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**Islamic Banking After Gulf War**

Islamic banks, known as the recession proof and in an era of economic difficulty due to Gulf war, have shown remarkable resiliences. According to a recent report published in The Middle East, London, July 1991, Islamic banks have done better than their conventional counterpart and their expansion in other parts of world is also encouraging.

A few years ago, IMF study on these banks had predicted that Islamic banking may be better suited to absorbing shocks than conventional banking. The argument was based on the principle thrt Islamic banks treat deposits as shares and accordingly do not guarantee their nominal value. In this way, the shocks to assets position are immediately absorbed by changes in the value of share (deposits) held by the public in these banks. In fact, in the case of Gulf banking, the major problem is to restore credibility and confidence among depositors and investors. The challenge, to a great extent, has been accepted by Islamic banks in the region. The Islamic financial institutions that are making the running, both in term of global expansion and profitability are the Jeddah-based Al-Barkah Banking Group headed by Sheikh Saleh Kamel, and Geneva based Dar al Mal al-Islami, DMI group headed by Saudi prince Muhammad al Faisal.

Al Barka has set up a 100 million dollars in Gulf reconstruction Fund to help the private sector in Kuwait. This bank is in many ways, ahead of the game. The 100 million dollars fund to assist the participation of the private sector in the reconstruction of Kuwait has been hailed as master strok. Disbursment from the fund has already started with Kuwait and Saudi companies seeking funds. The aim is to help finance the restablsihment of business in Kuwait that existed prior to invasion and to finance new ventures. The financing will be done under Islamic banking profit and loss PLS basis-mainly using instrument such as *murabaha*, leasing and lease purchasing, joint ventures, equity participation and venture capital.

The report also suggest that Islamic banks have expanded beyond Muslim territories. For example, both DMI and Al-Barka are seeking greener pastures especially in the Soviet Union, South East Asia and Europe where DMI has acquired the Islamic international Bank of Denmark through its newly established Faisal Holding Company (Luxembourg) and has increased ite capital to 16m to give the group a footing inside the European Community in time for the single market in 1992. In Geneva, the group has set up Faisal Finance, a merchant bank which is aimed at funding and boosting Swiss trade withe the Middle East. Islamic bank's high profitability, according to the report, results from a combination of low cost of funds and a large proportion of its assets being placed in high revenue earning instruments. In fact, there is much to learn that hcw Islamic barks have emerged largely unscathed from the effects of the gulf Crisis.

## NEW TRENDS IN ECONOMICS AND ISLAMIC ECONOMICS

What are the major new trends in economics? How some recent writings on the subject look upon the classical and neo-classical economic theories applying self-interest to a broader range of problems and ultimately why Islamic economics, which regards self-centered rational behavior as to narrow emphasises care for others, cooperation and justice. This was the central theme of Prof. M. N. Siddiqi's lecture organized by the Department of Economics at Aligarh Muslim University last month. Prof. Siddiqi was speaking among the intellectuals on the new trends in economics and Islamic economics and he raised many illuminating issues on economics as behavioral science. He stressed to the audience that economics is a social science, and therefore can not attain the exactitude and precision of the hard physical sciences; for it deals with the ever changing and subtle forces of human nature. Prof. Siddiqi pointed out that supply and demand curves are drawn on the assumption that economic man mainly tries to maximize his own advantages. But another approach found in classical economics of Adam Smith shows that sympathy and human brotherhood are also basic forces in human nature. In fact, he referred to several western writers of recent time who have gone on to argue that self-interest is not the chief motive of man and that people also care for others. Whether it is a mother's service to her child or blood donation, there is a human consideration that motivates it, and there is trust, loyalty and justice that plays a significant role in the operation of economic system. Prof. Siddiqi urged the audience that they should look outside the window and see the real situation prevalent in the society. Western custom and habits that dominate in economic theory do not suit us as assumptions.

Discussing the role of fixed interest payments in the contemporary financial system, Professor Siddiqi said that besides violating the norms of justice and fairness, it was also the root cause of instability in the system. It burdened the entrepreneur with fixed obligations and a rigid time schedule for repayments whereas the market which the entrepreneur has to face is characterised by uncertainty and does not adhere to any rigid time table nor does it guarantee predetermined returns. This asymmetry between assets and liabilities of the chief agents of production made the system inherently unstable causing much human suffering. A financial system based on sharing of actual returns would be free of this malaise, Prof. Siddiqi claimed.

There was a lively discussion after his lecture on issues like saving and investments in an Islamic economy

concepts of normal profit in realistic terms, behavioral norms of Islamic economics particularly in the context of price mechanism and indifference curve analysis and how production and consumption would be harmonised? Questions were raised about the claim that Islamic framework provides a functional alternative to existing system while replying to questions Prof. Siddiqi appreciated the keen interest of the audience in the subject and noted a big change among the intellectuals in favour of new trends and unorthodox opinions, especially Islamic economics.

At the end, Dr. F.R. Faridi, who was presiding over the meeting, highlighted the recent literature on Islamic economics and thanked the Organizing Committee for arranging such a thought provoking lecture. He said that Indian Association for Islamic Economics had been formed for providing an academic forum. Lastly, Prof. A.Z. Rizvi, Chairman, Department of Economics, thanked the speakers and audience and observed that Islamic economics was not an alien subject to the Department whose contributions to the subject were already well recognized.

### Model of Interest-Free Banking Presented before Ulama

The Fourth National Seminar of Islamic Fiqh Academy concluded at Hyderabad on August 9-13-1991 in the premises of Darululoom, Sabil al Salam. The agenda of the seminar included very crucial issues like exchange of currencies, insurance, and interest free banking. Apart from a large number of Ulama and Muftis, it was also attended by many economists such as Dr. Muhammad Anas Zarqa, Mr. Abdul Haseeb, Mr. M.H. Khatkhatay, Dr. Manzoor Alam, Dr. A.A. Islahi, etc. A remarkable achievement of the seminar was preparation of model for interest-free banking in India by some experts, practicing economists, bankers and charter accountants. The model with many questions has been presented to Ulama and muftis for their perusal and approval.

### IMAM FARABI ON ECONOMIC SYSTEM OF ISLAM

The Old Boy's Association of Madarsatul Islah organised a 3-day seminar on Imam Farahi-Life and Work, at Saraimir, Azamgarh (U.P.) between Oct 8-10-1991. In the seminar Dr. Abdul Azim Islahi, Reader in the Dept of Economics, Aligarh Muslim University, presented a research paper entitled '*Imam Farahi Ka Iqtisadi Maslak*', 'Farahi's view on Economic System of Islam'. Imam Hamiduddin Farahi, (1863-1930) a well known scholar of the Quran, bitterly criticised both the capitalist and communist systems and advocated a valuebased economic system, guided by the Quran and Sunnah.

**Books :**

1. Choudhary, Masudul Alam, *Islamic Economic Co-operation*, London : The Macmillan Press Ltd; London & St Martin's Press, New York, 1989.
2. Khan, Muhammad Akram, *Fighting Rural Poverty A Short Term Strategy*, Lahore : All Pakistan Islamic Education Congress, 1991.
3. Khan, Muhammad Akram, *Organising Zakah A Model of Legal Administrative And Financial Control*, Lahore : All Pakistan Islamic Education Congress, 1990.

**Articles :**

- Jennings, Ronald C., 'Pious Foundations in the Society and Economy of Ottoman Trabazon, 1565-1640' *Journal of the Economic and Social History of the Orient*, (Leiden), 33:3, 1990, pp. 271-336.
- Khan, Muhammad Akram, 'Towards Interest Free Banking' (Review Article) *Islamic Studies*, (Islamabad), 29:1, 1990, pp. 99-102.
- Khan, Muhammad, 'A Comment on the Notion of Economic Justice in Contemporary Islamic Thought', *International Journal of Middle East Studies* (Cambridge), 22:3, 1990, pp. 375-6
- Martel, Richard T., 'Weights and Measures in Mecca During the late Ayyubid and Mamluk periods' In: R.B. Serjeant and R.L. Bidwell (eds.) *Arbian Studies*, (Cambridge): Cambridge University, Press, 1990, pp. 177-86.
- Peerzade, Syed Afzal, "The Idea of Merit Effect: Islam's Contribution to Economics", *Journal of Objective Studies*, (Aligarh) Vol.3, No. 1, January 1991, pp. 1-22.
- Rubin, Uri, 'Meccan Trade and Quranic Exegesis', (Quran 2: 198) *Bulletin of the School of Oriental and African Studies*, (London), 53: 3, 1990, pp. 421-8,
- Sand, Al-Faisal Al, 'Faisal Islamic Bank' (Sudan), *Journal of Islamic Banking and Finance* (Karachi), 7:3, 1990, pp. 7-10.
- Shokiry, Abdel Haq Al-, 'Foreign Debt Crisis and Islamic World', *Risalat Al-Jihad* (Malta) No. 73, Summer 1990, pp. 153-61.

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(the Maghrib), but also as compared to those in Andalusia, Sicily and Iraq. In this part the reception of al-Dawudi's thought by other jurists both of his own and later periods is investigated. The meanings and usages of the various financial terms used in *Kitab al-Amwal* are explained, and the reasons for confusion regarding financial terms are discussed, particularly with reference to the accretions of meaning they gathered through the ages.

The most important works on Islamic public, in finance manuscript or printed form, or known only through mention by other authors, are also reviewed. Particular comparison is made between al-Dawudi's and work Abu 'Ubayd's *Kitab al-Amwal*, in regard to which all the extant literature is also considered.

*Source : The American Journal of Islamic Social Sciences Vol. 7, No. 3, 1990*

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### Ph.D Works on Islamic Economics

*Copies of the dissertation may be obtained by addressing your request to : University Microfilms International, 300 N. Zeeb Road, Ann Arbor, MI 48106, (U. S. A.)*

#### **An Analysis of the Role and Function of the Shari'ah Control in Islamic Banks.**

Abumouamer, Faris Mahmoud, Ph.D. University College Cardiff (Wales) (United Kingdom), 1989, 561pp. Order Number BRDX 89145.

The primary objective of this thesis is to undertake a comprehensive examination of the present role and status of Shari'ah (Religious) Control in Islamic banks, in assuring that the banks' activities are in line with Islamic principles. The thesis also examines the role of the Shari'ah Control Committee in Islamic banks' international trade, and the effect of the Shari'ah Control Committee on the behaviour of their clients (shareholders investors, etc.)

This thesis is based on two related research efforts. The first of these involved the use of a questionnaire survey which was aimed at obtaining a broad picture of current Shari'ah Control practices. The second stage was undertaken by means of a series of detailed interviews with Islamic banks, Shari'ah Control Committee members, managers and clients.

The results of the research show that the role of the Shari'ah Control Committees is different from one Islamic bank to another. The Shari'ah Control Committee plays an effective role in increasing halal (permissible) activities in Islamic bank, but its role in most Islamic banks is the "pre-audit" function, without referring to financial books and documents to assure that their fatwa (religious decision) is carried out correctly.

In international trade and dealings with central banks, the role of the Shari'ah Control Committee perhaps needs to be defined. The results also show that the Shari'ah Control Committee plays an effective role in attracting new investment and clients for the Islamic banks, but the Shari'ah Control Committee members have to submit a written report (Religious Auditor's Report) to the clients confirming the halal activities of Islamic banks.

**A Critical Edition of "Kitah al-Amwal"** by Adu Ja'far Ahmad b. Nasr al-Cawudi (d. 401/H). (Volumes I and II) al-Fil, Najib Abdul Wahhab, Ph.D. University of Exeter (United Kingdom), 1989, 693 pp. Order Number BRDX 88428.

Works which deal exclusively with taxes and sources of public finance are extremely rare, particularly those of the Malikite school. Hence the importance of the *Kitah al-Amwal* of Abu Ja'far Ahmad bin Nasr al-Dawudi al-Asadi. Apart from his intellectual independence and particular treatment of the subject, al-Dawudi's work is the more significant in that it makes use of earlier, now lost, Malikite and non-Malikite studies of the topic.

In order to present this hitherto unknown manuscript as effectively as possible, the researcher has divided the study into two parts. The first part includes the Arabic text, verified and collected through the collation of all existing copies, together with an exhaustive commentary on geographical, general and linguistic aspects of the text, and a thorough review of references to the book by later jurists. In the second part, a critical study of the author, his period, and his book is presented. The study of period naturally extends to the political situation during the Fatimid era and the cultural conditions which existed not only in Qayrawan

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