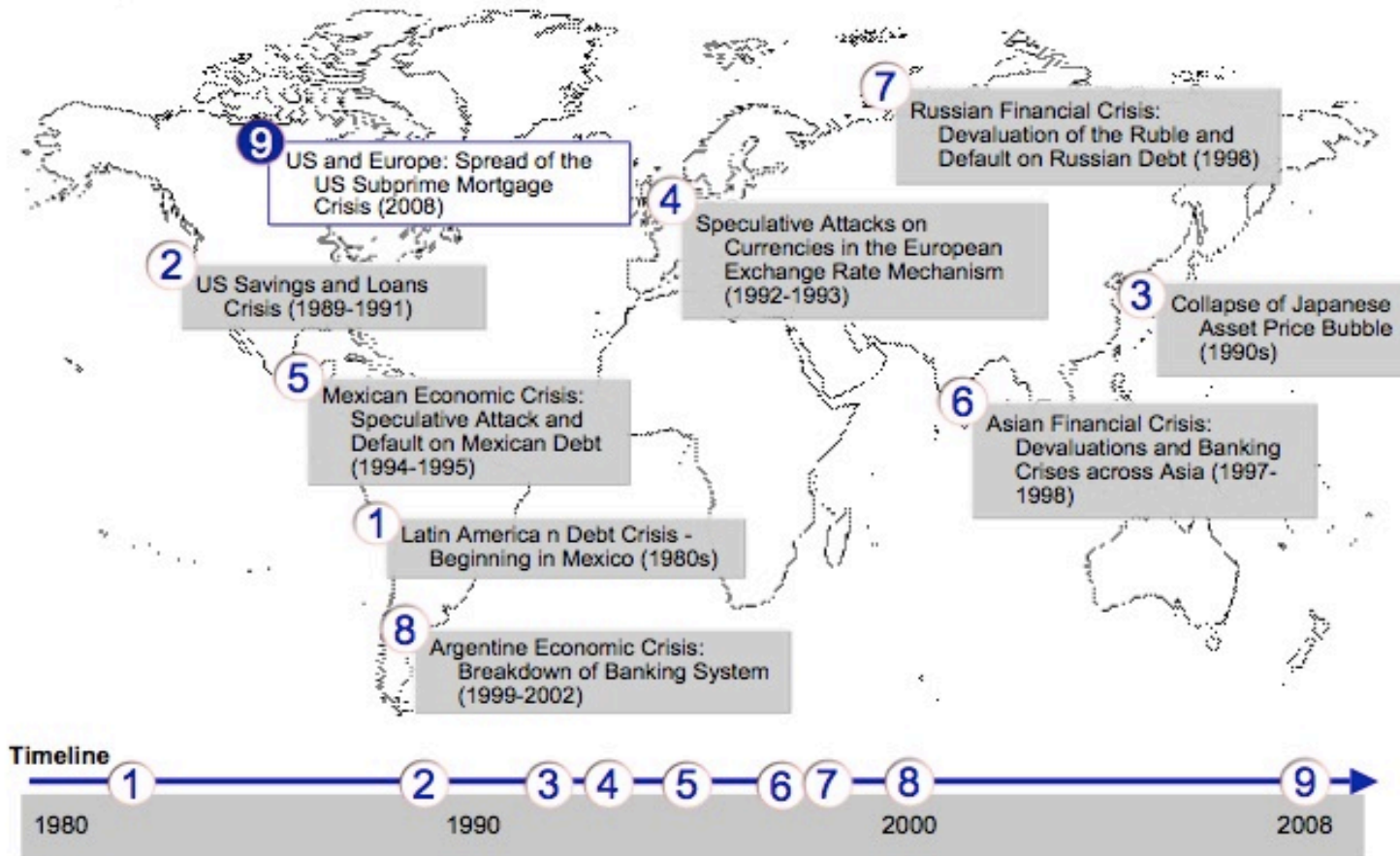


# Worldview of Islamic Finance

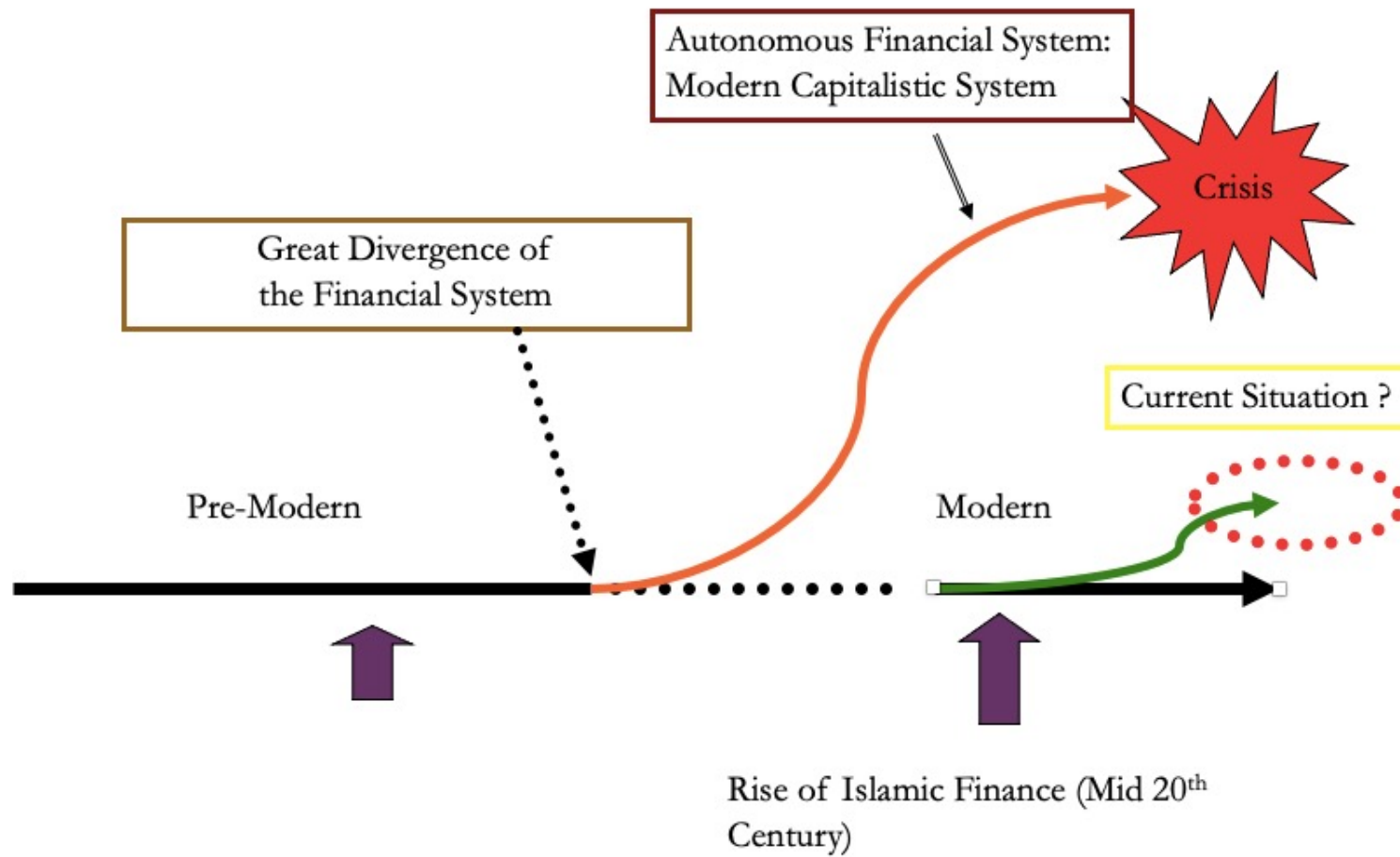
[zulkiflihasan.com](http://zulkiflihasan.com)

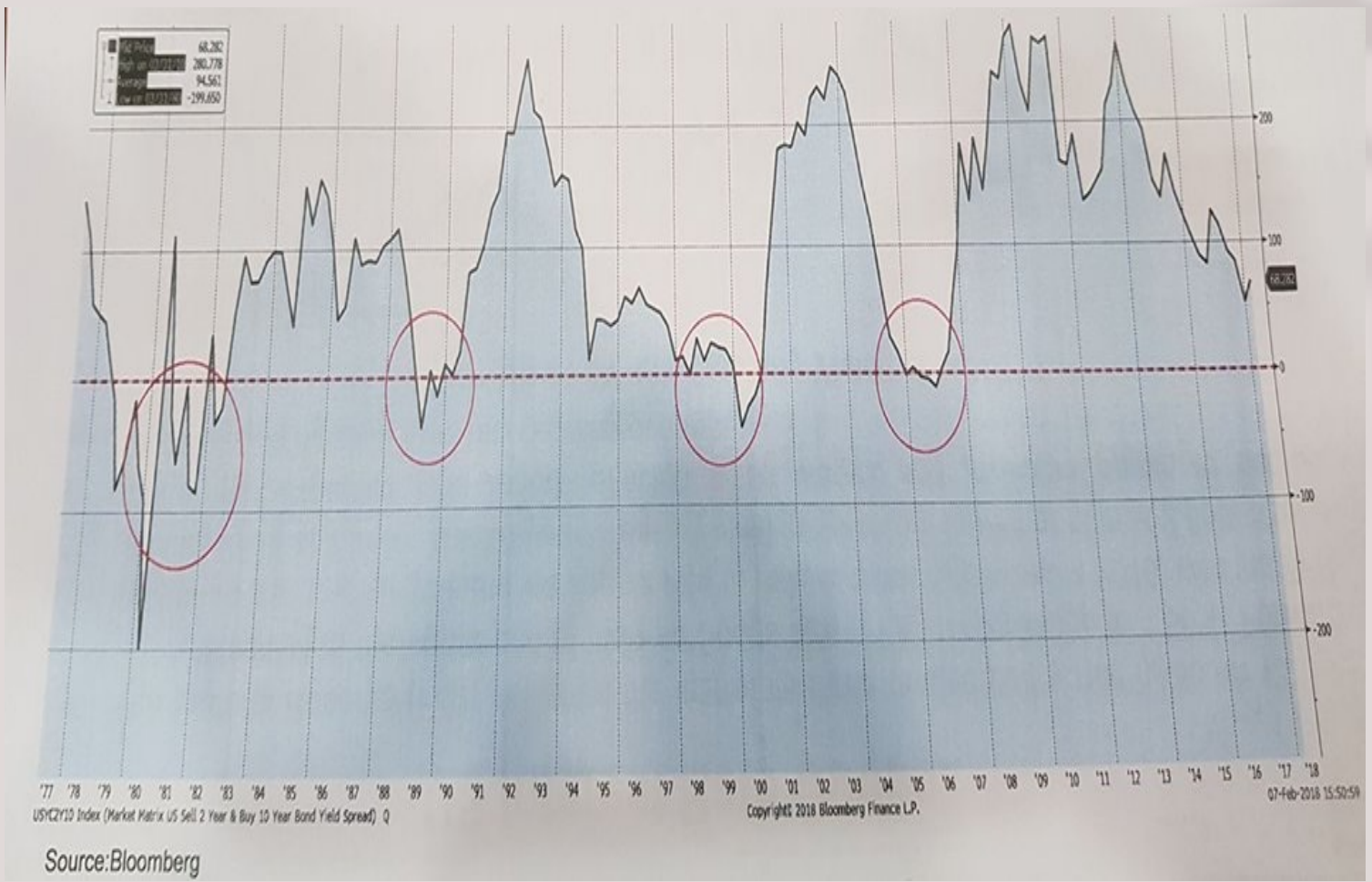


## Major financial crises since 1980



# Financial System and Real Economy





Growth of Money  
Exceeds Growth of Real  
Economy

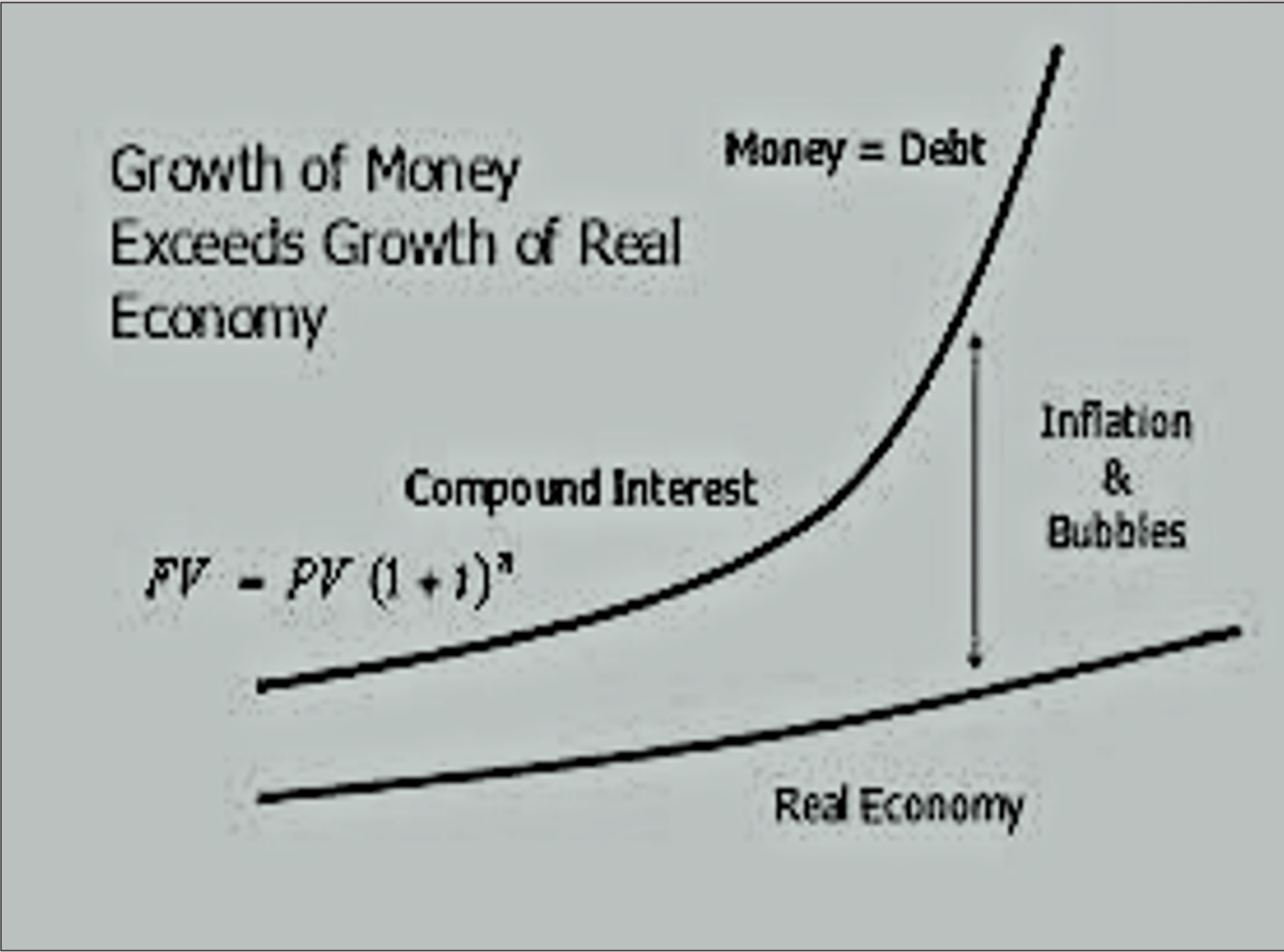
Money = Debt

Compound Interest

$$FV = PV (1 + i)^n$$

Inflation  
&  
Bubbles

Real Economy



# Economic System

Capitalism

Socialism

Islamic  
Economic

# Characteristics of the Modern Economy

"Privatization of profits and nationalization of losses"

"Capitalism in during upturns, but communism in downturns"

'Casino Economic and Excessive Speculation'

'Excessive Leverage and Debt accumulates faster than  
wealth'

'Economic Inequality'

# Value-Oriented Finance

## Tenet-Bound

- **Fundamentals tenets derived from Shari'ah**

## Principles-Bound

- **Concept is grounded on ethics and values**

## Real-economy Linked

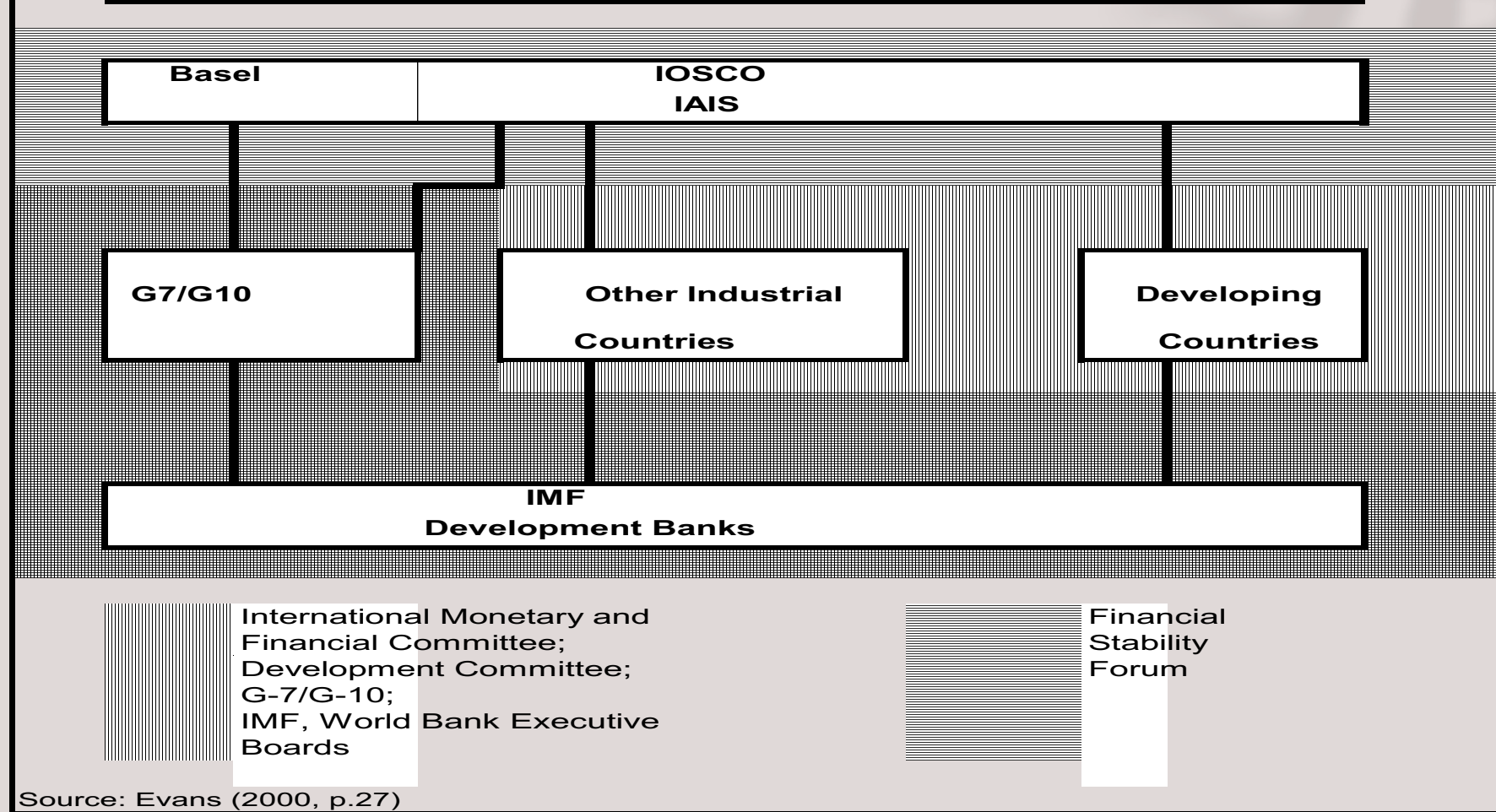
- **Asset-backed transactions with investments in real, durable assets**

## Society-Service

- **Serving communities, not markets**



**Chart 1**  
**International Financial Architecture**



Source: Evans (2000, p.27)

# International Financial Organisations

Categories	Institutions
Specialized Standard Setting Bodies	International Organization of Securities Commissions (IOSCO) International Association of Insurance Supervisors (IAIS) Basel Committee for Banking Supervision (BCBS)
Multilateral Institutions	World Bank International Monetary Fund Regional Banks
Financial Stability Forum	Financial Stability Board

<b>Areas of Standards</b>	<b>Key Agency(s) in the International Financial Architecture</b>	<b>Corresponding Agency(s) in Islamic Finance</b>
1. Accounting	International Accounting Standards Board (IASB), International Federation of Accountants (IFAC), Committee on Banking Supervision (BCBS)	AAOIFI
2. Anti-Money Laundering / Combating the Financing of Terrorism	Financial Action Task Force (FATF)	Common
Auditing	International Federation of Accountants (IFAC)	AAOIFI
3. Banking	Committee	IFSB
4. Corporate Governance	OECD, Basel Committee, World Bank	AAOIFI and IFSB
5. Data Dissemination	IMF	Common
6. Fiscal Transparency	IMF	Common
7. Insolvency and Creditor Rights Systems	World Bank, United Nations Commission on International Trade Law (UNCITRAL), International Bar Association (IBA)	Not yet addressed but especially critical for Islamic financing as it is based on risk sharing
8. Insurance Regulation	International Association of Insurance Supervisors (IAIS)	Not yet addressed but within the mandate of IFSB
9. Monetary & Financial Transparency Policies	IMF	Common
10. Payments Systems	Committee on Payment and Settlements Systems (CPSS)	Common
11. Securities Market Regulation	International Organization of Securities Commissions (IOSCO)	Not yet addressed but within the mandate of IFSB

# International Islamic Financial Organisation

1	Islamic Development Bank (1976)	Equity support and collaboration with IFSB, IMF and World Bank & others
2	The Islamic Research and Training Institute (IRTI) (1981)	Research, training & Information services
3	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (1991)	Standard setting and training
4	International Islamic Financial Market (IIFM) (2001)	Product development and training
5	The General Council of Islamic Banks and Financial Institutions (GCIBFI) (2001)	Product development, training and research
6	The International Islamic Rating Agency (IIRA) (2002)	Rating services
7	The Islamic Financial Services Board (IFSB) (2002)	Standard setting and training
8	International Islamic Centre for Reconciliation and Commercial Arbitration, (IICRACA) (2005)	Dispute resolution

# Origin of Bank

The term bank originates from the Italian word *banco*, which means 'table' as in the past moneychangers from Lombardy used to place money on a table.

The first modern bank was started in Venice in 979H or 1584CE and was known as *Banco di Rialto*

1640 Bank of England

# Bank in Islamic History

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**Rasulullah SAW received deposit from public.**

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**Az Zubair Awam- received deposit as loan.**

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**Concept wadiah, loan and *mudharabah*.**

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**Umayyah, Abasiyah and Uthmaniah**

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**Zuhr al-Islam- Cheque (Suftajah).**

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**Safarnama by Naser Khasro 427M-  
Active transaction using cheque.**

## *Sarraf, Jahbadh and Baitul Mal*

- *Sarraf* and *jahbadh* provided financing
  - on the basis of *mudharabah* and *musharakah*,
  - negotiable instruments and trade facilities by cashing cheques, and issued promissory notes and letter of credits.
  - They also provided banking facilities to the public as well as the private sector
  - *Bayt al-mal* could be considered as a state-owned bank; it played the role of an agricultural credit bank, commercial bank and clearing house for merchants to facilitate commercial activities from the time of Umayyad.

# Modern Islamic Banking

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**Mit Ghamr Local Saving Bank- Saving account, loan, equity financing and welfare services.**

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**Its operation has been taken by National Bank of Egypt in 1967 and riba-free transaction was neglected. 1971- National Social Bank.**

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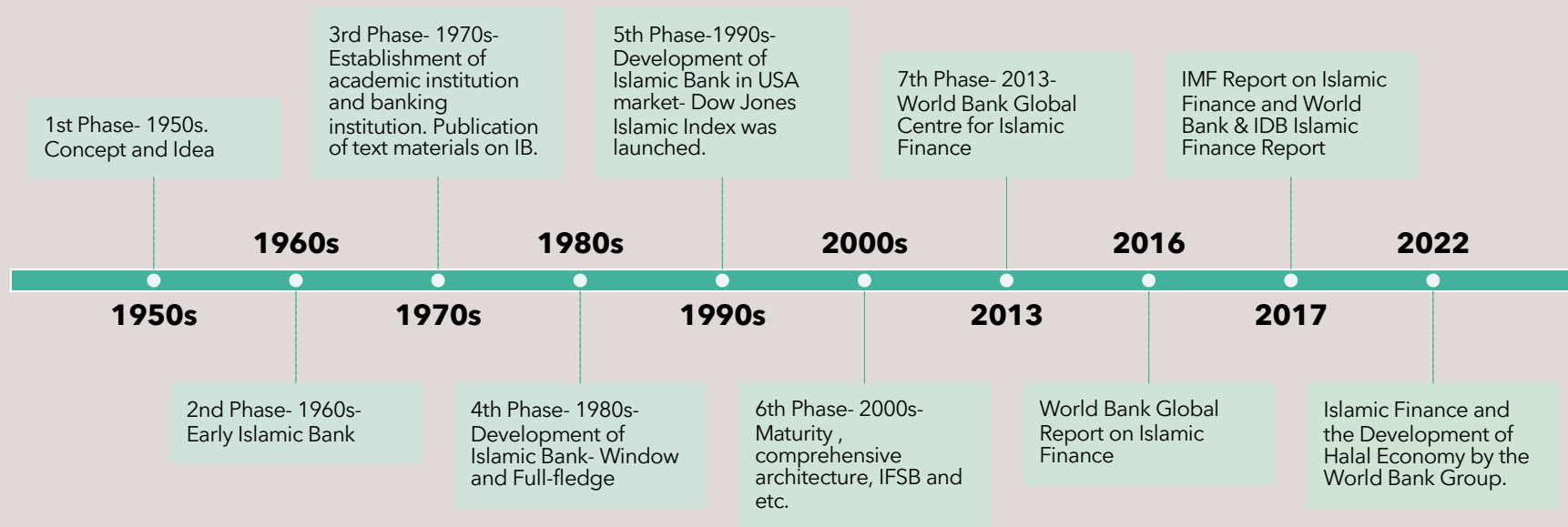
**OIC- King Faisal. 1975 Dubai Islamic Bank and IDB.**

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**1977 Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Sudan and KFH.**



# Evolution of Islamic Banking



# GCC

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**IDB-1975 Saudi Arabia.**

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**Dubai Islamic Bank- 1975 UAE**

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**KFH: 1977**

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**1978 Jordan Islamic Bank**

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**Bahrain Islamic Investment Company 1981**

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**Qatar Islamic Bank 1983**

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**Bank Melli: Iran-Law of Usury Free Banking 1983- It takes about 6 years from 1979 Islamic Revolution to Islamise the whole banking system of Iran.**

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**Al Rajhi: 1985- Largest Islamic bank in the world**

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**Bank al Nizwa, Oman 2011**

# 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.**
- **Al Hilal Bank, Kazakhstan Bank 2010**
- **Ningxia Islamic International Trust and Investment**
- **Al Ameen Islamic and Financial Inv Corp India Ltd. 1985**
- **Kazakhstan, Korea, Japan, Hong Kong, India and China.**

# Africa

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**Mit Ghamr Local Saving Bank: 1963**

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**Faisal Islamic Bank of Egypt- 1975**

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**Faisal Islamic Bank of Sudan 1977**

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**Bait Ettamouli Saudi Tounsi Tunisia 1984**

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**Albaraka Bank Ltd, Durban (Dallah Al Baraka Group)  
(1982)**

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**Al wataniya, Mauritania 2010**

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**Jaiz Bank, Nigeria 2012**

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**Tunisia, Algeria, Morocco.**

# Europe

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**1981: Dar al-Mal al-Islami- Switzerland**

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**1978- Islamic Banking System International Holdings, Luxembourg.**

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**1983: Islamic Bank International Denmark**

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**(1985) Al-Baraka Turkish Finance House (1985).**

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**1990: Union Bank of Switzerland- Offer Islamic Investment fund.**

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**2004: Islamic Bank of Britain**

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**2012: Kurveyt Turk Bank, Germany**

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**2013: World Bank Global Centre for Islamic Finance in Istanbul**

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**2015- Russia's Sberbank**

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**Italy, France, Spain and other European countries.**

North  
America

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**American Finance House-Lariba- 1987**

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**Citibank**

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**HSBC**

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**Devon Bank, Chicago**

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**Islamic Co-operative Housing Corp Ltd Toronto**

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**Ameen Housing Co-operative, San Francisco**

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**Guidance Residential, USA**

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**University Islamic Financial, USA**

## South East Asia

- **Philippine Amanah Bank.**
- **Bank Muamalat Indonesia 1992.**
- **Islamic Bank of Thailand-2002**
- **DBS Bank Ltd Singapore- 2007**  
**First IB in Singapore.**
- **Islamic bank of Brunei: 1993**

# Australia

Muslim Community Cooperative Australia 1989.

Iskan Finance

**2000**

**1989**

**2001**

Muslim Community Credit Union 2000. Insolvent in 2002.



## Islamic products and services offered by 400+ Financial Institutions around the world

