

The Tense Dichotomy Between Shari'ah Compliance and the Goals of an Economic Bank

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Abstract : The tense dichotomy between Shari'ah compliance and the economic goals of an Islamic Bank produces a proliferation of reverse engineered products, which are barely in compliance with Islamic law. The result is basically a hybrid conventional banking system with conventional products in Islamic disguise using Arabic and Islamic terminology. Many Islamic financial professionals and academics advocate for the use of conventional products and devices despite their non-Shari'ah compliance based on commercial necessity and the need to compete. However, this dangerous trend will lead to the demise of the Islamic finance industry. Rather than thoughtlessly following conventional products and practice, Islamic finance professionals should delve into the Shari'ah to find the answers to the current Islamic banking conundrum and lead the industry on the right path of developing Shari'ah based products and using Shari'ah devices to hedge risk.

Keywords : Islamic banking, Shari'ah, finance, investment

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