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NOTES ON THE BACKGROUND, ACHIEVEMENTS AND
PROBLEMS OF ISLAMIC BANKS*

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**The Prohibition of Riba and Profit and Loss Sharing
as the Ideal Alternative**

When the Muslim countries from North-West Africa across the Near and Middle East to South-East Asia gained their political independence after World War II, their economies inherited from the former colonial powers financial systems which were, and still are, based on "interest banking". This poses serious problems for devout Muslims because the Qur'an commands them not to take riba. Although some Muslim modernists have claimed that this old Arabic term means in modern times only usurious interest rates for consumptive credits, the more widely (and esp. by legal scholars) accepted interpretation is that any interest for a money loan is prohibited - irrespective of the level of the interest rate or the purpose of the loan (consumptive or productive).

But this does not mean that a provider of capital cannot participate at all in the financial results of a venture which was (co-)financed by him. The potential productivity of money capital is basically recognized, and forms of participation are permissible where the returns to the capital provider are not predetermined positively in fixed amounts but are defined as a share in the venture's results - which may become positive (profit), but could also become negative (loss). In short, interest based financings should be replaced by profit and loss sharing (PLS) arrangements.

For financing business activities, esp. trade ventures, the early Muslims adopted and approved some forms of commercial partnerships known already in pre-Islamic Arabia. Scholars and bankers re-vitalised them in the second half of the 20th century.

- In **musharaka** partnerships, a bank and an entrepreneur both contribute to the capital of a company or of a particular project. The bank receives an agreed percentage of the expected profit. Should the final result be a loss, the bank has to share it according to the proportion of its contribution to the total capital of the financed venture. Both the bank and the entrepreneur have the right to manage the venture, though the bank may decide not to exercise this right.

- In **mudaraba** partnerships, the bank is the sole provider of capital; the partner contributes his entrepreneurial efforts. The bank again receives a share of the profits (determined only as a percentage, not in absolute amounts), but losses have to be borne by the bank alone (while the work of the entrepreneurial partner goes unrewarded). The right to manage the venture lies only with the entrepreneurial partner.

- The principles of these PLS partnerships are not only applicable to the financing business of Islamic banks; the relations between the bank and holders of **savings and investment accounts** are based on a similar construction. 'Depositors' no longer receive a fixed interest but participate in the financial results (profits or losses) of the bank; they receive factually a kind of "depositors' dividend".

Because the returns on provided capital are unknown in absolute terms at the outset, and because the bank is required to share losses when they happen to occur, the bank is said to share economic risks with the entrepreneur, thus relieving some of the financial burden of the economically "active" partner. This is considered to be a fairer system than interest-based financings, and many academic writers have tried to demonstrate the allocative and distributive superiority of an interest-free Islamic PLS economy, compared with the conventional interest-based system.

But these theories are more utopian models than descriptions of the reality of financing activities of Islamic banks. The operating banks soon had to learn that PLS partnerships not only mean the participation in rarely occurring losses, but also a participation in the fluctuations of the positive results of the financed ventures. For this reason, but also because of some other problems (mentioned below), the "real" Islamic banks reduced PLS financings to a minimum and took recourse to a number of other financing instruments with predetermined earning which shall be outlined in the next section.

One can observe a huge discrepancy between the macroeconomic models of interest-free economies and the ideology of Islamic banking - both putting emphasis on the PLS principle - and the reality of Islamic financial institutions. In past years, much confusion resulted from taking the former as a projection of the latter.

2.

Problems with Profit and Loss Sharing and Alternative Modes of Islamic Financing

In countries where taxes are imposed on the profits of an enterprise, there should arise a basic conflict of interests between the bank and the entrepreneur when a financing is made on PLS basis: Since the profit as disclosed in the balance sheet or income statement is in a PLS financing the basis for the earnings of the bank, it should be interested in a profit as high as possible. But the disclosed profit is, on the other hand, subject to taxation, so the entrepreneur should be interested in a profit as low as possible.

But even in countries without taxes on profits there will be conflicts of interests. Considering the claims of shareholders and depositors for (real and 'factual') dividends, it is reasonable to assume that Islamic banks strive for earnings not less than those of conventional banks (with whom they compete for capital and deposits). This, combined with given profit expectations for a particular venture, gives a "minimum participation ratio" (e.g. 20 % of the expected profits) for the bank that is necessary when the bank wants to get a minimum expected return for the provided capital. But entrepreneurs who expect higher profits than the bank would hardly agree to this minimum ratio, because then their expected costs of funds under PLS would exceed those of an alternative interest financing. Thus PLS financing is particularly attractive to entrepreneurs with more pessimistic expectations than the bank, but the entrepreneurs would have no strong economic incentive to communicate their pessimism to the bank (because then the bank would ask for a higher share in the lower expected profits in order to keep its expected earnings on the same level as before). In short, the PLS mechanism could lead in "mixed economies" (where entrepreneurs could get a financing also from conventional interest-banks) to a concentration of bad risks at the Islamic banks.

Besides the general uncertainty of future earnings and the danger of accumulation of bad risks, there is quite a number of other factors militating against the application of the PLS techniques. For example, there is the problem of identifying and evaluating the economic potentials and market chances of projects submitted for financing; this job requires a highly qualified staff with intimate knowledge of the markets of the bank's customers. People with these qualities are difficult to find, hard to keep and not cheap in their salaries. Decisions on PLS financings are difficult to standardise and formalise, and they will require - esp. in the field of corporate financing - individual assessments and judge-

ments by well-trained bank officers. Other problems are the need of individual negotiations on participation ratios and the need of protection against profit manipulations by the entrepreneurial partner. A factor working against a quantitatively greater financial support for medium and longer term agricultural and industrial projects on a PLS basis is that Islamic banks - and esp. the newly established ones - are pressed by the economic interests of the shareholders and depositors to show financial successes as quickly as they can, whereas medium and long term projects often need a period of several years before they begin to show a profit; in contrast to this, transactions such as trade financings can yield earnings already in the short term.

Arguments like these, and unsatisfactory experiences with a few PLS corporate financings, have caused musharaka and mudaraba partnerships to become limited to a very small percentage of the total financings of the Islamic banks, or even to be suspended completely. And those banks who have set out musharaka and mudaraba financings in their balance sheets have applied the PLS techniques not to corporate, but mainly to short term trade financings where there is no substantial uncertainty about the resulting profits.

Islamic banks can dispense with PLS partnerships, since they can employ their funds also under **other admissible modes of financing with predetermined earnings**. The most prominent examples for these modes of financing are

- **murabaha** (mark-up or cost-plus financing), where the bank purchases something on request of a client and subsequently sells it to him at cost plus an agreed profit charge, and
- **ijara** (leasing), where the bank buys some asset (e.g. a machine) and rents it against fixed installments to the entrepreneur.

The most important financial instruments and services of Islamic banks are summarized in table 1. The common denominator of these non-PLS modes of financing is that the bank does not provide liquidity or money capital to the entrepreneur which he could use at his own discretion, but the bank supplies to him the real input factors or productive assets which he needs for his venture. These modes of financing are held to be Islamically legitimate because they are considered special ways of settling real transactions (purchase of goods or rent of assets) where it is admissible to demand a higher price for deferred or instalment payments than for immediate cash settlement. These transactions do not involve the pure lending of money but represent special ways of conducting the financial side of a real transfer of goods or assets.

Of course there is no substantial economic difference between an interest loan and a murabaha or ijara financing. But for the Islamic banks, esp. for their advisors in Islamic law, the prohibition of interest is not so much an economic problem (as it is for Muslim economists who claim the allocative and distributive superiority of an interest-free Islamic system), as a legal one: The Islamic banks' prime concern is to develop (or adapt) contractual forms capable of achieving particular financing aims without coming into conflict with the prohibition of interest as laid down by the judiciary and defined primarily under formal (not material, economic) criteria. One can hardly hold it against the banks that, after legal examinations, they have taken recourse to some known Western financing techniques such as leasing. A clear distinction should be drawn between the two criteria of originality and admissibility of financing techniques. The most important point for the Islamic banks is that a technique is legally permitted, whereas Western observers and theoreticians concerned with Islamic banking frequently expected above all that Islamic banks would apply completely new, original techniques. These biased expectations had to be disappointed.

Table 1: Main Activities/Instruments of Islamic Financial Institutions

	activities with partners / for customers						activities for own account
employment of funds	supply of funds (liquidity)			supply of goods		services	trade foreign currency operations establ. of subsidiary companies
	partnership and participation		interest-free loans	merchandise	fixed assets	letters of credit investment trustee safe-keeping	
	profit and loss sharing (PLS)			mark-up murabaha	leasing ijara		
	mudaraba	musharaka	new participation techniques under consideration				
mobilisation of funds	acceptance of deposits						sale of (investment) certificates
	without remuneration			with remuneration			
	current accounts	savings accounts		investment accounts			
		type A	type B	joint accounts	specific accounts		

3.
**Fundamental Differences in the Business Philosophy
of Islamic Banks**

To say that Islamic banks' prime concern is to develop admissible contractual constructions and alternatives for all those services which conventional banks offer their customers does not do full justice to a basically different - and older - business philosophy for Islamic banking.

It was in Egypt in the 1960s when a first successful experiment in Islamic banking was launched. The initiator of this experiment had studied economics in Germany and there became familiar with the concepts of cooperative and savings banks. After the return to Egypt, he established interest-free savings banks in the province capital of Mit Ghamr in 1962. This was for him first and foremost a developmental experiment; that the savings banks operated on an interest-free basis was not his prime concern but just a necessary precondition for the acceptance of the savings banks by the Muslim population in the rural area of Mit Ghamr. The branches of the conventional banks were not accepted by the people both because their operations were based on interest and their financing activities were concentrated on the large business centres of the country and neglected the credit demand in the rural areas.

People who wanted to save parts of their current income to make provisions for future events did not deposit their money in bank accounts but bought some real assets as stores of value (like durable consumer goods, gold and jewellery). But this practice has negative consequences both on the individual resp. microeconomic and on the social resp. macroeconomic level.

- For the **individual people** the 'real asset saving' causes often very high transaction costs: When in cases of need the savings asset has to be liquidated, this is usually possible only with some substantial reductions of the (now) selling price as compared with the buying price.
- For the **economy as a whole**, the 'real asset saving' locks input factors in the production of the savings assets; these factors could be shifted into lines of production with a higher developmental impacts once the people would 'put aside' parts of their current income not by buying real assets but by acquiring financial assets when depositing their money in bank accounts.

The interest-free savings banks promised their clients who had regularly deposited money into their savings accounts for the future interest-free loans once they would be in need. Clients who put their money into investment accounts were entitled to a share in the results of the profitable employment of these funds.

Regarding the financing activities, the interest-free savings banks intended to employ most of the funds in the same (rural) areas from where these funds have been mobilised; they did not want to pass on the deposits to the distant commercial centres of the country for financings there. The interest-free savings banks paid special attention to the financing of productivity improving devices for small craftsmen, peasants, traders, etc. who had practically no chance to get a loan from a conventional bank due to their lack of securities. The interest-free savings banks did not care so much for securities but gave more importance to the personal qualities of the client. The financing decisions should not depend on the 'physical capital' (securities) but mainly on the 'human capital' of the client.

The objective of the interest-free savings banks experiment was to change the behaviour of people (to "educate the masses"), to integrate the rural population into the financial system (thus widening the basis for the national capital formation, but also to decentralise the system and to create self-supporting regional 'sub-systems' in order to improve the individual as well as the collective economic situation of the majority of people living in rural areas. The interest-free savings banks may be characterised as 'private Islamic development banks', meaning that they pursued developmental goals but were no governmental institutions and had to act like private banks who must cover their expenses by their own earnings and not by subsidies or contributions from the state budget.

The Egyptian savings banks mobilised such amounts of savings that they had some problems to find adequate profitable employments. But besides these economic problems there were some strong political reasons why this first experiment in Islamic banking was factually terminated by the government in 1967. It was not before 1982 that again a (very small) Islamic bank was established and made efforts to re-vitalise and bring to work the philosophy of 'private development banking': the Fasial Islamic Bank of Kibris in Turkish Cyprus. Most other Islamic banks which have been established from 1975 onwards follow in principle a basically different approach: They want to be interest-free commercial banks, and they try to offer their clients the full range of banking products and services of conventional banks on an interest-free basis. For these banks, Islamic banking is not a social or developmental task, but they do look at it as commercial banking just on a different juristic basis.

4.

**Brief Notes on the History of and
Major Groupings in Islamic Banking**

(1) Interest-free banking operations were re-introduced in Egypt in 1972 when the Nasser Social Bank was established. A main objective of this state-owned bank is granting its depositors interest-free loans for 'social' purposes (like housing). Therefore the bank is acting more like a social insurance institution than as a commercial bank; the authorised and paid up capital is very small and amounts only to LE 4 mn (approx. US\$ 5.7 mn).

(2) On the international and governmental level, the activities in Egypt attracted much attention of the member states of the Organisation of the Islamic Conference (OIC) and esp. in Saudi Arabia. Egyptian (and Pakistani) experts prepared studies on the feasibility of an intergovernmental development bank of Islamic countries. As a result, the Islamic Development Bank (IDB) was set up in 1975; it started operations in October that year.

The number of members increased from 22 in 1975 to 43 in 1985, i.e. all OIC members except Iran and Brunei (Nigeria became a OIC member only in 1986 and so far also did not yet join the IDB). The authorised capital amounts to 2 bn Islamic Dinar (ID); the ID is just a unit of accounting and its value is equal to 1 SDR of the IMF. By the end of 1985, 1.95 bn ID have been subscribed and 1.43 bn ID were paid up. The largest subscribers to the capital of IDB are Saudi Arabia (26 %), Libya (16 %), Kuwait (13 %) and the United Arab Emirates (10 %).

According to the articles of agreement, the purpose of the IDB "shall be to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the Shari'ah."

The table 2 gives a summary of the approved financings of the IDB and a breakdown with respect to the types of operations (I. Ordinary Operations, 1. Project Financing, 2. Technical Assistance, II. Foreign Trade Operations, III. Special Assistance Operations). The project financings have been disaggregated with respect to the types of financing and to the sectors of financing. For the total financings of the IDB from its starting until the end of 1985 the following can be observed:

- 68 % of all financings have been approved for foreign trade operations. A critical note on the continuous increase of this proportion and on the high level of trade financing can be found in a separate paper on capital movements and trade liberalisation.
- About 6 % of the total financings (resp. 20 % of the project financings) have been made as equity participations or profit sharing arrangements. Considering the high ideological value of these modes of financing, this actual percentage is not very impressive.
- About 13 % of the total financings (resp. 34 % of the project financings) have been approved for projects in industry and mining. This means that (direct) industry financing is only a minor activity of the IDB.

39 countries have benefitted from the 1.3 bn ID for project financing; 12 % of the funds were received by Turkey, 8 % by Pakistan, 7 % by Jordan, 5 % by Tunisia and 4-3 % each by Banladesh, Mauritania, Morocco, Oman, Senegal and AR Yemen.

Table 3 shows that the IDB is, in terms of authorised capital, only of medium small to medium size among the Arab/Islamic development banks and funds. But in terms of utilisation of these funds - measured as the relation between the cumulated financings since the

Table 2: Financing Approved by the Islamic Development Bank

Type of Operation	1405 H.					1396 - 1405 H.				
	No.	Amount (mn ID)	%	%	%	No.	Amount (mn ID)	%	%	%
I. Ordinary Operations	48	273.11	27.2	100.0	100.0	282	1,438.50	28.9	100.0	100.0
1. Project Financing	35	266.48	26.5	97.6	-	212	1,404.35	28.3	97.6	-
a) by Types of Financing										
- Loan	15	98.62	9.8	36.1	-	85	508.41	10.2	35.3	-
- Equity ¹	4	9.87	1.0	3.6	-	58	274.93	5.5	19.1	-
- Leasing ²	9	92.10	9.2	33.8	-	60	547.79	11.0	38.1	-
- Profit Sharing	-	-	-	-	-	2	7.33	0.1	0.5	-
- Instalment Sale	7	65.89	6.6	24.1	-	7	65.89	1.3	4.6	-
b) by Sectors										
- Agric. & Agro-Ind.		99.25	9.9	-	36.3		235.2	4.7	-	16.4
- Industry & Mining		65.92	6.6	-	24.1		490.22	9.9	-	34.1
- Transp. & Communic.		7.28	0.7	-	2.7		294.41	5.9	-	20.5
- Utilities		71.75	7.1	-	26.3		198.20	4.0	-	13.8
- Social Services		26.58	2.6	-	9.7		173.15	3.5	-	12.0
- Others		2.33	0.2	-	0.7		47.32	1.0	-	3.3
2. Technical Assistance	13	6.63	0.7	2.4	-	70	34.15	0.7	2.38	-
II. Foreign Trade Operations	38	668.21	66.5	-	-	241	3,374.12	67.9	-	-
III. Special Assistance Account	11	63.90	6.4	-	-	57	158.16	3.2	-	-
Total (I+II+III)	97	1,005.22	100.0	-	-	580	4,970.78	100.0	-	-

1) Incl. Line of Equity, Line of Equity/Leasing

2) Incl. Line of Leasing

Source: Islamic Development Bank: Tenth Annual Report 1405 H (1984-1985). Jeddah 1986, pp. 58-61.

Table 3: Capital and Accumulated Financing of Major Arab-Islamic Development Financing Institutions upto 1403 / 1404 H.

- (1) Institution
- (2) Commencement of Operation
- (3) Authorised Capital (US\$ mn)
- (4) Accumulated Approved Financing (US\$ mn)
- (5) Capital Utilisation (= col. 4 / col. 3)
- (6) Number of Operations
- (7) Number of Recipient Countries (incl. some regional and international organisations)

	1	2	3	4	5	6	7
Islamic Development Bank		1976	2,146.0	3,026.2	1.41	222	32
Abu Dhabi Fund for Arab Economic Development		1974	1,089.0	1,030.0	0.95	22	40
OPEC Fund for International Development		1976	4,000.0	1,850.0	0.46	352	81
Saudi Fund for Development		1975	7,288.6	4,158.2	0.57	193	51
Iraqi Fund for External Development		1974	924.0	1,733.0	1.88	69	31
Arab Fund for Economic and Social Development		1974	2,760.00	1,880.3	0.68	147	15
Kuwait Fund for Arab Economic Development		1962	7,000.0	4,268.7	0.61	255	58
Arab Bank for Economic Development in Africa		1976	738.3	541.7	0.73	94	36

Source: Islamic Development Bank: Ninth Annual Report 1404 H. (1983-1984). Jeddah 1985, p. 50; own calculations.

establishment and the authorised capital - the IOB was in 1983 the second-most active institution, outrun only by the Iraqi Fund for External Development.

(3) The first private Islamic commercial bank was established in Dubai in 1975, starting operations in September. Approx. 30-40 more Islamic financial institutions have been set up since then, and today Islamic banks can be found in about 20 countries of the Muslim world and also in a number of Western countries. Table 4 lists most of these banks; they have been arranged (as far as possible) in a chronological order with respect to the date of starting operations. Additionally, three countries - Pakistan, Iran and Sudan - made efforts to Islamise their whole financial systems (see below).

Apart from a considerable number of independent banks (e.g. in Bahrain, Bangladesh, Dubai, Egypt, Jordan, Malaysia, Qatar, Sudan), the Islamic banking scene was dominated for some years by the activities of the Dar Al-Maal Al-Islami (DMI) Trust, initiated by the Saudi Prince Mohammed Al-Faisal Al-Saud, incorporated in the Bahamas and managed from Switzerland. DMI has established some 15 financial institutions (banks, investment companies and insurance companies) in, inter alia, Bahrain, Guinea, Luxembourg, Niger, Senegal, Sudan, Turkey and the United Arab Emirates. More subsidiaries should be opened in the future, although at present DMI seems to be more interested in a consolidation of its achievements than in a further (rapid) expansion. Table 5 summarises the DMI Trust. When DMI started operations in 1981, a capital of US\$ 300 mn had been raised; surplus funds which were not immediately used for the formation of subsidiaries were "parked" in precious metals - an unwise decision which led to losses of US\$ 28 mn in 1983 and US\$ 19 mn in 1984.

In these years of financial troubles for DMI, a strong rival entered the scene in the shape of the Al Baraka Group of the Saudi

Table 4: Islamic Financial Institutions

Institution	Country	Opening	Paid up Capital (US\$ mn, 1984/85)	Total Assets
Dubai Islamic Bank	Dubai	Sep. 1975	13.6	311.1
Faisal Islamic Bank (Sudan)	Sudan	May 1978	44.9a	344.1a
Kuwait Finance House	Kuwait	Aug. 1978	64.7z	2,781.8z
Islamic Investment Co. of the Gulf	Sharjah	1978	(20.0)e	1,192.0e
Faisal Islamic Bank of Egypt	Egypt	July 1979	40.0a	1,861.9a
Jordan Islamic Bank for Finance and Investment	Jordan	Sep. 1979	9.9	252.1
Bahrain Islamic Bank	Bahrain	Nov. 1979	15.3y	166.7y
Dar Al-Maal Al-Islami (DMI) Trust	Bahamas	July 1981	318.1x	
Islamic International Bank for Investment and Development	Egypt	Oct. 1981	11.4	680.6
Islamic Investment House	Jordan	Jan. 1982	9.9	32.0
Massraf Faysal Al-Islami of Bahrain	Bahrain	Dec. 1982	20.0z	667.2z
Al Baraka International Ltd.	U.K.	1983	14.5z	48.5z
Islamic Investment Co. of the Gulf	Bahrain	1983		
Sudanese Islamic Bank	Sudan	(1983)	(13.1)	(32.8)
Al Baraka Bank (Sudan)	Sudan	(1983)	(42.0)	(72.8)
Tadamon Islamic Bank	Sudan	Mar. 1983	11.6	61.8
Islamic Bank Internat. of Denmark	Denmark	Apr. 1983	4.5z	19.5z
Bank Islam Malaysia Berhad	Malays.	July 1983	32.9c	134.2c
Islamic Bank of Qatar	Qatar	July 1983	13.7y	166.3y
Islami Bank Bangladesh Ltd.	Bangld.	Aug. 1983	19.2	32.1
Islamic Cooperative Developm. Bank	Sudan	(1984)	(4.6)	(28.4)
Islamic Bank of Western Sudan	Sudan	(1984)	(3.8)	(12.6)
Beit Ettamwil Saudi Tounsi	Tunisia	Jan. 1984	25.0	47.3
Al Baraka Investment Company	U.K.	Feb. 1984	52.0	242.4
Al Baraka Islamic Investment Bank	Bahrain	June 1984	50.0z	268.4z
Al Baraka Turkish Finance House	Turkey	Jan. 1985	8.7z	40.3z
Faisal Finance Institution	Turkey	Jan. 1985	8.7z	44.7z

Figures in () not from primary sources (like Annual Reports); if no other dates are given: figures for 31.12.1984.

a) 25.9.1984.

b) Clients assets under management.

c) 30.6.1984.

d) Incl. deposits from other members of DMI group.

e) = b) + x), incl. Islamic Investment Co. of the Gulf Bahrain.

x) 30.6.1985.

y) 15.9.1985.

z) 31.12.1985.

businessman Sheikh Saleh Abdullah Kamel. The capital available to the Al Baraka group exceeded the DMI resources, and most of the Al Baraka subsidiaries have stronger capital bases than the comparable DMI subsidiaries. Al Baraka has opened banks in Bahrain, Mauritania, Sudan, Tunisia and Turkey; more openings are expected for the future. In London, Al Baraka International emerged from the takeover of Hargrave Securities, a licensed deposit-taker. Al Baraka has also become a major shareholder in the Islamic Finance House Universal Holding (IFH) in Luxembourg which owns the equity capital of the first fully licensed Islamic bank in Europe, the Islamic Bank International of Denmark. For a summary of Al Baraka see table 6.

Another potentially strong company has documented its interest in Islamic banking: the Al Rajhi Company for Currency Exchange and Commerce which has capital reserves of approx. US\$ 500 mn. Al Rajhi set up an Islamic Investment Division at its head office in Riyadh, established the Al Rajhi Company for Islamic Investments as a consulting firm in London, and became a major shareholder in IFH of Luxembourg. Since "money changing" is the main activity of Al Rajhi, about two-thirds of the company's total assets (1983: US\$ 4.8 bn) are held in cash and bank balances, and the remaining investments are short term. Medium and long term investments may be expected once the process of transforming Al Rajhi into Saudi Arabia's first Islamic bank (which would become the third largest bank in the country) shall be completed.

(4) Pakistan, Iran and Sudan endeavoured to Islamise the whole financial systems of their countries.

- Pakistan started the Islamisation of the financial system in 1979 and brought it (for the time being) to a close in 1985. The most important steps, achievements and problems shall be mentioned below.
- Iran issued a law on interest-free banking in 1983, but reliable informations regarding the state and progress of the practical

Dar Al-Maal Al-Islami Group

Investment Companies

Islamic Investment Company
of the Gulf, Sharjah

Islamic Investment Company of
the Gulf (Bahrain), Manama

Islamic Investment Company
Ltd., London

Société d'Investissement Isla-
mique de Guinée, Conakry

Société d'Investissement Isla-
mique du Niger, Niamey

Société d'Investissement Isla-
mique du Senegal, Dakar

Islamic Investment Company
(Sudan) Ltd., Khartoum

The Islamic Investment Co.
(Jersey), St. Helier

Shari'a Investment Services,
Geneva

Financial Institutions

Banking Companies (Massaref)

Massraf Faysal Al-Islami
(Bank & Trust) Bahamas, Nassau

Massraf Faysal Al-Islami
of Bahrain, Manama

Massraf Faysal Al-Islami
de Guinée, Conakry

Massraf Faysal Al-Islami
du Niger, Niamey

Massraf Faysal Al-Islami
du Senegal, Dakar

Massraf Faysal Al-Islami
(Jersey), St. Helier

Ihsal Finance Institution
Istanbul

Other Major DMI Companies

Dar Al-Maal Al-Islami,
Geneva

Takafol (Insurance) Companies

Islamic Takafol & Re-Takafol
(Bahamas) Company, Nassau

Sharekat Al-Takafol Al-Islamia
of Bahrain, Manama

Islamic Takafol Company (ITC),
Luxembourg

Table 5

Table 5 continued

Dar Al-Maal Al-Islami Trust				
(Consolidated Figures in mm US\$)				
	1981/82	1982/83	1983/84	1984/85
Authorised Capital	1,000.0	1,000.0	1,000.0	1,000.0
Paid-up Capital	307.6	311.0	316.4	>316.4
Reserves	1.2	1.2	1.2	3.5
Current Liabilities				
- Accounts Payable	6.5	10.6	17.1	12.8
- Massaref Customers Accounts	-	2.1	15.6	20.4
Net Assets	310.5	285.9	271.8	280.0
Operating Profit	2.9	1.1	2.1	7.1
Loss on Precious Metals	-	29.0	19.0	-
Net Profit/Loss	7.9	-27.9	-19.5	0.8

Table 6

Al Baraka Group

Investment Companies

Al Baraka Investment and
Development Company, Jeddah
Al Baraka Investment Company,
London

Other Companies

Arabian-Thai International Co.,
Bangkok

Banking Companies

Al Baraka International Ltd.,
London

Albaraka Islamic Investment
Bank, Manama

Al Baraka Bank (Sudan),
Khartoum

Al Baraka Turk Ozei Finans
Kurumu A.S. (Al Baraka Turkish
Finance House), Istanbul

Beit Ettamouil Saudi Tounsi
(B.E.S.T. Bank) (Saudi Tunisian
Finance House)

Al Baraka Islamic Bank
Mauritania, Nouakchott

Al Baraka Islamic Bank of
Bangladesh (under formation)

implementation of the new system are not available. But even if data were at hand, their interpretation would be very difficult because of the peculiar situation of Iran's economy as a consequence of the war with Iraq.

- Sudan started an Islamisation - in a very abrupt manner - in 1984, but the process came to a standstill after the overthrow of Numeiri in 1985. Definite decisions on the new government's future course in financial and banking matters have not yet been taken. The present status quo seems to be that the banks are no longer forced to apply interest-free techniques, but the conventional banks seemingly found the Islamic modes of financing quite attractive so that they still adhere to them in a large scale.

(a) The elimination of riba is a goal which was set to the government of Pakistan in the constitutions of 1956 and 1973 (the 1973 constitution was re-enforced in an amended version in December 1985). Concrete actions towards an interest-free economy, however, were not taken before the late 1970s.

General Zia-ul-Haq asked the Council of Islamic Ideology in September 1977 to prepare a report on the elimination of interest from the economy. The Council presented an interim report in 1978 and published the final report in 1980. There was a broad consensus that the transformation of the financial system should be made gradually over a period of a few years.

- In a first phase, a number of specialised financial institutions had to convert to interest-free financing techniques: the National Investment Trust (NIT) and the Investment Corporation of Pakistan (ICP) in July 1979, the House Building Finance Corporation (HBFC) in August 1979, the Small Business Finance Corporation (SBFC) in July 1980. Further, an ordinance was issued to facilitate the establishment of *modaraba* companies which act as project managers and employ funds which have been raised from the general public

by the sale of specific modaraba certificates for particular projects. The Bankers Equity Ltd. (BEL) (established in 1979) was registered as the first (and so far only) modaraba company in 1981, and BEL managed only one major modaraba project (in the housing sector).

- The second phase started with the opening of interest-free departments in all five nationalised commercial banks in January 1981. The clients of the banks were free to choose to deposit their money either in conventional interest-yielding accounts or in accounts where they participate in the financial results - profits or losses - of the employment of their funds: in PLS accounts. The banks had to employ the PLS deposits in specific interest-free transactions; the catalogue of permissible employments (issued by the State Bank of Pakistan) was very limited in the beginning but was enlarged several times in subsequent years. In 1981, the ICP introduced a new financial instrument: Participation Term Certificates (PTCs). The PTCs should replace the interest-bearing debentures in medium and long term corporate financing. The financing is based on the principles of PLS, i.e. losses have to be borne in proportion to the capital share while profits will be shared according to a pre-agreed ratio. PTCs can be dealt in on the stock exchange, and they will be redeemable at maturity.

- The third phase of the Islamisation process was announced by the finance minister in his budget speech in June 1984. Interest should be eliminated completely by the middle of 1985. The State Bank of Pakistan (SBP) issued a circular with an exclusive list of all those interest-free modes of financing which were held to be permissible under Islamic law (see table 7). Till the end of 1984 the commercial banks were free to continue their conventional financing business or to adopt voluntarily the permissible interest-free modes of financing. Since January 1985, all financial transactions with government agencies and private or

Table 7: State Bank of Pakistan Circular on Permissible Modes of Financing

Permissible Modes of Financing

(i) Financing by lending

- (a) Loans not carrying any interest on which the banks may recover a service charge not exceeding the proportionate cost of the operation, excluding the cost of funds and provision for bad and doubtful debts. The maximum service charge permissible to each bank will be determined by the State Bank from time to time.
- (b) Qard-e-Hasana loans given on compassionate grounds free of any interest or service charge and repayable if and when the borrower is able to pay.

(ii) Trade-related modes of financing include the following:

- (a) Purchase of goods by banks and their sale to clients at appropriate mark-up in price on deferred payment basis. In case of default, there should be no mark-up on mark-up.
- (b) Purchase of trade bills.
- (c) Purchase of moveable or immovable property by the banks from their clients with Buy-Back Agreement or otherwise.
- (d) Leasing.
- (e) Hire-purchase.
- (f) Financing for development of property on the basis of a development charge.

The maximum and the minimum rates of return to be derived by the banks from these modes of financing will be as may be determined by the State Bank from time to time.

(iii) Investment type modes of financing. These modes include the following:

- (a) Musharika or profit and loss sharing.
- (b) Equity participation and purchase of shares.
- (c) Purchase of Participation Term Certificates and Mudaraba Certificates.
- (d) Rent-sharing.

The maximum and minimum rates of profit to be derived by the banks from such transactions will be as may be prescribed by the State Bank from time to time. However, should any losses occur, they will have to be proportionately shared among all the financiers.

Table 7 continued.

Possible Modes of Financing for Various Transactions

<u>Nature of Business</u>	<u>Basis of Financing</u>
I. Trade and Commerce	
(a) Commodity operations of the Federal and Provincial Governments and their agencies.	Mark-up in price.
(b) Export Bills purchased/negotiated under letters of credit (other than those under reserve).	(i) Exchange Rate differential in the case of foreign currency bills. (ii) Commission or mark-down in the case of Rupee bills.
(c) Documentary Inland Bills drawn against letters of credit purchased/discounted.	Mark-down in price.
(d) Import Bills drawn under letters of credit.	Mark-up in price.
(e) Financing of exports under the State Bank's Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.	Service charge / Concessional Service charge.
(f) Other items of trade and commerce.	Fixed Investment Equity participation, PTCs, leasing or hire-purchase. Working Capital Profit and loss sharing or mark-up.
II. Industry	
	Fixed Investment Equity participation, PTCs, Modaraba Certificates, leasing, Hire-purchase or Mark-up. Working Capital Profit & Loss sharing or Mark-up.
III. Agriculture and Fisheries ...	
IV. Housing ...	
V. Personal Advances (other than those for business purposes & housing) ...	

Source: State Bank of Pakistan: Annual Report 1983-84. Karachi 1984.

public joint stock companies had to be in line with the catalogue of permissible modes of financings, and since April 1985, this must be so for all financings of all banks in Pakistan. Since July 1985 all bank deposits had to be converted into PLS deposits. This brought the elimination of interest, for the time being, to a completion.

(b) The Islamisation of the financial system obviously did not throw the economy into a chaos; nevertheless, a number of problems became apparent even before the interest-free system had completed its first full year of operation.

- There were, for example, complaints about a general increase of the costs of funds after the switch over to the interest-free modes of financing. This may be explained, on the one hand, by higher operative costs of the banks: They have to (re-)train their staff, the standardisation and formalisation of operations still has to be advanced, etc. But, on the other hand, the increase in costs of funds may have occurred because the banks seized the opportunity of the general re-structuring for an improvement of their income situation by charging higher rates for financings.
- A declining trend in the returns on PLS deposits has been observed and was criticized. But this, again, must not be judged as a failure of Islamic banking but could be explained by 'conventional' microeconomic arguments: The banks were faced with an increasing 'surplus' of funds in relation to their profitable investment opportunities, and higher returns for PLS deposits would have aggravated this situation.
- What has its cause in the present design of the Islamisation is the dominance of modes of financing which yield fixed income for the banks. Far more than 80 % of the total financings are based on fixed income techniques. The ideologically high ranking part-

nership and profit sharing arrangements are not popular - neither with the banks nor with the entrepreneurs: The banks dislike PLS financings because of the many risk elements (from uncertain market developments to the danger of profit manipulations); the entrepreneurs dislike the permissible partnership and participation techniques because they give the bank (generally or under certain conditions) the right to interfere with the management of the financed enterprise.

The general impression is that the Islamisation in Pakistan has replaced interest loans by interest-free but 'fixed income' modes of financing. Despite the discussions of bankers and legal experts on Islamic banking over the last years, the PTCs seem to be the only financial innovation with some substance that has been developed and introduced in Pakistan. But more innovations are necessary when the reality of interest-free banking shall be reconciled with the ideal of a PLS based Islamic financial system. The catalogue of permissible modes of financing should be enlarged with respect to some more attractive forms of partnership arrangements (where, for example, the bank does not have the right to interfere with the management and where the participation basis is not the - somewhat arbitrary and unpredictable - profit of the annual balance sheet but a more stable and 'rational' approximation of the productive power of a company). Additionally, the interest-free interbank market needs some re-consideration. Interbank 'loans' are formally based on PLS techniques, but factually the costs of funds are calculated as a surcharge on the returns on PLS deposits of the respective bank which are, in their turn, to a large degree at the discretion of the bank management. The PLS interbank market techniques are strongly suggestive of interest transactions.

Although the Islamisation of the financial system came to a close for the time being, the future should bring some financial innovations so that the process of establishing an Islamic banking

system is not yet completed. The present practice is far from perfect, and many national peculiarities (like the selective credit policy and other interventions of the State Bank of Pakistan, including the prescription of limits for mark-up margins and profit sharing ratios) must be observed. The Pakistani experiences in Islamic banking and esp. in the interest-free financing of industrial ventures should not be generalized; the situation of Islamic banks in other Muslim countries with 'mixed economies' is different in many important respects from that of Pakistani banks.

5.

Achievements, Problems and Prospects of Islamic Banking

(1) In order to evaluate the achievements of Islamic banks, their performance should be assessed in relation to the performance of conventional banks in the same countries. Such an attempt was made for the banks in Sudan in a recent paper of Al Bagkir Mudawi. His comparative figures are reproduced in tables 8 and 9. The following can be observed for 1984:

- The six Islamic banks of Sudan play a respectable role in the financial system of the country: They had attracted 18.5 % of the total bank deposits (of Islamic plus conventional commercial banks), and they transacted 18.7 % of total loans and investments.
- The Islamic banks concentrated their investments in the local and foreign trade sector (59.4 % of their total investments); the share of the industrial sector was quite negligible (5.4 %). Comparative figures for the conventional banks were not given,

Table 8

FIBS = Faisal Islamic Bank (Sudan)

SIB = Sudanese Islamic Bank

TIB = Tadamon Islamic Bank

IDCB = Islamic Development Cooper. Bank

IBWS = Islamic Bank of Western Sudan

ABBS = Al Baraka Bank (Sudan)

Sectoral Distribution of Investments of Islamic Banks in Sudan

(1) Local Trade

(2) Imports

(3) Exports

(4) Total Trade

(5) Agriculture

(6) Industry

(7) Handicraft

(8) Transp. & Serv.

(8) Total Investment

(9) Total Trade in % of 8

(10) Industry in % of 8

(1) to (8) in mn LS

Bank	Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
FIBS	1980	22.0	29.0	6.0	57.0	0.0	0.3	0.0	0.0	57.3	99.48	0.52
	1981	19.0	32.0	18.0	69.0	0.0	3.0	1.2	1.0	74.2	92.99	4.04
	1982	47.0	64.0	20.0	131.0	0.0	3.0	1.0	0.0	135.0	97.04	2.22
	1983	35.0	29.0	1.2	62.5	1.0	4.0	2.4	2.2	74.8	83.56	5.35
	1984	43.0	36.5	1.0	80.5	5.0	9.0	2.3	11.3	98.1	82.06	9.17
SIB	1984	24.0	16.0	7.0	47.0	33.0	7.0	1.0	2.0	90.0	52.22	7.78
TIB	1983	17.0	11.0	3.0	31.0	3.0	3.0	2.0	18.0	57.0	54.39	5.26
	1984	13.0	8.0	1.0	22.0	2.0	2.0	2.0	13.0	41.0	53.66	4.88
IDCB	1984	30.0	6.0	21.0	57.0	4.0	2.0	0.0	16.0	79.0	72.15	2.53
IBWS	1984	8.0	6.0	0.0	14.0	0.0	0.0	0.0	1.2	15.2	92.11	0.00
ABIBS	1984	0.0	27.0	20.0	47.0	0.0	0.0	0.0	1.0	48.0	97.92	0.00
Total	1980	22.0	29.0	6.0	57.0	0.0	0.3	0.0	0.0	57.3	99.48	0.52
	1981	19.0	32.0	18.0	69.0	0.0	3.0	1.2	1.0	74.2	92.99	4.04
	1982	47.0	64.0	20.0	131.0	0.0	3.0	1.0	0.0	135.0	97.04	2.22
	1983	52.0	40.0	1.2	96.5	1.0	7.0	1.1	2.2	131.0	73.66	5.34
	1984	88.0	77.0	50.0	220.5	44.0	20.0	10.3	44.5	371.0	59.43	5.39

Table 9

Capital, Deposits, Loans and Investments of Islamic and Conventional Banks in Sudan 1984 (in mn LS)

	(1)	(2)	(3)	(4)	(5)	(6)
(1) Capital						
(2) Deposits						
(3) Total Assets						
(4) Loans and Investments						
(5) Medium and Long Term Loans and Investments						
(6) (7)/(6) (in %)						
(a) Islamic Banks	156.0	447.2	623.0	371.0	92.3	24.9
(b) Conventional Banks	326.0	1964.1	4178.4	1609.2	454.0	28.2
(c) (a) in % of (a)+(b)	32.4	18.5	13.0	18.7	16.9	

Capital, Deposits and Total Assets of the Islamic Banks in Sudan 1984 (in mn LS)

	(1)	(2)	(3)	(4a)	(4b)	(5a)	(5b)
(1) Paid-up Capital							
(2) Reserves							
(3) Shareholders Equity (= (1) + (2))							
(4a) Deposits							
(4b) Share in Total Deposits of Islamic Banks (in %)							
(5a) Total Assets							
(5b) Share in Total Assets of Islamic Banks (in %)							
Faisal Islamic Bank (Sudan)	58.4	76.0	134.4	275.0	61.5	447.0	62.3
Sudanese Islamic Bank	17.0	1.0	18.0	54.1	12.1	42.6	5.9
Tadamon Islamic Bank	15.0	7.0	22.0	44.0	9.8	80.3	11.2
Islamic Development Cooperative Bank	6.0	0.1	6.1	25.0	5.6	36.9	5.1
Islamic Bank of Western Sudan	5.0	-	5.0	9.1	2.0	16.4	2.3
Al Baraka Bank(Sudan)	54.6	-	54.6	40.0	8.9	>94.6	13.2
Total	156.0	84.1	240.1	447.2	100 %	>717.6	100 %

Source for table 8 and 9: Al Bagkir Mudawi: Medium and Long-term Finance by Islamic Financial Institutions, in: Journal of Islamic Banking and Finance, Vol. 3, No. 2, Karachi 1986, pp. 16-35.

but there is probably no fundamental difference in the sectoral composition of investments.

- The share of medium and long term investments in total investments was a little less in Islamic banks (24.9 %) than in conventional banks (28.2 %).

Comparative statistics for other Muslim countries have so far not been published, and filling this gap is beyond the scope of this paper. Therefore no reference is made to the financial environments of the Islamic banks in their home countries.

For comparative and evaluative purposes, data for a number of Islamic financial institutions (whose annual reports were available) have been compiled and are presented in a 'standardized' form in tables in the annex. It should be noted that the terminology of the annual reports is very varied and that therefore some interpretations were necessary in order to translate balance sheet positions of some banks into the standardized terminology.

Many banks do not disclose the composition of their financings or investments with respect to the modes of financing and the sectors in which the funds have been placed, and the reports of some other banks give only a very rough idea of the composition of the bank's activities. However, those informations that could be found are also quoted or summarized in the annex.

(2) Although most Islamic banks presented impressive growth rates of deposits and total assets in past years, they are fairly small institutions. Only the two largest Islamic banks are to be found in the "Top 100 Arab Banks" published annually by "The Banker": The Kuwait Finance House entered the list in 1979 ranked at 94, and climbed to rank 32 in 1984 (for 1983) as the sixth of seven Kuwaiti banks in the list. The Faisal Islamic Bank of Egypt entered at 77 in 1981 and climbed to rank 51 as the seventh of 13 Egyptian banks

in 1984. Development banks and investment companies are not included in the "Top 100", but two of the Islamic non-bank financial institutions should be mentioned because of their financial potential. The Islamic Investment Company of the Gulf (Sharjah and Bahrain) - a subsidiary of DMI - managed US\$ 1.2 bn for 50,000 clients in the middle of 1985, and the Al Rajhi Company for Currency Exchange and Commerce reported that the total advised credit lines of the customers of its Islamic Investment Division amounted to more than US\$ 1 bn in 1983. The total funds deposited with or under the management of Islamic financial institutions amounts to approximately US\$ 13-15 bn worldwide. This is respectable, but by no means dramatic. There are some 10-20 conventional banks in the Muslim world which are able to show balance sheets with total assets of this size individually.

In terms of dividends and returns on investment accounts, most Islamic banks could offer in most years competitive rates both to shareholders and depositors. But in many cases they have lost the edge they once had over the dividends and interest rates paid by conventional banks. Since Islamic banks were very successful in mobilising funds, the deposits consistently grew, while at the same time it became increasingly harder for the banks to find adequate profitable employment for these funds.

With respect to the profits of Islamic banks, it is important to realize that their depositors do not receive fixed interest payments but participate in the profit of the bank. Very often, the net profits in the balance sheets of Islamic banks comprise both the profit shares due to the depositors and due to the shareholders. In the balances of conventional banks, the net profits comprise only the latter. Corresponding with the former (depositors' profit shares) are the conventional banks' interest payments to their depositors, and these can be found as profit-reducing costs of funds in the income statements. This means that the net profits of Islamic banks which include the depositors'

shares cannot be meaningfully compared with the net profits of conventional banks. But exactly that is done, for example, by "The Banker": In its annual evaluation of the performance of the "Top 100 Arab Banks", the magazine ranks the banks according to their pre-tax earnings to assets ratio; the pre-tax earnings of the two Islamic banks among the top 100 are called "net profits" in their balance sheets, but they include the depositors' shares. According to the pre-tax earnings to assets ratio, the Faisal Islamic Bank of Egypt and the Kuwait Finance House occupied the ranks 1 and 2, and the pre-tax earnings on capital ratios reached fantastic 253.3 % and respectable 101.8 % for 1983. These figures are very misleading and over-estimate the profitability of the Islamic banks by far. If one calculates the profit/asset ratio on the basis of figures comparable to those of conventional banks (i.e. excluding the depositors' shares from the net profits), then the Islamic banks would rank at or somewhere below 50 in the list of the top 100.

(3) Summarizing the scarce informations on the industrial financing business of the Islamic banks, one can say that - on the average - they are not very active in this field (even if the generally low level of industrial production in their countries is taken into consideration). When financings are made in the industrial sector, these are no medium or long term commitments but mostly short term financings of input factors (working capital). The present UNIDO workshop should help to find out the reasons.

(4) Generally, the growth prospects for the Islamic banking movement do not look bad in terms of equity capital and customers' funds - despite the problems of individual banks in recent years. Most public attention has been focused on the already mentioned losses of DMI (US\$ 47 mn 1983-1984) and the troubles of KFH. KFH had concentrated its imbalanced investment portfolio on real

estate and ran into trouble when the real estate market in Kuwait collapsed. In 1984, income of US\$ 93.7 mn was transferred to an emergency reserve fund to be prepared for prospective value adjustments of the investments. Neither the shareholders nor the depositors received a return on their capital. But in 1985, both DMI and KFH have recovered and set out profits again.

Problems like these should be judged as problems of individual Islamic banks but not of Islamic banking in general, meaning that these troubles resulted from the imprudent investment strategies of the bank management rather than the principles of interest-free banking. But, of course, there are other problems of a more conceptual kind: one is that Islamic banks have not yet developed fully adequate instruments with which to supply companies with liquidity, another is that a PLS-based deposit business comes into conflict with conventional central bank regulations for the protection of depositors which can be found both in Western and many Islamic countries.

(a) **Liquidity and Working Capital.** Suppose a firm faces a liquidity squeeze for a few months. If the firm does not need machinery or merchandise or other input factors but does need money (e.g. to pay the salaries and wages), Islamic banks could supply the liquidity only on the basis of a participation financing, but here the known PLS techniques look very inadequate. Inter alia, PLS is very risky for the bank, it may take several months before the annual profit or loss is calculated and the accounts are finally settled, and for a company showing or expecting losses, PLS financing seems impossible at all.

These problems have been recognized, and Islamic banks are searching for new approaches and techniques. A very recent proposal starts with the observation that the traditional partnerships allowed the providers of capital to participate in

the wealth created by the financed venture. In modern times, when companies are established to operate continuously for an indefinite future period, the wealth created during that time is more accurately approximated by the value added (i.e. the sum total of wages and salaries, costs of funds and profits) than by the profit as calculated in the annual income statement resp. balance sheet. The proposal is to replace PLS by a value added participation which is less risky and more predictable with respect to the earnings of the bank, and a value added participator (VAP) would also allow the supply of liquidity to a company in the red.

(b) **Protection of Depositors.** Holders of investment accounts participate in the profits and losses of the bank. These accounts differ from unremunerated current accounts in that the bank cannot give a direct and unconditional guarantee that the funds placed in Islamic investment accounts will be repaid in full. In cases of losses, the investment deposits would have to bear a part of the losses so that they could not be repaid in full. For Western central banks (but also for central banks in some Muslim countries), which give highest priority to the protection of depositors, the risk pertaining to investment accounts is a key reason for refusing to deposit-taking or primary banking licenses to Islamic financial institutions.

Therefore, those banking groups which are interested in establishing Islamic banks in Europe (and some Muslim countries) are looking for workable schemes for the protection of investment deposits. At least in theory, one feasible method could be a deposit insurance offered by an independent insurance company. Another possibility might be a construction of the deposit contract that implies a kind of guarantee by the deposit accepting bank: Bank and depositor agree that the investment deposit should only be employed in risk-free financings like mark-up or leasing. If the bank employs the funds in other ways and suffers a loss, it

has to take it on its own account. Approaches like these, however, are still at an early stage and neither generally accepted nor applied.

(c) **Some Other Problems.** The shortcomings which have been mentioned are only some examples for operational and conceptional problems. Some other problems are, for example,

- the tax discrimination between the costs of funds in cases of interest loans, where the payments to the bank reduce the entrepreneur's taxable profit, and in cases of participation financing, where the payments to the bank usually have to be made out of the entrepreneur's profits after taxes (unless the respective tax regulations have been amended),
- underdeveloped instruments for the short term and very short term placement of funds outside the interest-based international money market,
- the absence of a lender of last resort for Islamic banks which cannot (at least conceptionally) take recourse to the facilities of conventional central banks because they operate on interest,
- the lack of adapted (computerised) methods for project evaluations (esp. in the industrial sector) and of financial models of Islamic banks for the support of managerial decisions and for the simulation of the consequences of strategic decisions.

The list of operational and conceptional problems is not a short one, but once the problems are recognized, they probably can be solved in the future. Islamic banking today is by no means a perfect or fully elaborated system, as some ideologists want to make us believe. It is important that Islamic banks will find solutions for their problems because otherwise the financial intermediation, esp. the transformation of risks and maturities,

would be seriously impeded. But there is no reason why the problems of Islamic banks should be basically unsolvable, as some critics from the other side have told us.

Western experts could probably assist the Muslim economists and bankers in their search for solutions and financial innovations - provided the Western experts accept that Islamic banking is the very concrete attempt of a positive application of normative economics on a microeconomic level which should be taken seriously, and they learn from the Muslim side where the open questions and pressing problems are. There is, for example, a considerable and growing interest in Islamic economics and banking among scholars and students in Western universities, but the effective output is rather limited and intellectual capacities are often wasted. The reason is that there is a discrepancy between the growing interest and the existing level of knowledge which is on the average very low. As a consequence, many theses are written as "introductions" into Islamic economics and banking, but they do not add much to the state of knowledge and they do not solve the real problems. If the Western professors were better informed about the fundamentals of Islamic economics and banking, and if they and their students would have a less difficult access to relevant literature and material like annual reports, there would be less "introductions" but more studies related to topical questions. Financial intermediation should be facilitated by Islamic banks; if 'intellectual intermediation' should be facilitated by international organisations like UNIDO (where Western and Muslim countries are represented), then these organisations may make efforts to simulate and promote more problem-oriented research on Islamic economics in Western countries, provided that the Muslim side is willing to supply the relevant material and to enter into a critical but constructive discussion of their approach in economics and banking.

Annexes

Figures from Financial Statements of Islamic Banks

	<u>in</u> <u>NC</u>	<u>in</u> <u>US\$</u>
Al Baraka International Limited, London	37	37
Albaraka Islamic Investment Bank, Manama		38
Al Baraka Turkish Finance House, Istanbul	39	39
Bahrain Islamic Bank, Manama	40	41
Bank Islam Malaysia Berhad, Kuala Lumpur	42	42
Beit Ettamwil Saudi Tounsi, Tunis		43
Dubai Islamic Bank, Deira	44	45
Faisal Finance Institution, Istanbul	46	45
Faisal Islamic Bank (Sudan)	47	48
Faisal Islamic Bank of Egypt, Cairo		49
Islami Bank Bangladesh Limited, Dhaka	50	50
Islamic Bank International of Denmark, Copenhagen	51	51
Islamic International Bank for Investment and Development, Cairo	52	53
Islamic Investment House, Amman	54	54
Jordan Islamic Bank for Finance and Development, Amman	55	56
Kuwait Finance House, Safat	57	58
Massraf Faysal Al-Islami of Bahrain, Manama		59
Qatar Islamic Bank, Doha	60	60
Tadamon Islamic Bank, Khartoum	61	61
(NC = National Currency)		
Informations on Industrial Financing Activities		62

Al Baraka International Limited, London (U.K.)

Amounts in million £ / US\$	1984/5	1985	1984/5	1985
0. Exchange Rate (NC/US\$)	0.805	0.692	0.805	0.692
1. Capital				
1.1. - Authorized	100.00	100.00	124.30	144.45
1.2. - Paid up	5.00	10.00	6.22	14.45
2. Reserves	0.00	0.00	0.00	0.00
3. Capital + Reserves	5.00	10.00	6.22	14.45
4. Deposits (total)	17.72	23.11	22.02	33.38
4.1. - Unremunerated				
4.2. - Remunerated				
5. Total Assets	23.14	33.57	28.77	48.49
6. Total Income	1.14	0.93	1.42	1.35
7. Profit (pre-tax)				
7.1. - Gross (incl. d.s.)	1.09	0.89	1.36	1.28
7.2. - Net (excl. d.s.)	0.10	0.14	0.13	0.20
8. Dividend (%)				
9. Return on Deposits				
9.1. - Minimum (%)				
9.2. - Maximum (%)				
10. Ratios (%)				
10.1. Income/Assets	4.93	2.78	4.93	2.78
10.2. Gross-Profit/Assets	4.72	2.64	4.72	2.64
10.3. Net-Profit/Assets	0.45	0.42	0.45	0.42
10.4. Income/Capital	22.81	9.33	22.81	9.33
10.5. Gross-Profit/Capital	21.84	8.86	21.84	8.86
10.6. Net-Profit/Capital	2.08	1.42	2.08	1.42
10.7. Cap.+ Reserves/Assets	21.60	29.79	21.60	29.79
10.8. Prop. of Unrem. Depos.				
11. Growth Rates (%)				
11.1. Capital + Reserves		100.00		132.42
11.2. Deposits, unremun.				
11.3. Deposits, remuner.				
11.4. Total Deposits		30.41		51.55
11.5. Total Assets		45.04		68.55
11.6. Total Income		-18.18		-4.91
11.7. Gross Profit		-18.83		-5.67
11.8. Net Profit		36.66		58.82

Albaraka Islamic Investment Bank, Manama (Bahrain)

Amounts in million US\$ 1984 1985

0.	Exchange Rate (NC/US\$)	0.376	0.376
1.	Capital		
1.1.	- Authorized	200.00	200.00
1.2.	- Paid up	50.00	50.00
2.	Reserves	0.46	1.02
3.	Capital + Reserves	50.46	51.02
4.	Deposits (total)	70.16	214.20
4.1.	- Unremunerated		
4.2.	- Remunerated		
5.	Total Assets	125.11	268.36
6.	Total Income	7.71	18.08
7.	Profit (pre-tax)		
7.1.	- Gross (incl. d.s.)	6.23	16.74
7.2.	- Net (excl. d.s.)	4.09	3.30
8.	Dividend (%)	7.00	5.00
9.	Return on Deposits		
9.1.	- Minimum (%)	6.60	6.44
9.2.	- Maximum (%)	8.48	8.44

10.	Ratios (%)		
10.1.	Income/Assets	6.16	6.74
10.2.	Gross-Profit/Assets	4.98	6.24
10.3.	Net-Profit/Assets	3.27	1.23
10.4.	Income/Capital	15.41	36.17
10.5.	Gross-Profit/Capital	12.46	33.48
10.6.	Net-Profit/Capital	8.17	6.60
10.7.	Cap.+ Reserves/Assets	40.33	19.01
10.8.	Prop. of Unrem. Depos.		
11.	Growth Rates (%)		
11.1.	Capital + Reserves		1.09
11.2.	Deposits, unremun.		
11.3.	Deposits, remuner.		
11.4.	Total Deposits		205.29
11.5.	Total Assets		114.50
11.6.	Total Income		134.66
11.7.	Gross Profit		168.75
11.8.	Net Profit		-19.24

Al Baraka Turkish Finance House, Istanbul (Turkey)

Amounts in bn TL / mn US\$ 1985 1985

0.	Exchange Rate (NC/US\$)	576.86	576.86
1.	Capital		
1.1.	- Authorized	5.00	8.67
1.2.	- Paid up	5.00	8.67
2.	Reserves	0.11	0.20
3.	Capital + Reserves	5.11	8.86
4.	Deposits (total)	12.57	21.79
4.1.	- Unremunerated	2.00	3.47
4.2.	- Remunerated	10.57	18.32
5.	Total Assets	23.15	40.13
6.	Total Income	1.80	3.11
7.	Profit (pre-tax)		
7.1.	- Gross (incl. d.s.)	3.00	5.21
7.2.	- Net (excl. d.s.)	1.36	2.35
8.	Dividend (%)	12.00	12.00
9.	Return on Deposits		
9.1.	- Minimum (%)		
9.2.	- Maximum (%)		
<hr/>			
10.	Ratios (%)		
10.1.	Income/Assets	7.75	7.75
10.2.	Gross-Profit/Assets	12.97	12.97
10.3.	Net-Profit/Assets	5.86	5.86
10.4.	Income/Capital	35.90	35.90
10.5.	Gross-Profit/Capital	60.07	60.07
10.6.	Net-Profit/Capital	27.11	27.11
10.7.	Cap.+ Reserves/Assets	22.09	22.09
10.8.	Prop. of Un. em. Depos.	15.92	15.92
11.	Growth Rates (%)		
11.1.	Capital + Reserves		
11.2.	Deposits, unremun.		
11.3.	Deposits, remuner.		
11.4.	Total Deposits		
11.5.	Total Assets		
11.6.	Total Income		
11.7.	Gross Profit		
11.8.	Net Profit		

Bahrain Islamic Bank, Manama (Bahrain)

Amounts in million BD	1400	1401	1402	1403	1404	1405
0. Exchange Rate (NC/US\$)	0.376	0.376	0.376	0.376	0.376	0.376
1. Capital						
1.1. - Authorized	23.00	23.00	23.00	23.00	23.00	23.00
1.2. - Paid up	5.75	5.75	5.75	5.75	5.75	5.75
2. Reserves	0.04	0.08	0.34	0.43	0.51	0.58
3. Capital + Reserves	5.79	5.83	6.09	6.18	6.26	6.33
4. Deposits (total)	4.80	9.18	20.31	26.54	29.30	52.91
4.1. - Unremunerated	1.97	2.33	3.00	3.70	4.24	3.87
4.2. - Remunerated	2.83	6.85	17.31	22.85	25.07	49.05
5. Total Assets	11.37	17.41	28.67	35.77	39.01	62.68
6. Total Income	1.05	1.14	3.30	2.96	3.47	3.64
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	0.55	0.68	1.79	2.19	2.76	2.70
7.2. - Net (excl. d.s.)	0.42	0.36	1.13	0.85	1.02	0.62
8. Dividend (%)	6.00	6.25	12.00	12.00	12.00	10.00
9. Return on Deposits						
9.1. - Minimum (%)	5.25					
9.2. - Maximum (%)	9.50					
10. Ratios (%)						
10.1. Income/Assets	9.20	5.55	11.50	8.26	8.89	5.81
10.2. Gross-Profit/Assets	4.80	3.89	6.25	6.13	7.07	4.30
10.3. Net-Profit/Assets	3.73	2.09	3.93	2.37	2.61	0.99
10.4. Income/Capital	18.19	19.84	57.31	51.39	60.33	63.32
10.5. Gross-Profit/Capital	9.49	11.77	31.16	38.13	47.93	46.91
10.6. Net-Profit/Capital	7.38	6.34	19.61	14.71	17.72	10.78
10.7. Cap.+ Reserves/Assets	50.95	33.47	21.25	17.27	16.06	10.09
10.8. Prop. of Unrem. Depos.	41.00	25.38	14.77	13.93	14.46	7.31
11. Growth Rates (%)						
11.1. Capital + Reserves		0.63	4.51	1.39	1.42	0.99
11.2. Deposits, unremun.		18.39	28.76	23.22	14.65	-8.77
11.3. Deposits, remuner.		141.92	152.77	31.97	9.71	95.67
11.4. Total Deposits		91.27	121.29	30.67	10.40	80.57
11.5. Total Assets		53.18	64.62	24.76	9.07	60.69
11.6. Total Income		9.05	188.86	-10.33	17.39	4.95
11.7. Gross Profit		24.06	164.71	22.37	25.71	-2.12
11.8. Net Profit		-14.04	209.18	-24.98	20.43	-39.17

Bahrain Islamic Bank, Manama (Bahrain)

Amounts in million US\$	1400	1401	1402	1403	1404	1405
0. Exchange Rate (NC/US\$)	0.376	0.376	0.376	0.376	0.376	0.376
1. Capital						
1.1. - Authorized	61.17	61.17	61.17	61.17	61.17	61.17
1.2. - Paid up	15.29	15.29	15.29	15.29	15.29	15.29
2. Reserves	0.11	0.21	0.91	1.13	1.37	1.53
3. Capital + Reserves	15.41	15.50	16.20	16.43	16.66	16.83
4. Deposits (total)	12.76	24.41	54.02	70.60	77.94	140.73
4.1. - Unremunerated	5.23	6.20	7.98	9.83	11.27	10.28
4.2. - Remunerated	7.53	18.22	46.05	60.77	66.67	130.45
5. Total Assets	30.23	46.31	76.24	95.12	103.74	166.71
6. Total Income	2.78	3.03	8.76	7.86	9.23	9.68
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	1.45	1.80	4.77	5.83	7.33	7.17
7.2. - Net (excl. d.s.)	1.13	0.97	3.00	2.25	2.71	1.65
8. Dividend (%)	6.00	6.25	12.00	12.00	12.00	10.00
9. Return on Deposits						
9.1. - Minimum (%)	5.25					
9.2. - Maximum (%)	9.50					
10. Ratios (%)						
10.1. Income/Assets	9.20	6.55	11.50	8.26	8.89	5.81
10.2. Gross-Profit/Assets	4.80	3.89	6.25	6.13	7.07	4.30
10.3. Net-Profit/Assets	3.73	2.09	3.93	2.37	2.61	0.99
10.4. Income/Capital	18.19	19.84	57.31	51.39	60.33	63.32
10.5. Gross-Profit/Capital	9.49	11.77	31.16	38.13	47.93	46.91
10.6. Net-Profit/Capital	7.38	6.34	19.61	14.71	17.72	10.78
10.7. Cap.+ Reserves/Assets	50.95	33.47	21.25	17.27	16.06	10.09
10.8. Prop. of Unrem. Depos.	41.00	25.38	14.77	13.93	14.46	7.31
11. Growth Rates (%)						
11.1. Capital + Reserves		0.63	4.51	1.39	1.42	0.99
11.2. Deposits, unremun.		18.39	28.76	23.22	14.65	-8.77
11.3. Deposits, remuner.		141.92	152.77	31.97	9.71	95.67
11.4. Total Deposits		91.27	121.29	30.67	10.40	80.57
11.5. Total Assets		53.18	64.62	24.76	9.07	60.69
11.6. Total Income		9.05	188.86	-10.33	17.39	4.95
11.7. Gross Profit		24.06	164.71	22.37	25.71	-2.12
11.8. Net Profit		-14.04	209.18	-24.98	20.43	-39.17

Bank Islam Malaysia Berhad, Kuala Lumpur (Malaysia)

Amounts in million M\$ / US\$ 1983/84 1983/84

0.	Exchange Rate (NC/US\$)	2.320	2.320
1.	Capital		
1.1.	- Authorized	500.00	215.56
1.2.	- Paid up	79.90	34.45
2.	Reserves	0.00	0.00
3.	Capital + Reserves	79.90	34.45
4.	Deposits (total)	241.36	104.05
4.1.	- Unremunerated		
4.2.	- Remunerated		
5.	Total Assets	325.53	140.35
6.	Total Income		
7.	Profit (pre-tax)		
7.1.	- Gross (incl. d.s.)		
7.2.	- Net (excl. d.s.)	-1.29	-0.55
8.	Dividend (%)	0.00	0.00
9.	Return on Deposits		
9.1.	- Minimum (%)	4.96	4.96
9.2.	- Maximum (%)	6.95	6.95
10.	Ratios (%)		
10.1.	Income/Assets		
10.2.	Gross-Profit/Assets		
10.3.	Net-Profit/Assets	-0.40	-0.40
10.4.	Income/Capital		
10.5.	Gross-Profit/Capital		
10.6.	Net-Profit/Capital	-1.61	-1.61
10.7.	Cap.+ Reserves/Assets	24.54	24.54
10.8.	Prop. of Unrem. Depos.		
11.	Growth Rates (%)		
11.1.	Capital + Reserves		
11.2.	Deposits, unremun.		
11.3.	Deposits, remuner.		
11.4.	Total Deposits		
11.5.	Total Assets		
11.6.	Total Income		
11.7.	Gross Profit		
11.8.	Net Profit		

Beit Ettamwil Saudi Tounsi, Tunis (Tunisia)

Amounts in million US\$ 1984

0.	Exchange Rate (NC/US\$)	0.867
1.	Capital	
1.1.	- Authorized	50.00
1.2.	- Paid up	25.00
2.	Reserves	0.15
3.	Capital + Reserves	25.15
4.	Deposits (total)	17.09
4.1.	- Unremunerated	3.59
4.2.	- Remunerated	13.50
5.	Total Assets	47.27
6.	Total Income	23.82
7.	Profit (pre-tax)	
7.1.	- Gross (incl. d.s.)	2.02
7.2.	- Net (excl. d.s.)	1.48
8.	Dividend (%)	
9.	Return on Deposits	
9.1.	- Minimum (%)	
9.2.	- Maximum (%)	

10.	Ratios (%)	
10.1.	Income/Assets	50.39
10.2.	Gross-Profit/Assets	4.28
10.3.	Net-Profit/Assets	3.13
10.4.	Income/Capital	95.29
10.5.	Gross-Profit/Capital	8.10
10.6.	Net-Profit/Capital	5.91
10.7.	Cap.+ Reserves/Assets	53.20
10.8.	Prop. of Unrem. Depos.	21.01
11.	Growth Rates (%)	
11.1.	Capital + Reserves	
11.2.	Deposits, unremun.	
11.3.	Deposits, remuner.	
11.4.	Total Deposits	
11.5.	Total Assets	
11.6.	Total Income	
11.7.	Gross Profit	
11.8.	Net Profit	

Dubai Islamic Bank, Deira (Dubai/U.A.E.)

Amounts in million Dh	1976	1977	1978	1979	1980	1981	1982	1983	1984
0. Exchange Rate (NC/US\$)	3.977	3.898	3.838	3.766	3.671	3.671	3.671	3.671	3.671
1. Capital									
1.1. - Authorized	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
1.2. - Paid up	27.16	48.28				50.00	50.00	50.00	50.00
2. Reserves	0.67	12.65				6.85	7.42	8.10	8.72
3. Capital + Reserves	27.83	60.93				56.85	57.42	58.10	58.72
4. Deposits (total)	68.25	118.74				335.73	414.56	695.39	1036.31
4.1. - Unremunerated	36.54	43.55				99.37	116.45		
4.2. - Remunerated	31.71	75.20				236.36	298.11		
5. Total Assets	99.97	183.80				413.91	508.54	785.69	1142.21
6. Total Income	8.80	12.61				25.15	40.68	53.61	95.71
7. Profit (pre-tax)									
7.1. - Gross (incl. d.s.)	7.02	8.49				16.31	24.75	36.13	49.01
7.2. - Net (excl. d.s.)	4.56	4.59				5.10	6.22	7.40	6.49
8. Dividend (%)	11.00	9.35	9.00	0.00	7.00	8.00	10.00	12.00	11.00
9. Return on Deposits									
9.1. - Minimum (%)	6.00	5.00	5.00	4.00	4.00	5.00	6.00	5.00	
9.2. - Maximum (%)	10.40	8.80	8.50	7.00	6.00	7.00	9.00	9.00	
10. Ratios (%)									
10.1. Income/Assets	8.80	6.86				6.08	8.00	6.82	8.38
10.2. Gross-Profit/Assets	7.02	4.62				3.94	4.87	4.60	4.29
10.3. Net-Profit/Assets	4.56	2.50				1.23	1.22	0.94	0.57
10.4. Income/Capital	32.38	26.12				50.30	81.37	107.23	191.42
10.5. Gross-Profit/Capital	25.84	17.59				32.63	49.50	72.26	98.01
10.6. Net-Profit/Capital	16.77	9.51				10.19	12.44	14.81	12.97
10.7. Cap.+ Reserves/Assets	27.84	33.15				13.73	11.29	7.39	5.14
10.8. Prop. of Unrem. Depos.	53.54	36.67				29.60	28.09		
11. Growth Rates (%)									
11.1. Capital + Reserves		118.95					1.01	1.19	1.06
11.2. Deposits, unremun.		19.16					17.19		
11.3. Deposits, remuner.		137.18					26.12		
11.4. Total Deposits		73.98					23.48	67.74	49.03
11.5. Total Assets		83.86					22.86	54.50	45.38
11.6. Total Income		43.35					61.75	31.79	78.51
11.7. Gross Profit		20.96					51.72	45.97	35.64
11.8. Net Profit		0.73					22.02	19.07	-12.40

Dubai Islamic Bank, Deira (Dubai/U.A.E.)

Amounts in million US\$	1976	1977	1978	1979	1980	1981	1982	1983	1984
0. Exchange Rate (NC/US\$)	3.977	3.898	3.838	3.766	3.671	3.671	3.671	3.671	3.671
1. Capital									
1.1. - Authorized	12.57	12.83	13.03	13.28	13.62	13.62	13.62	13.62	13.62
1.2. - Paid up	6.83	12.39				13.62	13.62	13.62	13.62
2. Reserves	0.17	3.25				1.86	2.02	2.21	2.37
3. Capital + Reserves	7.00	15.63				15.48	15.64	15.83	15.99
4. Deposits (total)	17.16	30.46				91.45	112.93	189.43	282.30
4.1. - Unremunerated	9.19	11.17				27.07	31.72		
4.2. - Remunerated	7.97	19.29				64.39	81.21		
5. Total Assets	25.14	47.15				112.75	138.53	214.03	311.14
6. Total Income	2.21	3.23				6.85	11.08	14.60	26.07
7. Profit (pre-tax)									
7.1. - Gross (incl. d.s.)	1.76	2.18				4.44	6.74	9.84	13.35
7.2. - Net (excl. d.s.)	1.15	1.18				1.39	1.69	2.02	1.77
8. Dividend (%)	11.00	9.35	9.00	0.00	7.00	8.00	10.00	12.00	11.00
9. Return on Deposits									
9.1. - Minimum (%)	6.00	5.00	5.00	4.00	4.00	5.00	6.00	5.00	
9.2. - Maximum (%)	10.40	8.80	8.50	7.00	6.00	7.00	9.00	9.00	
10. Ratios (%)									
10.1. Income/Assets	8.80	6.86				6.08	8.00	6.82	8.38
10.2. Gross-Profit/Assets	7.02	4.62				3.94	4.87	4.60	4.29
10.3. Net-Profit/Assets	4.56	2.50				1.23	1.22	0.94	0.57
10.4. Income/Capital	32.38	26.12				50.30	81.37	107.23	191.42
10.5. Gross-Profit/Capital	25.84	17.59				32.63	49.50	72.26	98.01
10.6. Net-Profit/Capital	16.77	9.51				10.19	12.44	14.81	12.97
10.7. Cap.+ Reserves/Assets	27.84	33.15				13.73	11.29	7.39	5.14
10.8. Prop. of Unrem. Depos.	53.54	36.67				29.60	28.09		
11. Growth Rates (%)									
11.1. Capital + Reserves		123.39					1.01	1.19	1.06
11.2. Deposits, unremun.		21.57					17.19		
11.3. Deposits, remuner.		141.98					26.12		
11.4. Total Deposits		77.51					23.48	67.74	49.03
11.5. Total Assets		87.59					22.86	54.50	45.38
11.6. Total Income		46.26					61.75	31.79	78.51
11.7. Gross Profit		23.41					51.72	45.97	35.64
11.8. Net Profit		2.77					22.02	19.07	-12.40

Faisal Finance Institution, Istanbul (Turkey)

Amounts in bn TL / mn US\$	1985	1985

0. Exchange Rate (NC/US\$)	576.9	576.9
1. Capital		
1.1. - Authorized	5.00	3.67
1.2. - Paid up	5.00	8.67
2. Reserves	0.00	0.00
3. Capital + Reserves	5.00	0.01
4. Deposits (total)	16.32	28.29
4.1. - Unremunerated	2.41	4.18
4.2. - Remunerated	13.91	24.11
5. Total Assets	25.64	44.45
6. Total Income	1.97	3.42
7. Profit (pre-tax)		
7.1. - Gross (incl. d.s.)	1.79	3.11
7.2. - Net (excl. d.s.)	1.24	2.14
8. Dividend (%)		
9. Return on Deposits		
9.1. - Minimum (%)		
9.2. - Maximum (%)		

10. Ratios (%)		
10.1. Income/Assets	7.69	7.69
10.2. Gross-Profit/Assets	6.99	6.99
10.3. Net-Profit/Assets	4.82	4.82
10.4. Income/Capital	39.45	39.45
10.5. Gross-Profit/Capital	35.86	35.86
10.6. Net-Profit/Capital	24.71	24.71
10.7. Cap.+ Reserves/Assets	19.50	19.50
10.8. Prop. of Unrem. Depos.	14.79	14.79
11. Growth Rates (%)		
11.1. Capital + Reserves		
11.2. Deposits, unremun.		
11.3. Deposits, remuner.		
11.4. Total Deposits		
11.5. Total Assets		
11.6. Total Income		
11.7. Gross Profit		
11.8. Net Profit		

Faisal Islamic Bank (Sudan), Khartoum (Sudan)

Amounts in million LS	1979	1980	1981	1982	1983	1405
0. Exchange Rate (NC/US\$)	0.500	0.500	0.901	1.300	1.300	1.300
1. Capital						
1.1. - Authorized	10.00	10.00	50.00	50.00	100.00	100.00
1.2. - Paid up	3.66	4.54	10.21	19.22	57.62	58.40
2. Reserves	0.37	0.54	1.12	8.21	75.01	74.58
3. Capital + Reserves	4.03	5.08	11.34	27.42	132.63	132.98
4. Deposits (total)	21.77	49.51	102.32	202.47	256.97	276.12
4.1. - Unremunerated	19.06	41.45	62.24	136.09	177.69	208.65
4.2. - Remunerated	2.72	8.06	40.08	66.38	79.29	67.47
5. Total Assets	31.14	67.35	138.36	277.91	441.29	447.32
6. Total Income	2.35	5.02	14.06	28.54	31.68	19.40
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	1.05	2.59	10.29	21.20	18.60	13.34
7.2. - Net (excl. d.s.)	0.89	1.66	5.86	19.46	9.45	9.60
8. Dividend (%)	15.00	20.00	25.00	25.00	18.00	12.00
9. Return on Deposits						
9.1. - Minimum (%)	14.70	16.00	14.80	14.50	10.00	5.00
9.2. - Maximum (%)	14.70	16.00	15.90	15.54	10.00	5.00
10. Ratios (%)						
10.1. Income/Assets	7.53	7.45	10.16	10.27	7.18	4.34
10.2. Gross-Profit/Assets	3.38	3.84	7.44	7.63	4.22	2.98
10.3. Net-Profit/Assets	2.84	2.47	4.24	7.00	2.14	2.15
10.4. Income/Capital	64.14	110.46	137.68	148.50	54.98	33.22
10.5. Gross-Profit/Capital	28.79	56.94	100.74	110.33	32.29	22.85
10.6. Net-Profit/Capital	24.21	36.59	57.42	101.29	16.40	16.44
10.7. Cap. + Reserves/Assets	12.94	7.55	8.19	9.87	30.05	29.73
10.8. Prop. of Unrem. Depos.	87.52	83.71	60.83	67.22	69.15	75.56
11. Growth Rates (%)						
11.1. Capital + Reserves		26.19	123.01	141.90	383.63	0.26
11.2. Deposits, unremun.		117.50	50.16	118.67	30.56	17.42
11.3. Deposits, remuner.		196.71	396.99	65.61	19.45	-14.90
11.4. Total Deposits		127.39	106.66	97.88	26.92	7.45
11.5. Total Assets		116.31	105.43	100.86	58.79	1.37
11.6. Total Income		114.04	180.08	102.96	11.03	-38.77
11.7. Gross Profit		145.85	297.57	106.09	-12.25	-28.28
11.8. Net Profit		87.83	252.68	231.93	-51.46	1.63

Faisal Islamic Bank (Sudan), Khartoum (Sudan)

Amounts in million US\$	1979	1980	1981	1982	1983	1405
0. Exchange Rate (NC/US\$)	0.500	0.500	0.901	1.300	1.300	1.300
1. Capital						
1.1. - Authorized	20.00	20.00	55.50	38.46	76.92	76.92
1.2. - Paid up	7.31	9.09	11.34	14.78	44.32	44.92
2. Reserves	0.74	1.08	1.25	6.31	57.69	57.37
3. Capital + Reserves	8.06	10.17	12.58	21.09	102.02	102.29
4. Deposits (total)	43.55	99.02	113.57	155.74	197.66	212.39
4.1. - Unremunerated	38.11	82.89	69.08	104.68	136.68	160.49
4.2. - Remunerated	5.44	16.13	44.49	51.06	60.99	51.90
5. Total Assets	62.27	134.70	153.58	213.77	339.44	344.08
6. Total Income	4.69	10.04	15.61	21.95	24.37	14.92
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	2.11	5.18	11.42	16.31	14.31	10.26
7.2. - Net (excl. d.s.)	1.77	3.33	6.51	14.97	7.27	7.39
8. Dividend (%)	15.00	20.00	25.00	25.00	18.00	12.00
9. Return on Deposits						
9.1. - Minimum (%)	14.70	16.00	14.80	14.50	10.00	5.00
9.2. - Maximum (%)	14.70	16.00	15.90	15.54	10.00	5.00
10. Ratios (%)						
10.1. Income/Assets	7.53	7.45	10.16	10.27	7.18	4.34
10.2. Gross-Profit/Assets	3.38	3.84	7.44	7.63	4.22	2.98
10.3. Net-Profit/Assets	2.84	2.47	4.24	7.00	2.14	2.15
10.4. Income/Capital	64.14	110.46	137.68	148.50	54.98	33.22
10.5. Gross-Profit/Capital	28.79	56.94	100.74	110.33	32.29	22.85
10.6. Net-Profit/Capital	24.21	36.59	57.42	101.29	16.40	16.44
10.7. Cap.+ Reserves/Assets	12.94	7.55	8.19	9.87	30.05	29.73
10.8. Prop. of Unrem. Depos.	87.52	83.71	60.83	67.22	69.15	75.56
11. Growth Rates (%)						
11.1. Capital + Reserves		26.19	23.77	67.63	383.63	0.26
11.2. Deposits, unremun.		117.50	-16.66	51.53	30.56	17.42
11.3. Deposits, remuner.		196.71	175.83	14.76	19.45	-14.90
11.4. Total Deposits		127.39	14.69	37.13	26.92	7.45
11.5. Total Assets		116.31	14.01	39.19	58.79	1.37
11.6. Total Income		114.04	55.44	40.65	11.03	-38.77
11.7. Gross Profit		145.85	120.65	42.81	-12.25	-28.28
11.8. Net Profit		87.83	95.74	130.02	-51.46	1.63

Faisal Islamic Bank of Egypt, Cairo (Egypt)

Amounts in million US\$ 1399 1400 1401 1402 1043 1404

0. Exchange Rate (NC/US\$)

1. Capital						
1.1. - Authorized	40.00	40.00	40.00	40.00	100.00	100.00
1.2. - Paid up	11.80	19.62	21.20	29.90	37.95	40.00
2. Reserves	0.00	0.10	0.50	4.10	4.67	5.55
3. Capital + Reserves	11.80	19.72	21.70	34.00	42.63	45.55
4. Deposits (total)	23.63	140.14	469.20	792.59	1216.70	1531.14
4.1. - Unremunerated						
4.2. - Remunerated						
5. Total Assets	38.74	197.16	560.30	996.51	1504.20	1861.91
6. Total Income	1.87	12.11		75.03	106.99	139.79
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	1.04	9.82	32.40	69.38	97.15	123.75
7.2. - Net (excl. d.s.)	1.04	3.97	3.80	5.70	8.76	7.85
8. Dividend (%)	8.60	16.49	16.10	16.20	20.00	16.52
9. Return on Deposits						
9.1. - Minimum (%)	10.70	12.03	12.51	10.15	10.10	9.00
9.2. - Maximum (%)	10.70	12.03	12.51	11.55	10.10	9.00

10. Ratios (%)

10.1. Income/Assets	4.83	6.14		7.53	7.11	7.51
10.2. Gross-Profit/Assets	2.70	4.98	5.78	6.96	6.46	6.65
10.3. Net-Profit/Assets	2.70	2.02	0.68	0.57	0.58	0.42
10.4. Income/Capital	15.86	61.74		250.95	281.88	349.47
10.5. Gross-Profit/Capital	8.85	50.03	152.83	232.07	255.96	309.38
10.6. Net-Profit/Capital	8.85	20.26	17.92	19.07	23.09	19.63
10.7. Cap.+ Reserves/Assets	30.45	10.00	3.87	3.41	2.83	2.45
10.8. Prop. of Unrem. Depos.						

11. Growth Rates (%)

11.1. Capital + Reserves		67.16	10.05	56.67	25.39	6.85
11.2. Deposits, unremun.						
11.3. Deposits, remuner.						
11.4. Total Deposits	493.16	234.81	68.92	53.51	25.84	
11.5. Total Assets	408.97	184.19	77.85	50.95	23.78	
11.6. Total Income	547.55			42.60	30.66	
11.7. Gross Profit	839.84	230.09	114.14	40.02	27.38	
11.8. Net Profit	280.53	-4.38	50.00	53.77	-10.40	

Islami Bank Bangladesh Limited, Dhaka (Bangladesh)

Amounts in million Tk / US\$	1983	1984	1983	1984
0. Exchange Rate (NC/US\$)	25.000	26.000	25.000	26.000
1. Capital				
1.1. - Authorized	500.00	500.00	20.00	19.23
1.2. - Paid up	67.50	71.50	2.70	2.75
2. Reserves	0.36	5.61	0.01	0.22
3. Capital + Reserves	67.86	77.11	2.71	2.97
4. Deposits (total)	144.16	635.95	5.77	24.46
4.1. - Unremunerated	98.81	244.29	3.95	9.40
4.2. - Remunerated	45.34	391.66	1.81	15.06
5. Total Assets	211.88	835.27	8.48	32.13
6. Total Income	3.43	45.00	0.14	1.73
7. Profit (pre-tax)				
7.1. - Gross (incl. d.s.)	0.59	26.25	0.02	1.01
7.2. - Net (excl. d.s.)	-2.56	7.83	-0.10	0.30
8. Dividend (%)	0.00	4.41	0.00	4.41
9. Return on Deposits				
9.1. - Minimum (%)	0.70	4.95	0.70	4.95
9.2. - Maximum (%)	1.00	14.13	1.00	14.13
10. Ratios (%)				
10.1. Income/Assets	1.62	5.39	1.62	5.39
10.2. Gross-Profit/Assets	0.28	3.14	0.28	3.14
10.3. Net-Profit/Assets	-1.21	0.94	-1.21	0.94
10.4. Income/Capital	5.07	62.93	5.07	62.93
10.5. Gross-Profit/Capital	0.88	36.72	0.88	36.72
10.6. Net-Profit/Capital	-3.79	10.95	-3.79	10.95
10.7. Cap.+ Reserves/Assets	32.03	9.23	32.03	9.23
10.8. Prop. of Unrem. Depos.	68.55	38.41	68.55	38.41
11. Growth Rates (%)				
11.1. Capital + Reserves		13.62		9.25
11.2. Deposits, unremun.		147.22		137.71
11.3. Deposits, remuner.		763.81		730.58
11.4. Total Deposits		341.16		324.19
11.5. Total Assets		294.21		279.05
11.6. Total Income		1213.69		1163.17
11.7. Gross Profit		4313.53		4143.78
11.8. Net Profit				

Islamic Bank International of Denmark, Copenhagen (Denmark)

Amounts in million DDK / US\$	1983	1984	1985	1983	1984	1985
0. Exchange Rate (NC/US\$)	9.875	11.260	8.969	9.875	11.260	8.969
1. Capital						
1.1. - Authorized	40.00	40.00	40.00	4.05	3.55	4.46
1.2. - Paid up	40.00	40.00	40.00	4.05	3.55	4.46
2. Reserves	10.01	10.89	5.06	1.01	0.97	0.56
3. Capital + Reserves	50.01	50.89	45.06	5.06	4.52	5.02
4. Deposits (total)	74.54	107.10	112.43	7.55	9.51	12.54
4.1. - Unremunerated	0.00	0.00	0.00	0.00	0.00	0.00
4.2. - Remunerated	74.54	107.10	112.43	7.55	9.51	12.54
5. Total Assets	148.31	315.99	174.52	15.02	28.06	19.46
6. Total Income	7.36	19.35	24.45	0.75	1.72	2.73
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)		6.91	-1.31		0.61	-0.15
7.2. - Net (excl. d.s.)	1.04	1.08	-5.83	0.11	0.10	-0.65
8. Dividend (%)						
9. Return on Deposits						
9.1. - Minimum (%)						
9.2. - Maximum (%)		8.20	6.82		8.20	6.82
10. Ratios (%)						
10.1. Income/Assets	4.96	6.12	14.01	4.96	6.12	14.01
10.2. Gross-Profit/Assets		2.19	-0.75		2.19	-0.75
10.3. Net-Profit/Assets	0.70	0.34	-3.34	0.70	0.34	-3.34
10.4. Income/Capital	18.39	48.37	61.13	18.39	48.37	61.13
10.5. Gross-Profit/Capital		17.27	-3.28		17.27	-3.28
10.6. Net-Profit/Capital	2.59	2.69	-14.56	2.59	2.69	-14.56
10.7. Cap.+ Reserves/Assets	33.72	16.10	25.82	33.72	16.10	25.82
10.8. Prop. of Unrem. Depos.	0.00	0.00	0.00	0.00	0.00	0.00
11. Growth Rates (%)						
11.1. Capital + Reserves		1.75	-11.45		-10.76	11.17
11.2. Deposits, unremun.						
11.3. Deposits, remuner.		43.68	4.98		26.01	31.80
11.4. Total Deposits		43.68	4.98		26.01	31.80
11.5. Total Assets		113.06	-44.77		86.85	-30.66
11.6. Total Income		162.98	26.38		130.63	58.66
11.7. Gross Profit			-119.00			-123.85
11.8. Net Profit		3.77	-641.42		-9.00	-779.72

Islamic International Bank for Investment and Development,
Cairo (Egypt)

Amounts in million LE	1981	1982	1983	1984
0. Exchange Rate (NC/US\$)	0.833	0.833	0.833	0.833
1. Capital				
1.1. - Authorized	9.99	9.99	120.10	120.10
1.2. - Paid up	4.05	4.68	7.19	9.49
2. Reserves	0.04	0.18	0.73	1.36
3. Capital + Reserves	4.09	4.86	7.92	10.85
4. Deposits (total)	6.50	61.39	255.80	418.20
4.1. - Unremunerated	2.38	14.62	29.30	59.60
4.2. - Remunerated	4.12	46.77	226.50	358.60
5. Total Assets	12.14	74.18	342.93	566.03
6. Total Income	0.66	5.15	32.51	42.02
7. Profit (pre-tax)				
7.1. - Gross (incl. d.s.)	0.50	3.37	17.62	29.41
7.2. - Net (excl. d.s.)	0.41	1.47	2.49	2.87
8. Dividend (%)		20.00		20.00
9. Return on Deposits				
9.1. - Minimum (%)		12.35		6.00
9.2. - Maximum (%)		14.10		10.05
10. Ratios (%)				
10.1. Income/Assets	5.44	6.94	9.48	7.42
10.2. Gross-Profit/Assets	4.13	4.54	5.14	5.20
10.3. Net-Profit/Assets	3.41	1.98	0.73	0.51
10.4. Income/Capital	16.32	110.04	452.03	442.58
10.5. Gross-Profit/Capital	12.39	71.99	245.02	309.78
10.6. Net-Profit/Capital	10.22	31.38	34.60	30.26
10.7. Cap.+ Reserves/Assets	33.66	6.56	2.31	1.92
10.8. Prop. of Unrem. Depos.	36.62	23.81	11.45	14.25
11. Growth Rates (%)				
11.1. Capital + Reserves		19.00	62.82	37.01
11.2. Deposits, unremun.		514.29	100.41	103.41
11.3. Deposits, remuner.		135.19	384.28	58.32
11.4. Total Deposits		844.46	316.68	63.49
11.5. Total Assets		510.94	362.31	65.06
11.6. Total Income		679.58	531.34	29.25
11.7. Gross Profit		571.77	423.13	66.89
11.8. Net Profit		255.15	69.46	15.45

Islamic International Bank for Investment and Development,
Cairo (Egypt)

Amounts in million US\$	1981	1982	1983	1984
0. Exchange Rate (NC/US\$)	0.833	0.833	0.833	0.833
1. Capital				
1.1. - Authorized	12.00	12.00	144.23	144.23
1.2. - Paid up	4.86	5.62	8.64	11.40
2. Reserves	0.05	0.22	0.87	1.63
3. Capital + Reserves	4.91	5.84	9.51	13.03
4. Deposits (total)	7.81	73.73	307.20	502.24
4.1. - Unremunerated	2.86	17.56	35.19	71.58
4.2. - Remunerated	4.95	56.17	272.02	430.66
5. Total Assets	14.58	89.08	411.84	679.78
6. Total Income	0.79	6.18	39.04	50.46
7. Profit (pre-tax)				
7.1. - Gross (incl. d.s.)	0.60	4.05	21.16	35.32
7.2. - Net (excl. d.s.)	0.50	1.76	2.99	3.45
8. Dividend (%)		20.00		20.00
9. Return on Deposits				
9.1. - Minimum (%)		12.35		6.00
9.2. - Maximum (%)		14.10		10.05
10. Ratios (%)				
10.1. Income/Assets	5.44	6.94	9.48	7.42
10.2. Gross-Profit/Assets	4.13	4.54	5.14	5.20
10.3. Net-Profit/Assets	3.41	1.98	0.73	0.51
10.4. Income/Capital	16.32	110.04	452.03	442.58
10.5. Gross-Profit/Capital	12.39	71.99	245.02	309.78
10.6. Net-Profit/Capital	10.22	31.38	34.60	30.26
10.7. Cap.+ Reserves/Assets	33.66	6.56	2.31	1.92
10.8. Prop. of Unrem. Depos.	36.62	23.81	11.45	14.25
11. Growth Rates (%)				
11.1. Capital + Reserves		19.00	62.82	37.01
11.2. Deposits, unremun.		514.29	100.41	103.41
11.3. Deposits, remuner.		1035.19	384.28	58.32
11.4. Total Deposits		844.46	316.68	63.49
11.5. Total Assets		510.94	362.31	65.06
11.6. Total Income		679.58	531.34	29.25
11.7. Gross Profit		571.77	423.13	66.89
11.8. Net Profit		255.15	69.46	15.45

Islamic Investment House, Amman (Jordan)

Amounts in million JD / US\$	1982	1983	1984	1982	1983	1984
0. Exchange Rate (NC/US\$)	0.351	0.371	0.405	0.351	0.371	0.405
1. Capital						
1.1. - Authorized	4.00	4.00	4.00	11.38	10.77	9.88
1.2. - Paid up	2.72	3.79	3.81	7.73	10.20	9.40
2. Reserves	0.09	0.17	0.24	0.25	0.47	0.58
3. Capital + Reserves	2.80	3.96	4.04	7.98	10.67	9.98
4. Deposits (total)	0.73	2.37	7.21	2.08	6.38	17.80
4.1. - Unremunerated	0.73	0.84	1.10	2.08	2.25	2.71
4.2. - Remunerated	0.00	1.53	6.11	0.00	4.13	15.10
5. Total Assets	4.35	8.56	12.97	12.38	23.04	32.02
6. Total Income	0.61	0.95	1.35	1.75	2.57	3.34
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)	0.39	0.63	0.59	1.11	1.70	1.45
7.2. - Net (excl. d.s.)	0.39	0.37	0.30	1.11	0.99	0.75
8. Dividend (%)		7.00	8.50		7.00	8.50
9. Return on Deposits						
9.1. - Minimum (%)		5.40	5.55		5.40	5.55
9.2. - Maximum (%)		8.10	8.33		8.10	8.33
10. Ratios (%)						
10.1. Income/Assets	14.10	11.15	10.43	14.10	11.15	10.43
10.2. Gross-Profit/Assets	9.01	7.38	4.54	9.01	7.38	4.54
10.3. Net-Profit/Assets	9.01	4.29	2.34	9.01	4.29	2.34
10.4. Income/Capital	22.59	25.19	35.52	22.59	25.19	35.52
10.5. Gross-Profit/Capital	14.42	16.67	15.46	14.42	16.67	15.46
10.6. Net-Profit/Capital	14.42	9.69	7.96	14.42	9.69	7.96
10.7. Cap.+ Reserves/Assets	64.44	46.30	31.18	64.44	46.30	31.18
10.8. Prop. of Unrem. Depos.	100.00	35.27	15.21	100.00	35.27	15.21
11. Growth Rates (%)						
11.1. Capital + Reserves		41.37	2.03		33.76	-6.41
11.2. Deposits, unremun.		14.52	31.17		8.35	20.32
11.3. Deposits, remuner.			298.51			265.54
11.4. Total Deposits		224.69	204.22		207.21	179.05
11.5. Total Assets		96.79	51.48		86.20	38.95
11.6. Total Income		55.59	41.70		47.21	29.97
11.7. Gross Profit		61.20	-6.79		52.53	-14.50
11.8. Net Profit		-6.24	-17.49		-11.28	-24.31

Jordan Islamic Bank for Finance and Development, Amman (Jordan)

Amounts in million JD	1980	1981	1982	1983	1984	1985
0. Exchange Rate (NC/US\$)	0.309	0.339	0.351	0.371	0.405	0.368
1. Capital						
1.1. - Authorized	4.00	4.00	4.00	4.00	4.00	6.00
1.2. - Paid up	2.00	2.96	4.00	4.00	4.00	4.00
2. Reserves	0.01	0.08	0.22	0.22	0.63	0.09
3. Capital + Reserves	2.01	3.04	4.22	4.22	4.63	4.09
4. Deposits (total)	11.64	25.33	35.83	58.57	82.77	102.86
4.1. - Unremunerated	4.85	12.21	16.38	20.73	22.20	23.75
4.2. - Remunerated	6.79	13.12	19.45	37.84	60.57	79.12
5. Total Assets	15.47	31.60	45.34	71.48	102.09	126.77
6. Total Income	0.52	0.89	1.78	1.84	2.32	2.44
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)				1.06	1.97	2.82
7.2. - Net (excl. d.s.)	0.01	0.32	0.86	0.59	0.89	0.66
8. Dividend (%)	0.00	5.00	8.00	8.00	9.00	9.00
9. Return on Deposits						
9.1. - Minimum (%)	4.10	3.40	3.60	2.70	2.85	2.74
9.2. - Maximum (%)	7.40	6.10	6.50	4.90	5.13	4.93
10. Ratios (%)						
10.1. Income/Assets	3.39	2.82	3.92	2.57	2.27	1.92
10.2. Gross-Profit/Assets				1.48	1.93	2.22
10.3. Net-Profit/Assets	0.09	1.02	1.91	0.83	0.87	0.52
10.4. Income/Capital	26.24	30.18	44.39	45.93	57.97	60.97
10.5. Gross-Profit/Capital	0.00	0.00	0.00	26.46	49.32	70.46
10.6. Net-Profit/Capital	0.70	10.86	21.60	14.84	22.33	16.62
10.7. Cap.+ Reserves/Assets	12.97	9.62	9.31	5.90	4.53	3.23
10.8. Prop. of Unrem. Depos.	41.64	48.21	45.72	35.39	26.82	23.08
11. Growth Rates (%)						
11.1. Capital + Reserves		51.60	38.76	-0.02	9.67	-11.63
11.2. Deposits, unremun.		151.94	34.13	26.53	7.09	6.97
11.3. Deposits, remuner.		93.11	48.25	94.52	60.08	30.62
11.4. Total Deposits		117.61	41.45	63.44	41.33	24.28
11.5. Total Assets		104.36	43.45	57.67	42.82	24.18
11.6. Total Income		70.13	98.88	3.49	26.21	5.18
11.7. Gross Profit					86.35	42.87
11.8. Net Profit		2190.66	168.92	-31.27	50.45	-25.56

Jordan Islamic Bank for Finance and Development, Amman (Jordan)

Amounts in million US\$	1980	1981	1982	1983	1984	1985
0. Exchange Rate (NC/US\$)	0.309	0.339	0.351	0.371	0.405	0.368
1. Capital						
1.1. - Authorized	12.97	11.80	11.38	10.77	9.88	16.32
1.2. - Paid up	6.48	8.73	11.38	10.77	9.88	10.88
2. Reserves	0.02	0.25	0.63	0.59	1.55	0.24
3. Capital + Reserves	6.50	8.97	12.01	11.36	11.43	11.12
4. Deposits (total)	37.74	74.73	101.95	157.65	204.37	279.71
4.1. - Unremunerated	15.71	36.03	46.61	55.80	54.81	64.57
4.2. - Remunerated	22.02	38.71	55.34	101.86	149.56	215.14
5. Total Assets	50.13	93.23	128.99	192.43	252.08	344.73
6. Total Income	1.70	2.63	5.05	4.95	5.73	6.63
7. Profit (pre-tax)						
7.1. - Gross (incl. d.s.)				2.85	4.87	7.66
7.2. - Net (excl. d.s.)	0.05	0.95	2.46	1.60	2.21	1.81
8. Dividend (%)	0.00	5.00	8.00	8.00	9.00	9.00
9. Retrun on Deposits						
9.1. - Minimum (%)	4.10	3.40	3.60	2.70	2.85	2.74
9.2. - Maximum (%)	7.40	6.10	6.50	4.90	5.13	4.93
10. Ratios (%)						
10.1. Income/Assets	3.39	2.82	3.92	2.57	2.27	1.92
10.2. Gross-Profit/Assets				1.48	1.93	2.22
10.3. Net-Profit/Assets	0.09	1.02	1.91	0.83	0.87	0.52
10.4. Income/Capital	26.24	30.18	44.39	45.93	57.97	60.97
10.5. Gross-Profit/Capital				26.46	49.32	70.46
10.6. Net-Profit/Capital	0.70	10.86	21.60	14.84	22.33	16.62
10.7. Cap.+ Reserves/Assets	12.97	9.62	9.31	5.90	4.53	3.23
10.8. Prop. of Unrem. Depos.	41.64	48.21	45.72	35.39	26.82	23.08
11. Growth Rates (%)						
11.1. Capital + Reserves		37.96	33.83	-5.40	0.60	-2.68
11.2. Deposits, unremun.		129.27	29.37	19.72	-1.77	17.81
11.3. Deposits, remuner.		75.74	42.98	84.05	46.83	43.85
11.4. Total Deposits		98.03	36.42	54.64	29.63	36.87
11.5. Total Assets		85.97	38.36	49.18	31.00	36.75
11.6. Total Income		54.82	91.81	-2.09	15.77	15.83
11.7. Gross Profit					70.93	57.35
11.8. Net Profit		1984.57	159.36	-34.97	38.00	-18.02

Kuwait Finance House, Safat (Kuwait)

Amounts in million KD	1978	1979	1980	1981	1982	1983	1984	1985
0. Exchange Rate (NC/US\$)	0.272	0.273	0.271	0.281	0.289	0.293	0.304	0.289
1. Capital								
1.1. - Authorized	10.00	10.00	10.00	10.00	15.00	18.75	18.75	18.75
1.2. - Paid up	2.46	2.46	2.46	9.57	14.96	18.70	18.70	18.70
2. Reserves	0.11	0.80	2.72	8.52	20.67	16.48	16.07	17.20
3. Capital + Reserves	2.57	3.26	5.18	18.09	35.63	35.19	34.77	35.90
4. Deposits (total)	21.01	66.20	148.62	294.12	473.11	697.83	711.00	724.44
4.1. - Unremunerated	10.54	16.14	29.21	55.18	70.05	79.65	69.13	123.38
4.2. - Remunerated	10.48	50.06	119.41	238.94	403.06	618.19	641.87	601.06
5. Total Assets	25.87	75.26	168.45	351.13	558.72	799.04	845.75	803.96
6. Total Income	0.92	4.67	13.90	34.01	52.11	42.08	41.35	26.69
7. Profit (pre-tax)								
7.1. - Gross (incl. d.s.)	0.53	3.48	9.68	25.05	45.89	36.72	0.00	17.52
7.2. - Net (excl. d.s.)	0.38	1.02	2.46	6.05	12.98	4.03	0.00	1.66
8. Dividend (%)	10.00	10.00	11.25	15.00	10.00	20.00	0.00	0.00
9. Return on Deposits .								
9.1. - Minimum (%)	6.00	6.12	6.75	9.00	8.00	5.00	0.00	2.22
9.2. - Maximum (%)	9.00	9.12	10.12	13.50	12.00	7.75	0.00	4.00
10. Ratios (%)								
10.1. Income/Assets	3.54	6.21	8.25	9.69	9.16	5.27	4.89	3.32
10.2. Gross-Profit/Assets	2.05	4.62	5.75	7.13	8.07	4.60	0.00	2.18
10.3. Net-Profit/Assets	1.48	1.35	1.46	1.72	2.28	0.50	0.00	0.21
10.4. Income/Capital	37.24	189.88	564.88	355.51	348.25	225.03	221.10	142.74
10.5. Gross-Profit/Capital	21.52	141.40	393.47	261.77	306.74	196.36	0.00	93.68
10.6. Net-Profit/Capital	15.59	41.26	99.78	63.18	86.75	21.55	0.00	8.87
10.7. Cap.+ Reserves/Assets	9.92	4.33	3.07	5.15	6.26	4.40	4.11	4.47
10.8. Prop. of Unrem. Depos.	50.14	24.38	19.66	18.76	14.81	11.41	9.72	17.03
11. Growth Rates (%)								
11.1. Capital + Reserves		27.01	58.79	249.43	96.96	-1.24	-1.17	3.23
11.2. Deposits, unremun.		53.18	81.01	88.89	26.95	13.70	-13.21	78.47
11.3. Deposits, remuner.		377.82	138.53	100.10	68.69	53.37	3.83	-6.36
11.4. Total Deposits		215.05	124.51	97.90	60.86	47.50	1.89	1.89
11.5. Total Assets		190.96	123.82	108.45	61.97	40.50	5.85	-4.94
11.6. Total Income		409.89	197.49	144.68	53.19	-19.24	-1.75	-35.44
11.7. Gross Profit		556.98	178.27	158.65	83.23	-19.98	-100.00	
11.8. Net Profit		164.74	141.82	146.19	114.70	-68.94	-100.00	

Kuwait Finance House, Safat (Kuwait)

Amounts in million US\$	1978	1979	1980	1981	1982	1983	1984	1985
0. Exchange Rate (NC/US\$)	0.272	0.273	0.271	0.281	0.289	0.293	0.304	0.289
1. Capital								
1.1. - Authorized	36.79	36.62	36.86	35.54	51.96	64.09	61.58	64.88
1.2. - Paid up	9.05	9.01	9.07	34.00	51.82	63.92	61.42	64.71
2. Reserves	0.39	2.93	10.01	30.28	71.59	56.34	52.79	59.51
3. Capital + Reserves	9.44	11.94	19.08	64.28	123.41	120.27	114.22	124.22
4. Deposits (total)	77.31	242.39	547.82	1045.16	1638.77	2385.27	2335.30	2506.71
4.1. - Unremunerated	38.76	59.09	107.68	196.09	242.64	272.25	227.06	426.92
4.2. - Remunerated	38.55	183.30	440.14	849.08	1396.12	2113.02	2108.24	2079.79
5. Total Assets	95.17	275.56	620.89	1247.77	1969.93	2731.21	2777.88	2781.86
6. Total Income	3.37	17.11	51.24	120.87	180.49	143.84	135.81	92.37
7. Profit (pre-tax)								
7.1. - Gross (incl. d.s.)	1.95	12.74	35.69	89.00	158.96	125.52	0.00	60.62
7.2. - Net (excl. d.s.)	1.41	3.72	9.05	21.48	44.96	13.78	0.00	5.74
8. Dividend (%)	10.00	10.00	11.25	15.00	10.00	20.00	0.00	0.00
9. Return on Deposits								
9.1. - Minimum (%)	6.00	6.12	6.75	9.00	8.00	5.00	0.00	2.22
9.2. - Maximum (%)	9.00	9.12	10.12	13.50	12.00	7.75	0.00	4.00
10. Ratios (%)								
10.1. Income/Assets	3.54	6.21	8.25	9.69	9.16	5.27	4.89	3.32
10.2. Gross-Profit/Assets	2.05	4.62	5.75	7.13	8.07	4.60	0.00	2.18
10.3. Net-Profit/Assets	1.48	1.35	1.46	1.72	2.28	0.50	0.00	0.21
10.4. Income/Capital	37.24	189.88	564.88	355.51	348.29	225.03	221.10	142.74
10.5. Gross-Profit/Capital	21.52	141.40	393.47	261.77	306.74	196.36	0.00	93.68
10.6. Net-Profit/Capital	15.59	41.26	99.78	63.18	86.75	21.55	0.00	8.87
10.7. Cap.+ Reserves/Assets	9.92	4.33	3.07	5.15	6.26	4.40	4.11	4.47
10.8. Prop. of Unrem. Depos.	50.14	24.38	19.66	18.76	14.81	11.41	9.72	17.03
11. Growth Rates (%)								
11.1. Capital + Reserves		26.40	59.85	236.88	91.98	-2.55	-5.03	8.76
11.2. Deposits, unremun.		52.45	82.22	82.11	23.74	12.20	-16.60	88.02
11.3. Deposits, remuner.		375.53	140.13	92.91	64.43	51.35	-0.23	-1.35
11.4. Total Deposits		213.54	126.01	90.79	56.80	45.55	-2.10	7.34
11.5. Total Assets		189.56	125.32	100.96	57.88	38.64	1.71	0.14
11.6. Total Income		407.44	199.48	135.89	49.33	-20.30	-5.59	-31.99
11.7. Gross Profit		553.83	180.13	149.36	78.61	-21.04	-100.00	
11.8. Net Profit		163.47	143.44	137.35	109.28	-69.35	-100.00	

Massraf Faysal Al-Islami of Bahrain, Manama (Bahrain)

Amounts in million US\$ 1983 1984 1985

0.	Exchange Rate (NC/US\$)	0.376	0.376	0.376
1.	Capital			
1.1.	- Authorized	20.00	20.00	20.00
1.2.	- Paid up	20.00	20.00	20.00
2.	Reserves	1.53	4.15	6.18
3.	Capital + Reserves	21.53	24.15	26.18
4.	Deposits (total)	111.89	229.44	631.47
4.1.	- Unremunerated	1.54	4.65	9.61
4.2.	- Remunerated	110.35	224.80	621.86
5.	Total Assets	133.47	255.64	576.55
6.	Total Income			
7.	Profit (pre-tax)			
7.1.	- Gross (incl. d.s.)			
7.2.	- Net (excl. d.s.)	0.88	2.63	2.02
8.	Dividend (%)			
9.	Return on Deposits			
9.1.	- Minimum (%)			6.00
9.2.	- Maximum (%)			11.00

10.	Ratios (%)			
10.1.	Income/Assets			
10.2.	Gross-Profit/Assets			
10.3.	Net-Profit/Assets	0.66	1.03	0.35
10.4.	Income/Capital			
10.5.	Gross-Profit/Capital			
10.6.	Net-Profit/Capital	4.40	13.15	10.11
10.7.	Cap.+ Reserves/Assets	16.13	9.45	4.54
10.8.	Prop. of Unrem. Depos.	1.38	2.02	1.52
11.	Growth Rates (%)			
11.1.	Capital + Reserves		12.22	8.37
11.2.	Deposits, unremun.		200.93	106.92
11.3.	Deposits, remuner.		103.72	176.63
11.4.	Total Deposits		105.06	175.22
11.5.	Total Assets		91.53	125.53
11.6.	Total Income			
11.7.	Gross Profit			
11.8.	Net Profit		198.56	-23.08

Qatar Islamic Bank, Doha (Qatar)

Amounts in million QR / US\$ 1404 1405 1404 1405

0.	Exchange Rate (NC/US\$)	3.640	3.640	3.640	3.640
1.	Capital				
1.1.	- Authorized	200.00	200.00	54.95	54.95
1.2.	- Paid up	50.00	50.00	13.74	13.74
2.	Reserves	7.75	11.03	2.13	3.03
3.	Capital + Reserves	57.75	61.03	15.87	16.77
4.	Deposits (total)	299.71	517.16	82.34	142.08
4.1.	- Unremunerated	159.95	165.37	43.94	45.43
4.2.	- Remunerated	139.76	351.78	38.40	96.65
5.	Total Assets	369.94	605.17	101.63	166.26
6.	Total Income	18.50	38.59	5.08	10.60
7.	Profit (pre-tax)				
7.1.	- Gross (incl. d.s.)	6.97	25.04	1.91	6.88
7.2.	- Net (excl. d.s.)	2.65	8.72	0.73	2.40
8.	Dividend (%)	0.00	10.00	0.00	10.00
9.	Return on Deposits				
9.1.	- Minimum (%)	4.33	4.45	4.33	4.45
9.2.	- Maximum (%)	7.79	8.00	7.79	8.00

10.	Ratios (%)				
10.1.	Income/Assets	5.00	6.38	5.00	6.38
10.2.	Gross-Profit/Assets	1.88	4.14	1.88	4.14
10.3.	Net-Profit/Assets	0.72	1.44	0.72	1.44
10.4.	Income/Capital	37.00	77.18	37.00	77.18
10.5.	Gross-Profit/Capital	13.94	50.08	13.94	50.08
10.6.	Net-Profit/Capital	5.30	17.45	5.30	17.45
10.7.	Cap.+ Reserves/Assets	15.61	10.08	15.61	10.08
10.8.	Prop. of Unrem. Depos.	53.37	31.98	53.37	31.98
11.	Growth Rates (%)				
11.1.	Capital + Reserves		5.67		5.67
11.2.	Deposits, unremun.		3.39		3.39
11.3.	Deposits, remuner.		151.71		151.71
11.4.	Total Deposits		72.55		72.55
11.5.	Total Assets		63.59		63.59
11.6.	Total Income		108.57		108.57
11.7.	Gross Profit		259.34		259.34
11.8.	Net Profit		229.32		229.32

Tadamon Islamic Bank, Khartoum (Sudan)

Amounts in million LS / US\$	1983	1984	1983	1984

0. Exchange Rate (NC/US\$)	1.300	1.300	1.300	1.300
1. Capital				
1.1. - Authorized	65.00	65.00	50.00	50.00
1.2. - Paid up	14.84	15.03	11.42	11.56
2. Reserves	5.46	6.76	4.20	5.20
3. Capital + Reserves	20.30	21.79	15.61	16.76
4. Deposits (total)	30.99	44.22	23.84	34.02
4.1. - Unremunerated	12.59	26.44	9.68	20.34
4.2. - Remunerated	18.41	17.78	14.16	13.68
5. Total Assets	57.41	80.30	44.16	61.77
6. Total Income		7.73		5.95
7. Profit (pre-tax)				
7.1. - Gross (incl. d.s.)		2.24		1.73
7.2. - Net (excl. d.s.)		0.91		0.70
8. Dividend (%)		7.00		7.00
9. Return on Deposits				
9.1. - Minimum (%)		7.00		7.00
9.2. - Maximum (%)		7.00		7.00

10. Ratios (%)				
10.1. Income/Assets		9.63		9.63
10.2. Gross-Profit/Assets		2.79		2.79
10.3. Net-Profit/Assets		1.14		1.14
10.4. Income/Capital		51.44		51.44
10.5. Gross-Profit/Capital		14.93		14.93
10.6. Net-Profit/Capital		6.08		6.08
10.7. Cap.+ Reserves/Assets	35.36	27.13	35.36	27.13
10.8. Prop. of Unrem. Depos.	40.61	59.79	40.61	59.79
11. Growth Rates (%)				
11.1. Capital + Reserves		7.33		7.33
11.2. Deposits, unremun.		110.06		110.06
11.3. Deposits, remuner.		-3.39		-3.39
11.4. Total Deposits		42.68		42.68
11.5. Total Assets		39.87		39.87
11.6. Total Income				
11.7. Gross Profit				
11.8. Net Profit				

Informations on Industrial Financing Activities
(excerpted from Annual Reports)

Al Baraka International Limited, London (1985)

Practically no industrial financing: 87.8 % of total assets in "commodity transactions secured by banks and money at short notice" and 9.5 % "short term financing".

Albaraka Islamic Investment Bank, Manama (1985)

Seemingly no industrial financing: The figure for "investment financing" on the balance sheet (252.45 mn US\$) "represents the outstanding balance of various investment transactions concluded during the year amounting to 91 transactions in international commodities only."

Al Baraka Turkish Finance House, Istanbul (1985)

Practically no industrial financing: The breakdown of the total number of 161 approved projects is: 158 trade financing, 3 profit and loss sharing.

Bahrain Islamic Bank, Manama (1985)

Seemingly no industrial financing: 74.5 % of total assets are in "contracts" (land, buildings, commodities, letters of credit, motor vehicles, others), 11.5 % in "investments" (mainly land and buildings).

Bank Islam Malaysia Berhad, Kuala Lumpur (1984)

Practically no industrial financing, but the aggregated figures allow no exact quantitative assessment.

Beit Ettamwil Saudi Tounsi, Tunis (1984)

In 1983, 13 projects have been financed with a volume of 15.2 mn US\$ (approx. 40 % of the total financing as disclosed in the balance sheet). 7 projects with 58.5 % of the project financing volume were related to the manufacturing industries.

Dubai Islamic Bank, Deira (1982)

"The Bank has adopted the policy for the last two years to prefer short-term investments having less risk and more profit and to minimize the middle and long-term investments in the projects having economic and social advantages." The quantity of industrial financing does not seem to be substantial, and employments of funds in the industrial sector grew with a rate of only 18 % in comparison to 57 % for real estate, 340 % for imports and 562 % for local trade.

Dar Al-Maal Ai-Islami Trust, Nassau (1985)

"To-date, a number of projects have been financed from DMI funds totalling about US\$ 86 million, and from modaraba funds totalling US\$ 175 million." 54 % of these projects are located in Saudi Arabia, 14 % in Sudan. Regarding the sectoral composition, only 3 % of the projects are in the industrial sector.

Faisal Islamic Bank (Sudan), Khartoum (1984)

"In the last year we gave priority for agriculture and industry which falls in line with the investment strategy considered by our Board of Directors, which was to assign 50 % of the total investment of the bank for the short term investments, 40 % for the medium term investments and 10 % for artisans and craftsmen." More precise figures for industrial financing activities are not given in the Annual Report, but in a paper of the General Manager (see pp. 26-29) it is disclosed that the share of industry financing was 9.2 % in 1984 (5.4 % in 1983, 2.2 % in 1982, 4.0 % in 1981).

Faisal Islamic Bank of Egypt, Cairo (1984)

The total short and medium term investments amounted to 1.5 bn US\$ out of which 1 bn US\$ were short and medium term musharaka, murabaha und mudaraba operations. "58.5 % of these operations were directed into the production sectors", but what has been financed mainly seems to be not the local production but the import of production intermediates, spare parts and capital goods. Some equity participations in industrial ventures are mentioned in the Annual Report, but in volume, they are negligible since total direct investments and equity participations (in more than 30 enterprises in various sectors, including the 7 in industry) amount to only 95.5 mn US\$ which is 5 % of total assets.

Islami Bank Bangladesh Limited, Dhaka (1984)

"The prime objective of the Islami Bank Bangladesh Limited is to help growth of rapid industrialisation and promotion of trade and commerce in the country through a system of participation unlike that of other traditional banks. ... (In 1984) IBBL financed 112 units of industrial projects involving Tk. 312.4 million ... In the commercial sector, the bank participated in 500 cases (excluding L/C) to the tune of Tk. 315.65 million." The total investments in partnership, profit sharing, capital in affiliated projects, and real estates stood at 405.7 mn Tk. in the balance sheet of which a quarter (106.6 mn Tk.) were "industrial investments".

Islamic Bank International of Denmark, Copenhagen (1985)

No informations are given on the sectoral composition of the financing and investment activities. However, the corporate financing in the industrial sector is probably insignificant: more than 80 % of the total assets are clearly not related to industrial finance, and the remainder seems to be mainly trade related.

Islamic International Bank for Investment and Development, Cairo (1984)

71.7 % of total assets were short and medium term investments which "cover the fields of food security, raw materials, spare parts, equipments, means of transport, chemicals, manufacturing, trade, constructing, housing and infrastructure projects". A breakdown is given for the types of investment; at maximum 20 % of the investments could be made in the industrial sector, but probably this proportion is much less. With one or two exceptions, the long term investments, i.e. the participations in the capital of companies, have been made outside the industrial sector.

Islamic Investment House, Amman (1984)

No informations on the sectoral composition of financing and investments are given.

Jordan Islamic Bank for Finance and Investment, Amman (1985)

No informations on the sectoral composition of financings and investments are given.

Kuwait Finance House, Safat (1985)

The breakdown of the investment portfolio does not mention any employment of funds in the industrial sector (but mainly real estate and trading).

Massraf Faysal Al-Islami of Bahrain, Manama (1985)

The bank manages clients' funds amounting to 621.9 mn US\$, including 471.8 mn US\$ of funds managed on behalf of other companies of the DMI group. 97 % of these funds were used for short term investments which "consist mainly of US dollar covered currency and commodity parallel sale and purchase transactions with major financial institutions." Further 2.5 % of the managed funds were used for "Islamic financing" and "morabaha", i.e. factually in trade financing. Industrial financing seems to be non-existent or, at best, marginal.

Qatar Islamic Bank, Doha (1985)

"The financial policies of our bank is to invest in short and medium term investments, where profit and security is maintained." No further sectoral breakdown of financing activities is given.

Tadamon Islamic Bank, Khartoum (1984)

For musharaka, mudaraba and murabaha financings, a total amount von 37.4 mn LS was provided; 2 mn LS (= 5 %) were employed in the industrial sector.