

Islamic Finance and Banking-Kaleidoscopic dialogue in the Global Economic Scenario

Dr. Muhammed Rafeeq T

Islamic Finance is rapid growing economy in this global economic scenario both in the West and the East as the best alternative for the current economic problems and issues which neo-classical economics theories setback for finding solutions. This paper explores scope and rationale for the increasing demand of the Islamic financial institutions around the world. The paper also extended to the historical evolution of the Islamic Banking in the chronologically and thematically as on the political changes till the impact of 9/11 incident of 2001 and the Islamic window operation in the western countries. The scope of the study is that identification of the non-economic factors caused for the world economic crisis that facilitated the West to choose intermediaries in the banking sector and Islamic Bank as best alternative and operationally Islamic Window with the conventional system. The study also highlights the key principles, charismatic characteristics and radical differences from the conventional banking system. Like other financial ideologies Islamic Banking also faces negative commentaries, risks and limitation have to be modified in future

Key words: Islamic Bank, PLS notion, Musharakha, Alternative mechanism, Equity distribution, Kharaj, Islamic Window, Rakhu Ram Rajan Committee report, Theory of Abundance, Islamophobia, Riba

Introduction

Studies on Islamic finance and Islamic banking are remarkable among the economists and scholars both in the West and the East

for the last decades theoretically as well as practically. The rapid growth of the Islamic finance and banking from the second half of the 20th century amongst the plenty of the human made economic ideologies as an alternative mechanism for solving the economic and financial issues to which the conventional systems fail for finding the solutions. Islamic finance is unique in nature and distinguishes from the rest of the other economic ideologies on its inclusiveness and PLS notions through the interest free mechanisms. The inclusiveness of the Islamic financial system encompasses whole members of the society ensuring all individuals are equally treated in the realm of opportunities and potential performances. It is one of the fastest growing banking operations around the world within the short span of the 50 years after the formation in 1975. According to the report of Islamic Cooperations for the development of Private Sector report of 2022 the total assets of the Islamic financial system around the world is reached more than 4 trillion dollars.

The wide range of the growth of the Islamic Banking is the outcome of the western attempt to colonise the Arab world and build up their different modern institutions. The 18th and 19th centuries marked the intellectual and religious awakening in the Muslim world. Blocking the European political and cultural encroachments the Muslim intellectual of the period exhorted the Muslim world restoration of the Islamic principles and icons in every walk of the life. The establishment of the interest-based western financial institutions and policies in the Muslim world was mainly only for the colonial purpose. The resources of the Arab world especially the petroleum product was the fuel for the rapid industrial revolution of the West. When the western neo-classical economic theories affected the equilibrium of the financial sector of the Muslim world, they thought for the retrospect the Islamic principles in the financial sector. The idea of the moden Islamic financial institutions and banking was the outcome this retrospect. Beyond the western expectations Islamic banking advanced throughout the world breaking the boarder of the Muslim regions. Most of the studies and lecture about the Islamic finance are the contribution of the orientalist scholars. The western economist during the global financial crisis found Islamic finance is the best intermediary for

solving the issues.

Some of the western banks operate Islamic window conjoining the conventional system. In other words, the West prefer the interest-free financial activities and intermediaries that to help the customers co-existing with their commercial financial systems. The Islamic financial services is the rationale of the Islamic financial system operating the all process of the conventional banking system it also pragmatically forwarded a new economic theory PROFIT AND LOSS SHARING (PLS) in this global economic era.

Why do the Islamic finance is better alternative

What is the need of the Islamic economics in the contemporary global economic practices? Why it becomes better choice comparatively to other alternatives? These are the major themes in all the international Islamic finance conferences. In depth critical evaluation about the current economic problems due to the conventional economic ideologies or neo-classical ideologies made an assumption of the alternative mechanisms. Irrespective of Eastern and Western World all most all regions in the globe conducted experiments for new economic alternatives.

Every economic system has its own world view and peculiarities from its foundation that differentiates from the rest. Definitely this world view impacts its ways of practicing also. In the global economic scenario, any economic change even in particular region has its multi-lateral effects throughout the world. All economies are concern about the changes of each and every economy and seeking remedies for its multi-dimensional economic impacts. The 1997-1998 Asian financial crises also affected the western society in certain point of view. Likewise, more recently in 2007-2008 economic problems in the West known as sub-prime crisis initiated in the American continent but impacted in European as well as in the Arab World also. This crisis was analysed by the renowned economic theorists of the West why the sophisticated neo-classical economic ideologies and techniques failed to solve these crises. (Jane Pollard & Michael Samers, 2011). Both economic reasons and non-economic reason were identified and the latter is on because of the limitation of the world view of the main

stream economic systems. Underlying world view like confidence in economic ideologies, assumption that the market mechanism will solve the very crisis and major finding was foundation of consumer behaviour of greed and lastly transfer of the risk to others.

The Greed is part and parcel of the all-contemporary economics. It is the motto of the western economic philosophies that satisfaction of the individual greed is good trait. Impact of this unfair view will dangerously affect the resource balance of the society and no ethical systems in the world accept greed is good for the human development. These are the four points they found as the non-economic reason behind these unsolved financial crises. They recommended the possibilities of an alternatives for balancing these four major drawbacks of the contemporary financial systems. There are so many alternatives have developed both in the West and the East in the recent times as solutions for the contemporary economic problems Some of them are accepted in some regions and also rejects in some regions on the socio-political and regional reason (Najatullah Siddiqi, 2010)

Islamic finance and banking is one of the alternatives accepted by the world in the contemporary economic scenario. “In the wake of the financial crisis of 2007, Adair Turner, Chairman of the UK Financial Services Authority (FSA), characterized much of the financial activity in the City of London as “socially useless” (Inman 2009). The crisis has reinvigorated interest in financial institutions and innovations that offer an alternative to neoliberal financialization as usual. Islamic banking and finance (IBF) present itself as one such candidate for consideration” (Jane Pollard & Michael Samers 2011 p.3). Islamic finance is value-based likewise capitalist, socialist, and other institutional economic system and radical economic system everyone has its underlying special world views. These underlying elements may not be universal in all times may be true with some people and not with other. The differences of these foundations depend up on the sources of their knowledge. Even in the west it also accepted centuries back that different economies are possible in the world because the world view different form people to people and sources of knowledge are different in region to region. Every economy is developed within the

knowledge available in their arounds. This world view is impacts of the certain factors like politics, geography technology, education, philosophy which differs in each nation. It is the generally accepted notion that religion is the part of the culture but in the Islamic point of view Islam is the code of law for life. The people behave as like their believes that means the world view perspective is shapes and influences in generally in the decision and vision of the man. The world views determine the values that determine the decisions and actions and those values are impacting in the economic decisions also (Choudhury, Masadul Alam and Uzair, Abdul Malik, 1992).

Historical retrospective of the Islamic finance and Banking

First face 7th to 18th centuries-Islamic period

The Islamic civilisation was developed by reconciling the heterogeneous people of the Arabian Peninsula under the Islamic commonwealth and tied them with the feeling of social cohesion of the Asabiya known as Muslim community or Ummah. The main economic activities of the day were trade, business, slavery and other interest-based transactions. Being the mercantile people in the early stage of the Islamic state the economic laws generally constrained with the trade and transaction law. The rudimentary development of the Islamic banking system initiated in the life time of the Prophet (Wazir Akhtar, 1992). The major prevailing practices of Musharaka and Mudarabah were continued liable to the Islamic law and free from interest. The first financial institution originated in the life time of Prophet Muhammed called as Baitulmal and the revenue to the Islamic treasury collected chiefly from Zakat, Jiziya, Fayh, Kharaj and Khumz which dispersed for the benefit of the society particularly the deprived sections of the society.

During the time of the khilafat administration the activities of Baitul mal reorganised as separate entity. “In the early period of Islam, *bayt al-mal* (the house of finance) or the Public Treasury was the first institution to mark the foundation of formal arrangement of financing. Basically, it was a government agency of finance but it also extended loans or investment capital to individuals. It worked as a state bank for the caliph and for the public” (Abdul Azim Islahi, 2018)

It also extended its activity providing the loan in certain circumstances. Certain elements of the Islamic finance like practice of depositing qard and activities related to the remittance and the bill of exchange also existed in the early days of Islam (Najathulla Siddiqi 2007). Widespread acceptances of the Mudaraba and Mushraka under the khilafat administration were continued by the Umayyads and the Abbasids with organised mode. In the Abbasid era Persian influence reflected in the economic sphere and new port cities like Basra, Iraq and Oman established for expanding domestic and international trade with the eastern regions. Kitabul Kharaj of Abu Yousuf opened a new horizon of a well-established revenue and tax collection system in the Islamic world. The provincial tax collectors called Diwanul Jahbada entrusted the regular control of the financial administration (Chapra, M.U. 2014). The sundry and petty independent dynasties emerged in the later Abbasid period also followed the economic practices of their predecessors. “Financiers were known as sarrafs. By the time of Abbasid Caliph al-Muqtadir (908-932), they had started performing most of the basic functions of modern banks” (Fischel, W.J. 1992). When the status of khilafat transformed to the European continent under the Ottoman Turks practiced the same rules and regulations of the Arab rules in the economic sector adding the new innovations of the western world also.

The modern banking system generated in the West in the late 13th century and evolution and modifications continued till the 15th century. Ironically being the part of Europe the Ottoman Empire rendered mere attention in the development of the banking as western model of its stagnation stage. Another important fact for rejecting the western model economic growth by the Muslim world was religious restrictions. The key principle of the Islamic financial system is that it never promotes undesirable economic growth only beneficial to a few sections of the society. It visualises the gradual and parallel growth maintaining a balance between the individual and collective need of the society. During the colonial period the plenty availability of the material resources of the Arab World were attracted the West to the Muslim land. The Muslim world completely denied the factors which boosted the western economies like maritime-trade companies, establishment

of the new colonies, Interest base banking system for the trade companies and findings of the new sea trade routes. The law of Islam is a separate entity and maintained its independency from the clutches of the state and political interferences till the 18th century. But in the renaissance period as part of the Tansimat modernisation process the ottoman emperors of the 19th century separated Sharia law from the state and made revolutionary changes in the financial sector also as like the other western countries reviving their economic and financial policies on the changing of the society (Henry, C.M. 1997).

Second Phase-Colonial Period

In the first half of the 19th century almost all the Islamic world was colonised by the West and they replaced the western political and economic ideologies in the Arab World. In the 16th century the Christians people borrowed money from the Muslim for their economic pursuits. There are reasons to believe that Muslims too borrowed from them and from their own people. “However, we could not trace any institutional arrangement. It is an undeniable fact that Islamic financial institutions have had only a marginal existence during the last 300 years. They did not get the same chance as western financial institutions to gradually evolve their institutional structure, tools and modus operandi to their full potential” (Al-Jarhi, M. 2006)

Interest based economy and banking system implemented throughout the Arab world only for the satisfaction of the economic interest of the west. During this time Arab world scattered and disintegrated losing the essence of the Islamic law in all the sphere of life. Reaction to the western encroachments, there were emerged nationalism, different kinds of the religious resurgence and freedom movements in the Muslim world (Islahi, A.A.2015). These Islamic resurgence movements mainly strived to restore the basic Islamic principle in the socio-political and personal life of the Muslims. All the movements insisted them to follow Islamic injections in the financial sphere also and break the financial benefit yield by the West from the Arab world. The eminent Muslim resurgence leader like Muhammed Abdu and scholars like Muhammed Baker Assad, Muhammed Najat-Ullah Siddiqi and Abdul Aziz Annajjar etc: - exhorted the Muslims through

their literature to the theoretical background of Islam and fight against the western interferences

Third Phase -Modern Period (20th Century)

The initiative of the Islamic financial institution as experimental base established in Pakistan in the late 1950 that was an interest free deposit for the agricultural development. In this scheme the stockholders were the land owners given interest free loan only availing the operational charges (Wilson, R. 1987). The pioneering attempt of the prototype Islamic banking structure in the world was launched in Egypt, the cradle of the civilizations in 1963 named Mit.Ghamr a Saving Bank model established by Dr. Ahmed Al Naggar. Mit Ghamr is a rural place located in the Gharbia governate of Egypt. Naggar is known as the ‘father of the modern Islamic Banking’ an Egyptian economist and awarded Ph. D from Germany. He was attracted with the German economic policies for the rural development. Adapting these policies, he successfully established interest free micro-finance system providing basic banking services like deposits, loans, equity partnership, direct investment, and social service. (Mullineux and Murinde, 2003). Due to the political unrests, it was merged with National Bank of Egypt in 1967 leaving the scope for the discussion for the implementation of the Islamic Banking models.

The Malai peninsula also inaugurated Sharia complaint activities in the same 19th century parallel to the Mit Ghamr, Islamic financial initiatives flagged in Malaysia named Muslim Pilgrims Savings Corporation for helping the fund generating activities of the Hajj pilgrims. Later this financial effort transformed as Bank Islam Malaysia Berhad (BIMB) the leading commercial Islamic Bank in Malaysia. In addition to these Islamic bank working models, academic institutions for Islamic financing were established and discourses and conferences were conducted and literature lore laureating the Islamic finance activities. The Sharia complaint financial institution set up in Philippine named Amanah Bank in 1973. Shortly after the formation of the Dubai Islamic Bank in 1975, established Islamic Development Bank in Egypt. It recognises as the mile stone in the evolution of the Islamic Banking run by the Organisation of Islamic Conference with the shareholders

of 56 member countries operating as leading International Islamic Financial Institution. Meanwhile the African continent also experimented Interest free alternative mechanism like Faisal Islamic Bank of Egypt and Faizal Islamic Bank of Sudan in 1977 (Kahf, 2004). Al Barakha group of financial institutions was started in 1778 as an international Islamic finance project group operating in 15 countries. Countries like Pakistan, Iran, Iraq, Kuwait, Qatar, Indonesia, Bangladesh etc also practicing interest -free financial institutions in addition to the conventional systems.

Fourth Phase -Period of Islamic window start-ups

Most of the Islamic financial institutions and banking systems were originated in the Muslim world generally in the Middle East its branches and subsidiaries are opened in the Western world in the early 1980s. The first Islamic bank operation in UK started in 2004 named Islamic Bank of Britian (IBB). It was the pioneering step and gate of the Islamic banking initiative in Europe. The United States has initiated the sharia complaint financing segment called LARIBA in 1999. The impact of the Subprime crisis of 2007-2008 adversely affect the western public sector finance in the cosmopolitan countries like USA and UK finally led to the widespread unemployment, financial friezings, shocking bankruptcy, diminishing the standard of living. They began to footsteps to the financial intermediaries of the Eastern regions for the welfare of their people (Jane Pollard & Michael Samers 2011).

“Our analysis of all UK financial institutions offering Islamic products in August 2008 found that twenty-two IFIs operated with the approval of thirty Shari’a scholars; for U.S. IFIs the figure was thirty-four, and no less than nineteen of those scholars were shared with the UK IFIs”. (Jane Pollard & Michael Samers 2011). UK was the first non-Islamic country that offered Islamic bond of Sukuk from 2014 onwards. The interest-free mechanisms of the Islamic Bank are offering in the non-Islamic countries collectively known as ‘Islamic Window’. It operates as separate departments within the conventional banks offering Sharia complaint financial support, services and investment facilities to the customers. Many countries like Germany, Australia, Luxemburg, Chaina have implemented Islamic financial opera-

tion termed as Islamic window in their conventional banking sector as separated departments and co-existed with neo classical system with sharia-based investments and services. The Islamic financial principles have gained more appeal in the western world on its world views and values like transparency, asset-back, interest-free, fair and balanced use of the resources and finally welfare society.

India, the largest democratic country in the world also forwards the possibilities of the Islamic model interest-free mechanisms for the alleviation of the poverty and the development of the marginalised sections. The recommendations of the Raguram Rajan Committee, 2007 forwarded 100 possibilities steps for the financial sector development of India in future. The highlighting recommendation of the committee which underlying more discussion later was the possibility of the Islamic Window operations under Reserve Bank of India for the alleviation of the poverty. It strongly offers scope of the Islamic window operations as the practical techniques for the financial inclusion in India the country like that more than 22% population is in the below poverty line. The strict banking regulation act of RBI and fundamental secularist view create obstacles in the practical implementation of the Islamic window operations connecting with conventional systems (Das, Kumud, 2008).

Fifth Phase -After 9/11 Disaster to Present Era

The desalter of World Trade Centre on 9/11, 2001 affected the rapid spreading of the interest free-Islamic window operations in the West conjoining with their connectional banks. The new racial-political philosophy of the West Islamophobias diminished the scope and their arguments that these Islamic financial institutions are the main source of the income to the terrorist activities of the Muslims. “The events of 11 September 2001 (hereafter 9/11); the war on “terrorist finance”; the forced, often arbitrary closure of many IFIs in the United States; and a palpable Islamaphobia (de Goede 2003) did not deter the U.S. Treasury (in conjunction with the Harvard Islamic Finance Program) from holding an “Islamic Finance 101” seminar in Washington in 2004 (and later in 2008).As Rethel (2011, 10) noted, many of the firms that were closed or held under suspicion in the first

few years after 9/11 were “quietly exonerated” (Jane Pollard & Michael Samers 2011, P. 8)

Objectives of the Islamic Finance and Banking

a) Find Solutions for the current economic problems

The prime objective of the Islamic financial institutions is solving the socio-economic problems by offering sharia complaint platform, financial product and services.

b) Wellbeing of the Human beings

The foremost aim of the Islamic finance is the achievement of both spiritual and material wellbeing of the Mankind. It means an egalitarian and happy society with peaceful economic environment. Islamic finance achieves these objectives through the equitable distribution of material resources in the financial and banking process and ensuring equal opportunities to all members of the society for acquisition of the material resources in accordance with their capabilities

c) Fair and Equitable Distribution

To establish a monetary system based on the fair and equity Islamic bank ensures all the financial activities should be underlying with the concept of Halal and Haram. For circulation of the wealth Islamic bank attract, the investors and encourage startups of the business and venture.

d) Financial inclusion

Islamic banking inclusive in nature and every one can invest and subscribe its benefits irrespective of the religion, region, financial and social status (Siddiqi, M. N. (1981) Synthesis of these barriers is the characteristic of the Islamic bank. In Musharakha contract is flexible that everyone can contribute share as their capacity both in giant and small-scale ventures and the Sharia Advisory Board also allowed up to 5% in total capital may be from the interest based sources in the Sharia complaint venture only in the unavoidable context.

e) Customer Satisfaction and loyalty

It is the recent reform activity of the Islamic bank it always gives assurance to both customers and investors though the transparent annual reports. It also collects the experiences and feedbacks from

all around the world and demonstrates publicly. As well it also setup the precrural modification that always exhibits clearly how all the products and services of the Islamic Bank alienate with the Sharia law. It also aims at the complete loyalty of the customers to the Bank. For this purpose, Islamic bank offers now a days enhancing its service qualities, product and social welfare expectations.

f) Establishment of Socio-economic justice

In broad sense the one of the objectives of the Islamic banking system is ensuring the socio-economic justice among the all members of the society. Everyone can approach Islamic bank to cater their need and avail all facilities of the Bank for satisfying his need without any guarantee, bond and securities like the conventional bank demands.

g) Promoting Universal brotherhood

Despite the existence of the disparities in the material resource, Islam does never divide the people as conflicting classes of have and have nots. Achieving social solidarity and economic harmony between the different sections of the society though the social cohesion and brotherhood is the motto of the Islamic Banking. All kinds of cooperation and unity exist among the beneficiaries of the Islamic Banking system

h) Material Development

Like other conventional financial and banking system Islamic Banking also aims at the material benefit of the customers within the frame work of the Sharia. In encourages enhancement of the wealth and properties though the circulate mode of business, enterprises, industry and other financial activities.

i) Proper Management of the wealth

Contradictory to the modern theory of scarcity Islamic financial system insist theory of abundance. That means the material resources are enough in the universe for satisfying the basic needs of the life of whole mankind in all generations (Siddiqi, M. N. 1981a). The scarcity, that are experiencing herewith only on mismanagement of the resources thorough their accepting economic philosophes. Proper management of the resources with equity manner will fill the vacuum

of the scarcity and wide range of the disparities prevailing. Islamic Banking through its financial activities demonstrate the procedures for the proper management of the available resources among the beneficiaries

j) Multi-Dimensional sustainable Development

The Islamic finance and banking system give great emphasis for the all-round development both individual and society. The analysis of the modern financial activities stress that utilitarian behavioural pattern moulded the activities of modern man. Sustainable development of the beneficiaries both Islamic bank and its partners is the part and parcel objective Islamic financial system than modern man. It determines an integrated model of the development both material and spiritual development of the Individuals as well as both individual and social sustainable development through the Islamic banking frame works.

k) Harmonising with the conventional banking process

All most all the financial activities of the convention banking system are practicing Islamic banking system yielding not interest through the sharia constraint methods. Even if profit is low comparatively with the modern banking Islamic banking system experiments all the new innovations in the modern banking sector thought the Sharia manner activities

Key principles of Islamic Finance and Banking

- ◆ Complete Prohibition of Interest in root level
- ◆ Notion of Profit and Loss Sharing than risk transferring to the lenders and Customers
- ◆ Asset-backed financial transaction and no money lending
- ◆ Free from all kinds of uncertainties
- ◆ Comply with the Islamic code of law no amendments in the basic principles

Comparison of the Islamic Banking with the Conventional Banks

a) Operation Mode

In the conventional Banks are operating on the manmade principles which are ever changing on socio-political and economic fluctuation

tuations. It is depending up on the philosophy of the life underlying in the life of its policy makers and their pre-determined objectives. At the same time Islamic Bank laid foundation of the Sharia mode and Islamic code of Law for generating its policies. No amendments in the basic principles at the same time Islamic Finance and Banking also reforming with new innovations as the modern world economic developments without contradicting the basic foundations.

b) Profit Generating Method

The conventional system attracts its investors offering a high rate of pre-determined interest as well as the debtor also. Interest is the profit yield method of the all-manmade economic theories. In contrast Islamic finance introduces a novel method for profit yielding that is Profit and Loss Sharing. Cordial and Mutual corporation establishes between the investors and the entrepreneur. Participation in the business of the partners continues evaluation and modifications are the fundamental duties of the Islamic Banking. Through this connectivity there where establishes social cohesion between the investor and the debtor and reduce the vacuum between them like in the conventional system.

c) Rationale differences in Objectives

Neo-classical economies emerged as the off springs of the industrialisation aims at the maximization of the profit of the investors without any restrictions. The utilitarian theory indirectly encourages the exploitation of the weak section of the society for the benefit of a few investors. This economic rationality of the conventional systems gives silent permission to the individuals, exploiting others dues for maximise his satisfaction and greed within the limited available resource regardless the concern of the social development. Like others Islamic financial system also aims at the maximum profit on the certain underlying criteria of Sharia complaint process, maintaining balance between the individual and social development of the society.

d) Functional differences

The functions of the conventional banks are limited only just as providers of the capital and receivers of the interest, at the same time the service-oriented activates are the main motto of the Islamic

financial institutions. Islamic bank make profit through the participatory process of equity that means both the investors and the lenders are liable to share the profit as the ratio of their capital than that of the interest. Participation and Management in the venture or the financial activity of the lender diverts the Islamic Banking system as unique among the world economies. The rationale philosophy of the Islamic banking is that it insists qualitative limitations to its beneficiaries rather than quantitative

e) Ethical back ground

To serve the Muslim world facilitating a prosperous life the Islamic finance and banking adopted certain value-based theories and policies that the western world alien from these values. There are certain moral and ethical limitations imposed the Islamic bank its partners. As a financial system underlying with the concept of value judgement Islamic financial system never promote ventures and economic practices which harmful to the society and not generating human welfare. Islamic Banking is not about smoke and mirror. In reality it is the banking system mainly based on the Islamic ethical principles and code of Sharia which totally different from the conventional banking systems (Brian Kettell, 2011).

Generally, the conventional banking systems are interest-based economy. This always creates a group of debtors in the society and they sometime make defaulters in the repayment. The inability of the repayment is the opportunities of the bank for yielding more and more profit because additional amount has to be remit as penalty in the name of compound interest. Contradictory to this there is no penalty procedures in the Islamic Bank's due to the defaults. Either extensions of the period or amicable compensation on mutal agreement are the working procedures of the Islamic Bank in defaults. These extra compensations yield will not be the profit but these proceeds are given to charity.

f) Prime concerns

Always the prominent concern of the conventional economic systems is the personal interest of the Banks and profit. This economic behaviour abstain man from generating in mind ethical feeling

that co-existence, brotherhood, generosity. At the same time Islamic financial system gives due importance to the public interest and ultimately aims at ensuring the growth of the all members of the society with equitable manner.

g) Capital accumulations

In the interest based financial structures the bank always accepting or borrowing capital from the money market not scrutinising its ethical back grounds and value judgements. There is nothing restriction in the economic activities and the state is totally free from this sector. Everyone has freedom that can choose any means of accumulation of the worldly resource as their choice either fair and unfair mode. In the Islamic perspective economics is the desire for food and other requirements and efforts to obtain them (France Rosenthal, 1958). It is desirable to human beings to acquire material resource minimum level that satisfying their needs of life and unfair accumulation and concentration of the wealth is nor desirable, Likewise for Islamic Banks also must seek their investments and capital only through the sharia approved manner

h) Managemental procedures

In the conventional system the financial practices are agreed only on pre-determined and fixed profit either investor or borrower. Whenever the venture is being started the bank gives little importance and care in the management whether is going on well or in bankruptcy need further needful and assistance. No further project appraisal and evaluations and modifications from the part of the Bank (Samad, A., Gardner, N. D., & Cook, B. J. 2005). Contradictory to the Islamic financial institutions always is one of the partners of the venture and share profit and loss with its beneficiary of borrowers. By this perspective Islamic bank must always be keen and adheres attention for continues evaluation and self-appraisals more over sufficient managerial support also.

i) Relationship to the customers

Relationship of the clients and customers in the conventional banking system is like creditor and debtor that there is psychological gap between them as like have and have nots. At the same time the

status of the customers in the Islamic financial institution as partners, investors' traders, buyers and seller like the bank acts also. Some sort of mutual cooperation and concerns all together facilitate the development of the venture

Limitations

The disaster of World Trade Centre on 9/11 affected the rapid spreading of the interest free-Islamic window operations in the West connecting with their conventional banks. The new racial-political philosophy of the West Islamophobias diminished the scope of their arguments that these Islamic financial institutions are the main source of the income to the terrorist activities of the Muslims. Islamic banking always competes with the giant neo-classical economies in theory and practices. Likewise Islamic financial institutions have to develop new practicing mode other than interest for enhancing the profit (Kahf, M. 2004) As Profit and Loss Sharing mechanism (PLS) Islamic banks always face higher credit risk than that of the conventional banking systems. In some extent Islamic financial institutions operates on the basis of the mutual understanding.

Misconceptions

Islamic finance and Banking are not free from the stereotyped interpretations and misconception. The interpretations and perspective of the people towards all novel concepts findings is different throughout the world depending on the ideological, regional, political social and cultural factors. The more different impressions and criticism rising about the Islamic finance and banking is open to a new horizon for its possibilities and dissimulation. Some of the misconception are such as being the financial system under the religion of Islam and is only possible among the Muslim not to the whole world, it is typical like conventional systems with Islamic interpretations, it is primitive in nature and philosophy and practices abstain from all modern view of economics, Aims at substantial growth of economy not rapid level enhancement, no radical amendments in its basic foundation as the changing of the society, it is the funding agencies of the Islamic terrorism, it is the product of the oil boom industry, generally a charitable based financial institution not practical as a national wide economy,

totally covered with the Sharia law no space for the manmade innovations, and finally more and more risk based etc. When analyse this misconception on the criteria of its fast expansion all over the world, co-existence with the conventional system as Islamic window operations both in the West and East, its rapid growth rate will lead to the assumption that these typical interpretations are baseless and product of the islamophobia concept

Conclusion

Over the last decades the Muslim world has been trying to restructure entire life underlying the Islamic principles. The Islamic Finance system is old as from the 7th century old and possess desirable growth without violating its fundamental norms and rules. while the Islamic Banking is like other modernisation products emerged as the offshoot of the rapid industrialisation and facilitate to a few entrepreneurs their financial and capital. “Islamic banking is not about smoke and mirror, it is in fact about banking based on Islamically-ethical principles which are, in many ways, very different indeed from conventional banking principles” (Brian Kettell, 2011 p. 31). It is the short description that how Islamic banking operations rationally being selected and practiced either an intermediary or an alternative across the multi socio-political situation of the world. The world view of the Islamic finance and banking is not only limited to the Muslim world in extend throughout the planet till the end of the human generations. The amazing growth of the Islamic banking testimony its distinct identity and manifestation of the world view.

Here is the argumentation that Islamic Banking and its international practices emphasis that an ethical based economic system can mould the sustainable development of the society. The concept and methods of the Islamic banking had been practicing since the dawn of the of Islam in the 7th century at the same time the socio-political changes in the Arab world have affected the multi-lateral spreading. Even though in fact that the prosperity of the Arab world on the oil boom and the pan Islamic movements of 19th and 20th centuries influenced the rapid growth of the Islamic Banking in the Muslim world, the wide range of Islamic window initiation is the impact of

the major Modern economic crisis and limitation of the conventional system.

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Muhammed Rafeeq T

Asso. Professor

Department of Islamic History

University College

Thiruvananthapuram

Pin: 695034

Ph: +91 9447261696

Email: rafeeqthaniyan@gmail.com

ORCID: 0009-0002-9085-1601