

Riphah' University's 4th ICIB - February 20-22, 2016

Communiqué

The 4th International Conference on Islamic Business held at Islamabad on February 21 and 22, 2016 concluded successfully, Alhamdulillah. It was held in collaboration with the International Islamic University, Islamabad and with support from the Ministry of Planning, Development and Reforms, Government of Pakistan, the Higher Education Commission, Pakistan, the State Bank of Pakistan, the Securities and exchange Commission of Pakistan, the *Madina Institute of Learning and Entrepreneurship* (MILE), Saudi Arabia, Islamic Research and Training Institute (IRTI) of IDB Group, Jeddah, BNM's International Shariah Research Academy (ISRA) Malaysia and a number of Islamic banks and other institutions.

The theme of the Conference was: ***Islamic Economics, Finance, Entrepreneurial Development, and Public Policy for Socio-economic Well-being.***

The messages of the "Patron-in-Chief" of the ICIB 2016, Prof. Ahsan Iqbal, Federal Minister of Planning, that of Renowned Islamic economist Prof. Khurshid Ahmad and Chairman, SECP, Mr. Zafar Hijazi were read, while the Deputy Governor SBP Mr. Saeed Ahmad and Justice (R) Khalilur Rahman delivered keynote addresses.

As indicated by the “Patron-in-Chief” of the Conference, in his message, the conference theme was in line with the vision of the *Father of the Pakistan’s Nation*, that is **making Pakistan a prosperous country governed with justice, equity and responsibility**, and also with the Pakistan’s ‘**Vision 2025**’.

In the light of the messages, keynote addresses, and the papers presented and discussions held thereon, following is the communiqué of the Conference:

- 1) Islamic finance has become a global feature for which the Conference delegates thank Allah *subhanahu waatala* and compliment all those who have been involved in this noble effort. It was considered, however, that we are still far away from the real objective to move towards a model that is truly just and directed towards fulfilling the major objectives of the *shariah*.
- 2) We have to give priority to reconstructing the society and economy on the basis of our own values, interests and resources.
- 3) While Islamic Finance has emerged at global level and by now the Islamic banking has crossed the milestone of forty years, its acceptance level is still very low due mainly to the reason that people consider it as replication of conventional finance.
- 4) The policy makers in Islamic finance need to ponder seriously on the point as to why conversion to Islamic finance is so slow even in Muslim majority countries; it needs different approach and business structures to avail of the huge potential.

- 5) The controversy about the interpretation of *ribā*, particularly as the case of Pakistan, *must* be resolved – meaning that *interest* in all its forms including bank interest must be accepted as Riba followed by a program to get rid of it. The State and the regulatory authorities need to spell out before the Federal Shari‘at Court that they believe in prohibition of ‘*interest*’. The conference delegates appreciate the announcement by the Deputy Governor, State Bank of Pakistan, Mr Saeed Ahmad in his keynote address that the State Banking is formally taking this viewpoint in the Shariat Court. The Secretary Finance, Government of Pakistan, Dr. Waqar Masoud Khan also reiterated, in his address, the Government support for promotion of Islamic finance
- 6) The Islamic Finance Institutions (IFIs) have yet to implement the principles of Participatory financing and investment in its true Spirit. They need to change their model to undertake real business and to focus on real sectors and sub sectors.
- 7) There is a need to formulate a comprehensive and integrated financial system free from interest and gambling based features to be compliant with Shariah rules for business growth, with a social development strategy which heightens the involvement of all stakeholders through institutionalizing the equitable distribution of wealth, ethical and halal and ethics based financial system along with programs to reduce poverty, and to develop human capital.

- 8) Institution of Waqf may be developed not only for social welfare but also as a business model with feature of socio economic development.
- 9) The conference delegates appreciate the Govt. of Pakistan, the State Bank of Pakistan, and the SECP that they are doing efforts and have expressed their resolve for introduction of Islamic banking and finance and for strengthening the system by providing suitable frameworks. However, much more is to be done by focusing on approach of socio-economic development. We need to move towards the goal of a Just Socio-Economic Order to ensure the Real WELL-BEING of all *HUMAN BEINGS* as succinctly and beautifully put by the Quran in two terms i.e. “*adl-wa-Ihsan(Justice and Beneficiaries) and Falah* (well-being and welfare”. We have to make this transition, at the levels of vision and goal-setting, policy planning and effective implementation.
- 10) The Conference proposes a new paradigm of economy and developmental strategy that should simultaneously focus on following four dimensions:
 - a) Optimal utilization and development of resources that God has endowed to man and his physical environment.
 - b) Their equitable use and distribution in a manner that ensures promotion and organization of all human

- relationship on the basis of *adl* (justice) and *ihsan* (beneficence), resulting in *falah* (well-being).
- c) Balanced and sustained development avoiding waste and misuse of resources, elimination of *zulm* (injustice) and exploitation of other humans, achieving financial and price instability and seeking inter-personal, inter-regional, inter-sectoral and inter-temporal equity.
 - d) A fair degree of self-reliance, including collective self-reliance of the Ummah, envisioning a global system based on genuine pluralism, making it possible for all nations and cultures to co-exist, cooperate and compete in order to establish and promote a Just World Order.
 - e) For achieving the above objectives, the strategies should be characterized with an INTEGRATED approach to development in moral, spiritual and material dimensions, motivation, and pursuing policies to ensure justice including just wage, equitable sharing of income and wealth, necessary transfer payment and implementation of law of inheritance.

- 11) In order to equitably distribute fruits of economic growth, it is indeed essential to have a clear conception of social development strategy which institutionalizes and provides adequate resources for meeting the needs of poor people, mitigating their vulnerability, exclusion and isolation, and access to social justice.
- 12) The public sector financing may be separated from the core banking. For this purpose, the 'holding company model' may be adopted to finance all business sectors and sub-sectors in the economy by the subsidiaries of respective banks that will be doing different activities like trade related banking, investment banking, commercial banking, etc. Treasury functions may be undertaken by the each Parent Company for investments of its equity. Detailed operations could be discussed by the experts prior to adoption of such system.
- 13) The contract documents used currently by the Islamic Banks might be mandated for the NIB banks, instead of 32 documents implemented in 1980. This way, the system, to the extent of core banking, would be transformed as required by our Constitution. BCD Circular No. 13 of 20th June 1984 be taken back, in addition to adoption of the unique profit distribution and pool management system introduced by the SBP vide IBD Circular No. 03 dated November 19, 2012 by all banks in Pakistan.
- 14) Trading Companies may maintain inventory on the basis of which 'Tradable Inventory Certificates' could be issued and

traded. Short and medium term liquidity management can be done through these certificates.

- 15) Transformation of the public debt system requires serious deliberations and re-organization focusing on balanced budgeting by the government and the PSEs in a phased plan and exploring interest free alternatives of public sector financing.
- 16) The banks may be asked to remit certain part, say 50 %, of the Current Accounts balance (on which they pay nothing to the depositor) to the government as a loan with or without service charge. In addition to that the general public may be provided facility to maintain Current Accounts with Savings Centres, all branches of the Public sector banks, some newly created savings banks that may provide C/A facility with anytime withdrawal facility as be interest free loan to the Government.
- 17) The external financing may be in the form of direct investment in infrastructure and productions sectors, equity based portfolio investments and other international level transfers; these are the real solutions.
- 18) The Shariah scholars have to play crucial role with regard to the products as alternative to the conventional products. Shariah scholars and the Islamic finance professionals may delve into the Shari'ah and the real business needs to find answers to the current Islamic banking issues and lead the industry on the right path of developing Shari'ah based products to do *halal* business and hedge business risk.

19) The Conference delegates appreciate the support and role of all institutions, academicians and professionals for holding the event. May Allah Almighty reward them with Ahsanal Jaza in this world and the Hereafter. Ameen.