



## Islamic Banks

Naima Ismail<sup>1</sup>, Mohamad Sabri bin Haron<sup>2</sup>  
Institute of Malaysian and International Studies Ikmias,  
University Kebangsaan Malaysia.  
na\_is2012@yahoo.com

### ABSTRACT

Islamic banks has development in many aspects in practical performance of banks function, this was a limited activity in service Banks and commercial processes. Later, it came to They possess financial power and ability to create Islamic loans. They possess financial power and ability to create Islamic loans. Economical union supported by banks is not restricted to a domestic sphere, but has expanded internationally as its operations enjoy fidelity and fulfillment between banking organizations in different countries.

As banking systems Islamic banks had developed, they are no longer restricted to role of being financial and service organizations, but have become money market within public sector. Furthermore, they follow up monetary flows and banking securities, by playing positive role of providing the organized money market with enough information about commercial activities. In addition, as a financial mediator who has adequate statistics about other economical units, besides its main role in creating successful development plans and riskless investment.

**Keywords:** Definition, historical, and development of Islamic Banks.



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## DEFINITION OF ISLAMIC BANK AND HISTORY

**Concept of Banks linguistically:** According to Anis, I, et (1978). it's an non-Arabic words, which originated from Italia words and come from word "Bunco" which means table, word came from people who deal with traders in middle century. They used to sit in port and common places with their money which they put in long wooden table called Bunco. This allowed them to deal with selling and buying process, Word in Arabic means "Masraf" or exchange which refer to place where you can collect your money, and "Masraf" or exchange refer to giving legal things or exchange of national currency with foreign currency or selling currency with another currency.

**Concept meaning of the Bank:** meaning of Bank came from Europe and it's not an Arabic word. Word bank quoted from Italian word (Bunco), bank in European language mean office of exchange, and in Arabic language and it's two name for one things (Al-Zaatari 1956).

**Islamic bank Definition:** it's a financial institution which does not deal with benefits (Rebaa) and constitution of bank establishment as well as their regulatory establishment restrict in dealing with Islamic rule (Shariaa). Purpose of Islamic bank is to collect money and spend it with way that fits or follows Islamic Low (Shariaa) (Assaf, G, et,1978).

Its also known as foundation of bank based on Islamic law and regulation (Shariaa).(Tayar,1998).

Al-Masri(1996). argues that It's also known as Islamic organization which deals with scope of bank works with commitment to deal with benefits'(Rebaa) and base on legal and illegal activities. Comprehensive definition of Islamic bank is foundation of Islamic bank committed to Islamic law (Shariaa) in their all transactions, works, and investment activities its also committed to achieving all goals of Islamic community whether it is internal or external

**Historical and development of Islamic bank:** System of Islamic bank is an integral part of Islamic economical system, money have a source (The God- Allah) the source is Allah, that means essential source is "Holy Qur'an", and immaculate "Sunnah" and rule of regulations is based on Islamic rule in dealing with all transactions in bank.(Humairi, A, M ,et, 2003).

Islamic banks appear between people when Islamic call and invitation begin main goal of Islamic bank is to satisfy need of Islamic community in world based on legislation of Allah. Muslims realize that money belongs to Allah therefore Muslims do as best as they can to satisfy Allah who is real owner of this money. As Allah said in Holy Qur'an (And hold fast, all together, by rope which Allah (*Stretches out for you*), and be not divided among yourselves; and remember with gratitude Allah's favour on you; for ye were enemies and He joined your hearts in love, so that by His Grace, ye became brethren; and ye were on the brink of the pit of Fire, and He saved you from it. Thus doth Allah make His Signs clear to you: That ye may be guided.)(Abdullah, Y,1987, Holy Qur'an translation to English, Surat Al-Gasas, Reverse, Chapter 77).

Makah, was regarded as a station for commercial convoy where they can get rest during their trips of north to south, this kind of commercial trips continued in summer and winter which mentioned by Holy Qur'an in chapter of Holy Qur'an, reverse said: (For the covenants (*Of security and safeguard enjoyed*) by Quraish Their covenants (*covering journeys by winter and summer*).)( Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Goraish, Reverse, Chapter 1,2)

According to Humairi et (2003) for or this reason, its natural that this kind of bank transaction appear with all it's forms and images in scope of deposition and investment, whereas, some people in that community characterized by honest and dignity and leader of this characteristics is profit Mohamed who (Allah pray for him), and because of his honesty all people deposited their money with him.

Alzobair, was one of well-known figure who save money of traders, and he was known by his qualification and experience, he refused all offer of benefits from traders for this work, rather than that, he prefer this money to be as loan, by that he could achieve two things:

First one: right to deal with this amount of money as loans not regarded as deposit.

Second: offer owner of this money full guarantee, because if this money considered as deposit it will lose its value in hand of money keeper, for this reason keeper is not going to be blamed.(Ibn-Qudaamah, A, A,1981).

Methodology which was applied by Zubair may Allah be pleased with him a clear and dust it is legitimate to the rules agreed on with legitimacy of assets contained in this area and commensurate with monetary and financial operations known at present time banks working according to Islamic law, which is Islamic banks (Al-Masri 1996).

According to Amin (1962) In modern era first attempt to create Islamic bank began in Egypt in 1963 with experience of banks, domestic savings, which was founded by Dr., Ahmed al-Najjar in Town of Mit Gammrah, Dakahliya, where expansion of its activities spread to about 53 villages and remained constant almost more than three consecutive years, until it was then merged with National Bank of Egypt in 1968, and was followed by idea of establishing Nasser Social Bank in 1971, which provided law from its inception not to treat benefit of all forms of introduction, or tender, was a printer social owned full of Egyptian state.

Nations, where it was seen by many observers that he is real beginning of birth of first Islamic banks in region, especially in Arab region and Asia (Said, B, S,1998). Then attempts rolled spread of many Islamic banks in many countries, Islamic countries and many in Europe, America and Asia, such as two sets of DMI and Dallah Al Baraka, which includes a number of Islamic banks and financial companies in Arab and Islamic world and West. The number



of Islamic banks and Islamic financial institutions has exceeded almost 271 banks and Islamic financial institution according to statistics available until end of 2007 which manage more than \$ 263 billion deployed in more than 50 countries covering all continents.(Nazih 1999).

Khoja (2008) show that A group of British banks HSBC(Hong Kong Shanghai Banking corporation) opened a branch in Dubai established accordance with provisions of Islamic law, as there were many foreign banks established managed investment portfolios and funds are founded with approval of Shariah, such as: Hong Kong Foundation, Foundation of Shanghai, as well as Deutsche Bank, Aben Amro Foundation, J. P. Morgan Chase Bank, Dresdner Kleinwort Benson Group and ANZ Australian New Zealand.

**Importance of Islamic banks:** Tayar (1998) has stated that Islamic banks are of great importance in society, because it has created a new type of banking which does not exist in all conventional banks, several principles of deal between bank and customers rely on participation in profit and loss in addition to participation in effort instead of foundations of handling traditional-based principle of debt, which is debtor and creditor and provide funds only without any post in works. It has created systems to handle investment in economic sectors in accordance with Islamic law and these formulas of investment is Murabaha, participation and speculation and leasing as these formulas are suitable for use in all investment activities.

importance of presence of Islamic banks is due to desire of almost all Muslim communities in creating channels for dealing with banking away from the benefits of usury, fraud, and any suspicion of charges, Allah, said that (*Cooperate and help one another in righteousness and piety and do not cooperate in sin and aggression*). (Abdullah, Y.,1987,Holy Qur'an translation to English, Surat Al-Maida, Reverse, Chapter 2)

As stated in Hadith in the words of Holy Prophet Muhammad peace be upon him "who carries arms against us, is not one of us, and who deceives us is not one of us." (Stated in Muslim Al-Sahih) that principle laid down by God is the distinction between Halal and Haram in transactions and daily activities carried out by Muslim and especially in financial transactions For Muslims, development of their banking and raise Islamic economy and to community service Islamic towards prosperity and welfare pursuant to Almighty, saying (*unless it be a trade amongst you present directly among you*). ( Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al-Bagara, Reverse, Chapter 282)

**Properties and Features of Islamic banks:** Islamic banks have Islamic finance based business banking on basis of principles and mechanisms and controls are derived from provisions of Islamic law. Islam is religion of comprehensive doctrines, worship, transactions and Ethics at all time and place, God created man to worship Him, and taunted him all land of yes, and his drawing ways of worship in broad sense, and selection of a message, succession and the reconstruction of land are on him ( *It is He Who has made earth manageable for you, so traverse ye through its tracts and enjoy of Sustenance which He furnishes: but unto Him is the Resurrection*). (Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al-Bagara, Reverse, Chapter 15)

Allah said to us keep away of usury, deceit, injustice and eat people's wealth unlawfully, lies, betrayal of trust, fraud and compactness, waste and extravagance and exploitation in verse (*O you who believe, fear Allah and give up what remains of usury, if ye are believers*) (Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al-Bagara, Reverse, Chapter 278)

Allah also ordered us to maintain justice, honesty, kindness, and performance of Zakah in verse, therefore, Allah, said (*And be steadfast in prayer and regular in charity: And whatever good ye send forth for your souls before you, ye shall find it with Allah. for Allah sees Well all that ye do*). ( Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al-Bagara, Reverse, Chapter110)

Al-baali (2000) argue that prohibitions are no man's land, abomination and orders are to be representative and they have come is permitted to occupy vast area that silence or acquiescence Shara them to make way for mind to create and innovate in matters of life, which gave al-Shara convenience and flexibility to Islamic approach so that it is appropriate for any time and any place.

According to Rashid (2001) Islamic banks' traits and characteristics are founded on basis that distinguishes Islamic banks from others. The following are most important characteristics and features of Islamic banks:

1) Full compliance with all provisions of Islamic Sharia in all its dealings with banking as this principle is to achieve perfect harmony between faith, law, religion, life, fait, transactions and conduct well insured self psychological as are all acts of Islamic banks.

2) Basics of Islamic banks is lack of separation between worldly matters and religious matters, as one must consider laws of God in worshipping so must he as well take into account laws in his/ her transactions, substituting what is good and forbidding what campuses malignant, and adoption of Islamic Sharia there should be approach base for Islamic banks to apply in all its banking transactions, take as a reference in an inevitable, and deferred in that which is commanded us to pray in verse (*prayer was for believers as a temporary book*). ( Abdullah, Y.,1987, Holy Qur'an translation to English, Al- Nisa, Reverse, Chapter 103) and Allah Almighty said also (*Don't give your money to silly people which, Allah, give it to you, and provide them with clothes and speak to them words of kindness*). (Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al- Nisa, Reverse, Chapter 5).

3) Islamic Banks work to make a profit and develop like any commercial bank last, but in framework of Islamic law, which examines source of profit, ensures that this profit is not excessive, and also does not mar profit of any flaw exploited and application of principle of participation in profit or loses in transactions. Is that, bank and customer share



equal proportions or degrees in provision of money in order to create and contribute to a new or existing and Full commitment not to deal with benefit banking and taking, giving or utilizing or acceptance of or against either directly or indirectly, apparent or hidden specified in advance or, more recently constant or mobile complete or incomplete where you can not give a value for resources they receive from clients, it also can not kiss? Benefit from same clients at use of resources to have any in provision of funding for them.

4) Contribution to economic and social development in community is a serious and real. Duties are incumbent upon Islamic Bank as a financial institution economic banking and support principle of social activity, cultural and taking into account values and ethics, and that by dealing with the professions and small character individual as well as small traders.( I.S.B.1977)

**Objectives of Islamic banks:** Tayel (1998) pointed out that Islamic banks offer and provide banking investment services in light of Islamic rule and law (Sharia) and in accordance to following objectives:

**Financial objectives:** Islamic bank applies principle of participation through financial intermediation, than waterless deposits and their development in accordance with rules of Sharia law, which states that, no hoarding of funds and investing them in a disable, but due to members of community benefit of verse as Allah said in Holy Qur'an(*Allah, legitimate the sale, and forbidden Riba*). (Abdullah, Y.,1987, Holy Qur'an translation to English, Surat Al-Bagara, Reverse, Chapter 275).

1- Investing funds of depositors or shareholders, creating opportunities, modes of investment commensurate with individuals, institutions in order to achieve profits for all parties and in accordance with legality of investment funds for saying Almighty (*O ye who believe, do not consume your property among yourselves unjustly except it be a trade amongst you do not kill yourselves, Allah is Merciful to you.*).( Abdullah, Y.,1987, Holy Qur'an translation to English,, Surat Al-Bagara, Reverse, Chapter 219)

2- A profit according to Islamic law and norms of bank can compete and continue in banking market.

**Customer Objectives:** Development of values ideological, principles of behavioral, Islamic workers and dealers alike, to purify it from corruption, where he says (*Which then is best? - he that layeth his foundation on piety to Allah and His good pleasure? - or he that layeth his foundation on an undermined sand-cliff ready to crumble to pieces? and it doth crumble to pieces with him, into the fire of Hell. And Allah guideth not people that do wrong.*).(Abdullah, Y.,1987,Holy Qur'an translation to English, Surat Al-Bagara Reverse, Chapter 109)

1) Ensuring auspices of Allah rights Almighty owner of real money, care for interests of clients and provision of banking services of high quality are signs of success of Islamic Bank and providing funding for investors, whether individuals or institutions to invest directly in domestic or world markets in accordance with provisions of Islamic Sharia.

2) Bank should provide liquidity to customers on request and in case of permanent workers to achieve confidence of customers and work on coordination and cooperation between economic units within community pursuant to saying of Almighty (*And keep with the Rope of Allah and be not divided among yourselves*).( Abdullah, Y.,1987,Holy Qur'an translation to English, Surat Al-Emran, Reverse, Chapter 103)

**The Internal Aims:** Development of banking experience of human race through development and training of human resources to reach best level of performance in Islamic banking business legitimate, and achieve a growth rate of continuity in banking market and competition, and the Islamic banks must expand to deal with banking sector by paying attention to services aimed at reviving social solidarity of Organization on basis of mutual benefit.

**The Innovative Aims:** Bank of Islamic modes of finance innovation investment provisions of Islamic Sharia law and innovation and development of banking services including current and does not contradict Islamic Sharia.

**Islamic Banks Services:** Mahmud, H (1992) further argue that, Services of Islamic banks, main interface for clients with World Bank, one of most important means to attract new customers and maintenance of present dealers, so we find a gateway to handle different activities of Islamic Bank, importance of these services back dated from all arising income which is resulted from their income which is low-risk.

Bank offers Islamic banking services offered by Bank except for those traditional banking services that are in contravention of provisions of Islamic law with it, even at a fraction of them, especially dealing with interest rates in implementation of services. Islamic banking services are divided into two parts:

**Services which include credit operations:** its processes which are subject to credit studies, where Islamic banks are implemented as processes main objective of investment, including investment.

**Services that do not include credit operations:** this kind of service is implemented on basis of banking service is charged a commission or fee for submission, and recall in detail the most important of these services in terms of her graduation and legitimate method of implementation of Islamic banks.(Shabir 1996)

**Letters of Credit:** It's one of most important banking services implementation in two ways in Islamic banks, the first way Implementation as a banking service where documentary credit are covered in full by client or client with Islamic Bank and Bank's role is limited to banking procedures to open credits for a reporter and payment of value of currency of credit required, and the second way Implementation as a bank credit, where client will pay part of credit value only,



and bank pays for rest of investment value as a process they fall under rules of contracts and sales posts and such legally permitted in Islamic banks.

**Letter of Guarantee:** One of important banking activities as well as a tool to handle the economy internal and external, especially in area of contracts, construction, known as letter of guarantee; that written undertaking issued by Bank based on request by client by paying a monetary sum certain or liable to be set once to ask beneficiary from bank during period specific time.

Islamic law for Islamic banks to be issued letter of guarantee in one of ways and channels of investment

**Securitization:** Securities are intended to stocks, bonds, equities and owner gets a return on an annual where services include banking shares on: save of share, sale of shares, subscribe to companies and do payment of share profits.

It is not allowed legally that Islamic bank in general to deal in shares of companies that sell all types of alcohol or cigarettes or in folds of their dealings, products suspected contravention of Islamic law.

**Commercial of Securitization:** It's tool of exchange, promissory notes, and checks, commercial papers used in business, Such as authority that proves where debtor pledged to pay a certain sum to creditor himself or by another person at a specified date certain pre-agreed and signed by debtor?

business securities is tool to meet debt against non-so you can transfer debt from one person to another and same previous conditions that were made between parties and norm that most of these securities traded is a bill of exchange, where traditional commercial banks usually offer a range of banking services related to commercial document, we including some of them:

**Collection of commercial document:** A service award, where legally against which bank earns a commission or fee, is law of agency.

**Acceptance of commercial document as guarantees:** There is no wrong in terms of accepting commercial paper as collateral in some of investment operations provide health of commercial paper as collateral provided.

**Maintain commercial document:** Service Award religiously and there is no objection for bank against a commission or fee.

**Deduction of commercial document:** to make client of bank apply to collect current value of bill of exchange maturing after specified time period after they have deducted that amount which is calculated using interest rates, which represents period between date of debit and due date, and this type of service is regarded as no religiously permissible and are not handled in Islamic banks, as they rely on use of interest rate in determining present value of existed promissory.

**Foreign Exchange:** Its most important services, particularly in field of documentary credits where payment of financial commitments in foreign currencies of different banks to various external and that this banking service is based on buying and selling foreign currencies and dealing in them at home and abroad.

Operations of foreign exchange transactions of surveys by Islamic law to deal where buying and selling currency and immediately paid to reporter in case of documentary credits or delivered to trader in case of cash sales. Where you get banks for conversion of the service or sale outside domestic money difference between currency buy and sell on a commission or fee terms fall under legitimate conditioning agency contract terms correction of all foreign exchange transactions in foreign exchange.

**Overdrafts:** All traditional banks allow customers withdraw cash overdrafts from their personal accounts in return for these banks to benefit of specific terms that this type of service involves him benefit of pre-defined, it falls under item on interest and service is not permissible for Islamic banks, but in case of a statement of account client amount of money in exchange for indebtedness shall be deemed that such loan is good, and this would be for a certain period and this is allowed legally in event that loan exceeds duration of largest are studied and implemented through channels Islamic investment in particular principle of participation which can be used to finance working capital.

**Rental of Lockers:** It's a banking service which provided an opportunity to customers in order to save their property from jewelry or important documents or contracts, where client delivers key treasury to retain it or to open only in presence of representative of bank, which is authorized to open safe. Banks receive a commission for service or pay a service award religiously and adapted according to Islam law as a lease or contract.

**Electronic of Credit and Debit cards:** Credit Card Service is considered to be as a credit card alternative to carrying cash and more secure in handling cash has sprung up recently in several types of them Visa - MasterCard and other credit cards, in addition to it's easy to use and is most in touch and acceptance in all businesses and service locally and internationally, where Bank shall charge in exchange for providing this service banking fees for costs of issuing card and fees paid to International Company, where card in payment of value of purchases by clients, whether locally or internationally is also used in payment of customer service in hotels, air travel or like.

Islamic banks differ in an important point when you use credit card service for conventional banks, a process that use of credit cards to withdraw cash, receive a traditional bank, exchange, interest on cash withdrawals, and Islamic Bank, it is conditions on dealers do not use credit cards to withdraw cash only When necessary, urgent, and if used in cash



withdrawals, bank does not receive any type of interest, but this is regarded as a good loan (Hason –loan) loan without benefits and profits.

**Internal and External Transfers:** That remittance service of important services needed by clients to convert their money locally or internationally, where it is to cover this service, either through wire transfers or telex or by checks you get in recipient country where, fall of this service under contract forensic Agency and Bank may be entitled for commission or wages.

**Sale and Purchase of Traveler's Checks:** One of services that banks provide to their clients is that whether to buy their own traveler's checks or traveler's checks sale of banks or international financial institutions for a commission, where it is recognized that this service falls under principle agency contract against which World Bank gets a wage is religiously permissible.

**Current Account:** One of major banking services offered by banks to customers is to provides current account of client saving money in bank with freedom to dispose these funds at any time by client sense of his right to withdraw or pay any financial commitment at any time, any time he wants, whether through issuance of checks to creditors, or withdrawal from score directly through bank's branches spread or through machines automated teller (ATM), which operates throughout day, or pay for purchases through machinery POS and agreed Complex scholars on current account is a loan contract and revenue investment added to shareholder returns, and not to depositors a share as bank guarantor for these funds, where the risks of investing these funds is in bank and not on depositors, according to abscess base warranty.

**Concept of Accounting System in Islamic Bank :** basic concept of system is a network of interrelated actions, which is according to complete plan in all respects to accomplish main activity of financial institution, accounting system only follow year that consists of a set of elements interconnected by a session of documentary, books, records, user accounts, lists and reports Finance, which operates these elements side by side in accordance to principles of accounting, in which an Islamic bank operates, using a variety of techniques and methods that help in output of accounting information.

Accounting system of Islamic banks, price is constructed from rules of accounting thought, and when officials designing accounting system of Islamic bank take into account relevance of nature of activities of Islamic Bank, they streamline for easy display, interpretation of information to customers, and that is advantage of economy in operation.( M.S.B)

**Accounting Aims of Islamic Banks:** Islamic banks put a set of accounting objectives as following Maintaining pro-shareholders, depositors and pursuit of development, Measurement and distribution of results of overall activities bank and Statement of rights and obligations.

**Principles of Accounting of Islamic Banks :** Accounting thought is characterized by a set of principles fixed and stable, which guides movement of a work of accountants, both in documentary or domain analytical accounting operations, which raises debate about appropriateness of these accounting principles for Islamic banks.

According to Shehata,(1992) beginning of Islamic thought extracts accounting rules from sources of Islamic law, regardless of agreement or disagreement with accounting principles or international one which has been used, and here deny most important accounting principles as following:

1- **Principle of independence financial disclosure:** This principle means that project has independent legal personality on personality of its companions natural and Islamic Bank is financially independent as owners of bank have rights on these assets so that Bank has power of natural person to acquire rights and comply with all duties.

2- **The principle of continuity:** continuity seemed to outgrow is logical consequence of principle of independence of financial disclosure, which separates natural person of partners' personality of project on assumption that Islamic banks nature of continuity and filter an exceptional case, where final accounts are prepared on this basis.

3- **Annual principle:** where bank divisions all accounting operations at regular intervals is called an accounting or financial period, a period where annual distribution expenses and Bank's income are evaluated during these periods of accounting.(C. E.E.1996).

4- **Registration related to documents:** which identify financial and economic events in records and books to be dated, day, month and year, and is registered through use of documents and to be objective in accounting processes.

5- **Comparing revenue with expenditure:** Islamic accounting thought takes the principle of interview expenses Income when measuring business results, where Islamic banks use that principle through use of various forms of investments according to Islamic law.

6- **Evaluation based of current value:** principal objective of statement results of work, as well as financial position net of project, for purpose of maintaining real capital of economic unity of strength of replacement of offers that have gotten it and its ability to profit and expand, and this principle gives a true picture of bank in particular period.

7- **Principle of uniformity and consistency:** principle of uniformity is uniformity in concepts and accounting rules, purpose of reaching correct conclusions, to facilitate procedures for comparisons to principle of stability, saturation to same rules and concepts from time to time to achieve same purposes referred to. But Islamic banks do not adhere to work of this principle.



8- **Principle of caution:** It is taking into account when preparing final budgets and burden of potential losses into account and expected recognition of revenue against risk of losses in general.

9- **Principle of disclosure and explanation:** Islam is a religion, there is no room for fraud, fraud or concealment, it accepts principle of full disclosure and to avoid fraud or any kind of suspicion in any business, let alone if this was the work of Mali, Islam urges the principle of full disclosure of all its content project assets and liabilities and results of operations.

**Difficulties and Challenges which faces Islamic banks:** There is no point of working to unify opinions with regard to transactions and activities carried out by Islamic banks and lack of expertise of scholars in legitimacy of regulatory bodies and financial issues of modern banking, making it difficult for them to reach advisory opinion of legitimacy of non-

1. Legitimacy of existence of irregularities by staff of bank which eventually leads to legitimacy of sham control have no meaning This and severe shortage of qualified cadres and tires for banking based on Islamic law, (Rifai 2004) use and management of bank's legitimate bodies as a result of lack of awareness of these bodies and financial transactions of modern banking.
2. Most of laws, regulations, and rules governing banking activities are not committed to principles of Islamic law because, it is designed to fit work of traditional banks (Riba), and therefore, many of these laws contain provisions that are not fit at all work of Islamic Banks. (Elkoussy 2005)
3. Conditions of central bank requiring all banks, whether commercial banks or Islamic banks to keep a certain percentage of their deposits and islamic banks deal with many formulas financing fixed-income (as loans) expense of formulas financing yielding variable (as participation).
4. Many of depositors in Islamic banks are characterized by their inability to open investment accounts for them and islamic banks face difficulties in use of Islamic financial instruments to meet temporary needs of liquidity of Bank. (Munawar I,et,2001)
5. Exacerbation of fierce competition faced by Islamic banks, despite its success in collecting large sums of money which was kept by customer in conventional banks and rise in number of customers of Islamic banks is not due to better services or inducements made, but due to religious observance for customers who were dealing with conventional banks and islamic banks practice some sort of monopoly on resources of customers through retention of funds placed in their vaults.
6. Ability of Islamic banks to achieve quantum leaps in development of its products in accordance with provisions of Islamic Sharia and Islamic banks are smaller than ideal size required, which would affect their ability to diverse their several places and opening of new branches (Munawar, I,et,2001)

## CONCLUSION

Islamic banks are important addition to banking sector, and its contribution to economic increase and financial services to this sector is immense, such, it is considered as major part and parcel of this sector as are conventional banks. Both strive towards achieving similar goals despite the differences in their working styles. The Islamic banks besides their share goals with conventional banks have introduced to market new mechanisms and some important characteristics which made it different from conventional banks and unique in mobilizing saving and attracting investments in countries where they operate.

They may also determine needs of different group of a public who prefer to keep their money to be employed traditional banks; so it is used in services for financial and economic development, their money in that case contribute immensely to development of societies.

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