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The Institution of *Awqaf* INDIAN EXPERIENCES

Prof. Ausaf Ahmad

The institution of *awqaf* has deep roots in Islamic history. It is a manifestation of the cultural tradition of altruistic behaviour of Muslim societies in the past. Muslim philanthropists made *awqaf* for establishing and running schools, colleges, hospitals, mosques and caravanserais. That is a rich tradition, which can be used for future development.

Awqaf has great potential to perform a dynamic role in the development process of Muslim countries. Provision of social services and merit goods has become difficult in modern societies. These goods cannot be provided adequately by the market alone. Modern economics found the solution to this problem in providing subsidies and public provision of social services and merit goods. However, the experience of the welfare state during the last 50 years has shown that welfare expenditure becomes a burden on state resources and contributes to increasing budget deficits. The provision of welfare through *awqaf* will provide a solution by which welfare expenditure can take place outside the market and pricing system while still being contributed to by the private sector.

There are hundreds of thousands of *awqaf* in Muslim countries. Property in the forms of buildings and land worth billions of dollars is available under *awqaf* in various Muslim as well as some non-Muslim countries. Unfortunately, today, most of these *awqaf* properties are in a depleted and poor condition. Many *awqaf* properties suffer from total neglect, abuse and misuse. Their earning profile is also too low. The properties need reorganization and development to improve their flow of earning. Sometimes, the management of *awqaf* is plagued not only with inefficiency and mismanagement but also fraud, embezzlement and corruption. This is a cause for concern. Ways and means must be sought to improve the efficiency of *awqaf* so that this institution can play an effective role in the betterment and development of Muslim communities.

The beneficial social and economic role of *awqaf* is by no means limited to Muslim-majority societies. It may be useful to mention here that in the Indian state of Karnataka, a good example has been set by the development of the Karnataka *Waqf* Development Corporation, established under the Indian Companies Act. Karnataka holds 25 per cent of the issued capital. The objectives of the Corporation as stated in its memorandum of association, inter alia, are: (1) to take in lease of *awqaf* properties and develop them by constructing shopping complexes, offices and accommodation, residential apartments, hotels, tourist homes, marriage halls, industrial estates, etc. and to lease them on rent; (ii) to assist the *awqaf* institutions, *mutwallis*, and the beneficiaries of the *awqaf* institutions, to establish housing cooperatives, industrial cooperatives and farming cooperatives. Emulating the Karnataka example, the government of India revised and adopted in 1995 a Central *Waqf* Law, by which Central Council has been created to undertake welfare and development works under the aegis of *awqaf* and provide resources generated from the *awqaf* properties.

Islamic institutions of *zakah* and *awqaf* are still capable of playing a useful role in the economic development of Muslim communities provided they are reorganized along modern lines, using techniques of modern administration and management with vigor to play a new role.

Islamic Fiqh Academy's decisions regarding Zakah Fund & Commercial Contracts

The Thirteenth *Fiqh* seminar of the Islamic Fiqh Academy, New Delhi, recently held at Malihabad, U.P. on April 13-16, has deliberated upon the investment of *Zakah* fund and the commercial contracts through modern means of communications such as internet, e-mail etc. Some the vital *fiqhi* decisions taken at the seminar are as follows:

- *Zakah* money, once it is given to the deserving becomes his or her property; he/she has the ownership right over it. If they invest this *zakah* fund in trade and commerce and make profit out of it, they are fully entitled to it. Moreover, the man would have fulfilled his duty of giving *zakah* whose *zakah* fund has been profitably invested in trade and commerce.
- But if the men, upon whom *zakah* is obligatory, decide to invest their *zakah* fund in order to maximize it and then help the deserving with it, they would be wrong and would not be declared as having paid the *zakah* due on them.
- If someone builds dwellings for the poor or shops for the deserving with the *zakah* funds but does not give them the ownership rights, his/her *zakah* would not come into effect.
- While paying *zakah* it should be kept in mind that the local deserving poor are not ignored.

Decision regarding commercial Contracts

- Accepting a commercial deal through phone or video-conferencing will be acceptable. If, two sides make a deal on Internet and both of them accept it, the deal will be considered as legitimate and the parties as being present in the same meeting.
- If a person offers a deal on internet to some one who is not using it on the other side at that very moment but reads the message at a later stage and accepts the offer the deal will happen and would be considered as legitimate. It is very much like making a deal through exchange of letters, which is permissible in the Shariah.

The seminar was attended by the leading religious scholars from India and abroad came to the conclusion that, Muslims in India facing acute poverty and economic backwardness are the most deserving of the *zakah* funds at the moment. This becomes the responsibility of all Muslims and Islamic nations to help them with the *zakah* and other charitable funds.

Change of address:

All future correspondence with the IAFIE's should be made at the following address:

THE EDITOR,
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Orientation Seminar on Islamic Economics, Banking & Finance

26-30 SEPTEMBER 2001

MARKFIELD CONFERENCE CENTER, UK

These orientation seminars provide exceptional opportunities for studying various aspects of Islamic economics, banking and finance. They are especially designed for all those interested in both theory and practice of Islamic economics and banking. The seminar will help in exploring, analysis and discussing at length the issues and challenges of this fast-emerging discipline.

Selected Themes and Topics;

*Major Modes of Islamic Finance: Theory and Practice * Islamic Banking as Ethical Banking * The Ethical Investment Movement and Islamic Banks *Islamic Financial Engineering *The Scope for Financial Futures in Islamic Finance *Islamic Asset Management: An Expanding Sector *E-Commerce: An Islamic Banking & Finance Perspective * Modern Islamic Jurisprudence on insurance *Monetary management in an Islamic Economy *Islamic Approach to Economic Development *Microfinance: Islamic Perspectives *Islamic Mortgages: A Practitioner's Perspective

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Letter from IAFIE Kerala Chapter

To,
Honorary Secretary
IAFIE, Aligarh.

Assalam-O-Alaikum

Hope you are doing well. The Kerala chapter of IAFIE has decided to conduct a series of six workshops in a year for its members and associates to have a deep knowledge in the subject of Islamic Economics. The first of its kind was held at the headquarters in Calicut on 31st May 2001 with the active participation of thirty economists.

We would like to establish a good library for references. However, the books available in Kerala are very rare. Kindly send us the catalogues of the publishers and distributors to make our task easier. I am very glad to inform you that we have decided to publish a good work on Islamic Economics.

After the seminar, conducted in November 2000, our IAFIE memberships have expanded with 20 new members. I request to send *Islamic Economic Bulletin* in their addresses.

May Allah bless all our endeavors in His cause.

With regards,

Yours faithfully,
Prof. P.N.Imbichikoya
Secretary, IAFIE Kerala.

NEW BOOKS AND ARTICLES

BOOKS:

1. CHAPRA, M. Umer and TARIQULLAH Khan, *Regulation and Supervision of Islamic Banks*, (Occasional Paper No.3), Jeddah, Saudi Arabia: Islamic Research and Training Institute, Islamic Development Bank, 2000, 101pp.
2. FLOOR, William, *A Fiscal History of Iran in the Safavid and Qajar Period 1500-1925*, Winona Lake, IN, USA: Eisenbrauns, 1999, 573pp.
3. *International Directory of Islamic Banks & Institutions 2000* Ed., London: Institute Of Islamic Banking and Insurance, 2000, 67pp.
4. PAL, Izzuddin, *Pakistan: Islam & Economics Failure of Modernity*, Karachi, Pakistan: Oxford University Press, 195pp.

ARTICLES:

1. AMINE, Muhammad al-Bashir Muhammad, 'Arabbun, Risk Management and Options', *Journal Of Islamic Banking and Finance* (Karachi, Pakistan), Vol.17, No.4, 2000, pp.7-32.
2. BHATTY, M.Ajmal, 'Takaful Industry: Global Profile and Trends 2001', *New Horizon* (London), No.108, April 2001, pp.10-12.
3. BILLAH, M. Masum, 'Principles of Contract Affecting Takaful and Insurance 'compared'' *Journal Of Islamic Banking and Finance* (Karachi, Pakistan), Vol.17, No.3, 2000, pp. 7-43
4. CEZAR, Y., 'From Financial Crisis to the Structural Change: The case of the Ottoman Empire in the Eighteenth Century', *Orient Moderno* (Rome, Italy), Vol.18, No.1, 1999, pp.49-54.
5. INAMUL-HUQ, 'Islam, Modernism and Development', *Journal of the Research Society of Pakistan* (Lahore, Pakistan), Vol.37, No.3, 2000, pp.1-18.
6. NAQVI, S. N. H., 'Islamic Banking: An Evaluation', *IIUM Journal Of Economics and Management* (Kuala Lumpur, Malaysia), Vol.18, No.1, 2000, pp.41-70.
7. NIENHAUS, Volker, 'Islamic Economics: Dogma or Science?' In: K. Hafez (ed.), *The Islamic World and the West: An Introduction to Political Cultures and International Relations*, Leiden, Netherlands: E.J. Brill, 2000, pp.86-99.
8. SUBAIR, Kola, 'Economic Revival and Management in Nigeria: An Islamic Economic (IE) Model', *Hamdard Islamicus* (Karachi, Pakistan), March 2001, pp.73-83.

RESEARCH IN PROGRESS

The title of the PhDs Thesis:

RECENT DEVELOPMENTS IN BANKING ORGANIZATION WITH SPECIAL REFERENCE TO ISLAMIC BANKING & FINANCE

By Shariq Nisar. Supervisor, Dr. Abdul Azim Islahi, at the Department of Economics, Aligarh Muslim University, Aligarh, India.

The modern banking, a well-recognized economic institution is in fact not very old. Most of the countries could develop their banking system only in the 20th century. As banks have been the creation of economic necessities they have under gone a rapid change within the span of a century to keep their pace along with the requirements of the economy. There have also been continuous changes in forms, structures, functions and principles in the banking system for the last quarter of this century. In recent years, the information technology has in particular brought out an integrated global financial market and this has greatly helped the emergence of non-banking financial institutions, which have their special roles in the financial markets round the globe.

The main hypothesis of this research project is that along with the socio-economic factors, changes in banking setup also arose as a result of ideological differences among the communities and nations. In this context, the development of Islamic banking & finance (also known as interest-free banking or participatory banking) in the Muslim world for the last quarter of this century is a major development in this area, that can hardly be ignored. The theory of Islamic banking is based essentially on the premises that interest, which is strictly forbidden in Islam, is neither a necessary nor desirable basis for the conduct of banking operations and that Islamic teachings provide a better foundation for organizing the working of the bank on the principles of profit and loss sharing, the Arabic word *Mudharabah & Musharakah* practiced through out by the Muslims

The Islamic banking movement began at a modest scale in the early 1960s at individual initiatives and latter on, from the late 1970s on wards, and it has not only increased in size and number but has also got encouragement from a number of Muslim countries. It has, in fact, flourished more vigorously in the non-Muslim countries and also attracting the western banks to open "Islamic finance windows" for the investors.

The main objective of this research work is to have, at first, a selective review of the contemporary literature on the conventional banking organization and Islamic banks and then trace out the meeting points as well as the points of difference of the two systems. Here the main focus would be on the relative merits and shortcomings of the existing conventional and Islamic banking systems. Finally, there will be an evaluation of the rationality and viability of interest-free banking system in the contemporary global financial market.

**FIFTH INTERNATIONAL CONFERENCE
ON ISLAMIC ECONOMICS AND FINANCE**

THEME:

Sustainable Development And Islamic Finance In Muslim Countries

Venue: University of Bahrain, Bahrain

Dates: December 14-16, 2002

The Fifth International Conference on Islamic Economics and Finance is scheduled to be held, by the Grace of Allah, in Bahrain in October 2002 under the auspices of the International Association for Islamic Economics, the Islamic Research and Training Institute (Islamic Development Bank), and the University of Bahrain.

Topics:

I. Sustainable Development With Socioeconomic Justice

* A comparative study within the perspective of both Islam and the Agenda of 21 of the United Nations Commission on Sustainable Development with focus on: removal of poverty, need fulfillment * minimizing unemployment and inequalities of income and wealth* reducing economic imbalances etc.

II. Financial Development

In what way can Islam promote healthy and stable financially development free from crisis.

III. Problems of Muslim Countries

Muslim countries are encountering a number of problems, including poverty, high rates of unemployment, excessive inequalities of income and wealth. What are the causes and what kind of strategy is needed to solve them within an Islamic perspective.

IV. Islam & Globalization

What is the stand of Islam with respect of the integration of making through various means, including the free movement of goods, services, capital and manpower?

V. Some Specific Issues: Macro economic issues:

Reduction of poverty, to what extent and in what way can Islamic finance help finance the government and private sectors. * Role of Islamic finance in reducing public sector fiscal deficit.

Money and Finance: * what will be the role of insurance in the Islamic financial system and how will be organized and regulated. * Will the money and stock market be organized and regulated in the Muslim world in the same way as in the conventional system.

Submission And Selection: There is submission fee. The selected papers will entitle their authors to (a) round-trip Economy class air ticket, and (b) boarding and lodging for the duration of the Conference.

Dates to Watch:

| | |
|--------------------------------------|--------------------|
| Submission of Outlines | August 30, 2001 |
| Acceptance of Outlines | October 15, 2001 |
| Submission of Papers | February 28, 2002 |
| Comments on the Papers | April 30, 2002 |
| Submission of the Final Papers | June 30, 2002 |
| Notice of Acceptance of Final Papers | July 31, 2002 |
| Discussant Reports | September 15, 2002 |

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