

Ignored Aspects of Islamic Banking and Finance

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Abstract

Purpose: In the past several decades of Islamic banking and finance (IBF) activity in many countries, notable literature on this topic has been produced all over the world. By analyzing this IBF literature, this study investigates and highlights some ignored aspects of IBF activities.

Methodology: Academic IBF literature includes defending the plausibility of IBF as a part of Islamic economics; theoretical analysis regarding some advantages of IBF compared with conventional systems, suggesting some methods for performing IBF; and concentration on introducing financial instruments and innovations in Islamic financial markets. After reviewing them, they are classified as high ranking journal papers and graduate dissertations that were written on Islamic economics in I.R. Iran during the past three decades. Then they are analyzed via analytical methods and descriptive statistics to investigate the ignored aspects of IBF.

Findings: Through this systemic study of Islamic banking, real and not skeletal adaptation of Islamic contracts, Islamic goals of Islamic economy, Islamic and ethical values, and justice and poverty reduction are some of the more important neglected aspects in IBF activities.

Research Implications: Focusing on these areas in future research could improve the performance of IBF as part of the Islamic economic system and guide IBF activities to the real nature of Islam (Islamicity).

Originality: Besides reviewing and classifying the academic literature on IBF, the study is unique in focusing on the neglected aspects of IBF because it is very important and influential to distinguish IBF from non-IBF activities.

Keywords: Islamic banking, aspects of Islamicity of IBF, ignored aspects of IBF

JEL: G21, G29, G28, P430

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Introduction

The first Islamic investment bank was founded in the 1960s in Egypt and Malaysia to develop financial institutions where their work was based on Islamic principles and an interest-free banking system (Iqbal and Tsubota, 2004, p. 5). More Islamic banks were established in the Middle East in the 1970s such as Dubai Islamic Bank (1974), Kuwait Finance House (1977), Faisal Islamic Bank of Sudan (1977), and Bahrain Islamic Bank (1979) (Mousavian et al., 1388, p. 60).

At the international level, Islamic banking institutions such as Darul-Mal-Islami (1971) and al-Baraka (1982) were founded and this international Islamic banking system has established branches offering Islamic banking services in countries of Asia, Europe and Africa. The Islamic Republic of Iran and Pakistan in 1984 and 1985 changed their banking systems and have implemented interest-free banking.

Statistical reports (Table 1) show that, despite the global crisis, Islamic financial assets grew at a rate of 8.85% and increased from \$822 billion in 2009 to \$895 billion in 2010. In this regard, the volume of Islamic bank assets with a growth rate of 18.56 percent reached from \$983 billion in 2011 to \$1,166 billion in 2012. Average growth rate of the assets of Islamic banks since 2006 has been 19 percent.

The number of Islamic banking institutions was 614 in 2008 and 655 in 2010 (Divanna, 2012). In 2012, the average number of registered Islamic financial institutions was 716, of which 511 were completely Islamic institutes and 205 institutes were formed by a combination of Islamic laws and conventional banking systems. This year, 72 percent of Islamic financial institutions are favored with asset growth.

The success of Islamic financial institutions is to the degree that in 2010, China, France, Luxembourg, Australia, Sri Lanka and Mauritania have inclined toward the development of regional Islamic financial markets (Caplen and Divanna, 2010). Annual increases in the number of Islamic banks are a good point for the development of the Islamic banking system in the world.

Table 1 | Islamic banks assets grow

Year	Total assets	Asset growth rate
2007	\$500,481.9	---
2008	\$639,076.9	27.69%
2009	\$822,235.1	28.64%
2010	\$894,822.7	8.85%
2011	\$983,613.0	9.92%
2012	\$1,166,255.6	18.56%

Source: www.thebankerdatabase.com/Marisstrategies.

After the establishment of Islamic banks in some Muslim countries, especially when the banks widely emerged in the cycle of economic activity, extensive studies were performed that primarily focused on creating the capabilities of conventional banking within interest-free banking. Thus, Muslim economists have attempted to simulate all services offered by the conventional interest-based banking system for interest-free banking. So finding a proper framework for offering all types of credits and banking services such as purchasing cards and credit cards based on Sharia were considered by Muslim scholars and economists.

In this phase, the activists engaged in banking encountered some objective problems in practice. These included competing with conventional banks, high monitoring costs due to asymmetric information, lack of adequate tools for risk management and liquidity and lack of proper tools for the creation of interbank markets. On one hand, studies were conducted to develop appropriate tools in Islamic banking. On the other hand, Islamic banks showed a tendency for using non-collaborative agreements with fixed rates of return. However, it appears that Islamic banking is moving toward compliance with the conventional banking system and performing all the common banking services. The main point ignored here is that the Islamic banking is one of the components of the Islamic economic system. Therefore, its orientation and development must be adjusted in accordance with the development of the Islamic economic system. Lack of proper attention to this issue has led to financial studies and Islamic banking being dominated by minimal legal frameworks of Sharia and to other aspects of the Islamic economy being ignored. This dominance is such that the whole of Muslim economic studies are dominated by conventional finance and banking studies.

To illustrate the ignored aspects of IBF, this study first reviews IBF studies and categorizes the related literature. Then based on information found in the related journals and dissertations written in the field of Islamic economics, the dominance of IBF studies over other aspects of Islamic economics is shown. Furthermore, it is revealed that the field of finance and banking studies, mainly influenced by the jurisprudential and legal approach, was to simulate conventional banking services. Little attention has been placed on the other aspects, in particular those concerned with the impact of the IBF performance on achievement of the goals of the Islamic economic system. The next sections focus on investigation of the ignored aspects of IBF. At the end, the study conclusion is presented.

| Review of Islamic Banking and Finance Studies

Five to six decades of debate in theoretical discussions of Muslim scholars on Islamic banking have passed. During these years, Islamic banking has grown significantly both in the theory and practice. These studies were conducted for several purposes discussed in the next sections.

Showing that interest-free banking is reasonable

The idea of interest in conventional economics is very influential and dominant. Its presence in all economic activities, especially in finance and banking, has been considered so natural and necessary that thinking about interest-free IBF seemed strange. Naturalness and necessity of interest is such a strong idea that some Muslim scholars have been looking for ways to justify the existence of interest in the banking system and the nature of this interest has been understood as different from prohibited interest (usury). For example, some of them have not taken bank interest as a pre-determined gain due to constant price changes. In addition, they count the interest gain of money as capital, not as a medium of exchange; therefore, bank interest is considered different from prohibited interest (usury) (Ghaninejad, 1375 A.H.S.). Some others know usury as a very high interest rate and so interest rates that are usually mild and low rates are not subjected to the prohibition (Abd-ul-Hadi, 1985; Kashani, 1376 A.H.S.). Some have also assigned usury to the interest of consumer loans. Therefore, bank interest is permitted in non-consumption activities (Rashid, R., 1406 A.H.; Shaltout, 1395 A.H.; Zarqa', 1388 A.H.; Bojnourdi, 1377 A.H.S.; Sanei, 1383 A.H.S.). So part of the intellectuals' efforts have been devoted to theoretically defending the interest-free banking. It was attempted to show that taking IBF as a component of Islamic economics is quite reasonable.

Responding to claims of inefficiency of interest-free banking system

Interest in the economic system, especially in today's systems, is considered both natural and essential to encourage people to save and invest. The idea of an interest-free banking and financial system is seen as unrealistic and inefficient. So a part of the IBF field is dedicated to addressing the alleged inefficiency. Muslim scholars have tried to argue that an interest-free system is not inefficient. As an example, Nadeem Ul Haque and Abbas Mirakhor in their paper entitled *Saving Behavior in an Economy without Fixed Interest* sought to show that absence of a pre-determined fixed interest rate does not lead to a decrease in the level of savings. The authors provided a theoretical model to show that structural changes of the Islamic financial system will increase the rate of return on financial assets. In this situation, despite the lack of a predetermined fixed interest rate, savings will not fall (Nadeem Ul Haque and Abbas Mirakhor 1987a, p. 125–140). The same authors in another study examined the effect of deleting a predetermined fixed interest rate on investments. Since they assumed that an interest-free banking system increases the costs of monitoring and thus reduces the supply of loans and decreases the investments, the authors believe that the Islamic legal framework governing contracts, in addition to the values governing the behaviors in an Islamic system, will hinder reducing investments (Nadeem Ul Haque and Abbas Mirakhor, 1987b, p. 141–162). Waqar Masood Khan explored this issue in the context of contract theory. He believes that although the information asymmetry increases the costs of monitoring, the values governing the behaviors and Islamic institutional and legal frameworks such as honesty, integrity and fulfilling the promise prevent the increase in costs of monitoring and the declining of investments (Waqar Masood Khan, 1987, p. 75–106).

Theoretical defense of superiority of non-interest banking

Overcoming the claims of inefficiency of interest-free banking, Muslim economists and Muslim scholars have tried to emphasize its advantages. In these studies, Muslim scholars have attempted to show via theoretical models and analyses that economic activity, particularly interest-free financing, through risk sharing between capital owners and the people who are actually involved in the investment, leads to an increase in investments and thereby contributes to economic growth. As an example, Muhsin Khan examined the collaborative cooperative system as an Islamic financial framework and showed that the Islamic banking system, in comparison with interest-based banking, is more resistant, stable and accommodatingly adaptive against economic, financial and banking shocks that can lead to a banking crisis (Khan, 1987, p. 15–36). The stability and efficiency of interest-free banking against conventional banking was also examined by Eivazlou and Meisamy. These authors suggested that Islamic banking, with its main feature defined within its relationship with the real sector of the economy, is more stable and efficient than interest-based banking (Eivazlou and Meisamy, 2008). In another paper, Sohaili studied the efficiency of interest-based and non-interest-based banking in mobilization and allocation of resources. Based on a descriptive-analytical method, he showed that interest-free banking is more efficient in mobilization and allocation of resources than interest-based banking (Sohaili, 2008–2009).

Providing models and practical patterns of Islamic banking

Another part of IBF is dedicated to providing practical models. Suppose economic activities are going to finance in the Islamic framework, or the banking activity as a whole is going to perform without interest: what mechanisms are needed? In such a bank, how should relations between individuals and banks in mobilizing resources be regulated, and also relations between banks and applicants in allocation of funds? In this step, initial interest-free Islamic banking models were provided and used in small sizes in some parts of the world and Islamic banking was born in practice.

Preliminary studies for providing a practical non-interest banking model were based on the Mudaraba contract (Ahmad, 1374 A.H.S., p. 292). This is a controversial topic among Islamic sects. Mudaraba is not exclusive to commercial finance activity devoted to trade in some Sunni sects and can also be used in manufacturing, industrial and agricultural activities. Banks supply the capital independently or on behalf of the depositors and share the activities' profits according to its portion, which is determined in the Mudaraba contract. This may lead to losses for capital owners but the capital can be insured under investment contracts and the cost is agreed upon mutually (Abu Zeid, 1981, p. 23–24).

In the late 1960s, a more comprehensive model of interest-free banking based on Mudaraba was presented by authors such as Abdullah Arabi, Nejatollaha Siddiqi and Muhammad Baqir al-Sadr. Banks as financial mediators manage the flow of people's savings based on the Mudaraba contract and thereby perform the allocation of resources. There are some differences among the models presented by the three above-mentioned thinkers but all these plans are identical in general (Ahmed, 295 and 297; Abu Zaid, 62; Sadr, 1401; A.H, 25–30). Although some models establish interest-free banking based on the Gharz-al-hassan contract, in practice such plans were very poor in mobilization of resources. They were unable to support extensive banking operations and did not work exclusively in the form of Gharz-al-hassan funds. Some models also tried to base interest-free banking solely on the partnership agreement but this model was not widely welcomed because it was unable to cover all social needs and banking services. Today in many Islamic countries and some non-Islamic countries, Islamic banking works using various contracts for the mobilization and allocation of resources. In the Islamic Republic of Iran, deposits are taken by loan Gharz-al-hassan and/or on behalf of the depositors. Banking facilities are given to applicants based on loan Gharz-al-hassan, Mudaraba, Mzarh, Msaqat, Jalh, installment sales, lease options/rent to own, future trading/Salaf and legal and civil partnership (Interest-Free Banking Operations Act of I.R. Iran).

Finding Sharia-based models for expansion of services

After developing practical patterns for interest-free banking and establishment of Islamic banks in various countries, finance and banking studies gradually focused on examination of related issues and problems. This included finding plans based on Sharia for providing extensive conventional banking services such as debit/credit cards and credit on current accounts within the interest-free banking system. At this stage, some studies have considered the problems of banks without interest. This part of the study has been expanded so that it takes in almost all IBF studies, especially in countries where all or a large part of the banking system offer services in Islamic modes. The tendency to provide comprehensive banking services similar to conventional banks has resulted in extensive jurisprudential and legal studies. Besides, Islamic banks competing with conventional banks have encouraged them to see a risk-free legal framework as possible. In one hand, this resulted in the dominance of jurisprudential and legal attitudes in IBF. On the other hand, it actually led to the predomination of efficiency over the values of Islamic economic system. To clarify these issues, the status of IBF studies will be reviewed in the next section.

| Status of Islamic banking and finance studies in Iran

IBF is an important part of the discussion and research on Islamic economics. Initially it was born and developed in the field of Islamic economics. But its practicality, having a close relationship with peoples' lives, means its nature as business and the expansion of Islamic banks all over

the world can be considered as reasons for more growth in IBF studies than in other areas of the Islamic economics. This predomination is such that Islamic economics is known as IBF.

To provide a clearer picture as a case study, high ranking journals' papers and graduate dissertations of I.R. Iran in the field of Islamic economics were examined. Nearly half (50 percent) of all papers related to the field of Islamic economics published in the past 10 years were written about IBF. From the remaining half, 6% were dedicated to the philosophy of Islamic economics, 5% to the Islamic economic system, 15% to the role of government in Islamic economics, 11% to development and Islamic economics and 13% to principles of Islamic economics. It reflects the domination of finance and banking over other fields of Islamic economic studies as previously mentioned. But if one analyzes the articles published in the field of finance and banking themselves, considerable points emerge. Approximately 49% of the papers in this field cover general issues of Islamic banking. About 48% of the papers are devoted to topics related to banking management tools. About 3% of papers included other subjects such as ethics and banking, justice and poverty alleviation in Islamic banking, and the philosophy of banking.

Dissertations written in I.R. Iran after the Islamic Revolution also reflect this situation. Considering the dissertations since the Islamic Revolution that have addressed Islamic economics issues one can see that a great deal of research has been carried out in the fields of IBF. This consideration shows that the contributions of the IBF dissertations are far more than in other areas. About 45% of theses are written in this field, while issues related to the principles of Islamic economics included only about 37% of the subject areas. Other dissertations were dedicated to general Islamic economics, the government's role in Islamic economics, Islamic economic system, development and progress of Islamic economics, and a few of the dissertations were devoted to the philosophy of Islamic economics. Analysis of dissertations written in the field of IBF themselves indicates that just like papers, instrumental and banking management issues were weighted so that nearly 60 % of related dissertations were in this area of study. About 40% of the dissertations were dedicated to general and theoretical discussions of Islamic banking and about 1% investigated the relationship between Islamic banking, justice and poverty alleviation.

Predomination of jurisprudential and legal approach

Regardless of general and theoretical studies, IBF studies in I.R. Iran have focused primarily on issues related to banking management. It seems fairly natural because after the establishment of the Islamic banking system, management issues would be relevant and important. A significant part of management studies has been allocated to finding mechanisms conforming to Sharia in banking management. The mechanisms that can offer almost all the services are present in conventional banks within the legal frameworks complying with Sharia.

Indeed, Islamic banking should be able to provide needed services to customers based on Islamic contracts. So studies in this area are absolutely necessary. Definitely one of the requirements for Islamic banking activities is compliance with the Sharia jurisprudential frameworks. But if one considers this condition as necessary and sufficient, it will lead to the dominance of jurisprudential and legal approaches that will result in the loss of some of the goals of the Islamic economic system. Islamic banks should have convincing and efficient performance to satisfy the economic needs of economic agents and also have such performance consistent with the values of the Islamic economic system. Both in IBF studies and the performance of Islamic banks, the first part has dominated the second part. This predominance has led to criticisms by some commentators that are addressed in the following sections.

Ignored aspects of Islamic banking and finance

a) Philosophy of Banking

Discussions and studies on Islamic banking have focused on generalities, management tools and technical analysis to provide adequate information for banking management as a profession and business. There have been very few studies on the philosophy of banking. This is a type of philosophy of phenomenon, not a type of philosophy of knowledge. In these studies, the phenomenon of a banking system that has been realized in the outside world is studied in philosophical terms. It is the views and philosophical theories about the origin of the phenomenon that are discussed. Since the bank is an institution and a social phenomenon, theories that explain it in philosophical terms deal with ontological and anthropological foundations, cultural and social values and intellectual, cultural, social, political and legal changes that have led to the emergence of phenomena. From this point of view, its social meaning and its relation to human life become clear. These studies by researchers in Islamic economics help in adequately understanding the banking system. Therefore, it has a considerable impact on achievement of the right patterns of IBF. From this perspective, researchers in Islamic economics need to examine whether principles and social values implicit in conventional banking would provide the opportunity for taking advantage of such an institution in Islamic economic system, or whether the Islamic economic system should pursue other institutional mechanisms to ensure its economic needs. This approach has not been considered in Islamic banking studies.

b) Systemic study of Islamic banking

There is no doubt that IBF is part of the Islamic economic system. The economic system is a set of resources, participants and institutions and the relationships between system components are organized in a way so that the economic system can achieve certain goals. Social institutions determine the framework of economic behavior, but the determination of these frameworks is deeply connected with the goals of the economic system. One of the major institutions is

financial mediators among which the most important are banks. Although any of the subsystems under the economic system have had certain specified purposes, these goals cannot be inconsistent with the overall objectives of the economic system. So the purposes of subsystems such as financial and banking systems should be aligned and consistent with the goals of the economic system. No one can deny the importance of such studies. Unfortunately, few studies have been conducted to show the position of Islamic banking in the whole economic system of Islam. What are the roles and functions of banks in the financial system of Islam? Are the roles, positions and functions of the banking system in the Islamic economic system exactly the same as roles, positions and functions of the banking system in the capitalist system? What are the similarities and differences? These studies are of great importance for countries like I.R. Iran where on one hand the country's economic system is set based on Islamic doctrines, and on the other hand the banking system, in general, has changed to interest-free banking.

c) Goals of the Islamic economic system

Definitely, the Islamic economic system has targeted fulfillment and strengthening Islamic values, achievement of socio-economic justice, economic growth, development and social welfare. Financial institutions undoubtedly can help in economic growth and welfare creation. For this reason, some researchers have attempted to show that interest-free banking does not lead to a decrease in growth. But what is ignored in this question is whether the economic growth and other goals in the Islamic economic system such as socioeconomic justice and strengthening Islamic values are equally important. If in some cases there was a conflict between the goals of the Islamic economic system, how should we measure their importance? By what criteria should some goals be prioritized over others or in some situations can be disregarded? Another point almost ignored in the whole of Islamic economic studies is the concept of welfare and social welfare. Is welfare and social welfare in the Islamic economic system the same concept as in mainstream economics?

Islamic values are manifested in Islamic commands and ethics. As previously noted, the Islamic banks have made great efforts to adapt the Islamic commands on contracts and Islamic scholars have also worked in this field. But moral values such as honesty, integrity, care, kindness and charity, respect and human dignity must be considered in all banking activities and relationships. Achievement of socioeconomic justice is one of the major goals of the Islamic economic system that should be placed at the forefront of Islamic banking activities. Achievement of socioeconomic justice requires equal opportunities for all citizens in accessing the banking sources and acceptable efforts to improve the situation of the poor. The next section examines strengthening Islamic values and achieving socioeconomic justice in the banking system and Islamic banking studies.

Real and not skeletal adaptation of Islamic contracts

Sometimes it is assumed that Sharia compliance frameworks and the use of Sharia contracts ensure the realization of Islamic values and ethics as well. God has placed human's salvation and happiness within Sharia frameworks and strengthening Islamic values are reflected in Islamic commands and ethics. There is no doubt that Islamic banks finance only projects that have been authorized by the Sharia and projects that are not permitted by Sharia are definitely excluded. Other Islamic banking studies have been dedicated to the mechanisms of adaptation of Sharia to banking activities. However, if the Islamic and moral values are not to be considered independently, the dominance of practical concerns related to efficiency on one hand and competing with conventional banks on the other marginalize the concern for strengthening Islamic values. In such circumstances, the law and jurisprudence may be at the service of efficiency concerns and despite using legal solutions Islamic contracts devoid of its real nature and Islamic esprit, they indeed become skeletal. Thus, the body of contracts in Islamic banks will lose its spiritual and moral soul.

Some scholars believe that the current situation of Islamic banking does not reflect the consolidation of Sharia values but shows the continued expansion of legal devices and evasion in Islamic commercial activities. This statement finds evidence in the overwhelming prevalence of profit mark-up (*murabaha, salam, 'ina, . . .*) and leasing (*ijara*) instruments over profit-loss-sharing (PLS) financial products (*mudaraba and musharaka*) in the investments strategy of Islamic financial institutions. Even if censured by Islamic scholarship for the dissimulation of interest, fixed return techniques of financing continue to represent the main Islamic finance operative mode (Siddiqui, 2002, p. 11–24).

The amount financed by ten large Islamic banks during 2004–2006 through Murabahah was about 54.42%, and use of this financial method by these banks during the years 1994–1996 was about 65.66% on average (Mushref Javadi and Ghoochi Fard, 1388 A.H.S., quoting Ahmad Khan et al.). According to statistics provided by the Islamic Finance Information Service and Islamic Development Bank, among the various financing modes, Murabahah contracts accounted for the largest share on average, from 38% in 2008 increased to 45% in 2011. The Murabahah contract, with a growth rate of 67% during the period under review, was recognized as the leading mode of financing between Islamic banks.

No doubt that like other Islamic contracts, Murabahah has been authorized by Sharia. For this reason, some experts believe that too much emphasis on Mosharakah contracts in the first generation of Islamic economic studies was not acceptable. This is because the Islamic Sharia realistically determines the scope of legal and authorized contracts beyond the Mosharakah contracts so that exchange contracts (profit mark-up contracts such as Morabaha) are included as well (Chapra, 2009, p. 273). However, what is required to be considered by experts in Islamic banking to achieve an appropriate mix of Mosharakah and exchange contracts in Islamic banks is carrying out some studies proposing a number of methods to achieve the optimal combination according

to criteria such as convenience, efficiency and consistency with the goals of the Islamic economic system. Moreover, some variable factors such as the particular circumstances of each country and each bank need to be considered in decision making.

The competition of Islamic banks with conventional banks in countries with dual systems and in the international arena was considered as a reason for the spread of swapping contracts by Chapra (*ibid.*, p. 261), which can partly explain the tendency of Islamic banks to swapping contracts. Nevertheless it makes clear that efficiency concerns may sometimes dominate over the consistency of Islamic banks with the goals of Islamic economic system. This not only encourages Islamic bankers towards greater usage of exchange contracts but also using the several implicit terms on the contract takes exchange contracts away from their true nature and Islamic esprit and makes them skeletal. This is the point that has been noted and criticized by some commentators (Younis Almesri, 2006, p. 392–393; Siddiqui, 2003, p. 281–282). This bears Islamic banking professionals a new responsibilities: undertaking new studies in Islamic banking to diagnose the successful adaptation of Islamic contracts in Islamic banks; and giving partially clear instructions on the distinction between true and skeletal adaptation of contracts.

Strengthening (stabilization) moral values

Moral values such as courtesy, honesty, secrecy and integrity, faithfulness and loyalty, impartiality and fairness, care, kindness and charity, respect and human dignity must emerge in all banking activities and relationships of Islamic banks. Is the performance of Islamic banks the embodiment of these values? Are the relationships between banks and customers (including depositors and recipients of banking services) set based on moral values? Especially in cases where Islamic banks operate on a national level, and in some cases work as state banks, this issue becomes more important. Unfortunately, no serious and comprehensive study of this has been conducted by scholars of Islamic banking and economics.

The main issue is whether Islamic banks consider moral values in the allocation of resources. Certainly some of the resources of Islamic banks are assigned to charities such as providing educational facilities, marriage, and healthcare and so on. In R.I. Iran as an example, many of these issues are financed by providing Gharz-al-hassan loans. However, lack of appropriate and sufficient consideration for the moral values has caused some criticisms about how the banks use deposits. When a person is deposited in a Gharz-Alhassane account, he/she has ignored the interests of the invested deposits for the reasons such as heavenly reward of donating to charity. But what proportion of Gharz Alhassane deposits will be spent on providing Gharz Alhassane facilities? Presenting some reports of Iran's performance in the banking system would clarify the situation. Statistical reports of the Central Bank of I.R. Iran in the past five years show only about 30% to 50% of Gharz ah-hassan deposits were spent on Gharz ah-hassan facilities. Considering that the reserve requirements rate (about 20%) reduces the gap, the problem still remains.

Achievement of socio-economic justice

Justice is one of the main goals of the Islamic economic system and has always been stressed in Islamic doctrines. Definitely, achievement of socioeconomic justice is beyond the functions of the banking system and various social, economic, legal and political institutions play roles in achieving this goal. However, the contribution of the banking system as a key institution is also regarded as very crucial. In particular, one expects that the banking system fairly adjusts the interactions between customers (including depositors and recipients of banking services) and the bank and provides equal and fair opportunities for all citizens of society to access banking resources. In its concerns for the improvement of the poor's standard of living, the banking system devotes a great deal of effort.

Naturally, the role of experts and professionals in economics and Islamic banking is extremely important. To fulfill the essential requirements for realization of socioeconomic justice, conducting extensive research and studies seems necessary. Unfortunately, IBF studies in this area are very poor. In practice, there is very little experience in microcredits such as the experience of Grameen Bank. Does setting out the rules and regulations by Islamic bankers provide equal access to banking resources for all individuals? How can it be possible to propose solutions and to simulate innovations in the financial sector that can be helpful in providing equal and fair opportunity to all individuals? In countries like the I.R. Iran, where all banks are engaged in the Islamic system, this issue is of great importance. In situations where all individuals have not had equal opportunities for using banking services, allocation of bank resources can provide some advantages for a certain group of people. However, this would cause financial corruption in the banking system and the distribution of income in society would be extremely unfair.

| Conclusion

During the last five to six decades of Islamic banking debate among Muslim scholars, IBF has grown significantly both in theory and practice. Despite notable progress in IBF, some aspects were neglected. The main ignored aspects of IBF are:

- Philosophical examination of bank phenomena to find the suitable position of banks in the Islamic economic system;
- Systematic study of Islamic banking;
- Real and not skeletal adaptation of Islamic contracts;
- Strengthening moral values in all activities and relationships between individuals and banks;
- Achievement of socioeconomic justice via fairly interactions between customers and banks;
- Equal and fair opportunities for all citizens of society to access to banking resources; and
- Concerns and efforts for the improvement of the poor's standard of living.

These aspects require more attention by scholars in their future studies and more bankers' efforts and practical actions in their activities, rules, regulations and arrangements.

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