

Shari'ah Compliance in Islamic Banking-Why and How?

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Abstract

Shari'ah compliance is regarded as the foundation of the Islamic banking. Though Islamic banks give priority on Shari'ah compliance, a number of factors hinder Shari'ah compliance. Shari'ah knowledge, efforts and seriousness of the bank authorities and bank employees are the pre-requisites for complying Shari'ah appropriately. But it is observed that there are lack of Shari'ah knowledge, efforts and seriousness among bank authorities and bank employees. The present study demonstrates the importance of Shari'ah compliance in general and particularly in Islamic banking to make them aware and serious in complying Shari'ah. The reasons for Shari'ah compliance are divided into six, such as: Shari'ah compliance for better life in the earth, Shari'ah compliance for saving life, property and honor, Shari'ah compliance for better life after death, Shari'ah compliance for salvation from punishment in the earth, Shari'ah compliance for salvation from punishment after death and Needs for Shari'ah compliance in Islamic banking. The paper also direct the way how Shari'ah compliance is being carried out at the organizational level.

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Index terms— shari'ah, compliance, islamic banking, qur'an, and sunnah.

1 Introduction

Shari'ah is regarded as the foundation of Islamic banks (Ullah, 2014) and, hence, no Islamic bank can function without Shari'ah compliance because if anyone or any bank does not follow Islamic Shari'ah, he/she cannot be recognized as Muslim and that bank cannot be treated as Islamic bank (Al-Quran, 5:44). Therefore, Islamic banks provide first priority is Shari'ah compliance in performing all of their transactions (Ullah, 2014).

Though Shari'ah compliance should be the prime concern of the Islamic banks but Ullah (2014) found the poor efforts of higher authorities and employees for 100 per cent Shari'ah compliance. Though Government rules and regulations, interestbased economy, fatwa shopping, tempting or influencing or invisible hand of management on the decision of Shari'ah Supervisory Board, different interpretation of existing Shari'ah rulings (Grais and Pellegrini, 2006;Ullah, 2012) and lack of speciallydesigned Shari'ah-complaint financial products (Koch and Stenberg, 2010) are impediments to Shari'ah compliance but Shari'ah knowledge of the bank authorities and employees is a vital pre-requisite.

Shari'ah knowledge among the employees are not as expected for accomplishing their duties efficiently. Ullah (2014) showed frustration regarding the findings on the knowledge of the executives on Shari'ah compliance and opined that higher authorities do not arrange sufficient programs for making employees more knowledgeable in Shari'ah. Iqbal, et al. (1998) also mentioned that many managers of Islamic banks are not very well trained in the use of Islamic modes of finance and unfortunately very little effort has been made to meet these requirements. Therefore, Ullah (2014) recommended that Islamic banks need to increase Shari'ah knowledge and commitment to Shari'ah compliance of the employees for increasing Allah fearing and adherence to the Islamic Shari'ah in personal, family, social and political life.

42 **2 II.**

43 **3 Literature Review**

44 There are currently more than 475 Islamic financial institutions spread over 75 countries and well over 250 mutual
45 funds that comply with Islamic principles (Malik, et al., 2011). Over the last couple of decades or so, Islamic
46 banking and finance has grew into a full fledge system and has still been growing at an astonishing rate of 15-20
47 percent, i.e., it is doubling every 5 years (Malik, et al., 2011). The Islamic financial institutions are growing much
48 faster than conventional banks because of the strong demand among consumers for products and services that
49 comply with Shari'ah (Benaissa, et al., 2005). Similarly, Archer and Karim (2002) maintained that the major
50 forces for the development of Islamic banking institutions is the growing sense of Islamic identity and religious
51 consciousness among the peoples in Muslim countries.

52 In some cases, it is observed that Islamic banks cannot perfectly comply with Islamic Shari'ah due to due
53 to lack of knowledge and seriousness of the employees (Ullah, 2014). But Islamic banks are Islamic because
54 of performing their activities as per the guidelines of Islamic Shari'ah and basically the Shari'ah is the main S
55 guiding principles for directing all operations of Islamic banks (Siddiqi, 1983;Ahmad, 1984;Siddiqi, 1985;Khan
56 and Mirakh, 1986;Ahmad, 2000;Siddiqui, 2001). Chong and Liu (2009) also found that theoretically Islamic
57 banking is profit-and-loss sharing (PLS) system but practically it is not very different from conventional banking.
58 Similarly, Malik et al. (2011) argued that much of the financing offered by Islamic banks actually bear a closer
59 semblance to debt instruments than to profit-andloss sharing. Yus of and Fahmy (2008) observed that the most
60 common argument against contemporary Islamic banking in Malaysia is that there is "no difference at all" without
61 changing the name and documents and using "profit rate" in Islamic banking instead of interest rate.

62 Regarding impediments to Islamic Shari'ah compliance, the problem faced by the Islamic banking is the
63 shortcoming of qualified professionals at all levels who have the knowledge of both conventional banking and
64 Islamic laws (Malik et al., 2011;Grais and Pellegrini, 2006). Ahmad and Hassan (2007) identified another most
65 important issue is the lack of a well-defined regulatory and supervisory framework for Islamic banks for their
66 effective functioning in line with the tenets of Shari'ah. Hence, this paper is a noble attempt to highlight the
67 importance of Shari'ah to the Islamic bankers and to guide a way to adopt in complying Islamic Shari'ah.

68 **4 III.**

69 **5 Objectives of the Study**

70 The main objective of the study is to highlight the importance of Islamic Shari'ah compliance and to direct the
71 ways how Shari'ah compliance is accomplished. The specific objectives of the study are enumerated as below:
72 a) To demonstrate the importance of Islamic Shari'ah compliance in general. b) To highlight the importance of
73 Shari'ah compliance in Islamic banking in particular. c) To direct the ways of accomplishing Shari'ah compliance
74 in case of banks or other organizations in Bangladesh.

75 IV.

76 **6 Methodology of the Study**

77 The methodology followed in this study is mainly of library work basically based on the study of the Holy Qur'an,
78 Hadiths and related literatures written in conventional and Islamic perspective. That is, the study is a qualitative
79 study that used only the secondary data.

80 V.

81 **7 Islamic Bank**

82 In 1978, OIC approved following definition of Islamic Bank, "Islamic Bank is a Financial Institution, whose
83 statutes, rules and procedures expressly state its commitment to the principles of Islamic Shari'ah and to the
84 banning of the receipt and payment of on any of its operations (Rahman, 2008)."

85 As defined, Islamic Banks aim to provide banking services that are in accordance with Islamic Principles and
86 Shari'ah within the complete Islamic financial system, which in turn aims to bring the most benefit to society in
87 terms of equity and prosperity, rather than focusing solely on creating maximum returns on capital (Zaher and
88 Hassan, 2001). Islamic banks aim to achieve the socio-economic goals of the Islamic religion which are reaching
89 full-employment, a high rate of economic growth, equitable distribution of wealth and income, socioeconomic
90 justice, smooth mobilization of investments and savings while ensuring a fair return for all parties and finally
91 emphasize the stability of money value (Hassan and Mervyn, 2007;Chapra, 1995).

92 **8 VI.**

93 **9 Islamic Shari'Ah**

94 Shari'ah is the Arabic word for Islamic law, also known as the Law of Allah. The term Shari'ah itself derives from
95 the verb Shara'a, which according to Dictionary of the Holy Qur'an connects to the idea of 'spiritual law' (Al-

96 Qur'an, 5:48) and 'system of divine law; way of belief and practice ??5:18) in the Qur'an (Omar, 2010). Shari'ah
97 has certain laws which are regarded as divinely ordained, concrete and timeless for all relevant situations.

98 There are four sources of Islamic Shari'ah: (a) Interpretations of the Qur'an, (b) Interpretations of the Sunnah
99 (Hadith), (c) Ijma, consensus amongst scholars (collective reasoning) and (d) Qiyas/Ijtihad analogical deduction
100 (individual reasoning).

101 **10 VII.**

102 Shari'ah Compliance—Why?

103 Shari'ah compliance means abide by all the rules and regulation of Qur'an and Sunnah and the person who
104 completely follow Islam is a 'Muslim' (complete submission to Allah) and Allah (SWT) said "O you who believe,
105 fear Allah as He should be feared and die not except in a state of Muslim" (Al-Qur'an, 3:102). Allah (SWT)
106 accepts only one way of life that is Islam (Al-Qur'an, 3:19) and whosoever desires other than Islam as his way
107 of life, that will never be accepted from him, and, in the hereafter, he is among those in abject loss (Al-Qur'an
108 3:85). Similarly, in another verse, Allah said "do they seek other than the Deen (the rules of life) of Allah? But
109 to Him everything in the heavens and the earth has submitted, willingly and unwillingly, and to Him they will
110 return" (Al-Qur'an 3:83).

111 Islam is a complete code of life (Al-Qur'an, 5:3; 6:154) because Allah (SWT) and Allah's messenger Prophet
112 Mohammad (SAW) gave us guidelines regarding every aspect of human life to be dealt with ??6:89) ??155; 7:3;
113 42:47; 72:14; 75:18) like 'Say: verily, I am commanded to be the first of those who submit themselves to Allah
114 (as Muslim)' ??14; ??2:47; ??2:14). Allah (SWT) said "Take what the Messenger gives you and abstain from
115 what he forbids you" (Al-Qur'an, 5:33) and the Messenger of Allah did not speak of (his own) desire, it is only
116 a revelation revealed (Al-Qur'an, 53:3-4).

117 As per the Holy Qur'an, none can give order or command except Allah because Allah has created everything
118 and Allah has the right to give law or command ??5:4; ??2:40). In the Holy Qur'an, Allah (SWT) said, "Say:
119 True guidance is the guidance of Allah" (Al-Qur'an, 3:73) and "Whom Allah does guide, he is on the right path.
120 Whom He rejects from His guidance, such are the persons who lose" (Al-Qur'an, 7:178). Allah (SWT) also said,
121 "O you who believe! Enter perfectly in Islam (by obeying all the rules and regulations of Islamic religion) and
122 follow not the footsteps of Shaitan (Satan). Verily, He is to you a plain enemy" (Al-Qur'an, 2:208) and "Say:
123 my worship and my sacrifice and my living and my dying are for Allah, Lord of the Worlds. He hath no partner.
124 And of this I have been commanded, and I am first of those who surrender (unto Him)." (Al-Qur'an, 6:162-163).

125 **11 a) Shari'ah compliance for better life in the earth**

126 The Shari'ah that Allah (SWT) was Himself going to provide to all human beings and nations at different times
127 through a chain of his Messengers to guide them in living up to their mission as vicegerent of Allah and to manage
128 their affairs in this world in a way which is in harmony with this mission ??6:36; ??0:78). Shari'ah helps provide
129 the right direction to all human effort by injecting a meaning and purpose into life, and transforming individuals
130 into better human beings through a change in their behavior, life-style, tastes, preferences, and attitude towards
131 themselves as well as other human beings, resources and the environment (Chapra, 2008). The purpose of
132 Shari'ah compliance is being happy in the earth and also in the life after death as Allah (SWT) taught us to
133 pray as "Our Lord! Give us in this world that which is good and in the Hereafter that which is good, and save
134 us from the torment of the fire!" (Al-Qur'an, 2:201).

135 Allah (SWT) declared the objectives of sending Muhammad (pbuh) as Messenger that to relieve mankind of
136 the burdens and chains that have been imposed on them (Al-Qur'an, 7:157) and "We have sent you as a blessing
137 for mankind" (Al-Qur'an, 21:107). The ultimate goal of all Islamic teachings is to be a blessing for mankind
138 (Chapra, 2008) and this is the primary purpose for which the Prophet (pbuh) was sent to this world (Al-Qur'an,
139 21:107). Establishment of justice has, therefore, been the primary mission of all Allah's Messengers (Al-Qur'an,
140 57:25). In many verses of the Holy Qur'an, Allah (SWT) declared good messages for the people who follow the
141 guidelines and fear Him. Some of which are: "if the people of the towns had believed and had the Taqwa (piety),
142 certainly We should have opened for them blessings from the heaven and the earth" (Al-Qur'an, 7:96); "if only
143 they had acted according to the Taurat (Torah), Injeel ??Gospel), and what has (now) been sent down to them
144 from their Lord (the Qur'an), they would surely have gotten provision from above them and from underneath
145 their feet" (Al-Qur'an, 5:66); "whosoever fears Allah and keeps his duty to Him, He will make a way for him
146 to get out (from every difficulty) and He will provide him from (sources) he never could imagine and whosoever
147 puts his trust in Allah, then He will suffice him" (Al-Qur'an, 65:2-3); and "Therefore, give good tidings to my
148 servants who hear advice and follow the best thereof" (Al-Qur'an 39: ??7-18; 16:122; 12:56-57; 3:148; 16:89).

149 Human beings are the khalifahs or vicegerents of Allah (SWT) on earth (Al-Qur'an, 2:30) whose duty is to
150 implement the responsibility of the Sender and to live up to the mandate given to them by their Creator and,
151 thereby, not to pollute their nature and degrade themselves (Chapra, 2008). Justice cannot be ensured without
152 faithfully observing the rules of behavior provided by Divine Guidance as Allah knows everything better for
153 His creation. Without justice, as the Qur'an has clearly warned, there can be no peace of mind, (Al-Qur'an,
154 13:28) or peace in the world (Al-Qur'an, 6:82), which are both among the most important psychological needs of
155 the human personality. Gruber (2005) stated that "There are hundreds of articles in sociology, psychology, and

12 D) SHARI'AH COMPLIANCE FOR SALVATION FROM PUNISHMENT IN THE EARTH

156 medicine that overwhelmingly document the positive impact of religiosity on a wide variety of outcomes". Qur'an
157 also proved this saying that verily, in the remembrance of Allah do hearts find rest (Al-Qur'an, 13:28). Many
158 empirical studies have consistently found that high rates of religious commitment and activity are associated
159 with mental health, reduced stress and increased life satisfaction (Ellison, 1993 and ??annaccon, 1998). Chapra
160 (2008) said that if the human being utilize these resources and interact with each other in accordance with these
161 rules, it may not only be possible to ensure the well-being of all humans but also to protect the environment,
162 including animals, birds and insets. b) Shari'ah compliance for saving life, property and honor

163 The Qur'an equates the unwarranted killing of even a single individual (irrespective of whether he/she is a
164 Muslim or non-Muslim) with the killing of the whole of mankind, and the saving of a single life with the saving of
165 the whole of mankind (Al-Qur'an, 5:32). This is but natural because the Islamic call for the respect of life and the
166 brotherhood of mankind would be meaningless if the life of non-Muslims were not considered as sacred as that of
167 Muslims. The Prophet (pbuh), also pronounced in the address which he delivered during his farewell pilgrimage
168 that: "Your lives, your property and your honor are as sacred as this Day of yours (Hajj), in this month of yours,
169 in this city of yours" (Abu Daud, 2006 ?? Hadith No. 1903). ??hazali (1937), a prominent and highly respected
170 reformer in the fifth century Hijrah, is specific about the requisites for real human well-being. He says: "The
171 very objective of the Shari'ah is to promote the well-being of the people, which lies in safeguarding their faith
172 (d?n), their self (nafs), their intellect ('aql), their posterity (nasl), and their wealth (m?l). Whatever ensures the
173 safeguard of these five serves public interest and is desirable and whatever hurts them is against public interest
174 and its removal is desirable." The sayings of the Prophet (pbuh) also prove that Shari'ah compliance increases
175 the honor of human being in the earth: "Do not beg anything from people" ??Abu Dawud, 2006 ?? Hadith No.
176 1642 ??1646), and "The hand that is above is better than that is below" ??Sahih Muslim, 2002 ?? Hadith No.
177 2254; ??l-Adabul Mufrad, Hadith No. 196). c) Shari'ah compliance for better life after death Muslims always
178 give emphasis on the reward of Allah (SWT) after death as Allah said that the life of this world is nothing but
179 play and amusement (Al-Qur'an, 6:32) and verily, the reward of the Hereafter is better for those who believe
180 and used to fear Allah and keep their duty to Him (by abstaining from all kinds of sins and evil deeds and
181 performing all kinds of righteous good deeds) (Al-Qur'an, 4:162; 12:57; 29:64). Allah (SWT) said, "Those are
182 Allah's bounds (Shari'ah), whosoever obey Allah and His Messenger, He will admit him to gardens underneath
183 which rivers flow, therein dwelling forever; that is the mighty triumph" (Al-Qur'an, 4: 13-14) and that home of
184 the Hereafter (Paradise), We shall assign to those who rebel not against the truth with pride oppression in the
185 land nor do mischief by committing crimes. Such is the Paradise which we shall give as an inheritance to those
186 of Our slaves who have been Al-Muttaqun (the pious) (Al-Qur'an, 19:63) and the good end is for the Muttaqun
187 (the pious) (Al-Qur'an, 28:83). In another place Allah (SWT) said regarding the pious that 'as for him who
188 feared standing before his Lord, and restrained himself from impure evil desires and lusts; verily, Paradise will
189 be his abode' (Al-Qur'an79:40-41).

190 Allah (SWT) asked, 'Are you pleased with the life of this world rather than the Hereafter? But little is the
191 enjoyment of the life of this world as compared to the Hereafter' (Al-Qur'an, 9:38) and indeed whosoever purifies
192 himself shall achieve success but you prefer the life of this world although the Hereafter is better and more lasting
193 and should be given more preference (Al-Qur'an, 87:14-17; 17:21). The people who obey Allah and His Messenger
194 will be raised with those whom Allah blessed and good companions like Prophets, just men, martyrs and the
195 righteous in Hereafter (Al-Qur'an, 4: 69-70) and they will get mercy from Allah (Al-Qur'an, 3:132).

196 12 d) Shari'ah compliance for salvation from punishment in the 197 earth

198 Shari'ah compliance is also important for salvation from the punishment because Allah (SWT) give punishment
199 in the earth sometimes to warn and sometimes to exemplify for others. Allah (SWT) said, We will give them a
200 taste of the minor punishment before the greater punishment, that they might turn back (i.e. to what is right)
201 (Al-Qur'an, 32:21). In the Holy Qur'an, Allah (SWT) gave description of the generation of A'd, Tha' mud,
202 Firaun, and Lut, etc. who were very strong but Allah destroyed all through different kinds of sever torment
203 because of not following the Shari'ah what Allah provided to them (Al-Qur ??an, 11:77-83; 89:6-14; 41:13-18;
204 51:41-45; 26:123-140 & 170-173).

205 As per Islamic Shari'ah, Muslims are bound to follow Islamic rules and regulations in each step of life but
206 if they want to follow their own desire then they will fall in the punishment of Allah (SWT). As Allah said,
207 whatever calamity befalls you, it is according to that which your own hands have earned -and Allah forgives
208 much (Al-Qur'an, 42:30) and Whatever good comes to you is from Allah, and whatever evil comes to you is from
209 yourself (Al-Qur'an, 4:79). In other places Allah warned us as 'if they do not answer your call, know that they
210 only follow their own hawaa (desire), and who is more astray than the one who follows his own desire without
211 guidance from Allah, and Allah does not guide those who oppress' ??:157; ??:77; ??:145; ??:50; ??:119).

212 Again, Allah (SWT) said, 'whosoever turns away from My reminder (teaching of Qur'an and Sunnah); verily,
213 for him is a life of hardship ??0:124). Allah (SWT) instructed to save us from punishment as 'turn toward your
214 Lord, and submit to Him before the punishment comes to you, and you are without help' (Al-Qur'an, 39:54).
215 And finally Allah (SWT) gave guaranty that He save those who follow Islamic Shari'ah and fear Him saying that
216 'we saved those who believed and used to fear Allah, keep their duty to Him and avoid evil (Al-Qur'an, 41:18). e)

217 Shari'ah compliance for salvation from punishment after death Akhi'rah (life after death) is the final stage where
218 all the activities of human being would be judged for providing reward for Shari'ah compliance and punishment
219 for Shari'ah non-compliance. Allah (SWT) said, 'the wretched will avoid the Shari'ah and for which they will
220 enter the great fire (and will be made to taste its burning) where they will neither die (to be in rest) nor live
221 (a good living)' (Al-Qur'an, 87:11-13); and 'whosoever disobey Allah, and His Messenger, and transgresses His
222 bounds, him He will admit to a Fire, therein dwelling forever, and for him there awaits a humbling chastisement'
223 (Al-Qur'an, 4: 13-14). In another verse Allah (SWT) said, 'as for those who disbelieved and belied Our Ayat
224 ??proofs, evidences, verses, lessons, signs, revelations, Allah Messengers, Resurrection, etc.), and the meeting of
225 the hereafter, such shall be brought forth to the torment (in the Hell-fire) (Al-Qur'an 30:16; 79:37-39). Again,
226 Allah (SWT) said 'the torment of the Hereafter for the disbelievers and sinners is far more severe and more
227 lasting (Al-Qur'an, 20:127) for which they will cry: 'O Malik (Keeper of Hell)! Let your Lord make an end of us
228 but he will say: verily, you shall abide forever ??3:77).

229 After death, disbelievers (Whosoever desires the life of the world and its glitter) will repentance for their acts
230 (Al-Qur'an, 25:27-29); all of their activities will go in vain and of no effect is that which they used to do (Al-
231 Qur'an, 11:15-16; 7:147); they will be raised as blind ??0:124); in the Hereafter they will be the greatest losers
232 (Al-Qur'an, 27:4-5) and hence, Allah (SWT) instructed that 'say: I fear, if I disobey my Lord, the torment of a
233 mighty day' ??:15; ??9:13, ??2:17). f) Shari'ah Compliance in banking-Why? Shari'ah compliance is important
234 in case of banking mainly because of avoiding interest. As per Islamic Shari'ah, interest is to be avoided due to
235 Shari'ah compliance for the following reasons: i. Allah Forbade Interest In Surah Baqarah, Allah forbade interest
236 stating that Allah declared trading as Halal and interest as Haram (Al-Qur'an, 2:275). In Surah Al-Imran, Allah
237 (SWT) said, O you who believe! Eat not usury doubled and multiplied, but fear Allah that you may be successful
238 (Al-Qur'an, 3:130).

239 ii. Interest is destroyable In Surah Baqarah, Allah said that Allah will destroy interest and will increase for
240 Sadaqat (deeds of charity) (Al-Qur'an, 2:276). Moududi (2007) stated a Hadith referring to Ibne-Majah, Baihaki
241 and Ahmad, where Allah's Messenger (pbuh) said that though the interest amount may be greater now but
242 it is bound to reduce at last. As per the Hadith narrated by Abu Huraira ® stated in Bukhari, Muslim and
243 Abu Daud, Allah's Messenger (pbuh) instructed to protect us from seven destructive issues which include usury
244 (Annual Report of AIBL, 2010).

245 iii. Avoiding interest is a sign of Belief (Iman) on Allah In Surah Baqarah, Allah (SWT) said, O you who
246 believe, Be afraid of Allah and give up what remains (due to you) from usury (from now onwards), if you are really
247 in believers (Al-Qur'an, 2:278). iv. Avoiding interest is a sign of Taqwa (Allah fearing) Allah said, O you who
248 believe, Be afraid of Allah and give up what remains (due to you) from usury (from now onwards) (Al-Qur'an,
249 2:278). In Surah Al-Imran, Allah (SWT) said, O you who believe! Eat not usury doubled and multiplied, but
250 fear Allah that you may be successful (Al-Qur'an, 3:130).

251 v. Taking interest is a serious punishable activity In Surah Baqarah, Allah (SWT) said, if you do not avoid
252 interest, then take a notice of war from Allah and his Messenger (2:279). Ibne Abbas ® said that in the day of
253 judgment the usurer will be asked to take preparation with arms to battle with Allah (SWT) and he again said
254 the imams (leaders) of all times should take oath of avoiding interest, if they do not do it then the imam should
255 kill them (Ibne ??athir, 2008, 755). Allah also state that whoever returns to interest after Allah's forbidden, they
256 are the dwellers of the fire and in the day of judgment, the usurer will be as like as mad beaten by Satan (Al-
257 Qur'an, 2:275). As per the Hadith narrated by SamuraIbn Zundub ® where Allah's Messenger (pbuh) described
258 a scenario of punishment giving to usurer hitting him with rocks while the usurer swimming helplessly in the
259 river (Sahih Bukhari, 2003, Hadith No. 1955) and Hadith narrated by Abu Hurayrah ® stated that the belly of
260 the usurer is full of snakes (Al-Tirmidhi, 2010 ?? Hadith No. 2828).

261 vi. All parties relating to interest equally cursed Jabir Bin Abdullah ® said that Allah's Messenger (pbuh)
262 cursed the acceptor of interest and its payer, and the one who records it, and the witness; and he said they are
263 all equal ??Sahih Muslim, 2002, Hadith No. 3947; ??bu Daud, 2006, Hadith No. 3300).

264 vii. Taking interest is a reason of Allah's anger Abdullah IbnMasud ® has quoted a Hadith of Allah's Messenger
265 (pbuh) as saying: Whenever adultery and usury become rampant in a community, it is inevitable that wrath of
266 Allah will befall upon them (Annual Report of AIBL, 2010).

267 viii. Usurer will not enter the heaven As per the Hadith narrated by Abu Huraira ® stated in Mustadarake
268 Hakim, Allah's Messenger (pbuh) said that Allah as his unique right will not allow four categories of people to
269 enter the heaven and also refrain them from taking taste of his bounties which include the usurer (Annual Report
270 of AIBL, 2010).

271 13 ix. Interest destroys previous accepted good acts

272 In an Hadith Ayesha ® said that interest will destroy the benefits of previous accepted 'Jihad' (utmost trial of
273 establishing Islam) though that 'Jihad' may be participated with Allah's Messenger (IbneKathir, 2008).

274 x. Interest was compared with most disliking sins In the notes of Hadith No. 3947 of Sahih Muslim includes
275 two more Hadiths giving reference to Ahmad, Ibne-Majah and Baihaki where it is stated that taking interest
276 of a silver coin equivalent to doing thirty-six times 'Jina' (illegal intercourse) and in another one it is Shari'ah
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278 stated that interest includes seventy types of sins of which the lowest one is to do illegal intercourse with own
279 mother ??Sahih Muslim, 2002).

280 On the other hand, Saleem (2008) identified few evil effect of interest like (a) evil effects on allocation of
281 resources; (b) evil effects on production; (c) evil effects on distribution; and (d) expansion of artificial money and
282 inflation. Rahman (2008) Shari'ah Compliance -How? a) Pre-Requisites for Shari'ah Compliance Pre-requisites
283 of complying Islamic Shari'ah in an organization are Government authorizations, mission, vision, objectives,
284 policies, Act, rules-regulations, intention of owners and directors must be in the line with Islamic Shari'ah. Pre-
285 requisites in the employees to comply Islamic Shari'ah are Iman (belief) on Oneness of Allah (SWT), Islam as
286 the religion, Islamic knowledge, fearness of Allah (SWT), accountability, belief in life after death, and training
287 on Shari'ah compliance.

288 14 b) Shari'ah Supervisory Board

289 The current understanding of a Shari'ah Board is defined by the Accounting and Auditing Organization of
290 Islamic Financial Institutions ??AAOIFI, 2003) in Bahrain. This body is built to standardize key practices of
291 the industry. Their definition is as follows: "A Shari'ah supervisory board is an independent body of specialized
292 jurists in fiqh al mu'amalat (Islamic commercial jurisprudence). However the Shari'ah supervisory board may
293 include a member other than those specialized in fiqh al-mu'amalat but who should be an expert in the field
294 of Islamic financial institutions and with knowledge of fiqh al-mu'amalat. The Shari'ah supervisory board is
295 entrusted with the duty of directing, reviewing and supervising the activities of the Islamic financial institution
296 to ensure that they are in compliance with Islamic Shari'ah rules and principles. The fatwas and rulings of the
297 Board shall be binding on the Islamic financial institution."Presley, J.R. (n.d.) commented in the book 'Directory
298 of Islamic Financial Institutions' "An Islamic Bank does not only have to have a board of directors but it also
299 has to have a Shari'ah advisory board. This is most important where Islamic Banks operate in a society which
300 does not fully apply Shari'ah laws. The board should possess a high degree of independence both internally &
301 externally." c) Muraqib and their Qualifications Muraqibs are those experts of Shari'ah principles who supervise,
302 visit and examine Shari'ah implementation position in Banks. Bangladesh Bank provided some specific guidelines
303 regarding educational qualification, experience and exposure, track record, solvency and financial integrity and
304 integrity, honesty and reputation of Muraqib. The qualifications regarding education, experience and exposure
305 as stated by Bangladesh Bank are as below:

306 i. Educational Qualification The member of 'Shari'ah Supervisory Committee' must have the following
307 educational qualification: Kamil or Dawa or Post Graduate Degree in Islamic Studies, Arabic, Islamic Law,
308 Islamic Economics or Islamic Banking with profound knowledge in Arabic language.

309 ii. Experience and exposure

310 The member of 'Shari'ah Supervisory Committee' must have the following experience and exposure:

311 15 Conclusion

312 Shari'ah compliance is the most important duty of every Muslim and Islamic organization in their personal and
313 social life. A Muslim will be aware about his duties only if he understands his responsibilities. One can abide
314 by the duties also if he knows how to materialize it. The purpose of the present paper is to make the people
315 understand the importance and the way to implement the Shari'ah in their life in general and more specifically
316 in banking.

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Figure 1:

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