

Saving Policy and Profit Allocation System in Islamic Banking: Problems and Ways out

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ABSTRACT

Islamic banking thought started mainly as a preventive measure against the usurious banking system. For this reason, some of the ideals of Islamic economics had to be discounted initially for 'interim' considerations. One of those transitional issues is the interest-bearing banking savings system. In keeping with this, the DPBM (Daily Product Basis Method) method was approved temporarily. This method is valid though; however, it does not reflect the ideal application of Mudaraba due to various reasons. Islamic banking is currently crossing half a century. Many contemporary jurists now think that a more sustainable model for Islamic banking needs to be thought and researched in addition to those interim considerations. Reviewing the conventional savings system in this text proposes some ideal and unique frameworks and models for Islamic banking. The 'Trading House Model' has been proposed as the main ideological model which will be managed based on Mudaraba and shirkat. Besides, the loan-based saving house model and waqf house model have also been proposed through the descent method. The Author argues that although there is complexity in implementing these models, it would not be appropriate to continue practicing the ongoing Murabaha, DPBM method-based model.

Keywords: Banking Savings Policy, Daily Product Based Method, Mudarabah, Banking Model, Profit Allocation.

INTRODUCTION

The journey of conventional Islamic banking began as an alternative to the interest-based banking system. The purpose behind this was to get out of the usury system. That is why, the direct banking system was thought of as an alternative to Islamic banking. The initial thought was to combine business and banking. That is why, the initial thought of Islamization was kept almost intact in many of the policies of interest-based banking. For example, the Murabaha policy, Bai Muazzal policy, Savings policy, Profit distribution system, etc. In the beginning, the transitional period may have been right. Because our existing society and state system are still not completely free of interest. In this situation, the existing Islamic banking infrastructure is not to blame. But in addition to this, it is important to continue the discussion and thinking about the ideological system.

Such a discussion is especially timely after nearly half a century of the establishment of Islamic banking. Through this, the human economy will develop further. The main beauty of the Islamic economy will emerge. Now even in the capitalist economy, emphasis is being placed on moral, humane, and social economy. At this time we need to discuss the best modules of Islamic economics. There are various aspects of the normative approach and module discussion. For example, profit distribution method, accounting method, accrual method, etc. The current article will discuss only the saving method. The main theme of the discussion is how the existing Islamic banking system is, and how it can be a better system.

Sharia and economic problems in the existing system will also be discussed. I hope that this article will be able to contribute to the progress of Islamic banking based on Sharia, and Inshallah.

CONVENTIONAL BANKING SAVINGS METHOD

One of the major features of conventional banking is that countless depositors/savers constantly enter it. Moreover, daily many people deposit money as well as withdraw money. Two queues are often seen at the bank, one side where people are depositing money and the other side where money is being withdrawn. Even now there is no need to go to the bank for these two tasks. Money can be withdrawn and deposited through the booth. There are many levels among those who are depositing. Some accumulate for long periods. Some are short-term. Many people want to withdraw cash from time to time. In essence, constant entry (opening an account or depositing money) and exit (closing an account or withdrawing money) is one of the key features of traditional banking. Besides, there are many methods of depositing money. One is short term and one is long term. In a word, we can easily call the whole issue 'Banking Savings Policy'.

BANKING SAVINGS POLICY AND ISLAMIC BANKING

If you want to do Islamic banking by maintaining the savings policy of the conventional banking system, first of all, how the savings policy is linked to Islamic banking (except current account) under the Mudaraba agreement. And the core of the Mudaraba agreement is to formulate and implement the profit distribution system properly. In conventional banking savings policy, when money is withdrawn, it is deposited.

Accounts are opened or deposited even a day or two before profit distribution. In that case, what will be the policy of receiving Mudaraba capital in the Mudaraba system, and how the profit distribution policy of Mudaraba will be formulated - these are complex questions. Various thoughts have been given to solve these questions. Various models have been developed. Two models are discussed here-

First model: Average balance method

The main point of this method is that the profit distribution will be based on the average balance of the customer's account over the entire period. This can happen in three ways. Namely:-

One. Monthly Minimum Balance

Two. Monthly Maximum Balance

Three. Monthly Average Balance

Let's give an example. Zayed is opening a Mudaraba account in an Islamic bank. He is depositing and withdrawing money in this account throughout the month. A possible daily balance sheet of his would be

Date	Balance	Date	Balance	Date	Balance	Date	Balance
1/01	12000	9/01	12000	17/01	3000	25/01	200,000
2/01	12000	10/01	12000	18/01	3000	26/01	200,000
3/01	12000	11/01	12000	19/01	3000	27/01	200,000
4/01	12000	12/01	12000	20/01	3000	28/01	200,000
5/01	12000	13/01	12000	21/01	3000	29/01	200,000
6/01	12000	14/01	12000	22/01	3000	30/01	200,000
7/01	12000	15/01	12000	23/01	3000	31/01	200,000
8/01	12000	16/01	3000	24/01	200,000	Total	1,80,4000

Picture: 01

Analysis

Here it is seen that the first 15 days capital was 12 thousand taka. Then it was 3 thousand taka from 16-23. After that till 24-31, the capital increased to 2 lakhs. Now when the bank will calculate at the end of January, it may have three possible approaches. Namely:-

One. Zaid's maximum capital in that month will be calculated based on the principal. That means profit will be paid on Tk.2 lakhs. This is called the Monthly Maximum Balance. But the problem is that he had two lakh Taka's in only 8 days in this method. So giving profit based on this would be oppressive to others.

Two. Zaid's minimum capital in that month will be calculated based on the principal, i.e. profit will be paid on Tk. 3,000. This is called the Monthly Minimum Balance. But the problem is that in this method only 8 days he had 3 thousand taka. So if the profit is given based on this, it is not done justice to him.

Three. Zaid's average capital will be calculated in that month. Its method is that the amount of money that was in the whole 31 days will be divided into 31 days. The resulting quotient will be considered as his average capital. For example, total capital: Tk.1, 804,000/- ÷ 31 = 58194. So his average capital is fifty-eight thousand one hundred and ninety-four taka. Profit will be paid on it.

The recommendation of the scholars of Pakistan Jamiatur Rashid is to calculate the profit using the average balance method. This is a more balanced approach. No one will be oppressed in it (Al Uthmani and Mumtaz, 2014).

Objection

Some scholars have questioned this method as it inevitably results in a higher rate of profit than the proportional rate of capital. But they are sleeping partners. Their rate of profit must be in proportion to capital. So on the days when there was capital of 12000 Takas, profit is supposed to be made based on 12000 takas. But he was still paid a profit based on Tk.58 thousand. Moreover, on the days when his capital was 12,000 taka, if there is a loss on those days, he is supposed to bear the loss according to 12,000 taka. But he has to bear the loss in the proportion of Tk.58 thousand. This is completely contrary to the accepted principle of Islam 'Loss shall be in proportion to capital' (Al Zuhaili, 1990).

Reply to objection

The way the majority of scholars have responded to such objections is that Islamic banking Mudaraba is essentially a new type of Mudaraba or partnership agreement. Exactly this type of partnership business was not practiced by the jurists of earlier eras. So we should not evaluate this modern partnership entirely with the earlier partnerships. It has to be seen whether it is consistent with the principles of basic Shariah in partnership business. It can be said to be valid if it is consistent with it. Although external techniques and methods do not match traditional methods.

All Mudaraba depositors are partners in banking Mudaraba. A type of "Shirkatul Aqd"¹ (Partnership Contract) was established among them with a strategy based on custom and tradition. Then in due course, each enters into a Mudaraba agreement with the bank. This work of theirs can be considered as a type of partnership business. So profit may be more or less. Here the sleeping partner is not inevitable (Al Uthmani, 2011). And losses will be borne in proportion to average capital. It is not incurring excess capital losses.

¹ Shirkatul Aqd' - the name of a contractual partnership business. This Shirkatul Aqd is the root of all partnership transactions in Islamic Muamalat. Its types are Shirkatul Amwal (wealth-based partnership), A'maal (labor-based partnership), etc.

Our observation

Our observation is that the view of the majority of scholars is fundamentally correct. Because Islam has not given any special method of partnership business. Any method can be valid as long as it does not conflict with the principles of Islam in this regard. But whether there could be an approach more compatible with Islamic and humanitarian economics, at least in the ongoing Fourth Industrial Revolution, should be considered. Because establishing "Shirkatul Aqd" in this way, then the strategy of proving the deeds of the partners goes without saying that the strategy is far-fetched. While such an approach was justified in the early days of Islamic banking 40-50 years ago, a better approach can be thought of now. Some alternative thoughts are presented at the end of the article.

Second method: Daily Products Basis Method (DPBM)

The most prominent model for ensuring profit distribution is the "Daily Product Basis Method" or DPBM while retaining the traditional accrual method. It is a special method of accounting. It is also called the "Scoring Method". There are two main points of this method. Namely: -

One. Right time

Two. Amount of money

Calculate based on these two. At the end of the Mudaraba period, the amount of profit earned will be seen as the average profit per taka per day. To do this easily, you have to go through the following steps.

- To know the amount of total capital and the profit
- Know the total number of days
- How much is earned per day from total profit on total capital
- Find out how much profit is made from the total profit per day on every taka from the total capital
- Give the profit of one taka and multiply each by the amount of takas.

Let's say - in 30 days a profit of 30 taka is earned on 300. So it's simply meaning - 1 taka profit per day on 300 takas.

Now let's see how much profit has been made on every taka every day $1 \div 300 = 0.00333$. That means the amount of profit per day against every taka is: 0.00333 taka's. Now it will be seen, that if one taka remains in the Mudaraba account for 15 days, then 0.00333 will be multiplied by 15. In these 15 days, the profit will come out to 1 Taka. Namely-

$0.00333 \times 15 = 0.0499$. That is, 15 days profit on one tk is 0.0499. In this way, it will be possible to get 10 days of profit and 20 days of profit on one tk.

Then if someone has 20 taka in the Mudaraba account for 15 days then that 0.0499 amount will be multiplied by 20 ($0.0499 \times 20 = 0.998$).

If someone has 20 taka for ten days, his profit can also be extracted in this way. It is in such a way that the first 10 days' profit will be extracted against one taka ($0.00333 \times 10 = 0.0333$). After multiplying by 20, a profit of 20 taka will come out in ten days ($0.0333 \times 20 = 0.666$).

According to this system, if the money is deposited even a day before the end of the Mudaraba period, then the profit will be added at a proportionate rate. If someone exits, he will get only the profit for the days he had money. Another example can be presented,

Zaid and Umar jointly started the business. Both have a capital of 20 lakhs. Both calculate the profit and loss on the 1st of Ramadan. 6 months before the 1st of Ramadan, Bakar expressed interest in investing in their business. He has been told that the amount of capital they have invested should be paid. So that the profit can also be divided into three parts. Accordingly, Bakar also has invested 20 lakhs in this joint venture.

Now when the profit and loss calculation is done on the 1st Ramadan, it will be seen that since Bakar's share was only for 6 months, he will be given half of one-third profit and 1/6th of the profit. So if there is a profit of 6 lakh taka on 60 lakh taka, then Bakar will only get a profit of 1 lakh taka

Note that in Arabic this method is named 'Hisabun Nimar', 'Hisabun Nikat', 'Nizamul Adad', etc. The advantage of this method is that anyone can enter, exit, deposit, and withdraw money at any time. The profit will be based on the amount of money and time. The profit will be paid based on the number of days, and the amount of money that was there.

Objection

Some scholars have raised objections to this method, saying that the calculation of profit distribution made here makes it inevitable to get profit without assets and labor. The profit of others goes to one's share. Because it may be, that the money is deposited only 2 to 3 days before the banking closing day. Thus, he is also given profit. But his money was not invested anywhere.

Let's say, in the above example, Zaid and Omar's profit is Tk. 12 lakh in the first 6 months on Tk. 40 lakh. In the next 6 months after the addition of Bakar's share, the profit was Tk.6 lakhs on a total of Tk.60 lakhs. So now out of the total profit of 18 lakh taka, Bakar will get 3 lakh profit (Bakar was supposed to get 6 lakh. But since the time is half, he owes 3 lakh profit). But he was supposed to get only one-third of the profit of the last 6 months i.e. 2 lakh taka. But he got 3 lakh taka. In this, he also received Tk.1 lakh from the first 6 months profit. But he had no capital or labor in the joint business in the first six months.

In Islamic fiqh, a recognition principle in partnership business is that the partner's assets, business labor, or business liability must be behind the profit receipt. Otherwise, the taking of profit is not valid. In other words, profit must be related to capital (especially in this case). In the case of Bakar in the above example, the first six months' profit is not related to the capital. Imam Sarakhsi, regarding Mudaraba, said,

"Stipulating profit for a partner in Mudaraba in such a way that he has neither capital nor work against him is a void condition" (Al Sarakhsi, 2001).

Allama Atasi (RA) said,

"Profit cannot be made in partnership business without one of three things. That is the business work. For example, in the Mudaraba business, the Mudarib works for the business or the business capital. For example, in the Mudaraba business, Rabbul Mal provides the capital or takes responsibility" (Al Atasi, 1999).

It is clear that here, however, there is no mention of banking Mudaraba but Classical Mudaraba has been said. But the principle, as it was before, still stands now. 'Profit without labor or capital' - this principle is a recognized principle. The Shariah Maqasid behind the policy is to avoid profit without taking risks. In the hadith,

"Profit is not valid without risk-taking" (Ibn Hanbal, 1998).

When one earns a profit without his capital or labor, it in effect ensures a 'risk-free profit'. The principle discussed in Classical Mudaraba will also apply to Banking Mudaraba. We do not know that anyone disagrees with this.

Reply to objection

Most contemporary scholars at present time approve of this method. In their essence, this is a new partnership business. It should be analyzed in the light of Islamic principles of partnership. Not exactly in light of previous partnership business. For example, one principle is, 'ensuring the participation of all stakeholders in the profits'. This principle is intact here. So there is no problem in profit distribution in this method.

Moreover, as stated earlier, here all Mudaraba depositors are mutual partners or associates. There is a Shirkatul Akd (Partnership Contract) between them. Everyone has a job. So the profit may be more or less. They also said that the distribution of profits in this manner is not based on the actual profit earned on each individual's actual capital - it is correct. Rather, it is done in an average method. But it has the consent of all the partners. Consent and waiver policy is applied here. So, there is no problem with it (Al Uthmani, 2011).

Shariah decisions have been passed in international fiqh forums on the validity of the "DPBM" method in Islamic banking. Almost all have provided Shariah approval for it. Some of the notable decisions are mentioned below.

Decision of the Council of Islamic Ideology

The first constitution of undivided Pakistan established the "Council of Islamic Ideology" in 1962. In Urdu, it is known as the "Islamic Jurisprudence Council". Before the independence of Bangladesh, its members included Dhaka Justice Abdul Jabbar Khan (Retired Judge, High Court of Dhaka) and Shamsul Ulama Maulana Belayat Hussain (R.) (President, Dhaka Alia). In 1980, the Council published a long report on the interest-free banking system. It is considered a historic act in terms of how the interest-free banking system will be shaped. This report was prepared at the very beginning of Islamic banking. The report discusses the profit distribution system of Islamic banking.

It initially approved the "scoring method". After discussing this in the report, it is said - "The calculation of the profit /loss would be made based on the daily product of amounts²" (Council of Islamic Ideology, 1980). After that, detailed instructions are given on how to do it. To our knowledge, this is the first such decision.

Decision of the Jiddah Fiqh Academy

International Islamic Fiqh Academy of Jeddah organized a fiqh seminar in Kuwait in 2001. There, decisions about the profit distribution system are taken. The decision states,

"Sharia has no objection to adopting the "Scoring Method" for profit distribution. Through this, the profit is distributed to each investor based on the invested amount and tenure. The reason for its validity is that all investors' capital contributes according to its amount and duration in earning profit. Through this profit is obtained according to the amount and term. This is a fair way to give everyone their profit. This is because the participation of the investors in the joint Mudaraba pool is essentially through the agreement that any part of the profit that cannot be reached will be treated as a discount. This is one of its features. Similarly, here the partners are enjoying each other's profits. It also has consent. It does not adopt any method which makes one's profit participation uncertain. Rather, the profit is distributed proportionately with the consent of all" (Al Qurahdaghi, 2009).

Decision of Al-Baraka Islamic Economics Forum

The 11th seminar of 'Al-Baraka Islamic Economics Forum' or 'Nadwatul Barakah' discussed the use of the 'DPBM' method in Islamic banking. At the end of the discussion, it is called valid. The main commentary on their decision is as follows:

"It is valid to use the 'DPBM' method to distribute the profits among the partners as a mass investment. It is based on the amount and duration held by each bank. This means that the capital of all investors is kept in one investment pool. From this, each one gets his invested capital and Profit based on the term. Thus, profit based on deposit amount and term of deposit (using DPBM method) is essentially a fair accounting method" (Al Mansur, 2007).

² There is really no such thing as 'daily production' in banks. Nothing is produced here every day. Basically the term is a general accounting term. It is used directly in the bank. Here production means income.

AAOIFI Sharia Standards

In their Shariah Standard No. 40 (5/1) published in 2023, the AAOIFI Shariah Board said,

"Scoring method can be used for dividend distribution among participants as normal investment. This method takes into account the amount of funds of each investor and the duration of the investment position (unit of currency × unit of time). Each account is assigned a specific score taking into account the amount of funds and the duration of its status in the account; although it involves repeated deposits and withdrawals of varying amounts. In this case, the account holders are deemed to agree to mutually indemnify each other for what is not possible" (AAOIFI, 2023).

Mufti Taqi Usmani, one of the contemporary Islamic economists and jurists, has discussed this issue in detail. He said,

"From the inception of the partnership, this matter has been determined to the satisfaction of all the partners. And in such proceedings, no more equitable method of distribution of profits can be found. The only way to counter the questions and objections that have been raised (we have mentioned the question earlier), is that we have to accept that this is a modern partnership business. It is a new among the existing types of 'Continuing Joint Partnership Business'. So for its validity, it is not necessary to have all the qualities and characteristics of the ancient Shirkat. Because it is a new independent Shirkat. It is said to be illegitimate only if it contradicts a clear interpretation of the Shari'ah on Shirkat" (Al Uthmani, 2011). He also said,

"Undoubtedly, there is no commentary in the Qur'an and Sunnah that restricts Shirkat to the classical popular types of Shirkat. Rather, the jurists have discussed these ancient types of Shirkat according to their times, eras, and traditions. There are some classical Shirkats, which are not mentioned in the Qur'an-Sunnah. However, as it is not opposed to the Qur'an-Sunnah, it has been approved for human needs. For example, Shirkatul Uzuh. So even if a new partnership business model comes up, it would not be right to call it invalid just because there is no precedent for it in classical fiqh. Rather, it should be seen whether the Shirkat conflicts with the accepted principles of Islam or not. We see that in the modern partnership, the capital of all the partners is mixed. Everyone is at risk of profit and loss. No one is allotted a guaranteed share of profits. There is no definite risk for anyone. No one can overdo it. So it does not conflict with the accepted principles of Shirkat" (Al Uthmani, 2011).

As can be understood from the above discussion, the expert scholars of modern times have analyzed it as a new Shirkat. Although its origin is not in previous fiqh, since it does not conflict with the principle of recognition of Shirkat, it is called legitimate. Moreover, it has the consent and exemption of all in the method of profit sharing. Besides, there is Shirkatul Akd among Mudaraba depositors. Everyone has a job. So in all respects, profit may vary.

However, it is true that in the DPBM system, Mudaraba depositors assume mutual Shirkatul Aqad, calling the Mudaraba agreement a 'work' is a far-fetched interpretation. Because there is no meeting between countless depositors. They may also have insane/diseased brains among them. There is no previous example of Shirkatul Aqad being established in this way. This is why it has been accepted as a new partnership. And it has been said about profit that everyone agrees. It is approved as there is no other better method. One thing we can call it 'the good for worse'. After all, it can be adopted if there is no better and fairer module than this. In this case, it is not appropriate to call it illegitimate because it is not compatible with classical fiqh only in some matters.

OUTLINE OF ISLAMIC BANKING: SOME ALTERNATIVE PROPOSALS

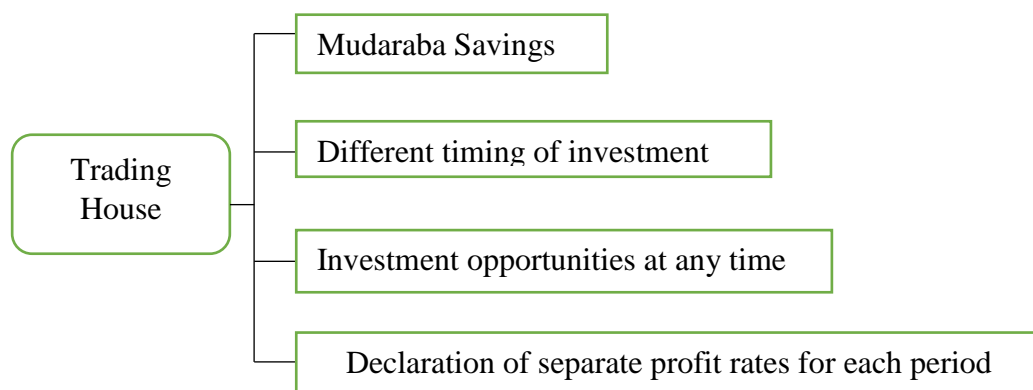
As we know, in the beginning, it was thought to be as Shariah-compliant as possible by simulating usury banking. At first, this thought was supported because nothing would change overnight. For this reason, Islamic banking has accepted savings just like conventional usurious banking. Although it is done under the name of Mudaraba, the basic banking strategy is the same. For this DPBM method is being followed. The globally accepted DPBM system is approved by Shariah. However, from the point of view of better practices, there is an opportunity to think about other new models of Islamic banking. The Islamic banking industry is now a

distinct stream and strong banking system with various experiences. Many alternative models and innovations can be welcomed if desired. Among the alternative ideological models in our proposal, the main models are the Trading House Model, Karje Hasana Model, Waqf Model, etc. Below is a brief overview of the models.

The Trading House Model

The trading house model means - here people will deposit money on a Mudaraba basis. Then it will be directly invested in trading. In this case, there will be different periods for participating in the Mudaraba pool. For example, investments will be taken separately for January. Then for February. Thus there will be a separate period for each month. Investors can participate in Mudaraba during that period.

As the timing of each trading house will be different. So almost always people will have the opportunity to participate in some trading house. However, the internal investment policy of the house will be different. The money received from each period will be invested separately. Its calculation method will be different. Profit for each period will also be declared separately. This will also reduce the fractional reserve banking system. Full reserve banking will be discussed. Also, there will be no 'good for worse' approach like DPBM.



Picture: 02

Note that the money received from the trading house can be invested in any profitable sector including Murabaha, Lease.

There is no apparent similarity between the existing Islamic banking model and the proposed trading house model. Because in both cases, the main contract with the customer is the Mudaraba contract. In addition, the method of investment is also the same. But in reality, the two methods are not the same. For example,

- The banking system is considered key in the existing model. Therefore, it is thought to provide all the facilities of the bank in the name of Islam. On the other hand, direct business and trading ideas are strong in the proposed model. It does not intend to imitate the so-called capitalist banking system. Because of this, it may not have all the benefits of so-called banking. Those benefits will be addressed through other models. However, the idea that all capitalist services must be Islamized is also not correct. Only those benefits that can be Islamized by keeping the principles of Islam, Maqasid Shariah in front, can be considered to be given in the Islamic way.
- In the existing model, people have the opportunity to open and close accounts at any time. However, the proposed model will not have this opportunity in the same trading house.
- The profit disbursement mechanism in the existing model is not transparent. The proposed model will have the most perfect and balanced profit distribution system.

As we have seen, the first detailed outline and report on Islamic banking in the region were published by the "Council of Islamic Ideology". However, another fact of history is that before the publication of the report, the joint fiqh board of the learned and great Ulama of East and West Pakistan published the 'Basic Structure of Islamic Finance' as a joint proposal in 1969 in Majlise Tahqike Masayeje Hajera. The historical joint study has discussed in detail how the outline and structure of the Islamic economy could have been. It has also discussed how alternative Islamic banking can be compared to the usurious banking system. It says-

"Our expectation from the state, if they are Muslims, then first of all they have to present real evidence of their claim to be Muslims by making the state's finances free of interest. All banking systems in the country should be replaced by commercial companies operating under the Islamic Mudaraba system" (Meerathi, 2011).

So the "trading concept" that we have introduced as opposed to the existing banking concept, is not new. Renowned scholars have presented this proposal much earlier. They were Allama Yusuf Banuri (r.), Mufti Mohammad Shafi (r.), Mufti Oli Hasan Tunki (r.), Mufti Rashid Ahmad (r.), Mufti Rafi Usmani (r.) and Mufti Taqi Usmani and others.

Partnership House

In partnership houses, it means, people will invest in the house on a partnership basis. Then it will be invested directly with industrialists, and traders under the partnership agreement. Direct partnerships with customers will be achieved through key business houses. The role of House will be that of "Investment Agent". Or the house itself can participate in the investment. Then the house and investor customers will be joint partners with the business side.

Through this, an Islamic trading house will be developed. Besides, the investment money earned through this housing can also be invested in Shariah-approved methods such as HPSM or Murabaha at the customer level. Investments will be made through the Musharaka/Mudaraba method, especially in the export and import sectors. Needless to say, investment will be accepted in this method also on a fixed-time basis. In this case, the DPBM method will not be followed as discussed earlier. Those who have money, looking for interest-free long-term investment. For example, pension fund, etc. This model will be very effective for them.

Saving House

It will be operated on an interest-free loan (Karje Hasana) basis. In the said account the customer will make payment based on credit. On the contrary, no interest or profit will be given by the bank. On the other hand, the bank will provide loans from this money to forward-looking, reliable, and capable people. Real and actual service charges will be accepted against the loan (Karje Hasana) payment. Management expenses will be incurred through this. This will make it easier to launch the interest-free loan (Karje Hasana) Project, one of Islami Bank's services, on a large scale. People can easily get interest-free loans from here.

The question may be, why would people be interested in it? On the one hand, people will not get any additional profit and on the other hand, the value of money may decrease due to inflation.

The answer is, that the objective of this house is to contribute to the economy through interest-free loans (Karje Hasana). Another objective of this house is to contribute to positive social finance. It is a form of social action. There is no mentality to lose anything here. Moreover, from the Islamic point of view, debt is a kind of Sadaqah. So the thought of what has been reduced due to inflation is secondary here.

Those who will be entrepreneurs of this house should also have a motive to contribute to self-social development by providing loans. Through this model, it is possible to manage the interest-free loan (Karje Hasana) management system in a more integrated way.

Waqf House

In light of the Islamic perspective, a financial institution should not be limited to savings and profit calculations. Rather, we want to have his contribution in the field of charity. And for charitable work "Waqf House" can be an ideal model. Customers can do cash waqf in this house. Assets can also be waqf. Later, by investing the money, its profit can be spent on various charitable works. In this regard, some things are worth noting. That is –

- The principal amount of Waqf House must be kept;
- Waqf assets are to be spent in sectors designated by the Waqif;

- There should be a strong Shariah Board to manage the Waqf Pool in a Shariah-compliant method;
- A fair remuneration may be received for managing the waqf pool;
- Cash waqf money can be invested in any relatively safe profitable sector;

Thus alternative methods of banking can be created through various "Housing methods". It does not have to follow conventional banking. If it is widely established, people will leave traditional banking at one time. For this, first of all, the government should think about creating an interest-free economy. Apart from the bank name, the idea of new and different modeling should be welcomed. There is no reason to think that the conventional banking system is the last solution.

Non-banking houses and prospects

The contribution of non-banking businesses compared to existing banking globally is becoming increasingly stronger in the economy at present. Research and survey results by various organizations including the World Bank show that the participation of non-banking financial institutions is getting stronger than banks around the world. In the eighties of the last century, the unsecured lending rate of banks in the United States was 30 percent.

Currently, the rate of such loans has fallen below 10%. At present, 65 percent of the corporate loans are controlled by the institutions of this sector. Not only that, the role of banks is weakening in the whole of Europe, and the power of non-bank financial institutions is constantly increasing there. According to the research institute "Bank for International Settlements", non-bank financial institutions currently control 50% of global economic activity. However, the participation of this sector in the economy of Bangladesh is negligible. Out of only 34 NBFIs, all but 3-4 are not in good condition. So we can build an Islamic business organization even if we are completely out of the bank model. There is scope for thinking from this point of view.

CONCLUSION

Shariah compliance in the Islamic banking industry in Bangladesh is still inadequate. At the state level, Islamic business and economics are not encouraged to the extent expected. The legal infrastructure in this regard has also remained at a very early stage. In this situation, the existing Islamic banking structure is not to blame. People in Muslim countries should get out of usury by any means. It is mainly from this thought that the existing structure of Islamic banking is supported. Therefore, in our observation, the current Islamic banking model in the current situation of the country can continue for the time being. However, Shari'ah compliance should be ensured. Besides, more thinking and research should be started on trading houses and other models proposed as alternatives to the existing banking structure built on fractional reserve banking and capitalist systems. It is time to step out of the confines of just legality and into the path of good and collective welfare and continue to research and think about it. In this way, one day it will be possible to bring out the Islamic financial system from interest-based capitalist influence.

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