

The placement of these funds by Muslims is enabling the imperialistic powers to exploit the Islamic world by simply providing them loans and credits out of these deposits. The placement of funds in this manner by Muslims is clearly not in conformity with the directives of Qur'an and Sunnah.

The Ummah must keep in mind that according to injunctions of Islam, surplus wealth of Muslims can no be utilized for strengthening the Capitalistic System or for the benefit of non-believers or enemies of Islam. This wealth should therefore, be profitably invested for the common benefit of Ummah, initially in their own country / region. The need of the hour is that a 'Fatwa' is issued on the subject immediately.

If only a portion of these funds is brought back to the respective Islamic countries, the size of many Islamic banks would become large enough to enable them to diversify their financing portfolio including more and more financing on PLS basis with greater sense of confidence.

NEED FOR CHANGE

It is important to appreciate that the requisites for total implementation and success of Islamic banking in Pakistan include re-shaping the society, re-structuring of the economic system and re-framing of the laws according to the dictates of Islam. The most important and difficult task however, is the reformation of society which has to be undertaken as an on-going process.

We therefore, need to change our priorities and at least as much emphasis should be laid on improving the ethics, honesty and values of the society as is being done for promotion of "Riba-free banking". This will then create a conducive environment for more and more financing under profit and loss sharing system of Islamic banking.

If banks in Pakistan succeed in demonstrating a practical example of socio-economic justice by rapidly enhancing their share of financing on PLS basis and achieve satisfactory operational results, the dawn of an era of justice would be witnessed where the fruits of Islamic system would be available to large number of people leading to over all social and economic prosperity.

The sponsor directors of the Proposed Model Bank should be Muslim Scholars, Jurists, chartered accountants, economists, bankers and investors. All these persons should be men of integrity and of highest reputation. They should also have unshakable faith and commitment in the Islamic banking system and should have good knowledge of its principles, products and procedures.

These persons would take up the challenging assignment for the pleasure of Allah and for proving that Islamic banking in its totality is not only workable but would Insh Allah also pay rich dividends in material terms to all those who deal with or work for the Bank.

It is sincerely believed that the proposal of Model Islamic Bank is not only feasible but is the need of the hour. The successful operational results of this Bank would also motivate the existing Islamic banks to enhance their share of financing on PLS basis.

NOTE OF CAUTION

It is seriously apprehended that if the present sad state of affairs is allowed to continue, even many innocent Muslims may develop doubts about the feasibility, practicability and usefulness of the "Islamic system of banking" notwithstanding that the fault lies with us and not with the system.

The large scale financing by banks on second line techniques is some times advocated on the ground that the size of Islamic banks is too small. The combined assets of 200 Islamic banks and financial institutions are almost 1/3 of the quantum of individual assets of some of the largest conventional banks. Since Islamic banks have to compete with these banks, they generally tend to avoid indulging in risky financing based on PLS. To make the situation worse, some of the Islamic banks find it more feasible to divert part of their funds received from Muslims to multinationals and large corporations of the West.

The Arab world including GCC countries and rich citizens of many others Muslim countries are reported to be maintaining huge deposits with conventional banks operating in the West. The quantum of these deposits is estimated to be more than the total external debt of Muslim countries.

ایک عابد پر عالم کی فضیلت ایسی ہے جیسے کہ چاند کی فضیلت دوسرے تمام ستاروں پر (سنن ابو داؤد و ترمذی)

banks operating under the banner of Islamic banking would assume any responsibility for the operational losses of the party availing finances from them?

vi) Whether sharing in the operational losses not the essence of Islamic system of banking?

vii) Whether large scale financing on a perpetual basis, on modes approved for "Sale transactions", can continue to be made for an indefinite period by Islamic banks which are not trading houses but are financial institutions?

MODEL ISLAMIC BANK

In view of the position explained here-in-above and considering the real difficulties in presently adopting the PLS system of Islamic banking for the entire financing for trade, industry and agriculture, it is believed that the need of the hour is to establish Model Islamic Bank in Pakistan in the public sector. The Proposed Model Bank would be a commercial bank, While the objective of the Bank would be to earn profit, it would identify itself with the Shariah as regards objectives, principles, practices and operations. The Proposed Bank would undertake all normal banking business as is done by interest-based banks but the Provisions of Shariah would be kept in view at all times.

The proposed Model Bank would accept deposits/investments on PLS basis (other than demand deposits) and would also allow financing only on this basis. The operations of the Bank will be supervised from Shariah point of view by a board of religious scholars.

The proposed Bank would develop risk-bearing but competitive products for deposits / investments wherein depositors / investors are given reasonable assurance of higher returns as also of safety of their funds. This Bank would also develop innovative but competitive products for financing which are not only compatible with Shariah but also cater to the needs of traders and industrialists etc., in the modern complex world which is ever changing.

the cause of Islamic banking would never be fulfilled even by these new initiatives for promotion of Islamic banking. Unfortunately this seems to be the case.

It is therefore, visualised that Pakistan would now be following the path which has been adopted by Islamic banks worldwide during last over 20 years or so. Needless to mention that these Islamic banks operating worldwide have failed to achieve the objectives of the elimination of Riba by Islam and the net result of their financing is practically the same as in the case of advances under the interest-based system of banking.

DESIGNING THE NEW SYSTEM

While designing the Islamic System of Banking in conformity with the spirit of Shariah, the following questions must be posed and answered:-

i) Whether banks operating under the banner of Islamic banking by adopting proposed modes of deposits mobilization / investments and proposed modes of financing would succeed in the elimination of injustices of the interest-based system as ordained by Holy Qur'an (2:279)?

ii) Whether banks operating under the banner of Islamic banking by adopting these new products would contribute to the attainment of socio-economic justice in line with the objectives of Islamic economic system?

iii) Whether banks operating under the banner of Islamic banking by adopting these new modes of financing would be desisting from following the bench marks of interest-based system under Bai-Murabaha, Bai-Mu'ajjal or the like modes of financing?

iv) Whether the net result in modes referred to at (ii & iii) above would really differ from the interest-based loaning?

v) Whether by adopting the modes referred to at (ii & iii) above,

علم و فن میں حضرت امام احمد بن حنبل رحمہ اللہ علیہ کا کوئی ثانی نہیں : (محمد ابو زرعہ)

concede that the PLS system of Islamic banking, if practiced in right earnest, could ensure socio-economic justice across the globe.

It is also worth noting that few months ago, an Internationally circulated magazine, The "NEWSWEEK", published from New York, while examining the Islamic banking system, made the following observations:

"Purists think schemes like Malaysia's housing "loans", for instance, violate the spirit of Shariah banking. Shahid Hasan Siddiqui, a Pakistani banker and critic of the system, recently wrote, "It must be kept in view that the Islamization of the banking system is a part of the overall Islamic value system and is not merely refraining from interest-based transactions." Siddiqui and other strict Muslims would have Islamic banking remain true to Muslim values, such as the promotion of socioeconomic justice and the fair distribution of wealth. They reject the sleight-of-hand accounting that allows institutions to claim they are not charging interest, preferring schemes where two parties simply share the profits or losses of buy-and-sell transactions."

RECENT INITIATIVES OF SBPs

SBP, vide BPD circular No. 01 dated January 1, 2003, has announced that as per laid down criteria, it would consider granting approval for:

- i. Establishment of full-fledged Islamic bank(s) in the private sector;
- ii. Setting up of subsidiaries for Islamic Banking by existing commercial banks; and
- iii. Allowing Stand-alone branches for Islamic banking in the existing commercial banks.

The above policy decision clearly establishes that in Pakistan the interest-based banking and Islamic banking systems would run side by side. In such an eventuality, there seems to be no possibility of the elimination of interest from the economy in foreseeable future. Further, in case these new banks / subsidiaries and branches, being established for promotion of Islamic banking, resort to large scale financing on second line fixed return non- participating modes (e.g. Murabaha etc.,)

☆ کیا آپ کو معلوم ہے کہ : ☆ قانون شریعت کا دوسرا نام فقہ اسلامی ہے ☆