

THE IMPORTANCE OF ISLAMIC BANKING FOR MUSLIM MINORITIES

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THE IMPORTANCE OF ISLAMIC BANKING FOR MUSLIM MINORITIES

EARNINGS

Earnings: Halaal

Rasulullah (S.A.W) once remarked, "If a person buys a cloth for ten Dirhams, and out of them, one is tainted (i.e., it has been acquired by unfair means), none of his Salaah will be acceptable to Allah as long as he wears the cloth."¹

The Haj is only acceptable to Allah if our earnings are pure.

Provision of security:

Islam aims at establishing a peaceful society. When there is a guarantee of "Rizq" (Subsistence) for all the individuals constituting the society, peace will also be promoted since subsistence is an essential factor for mental rest. Without such a guarantee, everyone will suffer from worries and anxieties. Islamic Banking also forms a vital wheel in the generation and distribution of wealth between diverse investment groups (i.e., those holding diverse types of savings and other investment accounts), shareholders of such banks and those who utilize the facilities of these banks for their consumption and investment needs. It, therefore, also promotes peace in society.

Islamic Banking, ought to put profit creation at hands reach to even small investors who are, generally, not enabled to trade or do not have the time to do so. Those having significant levels of capital could reap increases in the value of their financial resources through investing in Islamic Banks which act as Managing Companies. However, these profits would only be reaped and blessed if the Islamic Banks and those using its resources bind to all the Sharia'h's prescriptions and proscriptions that are related to Finance and to related ethical considerations.

The first Qur'anic episode regarding collective finance is found in Surah Yusuf. It discusses the prophet, Yusuf (Alayhis Salaam) who economically planned a strategy for the future consumption of Egypt's crop that was to be harvested in the next seven

¹Musnad Ahmed

years that were to follow at that period in history. The Qur'an therefore highlighted the concept of long-term planning, and as such, had actually advocated an Economical Principle, i.e. presently saving for future consumption.

The savings however, contextually differ from our situation. This episode concerned grain that was to be stored after harvesting. Being a commodity, it was not subject, in a monetary sense, to all the economic factors that affect savings in the form of fiduciary monetary currencies and token money of the past decades. The latter are affected by political & economic factors like devaluation, inflation and the forces of supply and demand.

It is therefore that savings of current monetary instruments can only be protected through judicious investment to retain or increase its Purchasing Power.

Thus, we are also, indicatively, taught to be moderate in our consumption patterns since the wastage of resources will be detrimental to the economic interest, of not only ourselves, but that of the society at large.

Economic imbalances in favour of Non-Muslims, in Muslim Minority Areas have been witnessed, but unfortunately neglected. Islamic Banking, within such areas, aims to cure the latter situation by serving not only the private and individual needs of Muslims, but by also supporting to fulfil the wider requirements of an Islamic Society.

It also protects the Ummah's wealth, to an extent, from being squandered or invested in inappropriate areas or sectors where Allah had prohibited investment.

Earnings: Encouragement

The dowry of Moosa (A.S.) was in the form of serving his father-in-law for many years.²

Daud (A.S.) made armour for a living.³

Friday is the greatest of Islamic Days for "*Ibaadah*," yet Allah has permitted trading immediately after the *Jumu'ah Salaah*.⁴

It is therefore essential that we earn, not only to feed ourselves and our families, but also our other Muslim brothers and sisters in need, those who have lost everything in War - i.e. Bosnia, Chechnya, Palestine and Kashmir and others who suffer to fulfil basic and other essential needs of life. We need to cater for orphans; and most importantly, we need to spread the Islamic Dahwah.

Despite living in this world, we are faced with a reality, which relates to the problems pertaining to our economic weakness. We are unable to face the demands of development and technological progress. We have also failed to manage the Ummah's economic resources in a structured form. We have therefore invested our financial means, but unfortunately this investment is in the Capital Conglomerates of the interest related Financial Sector.

²(Surah 20 V 40)

³(Surah 34 V 11)

⁴(Surah 64 V 10)

1. Allah's earth is vast and we would always have the opportunity to live in another part of the world to practice our Deen. Likewise has Allah provided us with alternative financing techniques so that we be not obligated to interest related formats to earn.
2. With Islamic Banking as our emergent financial alternative, we are making the "Hijrah" (migration) from the prohibited interest-base to the Qur'anic base.
3. By banking on Islamic techniques, we are also securing the permanence of our alternative.

ALLAH'S ORDERS

Those who violate Allah's orders place the entire State in danger. They threaten State security and the lives of all those having souls. They thus even threaten the comfort of every animal. They therefore have to be fought against and made subservient to Allah's orders.

1. Nooh (A.S.)'s tribe was destroyed by gigantic floods.⁵
2. Hood (A.S.)'s tribe was destroyed by hurricanes and whirlwinds.⁶
3. Loot (A.S.)'s tribe was destroyed by rains of stone, earthquakes, sinkholes and the overturning of their lands.⁷
4. Shu'ayb (A.S.)'s tribe was destroyed by heat waves.⁸
5. Moosa (A.S.)'s people continuously disobeyed Allah's orders. They killed the pious and butchered the prophets. Therefore, Allah decreed disgrace for the Jews as well as transformed a community amidst them into monkeys.⁹

The moral related to being disobedient to Allah's Orders:

We learn from the above episodes that whenever any nation showed disobedience to their prophet, Allah inflicted upon them one or more forms of punishment. Likewise, when we disobey Allah's orders concerning the methods that we use to earn, then Allah will also inflict us by certain forms of punishment. The latter can be, i.e. financial difficulty, poverty, marital, social, political, health related or otherwise.

When our Ummah began to fight among itself, after the great Islamic victories, we lost our dominance and power as well as the Islamic "Khilaafah" (Caliphate). We now

⁵(Surah Nooh V 25)

⁶(Surah Al-Haaqqah V 6)

⁷(Surah Namal V 58, Surah Shu'araa V173 and Surah Hood)

⁸(Surah Ash-Shu'araa)

⁹(Surah Baqarah V 65 and 66, Surah Al-A'hraaf V166)

live subjected to the dictates of the disbelieving and Collaborating Powers of the Western and Eastern worlds.

We need to earn. Yes, it enables us to fulfil our needs without stretching our hands. However, sections of our lives have become impaired and sick through engrossment in Riba (Interest).

INTEREST

Earning interest, is in Islamic terms, unrightfully taking the wealth of others. The taking of interest prevents, in Islamic Economic terms, a fair profit distribution. Interest, as well as usury, is prohibited in the Shari'ah. Usury, of course, even in the capitalistic economic framework, does not economically promote those beneath certain levels of income and neither is it considered as a justified gain. The Islamic concept of Riba covers simple and compound interest on loans as well as usury. Therefore scholars who argue to designate Riba towards usury and thus permit interest are indeed misinterpreting the primary texts of Islamic Law.

Allah declares war on those who continue to take interest after He has prohibited it and in this regard says:

“O you who believe, fear Allah and leave any interest that is still due, if you are Believers. If you do not do (so) then permit (to face) a war from Allah.”¹⁰

Could we fight Allah? Do we consider ourselves believers in the Qur'aan, yet execute almost every or many investments on the basis of interest or where interest is involved? Violation of Allah's orders in our financial affairs is expressive of discarding His authority. Do we forget the punishment in the Hereafter for taking interest as given in Bukhari's ahaadith.

Jaabier bin Abdullah (R.A.) narrates that Rasulullah (S.A.W.) cursed one who eats interest, one who feeds (others) with it (i.e. gives it), one who records it and those who witness it. He then said “They are all equal (in sin).”¹¹

Imaam Nawawi comments on the issue of witnessing and recording such a transaction by saying that Allah even therefore prohibits us from aiding Islamically prohibited activity.

“Allah does not task any soul except to an extent of its ability.”¹² Therefore, a Muhmien, who believes in Allah, will surely have the conviction that earnings can be invested in avenues other than those that are Riba related.

¹⁰(Surah 2 Verse 278-279)

¹¹Sahih Muslim

¹²(Surah 2 V 286)

RASULULLAH'S ATTITUDE TO WEALTH.

“What I like is that I may eat my fill on one day and go without a meal on the other.”¹³ “There is no existence of *Imaan* for him who has no (*Amaanah*) Trust.”¹⁴ Rasulullah (S.A.W.) said “There is nothing wrong with wealth for him who has *Taqwaa*.”¹⁵

Wealth is an “*Amaanah*” and cannot be invested or spent in avenues prohibited by Allah.

MANAGEMENT AND SOCIETY

Management first evolved as the part of an economic system that allocated the resources of land, labor and capital in a way to maximise material returns to satisfy the wants of human beings. Its primary orientation is still economic; yet, as a result of its increasing importance in society, it has become a social institution. Its decisions and actions now have widespread impact on other social institutions, and, therefore, management cannot escape socio-economic issues.¹⁶

Islamic Banks within Muslim minorities particularly act as Management Institutes that aim to effectively channel the Ummah's resources, firstly for the Ummah's own requirements while it simultaneously gives growth to capital. Non-Muslims are also welcome to contract with Islamic Banks in conformity to Shari'ah financial products.

Islamic Banks are therefore necessary because of executing Managerial Functions of a higher level in the hierarchy of Islamic Economic Objectives. Such functions are emphasised in the case of Muslim minorities, since we do not live under an Islamic State that is obligated to serve and provide such functions for its population.

ISLAMIC BANKING

Islamic Banking, as a Financial Institute, is an association of capital owners, as shareholders; and investors, as depositors, who are initiating the path to cure the financing ills in the areas of Investment, Banking, Insurance and Economic Development through non-interest bearing loans, capital provision and partnership ventures.

It is also a partnership by capital owners into ventures that cannot be individually accomplished. We learn in a hadith, “Allah's hand is over two-partners as long as one of them does not cheat the other, but when he cheats his partner, He withdraws it from both.”¹⁷ Allah's aid is therefore established into this network of co-operation for as long as the Bank, as administrator, fulfils its duty to the investors and for as long as the clients honestly transact with the Bank. Otherwise, the Bank's Islamic attribute would be lost.

¹³

¹⁴Musnad Ahmed bin Hambal

¹⁵Narrated by Haakiem in the Mustadrak

¹⁶Massie, Joseph L. Essentials of Management by , p25 Prentice-Hall, 1975.

¹⁷Reported by Darqutni, also to this effect by Abu Daud.

Economic life has grown more complex, so too the range of uncertainties confronting business enterprises has extended with it the demand from individuals and firms for more sophisticated ways of handling such uncertainties. The Islamic Banking framework is therefore a form of economic insurance for the Islamic community since it has undertaken to enable business and investment transactions to be executed in an Islamic manner by attracting funds of all forms from investors and distributing the accumulated capital pool into diverse productive economic sectors. Without such a system, the economic costs and hazards, of individually researched markets and investment opportunities, would be enormous and un-g geared to the level of gearing that can be acquired through banks and major developments and investments into the public sector and international markets would be rare or minimal. This is because very limited groups of people have access to large capital reserves as well as expertise in every division of the wide economic, technological and other sectors. Even those with skills in particular areas, are dependent upon other inter-related variables. The development of necessary skills in all areas of operation is a requirement and since many capital owners cannot develop all the essential skills at any given moment, they have to resort to those who would manage their funds.

It is therefore that the collective approach, through a banking system, is economically profitable and an avenue through which financial risk is distributed between a large group of investors. The latter may either be shareholders or depositors in various forms of accounts. Islamic Banks, like their counter parts, the Interest-dealing Banks, also transfer risks from small financial groupings and individuals to greater financial sectors and thus strengthens its economic insurance. In Accounting terms, this also grants it the viability to continue as a Going-Concern. This form of Risk-distribution is, in Financial terms, an avenue for greater profitability and thus higher investment returns.

Islamic Banking therefore also forms an effective unit in the Islamic Economic System. These banks could be used as a step towards the creation of Islamic Insurance Companies. The latter companies require global Islamic Banking facilities to enable the channelling of its funds therein as well to receive Halaal profits. Such profits are necessary in order for re-distribution between claimants and those that hold specific forms of policies that blend into investment-linked insurance schemes. It should be noted that Islamic prohibitions on conventional insurance contracts is due to the Haraam income component of insurance companies and not due to the concept of insurance itself.

Islamic Banking, as applied in Non-Islamic countries and certain Islamic countries, is rather another name used to express its true nature of being an "Investment Company." The term "Islamic Banking" is only truly appropriate in an Islamic monetary economic system. Specific emphases, based on the gold or bullion standards, but with are strict and 100% backing of all its currency with precious metals is an important aspect of such a system. The latter may not only be gold and silver but also platinum or any other precious metals or currencies that are also backed to the standards demanded in the proposed Islamic Economic Framework. This arena of monetary economics demands a review and research by Islamic scholars in order to combat the negative effects of fractional reserve banking.

Each Islamic bank is a link in the Islamic Banking System. By mutual correspondence between the various links, it enables the facilitation of Islamic business contracts over a wider geographical area.

Islamic Banking does not only aim to provide returns for investors and finance for those in need of capital, but it also protects the Economic Interests of Muslims and promotes the Sharia'h interpretation of finance.

FUNCTIONS OF ISLAMIC BANKS

FINANCIAL CONTRACTS

To provide for all Financial Contracts and to serve economic necessities, local and international but restricted to formats permitted by the primary Sharia'h principles and those that could be developed within its framework.

To provide and create flexibility in the financing costs through diverse Islamic contracts.

FINANCING

- a) Loans
- b) Trade
- c) Investment

EFFECTIVE RESOURCE ALLOCATION

It is necessary that the Islamic Banks protect areas where resources must be mobilised for the Islamic Society's benefit.

INVESTING IN DEVELOPMENT PROJECTS

The Ummah has reached a level of ultimate retrogression. It lives on the technology and products of the West. It is only the high level of capital that can be raised by Muslims through Islamic Banks and Islamic Investment Companies that would enable investment into Major Projects of strategic importance to Muslims. This will result in the creation of large scale job opportunities for skilled & unskilled Muslim labour. The result thereof would then be the development of a harmoniously progressive society that would work for Islam's benefit and the strengthening of the fabric of Muslim society, just as it would aim to be financially stable upon its own axis.

This is part of the forms of "co-operation in that in which lays goodness for the individual or the society." Allah says "Assist each other in the implementation of good and acceptable deeds and on Taqwa, and do not assist each other on sin and enmity."¹⁸

¹⁸(Surah 5 V 2)

Islamic Banking would then also promote trade between Muslims.

PROFITABLE PLACEMENT OF SURPLUS LIQUID FUNDS

Excess liquidity, when not invested, results in the loss of:

- a. Purchase power. You can buy less with a fixed sum of money as the years pass due to a decrease in its purchase value because of inflation.
- b. Capital. Reduction thereof is due to expenditure on needs and other contributions as well as due to the obligation of Zakaah.
- c. Relative stagnation of the Economy due to lower Money Circulation within the Economy because of hoarding.

Therefore, by investing in permissible avenues either privately or through associations and by banking, Islamically, we attain the following:

- A. Profits due to the investment.
- B. Greater savings, in the economic sense, results in less consumption as well as lead to capital increases due to investment. This would then also be a possible cause for increasing the amount of Zakaah that would flow into the less productive or needy sectors of the Ummah.

Zakaah is disbursed to those in need, the amounts given as Zakaah then return into the economy since the needy are obligated to spend for their necessities. The obligation of Zakaah, therefore also serves as an impetus to the economic movement while Investment increases the value of Zakaah that is to be distributed, though the percentage thereof may remain the same.

- C. Protection of the initial capital as it has not been consumed.
- D. Economic movement that has its overall benefits to society at large.

UTILISATION OF THE UMMAH'S CAPITAL RESOURCES (WITHIN LOCAL AND INTERNATIONAL ECONOMIC BOUNDARIES).

Islamic Banking works towards success, not only in the profitability, but also in the socio-economic framework where funding can be made towards necessities and positive production rather than towards consumption, luxuries and entertainment.

Economic behaviour is inter-related with the beliefs of those who adopt economic policies for the society as well as with the belief of those who are to implement these

policies. It is therefore essential that Muslims understand the injunctions pertaining to their financial lives as well as learn to create Islamic alternatives, relevant to the development of the societies, for every financial need that it faces. Without trust in Allah's orders, we cannot vision practical application of Islamic Financial Rules and would ultimately integrate into the conventional interest-based system. Even more detrimental to this, would be a class of people, claiming to be Muslims, yet fighting against the very fabric of Islamic economic interpretation that is essential to society and which has been promulgated by Allah due to His wisdom and knowledge of the benefits and harms that face society. Thus, a rejection of Islamic Financing Models, very severely and negatively impacts upon the Imaan of a believer/ess who acknowledges subservience to Allah.

ISSUES RELEVANT TO ISLAMIC BANKING

1. Islamic Banking provides Non-Muslims with an alternative financing system that works upon the fair distribution of Profit & Loss.
2. As in any Investment Co., it distributes the trading duties from the non-skilled and those who don't have the time, to those whose function is professional management.
3. Islamic Banking has proved its success in the Middle Eastern countries like Egypt, Jordan, Saudi Arabia, Qatar, U.A.E. as well as in Sudan, Pakistan and as far East as Malaysia.
4. "*Maslahah*" (Public Utility and Benefit) of the Islamic Society lies also in the operation of an effective Islamic Banking Structure. This will enable the preservation of the bonds of Islamic love through mutual trade & co-operation.
5. The ultimate success of Islamic Banking is Utopian, unless each individual, in every Islamic Society, obligates himself to all Islamic Rulings.
6. Islamic Banking brings economic empowerment to Muslims in the areas of operation. It helps Muslim businesspersons, through financial aid, to remain competitive. It also leads towards the creation of job opportunities for Muslims as well as Non-Muslims.
7. It is a basis for expansion into the Islamic Economic System since the establishment of each Islamic Bank is also the creation of another bank in order to co-operate with others in the International web of Islamic Banks. It thus also creates links for international business interests.
8. It provides investors with flexibility in the types of accounts within which they could channel their investment. It thus links capital to labour and reduces expenditure, to levels, related with the type of investment, the value thereof and period of investment.

9. Islamic Banks enable the saving of monetary resources for the future as shown by the episode of Yusuf (A.S.) and in a methodology approved by Allah. It thus leads to the protection of wealth.
10. Sponsoring Islamic activity & the mobilisation of resources for International Islamic Support - not only investment, but moral as well, i.e. Relief towards Muslim refugees and victims of war, etc..

POLICY FORMULATION

On one occasion, when the supply of wheat from Yamama to Mecca was stopped at the behest of an influential chief, Thumama, who had recently embraced Islam, the Meccans appealed to Nabi (S.A.W.) in the name of kinship and good relations. The Prophet Sallallaahu Alayhi Wa Sallam wrote to Thumama to let them have their supplies as usual.¹⁹

OBJECTIVES OF EXTERNAL ECONOMIC POLICY

It is possible to deduce from the above discussion some policy objectives for the economic relations of a Muslim nation with other nations. These are three:

- i) Preserving and promoting the economic interests of our people and priority attaching to need fulfilment.
- ii) Observing the Shariah rules relating to economic transactions to ensure justice and equity.
- iii) Strengthening the Ummah and serving the mission of the Islamic community in co-operation with other Muslim peoples by exemplifying Islam, communicating its message and promoting human welfare at the global level.²⁰

SPECIFIC & MAJOR ISSUES RELATED TO ISLAMIC BANKING

TRADE

Foreign and Western Coalitions, e.g. the E.E.U. prevents gains for us. They impose sanctions, freeze our resources and prevent us access to technology. They likewise unite to create strategic policies that would prevent our development. It would only be through economic strength created through Islamic Investment institutions that we could prevent our subservience to them.

¹⁹ Ibn Hisham, Sirat al Nabi, Vol 4, p316, Beirut, Dar-al-Fikr, n.d.. Also Al-Asqalani, Fath-al-Bari Sharah Sahih al-Bukhari, Vol 8, p88. Beirut, Dar al Ma'rifah, n.d.]

²⁰ International Economic Relations from Islamic Perspectives, Islamic Development Bank, Saudi Arabia

Economic Units, antagonistic to Islamic Countries and Muslims, control financial resources, transfer of skills, decisions, trade flow and labour migration. They utilise these and other factors to Geographically, Economically and Politically plan themselves. Thus by integrating into an International Islamic Financing Framework, we are now beginning to re-organize the chaotic situation that exists within our Geographical Boundaries, Political Fronts and Manipulated Economies. Islamic Banking is therefore a departure from our subjection in order to establish the re-distribution of our Productive resources.

The West supports a shared goal of co-operation, as was demonstrated by the behaviour of the developed states during the money, oil and trade crises of 1970's and 1980's. Their development of a United strategy against the Islamic Order continues unabated, e.g., the creation of a single currency for the E.E.U. Recent allied coalitions against Iraq and their failure to stop genocide in Yugoslavia and Israel clearly describes Non-Muslim superpower agenda against Muslims.

Muslim minorities very seldom manage any production of significant importance due to lack of co-operation and transfer of skills. We require a collective form of self-reliance to establish our strength.

The objectives of an Islamic Economy can only be framed by Islamic governments and not by the so-called Muslim governments. In the absence thereof, Islamic Banks could help towards the implementation of the visualised objectives that the Ummah plans to fulfil.

ELIMINATION OF DEPENDENCY

1. On the Interest-Banking System.
2. On a limited group of privately known Capital Providers.
3. It does not obligate us to tied aid.

FINANCIAL BENEFITS

1. Introduction into private partners and trusted professionals like lawyers, accountants and service providers.
2. Near, possible or immediate access to finance trade and projects, relative to the credit worthiness, capital requirements and repayment periods.
3. Availability and the creation of skills in Finance, Management, Trade and Consultation.

FACTORS THAT LEAD TO THE FAILURE OF ISLAMIC BANKS

1. If the Ummah lives on conspicuous consumption, leaving no savings for investment.
2. If our investment is channelled through Interest-based banks, insurance Companies and Non-Muslim conglomerates that dictate their policies and terms to us.

3. When Islamic Banks trade to profit without consideration of Islamic rulings and are negligent or discard research in Islamic Finance.
4. The channelling of investment into interest-based and other projects of Non-Muslims and Muslims that would bring no benefit to the Ummah in any sector, e.g. technology, labour expertise, financial growth, economic development, social and welfare benefits or any other conceivable factor of economic progress. Some times the mere positive profit returns is not the only justified means of investment and the moral issues surrounding who we support need elaborate analysis.

FACTORS THAT LEAD TO THE SUCCESS OF ISLAMIC BANKING

1. The bank's undertaking to deal with all the clients on an Islamic basis.
2. The Muslim communities' faith and belief in the obligation and success of the Islamic Model.
3. Financial support given to Islamic Banks by Shareholders and Investors through diverse types of accounts.
4. Muslims who promote and work for the success of the system, i.e. Accountants and Financial Consultants should advise their Muslim and Non-Muslim clients to deal on a Shari'ah basis.
5. Muslims should make sure that they deal honestly and not deprive the Bank of any of its resources or capital.

FATAAWAA (ISLAMIC VERDICTS)

The following three paragraphs are resolutions No 1; 3 & 5 passed by the Ulema Council at the Conference held in Dubai in co-operation with the International Association of Islamic Banks and the Dubai Islamic Bank from the 9th to the 11th of the Islamic month of "Safar" in the year 1406. A.H. Corresponding to 23 - 25 of October 1985.

RESOLUTIONS AND VERDICTS PASSED BY THE ULEMA (ISLAMIC JURISTS) COUNCIL AT THE THIRD CONFERENCE HELD BY KUWAIT'S ISLAMIC BANK

1. Due to the fact that Islamic Banks facilitate international and local trade, provide foreign exchange services and profitably invest the Muslim fraternity's surplus wealth in conformity to Islamic principles through economically acceptable development and social projects indispensable for the Muslim Ummah.
2. We have thus resolved that the establishment of Islamic Banks, in all vicinities having concentrated populations of Muslims, is a "*Fard Kifayah* - an obligatory duty enjoined by Islamic Law to be performed by part of the

community on behalf of all.” If none executes this task, the entire community would be sinful.

3. The establishment of Islamic Banks on the foundations laid by the prescriptions and proscriptions of Allah in His Deen (religion), i.e. the prohibition of interest (Riba), deceit (Gharar) and other transactions of uncertainty that seriously affect the Islamic Legal requirements in transactions. Islamic Banks are therefore an Islamic need and a Maslahah (communal interest) that encompasses a great segment within a framework of the Muslim Ummah’s (brotherhood’s) material requisites.
4. We appeal to all persons of administrative positions as well as Muslims all over that the Islamic Law is expounded for all generations, directed to everyone and is the only step for progress, happiness and advancement. Allah orders Nabi Sallallaahu Alayhi Wa Sallam to inform humanity: “Say: O people, I am indeed the messenger of Allah to all of you.”
5. The members of the conference therefore implores upon hastening to execute and implement Islamic rulings in all affairs of life, whether it be legal, social, cultural, economical or political in order to protect Muslim identity and to build a developed Islamic Community that is attentive to breaking its bondage of subordination and dependency on the West.

MEMBERS: COUNCIL OF “ULEMA” AT THE CONFERENCE

1. Dr. Ahmed Khalil.
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2. Dr. Sayyid Muhammed Nuh
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6. Dr. Khalid Mazkooor
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7. Dr. Abdus Sattaar Fathullah Sa’eed
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8. Dr. Abdus-Sattaar Abu Ghuddah
Director of the project on the Encyclopaedia of Islamic Jurisprudence, Kuwait Ministry of Awqaaf.

9. Sheikh Muhammed Ash-Shaibaani
Mufti at the Islamic Court, Abu Dhabi

The following details form the third aspect that is part of:

**RESOLUTION NO. (10) THE RULINGS ON BANKING TRANSACTIONS
WITH INTEREST AND ON DEALING WITH ISLAMIC BANKS²¹**

Having reviewed numerous studies on modern financial transactions;

After pondering over the said studies and thoroughly discussing all aspects thereof, the negative impact of such transactions, on the international economic order and its stability, became clearly obvious, especially in relation to the third world countries.

Having further deliberated on the detrimental effects of the said system, because of its deviation from directives of the Holy Book, which clearly prohibits usury (interest), total or partial, and commands us to repent from it, and permits us to recover only the principal of loans, no more and no less, whether it is a big amount or small, and warns us of a war waged by Allah and His Prophet against usurers;

RESOLVES

FIRST: (Not relevant to the article).

SECOND: (Not relevant to the article).

THIRD: The Academy decides to invite the Islamic governments to encourage the financial institutions, which operate in accordance with the principles of Islamic Shariah, and to enable them to operate in all Muslim countries, so that they may respond to the needs of Muslims; and a Muslim does not have to live in contradiction between the demands of his faith and the realities of life.

Verily Allah is all-knowing.

CONCLUSION

We could conclude by saying that “Islamic Banking within Muslim Minorities” is an expression, in practical terms and through application, of part of our Religious conduct that encompasses every sphere of our economic, social and private lives. As such, its absence from an Islamic Community in the Developed World is a reflection of an imperfect execution of our duty unto Allah who had prescribed a Deen for us that is economically related as well.

²¹The Islamic Fiqh Academy meeting in its Second Session in Jeddah, Kingdom of Saudi Arabia, from the 10th to the 16th of Rabi-us-Thaani 1406 A.H. (corresponding to 22-28 December 1985).

The importance of Islamic Banking within Muslim Minorities is equally relevant in Islamic States where the Banking System is “Kufr” based.

Finally, the success of Islamic Banks lay in the amalgamation of all necessary Financial, Economical, Managerial and other skills in a manner that conforms to Shari’ah principles in order to attempt to preserve man’s perpetual happiness in the Hereafter.

This Paper has been researched, written, compiled and typed by Ahmed Fazel Ebrahim, 83 College Street, Mayfair, Postal Code 2092, South Africa.

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