

Guidelines for Islamic Banks ♦

The following guiding principles will have to be kept in mind while preparing the scheme for an Islamic banking system.

- 17.1 Interest-bearing deals and transactions of all kinds involving interest are strictly prohibited in Islam.
- 17.2 Islam holds justice to all the parties indulging in economic and commercial transactions as prime condition, which means full justice to the investor and the entrepreneur, both. The investor should have a share in profit and must also fully bear the loss, if any, while the entrepreneur should have a share in profit and in case of loss should stand deprived of any return for his labor.
- 17.3 Money should be treated as a means for procuring the necessities and conveniences of life and not as an end in itself.
- 17.4 Capital should be regarded as a trust from Allah to be utilized to meet the real needs of men and to improve their economic potential, unlike the current manner of utilization by the investors and the banks, which is aimed simply at multiplying the wealth.
- 17.5 Distribution of wealth should be in a manner so as to improve the economic conditions of the weak and backward class of people and to minimize inequity and disparity in its distribution. Keeping this in view, the Islamic Banks, while providing the capital, should give precedence to necessities over luxuries and keep the ratio of their profit at a level conducive to give encouragement to small entrepreneurs.
- 17.6 There should be a check on all such means of acquisition of wealth, which are commonly practiced these days but are outstandingly dishonest and deceitful.
- 17.7 Besides adhering to the above guidelines and while keeping in mind the general objects of Islamic socio-economic system, care should be taken to retain its moral spirit and the values of honesty and truthfulness that go with it, so that it may not be a soulless mechanical exercise but should effectively replace the contemporary system which is based on hypocrisy, exploitation and selfishness, with one founded on compassion, good-will and fraternal cooperation.

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17.8 With this end in view this Seminar decides to set up a Committee comprising Islamic scholars and experts in the science of economics to formulate a scheme for a new fiscal system embodying the principles of Shariah and the guidelines mentioned above which may, keeping in view the conditions prevailing in India and the problems facing Muslims, be in consonance with the aspirations of Muslims and the values they cherish and may also provide solution to their real economic problems.