

Commerce and Islamic Banking System

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Abstract : Systemic Islamic banking has been in practice for long but started receiving due attention and high popularity since last decade. It has received a warm welcome from all over the world and these banks operating on Islamic principles have been able to get a sizeable business not only in Islamic countries but in non-Islamic countries too. Despite exemplary advancements and achievements, there remains number of controversies over various underlying concepts and practices. This paper basically explores and highlights all those controversies and challenges which are in minds of different school of thoughts and are needed to be addressed and overcome if Islamic banking continues flourishing the way it is at present. The authors have also tried to suggest suitable remedies to overcome these challenges where appropriate. As well, This paper makes an attempt to review major principles surrounding the working of Islamic banking and its historical growth. A brief overview of main differences between the Islamic banking and the conventional banking. In addition, references are particularly made to implications arising from the emergence of e-commerce and the realities that the Islamic Shari'ah law has to consider in adopting the new phenomenon into its banking system. This paper shows, whilst the conventional banking and financial system is based on the principle of rationality and interest, the Islamic financial system is based on morality and social justice which prohibits interest as a means of speculation and injustice. The concepts of e-business such as e-commerce and e-banking are acceptable in Islam as since in Islam anything is halal unless prohibited by Shari'ah, dealing with business by internet is considered as Shari'ah compliant. This paper, therefore, provides the latest thinking of e-business from an Islamic viewpoint, thus creating a reference point and valued information for a future research.

Keywords : Islamic Finance, principles of Islamic banking, Islamic commerce, Shari'ah compliant

Conference Title : ICIBFC 2015 : International Conference on Islamic Banking, Finance and Commerce

Conference Location : Vancouver, Canada

Conference Dates : August 06-07, 2015