Islamic Finance

How does Shariah Banking work?
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Editorial

In the name of Allah, the most Gracious, the most Compassionate.

Money & Happiness

We seem to build so much around the definition of money. We live in a world of illusion, often mislead into this notion that materialism and the accumulation of wealth generates happiness when in reality contentment truly lies within family kinships and good health.

From the perspective of the dunya, we will examine the intrinsic system in our society which created such a need for money and how we associate security and protection with money which we define as happiness. After reading this edition, we hope that our readers are able to gain an insight into the world of Islamic finance and understand the essence of happiness; true happiness is ultimately to gain the love and mercy of Allah (SWT).

The Dawah Project Team
The richest people in the world average out at 2% who own over 50% of the assets of the world.

Every sixty years we face a great depression or a recession that leaves our generation crippled by years of unemployment and lack of educational funding. In the 21st century, with the vastness of educational and financial institutions we are still unable to reach a balance of financial requirements to make us thrive in a way that humans are meant to. Once the recession hits in full force we seem to slightly shift from our seats and ask for compensation.

This problem, reaction, solution, leaves us no room for real growth, it keeps us enslaved by economies that damage and hinder our growth. Truth is in our desperation, we try to cure the branches of the tree but the truth is in the seed; it is the system that is the problem. This is what needs weeding out and this is how we can re-establish a new system. The financial system in which we currently bank relies heavily on interest and non-tangible reserve trading as a way of making money. Non tangible reserve simply means that there is no gold or actual money that exists to back up the value of the money being spent.
For instance, have you ever stopped to think about what happens when you take out a loan from a commercial bank? Take a moment and try to think about where this money is coming from. The process of borrowing money from the bank drives our economies to recession. There are 4 stages to creating a recession:

**Stage 1**

Give consumer confidence by printing “fake” money or units and releasing it into the market, by lowering interest rates and encouraging consumers to spend. At this stage, everyone is happy. People take out loans, spend money, buy cars and houses, and generally feel very safe. At this point, businesses are thriving and the consumer is feeling confident.

**Stage 2**

Stop the influx of money, raise interest rates and set higher standards for loans. At this stage, people who have loans need to work harder, spend less on commodities in order to pay the difference of high interest.
Stage 3

As consumers get discouraged to spend, less products are being bought, leading to businesses struggling as consumer spending has significantly decreased. This makes the business cut costs by cutting overhead costs and making people redundant.

Stage 4

Redundant people are no longer able to pay their mortgages leading to homelessness. The bank buys back their homes for 15%-25% of its value. Making the poor even poorer and the rich even richer by giving return on investment of money that never existed in the first place.

So what is a possible solution?

This is not a definitive answer as Shariah Banking is a very young industry and has never in the history of mankind been applied fully but let us examine it from a perspective that we do know. Shariah compliant banking is a field that has only recently been exposed. What has emerged from this caterpillar is more than an extraordinary butterfly; it gives the possibility of a fair economy where we grow according to our hard work with shared responsibility in investing between individual and institutions.
The money that we invest in does not turn into non tangible assets.

**How does Shariah Banking work?**

Explained simply, Shariah banking has to provide ethical ways of investments where both the bank and the client can make money. Sharing a similarity of providing loans Shariah compliant and commercial banking differ as Shariah Banking has to do so in a manner compliant to Islamic law which clearly states that lenders cannot charge Riba (Interest) in any format. This renders it to give out loans and leasing as part of a profit sharing system creating money towards tangible goods.

The basic principle is that in Islamic banking the system is called risk sharing while in conventional banks it is called risk transfer. This risk sharing mentality holds banks and individuals responsible for sensible investments.

The way that Islamic banking introduces concepts such as profit sharing (Mudarabah), safekeeping (Wadiah), joint venture (Musharakah), cost plus (Murabahah), and leasing (Ijar) is through the above named services. E.g in a mortgage the bank will buy the property from the seller and sell the property back to the aspirant buyer at a profit, by giving the bank back its money in instalments.
Islamic banking protects individuals and communities both in short and long term. It encourages healthy backed up spending in moderation, encourages shared risk between the institution and consumer rendering more trust and a bond of work ethics in the long run.

The bank is unable to charge penalty for late payments which renders its decisions to buy properties on behalf of buyers, a difficult decision taken by many board members.

The three main ways Islamic banks have overcome this giving them abilities to give mortgages and loans are:

**Murabahah**

Bank requests strict collateral. The goods or land is registered to the buyer from the start of the transaction. The buyer buys it at a mark up price.

**Eljara wa Elqtina**

Is similar to real estate leasing. Islamic banks handle loans for vehicles in a similar way (selling the vehicle at a higher-than-market price to the debtor and then retaining ownership of the vehicle until the loan is paid).

**Musharaka al-Mutanqaqisa**

Allows for a floating rate in the form of rental. The bank and buyer form a partnership entity, both providing capital at an agreed percentage to purchase the property.
The partnership entity then rents out the property to the buyer and charges rent. The bank and the buyer will then share the proceeds from this rent based on the current equity share of the partnership. At the same time, the buyer in the partnership entity also buys the bank's share of the property at agreed instalments until the full equity is transferred to the buyer and the partnership is ended.

In theory, Islamic banking is an example of full-reserve banking, with banks achieving a 100% reserve ratio. For instance, in the days of Prophet Yusuf (peace be upon him) such a form of transaction was taken from the warehouses storing away grain for the famine days, selling it and then distributing. Full reserve banking and lending gives us the ability to stop "hypothetical" money from floating in the economy and creating a consumer enslaved society that falls into recession every generation.

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“To seek lawful earnings is an obligatory duty following other obligatory duties.”

(Imam Al-Bayhaqi)
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Reference: HPB11EIL
In order to combat those winter blues, not only do we need to keep ourselves warm and snug but ensure that we take those daily essential nutrients that help to strengthen our immune system. In this edition, we have included recipes that are quick to cook, packed full of nutrients and will keep all those tummies in the household happy.
Main Course: Grilled Sea Bass

Preparation Time: 25 Minutes
Cooking Time: 20 Minutes

Sea bass is rich in omega 3, vitamin B complex, protein and zinc helping you and your skin look and feel younger. Sea bass also helps men prone to cardiovascular disease by lowering blood pressure. Zinc with lemon and chilli is an excellent source of Vitamin C and is essential for combating the big old dreaded ‘flu’.

As you may know, thyme is a popular ingredient we use within our households during this season because it is a culinary and medicinal herb. It is used as an anti-inflammatory in the respiratory system which helps one to breathe better and is also used as a super food which boosts concentration.

Ingredients (Serves 1)

1 Whole Fish
1 Lemon
1 Onion
1 Chilly
Thyme
Olive Oil
Foil
(Fan assisted oven at 180 degrees celcius)

Preparation

- In a bowl, mix thyme with olive oil and sprinkle some salt and pepper. You can also add a little cayenne pepper.
- Put the complete sea bass on a sheet of foil enough to cover it completely. Using a cooking brush spread the mixture of olive oil and thyme on the outside and inside of the fish.
- Cut a thin slice of lemon and onion.
- Stuff the fish with one slice of lemon, one slice of onion and a chilly. (Depending on preference eliminate/ add chilli)
- Wrap the entire fish in foil and place in a pre-heated oven to marinate for approximately 20 minutes.
- Take the fish out from the oven and unwrap the foil.
**Side Dish:**
**Potato Mushroom Salad**

Preparation Time: 25 Minutes
Cooking Time: 10 Minutes

This easy filling salad is a great energy boost for children and adults alike, giving the feeling of fullness for longer.

Mushrooms are a great source of protein helping you to build a healthy body structure. Mushrooms have vitamin D helping you to maintain healthy bones and teeth in those months when you rarely see the sun. Adding to this, potatoes are full of potassium, magnesium and iron, containing vitamin B which helps to reduce stress by building a healthy nervous system.

**Ingredients (Serves 4)**

1 Jar of Sacla Wild Mushroom Antipasto (can be purchased from Waitrose for £2.95)

1Kg Small Baby potatoes
Salt
1 Lemon

**Preparation**

- Place a pan with water on heat and bring to boil.
- Put unpeeled potatoes in pan until soft.
- Take pan away from heat and leave to cool on a working surface.
- When cool, peel potatoes and chop.
- Squeeze 1 lemon and add juice to potatoes, with a pinch of salt.
- Finally empty all the content of the Sacla wild mushrooms
- Mix and serve.
Dessert: Custard with Biscuits

**Preparation Time:** 20 Minutes  
**Cooking Time:** 10 Minutes

This dessert will give you a sugar rush which is great for uplifting your mood in the winter season.

So simple, so sweet and ridiculously low in calories your body will be thanking you for not opting for the left over chocolate gateau in the fridge.

**Ingredients (Serves 4)**

- 4 free-range eggs
- 100g of golden caster sugar
- 1 tsp corn flour (optional)
- 1 pint double cream
- ½ pint full-fat milk
- 1 vanilla pod
- Tea biscuits

**Preparation**

- Separate the eggs, placing the yolks in a large bowl (egg whites not needed for this recipe).
- Add sugar to egg yolks and whisk until pale and thick.
- Add corn flour and whisk well into egg yolks.
- Put cream and milk into a medium saucepan.
- Cut vanilla pod open lengthways and scrape out the seeds with the back of a knife, then add to milk and cream.
- Heat cream mixture just below boiling point. Take vanilla pod out and set aside (it can be dried out and placed in sugar to make vanilla sugar).
- Slowly pour hot cream and milk onto the eggs and sugar, whisking as you go.
- Transfer custard to a clean pan, and set it over a very low heat.
- Stir custard constantly with a wooden spoon, paying special attention to the corners of the pan, until it is steaming and has thickened slightly. The custard is ready when you can draw a clear line through it on the back of the wooden spoon. This can take up to 10 minutes.
- Break 2 biscuits into a small bowl or a tea cup and pour the custard over.
- There really is no need to rummage through the kitchen cupboards looking for custard creams when you know you can snuggle up beside the fire and enjoy this dessert.
Apple Cinnamon Hot Drink

Preparation Time: 25 Minutes

This tea helps to detox, which is very useful to prevent diabetes and also speeds up the metabolism.

Ingredients (Serves 4)

- 1 cinnamon stick
- 6 cloves
- 15 fl oz unsweetened apple juice
- 2 tablespoons clear honey
- 25g of raisins
- 1 small dessert apple
- 2 tablespoons lemon juice

Preparation

- Tie the cinnamon stick and cloves in a small piece of muslin to make a spice bag.
- Mix apple juice, honey and raisins together in a large saucepan, add the spice bag and leave for 1 hour to allow raisins to soften.
- Peel core and cut the apple into four rings. Put the pan of juice over low heat, add the apple rings and simmer for 20 minutes until the apples are just tender.
- Remove from heat, discard the spice bag and stir in lemon juice. Place an apple ring in each tea cup and pour in the hot drink.

Bon Appetit!
Dua for Rizq

Seeking Forgiveness from Allah (SWT) increases Rizq (Wealth)

“I said (to them): ‘Ask forgiveness from your Lord: Verily, He is Oft-Forgiving; He will (then) send rain to you in abundance, and give you increase in wealth and children, and bestow on you gardens, and bestow on you rivers.”

(Surah Nuh, 10-12)
Dua for overcoming Debt

Narrated by Anas bin Malik:

The Prophet used to say, “O Allah, I seek refuge in You from grief and sadness, from weakness and from laziness, from miserliness and from cowardice, from being overcome by debt and from being overpowered by men (i.e. other people).”

(Sahih Al-Bukhari Volume 8, Book 75, Number 378)
Islamic Finance: Why It Makes Sense
Understanding its Principles and Practices
By Daud Vicary Abdullah, Keon Chee

This book explains how conventional financial products work—from mortgages and leases to trade finance and insurance - it then goes onto delve into how they work in Shariah. A highly recommended book for students and academics who wish to understand the basic principles of Islamic Banking.

Islamic Finance in the Global Economy
By Ibrahim Warde

An academic and scholarly approach is what makes this book a challenging read. You will learn everything you need to know about Islamic banking, starting from its size, establishment, history and its future predicted forecast. This book is written for serious investors, business owners and insurance companies.
Get Involved

We are always looking for volunteers and charity assistants to help us! Whether it is administration work, leafleting, call centre, working at events and much more. We are always in need of some assistance! Your support is greatly needed.

Age requirement for volunteers is 16 years and above. Food and travel expenses will be covered. Send your CV and covering letter to

volunteer@thedawahproject.com
Job Title: Charity Assistant (Voluntary Work)

Expenses: Travel and Food covered (Minimum 5 hours)

Location: Head Office, The Dawah Project 2nd floor, London, EC2A 4BX

Job Details: The Dawah project is a registered charity that aims to spread Islamic Education through the media. We are looking for a hard working and enthusiastic individual with a passion for fundraising and spreading Dawah to join our team in three different areas: Admin/ Media and Sales.

Job Description:

• Manage the day-to-day administrative duties for the charity (data entry, database management, filing, sending out letters, answering calls, dealing with queries etc)
• Promote The Dawah Project and raise awareness about our ongoing campaigns/ events
• Assist in organising/ attending fundraising events and weekly call centre
• Assist in media related research

Requirements:

• To have a reasonable understanding of the importance of Dawah
• To have experience in admin/ customer services/ call centre or a similar role
• To have strong organisational and office management including IT skills and the ability to listen and communicate sensitively with a wide variety of people
• To be able to have flexibility in working hours (Events may need to be attended on the weekend, evenings and holidays)

This is a great opportunity to be part of The Dawah Project’s future and learn more about the charity and media industry.

How to apply:
To apply please email your covering letter and CV to info@thedawahproject.com and write CHARITY ASSISTANT on the subject line. Please wait for an email confirmation from a team member.

See more at: http://www.thedawahproject.com/get-involved/volunteer-vacancies/#sthash.Ak4bRsan.dpuf
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Timings subject to change

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(Programme Launching in March 2014)

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(Programme Launching Early February 2014)
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