

SYARIAH PRINCIPLES IN ISLAMIC BANKING:
WITH SPECIAL REFERENCE TO BIMB

by
WAN ASMA'A WAN ABU BAKAR
(G911100)

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SYNOPSIS

BIMB, the only bank in Malaysia that can call itself an Islamic bank, practise its activities and trade according to the Islamic law. The Bank exists and operates in a secular environment. It faces lots of obstacles and has to compete with many non-Islamic banks which already have a strong foothold in the local banking sector. From the Bank's brochures and pamphlets, it is clear that BIMB is to provide facilities and services to the public, the Muslims especially, according to the principles of Shariah.

The National Steering Committee Report, a report from a group that was given a task to spearhead the formation of an Islamic bank, in elaborating the concept of an Islamic bank in Malaysia stated that "the banking operation in accordance with islam are conclusive because it will achieve the basic objective, that is, the interest of the Muslim community. Any activity which contradict this objective is considered as misuse of wealth that has been entrusted to us by Allah and this implies a betrayal of His command".

The running of BIMB, no doubt, is towards achieving its objectives, but is BIMB really trying to achieve the main objective as stated in the report, or does BIMB is preoccupied with its high rate of profit to impress the public and other commercial banks?

In view of the above situation, this writing tries to examine the matter closely. It deals with the importance of Islamic economy in a Muslim society. The objective of this dissertation then includes:

1. to clarify the contract mechanism existed in Islam.
2. to examine the forms of Shariah contracts adopted by BIMB and the extent of its implementation.
3. to discuss why usury is banned in banking and its alternative.
4. to elaborate the functions, contributions and impact of Islamic Banking to the economy of the Muslims.

This study will be divided into two parts with 6 chapters.

Chapter 1 is an introduction to the dissertation. It touches on the objectives and concepts of Islamic economy.

Chapter 2 defines Islamic banking and talks about the historical background and the development of modern banking. I will also touch on the objectives and the functions of Islamic banking in this chapter.

Chapter 3 seeks to answer the question of why usury is banned in banking operations and its alternatives. Besides the prohibition based on Quranic ayah and hadith, also included rational reasoning. The discussion will distinguish interest from trade profit.

Chapter 4 discusses the Shariah principles applied in BIMB namely: Al Wadiah, Mudharabah, Musyarakah, Qardhul Hasan, Bai'al salam.

Chapter 5 deals with the BIMB facilities and services like the Customers Deposits, Retailing and Trade Finance.

Chapter 6 is the evaluation and comments.

SCOPE:

The writer limits the writing to an Islamic bank in a Malaysian environment and refer to BIMB generally, though certain informations and materials were obtained from BIMB's main office. The work also does not make any comparative study with any other conventional bank or foreign Islamic bank. The writer quoted briefly two foreign owned Islamic banks.

METHODOLOGY:

Basically the theory and literature part of this dissertation are based on library research at the International Islamic University (I.I.U), Malaya University (M.U), and MARA Institute of Technology (M.I.T). Informations on Islamic economy, banking and finance in general were obtained from text books, articles, and paper essays, while other informations were obtained from journals, bulletins, magazines and newspapers. In order to get a deeper understanding on transactions based on syariah principles carried out in BIMB, interviews and conversations were done with officers in BIMB Head Office. As this writing is not to investigate the financial analysis of the bank, no data compilation was done.

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