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PAPER

A Tale of Islamic Financing: Theory Vs Practice

Muhammed Abdul Aziz Muhamad Saleh Jumaa • Faisal Khan

Abstract The purpose of this study is to understand the basic rules and sources of Islamic financing and to address the reason behind the gap between theory and practice in Islamic financing that violate the Islamic economic principles and why Islamic banks depend mostly in debt instruments more than equity instruments? Perspectives of the early scholars of Islamic management of an account concurred that the arrangement of organization partnership in general and MuÌÉrabah (benefit sharing) specifically is the fundamental technique on which Islamic banks must depend on contributing their money related assets. This study found that financing under the Islamic management of an account has decreased intensely from the methodology created by the early scholars. In reality, these banks have received obligation based on financing techniques and underestimated the routines for financing taking into account benefit and loss sharing. This adjustment in financing technique has perversely influenced the bad name and the desire tied with the monetary part of these banks. The study focused on the reason behind the gap between theory and practice in Islamic finance. This study examined the practical part by analyzing and evaluating the relative distribution of Islamic financing methods in four famous Islamic banks. The study selected a group of Asian Islamic banks as a model for analysis and evaluation through the period from 2012 to 2014. The study concluded that the gaps result from the misuse of the roles and norms of Maqasid Al-Shariah along with the diversion in the relatively allocation of the financing methods toward debt instruments rather that equity instruments.

1. Introduction

Two perspectives shape the relationship in the middle of Islam and account. One is that Islamic law, the Shariah cases to control all parts of life, moral and social, and to envelop criminal as well as common preview. Each demonstration of devotees must adjust to Islamic law and watch moral guidelines got from Islamic standards. These moral standards characterize what is genuine, reasonable and simply, the nature of corporate obligations and the needs to society. Second, not withstanding giving an arrangement of business morals, certain Islamic financial and money related standards have an immediate effect upon monetary frameworks. Initiating looking for other tools which are more profitable and less risky as well as easier application resorted to finance instruments of business for margin profit, which led to the emergence of

Faisal Khan[1] (✉) Muhammed Abdul Aziz Muhamad Saleh Jumaa[2]
[1]Department of Finance and Accounting
City University College of Ajman, UAE
e-mail: f.khan@cuca.ae

Department Chair of Finance and Accounting
[2]City University College of Ajman, UAE
e-mail: m.jumaa@cuca.ae

a variety of funding methods such as Murabaha, and Ijara. These operations overshadowed the other and made the practical application of the experience of Islamic banks deviate from the theory which Italians have developed, which still has the support of most of those people who are interested in the Islamic financing system of the modern era.

Does this fact make us wonder about the extent of deviation witnessing practical experience of Islamic banks having a framework for a theory? The question is also about how these banks need to evaluate their career? This is what we will try to answer in this study which aims to shed light on the financing function of sites in the Islamic banking currently by monitoring the experiences of some Islamic banks relying on high-descriptive analytical method which includes the search along with the point of view from issues of the book of Islamic Banking.

From practical side it will focus on analyzing policy of funding in the financial annual reports for some Islamic banks relying on financial statements for being more styles appropriate to the nature of the study and its objective is to evaluate the extent of the gap between the theoretical and practical side of Islamic finance.

1.1 A Theoretical Methods of Islamic banking financing

The Holy Quran includes message and command from Allah which has been sent down by Prophet Muhammad peace be upon him to guide people to the right direction. Hadith "Sunnah" is a collection of information, history, account, variation and records of the Sunnah that was created by Prophet Muhammad (P.B.U.H.). Hadith also describes the prophet's behaviour, method of any action, declaration and saying under assortment of circumstances during prophet's life time. Ijma is the unanimity of opinion on agreements of Muslim juries on any problem to determine a special legislation. Qiyas and Ijma are branches of Sharia law, these sources are a solely complete and overall the Sharia law itself has yet to be formulated so as to adjust foreseen consequences and also to overlook Islamic banking system with it.

Gharar (Interest) is not allowed in Islamic banks, but in commercial banks they may use it to Gharar the client and get as much profit as they can from the customer. Gharar transaction occurs when one party can only benefit by the other's loss. Under conditions of uncertainty, commercial insurance is given as an example, since either the insured pays a premium and receives no counter value, or the insurer pays out much more on a claim than was received by way of premium.

However, Islamic finance follows a very pragmatic development that is located within the neo-classical paradigm. Along these lines, in its present state, Islamic account does not appear to share the foundational cases of Islamic financial aspects. "A particular component of the late talks on Islamic managing an account has been the developing wedge between its routine hypothesis and current practice". The outcome, subsequently, has been "the uniqueness between the suspicions, standardizing standards and goals of Islamic financial matters as a framework and Islamic money as an instrument of that framework".

Currently, Islamic fund speaks to half breed monetary results of the worldwide money related framework. In this manner, "the distinction has been decreased to detail, and the worth framework is no more said past quoting so as to portray the disallowance of Reba verses in the Qur'an". Despite what might be expected, Islamic financial aspects' perusing of the same Shari'ah rules underscore social equity, need satisfaction and redistribution, in particular a socio-political perusing inside of a political economy structure. Tolerating the present condition of Islamic money is a trade-off earnestly requiring new models of improvement inside of the idea of Islamic good financial framework. The failure of Islamic finance needs to be urgently moderated. Islamic Finance gives high thought to the Concept of Social Justice and deals with poor people and frail.

1.2 Islamic Finance Methods

Murabahais the major channels of financing in Islamic banking because it's a legal commercial transaction in Islamic law; furthermore, it provides customers with finance without Reba since the Islamic bank buys the commodity and sells it to the customer by instalments which meet his cash flows ability. The bank receives an agreed profit in return.

1.3 Mudarabah Financing

In any contract of Mudarabah, the Islamic bank will provide the entrepreneur of the capital he ask for, and he should contribute with his management and experience. On the other hand the loan will be borne by the bank while the profit will be shared on agreed base. (AAOIFI) accounting and auditing Organization for Islamic finance institution. Shariah standards for Mudaraba have certain rules, this rules should be adhered from both parties for any finance contract and any contract have to get passed from Sharia compliant any Customer want to involve in Mudarabah finance, who will become Mudarib, the bank or the institution will provide him with Islamic finance service (IFI) and he/she will become (Rab al mal) all of this will be on an agreement between bank and customer and this will be established an executed via Mudarabah contract. Mudaraba financing have two main types; restricted and unrestricted. In restricted contract, the capital of (Rab al mal) will have the authority to manage the fund but with certain restriction. For instant country exposures. However, in unrestricted the Mudaraba contract allows the capital to manage the funds without any restriction, in Mudaraba capital must be intangible asset or cash. In Mudaraba, there are links between Maqasid al-Shariah and Islamic economy. We can say that the bank will be a supplier and the borrower will take the money to start the project, whenever he get the profit it will be shared on an agreed base. In this situation, the bank will take his original money and the profit; furthermore, we can say there are no gap found in Mudaraba.

1.3.1 The Practical Dimension of the Islamic Banking Format of the Mudarabah Contract

a. A client who is unable to finance an asset requires financing for that asset and thus approaches the bank.
b. Since the Islamic bank cannot lend the client money In return for Interest, the bank offers to buy the required asset from the seller in order to gain ownership, which is an Islamic pre-requisite for it to be able to sell the asset to the client.
c. The cost of purchasing the asset from the bank is calculated [entailing the cost of the goods + % percentage mark up by the bank]. Other legal and administration costs are then also added in order to calculate the final cost. The % percentage mark-up by the bank varies in relation to the period of repayment and is also determined by Islamic banks in non-Muslim and Muslim countries via the current interest rates of conventional banks.
d. Normally, any up-front payments towards financing the asset sought by the client are deducted, and a mark-up is placed only on the amount financed. For example, in car stuffs the value of any car traded in as part of the sale is deducted from the purchase price of the car that is purchased.
e. If the customer accepts the final and calculated or pre-determined cost of purchasing the asset from the bank, the bank purchases the asset from the seller and sometimes profits through receiving a cash discount. If such discounts are received, the asset cannot be sold on the basis of a Murabaha if the discount is concealed. However, prior to purchasing the asset, the bank also have the client sign a legally binding contract that he will, subsequent to the bank's purchase, purchase that asset himself from the bank for the specified amount. The bank will not buy the asset unless the (potential) buyer's promises to purchase are binding. The asset is either purchased directly by the bank or, as is customary, the client

is asked to act as an agent on behalf of the bank. An agency agreement is concluded in which the client is also authorized to take delivery of the goods. However, the supplier of the goods shall invoice the bank and not the agent for the goods. This requirement has been waived by some banks in order to meet local tax requirements.

f. The bank bears any risks from the date of delivery by the supplier to the bank until the date and time of resale of the asset to the client.
g. Ownership is transferred to the client only after full payment of the purchase price. In the interim prior the bank retains constructive possession.
h. Clients are obliged to insure the assets at their own cost, even though owner-ship may not have been legally transferred to them.

1.4 Musharaka (or Sharika) Financing

Musharaka is partnership between the client and the bank as each one of them participate in the contract either on assets or working capital, furthermore the Musharaka contract have no fixed rules, each one of the contracts is dealt with on its own worth, there is no restriction on the contract so it mean one contract might last for couple of weeks or even couple of years. Profit share in the contract is based on the agreement between the parties as they discussed and agreed on. But in some cases of loss it will be shared by the capital provider. So in few words, Musharaka contact is simply, a contract between two partners, each one of them participate in projects in forms of cash or expertise and they share the profit and loss depending on the contract that has been agreed between both of the parties.

In musarkaha finance, there is a gap between the bank and Maqasid al-Shariah as typically the bank has the opportunity to cancel the agreement any time, as soon as the bank finds any fault from the customer or if there are any risk that might affect the bank.

1.5 Salam (baie al salam)

Salam is a sale where the seller himself undertakes to supply a specific product to the buyer at a future date, so they can agree on a specific price and a specific delivery time as agreed in the contract. This Islamic type of finance was created to meet the needs of small farmers who required money to grow their crops as they were allowed to sell some of their products in advance and after collecting the new crops they can return the money or profit to the bank. Salam can be used for the type of products where the quality and quantity can be measured in advance. For instance, it cannot be used for vegetables or fruits as there are a probability that the tree might be destroyed before the yield.

1.6 Ijarah

Ijarah term means to give something on rent; literally it can be utilized for specific transaction when the service is provided for someone in exchange for something.

For example, hiring (renting) a lawyer or an engineer to provide a service for exchange of money. However, in renting a specific property and there is a third party, the third party will benefit from the profit but the ownership remains the same.

1.7 Investment Instruments:

These are vehicles for capital instruments as an association.

- **Mudarabah** (المضاربة): A fund administration instrument could be short, medium or long term, whereby a financial specialist deposits money to operators to attempt a task.
- **Musharakah** (المشاركة): A value organization instrument which could be either medium or long term association, where two or more persons join either their capital or their work to share the profit & losses.

1.8 The Sukuk Market

Sukukare investment certificates (Islamic Bonds). Sometime they represent 'ownership' in the assets underlying the issue. Those with variable profits are based for Mudarabah or Musharakah. More pervasive are those with pre-picked, adjusted wage. The most clear of these is the one considering ijarah, i.e., rent or use. A building (or an oil tanker) is procured and leased, the cash capital for the buy offering keeping in mind the end goal to have been established confirmations. Proprietors of these affirmations would be met all pre-requisites for get a touch of the rent. These certificates can be traded in the market.

These assets are sold by the originator to a Special Purpose Entity (SPE) and then are leased back at a specified rent. The SPE securitizes the assets by issuing Sukuk certificates that can then be purchased by investors. There are Sukuk based on Salamor istisna' contracts. Agricultural produce or manufactured goods to be available in the future may form the basis of salam/istisna' bonds. Also there are hybrid issues whose underlying assets are mixtures of these. Murabahah receivables being debt obligations are not considered fit for Sukuk issue, but they have been accepted in such a mixture as long as they are in a minority.

1.9 Outline of the basics of Islamic finance

- Usury-Free Practices
- Risk-Sharing
- Divinity of honouring Contracts
- Moral-/Ethical Dimension
- Socio-Economic Background (Empathy, Equity and Fairness)

2. Analysis of Islamic Financing Methods by Islamic Banks

It became clear to us that the theoretical side posed by intellectual sources, the initial system is the primary method of posts which must rely upon the Islamic banks and that's because of the positivity of this system on the side of economic conditions. Is the practical application of the way of Islamic banks was in line with this proposal?

To find out the reality of Islamic finance in the practical application, we'll examine the relative distribution of the Islamic financing methods in some Islamic banks, and I have chosen a group of Asian Islamic banks as a model for my study through funds provided by these banks in the period from 2012 to 2014 analysis.

Displayed data in table 1 below has the following explanation:

1. Murabaha and forward sales ranked first in total funds with an average of 60.52%
2. Then comes the leasing, which ends with ownership where weighing as much as an average of 36.20%
3. Mudarabah and Musharakah occupied a very marginal importance of reaching an average of 1.62% for the post of diminishing while the non-existent of Mudarabah, where its only 0.04%
4. Bank did not use the process of Mudarabah in their financing in 2014.
5. The absence of some other financing methods such as al Salam and Istisna during all the years of studies.

Table 1 Malaysian Bank

Years / Financing Methods	2012		2013		2014		Mean
	Amount RM '000	%	Amount RM '000	%	Amount RM '000	%	%
Murabahah & sell on account	22,427,825	56.49	27,829,382	58.40	30,986,549	66.65	60.52
Ijarah	15,232,593	38.37	18,736,382	39.32	14,373,482	30.92	36.20
Mudarabah	30,233	0.08	25,712	0.05	0	0.00	0.04
Musharakah	1,866,505	0.36	998,267	2.09	1,113,863	2.40	1.62
Selling Loans	64,696	1.36	28,754	0.06	3,004	0.01	0.48
Other Service	78,637	2.36	33,456	0.07	11,243	0.02	0.82
TOTAL	**32,175,858**	**100.00**	**36,982,219**	**100.00**	**44,501,242**	**100.00**	**100.00**

Table 2 Qatar Islamic Bank

Years / Financing Methods	2012		2013		2014		Mean
	Amount QAR '000	%	Amount QAR '000	%	Amount QAR '000	%	%
Musharakah	58,634	0.18	49,872	0.13	55,982	0.13	0.15
Murabahah	22,093,837	68.67	25,983,744	70.26	30,987,383	69.63	69.52
Istisna Contract	3,378,273	10.50	3,368,374	9.11	4,983,748	11.20	10.27
Mudarabah	583,736	1.81	682,736	1.85	1,113,863	2.50	2.05
Ijarah	5,982,733	18.59	6,763,528	18.29	6,872,834	15.44	17.44
Other Service	78,645	0.24	133,965	0.36	487,432	1.10	0.57
TOTAL	**32,175,858**	**100.00**	**36,982,219**		**44,501,242**		

Displayed data in table 2 above has the following explanation:

1. Murabaha comes in the first priority in financing tools by the bank with an average of 69.52%
2. Leasing ended by ownership comes in second, with an average of 17.44%
3. Mudarabah and Musharakah occupies a very marginal importance of reaching an average of 2.05% for speculation while virtually non-existent for the Musharakah as it stood at 0.15% only
4. The absence of some other financing methods such as al slam and Alasisnaa during all years of studies.
5. Note that Murabaha and Alsaomat continues to increase over 3 years and although the rates of increment, there is an indication of growing interest of the bank to these tactics.
6. Mudarabah, leasing and Istisna ‘a continuously decline in all years of study.

Table 3 Jordan Islamic Bank

Years	2012		2013		2014		Mean
Financing Methods	Amount JD '000	%	Amount JD'000	%	Amount JD '000	%	%
Murabahah	876,376	67.84	856,767	66.00	909,873	69.06	67.63
sell in account	2,182	0.17	2,767	0.21	3,028	0.23	0.20
Rent end up with owns	398,298	30.83	422,873	32.58	387,873	29.44	30.95
Musharakah	14,987	1.16	15,676	1.21	16,787	1.27	1.21
TOTAL	**1,291,845**	**100.00**	**1,298,085**	**100.00**	**1,317,563**	**100.00**	**100.00**

Displayed data in table 3 above has the following explanation:

1. Murabaha holds the lion's share of the other modes of financing where Murabaha ranked first with an average estimated 67.63%.
2. Comes in second place is the rent ended by ownership with averaging 30.95%.
3. Musharakah weight appeared very weak, where it reaches an average of only 1.21%.
4. The bank did not depend on Mudarabah during the 3-year study.
5. Not only Mudarabah formula is absent from the methods of financing in the bank, but also absence of both the peace and also Istisna'a.
6. Note: Murabaha recorded a steady decline in 3 years, but in very small amount which did not affect the acquisition of this formula on the bulk of the funding plans which did not go down to 80% during these years.

Table 4-Al Rajhi Bank

Years	2012		2013		2014		Mean
Financing Methods	Amount SAR '000	%	Amount SAR '000	%	Amount SAR '000	%	%
Trading	44,898,374	32.75	41,727,342	30.15	49,873,874	32.37	31.76
Murabahah& Installment	90,938,728	66.33	95,637,872	69.11	102,983,748	66.84	67.42
Istisna Contract	598,940	0.44	293,892	0.21	398,273	0.26	0.30
Other Service	673,622	0.49	728,273	0.53	827,363	0.54	0.52
TOTAL	**137,109,664**	**100.00**	**138,387,379**	**100.00**	**154,083,258**	**100.00**	**100.00**

3. Literature Review

Utilizing from different studies that follow the year 2000, which presented the subject of Islamic banks notion and highlighted its congruity for Islamic account; clarified the real components of Islamic law and preclusion concerning Islamic account; addressed the utilization of "nominate" contracts and guarantees (or legitimately tying one-sided endeavors) in organizing Islamic monetary issues; discussed the administrative issues an defined administration and social obligation. Also a lot of studies and researches discussed the success factors of Islamic banks and the problems faced by Islamic banks.

Monzer Kahf (2005) study entitled: "The success factors of Islamic banks". Mr Kahf in his study discussed several cases related to the standards of success of the Islamic banking, he selected a sample from famous Islamic banks "Bahrain Islamic banks" in four years from 2001-2004, and concluded a success criteria through basic indicators relating to Islamic banks profit system. Nasser AlGhareeb (2010) discussed the legitimacy for banking issues and the history of Islamic banking and Islamic funding framework. Also he handled the problems that are faced by Islamic banks and their relationship with the central bank; he discussed the measurement and distribution of profits in Islamic banks and determining the criteria of distributing profits.

Manawar Iqbal (2007) discussed the Islamic banks system in order to bridge the gap in data from 2003-2006. The researcher used multiple hypotheses, experiments, and analytical equations to achieve the goals needed to compare Islamic banks with conventional banks.

4. Methodology and Hypotheses

The study will analyse and evaluate different financing methods offered by Islamic banks in Asia. Hypotheses:

- H1: The gap results from the misuse of the roles and norms of Maqasid Al-Shariah only.
- H2: The gap result from the misuse of the roles and norms of Maqasid Al-Shariah along with the diversion in the relatively allocation of the financing methods between debt and equity.

5. Study Findings and Evaluation

After studying and understanding the theory and practice of Islamic financing in Islamic banking system, we can summarize our study in answering the three questions below:

1. Do Banks misuse the rules and norms of Maqasid Al Shari'ah, and if yes in what ways?

Presently, few Islamic Banks are dedicated in taking after Shari'ah Rules and agreeing to Maqasid al Shari'ah. In any case, the greater part of Islamic Banks are abusing the standards of Maqasid al Shari'ah, by "practically adhering to shallow or poor translation of the all-inclusive statements of Islamic Law, while "shying-endlessly" from the genuine objectives of Islamic Law and the Socio-Economic Values of Islam that are exemplified by Social Justice, Fairness, Empathy, Equity, and so forth".

These Banks are rolling out improvements in the general comprehension of Islamic Rules under the "standard" of modernisation that keeps Shari'ah "adaptable" and utilizable in each time and put. Their "invented" rationale here is that: Islamic Banking could increment hazard because of such elements as the many-sided quality of Islamic credit contracts, restricted default punishments and good peril motivating forces brought about by PSLB (profit sharing and lose bearing) contracts.

The Buy-Back Arrangements, for instance, are broadly utilized as a part of all divisions of the economy including managing an account fund. Be that as it may, there are not kidding reservations among Studiers with respect to the legitimacy of purchase back courses of action. "Such plans may be a minor subterfuge to go around the denial of Reba". Purchasing and offering in the meantime is just another strategy for loaning on hobby. Moreover, offering something which one does not have is abusing another Islamic standard.

Islamic banks are gradually abandoning the ethical Norms of Islamic Finance. The basic principles of Islamic ethical norms elucidate that:

- Islamic Finance supports adjusted exchanges: Lenders must impart benefits or misfortunes to Borrowers.

- Islamic Finance rejects "creating" cash from cash, on the grounds that the part of cash in Islam is "worth characterizing" and a medium for trade.
- Islamic Finance disallows the expansion of credits for securing or putting resources into illegal merchandise, (for example, pork and alcoholic) or serves, (for example, betting, usury, extortion).
- Islamic Finance rejects contracting under high hypothesis ((Gharar)), as this prompts misusing or imperilling "the powerless".
- Islamic Finance rejects deal and buy of obligations at business sector decided costs, as this adds up to regarding them as products and administrations. In any case, they are definitely not. Obligations are aggregates of cash, to be paid at a future date. Accordingly, deal and buy of obligation is similar to deal and buy of money now against money at a future date. That is Reba restricted in Islam for reasons of value and human felicity.

2. Who is responsible for the misuse of the rules and norms of Maqasid Al Shari'ah?

Direct responsible for the abuse of the guidelines and standards of Maqasid Al Shari'ah are:

a. The Senior Management of Islamic Banks, due to either:
   1. Academic Impatience for implementing a "brisk fix", an "Answer", for the "issues" thwarting the development of the moderately much "more youthful" Islamic Banking in the opposition with the more experienced traditional Banking that controls the worldwide money related markets. This accompanies a "satisfactory" penance of "a few snags" (Maqasid Al Shari'ah); and/or
   2. Professional ambition for accomplishment of "eminence" and notoriety for accomplishing high benefits, by any methods; and/or
   3. Personal ambitions for fulfilment of "record" results that "entice" contributors and customer base, in this manner bringing about the extension of the base of customers of the bank, and along these lines securing them advancements and rewards.

b. The Members of the Sharia Supervisory Boards, whose capacity is to go about as review and oversight for guaranteeing bank consistence with Shari'ah Law and its dedication to apply Maqasid Al Shari'ah. These tend to side bank administration and acknowledge and "advertise" the "obscured" and contorted sentiment and vision of the administration about the Islamic Law, and 'be permissive' in the support of these perspectives which progressively forsake the quintessence of Maqasid Al Shari'ah. Individuals from these Boards take after their own advantage, really being "remunerated" by the bank to assume a submission part for the reluctant open and potential clients, and for embracing routes for "danger evasion".

c. Indirectly responsible for the abuse of the principles and standards of Maqasid Al Shari'ah are the bank customers, who intentionally incline toward "Islamic-ally un-legitimate" benefits and profits to their religious responsibility and immaculateness of inner voice.

3. Why Islamic banks focusing on Murabaha in their financial resources?

Clearly illustrated by the previous study that Islamic banks goes to sales formats, leads by Murabaha in the recruitment of financial resources and this at the expense of Musharakah formats and this tendency is because of several important reasons as bellow:

1. Lack of risk in Murabaha transaction because of taking guarantees that client well paid, in contrast with the other finance method specially if there weren't any previous deals.
2. Easy processing in Murabaha contract , where the employee of the bank are not spend any efforts in study or follow or having responsibilities with the owner like Musharakah

3. Financing or resources available to the bank in the Islamic Mostly come from short or medium-term and that capable with methods of Murabaha, also sale includes fixed return that agreed and signing in Murabaha contract between the bank and the customer.
4. Employee of commercial bank faces same procedure like what they work on in credit department.
5. Customers who have dealt for so with conventional banks on the funding formula have benefit when turn them to deal with Islamic banks that this formula appropriate especially with regard to non-interference by the banking their business after receiving financing and in order to preserve their secrets to their desires and this is what is not available in Musharakah.
6. Murabaha does not require the implementation of the bank, but the existence of a specialized expertise is required and in Murabaha process, the banks do not need to keep or store the purchases item, so the cost is less.
7. Lack of employee experience and expertise in the Islamic banking methods and investment and other formats making them vary of risk taking, especially if the bank has some successful experiences of other banks.

6. Conclusion

In this study, we attempted to study the framework and components of Islamic economics, finance and banking, and the financing techniques utilized by Islamic financial institutions.

Twenty five years ago, the "young" Islamic finance had been at cross-roads. Then, in a haste being fuelled by the competition for profit and extensive revenues, it gradually started to move into ethically compromised practices. Thus the operations of Islamic Institutions and their modes of financing have expanded considerably, while individuals have been deprived from "tasting" the fruits of this "enormous growth".Currently, however, its distinctive feature of Islamic finance is the growing controversy between its original theory and current practice.

During these last 25 years, Islamic finance has grown and developed in such a way that it converged towards conventional banking methods, thus becoming, itself, a presenter and producer of hybrid financial products of the "interest-bearing" international financial system. So, the "Grand" operations of the massive international financial markets – those which priorities economic incentives rather than ethical, religious and behavioral norms - have "tempted" Islamic finance institutions to become part of the "usurious" international financial system.

We have addressed in this study, diagnosis and analysis of the reality of the Islamic bank financing in the practical application and this in order to identify the extent of deviation of the Islamic Bank from the theoretical frame and get to know the extent of the need for these banks to reconsider their own way, so our study result to some of the findings and recommendations and that doesn't means to ignore Murabaha but don't rely much on it while they apply it with right contracting terms of legitimacy and without fraud or intentional misuse .

The banks have rights to selling what God has permitted and humans does not deprive it, but if Islamic banks are able to distribute their investments by species, possibly such as Mudarabah, Musharakah and al-slam, leasing with giving preference relative to formats of Musharakah, it will be a best practice between the banks and their clients. Therefore, it has been the divergence between the assumptions, normative principles and aspirations of Islamic economics as a system and Islamic finance as an instrument of that system.

According to the study, the several financing techniques such as Murabaha, Buy-Back transactions, Deferred Sale operations, etc., need to be carefully and thoroughly reviewed from the point of view of the Shari`ah Law and with a backdrop of Maqasid Al Shari'ah.

I do recommend the following steps to stem the gap in Islamic finance:

- Establishing an Islamic Central Banks to monitor and control the Islamic financing methods and match them with Islamic law.
- Shifting toward equity financing methods gradually with a 5 % average annual increase.

7. Recommendations

In light of the results obtained previously it is clear that group of banks are almost similar in terms of the degree of dependence on financing methods to apply their resources where we noted that the adoption of the majority of these banks in its funding formulas on sales, particularly to Murabaha is the main reason for the gap between theory and practice which result in negative impact on economic conditions, so the experts and specialist should work together to achieve the following objectives:

1. Activate the Islamic Financial Methods based on participation in the profit and loss of funding tools by the following:
   - Careful selection of client's with new financial records, and who deal in accordance with the financial rules and norms of customary accounting and adhere is sued by standards, so they have to have special department to deal with this issue.
   - Restrict Mudarabah with conditions and restrictions that fit the ownership in all aspects of investment activity because the contract is the foundation upon disclaimer and the speculative or worker should be adhered to it and not violating it.
   - Watching the stages or process before and after the work is done well leads to minimizing of losses or to not complete and achieve the desired profit.

1. Don't rely much on Murabaha to avoid the following negative effects:
   - Reduces the ability of Islamic banks to finance large economic projects that require long-term funding while Murabaha is consider as a short-term approach in general.
   - Murabaha sale contributes in the production of behavioural models that are unacceptable in Islam such as bias to quick profit; avoid the risk, the desire to increase profit margins and lack of attention to the other party in community.
   - Attention to goods imported and ignoring of domestic goods affect the productivity of these countries.

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The Holy Qur’aan, Al-Baqarah, 2: 275

{Those who swallow down usury cannot arise except as one whom Shaitan has prostrated by (his) touch do rise. That is because they say, trading is only like usury; and Allah has allowed trading and forbidden usury. To whomsoever then the admonition has come from his Lord, then he desists, he shall have what has already passed, and his affair is in the hands of Allah; and whoever returns (to it)-- these arc the inmates of the fire; they shall abide in it.}

The Holy Qur’an, Al-Baqarah, 2: 276

{Allah does not bless usury, and He causes charitable deeds to prosper, and Allah does not love any ungrateful sinner.}

The Holy Qur’an, Al-Baqarah, 2: 278

{O you who believe! Be careful of (your duty to) Allah and relinquish what remains (due) from usury, if you are believers.}

The Holy Qur’an, Al-Imran, 3: 130

{O you who believe! do not devour usury, making it double and redouble, and be careful of (your duty to) Allah, that you may be successful.}

The Holy Qur'an, An-Nisa'a, 4: 161

{And their taking usury though indeed they were forbidden it and their devouring the property of people falsely, and we have prepared for the unbelievers from among them a painful chastisement.}

The Holy Qur'an, Ar-Room, 30: 39

{And whatever you lay out as usury, so that it may increase in the property of men, it shall not increase with Allah; and whatever you give in charity, desiring Allah's pleasure-- it is these (persons) that shall get manifold.}

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