



west contributed to the development of the concept and institutions of Islamic banking and the second angle is to survey though in a cursory manner of Islamic banking development in western countries.

As for the first, there is no question that western institutions and individuals contributed significantly to the development of Islamic banking, since the very first day.

As you know the first Islamic bank was established in 1975, in Dubai. Without much delay. Western banks entered the field in that very decade. As early as 1980 Citibank was already one of the major players in the field of Islamic banking. Later, that interest developed into establishing a dedicated Islamic bank with a separate license, a model soon to be followed by other major western banks.







homes became very critical a solution became a must. Most were reluctant to involve themselves with interest based finance no matter how dire the need is. Therefore a group of bankers and businessmen who are Muslim citizens of western countries decided to do something about it. In early 1980's we witnessed several projects especially in America the purpose of which is to provide housing finance on interest free basis. This can be considered the first Islamic banking to spring in the west. Most of these projects could not survive beyond the close of the decade of 1980's due to adverse movement in the real-estate market which rendered some Islamic modes of finance impractical. But they brought to light an inert purchasing power in the hands of the now becoming affluent Muslim professional which immediately captured the interest of major conventional banks.







Not everything is rosy for Islamic banking in the west. The area of dispute settlement remains a very formidable one.

Despite the fact that Islamic banking agreement always state very clearly that dispute settlement must not violate Shari'ah rules, Courts in the west are yet to recognize the uniqueness of Islamic banking contracts. Recent court judgment in Britain has shown that stating that the contract is governed by Shari'ah may not have much consequence on the final outcome of a dispute settled in the court.

While the Rome convention, to which Britain and other European countries are signatories permits litigation in the courts of one country under another legal system, to be recognized as a legal system, Shari'ah must be the law of the land in at least one country.

It is, of course. But the problem is that it is yet to be codified, and therefore as it stands Shari'ah doesn't lend itself very easily as basis of dispute settlement under non Shari'ah courts.

Speaking about Islamic banking in the west will not be complete with highlighting the important role Islamic banking now plays as a bridge between Islam and West.

I believe the unprecedented growth in Islamic banking both in Muslim countries and the West after 9/11 came as an answer to the atrocities committed by fanatics who seek nothing more than creating a schism between Islam and the West.

Now Islamic banking is one of the strongest forces nurturing a mutually beneficial interrelationship that will eventually go beyond just dollars and cents. One

that will help integrate Muslims into the world financial system. It will further help solve problems relating to integrating Muslim immigrants into the local culture and the main stream of their countries of citizenship.

So far we have been talking about Islamic banking as a niche a small component of the immense economics of the west. It is so because no matter who is the provider of the services, Islamic banking in the west caters at the end of the day to Muslims.

This is not how we Muslims view the whole matter. We sincerely believe that Islamic banking is truly good for everybody regardless of religion, simply because we believe Islam itself is goodness to the whole world just as our Prophet Muhammad (PBUH) was sent as a mercy to all and everyone.

We believe an Islamic banking system based on the virtue of justice and mutual help and equality should rule supreme over all other alternative systems. If not so will at least have an influence on the development and process of change of other systems towards more justice and equality. The pioneers of Islamic banking had a vision of the new system. An important part of it was eradication of poverty by availing equal opportunity and access to capital.

We are yet to see this. We are still hopeful. Islamic banking has developed gradually has taken a step by step progression. You may think the vision of these pioneers is a far cry from Islamic banking as we see it today. It may be is. But I assure we never moved our eyeballs from that vision.

