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IAFIE BULLETIN is published six times a year by the Indian Association for Islamic Economics. It aims to create awareness of the latest development in theory and practice of Islamic Economics.

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## Year 2000 - Beginning of IAFIE's Decennium

The world is at the threshold of 21<sup>st</sup> century as well as the new millennium. For many enthusiastic people it has already started with the Y2K. The 20<sup>th</sup> century will be remembered in the history of economic thought for revival and development of Islamic economics. There is no doubt that its origin goes back to the Quran and the tradition of the Prophet Muhammad (p.b.u.h.). But its rebirth as a discipline is a 20<sup>th</sup> century phenomenon.

The 20<sup>th</sup> century saw development of Islamic Economics from simple descriptive works to advanced analytical writings followed by international conferences and seminars, establishment of research centres and issue of professional journals; foundation of interest-free banking and Islamic financial institutions, development of the courses of studies and preparation of readings, theoretical modellings and practical Islamisation of the economy, etc. Surely these developments of 20<sup>th</sup> century will be some of the interesting themes of research in 21<sup>st</sup> century in addition to more practical experiments of the Islamic economic system.

The year 2000 marks the beginning of decennium of IFAIE Bulletin. The Association and its Bulletin kept the pioneering Indian role in development of Islamic Economics not only alive but demonstrated, though moderately, its vitality and viability by furthering its cause to academic institutions, professional economists and business activists. Working in an environment which is largely indifferent, if not hostile, the IAFIE is a good example of voluntarism. Its volumes of activities despite the paucity of resources is really astonishing for those who are habitual of rich official or institutional patronage, *wa bi'llah al tawfiq*.

With this issue of Islamic Economics Bulletin, Mr. Shariq Nisar, a scholar of Islamic banking at the Aligarh Muslim University, is taking the charge of Joint-Editorship as his predecessor, Mr. Sabahuddin Azmi, has completed his Ph.D. work on Public Finance and he is now busy in his other academic works. Mr. Azmi has been associated with IAFIE at its early stage, and particularly since the mid 90's he has done commendable job in improving the quality of the Bulletin. He has also helped in the organisation of various IAFIE's seminars for which the association feel highly grateful. May Allah reward him best for this self-less services.

## To Our Foreign Readers

It is a matter of pleasure that now you have free access to IAFIE Bulletin at the following website: <http://islamic-finance.net/journal/iafie.html>. You can also request to [finance-net@muslimsonline.com](mailto:finance-net@muslimsonline.com). So with the next issue of Islamic Economics Bulletin, mailing to our foreign readers will be stopped due to high postal charges. However, those interested to receive the printed copy, may send their request alongwith the subscription.



### Ph.D. in Islamic Economics from University of Durham

Following is a list of successful Ph.D. completions in the Department of Economics and Finance, Durham University, England.

1. Osman b. Ahmed. *Islamic Finance in the Sudan; a case study of the Faisal Islamic Bank* (1990).
2. El Tayab Shumo – *The theory of Zakah and its application in the Sudan* (1990).
3. Sheikh Ghazah Sheikh Abud – *Mobilisation of Muslim Financial Resources for Investment in the Malaysian Capital Market* (1995).
4. Hamud Saleh – *Tasan – An Evaluation of Housing finance in Saudi Arabia: The Real Estate Development Fund's Policies and Alternative Options* (1998).

### IAFIE Executive meets

A consultative meeting of IAFIE was held on December 16, 1999 at the residence of Dr. Abdul Azim Islahi, the secretary of the association to review the IAFIE seminar held at New Delhi in October 1999. Some of the issues discussed were the financial details of seminar, the editing of seminar papers and the appointment of new joint-editor of the Islamic Economics Bulletin etc. The members also decided to include Dr. Mohammad Obaidullah, a scholar of Islamic finance, in its advisory board so as to get his expert advice for the improvement of the bulletin. The meeting was attended by Dr. F.R. Faridi, Dr. Abdul Azim Islahi, Dr. Valeed A. Ansari, Dr. Javed Ahmad Khan and Mr. Shariq Nisar.

### Dr. Islahi's Lecture on Riba and Interest

Aligarh: Dr. Abdul Azim Islahi, Reader, Department of Economics, Aligarh Muslim University, delivered an extension lecture on "Issues Related to Riba (interest) and its implications", at the Idara-e-Tahqeeq-o-Tasneef-e-Islami, Aligarh on November 28, 1999. The discussion was based on a recently re-published book of Maulana Iqbal Ahmad Khan Suhail entitled What is Riba?. The participants on the occasion raised various questions in relation to mention of *Riba* in the Quran and Hadith literature and it was felt that a thorough discussion on these issues is needed particularly in the light of contemporary writings of Muslim scholars in defence and negation of interest.

### IAFIE's Bulletin on Website

We are pleased to announce that our bulletin is now available on the website. <http://islamic-finance.net/journal/iafie.html>.

### Gulf Finance House Established in Bahrain

A group of Gulf investors announced on 16 October 1999 that they had established a new Islamic financial institution, Gulf Finance House (GFH). According to statement issued by GFH, the new investment bank has an authorised capital of \$150 m, apaid up capital of \$65 m and includes majority of share holders from different GCC countries. Those that have subscribed to a stake worth more than \$5 m include Kuwaiti Gulf Investment House, Arif Investment Group, Abd Allah Abd al-Latif al-Shaya, the Islamic Development Bank, Bahrain Islamic Bank, Qatar Islamic Bank, Dubai Islamic Bank and the Saudi Economic Development Group. GFH is licensed as Bahraini incorporated offshore entity and will be involved in financing infrastructure project in the Middle East & North Africa region. It hopes to take advantage of the process of economic liberalisation in the area, notably privatisation in the Gulf (MEES).

### Pak SC Rules Against Interest

Pakistan's Supreme Court in a ruling on Thursday, 22<sup>nd</sup> December 1999 declared the charging of interest on loans un-Islamic and ordered the government to set up an interest free economy by 2001. The decision represent a significant move towards the Islamisation of economy which the people have long been demanding. "Serious efforts shall be started by the federal government to relieve the nation from the burden of foreign debts as soon as possible and to renegotiate the existing loans", the court said in its 1,000 – page decision. It may be recalled that the charging of interest, known as 'riba' was declared un-Islamic by the country's top Islamic court, the Federal Shariah Court in 1998. But the government, then led by Nawaz Sharif appealed against the verdict.

### New Journal on Islamic Finance

The School of Islamic Business & Research, Bhubneswar, India, has started *The International Journal of Islamic Financial Services* (IJIFS) in the field of Islamic banking and finance. Its editor, Dr. Mohammad Obaidullah of Xavier Institute of Management, India, has arranged the online CD-ROM as well as print version. Journal is published four times in a year and its first issue came out in April-June 1999.

The annual subscription inside India is. Rs. 300-00 and US\$100.00 for outside the country. Contract address: IBF Net (P) Ltd. 29 Shahid Nagar, Bhubaneswar – 751007, India e-mail, [info@islamic-finance.net](mailto:info@islamic-finance.net).



## BOOKS:

1. Darling, Lind T., *Revenue Raising and Legitimacy: Tax Collection and Finance Administration in the Ottoman Empire – 1560-1660*, Leiden, Netherlands: E.J. Brill, 1996, pp. 368.
2. Powers, David S., (eds.), *The Islamic Inheritance System* (Special Edition of Islamic Law and Society), Leiden, Netherlands: E.J. Brill, 1988, pp. 176.
3. Vogel, Frank E., and Hayes, Samuel, *Islamic Law and Finance: Religion, Risk and Return*. The Hague, Netherlands: Kluwer Law International, 1998, 350 pp.
4. Wiene, I., *Impact of Religion on Business Ethics in Europe and the Muslim World*, New York: Peter Long, 1997, pp. 171.

## ARTICLES:

1. Bahir, Abdel-Hamid M., "Risk and Profitability Measures in Islamic banks: The Case of Two Sudanese Banks". *Islamic Economic Studies* (Jeddah, Saudi Arabia), vol. 6, No. 2, May 1999, pp. 1-24.
2. Carrol, Lucy, "Orphaned Children in Islamic Law on Succession: Reform and Islamization in Pakistan", *Islamic Law and Society* (Leiden, Netherlands), vol. 5, No. 3, 1998, pp. 409-47.
3. El-Sheikh, Salah, "Sirat al-Mustaquim and Hikmah: A Quranic view of Socio-economic Behaviour, Economic and Method". *The American Journal of Islamic Social Sciences* (Herndon, VA), vol. 16, No. 2, Summer 1999, pp. 55-87.
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5. Khan, M. Akram, "Islamic Economics: The State of the Art". *The American Journal of Islamic Social Sciences* (Herndon, VA), vol. 16, No. 2, Summer 1999, pp. 89-104.
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9. Shaikh, S.A., "Islamic Banks and Financial Institutions: A Survey", *Journal of Muslim Minority Affairs* (Jeddah, Saudi Arabia), Vol. 18, No. 1, 1998, pp. 139-58
10. Tahir, S., "Riba, Share-Tenancy, and Agrarian Reforms", *Pakistan Development Review*, Vol. 35, No. 4, 1996, pp. 989-1000.

## ISLAMIC FINANCE : A Partnership For Growth

By: Philip Moore

Published by: Euromoney Publication PLC,

Nestlor House, Playhouse Yard, London EC 4V 5EX, UK.

The book has been divided in to two major parts consisting 19 chapters. The First Part deals with the theoretical and historical background of Islamic finance, which is based upon the principles of profit and risk sharing and partnership between the individual and the institutions. The Second Part is a geographic review of the various countries where Islamic financial institutions are in operation. The writer seems to have taken a simplistic view of the Islamic finance industry when he says that it is oil boom in the Arabian Gulf that paved the development of Islamic banking and finance. In fact, the theoretical development of Islamic Banking had started much before the oil phenomenon of the Middle East and the experiments in Islamic Banking had started in South Asia and Egypt as early as the mid 60s and early 70s, and both the regions cannot be considered prosperous in the financial terms. However, the financial market of Islamic banks has no doubt expanded in mid 80s when the role of surplus oil revenue of the Muslim world has played a major role and this has also attracted the, Western banks to provide Islamic financial services to their customers in the Western Europe and North America.

The author has very skilfully analysed the theoretical as well as the practical developments in the field of Islamic banking and finance. The issue discussed are; principles of Islamic finance, insurance, equity finance and project financing in the Islamic framework. While highlighting the contemporary experiences of Islamic financial institutions, he has also tried to tackle the legal problems as well as the issues related to accounting and the regulation of these Islamic banks.

In the second part of the book author has given an aerial view of the development of the Islamic Banking & Finance in different parts of the world. Each chapter has been further divided into two sections. First containing statistical information about Muslims and second dealing with the state of Islamic finance. Chapter 14 deals with Muslims and Islamic finance in India. The first part gives statistical information about Indian Muslims, however second part which deals with Islamic finance in India seems to be prepared in a hurry as the author has paid little attention towards Islamic Finance & its development in India. He has completely ignored the contribution of Indian Muslims towards the development of the subject. Much of the information provided in this part is also not correct. The author has not mentioned the giants of Islamic finance in India such as Baitun-Nasr & Barkat group of Bombay and Al-Amin Islamic Finance & Investment Corporation (AIFIC) of Bangalore.

Chapter 19 summarizes the Islamic Financial market, highlighting the problems and prospects of Islamic banking & finance. The main issues here discussed are lack of secondary market, lack of universally accepted accounting and auditing standard and the lack of communication between the Islamic and the conventional approach.

The author admits that although there are: many Islamic countries which are under banked, Islamic finance now provides the potential for growth among the non-Islamic societies and now it is the biggest emerging market in the world. The major attraction of the book is its lucid style, which even a layman, cannot ignore to read it.



### REPORT: Seminar on Economic Perspective of Zakah

A seminar on "Economic Perspective of Zakah" was jointly organised by the UP Rabita Committee, Aligarh Zakat Fund (AZF) and Indian Association for Islamic Economics (IAFIE) at Aligarh Muslim University on November 13-14, 1999. The seminar attracted a large number of scholars from the university and was also represented by various other academic institutes of the country.

The inaugural session started under the chairmanship of Dr. Fazlur Rahman Faridi, President, IAFIE, who focused on the institution of Zakah in an Islamic perspectives. He also presented various view points of contemporary Muslim economists, Ulama and Jurists on the utilization as well as the administration of Zakah. Dr. Faridi further indicated the practical problem in disbursement of zakah income among the poor Muslim. Br. Amanullah Khan, Secretary UPRC and President Aligarh Zakat Fund read a report on the activities of UP Rabita Committee and AZF, and Dr. Abdul Azim Islahi, convenor of the seminar highlighted the objective of the seminar and introduced the aims and objectives and achievements of IAFIE. Br. Muhammad Muqim, Secretary, Crescent Charitable Trust, shed lights on the economic aspects, collection and management of zakah in India.

The seminar was comprised of three business session and the valedictory session which were chaired by Dr. Ishtiaq Ahmad Zilli, Reader, Department of History, Dr. Zafarul Islam Islahi, Reader, Department of Islamic Studies, Aligarh Muslim University, Maulana Sultan Ahmad Islahi, Idarah Tahqeeq O Tasneef-Islami respectively. During the business sessions more than ten papers were read on various aspects of zakah. Moreover, Dr. Raziul Islam Nadvi, highlighted on the management of zakah, under Jamate-Islami Hind, while Dr. Azhar Qureshi, President of MESCO at Mumbai, provided the details of zakah collection and its utilization under this organisation.

In the business sessions, Prof. Yasin Mazhar Siddiqui of Department of Islamic Studies, A.M.U., focused on "Rules Regarding Zakah on Money", Maulana Shahabuddin Nadvi, Bangalore and Maulana Valiullah Qasmi, Jamiatul Falah Azamgarh, presented papers on the utilization of zakah. Dr. Zafarul Islam Islahi discussed the administration of zakah under Muslim rule in medieval India. Dr. Abu Sufian Islahi, Department of Arabic, A.M.U., analysed the contemporary literature on zakah, Maulana Sultan Ahmad Islahi read his paper on the problems related to the management of zakah in India, Mr. Hifzur Rab, advocated on a just economic system based on zakah and Dr. Sabahuddin Azmi highlighted the role of zakah in the alleviation of poverty in Muslim countries.

### Recommendation of the Seminar

1. Need to focus on the institutions running with zakah collection, and their method of zakah utilization.
2. A seminar should be organised to discuss the utilization of zakah under the contemporary socio-economic situations prevailing in India.
3. A special research journal on zakat should be started.
4. To publish a booklet dealing with issues on zakah.
5. Seminar also recommend that the various departments in the universities; Theology, Islamic Studies and Economics, should undertake the researches on different aspects of zakah, so as to analyse the zakah based as well as interest based economic system.
6. Participants stress the need to provide a zakah forum for the Ulama, Muslims Economists and Sociologists to discuss on following aspects:
  - (i) How far zakah income should be spent for poor, and down trodden.
  - (ii) If zakah fund can be invested, what steps should be taken to safeguard the zakah income.

Seminar ended with Dua by Maulana Sultan Ahmad Islahi.

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