

April 19,2006

**To
The Editor
The Daily Financial Express
New Delhi**

Views expressed in this are personal ones

Sir,

A propose your editorial 'Financing Faith'. 'Leave Islamic Banks to Entrepreneurs' of Financial Express of April 19, 2006 based on the news item 'Government Mulls Islamic NBFC' of Financial Express of April 18, 2006.

Your editorial over looked the expected mobilization of Rs. 1 lakh crore which amount exceeds the deposits of a few individual banks among the seven major banks of India. If such a huge amount is put the process of production distribution and employment of the country, it would not only result in the appreciation of the wealth of depositors but also provide a boost to our economy. As such the proposal deserves a warm welcome at the very outset.

By mentioning that a few western banks provide such 'Islamic Windows' in Muslim-majority countries, you have given a wrong impression that Islamic banking is limited to these countries only. The fact is that with the spread of Islamic financial institutions across the globe and enlargement of size of funds managed by them, came the involvement of big players in the international financial arena like Citi Bank, HSBC and ABN AMRO (See chapter 4 of Philip More, Islamic Finance: A Partnership for Growth, Euro money books, 1997).

In the worldwide scenario of anti-nationalization and pro-privatization of the economic and financial institutions I fully agree with your views that such an NBFC should be established in the private sector. Such an entity has to comply with both, the law of land and rules of Shariah. Therefore there should be strict control and supervision of regulatory authorities as well as of Shariah council (to be established for this purpose). In this way some unscrupulous persons may not exploit the Muslims who trust them in the financial matters by using the religion.

No doubt the government by establishing and running a financial institutions according to the faith of a particular religion shall open to the charge of being unsecular. However secularism into itself is a vague term and used in different ways in different countries. In USA Justice Warren Burger observed some 20 years ago, the constitution "Affirmatively mandates accommodation, not merely tolerance, of all religions and forbids hostility toward any" (Lynch V Donnelly, 465 US 668, 673 (1984)).

As an affirmative accommodation of religion, Muslims may expect from government to remove the legal hurdles which may come in the way of Islamic finance as far as possible. Moreover the government should direct all the market managers and regulators to co-operate with Muslim scholars in the innovation of market products that simultaneously satisfy the demands of secular law and religious law in much same way as they must look law of two are more jurisdictions in structuring cross boarder transactions. The basic object is to mobilize hither to untapped resources from pious Muslims for the benefit of the society as a whole without forcing them to make unreasonable financial sacrifices for unnecessary foregoing permissible opportunities to increase their wealth. Last but not the least important FDI from Muslims all over the world may be invited for investment in our developing economy.

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