. This is not practically possible while operating within the secular and un-Islamic framework of the country's ordinary banking laws. Worse still, in doing so, it envisioned the need for only "such minor adjustment as may be considered essential for an Islamic bank to function" (IBBL, 1983). Such a statement displays outrageous ignorance of what constitutes IB. A vision of IBF as narrow, half-hearted and shortsighted 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 is thus prohibited. Those who resort to this practice are condemned as being 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). Foreseeing only "such minor adjustment as may be considered for an Islamic bank to function" represents a truly naive and simplistic view of IBF (IBBL, 1983).

Besides Malaysia, few other Muslim countries have issued and enacted special acts and legislation to regulate the businesses of IBs in those countries. Pakistan, Iran, Sudan and the 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 investigation.

The countries where IBF exists as an independent industry 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 benefited from 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 IIFS 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. The Muslim customer base has therefore, a role to play in correcting non-compliance by IBs and IIFS. Governing operatives within individual IBs and IIFS 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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