Please do not cite.

WORK-IN-PROGRESS

Islamic banking and finance system in a capitalist economy: A South African case study

Shahed Vawda and Goolam Vahed

Introduction:

The Islamic banking industry has been one of the fastest growing in post-apartheid South Africa. Muslim businessmen and investors recognised the opportunities for Islamic banking in the late 1980s, while mainstream South African banks like ABSA and Wesbank, acknowledging the potential of Islamic banking, have begun introducing services to meet the rising demand among Muslim clients. The first full-fledged Islamic Bank was the established in Dubai in March 1975. In South Africa, several Islamic banks were opened during the 1980s. Islamic banking and finance has made phenomenal progress internationally. During the formative period, most clients were pious depositors who placed part of their money in Islamic banks because they did not want to reap a fixed interest rate which they considered *haram* [prohibited] in terms of Islamic law. Transactions now cover home loans, car purchases, and business investments. Borrowers and investors have also become more knowledgeable and with increased competition, are seeking the best financial deals or returns on investment. By the end of 1997, 176 Islamic banks and financial institutions (IFI's), with total assets of $147.7 billion, had become established around the world. There were 265 IFIs around the world by 2006, managing $250bn of assets, and growing by about 15 percent per annum.[1] This does not include Islamic banking services opened by conventional banks in Muslim as well as non-Muslim countries. This suggests that Islamic banking and finance can work in a modern context and will continue to attract clients as long as they continue to make profits for shareholders and investment depositors.

Aside from purely financial considerations, the growth in Islamic banking in South Africa must be seen in the context of tighter Islamic codes that Muslims have been introducing in both public and private domains. Finance and investment constitute an example of Muslims attempting to reconcile living in a 'non-Islamic' country with Islamic principles. Muslims are not permitted to engage in interest-related economic activities, or invest in businesses that allow gambling, the sale of alcohol, or pork. Other financially driven prohibitions include refraining from investments offering a fixed interest-based return, while scholars argue that investments in companies that are heavily indebted and obliged to pay large interest on servicing their debt may also be restricted. Ulema (religious scholars), who have traditionally condemned insurance, medical aid, and unit trusts, are under pressure to provide alternatives and are pioneering efforts in *shariah*-compliant finance in conjunction with business people.[2]

This paper charts the progress of Islamic banking and finance in the post-apartheid period. It focuses on whether it is feasible for Muslims to establish a financial system without interest; the origins and history of the major institutions; their structure and shareholders / directors; services offered; target clients; attitudes and perceptions of Islamic banking and finance among Muslims; and how *shariah* compliance is decided. The last aspect grapples with things like whether there are differences over the concept of Islamic banking and finance itself? Who judges what is and is not permitted? Is there competition among companies providing such services? Finally, given the changed international dynamics in the post 9/11 world, how is Islamic banking and finance viewed by non-Muslims? In essence, this paper will address three areas: the history and growth of IFI's in South Africa; Islamic banking as a religious and ethical phenomenon and which institutions represent this trend in South Africa; and the socio-economic trends that IFI's represent in South Africa.

HISTORY AND GROWTH OF ISLAMIC FINANCIAL INSTITUTIONS IN SOUTH AFRICA

South Africa's Muslims: Brief Profile

Islam is a minority religion in South Africa. According to the 2001 Census, Muslims, numbering 654,064, comprised 1.46% of South Africa's population of 44.8 million. 'Indian' (42,93%) and 'Malay' (45.25%) Muslims comprise the bulk of South Africa's Muslims. Most Indian Muslims live in KwaZulu Natal and Gauteng and most Malays in the Western Cape.[3] Muslims began arriving in the Cape as slaves from Java, Indonesia, Malaysia, and India, from the mid-seventeenth century and in Natal from 1860. The majority of Indians arrived in the half century after 1860 as contract indentured workers or as traders from Gujarat in western India. Migrants were divided by class, religious tradition, caste, language, ethnicity and culture as they were drawn from a range of ecologies and modes of production.[4] Under White domination, the most important identity in the political realm was 'race' because the emergent white state separated the population legislatively into discrete racial categories.

The coming to power of the National Party (NP) in 1948 had paradoxical consequences for Muslims. While, on the one hand, segregation intensified, Indians and Coloureds took advantage of expanded educational opportunities and the opening of certain economic niches, such as the clothing and textile sectors. Residential clustering through the Group Areas Act allowed Muslims to practice Islam in a value-friendly environment.[5] Class differences among Muslims are stark. The average per capita income of Indian Muslims in 2001 was R2163 per month, Malays R1262, and Africans R935. Among Indian Muslims, per capita monthly income differed regionally. It was R2794 in Gauteng, R2396 in the Western Cape, and R1656 in KZN, reflecting the predominantly trader origins of Indian Muslims in Gauteng and Western Cape. Most Indian Muslims in KZN have indentured roots.[6]

Non-racial democracy in South Africa from 1994 did not overtly support an Islamic worldview. However on the basis of liberal values of freedom of speech and movement, Muslims were given the space in which to extend Islamic practices. But by the same token the new ANC government has withdrawn overt state prescription in aspects of personal morality such as legalised abortion, and allowing, perhaps unwittingly, the space for prostitution and pornography to flourish, issues which most Muslims consider to e against their religious and ethical precepts. Yet the government's affirmative action policies and African Renaissance agenda and neo-liberal policies ushered by globalization, has resulted in the contradictory growth of conservative tendencies amid new personal freedoms. Many Muslims have been using South Africa's new political freedoms and its liberal constitution to pursue their distinctive rights by introducing a broad range of tighter Islamic codes in their public and private lives.

This includes the demand for *shariah*-based Muslim Personal Law (MPL); mushrooming of Islamic media, including radio, magazines, websites, books, and newspapers; the great increase in the numbers of women who cover their face; greater concern with observing religious "regulations" about food; increase in the numbers of Muslims going annually to Saudi Arabia on pilgrimage; the rooting out of televisions from Muslim homes; de-westernisation of dress; and dramatic growth in Muslim and Islamic schools. Finance and investment is another area where Muslims are seeking to introduce Islam in their personal lives by avoiding interest-related economic activities. The Islamic banking and finance sector is burgeoning and like many aspects of the Islamic revival, is a source of tension around what is permitted and the lack of access to IFI's by the working classes. Debates about Islamic banking, as we shall see below, predated the post-apartheid Islamic renaissance.

Colonial Banks, Apartheid and Muslim Merchants

Although banking in South Africa dates from the early periods of colonization, catering for the needs of Muslims, particularly small-scale businesses, was not deemed a high priority by the White-dominated banking fraternity. For example, Muslim traders in the Colony of Natal faced problems of raising finance from the time of their arrival in the 1870s. This was mainly due to the racist attitudes of White-owned banks who were suspicious of the behaviour of Indian traders. For example, in 1882 the Standard Bank's inspector reported that he did not 'have too much faith in the integrity of Arab traders generally'[7], and the less the Bank has to do with men of their "itinerant" habits the better'[8] Muslim traders, at first, depended on other traders to raise finance. Indeed, as Swan has shown, a veritable credit network developed among Gujarati speaking merchants which extended across Natal and into the Transvaal. For example, in 1898, M.C. Camroodeen and Company had outstanding debts of over £25000 among nearly 400 Natal shopkeepers and hawkers.[9]

Crucial for this paper is that the evidence points to Muslim traders lending money to other traders and charging interest for this.[10] However, where possible, Muslim traders raised finance from conventional banks like the Natal Bank and the Standard Bank. The Natal Bank, due to its rivalry with the Standard Bank, was more inclined to lend money to Muslim traders. The Standard Bank eventually began lending money to Muslim traders and continued to do, albeit constrained by the policies of racial segregation of successive governments from 1910 to 1994. Indeed, following apartheid grand designs, a bank dedicated to the interests of Indians, including Muslims, the New Republic Bank was started in the 1970s. Most Indians continued to patronize conventional banks and it was eventually taken over by the Standard Bank.

Muslim participation in an interest-based economy was placed in the public domain in 1966 when businessman A. M. Moolla raised it with Mawlana Muhammad Tayob, principal of Deoband Darul Uloom in India. Moolla explained to the Mawlana that it was difficult for Muslims to participate effectively in the economy because capital was only available through the prevailing banking and financial system which was based on a capitalist economy which sanctioned interest and usury. Mawlana Tayob suggested that a detailed memorandum be submitted to the Fatwa department of Deoband for a ruling. The memorandum outlined the economic difficulties faced by Muslims because local Ulema adopted a rigid Islamic interpretation. Aside from operating in a capitalist economy, Muslims were further handicapped by the racist apartheid policies. Unless they were able to participate actively in the economy, Muslims would suffer huge financial losses, which would lead to the regression of Islam. Mahmood Ahmed Siddiqui, the Mufti of Deoband and his assistant Mufti Muhammad Jamilar Rehman, decreed that while interest was prohibited in the Quran, South Africa could be regarded as *Darul Harbe* because Muslims were in a minority and suffered oppression. Under these special circumstances they were permitted to 'lawfully give interest or take interest from non-Muslims' but could not deal in interest with other Muslims. Many local Muslims disagreed with this ruling. In its editorial, the Muslim-owned *Views and News* opined that the fatwa was 'an unfortunate document and should never have been published. It is against the spirit of Islam because it asks Muslims in South Africa to follow two moral codes; one in their dealings with their fellow Muslims and another for their dealings with their non-Muslim friends.' The editor further pointed out that the word "Darul Harbe" meant "Abode of War". South Africa did not constitute *Darul Harbe* because Muslims were free to practice their religion and preach Islam without interference. Since Muslims and non-Muslims were jointly opposing state oppression 'how can we then exact interest and practice deceit and other un-Islamic deeds against a non-Muslim?', the paper asked. The Arabic Study Circle organized a symposium on 20 April 1966, at which local Ulema and community leaders condemned the Deoband fatwa, which was retracted.[11] Most Muslims continued to participate in the formal banking economy, underpinned by interest related activities, even though it was deemed forbidden.

ISLAMIC FINANCIAL INSTITUTIONS IN CONTEMPORARY SOUTH AFRICA

Following international developments, Muslims attempted to establish interest-free economic enterprises in the 1980s. Two early initiatives were *Jaame Limited*, sponsored by the *Muslim Youth Movement*, and the *Islamic Corporation*, sponsored by Ebrahim Karsani, registered the Islamic Bank with the South African Reserve Bank in 1988. *Jaame* was liquidated within a few years due to lack of capital and expertise. The Islamic Bank started with a capital base of R200,000 and achieved exceptional growth during its formative period with assets totaling R12 million by 1989, and turnover exceeding R1 million in financial year ended 1989/90. The Jamiat-ul-Ulama Transvaal was appointed as its Shariah Supervisory committee.[12] The Islamic Bank collapsed in the mid-1990s because of poor management.

Another bank registered in 1989, Albaraka, experienced a very different history. It survived some difficult times and became a flag bearer of competent and competitive banking in South Africa. There are a number of IFIs in contemporary South Africa. Albaraka Bank and Oasis are wholly dedicated to shariah-compliant Islamic financial services, while conventional institutions such as ABSA and Wesbank offer 'a window' of Islamic financial services in addition to their normal suite of conventional services. The next section describe the origins and institutional expression of Al Baraka as the first successful Islamic bank, as well as other Islamic financial institutions.[13]

Albaraka Bank

Albaraka Bank was registered in South Africa in 1989. Jointly owned by South African investors, DCD London & Mutual Plc, a company incorporated in England and Wales, and the Saudi based Dallah Al-barka Bank, it pioneered Islamic banking so that Muslims could conduct their banking and other financial activities in accordance with *shariah* principles. The Dallah Al-Baraka Group has established one of the largest international Islamic banking groups in the world through the Albaraka Banking Group. When it first started in South Africa, the bank's structure reflected its tentative origins. Premises were rented from a firm of auditors, *Desai, Jadwat Incorporated,* with an acting CEO, a general administrator (Farahnaaz Khan), one teller, a receptionist and one general assistant to clean offices. Services consisted of *murabaha* (trade finance) and fixed deposits. Albaraka's board now comprises of both South African and international business people with many years of collective expertise in the Islamic banking industry. The current directors are A.A. Yousiff (chairman), A.B. Mahomed, M.S. Paruk, S.A. Randaree, O.A. Suleiman, A Lambat, M Youssef, F Kassim, S.A.E. Chohan (Chairman) MG. Maclean (Deputy CEO) and M.J.D. Courtiade. Mahomed, Paruk, Randeree, and Chohanare well known in local business circles.

Albaraka's products and services have mushroomed in recent years in response to a growing niche market. The bank has shown impressive growth by developing viable products as an alternative to interest-based banking. Al-Baraka initially focused on short-term deposits and lending, offering customers services that avoided interest (*riba*), gambling (*maysir*) and uncertainty (*gharar*), the three fundamental financial prohibitions of Islam. However, as the bank's clientele and their needs changed, products and services became more sophisticated, and now include complex transactions such as syndications and securitisations, as well as *takaful* insurance.

Al-Baraka offers many products and services on offer at conventional banks. This includes a 'Participation Account', a profit-generating account in investments at a pre-agreed profit-sharing ratio for a fixed period; the 'Regular Income Provider' accrues profits monthly on a lump sum investment; in a 'Monthly Investment Plan' clients invest a specific amount monthly; the Haj (pilgrimage) Investment Scheme gives investors the opportunity to save for Haj while earning a share of profits; with a Savings Investment Account investors can deposit and withdraw funds as required. This includes salaries paid directly into their account and they can make payments by drawing Albaraka issued cheques. However, there is no debit order system. The Futuregrowth Albaraka Equity Fund is a fully balanced equity portfolio consisting of share investments across all sectors of the Johannesburg Stock Exchange (JSE). Albaraka does not invest companies involved in gambling, non-halaal food, alcohol, or interest transactions other than those required to satisfy statutory requirements. The rules governing fund investments and banking principles were established by a Shariah Supervisory Board comprising of Islamic legal scholars from throughout the world.[14]

In line with international developments, Albaraka introduced financial products for local businesses to purchase equipment and machinery. This is based on the *Murabaha* model, which operates on a deferred payment basis. Albaraka purchases on behalf of clients and sell it to them at a profit, which is fixed at the time of sale and cannot be decreased in case of earlier payment or increased in case of default. Clients must provide security in the form of a mortgage on existing assets. This model is used for financing assets such as business equipment, industrial machinery, commercial or private vehicles, and property. Albaraka makes funds available as an investor rather than a lender. In case of loss, its liability is limited to the extent of financing provided.

To take an everyday example, Albaraka will purchase a motor vehicle on behalf of a client for R100,000 and sell it to the client at a price which includes a profit, perhaps R130,00. The final amount is repaid in installments over an agreed period not exceeding 54 months. Ownership of the vehicle passes onto the client upon conclusion of the *Murabaha* transaction. It is apparent that there is no financial benefit for the client. The excess is paid as a profit rather than interest. When critics said that there was no difference since the outcome was the same, Mufti Ebrahim Desai of the *Daarul Iftaa* in Camperdown argued that in Shari'ah "procedure and outcome" were equally important. Mufti Desai differentiated between interest and profit by explaining that in the case of interest the excess is in lieu of time, while in the case of profit, the excess is in lieu of the item, and not time. Shari'ah permits the raising of prices in the case of deferred payment.[15]

However, Mufti A.S. Desai of Port Elizabeth rejected AlBaraka's *Murabaha* model because of the inclusion of "capitalist provisions" and other anomalies. The bank pays the supplier. The customer does not purchase the vehicle directly from the Bank but arranges the deal with the supplier and pays a deposit. The supplier invoices the outstanding balance to the Bank which pays him. The buyer then pays the outstanding balance plus profit over a specified period. For Mufti Desai this makes it "a plain and simple riba deal." The agreement is entered into time when the Bank does not own the vehicle. The sale of something which does not exist is forbidden. Stamp duties, administration charges for preparing the agreement, and insurance documents are also *haraam* charges. Another anomaly is that the Agreement appoints the buyer as the Bank's agent to purchase the vehicle and simultaneously appoints him as the Bank's agent to sell the vehicle to himself. Other 'problems' include the fact that if the deal is cancelled, the purchaser is liable for installments and there are penalties for late payment. Mufti Desai's conclusion is that 'no matter how the Bank desires to save its skin by the incongruent application of Shariah technicalities, it cannot escape the fact that it is merely giving a loan and charging a large sum as interest."

16

Takafol, literally meaning ‘Joint Guarantee’ in Arabic, involves participants voluntarily contributing money for a specified purpose and agreeing to bear each other’s losses. This is invaluable to Muslims because Ulema have forbidden conventional insurance in a context of high crime rates, escalating risk to life and property, and incredible expenses in the event of motor vehicle accidents or medical emergencies. Insurance is forbidden because conventional insurance companies deposit premiums in interest-bearing investments. Takafol covers residential properties, household contents, as well as higher risk items like motor vehicles against damage and theft. Albaraka’s asset protection is offered via its association with Takafol South Africa, a subsidiary of the worldwide Hannover Reinsurance Group. The difference from conventional insurance has to do with intention. With *Takafol,* participants view their contribution as a ‘donation’ for the purpose of helping other members in need. Members’ donations are transferred from their ownership to that of the Takafol Waqf Fund and placed in interest free Shari’ah-approved investment projects. Many Ulema have rejected Takafol as *haraam*. Mufti A.S. Desai of Port Elizabeth, for example, regards takafol as “conventional riba insurance being fallaciously promoted as an acceptable ‘Islamic’ brand of insurance.” He rejected it because he felt that the two constituents that made insurance haraam, Riba (interest) and Qimaar (gambling), were present.[17]

Albaraka has established internal and external Shariah Supervisory Boards comprising Islamic legal scholars who establish rules governing investments made by the fund. The first chairman of the Supervisory Board was Justice Muhammad Taqi Usmani, a judge of the Shariah Appellate Bench, Supreme Court of Pakistan since 1982; Deputy Chairman of the International Fiqh Academy in Jeddah; vice-president of the Darul Uloom, Karachi, Centre of Islamic Economics. In 2003, he was chairman of twelve Islamic banks and financial institutions worldwide.[18] The current Chairman of the Board is Shaikh Abdul Sattar Abu-Ghudda, who is also a member of *The Accounting & Auditing Organization for Islamic Financial Institutions* (AAOIFI). Albaraka also has an in-house Shari’ah Supervisory Department. Albaraka is a member of AAOIFI which was formed in 1991 to formulate international standards for the Islamic banking and finance industry. By July 2006, AAOIFI had 115 members in 27 countries. It is recognised internationally as the main standard-setting organization for achieving accurate and transparent financial reporting.[19]

Albaraka’s has achieved exceptional growth; its net assets, just over R200m in 1996, stood at R1200 million in 2005, a six fold increase.

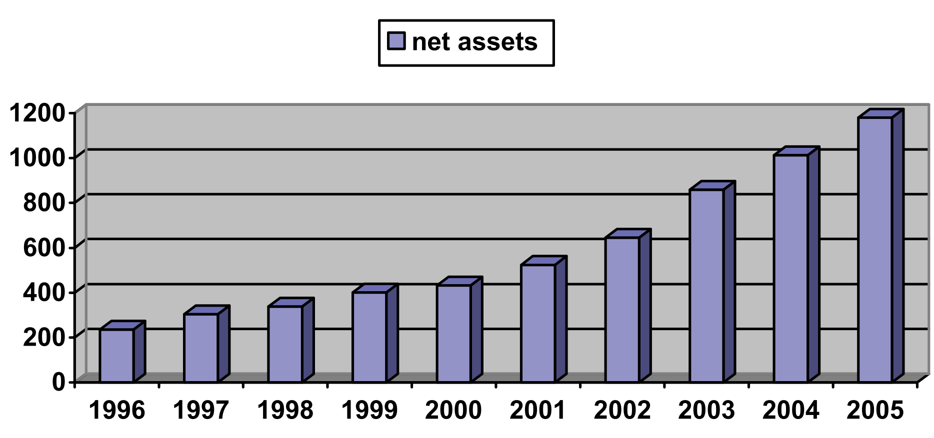

Figure 1 Net Assets Al Baraka Bank 1996-2005

Albaraka's headline earnings per share increased by 52 percent to R1.56 for the year to December 2005. Net profit rose 36 percent to R7.4 million, which, chief executive Shabir Chohan attributed to the implementation of new systems, investments in information technology, and new processes and procedures. The bank was also paying a R50 million share capital injection, which Chohan said would allow Albaraka to grow to a higher level. Chohan said that efforts to raise capital resources were boosted during 2005 through an influx of R36 million in share capital from local and international investors. Deposits by the bank's 40,000 clients increased by 13.4 percent to over R1 billion. Chohan considered it an especially pleasing milestone to have reached. He saw it as a clear indication of the growing demand in South Africa for true Islamic banking as a viable alternative to conventional, interest-based banking practices. For the financial year ended February 2006, the bank achieved a 33.9 percent increase in net income before tax to R10.2 million. Total assets grew by 16.5 percent to R1.2 billion and advances to clients rose by twenty percent to R1 billion. According to Chohan deposits from January to May 2006 had increased by R1.1billion and he expected net profit for 2006 to grow by at least 50 percent.[20]

Although Albaraka is seeking to expand its market, the criteria governing loan arrangements are stringent and more onerous than most commercial banks. This means, in practice, that it is mainly the affluent who are able to take advantage of Albaraka's services. Muslims in South Africa have always been divided along social, economic, and racial lines. The uneven distribution of wealth has become even more skewed in the post-apartheid period, as businessmen and professionals have been taking advantage of neo-liberal economic policies. While this financially privileged minority among Muslims is dominating discussions about including Islamic banking and finances, and participating in shariah-compliant activities, large numbers of Muslims from townships across the country continue to be branded 'sinners' as they rely on financial mechanisms that do not comply with shariah principles. The class composition of Muslims and their responses to Islamic Banking is discussed in more detail in the final part of this paper. Suffice to state here that an indication of this differentiation can be seen, and indeed heard, when callers regularly pose questions to the 'Question and Answer' program on Channel Islam International about their options when wanting to purchase a car or house as the onerous requirements of IFI's disqualifies them from using shariah-compliant financial instruments. The standard response to such queries is to obtain an interest-free loan from a friend or relative.[21] How a poor person with poor friends or relatives is supposed to do so is never explained.

Oasis Asset Management

The Cape-based Oasis Group is a global fund management operation started in June 1997 and appointed as an investment manager to its first portfolio in October 1997. Assets have since grown considerably because of the exceptional performance of the investment team. Oasis launched its first fund in August 1998 and has since launched seven domestic collective investment schemes whose management and administration is its complete responsibility. Oasis Asset Management was formed in September 2000. The Oasis Property Equity Unit Trust Fund provides investors with the opportunity to invest in property and property-related listed companies on South African and international stock exchanges. The fund's portfolio includes offshore exposure in property types not well represented in South Africa. The value oof PROPERTY (Real Estate Holding & Development) stood at R693,000,000 at the end of 2006.

In November 2000 Oasis registered a global investment scheme and management company under the auspices of the Guernsey Financial Services Commission. The company launched two global equity mutual funds, the Crescent Global Equity Fund and Oasis Global Equity Fund for clients seeking offshore investment exposure. Oasis secured a pension fund administration license in

June 2001 from the South Africa Financial Services Board. It subsequently launched the Crescent Retirement Fund, the Crescent Retirement Annuity Fund, the Crescent Preservation Pension Fund and the Crescent Preservation Provident Fund. Oasis operates out of South Africa and the Republic of Ireland. Its corporate head office is in Cape Town, South Africa, while the Oasis Global Management Company (Ireland) Ltd. is a wholly owned subsidiary of the Group. Like Albaraka, Oasis is a member of AAOIFI. As the following table shows, Oasis' growth has been exceptional.

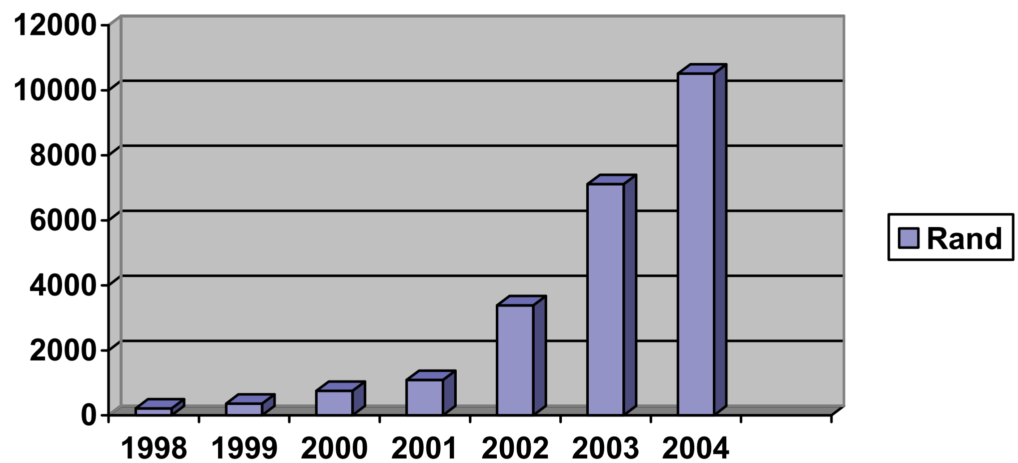

Figure 2: Institutional Assets under Management 1998-2004 (Rands).

Oasis is a South African project and this is reflected in the management team. Mohamed Shaheen Ebrahim, Chairman, has been involved with Oasis since its inception in 1997. He was appointed executive chairman in January 2001. He is also a member of the Shari'ah Advisory Board. Chief Executive Officer Adam Ismail Ebrahim completed his B.Soc.Sc (Hons) degree at the University of Cape Town. Thereafter he completed a Post-Graduate Diploma in Accounting and was admitted as a Chartered Accountant and Auditor in South Africa. He subsequently completed the Association for Investment Management and Research's Chartered Financial Analyst Programme, qualifying as a Chartered Financial Analyst. Adam worked for Deloitte & Touche in South Africa and London as an analyst and portfolio manager. He is registered as a Portfolio Manager with the Financial Services Board (South Africa) and serves as a member of the South African Minister of Finance's Collective Investment Scheme Advisory Committee. Nazeem Ebrahim, Executive Director**,** was educated at the University of Cape Town and received a B.Soc.Sc. and B.Proc. in law. He is responsible for Oasis' marketing and legal divisions. Ebrahim is a member of the Industry Promotion Standing Committee and the Industry Supervision Standing Committee of the Association of Collective Investments. He also serves on the Board of the Institute of Retirement Funds. Oasis' Crescent Range is managed in accordance with investment guidelines laid out by the Dow Jones Islamic Market Index's Shari'ah Supervisory Board which excludes investment in companies whose primary business activities include alcohol, tobacco, pork-related products, financial Services (banking, insurance), defence/weapon production, entertainment (gambling and pornography related). Companies not complying with Shari'ah law, including those with high levels of debt or impure interest income, are removed as investment options.

The Independent Advisory Board has as its members Shaykh Nizam Yaquby**,** who received an MSc in Finance from McGill University (Canada) and has been a Professor of Tafsir, Hadith and Fiqh in Bahrain since 1976. He is an independent Shari'ah consultant in Bahrain and sits on the Islamic Supervisory Boards of several IFI's. These include HSBC Amanah Finance, Abu Dhabi Islamic Bank, Bahrain Islamic Bank, and Citi Islamic Investment Bank. Professor Mohamed Daud Bakar **is** an Associate Professor in the Department of Islamic and Family Law at the International Islamic University, Malaysia. He was awarded D.Phil by the University of St. Andrews, Scotland, and has presented numerous papers and publications on Islamic Banking and investment. He is a member of the Shari'ah Advisory Council of the Securities Commission in Malaysia and Bank Negara Malaysia (Central Bank of Malaysia). He is also a Shari'ah consultant to many investment committees worldwide. Shaykh Yusuf DeLorenzo is a leading Islamic scholar in the United States and advisor to the Dow Jones Islamic Market Index, a widely accepted measure for Islamic funds. He compiled the first English translation of legal rulings issued by Shari'ah supervisory boards on the operations of Islamic banks, has served as secretary of the Fiqh Council of North America since 1989, and is the Shari'ah consultant to several IFI's. Mohamed Shaheen Ebrahim, Executive Chairman of Oasis, who has been a long-standing member of various Mosque committees, is the final member of Oasis' Advisory Board. Oasis is also a member of leading Islamic institutions formed to prescribed investment guidelines. These include AAIOFI, International Association for Islamic Economics (IAIE), Islamic Financial Services Board (IFSB), and General Council for Islamic Banks and Financial Institutions (GCIBFI).

Oasis' flagship unit trust, the Oasis Crescent Equity Fund, provided returns of 33.3 on average between 1998 and 2006. This was considered by the market as 'remarkable'.[22] Oasis and Albaraka are competitors. For example, when Albaraka Equity Fund won three `Raging Bull Awards' for being the top performing general equity fund for the three years ending December 2003, the Awards ceremony had to be postponed because Oasis objected that Albaraka contravened the rules by moving away from its original investment mandate when it became *sharia*-compliant.[23] Though the Association of Collective Investments over-ruled the objection, this incident shows that being Muslim did not diminish competition.[24] As a result of its own excellent performances, Oasis has received a number of awards and accolades. Standard & Poor's and *Financial Mail* rated the company the best smaller collective investment scheme management company for the overall performance of its collective investment schemes during 2002. Oasis also received three globally recognised awards presented to funds in the general equity and balanced fund categories. The Oasis General Equity Fund was rated the best performing general equity fund over 2002 and the Oasis Balanced Fund the best performing balanced fund in 2002. Since its inception on 1 August 1998, the Oasis Crescent Equity Fund has been ranked the number one domestic general equity fund. It was awarded the most prestigious accolade within the South African collective investment scheme industry in 2004 and 2006: the ACI Raging Bull award for providing the highest risk adjusted performance over three-year periods.

Apart from Oasis and Albaraka, there are other institutions providing shariah-compliant investment because of the high demand. Channel Islam International, for example, started Cii Property (Pty) Ltd, in 2004 to develop a property syndication portfolio. This was a boon to Muslim investors seeking as the investment offered a long term hedge against inflation while providing a regular income. All properties are bond free. Investment, which starts from R25000, was taken up almost immediately with a long waiting list. Properties owned by Cii include Topics (value R3 million); Neeltjie (R4.2 million); Specsavers (R1.5million); Metcash (R4.3 million); Spesbona (R2 million); Bilqis (R3 million); and Nur (R3.2 million).[25]

CONVENTONAL BANKS AND ISLAMIC FINANCE: ABSA and Wesbank

Conventional financial institutions (CFI's), witnessing the success of IFI's have begun to offer shariah-compliant services. Accounting firms, for example, have taken an interest in Islamic finances. KPMG is one of the first accountancy organizations to establish a global Islamic finance division on the basis that 'Islamic Banks are expected to account for 40 to 50% of the total savings of the world's Muslim population within 8 to 10 years.'[26] KPMG has positioned itself as a global network of professionals with in-depth knowledge of Islamic finance, providing among others services, regulatory authorization, Sharia compliance and agreed upon procedures to test compliance and advice on the conversion of conventional banking practices to Islamic ones. They have established a presence in South Africa.

Mainstream banks, recognizing the potential of Islamic banking and finance, are developing 'Islamic windows' within their institutions to tap into the market. ABSA Islamic Banking was started as an alternative to conventional banking, with Shari'ah-compliant products supervised by an independent Shari'ah Advisory and Supervisory Board (SASB). ABSA has committed to regular audits to ensure that its services remain Shari'ah compliant.[27] Its products include an Islamic Cheque Account, which offers access to the full range of ABSA's banking products and services, including an ATM/debit card option; Islamic TargetSave is a savings account that allows clients to save a specified sum of money monthly; Islamic Vehicle and Asset Finance allows clients to rent, rather than own, a motor vehicle by paying a deposit of ten percent and payments over 6-54 months and the option of purchasing the car at the end of the rental period. Zarina Bassa, executive director of the Islamic Banking sector at ABSA said that the bank wanted to "respect the values of all our customers. The Muslim community should not have to compromise on the quality of their financial institution and the growth of their wealth to access high-quality service and product offerings that are Shari'ah compliant." Absa began with Shari'ah compliance from the outset and involved the scholars from inception through an independent Shari'ah Supervisory Board which provides guidance to Absa's Islamic Banking Governance Committee.[28]

ABSA is using a model adopted in Pakistan and Malaysia by conventional banks. The difference, of course, is that Malaysia and Pakistan are Muslim majority countries. While in Pakistan this dual banking system is seen as a basis for transition to a full Islamic banking model, such transitional arrangements are not a serious proposition in South Africa. The establishment of 'Islamic windows' has triggered debate among Islamic scholars about its permissibility. Mufti A.K. Hoosen, when the question was posed to him on several occasions on Channel Islam, expressed doubts because CFI's do not comply with shariah in terms of their incorporation and statutes, and could not then claim to comply with it in their 'windows'. Further, the funds of conventional financial institutions may be drawn from prohibited earnings and investing these in Islamic products would not make the funds shariah-compliant. CFI's and banks are seen to be taking advantage of the pressing needs of practicing Muslim investors, while competing unfairly with IFI's. Overseas-based scholars like Yusuf AI-Qaradawi, Abdul-Sattar Abu Ghuddah (Saudi Arabia), M. Taqi Usmani (Pakistan), Nazih Hammad, Abdullah Al Muslih, and Abdullah bin Sulaiman Al Manea, permit 'Islamic windows' as long as commingled funds meet shariah conditions. Competition between CFI's and IFI's favours clients by forcing the latter to introduce better quality products and become more efficient. The conditions under which Islamic windows are permitted include the complete segregation of funds; existence of a shariah supervisory board;

management that is familiar with Islamic financial concepts; safeguarding of Muslim investors' funds from negligence, trespass, and fraud; and compliance with the standards of AAOIFI.[29]

Interviews with ordinary Muslims suggest that given a choice between an IFI and a reputable CFI, many Muslims prefer the bank with a brand name and longer presence. This may be a legacy of the collapse of the Islamic Bank in the 1990s when many people lost their savings. CFI's are at an advantage in that they can take lessons from the experience of AlBaraka and Oasis regarding the products most sought after by Muslims. CFI's have a very secure basis for attracting Muslim clients. Their extensive branch networks and services are also attractive Muslim customers. CFI's with Islamic windows may provide serious competition to AlBaraka and Oasis. Conversely, the aggressive marketing of Islamic Shariah-compliant services by CFI's may provide a powerful voice in making IFI's more widely known. The next section explores, through the lens of a survey conducted amongst Muslims, the level of awareness of IFI's within the Muslim community.

MUSLIM AWARENESS OF ISLAMIC FINANCIAL SERVICES

A survey of 45 Muslims was carried out in Durban and Pietermarizburg, the two largest cities in KwaZulu Natal, in October 2006 to test their awareness of IFI's. This survey does not purport to be a random, systematic, comprehensive survey of the awareness or attitudes of Muslims in these two cities. What it does provide are various indicators and signposts as what may be the level of awareness, and points to the areas in which more research is required. Nevertheless, the results are important to warrant consideration with regard to the awareness of Muslims of the presence of IFI's and the services they offer, as well as the level of sophistication and understanding that Muslims have of Islamic financing in a country dominated by conventional capitalist banking and financial institutions. We also strongly suggest that this survey provides rich grounds for further research and testing of hypotheses about Islamic finance in a non-Islamic country.

A larger number of people (32 or 71%) were interviewed in Durban, while 13 (29%) people were interviewed in Pietermaritzburg. All were adults, and 96% were employed or self-employed. A very small number of university students were interviewed (4%). The survey covered people across the class range, from very successful entrepreneurs and professionals to employees in shops and offices, as well as some who were involved in survivalist strategies (informal street vendors) as a livelihood. The variables of residence, income, and occupation were chosen to differentiate the sample. These are discussed below as this is important from two perspectives, namely, the differential effects of apartheid and the insertion of South Africa into a global economic framework post-1994 which exacerbated rather than narrowed socio-economic differences among South Africans, Muslims included.

Residence

The majority of those surveyed lived in Indian townships. This included the working class townships of Phoenix, Northdale and Chatsworth (35.6%) as well as lower-middle to middle class suburbs like Raisethorpe, Asherville, Tongaat, and Greenwood Park (40%). Some lived in mixed class areas such as the centre of Pietermaritzburg (8.9%) while the balance of the respondents lived in more affluent suburbs like Westville, Morningside, Reservoir Hills, and Mountain Rise (15.6%). [30]

Occupation

A vast range of occupations were captured by this survey. For purposes of this paper, this was simplified into the following categories: entrepreneurs (15.6%), managerial occupations including general managers and managing directors (22.2%), professionals like doctors, lawyers, and accountants (22.2%), skilled and semi-skilled technical assistants (8.9%); clerks (17.8%), informal traders (4.4%), and tertiary students (6.7%). Like residential status, these are indicators rather than predictors of particular sociological or ideological positions. They are not indicative of income or emoluments received.

Income

51.1% of respondents had an income below R5,000.00 per month, including 4% with no income. In all, 69% of the respondents earned below R10,000.00 per month. Clearly the majority of the respondents fall within the lower Living Standard Measures (LSM) categories as measured by income. Approximately 24% fall within the middle to high income categories, while around 7% are in the higher income (LSM 9 and 10) categories. One would assume that the savings and investment rate among the majority of respondents in this survey are quite low, compared to the middle and high income earners.

In response to a query as to who were the bulk of the clients of Al Baraka, the response of the bank was that it was middle to high income earners, and that the potential for further market expansion lay with those in the middle to lower income categories. The Bank would have to offer services that these potential clients require to grow its market share. This would include things like a debit card, ATM services, short-term financing, and so on. etc. These are things that CFI's are able to offer. Debate about the actual delivery of such services would not amount to much if it does not strike a cord with the targeted population market. What is the level of awareness of Muslims of IFI's.

Awareness of IFIs

There was a high percentage of awareness among respondents. Nearly 69% answered positively to the question as to whether they were aware of IFI's; conversely 31% were unaware. However, this must be qualified as their understanding of what this entailed varied. Significantly, while many Muslims are aware of shariah-compliant finance and banking, fewer than 9% had any kind of account with an IFI.[31] When awareness of IFI's was cross tabulated with income, essentially the same picture emerged. Those earning less than R5,000 per month had had the least awareness (50%); almost 100% of those earning between R5,000 and R15,000 were aware of IFI's while around 70% of those earning above R15,000 had an awareness. Surprisingly, some high earners had no awareness of IFI's. More comprehensive research is required to determine why. Residence was also investigated as an indicator of awareness of IFI's.

The cross tabulation of awareness and residence confirmed the analysis for income and awareness. Respondents in all categories showed some awareness. Those in the lower income townships had the least awareness (60%) of IFI's; those in middle class suburbs the highest (75%), and of those living in higher-income suburbs around 60% had an awareness of IFI's. In terms of occupation, those in managerial (90%) and professional occupations (70%) were most aware of IFIs. Conversely, 30% of professionals were unaware of IFI's. Awareness was lowest among clerks, "survivalists", and those in technical occupations. What this analysis of the variables of income, residential area and occupation shows is that awareness is greatest among those in the middle to upper middle income; it is very limited among those in the lower income groups living in townships; while among the highest earners living in higher-income suburbs there were, surprisingly, people with limited or no awareness of IFI's. The next part of the paper examines the level of involvement of respondents in IFI's.

Banking, Investing and Interest

For Muslims, the major attraction of Islamic banking is its 'ethical' approach. Interest (*riba)* is considered sacrilegious in Islamic jurisprudence and Muslims regard earning interest with no risk to one's capital base as 'haraam'. The majority of respondents (84%), were aware of the non-interest basis of Islamic banking but had a vague knowledge of the mechanics of *Mudaraba,* *Musharaka* and retail banking. Investment in shares has been growing in South Africa. Oasis promote this as a key aspect of its investment portfolio and its outstanding performances over the past few years make this an attractive proposition. Yet the survey revealed that 78% of respondents did not invest in shares. The Islamic injunction on speculative investments to make money without sharing in the risk of investing in productive or potentially productive business enterprises is further illustrated in the fact that 89% of respondents did not invest in the share market for speculation. This may indicate not only a lack of knowledge of possible ways of Islamic and Shariah-compliant investment, but possibly risk aversion sentiment to investing in the stock market. This is further underscored by the fact that 76% of respondents did not have shares from which earned dividends. This may suggest that Muslim investors are generally risk aversive, particularly those in the lower and middle income groups; however, it may just be case that people do not have surplus cash to invest. Further research is required among higher earners with cash to invest to determine the reasons for Muslim reluctance in this area of investment. The generally favorable attitude to the concept of IFI's by respondents is revealed in the fact that less than 9% of respondents had any account with an existing IFI but that 60% indicated that they would open an account with such institutions. Conversely, that 40% were still not convinced indicates that there is much still to be done about the perceptions of the Muslim public, the natural niche market of IFI's. There are problems to be resolved before the mass emergence of such IFI's. These will be considered in the conclusion.

Is Islamic Banking for Muslims Only?
When asked whether IFI's were for Muslims only, 73% of respondents felt that they could be a viable alternative to CFI's. This is a strength to build upon for pioneers of Islamic Banking in South Africa. It clearly can be posed as an ethical alternative, particularly in the light of client complaints that CFI banking fees are too high, and a climate of general dissatisfaction with banking services. Closely allied is the fact that approximately 76% of respondents saw IFI's playing a role in Welfare and Development. When probed, these respondents felt that Islamic Finance and banking should not focus exclusively on profit-making for shareholders. This should be the sole motivating force behind a bank's existence. Respondents, it seems, would like IFI's playing a more active role in the development of the economy and society in a climate of extreme poverty. This idealistic position may emanate from the emphasis on welfare and charity in Islam and suggests a lack of understanding of IFI's. The reality is that IFI's, like conventional banks, adopt a profit-at-all-costs business approach. Their focus is on financing and promoting small, micro and medium enterprises. In many cases their charges are higher than CFI's and they are not accessible to the lower income groups as CFI's are.

Problems and Conclusions
Prospects for Islamic banking and finance look promising for the foreseeable future. Deposits and investments continue to rise rapidly, partly because of the desire among Muslims for Shariah compliant investments and partly because of the prosperity of many in the post-apartheid period. Flush with liquidity they are seeking to invest in IFI's. While IFI's have made impressive growth over the past decade there are many problems. Some of these are of a teething nature as difficulties were bound to be encountered during the initial phase of an entirely new experiment. These difficulties may be overcome gradually as banks become richer in experience, larger in size, and have access to economies of scale comparable to CFI's. Some problems are due to the lack of a proper understanding of Islamic banking principles among depositors and clients, and lack of proper training among employees, many of whom have been trained in conventional banking principles.

Banks also face an ethical dilemma. Exceptional economic growth during the past few months, while creating a chasm between the haves and have-nots, has improved prospects for Islamic banking as many Muslims, notwithstanding the outward embracing of piety, want things like cars, homes, even education, which some may pay through bank loans which abide by Islamic principles. This creates an ethical dilemma for bankers. There is a looming conflict between a fundamental tenet of Islam and the way in which Islamic banking and finance are progressing. Essentially, Islam condemns materialism and banks should, theoretically, discourage prospective Muslim borrowers from accumulating unnecessary debt. As the number of products increase the point will be reached when banks may have to operate in ways contrary to the limits set by Islam on how Muslims should conduct their finances.

It is difficult for ordinary men and women to obtain funding of any kind. Clients can only borrow under circumstances where IFI's avoid risk through Murabaha. Then too, they have to link the request to an identifiable trade transaction and expose themselves to the bank more than is the case with CFI's. Musharaka and Mudaraba are more difficult to obtain. Individuals or organizations cannot borrow to repay another bank or for consumption purposes, while overdraft facilities do not exist. For example, if a working class Muslim needs to purchase a necessity like a fridge or stove he or she has no option but to partake in an interest-based transaction.

In similar vein, retail banking products remain negligible. The Islamic market is largely limited to two main products, *murabaha* (cost-plus financing) and equities. Banks like AlBarak will have to diversify and seek new sources of revenue or they they will continue to struggle for business in a narrow product range. Price might ultimately determine where competitors place their business. IFI's also need to generate significant capital and hold liquid assets to foster a secondary market. Otherwise, a serious growth of a credit market, Islamic bonds, expansion of *takaful* insurance, and development of capital management services will not be achievable. The absence of an Islamic financial market makes it difficult for IFI's to employ surplus funds or have access to liquidity in an Islamic manner. They are, therefore, forced to resort to the conventional money market. IFI's are also compelled to keep larger liquidity than conventional banks. This adversely affects their profitability. Shared institutions (like credit rating agencies) do not exist either, thus forcing the banks to perform the different tasks themselves, raising their costs. These difficulties have tended to confine their progress towards the classical Islamic financing techniques of mudârabah and mushârakah.

IFI's will also have to overcome the skills shortage. As Islamic banks expand and become more mainstream, the demand for Islamic scholars with banking knowledge is increasing rapidly. In particular, there is a need for bankers well-versed in the complex products increasingly demanded by clients, and scholars who not only excel in their knowledge of *fiqh* but are expert bankers to boot. A cursory glance at Shariah boards worldwide reveals the same personalities: Dr Mohammed Elgari of Saudi Arabia, Justice Mohammed Taqi Usmani of Pakistan, Sheikh Yusuf Talal Delorenzo of the US, Dr Mohammed Daud Bakar of Malaysia, and Sheikh Nizam. These and a dozen or so of their peers are found again and again on the roll call of various committees.[32] Dr Ezzedine Khoja, secretary-general of the Bahrain-based General Council for Islamic Banks and Financial Institutions (GCIBFI), lamented that most banks continued to rely on the first generation of scholars who learnt their financial skills when the industry was born three decades ago. To take the industry "a step further", banks had to hire a "new generation of shari'ah auditors who would become the board scholars of the future."

Contestation over "shari'ah compliance" might confuse Muslims and thwart the growth of IFI's. This is an international problem. A study of Islamic capital markets in 2004 found that shariah vetting was imposed at different stages of product development. In Gulf countries like Bahrain and the UAE, for example, certification was conducted by in-house boards, whereas in Malaysia and Pakistan this was the task of state regulatory authorities. Harmonisation of shari'ah interpretations may facilitate the creation of more homogeneous Islamic capital markets, increase investor demand and enhance the overall growth of the industry.[33] It is hard to imagine global convergence when such consensus cannot be achieved in a small Muslim community like that in South Africa. We have seen, for example, that some Ulema condemn 'Islamic windows' even though such banks have properly constituted Shari'ah Boards. Even Al Baraka and Oasis, while supported by thousands of Muslims and approved by many respected Ulema, have their critics. Mufti A.S. Desai has rejected their products as a 'veneer' for *haraam* projects to hoodwink unsuspecting Muslims. Mufti Ebraim Desai of the Daarul Iftaa in Camperdown also warned Muslims about investing in AlBaraka and condemned Oasis products as *haraam*. With regard to AlBaraka, for example, Daarul Iftaa advised Muslims in February 2007:

> We do not regard the returns from AlBarak Bank to be halaal. We have tried, with much frustration, to communicate with them but they have shown clear reluctance in being transparent as far as Shariah compliance is concerned. We have been through some of their contracts and workings and found them to be seriously flawed. AlBaraka does not have any local Aalim (scholar) on it so-called Shariah Supervisory Board. In light of this it is our duty to caution the Muslim public from investing with AlBaraka Bank.[34]

So what it the solution for ordinary Muslims who are confused about what is and is not permitted? According to Daarul Iftaa, it has "no solution at hand. Many people are looking for purely Halaal investment portfolios. Since we are not in the business field, the solution would lie with businessmen who have good entrepreneurial skills. There is a huge market just waiting to flood funds into an investment scheme that is thoroughly vetted by Ulema. We would be glad to contribute as Shariah compliance is concerned." [35] That sums up the dilemma facing Muslims: is it possible to have an unalloyed and untainted Shariah-compliant Islamic banking and finance system that meets the strictest of Islamic interpretations of Shariah in a capitalist economy?

Bibliography:

Da Costa, Y. and Davids, A. eds. 1994. *Pages from Cape Muslim History*. Pietermaritzburg: Shuter and Shooter.

Hiralal, K. 1991. 'The Natal Indian Trader – A Struggle For Survival'. MA Dissertation, University of Durban-Westville.

Jeppie, M.S. 1987. "Historical Process and the Constitution of Subjects: I.D. du Plessis and the reinvention of the Malay". BA Hons Thesis, University of Cape Town.

Jeppe, 1995. S. 'Politics and Identities in South Africa: Reflections on the 1994 Tri-Centenary Celebrations in South Africa'. 12th Annual Conference of the American Council for the Study of Islamic Societies, Villanova University, Philadelphia, 1995.

Padayachee, V. and Morrell, R. 1991. "Indian Merchants and Dukawallahs in the Natal Economy, c.1875-1914," *Journal of Southern African Studies* 17, 1: 1-28

Roy, Olivier. 1996. *The Failure of Political Islam.* Harvard: Harvard University Press.

Schell, Robert C H. 2000. 'Islam in Southern Africa, 1652-1998', in Nehemia Levitzon and Randall Pouwells, *The History of Islam in Africa.* Oxford: James Currey, 327-348.

Tayob, A. 1999. *Islam in South Africa. Mosques, Imams, and Sermons*. Gainesville: University of Florida Press.

Vahed, Goolam. 2005. "Passengers, Partnerships, and Promissory Notes: Gujarati Traders in Colonial Natal, 1870-1920". *International Journal of African Historical Studies.*

Vahed, Goolam. 2000. "Changing islamic Traditions and Emerging Identities in South Africa", *Journal of Muslim Minority Affairs*, 20 (1): 43-73

---

[1] *Will McSheehy* , "Wanted: more sharia bankers", The Banker, 3 October 2005

[2] Shariah refers to Islamic jurisprudence canon law. Islamic sharia is not a set of codified laws but a series of principles derived from five separate sources: the teachings of the holy Quran, the recorded practice and teachings of the Prophet Mohammed, known as the Sunna; comparisons of similar issues if a clear-cut judgment cannot be found in the Quran or Sunna (practice known as *qiyas*; the judgment of scholars through reasoning and logic (called *ijtehad*; and consensus agreement on *ijtehad*, known as *ijmaa*. This means that the religious rulings that scholars provide are affected by personal beliefs and cultural influences;

[3] See Tayob (1999), Davids (1980), Jeppe (1995), and da Costa (1994) for the history of Cape Muslims.

[4] see Vahed 2001, 2001a, 2002.

[5] See Vahed 2000.

[6] See Jeppie and Vahed (2004)

[7] Muslim traders were referred to as Arabs.

[8] Quoted in Morrell, R., Padayachee, V and Vawda, S (1993) p189

[9] Morrell, R., Padayachee, V and Vawda, S (1993) p195

[10] See Hiralal (1991); Padayachee and Morrell (1991); Vahed (2005).

[11] *The views and news,* 10 February 1966.

[12] See Variava, Dawood S., 'The Establishment of the Islamic Bank', BA (Hons.), University of Durban-Westville, nd., pp. 33-34.

[13] The authors attempted to solicit information on the history and contemporary relevance of these new financial institutions through a questionnaire, personal interviews, and telephonic interviews. Only one institution was willing to participate in the research, the Al Baraka Bank, and we wish to thank them for their unqualified support. For the other Islamic institutions we have relied on their websites and other published sources of information.

[14] Joosub 2003: 9.

[15] http://www.daruliftaa.com/questions.asp?txt_CategoryID=CAT00002.

[16] *The Majlis* Vol 15 No 11 http://themajlis.net/Sections-article269-p1.html

[17] *The Majlis*, 16 (6), 22 January 2006. accesed at http://themajlis.net/Article145.html

[18] Joosub 2003: 9.

[19] See http://www.aaoifi.com/

[20] Margie Inggs , "Albaraka Bank's earnings climb 52%", June 26, 2006, http://www.busrep.co.za/index.php?fSectionId=&fArticleId=3310052.

[21] This program is broadcast on Monday evenings and is usually hosted by Muft A.K. Hoosen.

[22] *Al-Qalam* September 2003:3.

[23] *Independent on Saturday* 17 January 2004.

[24] *Independent on Saturday* 31 January 2004.

[25] http://www.channelislam.com/property/property_corpprofile.php

[26] Brendan Nelson, Global Chairman, Financial Services, KMPG LLP (UK), International Islamic Finance Forum, 2005.

[27] See http://www.absa.co.za/ content.jsp?VGN_C_ID=13e30bd615bb9010

[28] "Absa steps up Islamic banking", 7 Mar 2006, http://mymoney.iafrica.com/banking/953291.htm

[29] Sheikh Nizam Yaquby, 'Shariah Requirements for conventional banks', (Shariah Scholar, Bahrain), http://www.islamic-banking.com/shariah/shariah_aom/sn_yaqubi.php

[30] We are aware that this will not satisfy any rigorous definition of class, but we merely use residence as one of the indicators of social position, which also points to their access and use of banking and financial

services. For example, it is clear from current payroll practices that those employed by others would have their salaries paid directly into their bank accounts, or at least would deposit their salary cheques into their bank accounts.

[31] As the sample is small, a full statistical analysis cannot be done (i.e. association of variables and chi-square analysis)

[32] *Will McSheehy* , "Wanted: more sharia bankers", *The Banker*, 3 October 2005

[33] "Report of the Islamic Capital Market Task Force of the International Organisation of Securities Commissions (IOSCO) July 2004. accessed at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD170.pdf

[34] E-mail circulated by E. Vawda of the Daarul iftaa on 1 February 2007. See http://www.askimam.org.za

[35] E-mail circulated by E. Vawda of the Daarul iftaa on 1 February 2007. See http://www.askimam.org.za