# ETHICAL ECONOMY AND VALUES

5TH AFRICAN ISLAMIC FINANCE SUMMMIT.

17-18 APRIL, 2018 DAR-ES-SALAAM, TANZANIA.

THE WORLD LOOKS AND ADMIRES THE ECONOMICS OF SCALE OF COUNTRIES LIKE SAUDI ARABIA, OMAN, UAE, PAKISTAN, KUWAIT, MALAYSIA AND CURRENTLY INDONESIA THE WAY ITS ECONOMIC STRENGTHS ARE GETTING HEALTHIER THAN MOST EARLY STRONGER ECONOMIES SINCE THE TIME ISLAMIC FINANCE BECAME THE MAIN STREAM AND THE YARD STICK OF FINANCE IN THOSE COUNTRIES.

ISLAMIC BANK IS FAST AND FOREMOST A CRISIS PROOF, SAYS BANKS EXPERTS A GERMAN ECONOMIST PROF. VOLTKER NIENHAUS, HOWEVER, SAYS THAT NOT EVEN THE KORAN COULD HAVE PREVENTED THE FINANCIAL CRISIS OF PRE 2000-2009. I LOOK AT BOTH ARGUMENTS, AND OBSERVE WHAT HAPPEN IN 2009 WHEN THE GLOBAL FINANCIAL CRISIS WAS AT ITS PEAK, SURPRISINGLY IT WAS THE CATHOLICS WHO CAMPAGNED FOR A FINANCIAL SYSTEM BASED ON ISLAMIC LAW. THE ETHICAL PRINCIPLES OF ISLAMIC FINANCE CAN RECONNECT BANKS WITH THEIR CUSTOMERS, CLAIMED AN ARTICLE TITLED LOSSEVATORE ROMANO, THE OFFICIAL NEWSPAPER OF THE VATICAN. THE ARTCLES MADE HAEDLINES AROUND THE WORLD.

THE FACT-SPOKEN AT A TIME BAD MORTGAGES IN THE UNITED STATES TRIGGERED THE CASTATROPHY. AT A CONFERENCE ON ISLAMIC FINANCE IN KUALALUMPA MALAYSIA 2015, THIS RAISED A QUESTION THAT SPARKED INTENSE DEBATE. WOULD THE GLOBAL ECONOMIC AND FINANCIAL CRISIS OF 2009 PERHAPS NOT HAVE HAPPENED IF BANKS HAD BEEN OPERATING ON THE PRINCIPELS ESTABLISHED IN KORAN? THE SAME WEEK THIS CONFERENCE WAS TAKING PLACE IN KUALALUMPA TIME MAGAZINE PUBLISHED AN ARTICLE OF HOW THE VATICAN IN YEAR 1240, FOR THE FIRST TIME, ASKING OF INTEREST (USURY) OF 3% IN BORROWING WAS INTRODUCED INFLUENCED BY A GERMAN MONEY-LENDER WHO CONVICED THE POPE OF THAT TIME TO BORROW MONEY FROM HIS GERMAN MONEY-HOUSE AT 3% INTEREST.

2009 GLOBAL FINANCIAL CRISIS RESULTED IN FIVE LARGEST WESTERN BANKS RECEIVED A TOTAL 163 BIL USD IN GOVERNMENT BAIL OUT, BUT NOT A SINGLE ISLAMIC BANK HAD TO BE BAILED OUT WITH TAX-PAYERS MONEY DURING THE CRISIS.

THAT STABILITY OF THE ISLAMIC FINANCIAL SYSTEM DURING THE CRISIS INSIPIRED GLOBAL FINANCIAL CENTRES (OF ALL BELIEFS) TO START THINKING ABOUT ISLAMIC FINANCE AS A SUSTAINABLE ALTERNATIVE TO THE CURRENT FINANCIAL ATTRIBUTES. CAPITAL RESERVES IN CENTRAL BANKS OF ISLAMIC STATES WERE ALSO STABLE DURING THAT GLOBAL FINANCIAL CRISIS.

ETHICAL BANKING, THIS IS MY PREFERRED WAY OF CALLING AND DEFINING ISLAMIC FINANCE. ISLAMIC BANKS NOT ONLY PROVED TO BE FIRMER BUT ETHICAL. HOW? ITS BECAUSE ISLAMIC FINANCE IS BASED ON REAL ECONOMY RATHER THAN CUSTOMERS AND THEIR BALANCE SHEETS, INSTEAD THEY, ISLAMIC BANKS CONTAIN ONLY ASSETS THAT THE BANKS INVEST ON BEHALF OF THEIR CUSTOMERS. AS A RESULT, ISLAMIC BANKS COULD NOT HAVE BEEN PART OF A PRICE BUBBLE ON THE REAL-ESTATE MARKET LIKE THE ONE THAT FORMED IN THE US IN 2007.THE US WOULD NOT HAVE HAD THE FINANCIAL RESOURCES TO STOP THAT HAPPENING.

ISLAMIC BANKS VOUCH-SAFE THEMSELVES FROM DEMAND AND SUPPLY BUBBLES BY SPECULATORS BEING SMART IN FINDING REPUTABLE, ETHICAL PARTNERS IN BORROWING WHOM THEY WILL SHARE RISKS.THESE ARE THE FUNDAMENTAL CONCEPTS OF ECONOMICS AND ETHICS.

YEARS NOW HAVE PASSED SINCE THE GLOBAL FINANCIAL CRISIS, AND THE QUESTION NOW IS, WHETHER ISLAMIC FINANCE HAVE POSITIONED ITSELF IN THE WORLD OF FINANCE AND BANKING? WE ARE STILL A LONG WAY TO IT. IS THERE A PROBLEM OR IS IT THE TITLE? ISLAMIC-FINANCE-ISLAMIC-BANK?

WHAT THE WORLD WANTS NOW IS TO SEE ETHICAL FINANCIAL SOLUTIONS-ISLAMIC FINANCE IS PURE ETHICAL. WE HAVE FIRST TO CONVINCE GLOBAL CUSTOMERS THAT OPENING AN ACCOUNT IS WORTH THE EXTRA EFFORT BECAUSE WE VALUE YOU AS A PARTNER IN TRANSACTIONS. WE ARE ETHICAL, BASING ON MONEY ECONOMY. NOT ONLY MINIMISED THE GLOBAL FINANCIAL CRISIS OF THE PAST, BUT OPENNED THE WAY FOR WESTERN BANKS AND NON- MUSLIM COUNTRIES TO TRY ISLAMIC FINANCE, HENCE MANY BANKS AND SUKUK COMPANIES ARE GETTING WORLD-WIDE ACCEPTENCE TODAY.

MR. NIK MOHAMMED DIN MUSA OF MALAYSIA’S CENTRAL BANK SAYS THAT, IT’S THE PILLARS OF ISLAMIC BANK’S ETHICS, THE REAL ECONOMY, GOOD POLITICAL GOVERNANCE, TRANSPARENCY, COOPERATION AND RISK SHARING THAT HAVE ALWAYS BEEN THE NATURAL MEANS FOR AVOIDING FINANCIAL MELTIDOWNS.

AFRICA IS ISLAMIC-BANKING’S NEW FRONTIER. SOUTH AFRICA, ETHIOPIA, NIGERIA, KENYA AND TANZANIA HAVE AUTHORIZED INTEREST-FREE BANKING A WHILE NOW, BUT TO FEW CUSTOMERS. LETS LOOK AT KENYA SUPRISINGLY WITH A MUCH SMALLER MUSLIM POPULATION TAKES THE LEAD IN EAST AFRICA WITH ABOUT FIVE, ALL FULLY FLEDGED ISLAMIC BANKS, AND ISLAMIC INSURANCE.

SOUTH AFRICA HAS RAISED A HALF-BILLION DOLLAR ISLAMIC BOND A WHILE AGO. IN AFRICA TOTAL ISSUANCE TODATE IS CLOSE TO 2 BILLION US DOLLARS, COMPRISING ISSUANCES FROM SENAGAL, COTE d’VOIRE AND TOGO.

SOVEREIGN SUKUKS ARE ONE THING, A SHARIA-COMPLIANT INDUSTRY SERVING THE PRIVATE SECTOR QUITE ANOTHER. IN NORTH AFRICA WHERE MUSLIMS MAKE UP AS MUCH AS 96% OF ITS POPULATION, SLAMIC FINANCE HAS A LONG BEEN HELD BACK BY FEAR THAT IT MEANS INTRODUCING SHARIA-LAW THROUGH THE BACK DOOR.

IN KENYA ASSETS PURCHASE LOANS FACE DOUBLE TAXATION, SINCE THEY INVOLVE THE PURCHASE AND RESALE OF AN ASSET, TAXED EACH TIME. THAT MAKES IT HARD TO BE COMPETETIVE IN THE MARKET ECONOMY.

STRENGTH SHALL BE FOCUSING ON REAL ECONOMY AND SAFE-VOUCH ON RISKY SPECULATION (GHARAR). THE THING THAT WOULD SHAPE THE GLOBAL FINANCIAL STRENGTH AND ADVANCE ECONOMIC GAINS NATURALLY. BECAUSE IT WAS ORDAINED BY THE ALMIGHTY.

FOR THE GLOBAL ECONOMY TO CONSTANTLY WORK FOR HUMANITY-THE WAY-FORWARD HAS TO BE ETHICAL- ECONOMY- BASED ON VALUES WORKING HAND-IN-GLOVE. THAT IS ISLAMIC FINANCE CHARGING THE GLOBAL WEALTH IN AN ETHICAL MANNER INCLUSIVELY AND EXCLUSIVELY.

 THANK YOU.

SALIM ABDALLAH ZAGAR

TANZANIA.