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## Value-Guided Co-Operation

Islamic Principle spells out certain moral constraints to this co-operation and participation in both individual and collective levels. These conditionalities spring out of the Islamic outlook on the moral and ethical imperatives of life.

On account of the secular perspective of modern government, most of the schemes designed either to directly address the problem of inequity and oppression, or indirectly to improve the situation through an all out socio-economic development are ethically and morally neutral. Some of these are totally violative of Islamic teachings. One of the most significant features of modern economic scenario is the ubiquitous dominance of interest. Even welfare oriented loans and advances are based upon interest. State funding is sometimes promoted through gambling and deceit.

Muslims cannot possibly be a participant in the execution of such schemes, nor can they benefit from interest based government loans intended to rectify the destitution of targeted sections. Private schemes such as those run by NGOs, in India, also deal in interest based financial transactions to raise resources or strengthen their finances. Taxation is another device which frequently violates the norms of equity and justice enjoined by Islam. A host of other relevant examples may be presented to prove the amoral and value-neutral perspective of the current situation. But that would be an unnecessary deviation in the present context.

It would be quite easy to say that Muslims should keep off from Islamically invalid schemes or parts thereof. But a more difficult option comprises two complementary aspects of the required participation in the entire gamut of such activities. The first is to identify schemes that are totally violative of Islamic teachings, and as such contain aspects that are in conflict with them. On the basis of such identification we may work out a list of preference based on basic Islamic values. Our co-operation would be guided by this scale of preference. The second aspect of this challenge is to persuade and convince public opinion of the desirability to eliminate interest, as far as possible, from welfare oriented schemes that target the poor and the underprivileged so that benefits may be real and not nominal.

That, however, leaves the vital question of productive investment assisted by government funding. Examples of such financial assistance in India relate, in particular, to agriculture, cottage and small scale industries. The only permissible option for the Muslim community is to desist from indulgence in these quasi-welfare schemes of the government and concentrate all efforts in finding alternatives. Luckily conventional financial sector has been slowly but certainly inching towards interest free alternatives in certain basic fields. These are not totally Islamic in character but are closer to its ideal.

Private Muslim efforts in this direction have also been remarkably successful, if we realise, in particular that they have been functioning in a hostile or indifferent environment. Equally important is to launch a massive public opinion mobilization programme in all societies where Muslim community is legally free to run an interest free financial system in harmony with its moral imperatives. Such a system may not, necessarily, be totally outside the purview of monetary authorities. Appropriate interest-free instruments of credit control may be used discretely to regulate their activities.

Given the worldwide crisis in financial order, such an effort may be well received. It may open up the gates to a free and conscientious participation of the Indian Muslim community in all such schemes that target the poor and aim at the removal of economic injustices and exploitation.

F. R. Faridi

## IAFIE'S Advisory Council Meeting held

**Aligarh :** The Advisory Council of IAFIE in its meeting held on August 24th, at Aligarh decided to organise a two-day National level seminar on "Islamic Economics - Issues and Challenges in December 1998 at New Delhi. It was also resolved to seek co-sponsorship of the Department of Economics, Jamia Millia Islamia, New Delhi for organization of the programme.

## Conference on Issues in Economic uplift of Muslims

**Aligarh :** July 26, 1998, U.P. Rabita Committee Organized a one-day conference to discuss various aspects of economic problems faced by Muslims of U.P. in particular and others in general. A number of prominent speakers on the occasion stressed the need for proper utilization of Islamic socio-economic institutions such as *zakah* and *awqaf* for improvement of quality of education and provision of gainful employment among the Muslims. Prof. M.N. Siddiqi suggested the application of Islamic financial techniques in order to provide finance for self employment. Dr. F.R. Faridi highlighted the contribution that Muslims have made in the field of commerce and industry without any guidance and planning. The programme was successfully conducted by Dr. A.A. Islahi.

## IAFIE's T.N. Chapter holds Seminar

**Chennai :** July 26, 1998, The Tamil Nadu Chapter of IAFIE held a one day seminar on "Economic Sanctions on India - Impact and Solutions" at the World University Service Centre. The seminar aimed to create awareness about Islamic economics among the elites in Tamil Nadu.

## Islamic Equity Funds

\* The National Bank of Kuwait (NBK) and the National Commercial Bank (NCB) of Saudi Arabia, have jointly launched the Al-Kawthar Fund in Kuwait. The Fund will invest solely in NCB's Global Trading Equity Fund. The is managed by Wellington Management Company LLP of Boston, Massachusetts, who also manages the Banque National de Paris's caravan Fund and Al-Rajhi Global Equity Fund.

\* Ban Hin Lee Pacific Trust Management Bhd. (BPTMB) of Malaysia has launched its maiden Islamic unit trust fund. It has an approved fund size of 1.4 billion units, making it one of the largest private trust companies in the country. The BPTMB's managing director Philip Angers says the fund

would invest in Halal investments and shares for investors seeking to invest in the company's Islamic unit trust fund.

\* Al-Rajhi Banking and Investment Corporation has launched an open-ended Middle East Equity Fund which would be available to Saudi Nationals only, and will invest in stock markets of the Middle East, North Africa, Turkey and the Gulf with Middle East Stock markets having performed impressively over the last five year, yielding average return of around 30 per cent.

(New Horizon, June 1998)

## Seminar and Conferences

\* A seminar at Emirates Institute for Banking and Financial studies in Sharjah, discussed experiences and challenges faced by Islamic banking and focused on a range of issues from legal issues to achievements made by specific institution in this regard. The seminar was inaugurated by His Highness Shaikh Sultan bin Mohammad al-Qasbi, Members of Supreme Council and Ruler of Sharjah.

\* An International conference on "Islamic Finance" is to be held on August 25-26, 1998, at Kuala Lumpur, Malaysia. Some vital themes and issues to be discussed are : (1) restructuring of concept of Islamic financing in response to the Asian currency crisis, (2) assessing Islamic finance in the emerging markets, (3) Structuring of Islamic instruments, (4) Contractual agreement for Islamic project finance, (5) Tax and accounting, (6) The creation and marketing of competitive interest free financial products, (7) Asset-liability & risk management.

The conference is organised by IBC Asia Limited, an Asian subsidiary of IBC Group PLC, U.K. and it would feature top-notch Islamic finance industry speakers from USA, Asia, Europe, Middle East and Africa.

\* The Islamic Society of North America is to hold the first International Conference on Islamic Banking and Finance on July 17-19, at Houston, USA. A number of international experts in Islamic financing theory and practice would speak on the occasion. There would be also a panel discussion on practical issues such as Islamic home financing, mutual funds, insurance, commercial and Lease financing. For information of conference website is: <http://aesop.rice.edu/isna>.

\* The second annual Harvard University Forum on "Islamic Banking in the 21st century is scheduled to take place on October 9-10, 1998 at Harvard University, Cambridge Massachusetts U.S.A., The forum is scheduled to feature five sessions which will range widely in focus while sharing relevance to the entire Islamic finance community.

## BOOKS :

1. **Al-Bait Foundation**, 'Investment Strategy in Islamic Banking: Applications, Issues and Problems', Amman, 1992 404 pp.
2. **Ghazanfar, S.M., & Islahi, A. A.**, 'Economic Thought of Al-Ghazali', Jeddah, Scientific Publishing Centre, 1998, pp. 80.
3. **Islahi, A.A.** 'History of Economic Thought in Islam: A Bibliography', Jeddah Scientific Publishing Centre, 1997, pp. 22.
4. **Shafi, Amir, (et al.)** 'An Islamic Financial Institution: A Conceptual Framework, Lahore University of Management Science, 1997, pp. 89.
5. **Sunami, Umar, b. Muhammad, Al-**, 'The Theory and Practice of Market Law in Medieval Islam: A study of kitab, Nisab al Ihtisab of Umar b. Muhammad al Sumami', (Tr. M. Izz Dien). E.J. W. Gibb Memorial Trust, 1997, pp. 247.

## ARTICLES :

1. **Ashour, Y.H.M.**, "Murabaha: Is It the Backbone of Long - Term Finance in the Islamic banking Industry," In: *Arab Management Group: Conference proceedings*, Bradford, U.K. University of Bradford Management Centre, 1997, pp. 169-82.
2. **Badawi, Zaki**, "Bai Al Ma'dum - The sale of unseen Goods: contracts for Selling unseen, - *Islamic Banker*, London, No. 17. June 1997, pp. 16-17.
3. **Cizaka, Murat**, "Towards a Comparative Economic History of the Waqf System," *Al-Shajarah*, Kuala Lumpur, 2:1, 1997, pp 63-102.
4. **Fugard, Robert**, "Legal Issues of Islamic Finance, *New Horizon*, London, No. 66, August 1997, pp. 7-11.
5. **Karbassian, Akbar**, "Banking too Much on the State: The case of Iran", '*Islamic Banker*, London, No. 17. June 1997, pp. 12-14.
6. **Orman. Jabri**, "Sources of the History of Islamic Economic Thought". '*Al-Shajarah*, Kuala Lumpur, 2:1, 1997, pp 21-62.
7. **Shakir Ikram**, "Tomorrow's Takafol Products, '*New Horizon*', London, No. 66. August 1997, pp. 3-6.

## Towards An Islamic Financial Market

By Ausaf Ahmad

(Research Paper - No. 45)

Published by : Islamic Research and Training Institute, Islamic Development Bank, P.O. Box. 9201, Jeddah 21413, Saudi Arabia. 1997, pp. 81

With the development of Islamic financial institutions in almost every Muslim country, there are now ideas coming out that an Islamic financial markets should be established. Almost midway through the 1980s, this movement is continuing its remarkable programme of Islamizing the financial markets which has resulted into the innovations and development in designing, structuring and marketing Islamic investment products. However, since Islamic finance industry is expanding fast, researchers are now concentrating on the potential markets of global Islamic investment trends.

The present study focus on the Islamic financial and capital market in Malaysia, which is experimenting Islamic financial market side by side with the conventional system and also the first country in the world where efforts have been undertaken to establish an inter-bank Islamic money market.

The author, associated with the Islamic Development Bank in Jeddah, Saudi Arabia, examines in this research monograph the issues that might be involved in introducing Islamic modes into financial sectors that are evolving in this country. In fact, he finds that the concept of Islamic banking and finance have been put to their toughest test in Malaysia and if it can be succeed in the face of a well-established, functioning and dynamic financial system in Malaysia, it may succeed elsewhere also. He also surveys various issues involved in the evolution of Islamic financial and capital market and sheds light on Islamic financial instruments i.e., the Muqaradah Bond, Islamic view of financial intermediation and Islamic stock markets. According to author, the yield of Islamic financial instruments will depend, on the one side, upon the productivity of the assets whose share it represents, and on the other more important side, it will be influenced by the changing market condition in the real sector. He however, stress the need to review the present practices prevailing in the financial markets to identify which of these practices needed to be reformed from an Islamic point view. Author sees what development have taken place in the Islamic countries that might be relevant in putting together different components of an Islamic financial market.

The book offers a fresh analysis of Islamic financial instruments and it would be highly useful for the persons and institutions associated with Islamic finance.

## National Level Seminar on Islamic Economics - Issues and Challenges

To be held at New Delhi on  
December 5-6, 1998

A few suggested topics :

- \* An Appraisal of the Development in Islamic Economics
- \* Islamic Banking & Finance System and the Indian Economic Challenges
- \* The Muslim Economic Situation : An Islamic Prescription
- \* Globalization, Liberalization, Privatization : Credits and Debits

The organizers invite scholars to contribute papers on any of the suggested topics.

For further information please contact :

Seminar Convenor  
IAFIE, 4/1212, Sir Syed Nagar  
Aligarh-202 002  
Tel. (0571) 502256  
Tele Fax (0571) 401028

## 6th Intensive Orientation Course on Islamic Economics, Banking & Finance

17-21 SEPTEMBER - 1998  
MARKFIELD CONFERENCE CENTRE  
LEICESTER, UNITED KINGDOM

*Organised by:* The Islamic Foundation in Co-operation with The Islamic Development Bank, Jeddah (Saudi Arabia) and Loughborough University, Loughborough (U.K.)

For details Please contact :

Dr. Abdelkader Chachi, Islamic Economics Unit  
The Islamic Foundation  
Markfield Conference Centre, Ratby Lane,  
Markfield, Leicestershire LE67 9SY, U.K.

### Nomination Invited for IDB Prize

The Islamic Development Bank (IDB) has invited nominations for the award of the prize in Islamic Economics for the year 1999. The IDB prize for the year 1998 has been awarded to Dr. Tanzilur Rahman for his remarkable contribution to Islamic Banking in Pakistan.

Deadline for receiving nominations is 11 November 1998.  
For further details please contact :

Chairman IDB Prize Preparatory Committee  
Post Box 9201, Jeddah 21413  
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