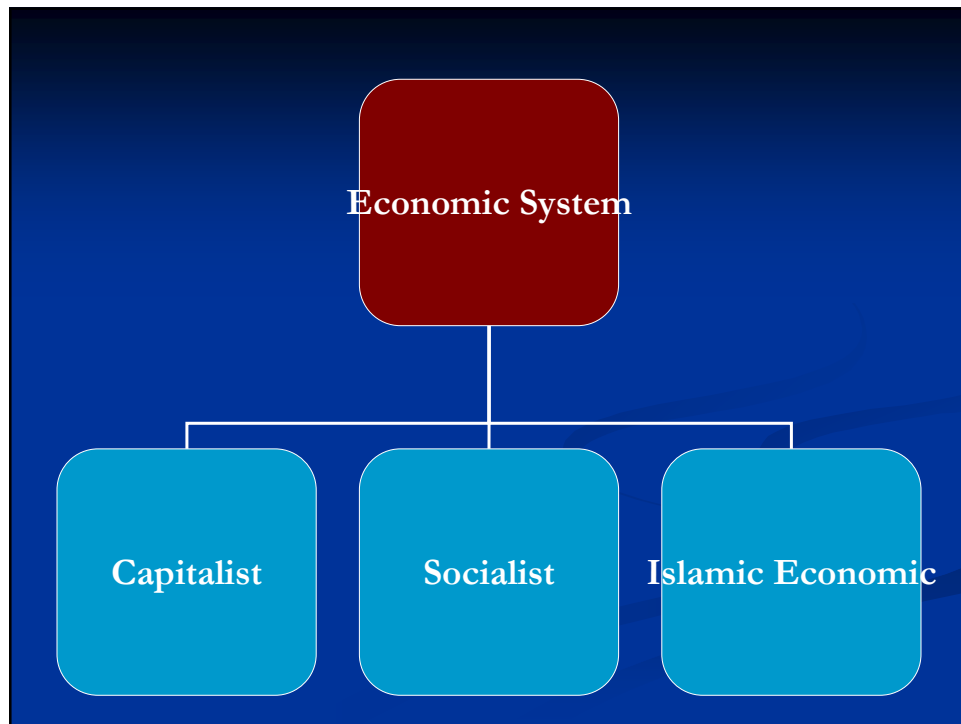


ISLAMIC BANKING AND TAKAFUL

LBA 3013

Content

- Theories of Islamic Economic
- Overview of Modern financial management of banking, capital market, insurance, securities.
- History of Islamic banking. The establishment of Islamic banks worldwide both in the muslim and non-muslim countries. History of Islamic banking. The establishment of Islamic banks worldwide both in the muslim and non-muslim countries.



Theories of Islamic Economic

- Temporary Scholars: Mahmud El-Nagar, Nejatullah Siddiqi, Umar Chapra, Khurshid Ahmad and others.
- Traditionist: Ihya Ulumuddin, AL-Amwal by Abu Ubayad, Risalata al-shahabah by Abdullah al Muqaffa, Alkharaj by Abu Yusuf.
- Al-Quran laid down basic principles of economy.

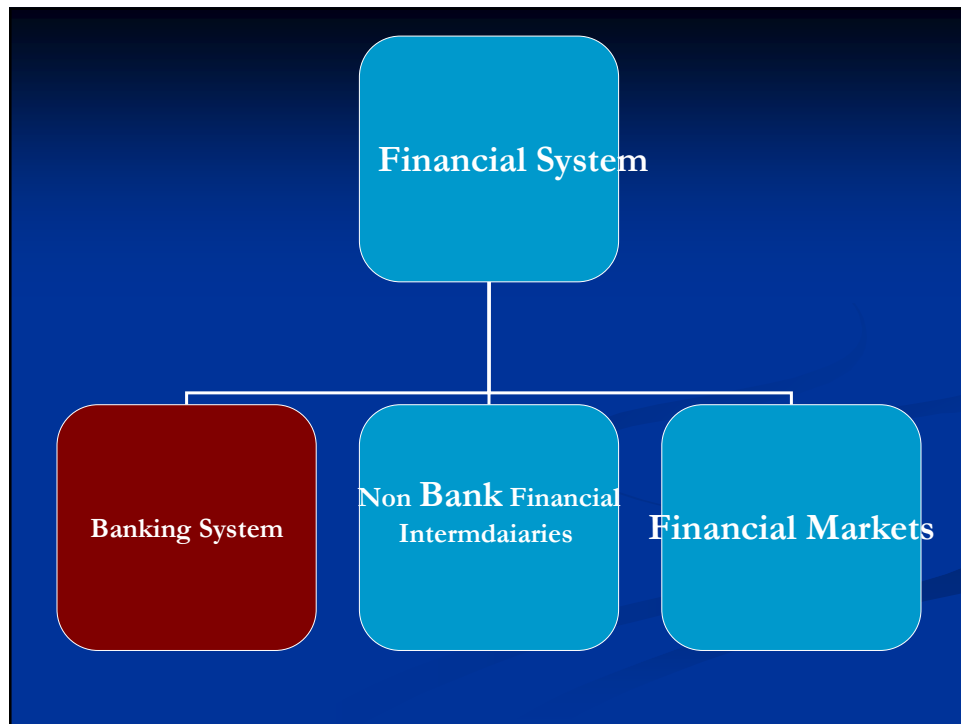
Fundamental of Islamic Economic

- Allah is the absolute ownership
- Sources-Quran and Sunnah, Qiyas and Ijma'
- Vicegerent and Trusteeship
- Islam esteems wealth and wealthy
- Social Mutual Solidarity- Brotherhood
- The Prohibition of usury
- Ummatic(broad) ownership of natural resources

Nature of the Islamic Economic System

Umar Chapra:

Islamic system is dedicated to human brotherhood accompanied by social and economic justice and equitable distribution of income and to individual freedom within the context of social welfare. This dedication is it must be stressed spiritually oriented and finely interwoven into the whole fabric of its social economic nomrs.



Banking System

- **Monetary Institutions- BNM, Commercial Banks.**
- **Non-monetary Institutions- Finance Co, Merchant Banks and Discount Houses.**

Non Bank Financial Intermediaries

- Development Financial Institutions- Bank Pembangunan, BKR
- Saving Institution- National Saving Banks and Credit Cooperative
- Provident and Pension Fund-EPF, Pension Trust Funds, LTAT.
- Insurance Companies- Conventional and Islamic
- Other Financial Intermediaries- MBSB, Leasing Co. LTH.

Financial Markets

- Money and Foreign Exchange- Market for securities less than 12 months to maturity. Eg- banker's acceptance, negotiable instruments.
- Capital Market- Primary and secondary securities market. SC.
- Commodity Futures market and financial futures market and options market- COMEX, MDEX.

Islamic Banking World Wide

- First Bank 1587- Banco Della Pizza, Realto Venice Italy
- 1640- Bank of England
- Islamic Bank 1963- Mit Ghamr Local Saving Bank

Middle East

- IDB-1975 Saudi Arabia.
- Dubai Islamic Bank- 1975 UAE
- 1978 Jordan Islamic Bank
- Bahrain Islamic Investment Company 1981
- Qatar Islamic Bank 1983

Asia

- Pakistan- 1977-Report on elimination of interest- 1979-House Building Finance Corporation, National Inv. Corp of Pakistan. Until 1985- Whole system was riba-free. 1991- COA declared Islamic banking operation was not Islamic and confirmed by the Supreme Court 1999. Then, Pakistan followed Malaysia' s model.
- AlBaraka Kazakhstan Bank
- Ningxia Islamic International Trust and Investment
- Al Ameen Islamic and Financial Inv Corp India Ltd. 1985
- Iran-Law of Usury Free Banking 1983- It takes about 6 years from 1979 Islamic Revolution to Islamise the whole banking system of Iran.

Africa

- Nasser Social Bank 1972
- Faisal Islamic Bank of Egypt- 1975
- Faisal Islamic Bank of Sudan 1977- about 9 IFIs.
- Bait Ettamouli Saudi Tounsi Tunisia 1984
- Albaraka Bank Ltd, Durban (Dallah Al Baraka Group)

Europe

- Dar al-Mal al-Islami- Switzerland 1981.
- 1978- Islamic Banking System International Holdings, Luxemburg.
- Union Bank of Switzerland 1990- Offer Islamic Investment fund.
- Islamic Bank of Britain 2004.
- BADR Bank Russia.
- AL-Baraka Turkish Finance House 1985- 99% Muslim- 1928 Secularism by Atatürk.- About 7 IFIs.
- Islamic Bank International Denmark 1983

North America

- American Finance House-Lariba- 1987 California.
- Islamic Co-operative Housing Corporation Ltd, Toronto
- Ameen Housing Co-operative, San Francisco
- HSBC, USA

South East Asia

- Philippine Amanah Bank. 1973.
- Bank Muamalat Indonesia 1992. Recently, 3 IB.
- Alirajni Commercial Establishment for Exchange, Bangkok 1985. Islamic Bank of Thailand-
- DBS Bank Ltd Singapore- 2007 First IB in Singapore.

Australia

- Muslim Community Cooperative Australia 1989.
- Muslim Community Credit Union 2000. Insolvent in 2002.

	Category	Country
1.	Islamic Banking System	Iran and Sudan
2.	<i>Dual system</i>	Malaysia, Pakistan, Indonesia, Singapore, Thailand, Arab Saudi, Bahrain, Bangladesh, Brunei, Mesir, Guinea, Indonesia, Jordan, Kuwait, Niger, Qatar, Senegal, Tunisia, Turki dan Emiriah Arab Bersatu
3	Conventional System only	Afghanistan, Albania, Algeria, Azerbaijan, Benin, Burkina Faso, Chad, Cameroon, Comoros, Djibouti, Gabon, Gambia, Guinea Bissau, Kyrgyztan, Lubnan, Mali, Maldives, Oman, Palestin, Maghribi, Sierra Leone, Somalia, Uganda, Turkmenistan, Yemen, Tajikistan and Mozambique.

Related Institution

- International Islamic Finance Market- Dubai 2002
- Accounting and Auditing Organisation for Islamic Financial Institutions AAOIFI- 1990. Bahrain.
- Islamic Financial Services Board IFSB 2002- KL.

Evolution

- Rasulullah SAW received deposit from public.
- Az Zubair Awam- received deposit as loan.
- Concept wadiah, loan and mudharabah.
- Umaiyah, Abasiyah and Uthmaniah
- Zuhr al-islam- Saif Dawala al Hamdani has already used cheque (Suftajah) in certain transaction. Safarnama by Naser Khasro 427m- Active transaction using cheque.

Modern Islamic Banking

- Mit Ghamr Local Saving Bank- Saving account, loan, equity financing and welfare services.
- Its operation has been taken by National Bank of Egypt in 1967 and riba-free transaction was neglected. 1971- National Social Bank.
- OIC- King Faisal. 1975 Dubai Islamic Bank and IDB.
- 1977 Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Sudan and KFH.

Modern Islamic Banking

- 1st Phase- 1950s. Concept and Idea
- 2nd Phase- 1960s- Early Islamic Bank
- 3rd Phase- 1970s- Establishment of academic institution and banking institution. Publication of text materials on IB.
- 4th Phase- 1980s- Development of Islamic Bank- Window and Full-fledge
- 5th Phase-1990s- Development of Islamic Bank in USA market- Dow Jones Islamic Index was launched.
- 6th Phase- 2000s- Maturity , comprehensive architecture, IFSB and etc.

Malaysia

- 1980- Bumiputra Economic Congress- To establish IB.
- 1981- National Steering Committee.1982 table the report.
- 1 March 1983- BIMB through IBA 1983. 1992- Listed in Bursar Malaysia.
- 1993- Islamic Banking Scheme- 1 IB and 20 windows.
- 1994- International Islamic Money Market.
- 1997- NSAC at BNM
- 1999- BMMB
- 2007- 12 IB 9 local and 3 foreign players.
- 2001-2010- Islamic Financial Sector Master Plan- 20%

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Islamic Bank	1	2	2	2	2	2	2	6	9
Comm Bank	25	23	21	14	14	13	13	11	8
Finance Co	18	16	14	10	10	7	3	1	0
Merchant Bank	5	5	5	5	3	4	4	4	4
Discount House	-	7	7	7	7	7	7	7	6

Islamic Financial Institutions

IFIs Branches

	1998	1999	2000	2001	2002	2003	2004	2005	2006
IB	80	120	122	122	128	132	136	766	1161
SPI Branches	1,553	1,366	1,338	1,335	1,335	1,410	1,661	1,307	909

Tutorial

- Presentation to brief banks' profile.
- Name, Logo, Board of Directors, SAC, Capital, Products, Address and further particulars.
- Each group is allocated 7 minutes.

Next Lesson

- Salient features of Islamic banking
- An overview of the jurisdiction of the courts in cases pertaining to Islamic banking and finance.
- Salient features of various statutes governing Islamic banking and finance.
- Theory of the classifications of transactions in Islamic commercial law