

Proponents and Opponents of Islamic Banking: An Overview of the Stances adopted in the Articles published in HEC Approved Research Journals

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Abstract

Islamic banking is a financial system that adheres to the principles of Sharia law, which prohibits the charging of interest. Scholars have differing perspectives on Islamic banking, with some arguing that it is a more ethical and sustainable form of banking, while others contend that it is not truly interest-free or transparent. This paper critically examines the perspectives of various scholars on Islamic banking as presented in HEC recognized journals. First school of thought, represented by Dr. Fazlurrehman, distinguishes between riba and commercial interest. They do not consider commercial interest to be riba, and therefore believe that conventional banking is not in conflict with Islamic teachings. A second school of thought, represented by Mufti Taqi Usmani, Prof. Khurshid Ahmed, and others, advocates for the Islamization of the conventional banking system. They believe that banks can be modified in accordance with Islamic teachings to create a more ethical and interest free financial system. On the other hand, Mufti Rashid Ahmed and Mufti Dr.

Abdul Wahid, views Islamic banking as a positive development for Muslims, but does not believe that the current Islamic banking system is fully based on Islamic law. They have proposed suggestions for how the system can be made more acceptable.

A third school of thought, represented by Dr Muhammad Zahid Siddique Mughal and others, completely rejects Islamic banking. They argue that there is no real difference between conventional and Islamic banking. There are many reasons why scholars have different opinions about Islamic banking. One reason is that there are different arguments presented in Islamic law about the prohibition of interest. Another reason is that there are different methods of Islamic banking and scholars have different opinions about these methods. These opinions vary depending on social, and economic factors. However, there is no doubt that it is a growing field, with Islamic banks operating in over 75 countries around the world.

Keywords: Islamic Banking, proponents, opponents, Articles, HEC Approved Research Journals

Introduction

In the modern world, Muslims are confronted with a diverse range of issues, of which economic and financial concerns are among the most significant. Since the first day, mankind has struggled a lot to improve its economic life, in which financial and economic systems are very important. So, it is essential to establish a relationship with the bank, this is the reason why the involvement of the bank has increased so much in our lives that it is not easy to ignore it. Undoubtedly, the entire system of traditional banks is based on interest. The reason is that the scholars declared the system of traditional banks as against Sharia, interest nurtures selfishness, narrow-mindedness, bad morals in a person and is a big reason for the exploitation of poor people. This is the reason why strict words about usury are prohibited in the Qur'an and Hadith. Allah says:

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا¹

Although God has made trading lawful and usury forbidden.

Allah says more about Riba.

فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ² وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ²

So if you do not do it, then you are asking for war from Allah and His Messenger SAW. The usurious banking system has spread in the world in such a way that anyone who wants to participate in economic activities has no other option than these usurious institutions. Introduced a system in which there is no element of interest, this system is known as Islamic banking or interest-free banking or interest-free banking.

The history of Islamic banking system in Pakistan is as old as the history of Pakistan. Quaid-e-Azam Muhammad Ali Jinnah and Allama Iqbal were discussing the subject in their correspondence of 1936 and 1937 on the economic system of the new state of "Pakistan". On the order of the Quaid-e-Azam, the All-India Muslim League formed a committee of experts in the years 1941 to 1944. The responsibility of this committee, which included scholars along with economists, was to shape education, economy, society and politics according to Islam for the independent Muslim state to be established in the future.³

The Islamic banking system was started in Egypt in 1963 in the form of the establishment of Islamic Bank by Mit Ghamr. Earlier, some efforts and experiments in this regard had also been done in the Muslim state of Hyderabad in South India. After this experiment of Hyderabad Deccan, in 1950, 1951, a similar attempt was made in Pakistan as well. In which Sheikh Ahmed Rashad played a key role. In 1969, an organization named Tabung Haji "Pilgrims Management Fund and Board" was established in Malaysia to provide financial facilities to pilgrims. In 1971, the Egyptian Ministry of Finance established a bank named Nasser Social Bank. It was a formal government bank that came into being from government resources. After that, Islamic Development Bank was established in 1975 with the efforts of Prince Muhammad Al-Faisal. Dubai Islamic Bank was established in 1975. After Dubai Islamic Bank, the institution which played a significant role in this field came into existence in 1977 under the name of Kuwait Finance House. In 1975, the Islamic Development Bank was established in Jeddah, Saudi Arabia and in 1977 the International Union of Islamic Banks was established in Makkah. Islamic banking experts have defined the 70s as the decade of establishment of Islamic banking.⁴ Renowned economist Dr. Mahmood Ahmed Ghazi says:

We can say that the decade of 70s is the decade of Islamic banking. In this decade, many Islamic banks came into existence in Dubai, Sudan, Egypt, Kuwait, and Bahrain. Certain privileges were also given to these banks in these countries. In some countries these banks have been exempted from certain laws as per rules and regulations.⁵

In the 1970s, the term interest-free banking or interest-free banking was used to describe an alternative system to the traditional usurious system, but Islamic banking is a more appropriate and general term for it, which not only requires the avoidance of usurious transactions but also avoidance of fraud and other unethical practices is also important. There is no doubt that the current banking system is an integral part of our society and is the backbone of any country's economy in the current situation, but most of its cases are illegal. The principles of acquisition and acquisition, the principles and rules and regulations of spending are forbidden.

Islamic banking is a financial system that operates according to Islamic principles. This system is based on the sanctity of interest and instead on the concepts of return on loans and return on investment. Scholars have different opinions about Islamic banking. Some scholars consider it according to Islamic principles. While the opinion of some scholars is that it is against Islamic principles. Proponents of Islamic banking argue that this system fulfils the sanctity of usury, an important principle in Islamic Shari'a. They say this system can help promote economic growth and reduce poverty.

Opponents of Islamic banking say that this system does not fulfil the sanctity of interest. They say that this system benefits the capitalists and harms the poor. There are several reasons why scholars have different opinions about Islamic banking. One reason is that various arguments have been presented regarding the sanctity of usury in Islamic Shari'ah. The second reason is that there are different methods of Islamic banking and the opinions of scholars about these methods are different. Islamic banking is a topic that continues to be debated. However, it is clear that Islamic banking is an important topic and the opinions of the scholars about it differ and their opinions change according to religious, social and economic aspects. This paper will examine the views of proponents and opponents on Islamic banking in the context of articles written in HEC approved research journals.

Introduction of Articles

Proponents' Thoughts on Islamic Banking

1. Academic and Research Review of Sudi System and Islamic Banking.

The paper was published in Journal Al Qalam, June 2018. The page number of this paper is 429 to 448. The author of the paper is: Khalil ur Rehman Javed, PhD Scholar, Department of Asuluddin, University of Karachi.⁶

2. Intellectual Dialogue on Islamic Banking

Dr. Muhammad Ijaz, Associate Professor, Sheikh Zayed Islamic Center, University of The Punjab, Lahore, Pakistan. The paper was published in Journal Qalam, June 2010. The page number of this paper is 1 to 15.⁷

3. The Shari'ah Compliance of Non-interest Banking and Contemporary.

Dr. Hafiz Abdul Basit Khan, Associate Professor, Shaikh Zayed Islamic Centre, University of The Punjab, Lahore, Pakistan. The paper was published in Al-Qalam, Volume 27, Issue No. 2, in December 2022. The page number of this paper is 224 to 245.⁸

4. Islamic Banking: Philosophy and Practice

Dr. Hafiz Rao Farhan Ali, Lecturer, Department of Islamic Studies, NUML Islamabad.

Dr. Muhammad Zulqarnain, Ex Principal, Ghazali Education System Wah Cantt.

The paper was published in Al-Manhil, Volume I, Issue No. 2, in December 2021. The page number of this paper is 1 to 15.⁹

Opinions of Opponents on Islamic Banking

1. Islamic Banking: Wrong Answer to Wrong Question (1).

Dr Zahid Siddique Mughal, Assistant Professor National University of Science and Technology. The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 1, January 2010. The page number of this paper is 30 to 40. The writer has written three papers on this topic.¹⁰

2. Islamic Banking: Wrong Answer to the Wrong Question (2).

The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 2, in February 2010. The page number of this paper is 29 to 40.¹¹

3. Islamic Banking: Wrong Answer to the Wrong Question (3).

The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 3, March 2010. The page number of this paper is 31 to 44.¹²

4. Islamic Banking: Perspective Discussion

Dr Zahid Siddique Mughal, Assistant Professor National University of Science and Technology. The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 6, June 2010. The page number of this paper is 44 to 47. The writer has written three papers on this topic.¹³

5. Islamic Banking: Perspective Discussion (1).

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 8, August 2010. The page number of this paper is 40 to 52.¹⁴

6. Islamic Banking: Perspective Discussion (2).

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 9, September 2010. The page number of this paper is 37 to 51.¹⁵

7. A Critical Review of Interest Free Banking (1)

The problem of debate and point of view

Maulana Mufti Muhammad Zahid, Sheikh Al Hadith Jamia Islamia Imdadiya Faisalabad.

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 5, May 2010. The page number of this paper is 30 to 39. The writer has written three papers on this topic.¹⁶

8. A Critical Review of Interest Free Banking (2)

The problem of debate and point of view

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 6, June 2010. The page number of this paper is 30 to 43.¹⁷

9. A Critical Review of Interest Free Banking (3)

The problem of debate and point of view

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 7, July 2010. The page number of this paper is 36 to 47.¹⁸

Comprehensive Analytical Study of These Articles:

Proponents' Thoughts on Islamic Banking

I. Academic and Research Review of Sudi System and Islamic Banking

The paper was published in Al-Qalam, June 2018. The page number of this paper is 429 to 448. The author of the paper is: Khalilur Rehman Javed, PhD Scholar, Department of Asuluddin, University of Karachi. In this paper, the writer has explained about the usury system in Islamic banking. At the beginning of the paper, Quranic verses and Hadiths about the sanctity of

usury are described (page no. 429-444). In the light of Quranic verses and Hadiths, the Islamic unemployment system is explained and Islamic banking models are described.

Mudarabah is a form of partnership in which one partner provides capital to the other to invest in the business. In jurisprudence, the term Mudarabah is used as a synonym for loan and Muqaraza. Musharakah is an Arabic word which literally means to participate (partner) in business and commerce, it refers to a joint venture in which all partners share in the profit or loss of the joint venture. It plays a very important role in the Islamic economy. In the usurious system, the amount to be returned in excess of the loan is determined in advance. While the rate of refund in Musharka is not fixed in advance.

Murabahah is actually a type of sale in which the seller, while selling his item to another, tells how much he got this item and how much profit he is taking on it. The Shariah meaning of Salam is to undertake the responsibility of selling something whose attributes have been described. Istisna is a contract by which a person makes the thing he wants from someone, such as making furniture to order from a craftsman. If the manufacturer accepts the responsibility of producing the desired item for the buyer, then the contract of Istisna is completed.

Ijara is the Islamic equivalent of leasing. According to Shariah, all such assets which do not end in use can be given on lease, for example, a house, a car or any machinery etc. In other words, Sharia allows leasing of fixed assets with certain conditions. Islamic Bank uses Ijara to supply fixed assets other than cars, machinery and property. Ijara contract, Islamic Bank buys an asset from the market and brings it into its possession and gives this asset to its customer at a fixed rate. Rents under these asset leases are accounted for in such a way that the bank receives both its cost and profit. If he keeps, he can return this asset to the bank. At the end of the paper, success is defined as living according to Islamic teachings.¹⁹

2. Intellectual Dialogue on Islamic Banking

Dr. Muhammad Ijaz, Associate Professor, Sheikh Zayed Islamic Center, University of The Punjab, Lahore – Pakistan. The paper was published in AL-Qalam, June 2010. The page number of this paper is I to 15. In this

paper, the writer has explained the thoughts of three schools of thought about Islamic banking. Islamic scholars in Pakistan can be divided into three schools of thought as far as their opinions on Islamic banking are concerned. Those representing Dr. Fazlur Rehman distinguished between usury and commercial interest. It does not consider commercial interest as *riba*. Therefore, in his opinion, traditional banking, which generally earns commercial interest, is not against the teachings of Islam and does not need to be Islamicized.

The second school of thought represented by Mufti Taqi Usmani, Prof. Khurshid Ahmad and others are concerned with Islamicizing the traditional banking system. Banking is indispensable for entrepreneurs, traders, manufacturers, importers and exporters. So, they want to strengthen Islamic banking. They believe that a bank is an institution that organizes or facilitates financial activities in society. This school of thought believes that we can use the tool of the banking system to our advantage by changing it according to the teachings of Islam. So, they try to advocate Islamic banking which they call interest free banking.

On the other hand, Mufti Rashid Ahmed and Mufti Dr. Abdul Wahid consider Islamic banking as a way for those Muslims who want to get rid of the usurious system of the banking system, but they do not declare the prevailing Islamic banking system as an Islamic system. He has given some suggestions. Scholars and banking experts should correct this system to some extent first, then it is completely acceptable with regard to Islamic banking. The third school of thought negates Islamic banking. They think there is no difference. Between conventional banking and Islamic banking. A bank is an institution that exists to manage finance and capital in support of capitalism. A bank is not a tool to be used to establish an Islamic financial system. But banking is a system that controls capital in the local national market and connects it to the global market. They claim to be Islam Banks but do not actually succeed in abolishing *riba*. If it is assumed that Islamic banks succeed in this, it is zero interest banking rather an interest free banking system is needed. This school of thought denies that it is Islamic and calls it Western knowledge. In this paper, the methods and models of Islamic banking have also been highlighted and the methods of Islamic banks in Pakistan have also been described.²⁰

3. The Shari'ah Compliance of Non-interest Banking and Contemporary

Dr. Hafiz Abdul Basit Khan, Associate Professor, Shaikh Zayed Islamic Centre, University of The Punjab, Lahore, Pakistan. The paper was published in Al-Qalam, Volume 27, Issue No. 2, in December 2022. The page number of this paper is 224 to 245. In this paper, the history and procedures of Islamic banking have been described in detail. Besides, the answers to the objections raised against Islamic banking have also been explained in the light of various books. In this paper, the opinions of the proponents and Islamic system of banking is explained in detail. He also said that many objections are raised against it because the system is not producing the results that were expected from it and still need a lot of fixes.

Islamic Banking is working on the basis of interest free system in Muslim and non-Muslim countries. In Pakistan, Islamic banking has developed a lot and today Islamic banking has a clear place in our banking industry. In the history of Pakistan, during the period of General Zia-ul-Haq, interest-free banking remained a part of the economic system despite serious efforts at the government level. Banking terms were simply renamed. However, in this era, the atmosphere of Islamic banking was created. The methods that are used for Islamic banking in the present era include Musharaka, Musharaka Mutnaqsa, Mudarabah Murabaha, Ijarah, Istisnaa and Bai Salam etc. In Pakistan, Islamic banks are mostly working in Musharaka, Murabaha and Ijarah, although both of these methods are Islamic, but they are not the basis of Islamic banking. Therefore, it is necessary to focus on the development of Musharaka and Mudarabah, which are the main in order to create a complete Islamic mode of financing.²¹

4. Islamic Banking: Philosophy and Practice (Analytical Study)

Dr. Hafiz Rao Farhan Ali, Lecturer, Department of Islamic Studies, NUML Islamabad.

Dr. Muhammad Zulqarnain, Ex Principal, Ghazali Education System Wah Cantt.

The paper was published in Majla Al-Manhil, Volume I, Issue No. 2, in December 2021. The page number of this paper is I to I5. In this paper, the writer has explained the principles of Islamic unemployment. The historical background and importance of Islamic banking has been explained. The

foundations of Islamic banking have been explained in the light of Islamic teachings. This paper explains the difference between Islamic banking and conventional banking and states that the methodology of both is different, conventional banks are based on interest while Islamic banks are interest free. At the end of the paper, it is stated in the conclusions and recommendations that the solution of the economic problems is not possible until the Islamic banking system is in accordance with the philosophy of economics of Islam.

In this article, it is stated that if it is said that Islamic banking is not permissible, then how can we prove our claim that the religion of Islam is a complete code of life for people until the Day of Judgment. The life of Hazrat Muhammad Sal-Allah-u-Alaih-i-Wasalam is a witness that what He Sal-Allah-u-Alaih-i-Wasalam forbade, if it was one of the requirements of religion, then He Sal-Allah-u-Alaih-i-Wasalam also gave an alternative to it (such as usury and trade). Alternatives are unnecessary by offering things that are compatible with the purposes of the Shariah. If Muslim jurists and scholars are unable to provide an alternative to usurious banking today, then this speaks volumes about the perfection of the Muslim religion. Secondly, in the coming years, even more important and new problems will appear. That every day new problems come up. There is a need for scholars to agree and find a solution to this problem in the light of Qur'an and Sunnah, because due to the differences of opinion among scholars, doubts and doubts flourish in the minds and hearts of the people. Another aspect also comes out in this that the jurists have clearly explained the procedure of Islamic banking, now the banks are not sincere in adopting these principles.²²

Review of Proponents' Thoughts on Islamic Banking

Islamic Banking proponents' opinion based on Mufti Taqi Usmani and Prof. Khurshid Ahmed school of thoughts. They believe that banks can be modified in accordance with Islamic teachings. Mufti Rashid Ahmed and Mufti Dr. Abdul Wahid, views Islamic banking as a positive development for Muslims but proposed some suggestions to make the system more acceptable. According to the proponents, State Bank formally has a completely separate department of Islamic banking, which has nothing to do with the Sudi Department. This department came into existence on September 5, 2003. The State Bank issues a separate license to it from commercial banks and for

this purpose a department is formally established in the State Bank which is only related to the affairs of Islamic banks. There is a Shariah Board under which all Islamic banks operating in the country are bound to adhere to these Shariah regulations in all their affairs.

According to the proponents, the tenancy is done under the terms of Ijara, according to which the Islamic bank is the "lessor" and the customer is the "lessee". Under Ijarah, the Islamic bank buys the desired machine or vehicle by itself or through an agent and hires the customer. uses the machine and pays its rent to the Islamic bank. The bank starts taking it from the time when the leased asset is handed over to the customer in a usable condition. In Ijara, since the owner of the asset is the Islamic bank. The Islamic bank also takes responsibility for all matters related to ownership and also sell to a person.

According to the proponents, the rate of interest is made a standard for profit. In this, under a special analogy, they can contract, but they cannot issue a fatwa of prohibition. If two brothers live in a place and one brother is a Muslim and the other is a non-Muslim and both of them have separate businesses, the non-Muslim rears and sells pigs while the Muslim rears and sells goats, the non-Muslim pays one hundred for each pig in his herd. The dollar has been fixed. Seeing this, Muslim brother also wanted to earn as much profit in halal business as he is earning from haram business. As a result of this concern, he also sets the price of one hundred dollars for each goat in his herd, so will the legitimate income of the Muslim brother also become haram because he set the price of his goat to be the same as the price of pigs? Is this compatibility an argument for its prohibition? If all the conditions that are based on Islamic principles are found in Murabaha and these necessary conditions are fulfilled, then simply using the interest rate as a reference for determining the profit will not make the contract invalid and haram. Because the matter itself does not involve interest, the rate of interest has only been used as a reference, so this contract will not be invalid, however, the similarity found in it can be called undesirable.²³

According to the opinions of the proponents, these objections have been made based on the banking of 1981. While now the procedure has completely changed, these conditions have been removed in the current

Islamic banking. It should have an agency agreement is signed by both the client and the bank, whereby the client becomes the bank's attorney for the purchase of the desired goods and that the client's signature on this attorney agreement is required prior to the purchase, if signed after the purchase, this purchase is considered as the client's own personal purchase, the Islamic bank cannot dispute it, then when the client makes an offer to purchase the required goods, when the bank accepts this offer. Then the agreement of Murabaha is complete, it cannot be done without it.

According to the proponents, whether the bank is dealing in Murabaha or Ijarah, as long as the thing remains in the possession and ownership of the bank, then the full risk (guarantee) of it is the responsibility of the Islamic bank, even if the bank appoints someone as a lawyer for the purchase. Even if the property is destroyed without any personal negligence, the Islamic bank is also responsible for it, then how can it be called non-risky?

According to the proposal, the ratio of profit sharing is entered in the form, the depositor and the Islamic bank are bound by it, all the conditions are clearly stated, the parties sign it with mutual consent, even it is explained. Which contract is being made? Ijara, Mudarabat, Partnership or Murabahah etc. If these things are not clear in the contract and the ratio of profit is also left to the discretion of the bank, then this will lead to ignorance in the contract which is forbidden. Rather, the determination of profit distribution ratio has been clarified by Bank Islami itself in its brochures.

The bank is selling to the client something which is not in his possession. According to the proponents, Islamic banks must have made such mistakes in their early stages and perhaps this is the reason why many scholars have been against Islamic banks. While Islamic banks have turned from their mistakes to a large extent. Islamic banks also deposit part of their money in State Bank on interest. According to the opinion of the proponents, one has to keep some part of one's money in the State Bank, even though it is correct, but it is kept on interest, this is wrong. The fact is that every bank is restricted to keep a part of its deposits in the State Bank, but non-interest-bearing banks do not charge a single penny on it, but keep it like ordinary Muslims keep their money in a current account and keeping this deposit is part of the rules of State Bank which cannot be denied and it is a deposit.²⁴

According to the proponents, there are bright prospects for the development of Islamic banking, but many challenges are also facing them, among them are the non-cooperation of different banks, the risk of moral bankruptcy, obstacles in the country's laws, lack of international banking, etc. Many objections have been and are being raised against the Islamic banking system. There is no doubt that there is a need for reforms in this system, so some suggestions and recommendations are also presented to improve the banking system. Changes in the structure of the banking system should be made in such a way that they can conduct trade, leasing and property related matters in accordance with Islamic principles. The supervisory framework for running the banking system under Islamic principles should also be more effective. Bank regulators, government officials and Islamic banking practitioners should be jointly educated and trained on the Islamic system.²⁵

According to the proponents, the objective of starting Islamic banking is to eliminate usury from banking. It is not necessary for all the religious groups to work together in this effort. In the event of the failure of the attempt to eliminate interest from banking, perhaps one more major charge will be added to the accusations of anti-Islamic forces that it is impossible to introduce Islamic methods in the modern economic system while Hazrat Maulana Mufti Muhammad Shafi . It is possible and very easy. What worries people with religious and Islamic sentiments most about Islamic banking is that it only benefits the capitalists and promotes capitalism itself. The problems of the poor are not solved. It is argued that a complete economic system is needed to prevent the concentration of capital and solve the problems of poverty, and then many governmental and social considerations are necessary for the success of this system. For example, one important thing is that capitalists pay zakat regularly with the full accounting of their capital, but generally big capitalists and small riches do not. Then, high expectations have been placed on the complete observance of Sharia from all the people associated with Islamic banking. I wish they could fulfil these expectations, but in general social life, it is seen that barely four to five percent of Muslims are considered pious because of their obligation to pray and fast, then barely one percent of these four to five percent. They do not become those who fully obey the Shari'ah in transactions, business affairs, distribution of

inheritance, and their income and expenses (regular payment of Zakat). In such a situation, it does not seem to be a true analysis of the situation to simply expect everyone involved in Islamic banking to live up to expectations. It is important to try to prepare them for the complete observance of the Shariah and should continue to do so, but it is not easy to oblige anyone. In purely religious matters, it is difficult to oblige even those holding religious positions.²⁶

Comprehensive Analytical Study of These Articles

Opinions of Opponents on Islamic Banking

I. Islamic Banking: Wrong Answer to the Wrong Question (1).

Dr Zahid Siddique Mughal, Assistant Professor National University of Science and Technology. The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 1, January 2010. The page number of this paper is 30 to 40. The writer has written three papers on this topic. In the beginning of this paper, it is stated that there are three types of ideas about Islamic banking, one is the views of the critics, one is the views of the proponents, and according to one group, Islamic banking is not possible. By explaining the defects in it, it has been informed that this system is related to the ideas of neoclassical economics. He also tried to explain the model of banking by comparing Islamic banking with neoclassical theories and showing that their ideas are very similar. It is like the Islamic justification of Islamic economics or capitalism has been referred to and the views of the proponents and Maulana Taqi Usmani have been described. In addition, some terms are explained in the footnotes at the end of the paper in the Islamic banking system. The existing defects have been informed and recommendations for alternatives have also been given.

2. Islamic Banking: Wrong Answer to Wrong Question (2)

The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 2, in February 2010. The page number of this paper is 29 to 40. In this paper, the writer has reviewed the banking theory of the proponents and has described the historical background of the bank as well as the original concept of banking. References to the books written on these theories have also been given and some terms have been explained footnotes and end of the

article. Apart from this, the views of the critics have been explained through examples. This article lasts few pages described the flaws in Islamic Banking.

3. Islamic Banking: Wrong Answer to the Wrong Question (3)

The paper was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 3, March 2010. The page number of this paper is 31 to 44. In this paper, the writer has examined the Shariah situation of banking and instead of doing banking, adopt a system that is in accordance with Islamic Shariah. The conclusion of this paper is made by explaining all the results that have been obtained from the previous discussions. Along with the books, many ideas have also been explained.

In the three articles written on this subject, which have been published in Monthly al-Sharia, the writer has explained the opinions of the critics through arguments and examples. Islamic banking is not the solution to all the problems in just making Islamic banking free from interest, but there is also a need to remove the flaws in banking. He has also informed that it can solve to a great extent the problems that still exist in Islamic banking but it is not easy to implement but it is not impossible either.

4. Islamic Banking: A Perspective Discussion

Dr Zahid Siddique Mughal, Assistant Professor National University of Science and Technology. The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 6, June 2010. The page number of this paper is 44 to 47. The writer has written three papers on this topic. In this paper, the writer has explained the principles of the bank and compared it with the Islamic bank, and according to him, it is not enough to eliminate the interest, but it is also necessary to eliminate the creation of money, which is being done by the Islamic bank. In this paper the question of Mufti Muhammad Zahid is also explained that he also considers interest as a problem but the creation of money in banking is also an important problem.

5. Islamic Banking: Perspective Discussion (I)

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 8, August 2010. The page number of this paper is 40 to 52. This paper examines banking as an inevitable compulsion. If keeping in touch with the banking system has really become a 'real and indispensable human need', then as a result, not only Islamic banking but also usurious banking will be

justified under the state of emergency. In this case, something called Islamic banking What is the need to formulate? Muslims can also establish relationships with usurious banks under the necessity. Assuming that there is a real need, determining the 'quantity of need' is also an important issue. Obviously, the sanctity of usury is not a general issue, but this text is definitely proven (as the scholars have also emphasized this point). According to the jurists, the amount of necessity to change the haram into halal is 'severe fear of loss of life'. Obviously, there is no such real threat to the legitimacy of Islamic banking, so how can it be justified under this principle?²⁷ Explained through examples and annual report of State Bank of Pakistan, what percentage of population is connected with the bank system and what is the working method and model of the bank.

6. Islamic Banking: Perspective Discussion (2)

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 9, September 2010. The page number of this paper is 37 to 51. In this paper, the writer has made it clear that Islamic banking has not been adopted as a temporary necessity, but it has been declared a necessity and a long-term strategy and approach has been adopted for this system. This paper elaborates on the total and partial debate and concludes the paper by urging that the Islamic banking system should try to solve the problems rather than operate like a capitalist system. Terms and methods are explained in the footnotes for clarification.

7. A Critical Review of Interest Free Banking (I)

Maulana Mufti Muhammad Zahid, Sheikh Al-Hadith Jamia Islamia Imdadiya Faisalabad. The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 5, May 2010. The page number of this paper is 30 to 39. The writer has written three papers on this topic. In this paper, writer has explained the subject from the jurisprudential point of view and explained about the sanctity of usury. Zahid Siddiq Mughal has stated that the creation of money in Islamic banking is the second most important issue after interest and it is not possible to deny the sanctity of interest because its prohibition is stated in the strictest terms in the Quran and Hadiths. The scholar has explained the banking system and many banks are working under the supervision of scholars. So, they are not fully aware of this

system that the problem of creation of money is also arising due to this reason? Therefore, some scholars are against Islamic banking. In this paper, the writer has neither stated the results nor given any recommendations. In this paper, the references are not given in a complete way. In this article the writer who has objected to the paper writer, Zahid Siddique Mughal, has also mentioned it by name, the reference is not there and neither the name of the article is written.

8. A Critical Review of Interest Free Banking (2)

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Number 6, June 2010. The page number of this paper is 30 to 43. In this article, the writer explains the problem of interest free banking with its background and elaborates the discussion of parts and whole. In this paper, the writer has said that the scholars may have made a mistake in understanding the banking system and they have described the bank system as a mere monetary intermediary, while the definition and functioning of the bank are completely different. Therefore, he proposed scholars have tried to convert it into interest-free by considering only one method of bank, whereas banking is a complete system and its method includes many cases and steps which are explained with explanation.

9. A Critical Review of Interest Free Banking (3)

The article was published in monthly Al-Sharia, Gujranwala, Volume 21, Issue No. 7, July 2010. The page number of this paper is 36 to 47. In this paper, the writer has reviewed the arguments of Islamic banking in the light of Shariah and explained what the receipts of notes explain, in addition to the issues of creation of funds. And it explains what type of notes receipts are genuine or fake. At the end of the paper, he agreed with Zahid Siddiq Mughal's point of view and said that such economists should come forward and guide in such matters. It is necessary to be aware of the Islamic point of view and to know the economic issues properly so that the current economic system can be established in accordance with Islamic teachings.

Review of Opponents' Thoughts on Islamic Banking

The basis of disagreement between the majority of proponents and critics of Islamic banking is not that banking cannot be Islamic in principle, but rather how Islamic the prevailing Islamic banking is. According to the proponents,

the amount of Islam present in the prevailing Islamic banking is enough to call this system Islamic, while the critics think that the desired Islamic system has not yet been created in the prevailing system. As if the critics also accept the hypothesis that whatever is wrong is in the prevalent Islamic banking. On the contrary, there is another group of critics who believe that banking is un-Islamic in terms of its objectives and practices and its Islamism. It is impossible. Since there is a fundamental difference between the cases of this group and those of the proponents, it is important to discuss three levels while doing a critical study of Islamic banking.

According to the proponents, the main function of the bank is to consolidate the savings and provide them for the investment of businessmen, that is, its role is that of a financial intermediary between the savers and the investors. Following are the features of this concept banking. People's savings are collected as deposits before being loaned out. Deposits with a bank occur when a person deposits his savings with a bank. The bank provides these savings as loans (as sales in the term of Islami banking) for investment. In order to maintain the macroeconomic equilibrium, it is necessary that the savings are equal to the investment. It is very important for the correct banking practice is that it should not issue loans in excess of savings, i.e., its total loans should not exceed its total savings. Whenever a bank violates this principle, it will throw the entire economic process into disequilibrium. If the bank adheres to this principle, its action will not increase the money supply as a whole. The bank will have more than the savings shouldn't provide credit is based on the assumptions that the source of bank loans is people's savings, so without savings, a bank cannot provide loans, and its loans can equal savings. According to critics, when a bank gives a loan, it does not take purchasing power from one person and gives it to another person, but creates purchasing power a new, and this purchasing power is created by the bank without anything in return. So, he has nothing except an impossible false promise.²⁸

Proponents call Islamic banking as asset-based banking instead of debt, so Islamic banking is banking free from all the above-mentioned evils. This claim of the proponents is merely the result of superficiality in the eyes of the opponents, so the idea that asset-based banking creates money. Scarcity does not arise as a result of prudence. It is a simple matter that even the normal

banks that issue loans, the borrowers also buy and sell some asset from them. The only difference here is that instead of the borrower, the Islamic bank itself has this fictitious purchasing power. Therefore, to think that asset-based banking of Islamic banks distinguishes them from conventional banks is nothing but a misunderstanding because the process of creation of capital is not related to lending or selling banking, but fractional. Reserve banking is based on the principle of keeping only a certain portion of the real money as currency.

The money created by both the central bank and the commercial bank is nothing more than a 'promise of payment' and that too a loan that is impossible to repay. This is why the current the financial system is called Debt or Credit Money System. Keeping in front of this fact, it becomes easy to understand that instead of bank savings giving rise to loans, loans give rise to deposits. It works on the principle of create deposits model before a bank account is established, it is necessary to create a loan. According to the opponents, considering the bank as a financial intermediary is nothing but a misunderstanding and deception. It is not religion, but the work of its creation is done by the head. The purchasing power and money created by the bank is in the form of debt, that is why the prevailing currency is called debt money. It is impossible to equal it. A bank does not give loans from deposits, but on the contrary, its deposits come into being from loans. The main function of banking is to earn interest (and 'interest-like' profit of Islamic banks) on loans for nothing. Banking is basically based on lies, deception and trickery. The purpose of central banking is to develop a strategy to safely operate a monetary system based on lies and deception. The notes that the central bank issues are merely loans. Receipt (promise of payment). This promissory note is fake in the sense that it is not backed by any assets before it is issued.²⁹

Scholars ignore or consider the discussion of 'Kol (macro)' in Islamic banking as very secondary and this is the reason why they generally do not discuss it from the perspective of the state but often assume the existing system as natural and Islamic as Islamic banking. The claim of Islamic banking depends on the fulfilment of two conditions. Firstly, fractional reserve banking should be legally permissible and secondly, the banking system should be converted

into sales instead of interest. Proponents of the concept of a banking system only get bogged down in the secondary discussion of the possibility of interest-free banking, as if, for them, the only drawback of banking is its use of 'interest', and the whole discussion of justification banking is the same. Focus on one problem. Because of this, the entire discussion of fractional reserve banking is put aside, while in the discussion of the possibility of Islamization of banking, what is the Shariah teachings of the currency created by the bank, whether the bank is interest-bearing or non-interest-bearing and what is the status of agreements made?³⁰

According to the proponents, the Islamization of banking is not only possible, but they consider the current economic and state context to be natural and Islamic. Totally wrong. In other words, the entire edifice of justification and possibility of Islamic banking is based on wrong ideas. There is no possibility of Islamization of what is called banking, because in order to prove the Islamization of banking, it is necessary to believe that it is permissible to use debt as a medium of exchange according to Sharia. Making false promises and running fake loan receipts is also permissible. Obviously, all these assumptions are false.

According to the principles of participation and mediation, financing can be valid provided that these agreements remain a private matter between two people. It is not possible to operate a bank on the principles of participation and mediation in a financial system based on real value. In fact, proper Islamic financing is not possible until it is organized under Madrasahs and Islamic movements. A private financing system established to promote profiteering will only lead to the strengthening of capitalism and not to the revival of Islam. The aim of Islamic banking, Islamic bonds, Islamic insurance, etc. is to increase profiteering by including Muslim sources in the global financial system. For the proponents of Islamic banking, short-term coercion simply means that, for the time being, they have to accept the interest rates of ordinary banks as the benchmark for their profit rates. So, according to the strategy, the map of Islamic banking is as follows:

Long-term strategy: To achieve the objectives of the current monetary system in Islamic ways while considering them as legitimate.

Medium-term strategy: Islamization of capitalist disciplines and reform politics to enable people and legal changes to enable better implementation of Islamic banking.

Short-term strategy: Adopt as little monetary repression as possible. As mentioned, the proponents consider the Islamization of the existing system as possible and build a relationship with it on ideal basis and this is the main mistake of their strategy. Trying to end this long-term strategy of Islamic economists by referring to a few texts and giving the impression that Islamic banking itself is a short-term strategy (coercion etc.) is like saying night and day. According to critics, Islamic banking cannot be founded as an alternative to banking, but it is necessary to get rid of capitalism and all its manifestations of institutions (especially corporations, banks and stock exchanges) and establish a financial system based on real money (gold and silver). Every such struggle that will make Islamic reform visible while staying within the capitalist state and institutional alignment will ultimately lead to the approval of capitalism itself.³¹

Conclusion

The solution to economic problems is not only bank reform, nor has this problem been solved by the Islamic banking system. Maulana Muhammad Isa Mansoori Sahib has presented a good analysis based on moderation about Islamic banking. Regarding the current economic and banking crisis in the United States, in his article titled "Crisis, Causes and Solutions of the Capitalist System", he writes briefly referring to the Islamic bank: It is worth mentioning here that non-interest-bearing or Islamic banks spread across the world are completely safe from this crisis. Although according to me the current Islamic banks are not hundred percent Islamic, but an attempt towards the blessed economic system of Islam can definitely be said. In this era of globalization, when the world has shrunk and become a village, the global economic system is dominated and dominated by Western capitalists, completely free from this evil system and a completely Islamic economic system is not possible until the time when Until the entire Islamic world takes courage and decides to adopt this blessed non-interest bearing system.³²

Proponents of Islamic banking believe that this system can be used as an escape from usurious banking, but they do not deny that it needs to be

reformed in many respects. There are differences and opinions of the scholars. Dr. Fazlur Rahman's and others do not consider commercial interest as *riba*. Therefore, traditional banking, which generally earns commercial interest, is not against the teachings of Islam. Mufti Taqi Usmani, Prof. Khurshid Ahmad and others concerned with Islamicizing the traditional banking system. So, they want to strengthen Islamic banking. Mufti Rashid Ahmed and Mufti Dr. Abdul Wahid consider scholars and banking experts should correct this system to some extent first, then it is completely acceptable for Islamic banking. Dr. Zahid Siddique Mughal and others believe that there is no difference between conventional banking and Islamic banking. There are different methods of Islamic banking and scholars have different opinions about these methods. These opinions vary depending on social, and economic factors. There is no doubt that in Pakistan and many other countries Islamic banking is going on successfully, through which the problem of interest can be solved, but it does not solve the economic problems. There are many problems in banking in Islamic economics that need to be solved. According to the opponents, it is necessary to abolish the system like banking and bring Islamic economic system to solve poverty and other economic problems because Islam does not need banks, but it itself teaches about the economic system. It is very important to establish an Islamic economic system so that the current problems can be solved, which is not possible only in the case of Islamic banking. Along with banking, all economic, social and political problems will be solved. In this way, the Muslim Ummah will become a golden example for other countries. At the end of the article, there is a prayer that Allah Almighty will grant us success in this good cause, Ameen

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