

## Realizing the Full Potential of Islamic Banking System: Proposed Suitable Legal Framework for Islamic Banking System in Tanzania

**Authors :** Maulana Ayoub Ali, Pradeep Kulshrestha

**Abstract :** Laws of any given secular state have a huge contribution in the growth of the Islamic banking system because the system uses conventional laws to govern its activities. Therefore, the former should be ready to accommodate the latter in order to make the Islamic banking system work properly without affecting the current conventional banking system and therefore without affecting its system. Islamic financial rules have been practiced since the birth of Islam. Following the recent world economic challenges in the financial sector, a quick rebirth of the contemporary Islamic ethical banking system took place. The coming of the Islamic banking system is due to various reasons including but not limited to the failure of the interest based economy in solving financial problems around the globe. Therefore, the Islamic banking system has been adopted as an alternative banking system in order to recover the highly damaged global financial sector. But the Islamic banking system has been facing a number of challenges which hinder its smooth operation in different parts of the world. It has not been the aim of this paper to discuss other challenges rather than the legal ones, but the same was partly discussed when it was justified that it was proper to do so. Generally, there are so many things which have been discovered in the course of writing this paper. The most important part is the issue of the regulatory and supervisory framework for the Islamic banking system in Tanzania and in other nations is considered to be a crucial part for the development of the Islamic banking industry. This paper analyses what has been observed in the study on that area and recommends for necessary actions to be taken on board in a bid to make Islamic banking system reach its climax of serving the larger community by providing ethical, equitable, affordable, interest-free and society centered banking system around the globe.

**Keywords :** Islamic banking, interest free banking, ethical banking, legal framework

**Conference Title :** ICBLP 2019 : International Conference on Banking Law and Policy

**Conference Location :** Rome, Italy

**Conference Dates :** March 05-06, 2019