

MY SAY: Embracing commercial Islam

Professor Tan Sri Dato' Dzul kifli Abd Razak

MY SAY

The Edge Malaysia - 05/18/2009

It was not too long ago that Islam was "reintroduced" to the world in a very brutal manner — the tragedy of Sept 11, 2001. It was then that the "crusade" (to use the word of the then US President George W Bush) against Islam was launched on the back of the "war on terrorism". This summarily led to the fall of Baghdad, the invasion of Afghanistan, the profiling of practically all Muslims and anything that was Islamic.

This type of "political" Islam was made popular by those who took a narrow view of what Islam stands for, often misrepresenting it to suit their myopic agenda. Funds used to support the cause of political Islam were quickly shunned, declared as evil and frozen or confiscated. A list of terror organisations and rogue states was introduced to facilitate the process.

Banks and institutions readily complied with the request to reveal their sources of investment and income for the purpose of financial cleansing, so to speak, a process that is still very much alive today.

But now, there is a new angle to the whole thing — the emergence of what I call "commercial" Islam. Like political Islam, it is a global phenomenon, sweeping across all boundaries and financial institutions of all types. However, unlike its political counterpart, commercial Islam is desirable and indeed encouraged. It has a global following, ironically, on both sides of the divide of political Islam who are anxious to work together and learn from one another.

If all goes well, there will be one such gathering this week — the 2nd Islamic Venture Capital and Private Equity Conference — to be held in Kuala Lumpur. Its theme is "Rooting Islamic Investments and Strategic Funds in the Light of the Economic Crisis".

The conference will address, among other things, investing in businesses that are syariah-compliant (yet another misunderstood term among the myopic propagandists of political Islam) as a source of growth in the economically difficult world. There is already the FTSE Shariah All-World Index. After all, the Islamic finance industry has seen double-digit annual growth over the last decade and is expected to stay positive this year, according to the governor of the Saudi Arabia central bank recently.

It is reported that the sales of sukuk (Islamic bonds) have reached US\$3.4 billion this year. Central bank officials from Asia, including West Asia, have already met at the Islamic Financial Services Board Summit to discuss the industry. In addition, to quote Moody's, the sukuk market is forecast to rise to US\$122.7 billion in outstanding issuances this year. Notably, the first truly international and rated sukuk was issued in Malaysia back in 2002.

The relevance of Islamic finance to the present situation, in particular, becomes clearer after the Vatican argued that "banks worldwide should look at adopting the principles of Islamic finance to restore confidence and ease the dangers of excessive credit generation" in an article published by its official weekly newspaper *L'Osservatore Romano* in March.

In a manner of speaking, commercial Islam is not possible without a thorough understanding of the much-disdained guidelines of syariah or Islamic law. Such a guideline sets out clearly what is "permissible" or otherwise in all matters — not just banking, but all aspects of life.

For example, like life itself, Islamic banking is ethics-based given the syariah guidelines, where greed and speculation are prohibited in contrast to sharing and caring. More significantly, Islam is about being fair, equitable and just (defined in Islamic terms) by fundamentally banning the concept of fixed interest rates (riba) on the grounds that "money alone should not create profit" — a major departure from the conventional type of transactions. Similarly, it prohibits "gambling", such as the excessive leveraging and trading of papers or commodities that one does not own in conventional banking.

To be clear, the ethics that separate Islamic banking from all others must be made distinctive; it is part and parcel of the Islamic way of life and faith. In other words, the basic or core Islamic principles must be adhered to and innovation undertaken within the perimeters allowable. This implies that syariah is a vital instrument to ensure that the industry is stable and shielded from toxic assets, but only if it is properly understood and implemented.

The fact that there were scandals involving so-called Islamic banks worldwide mean that there can be no inherent advantage in the conventional model once the principle of Islamic laws and ethics are violated.

The ultimate question is, how does one embrace commercial Islam without being willing to learn and adhere to Islamic principles and correcting the prejudices against and misinterpretations of political Islam?

Professor Tan Sri Dato' Dzul kifli Abd Razak is Vice-Chancellor of Universiti Sains Malaysia.

[Terms & Conditions](#)