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ISLAMIC BANKING SYSTEM IN AFGHANISTAN**Abstract:**

The banking sectors have played a vital role in Afghanistan, economic development in past one decade and Islamic banking is widely regarded as the fastest growing sector in the Middle Eastern financial services market. Billion worth of funds are now managed according to Shariah. As Islamic banking is a new concept in our country and all citizens of Afghanistan are Muslims and this document would also help other nations therefore its very import for them to know about Islamic banking and its products schemes.

Islamic banking system must steer clear of interest. Theoretically speaking, there is no concept of loans and credits in Islam for financing trade, industry and agriculture except Qard Hassana and where profit and loss sharing is not feasible like interest free loans given by federal government to provincial governments for their developmental needs. Islamic banks, therefore, involve themselves in financing (short, medium, and long term) for the working capital requirements, and also contribute to the capital of an enterprise by participating in its equity. These financings are on profit and loss sharing basis. Islamic banks also mobilize resources on profit and loss sharing basis as distinct from interest payments to depositors on predetermined rates.

Prohibition of interest is ordained in Islam in all forms and intent. This prohibition is strict, absolute and unambiguous.

So with this reference the project titled has been conducted, based on the primary research in Maiwand Bank, (MB) and literature review and secondary data from various sources. Division has been prepared to get a better insight into the Islamic Banking practices applied by MB with reference to DAB guidelines provided to them to practice accordingly. With reference to this context, this research project is been prepared to find out customers satisfaction and awareness about Islamic banking in Afghanistan. This research project includes meaning and definition of Islamic Banking, Riba, and Islamic banking procuts such as Musharaka, Mudarabah, Murabaha, Ijarah, Salam and Istisna.

Keywords:

Islamic Banking System in Afghanistan

JEL Classification: E58

1. CHAPTER 1 “INTRODUCTION”

1.1 Introduction

Working with Afghanistan government and having 8 years of continues finance experience and specialization of Bachelor degree in Finance researcher was interested to start research on Islamic Banking practices in Afghanistan and to find out customers' satisfaction and their awareness about Islamic banking and its products.

Islamic banking is a banking activity that is consistent with the principles of sharia law and its practical application through the development of Islamic economics.

The term “Islamic banking” refers to a system of banking or banking activity that is consistent with Islamic law (Shariah) principles and guided by Islamic economics.

In particular, Islamic law prohibits usury, the collection and payment of interest, also commonly called Riba in Islamic discourse. In addition, Islamic law prohibits investing in businesses that are considered unlawful or Haraam (such as businesses that sell alcohol or pork, or businesses that produce media such as gossip columns or pornography, which are contrary to Islamic values).

Furthermore the Shariah prohibits what is called "Maysir" and "Gharar". Maysir is involved in contracts where the ownership of a good depends on the occurrence of a predetermined, uncertain event in the future whereas Gharar describes speculative transactions. Both concepts involve excessive risk and are supposed to foster uncertainty and fraudulent behavior. Therefore the use of all conventional derivate instruments is impossible in Islamic banking.

Sharia prohibits the fixed or floating payment or acceptance of specific interest or fees (known as Riba, or usury) for loans of money. Investing in businesses that provide goods or services considered contrary to Islamic principles is also Haram ("sinful and prohibited").

The criticism of usury in Islam was well established during the lifetime of the Islamic prophet Muhammad and reinforced by several verses in the Qur'an dating back to around 600 AD. The original word used for usury in this text was Riba, which literally means “excess or addition”. This was accepted to refer directly to interest on loans so

that, according to Islamic economists by the time of Caliph Umar, the prohibition of interest was a well-established working principle integrated into the Islamic economic system. This interpretation of usury has not been universally accepted or applied in the Islamic world.

Although these principles have been applied in varying degrees by historical Islamic economies due to lack of Islamic practice, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

The banking sectors have played a vital role in Afghanistan's economic development in past one decade and Islamic banking is widely regarded as the fastest growing sector in the Middle Eastern financial services market. Billion worth of funds are now managed according to Shariah.

As Islamic banking is a new concept in our country and Alhamdulillah all citizens of Afghanistan are Muslims therefore its very import for them to know about Islamic banking and its products schemes.

For this report researcher has selected a commercial bank "Maiwand Bank" registered with DAB (Da Afghanistan Bank) which is located in Kabul and offers Islamic Banking Services in many provinces of Afghanistan and researcher had free hand to get data from mentioned bank as the bank was interested in conclusion of this report.

1.2 Research Question

To find out the customers satisfaction and to know their knowledge about Islamic banking products offered to them by Islamic banking institutions especially by Maiwand Bank as Islamic Banking is a new concept in Afghanistan.

1.3 Objective of the Project

Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. But that is not the sole purpose either. Adherence to Islamic law and ensuring fair play is also at the core of Islamic banking. Because Islam forbids simply lending out money at interest (Riba)

The basic principle of Islamic banking is based on risk-sharing which is a component of trade rather than risk-transfer which we see in the conventional banking. Islamic banking introduces concepts such as profit sharing (Mudharabah), safekeeping (Wadiah), joint venture (Musharakah), cost plus (Murabahah), and leasing (Ijar).

As Islamic Banking practices are in accordance to Sharia, so the products offered by the banking institution should be based on Islamic banking procedure and although all Islamic banking institutions in Afghanistan are claiming for provision of Islamic banking products but their product should be practically in accordance to Sharia and Islamic values.

The Main Objective of this Project is:

- To know which Type of products of Islamic banking is offered to Customers through banking institutions in Afghanistan
- To find out customers views and satisfaction on Islamic banking products
- To find out how banking institution are applying these product in accordance with Shariah principles in order to achieve their goal.

1.4 Limitation of the Study

As Maiwand Bank is a commercial bank which does not only provides Islamic banking services but also offers other services related to accounts such as Current account, saving account, fixed account, SWIFT (Society for Worldwide Telecommunication Financial Service) Services, Western Union Service and internet banking.

Currently it operates in more than 20 provinces in Afghanistan so researcher just selected the Islamic Banking products of this bank and there are many other banking institutions which are offering Islamic banking products but these products are similar to each other.

The other factor for limitation of the study was the short time, as researcher is working in a World Bank funded project so time was very limit to visit bank every day.

1.5 Significance of the Study

This report helps all academics/business and government staff as well as other interested readers about Islamic banking Products and especially to Islamic studies Students; also it will benefit staff of Maiwand Bank and other Islamic Banking institutions in their duties and further use.

1.6 Scheme of the study

The research report has been divided into five chapters regarding different topics

- **Chapter 1:** covers the overview and background of the study in order to create an interest of the readers to further continue the study. Limitation of the study is also included in this chapter
- **Chapter 2:** Contains literature review
- **Chapter 3:** Contains research methodology and design
- **Chapter 4:** Contains Analysis
- **Chapter 5:** Contains the Discussion, conclusion, and recommendations of the researcher

2. CHAPTER 2 “LETRATURE RIVIEW”

Islamic banking has been defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Interest free banking is a narrow concept denoting a number of banking instruments or operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Sharia, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy.

2.1 The Philosophy of Islamic Banking

Islamic banking system is based on risk sharing, owning and handling of physical goods, involvement in the process of trading, leasing and construction contracts using various

Islamic modes of finance. As such, Islamic banks deal with asset management for the purpose of income generation. They will have to prudently handle the unique risks involved in management of assets by adherence to best practices of corporate governance. Once the banks have stable stream of Halal income, depositors will also receive stable and Halal income.

The forms of businesses allowed by Islam at the time the Holy Quran was revealed included joint ventures based on sharing of risks & profits and provision of services through trading, both cash and credit, and leasing activities. In the Verse II: 275, Allah the Almighty did not deny the apparent similarity between trade profit in credit sale and Riba in loaning, but resolutely informed that Allah has permitted trade and prohibited Riba.

Profit has been recognized as 'reward' for (use of) capital and Islam permits gainful deployment of surplus resources for enhancement of their value. However, along with the entitlement of profit, the liability of risk of loss on capital rests with the capital itself; no other factor can be made to bear the burden of the risk of loss. Financial transactions, in order to be permissible, should be associated with goods, services or benefits. At macro level, this feature of Islamic finance can be helpful in creating better discipline in conduct of fiscal and monetary policies.

2.2 Basic Principles of Islamic Banking

The fact that a global network of Islamic banks, investment houses and other financial institutions has started to take shape based on the principles of Islamic finance laid down in the Quran and the Prophet's traditions 14 centuries ago. Islamic banking, based on the Quran prohibition of charging interest, has moved from a theoretical concept to embrace more than 100 banks operating in 40 countries with multi-billion dollar deposits worldwide.

Islamic banking is widely regarded as the fastest growing sector in the Middle Eastern financial services market. Exploding onto the financial scene barely thirty years ago, an estimated \$US 70 billion worth of funds are now managed according to Shariah. Deposit assets held by Islamic banks were approximately \$US5 billion in 1985 but grew over \$60 billion in 1994.

The rules regarding Islamic finance are quite simple and can be summed up as follows:

a. Any predetermined payment over and above the actual amount of principal is prohibited

Islam allows only one kind of loan and that is Qard-el-hassana (literally good loan) whereby the lender does not charge any interest or additional amount over the money lent. Traditional Muslim jurists have construed this principle so strictly that, according to one commentator “this prohibition applies to any advantage or benefits that the lender might secure out of the Qard (loan) such as riding the borrower’s mule, eating at his table, or even taking advantage of the shade of his wall.” The principle derived from the quotation emphasizes that associated or indirect benefits are prohibited.

b. The lender must share in the profits or losses arising out of the enterprise for which the money was lent.

Islam encourages Muslims to invest their money and to become partners in order to share profits and risks in the business instead of becoming creditors. As defined in the Shariah, or Islamic law, Islamic finance is based on the belief that the provider of capital and the user of capital should equally share the risk of business ventures, whether those are industries, farms, service companies or simple trade deals. Translated into banking terms, the depositor, the bank and the borrower should all share the risks and the rewards of financing business ventures. This is unlike the interest-based commercial banking system, where all the pressure is on the borrower: he must pay back his loan, with the agreed interest, regardless of the success or failure of his venture.

Islam encourages investments in order that the community may benefit. However, it is not willing to allow a loophole to exist for those who do not wish to invest and take risks but rather content with hoarding money or depositing money in a bank in return for receiving an increase on these funds for no risk (other than the bank becoming insolvent). Islam encourages the notion of higher risks and higher returns and promotes it by leaving no other avenue available to investors. The objective is that high-risk investments provide a stimulus to the economy and encourage entrepreneurs to maximize their efforts.

c. Making money from money is not acceptable in Islam

Money is only a medium of exchange, a way of defining the value of a thing; it has no value in itself, and therefore should not be allowed to give rise to more money, via fixed interest payments, simply by being put in a bank or lent to someone else. The human effort, initiative, and risk involved in a productive venture are more important than the money used to finance it. Muslim jurists consider money as potential capital rather than capital, meaning that money becomes capital only when it is invested in business.

Accordingly, money advanced to a business as a loan is regarded as a debt of the business and not capital and, as such, it is not entitled to any return (i.e. interest).

Muslims are encouraged to purchase and are discouraged from keeping money idle. In Islam, money represents purchasing power, which is considered to be the only proper use of money. This purchasing power (money) cannot be used to make more purchasing power (money) without undergoing the intermediate step of it being used for the purchase of goods and services.

d. Investments should only support practices or products that are not forbidden

Islam discourages it. Trade in alcohol, for example would not be financed by an Islamic bank; a real-estate loan could not be made for the construction of a casino; and the bank could not lend money to other banks at interest.

2.3 RIBA (Interest, Usury)

What is RIBA?

Riba (interest, usury) is primarily an economic issue in view of the fact that all religions and mythologies have prohibited, restricted, discouraged, disliked, or degraded Riba in one or the other sense the inception of human interaction. All three major revealed religions i.e. Islam, Christianity, and Judaism have strongly condemned and prohibited Riba in its original versions. Later, the clerics of Jews and Christian church abandoned the prohibition of Riba (interest, usury) that led the mankind into economic anarchy of the present era.

Islam- the most modern revealed religion is still upholding the righteous prohibition of Riba although not in practice in any of the Islamic country at government level but there is immense enthusiasm for Riba-free financial system in Muslims. The western economists have discussed the issue at large in the twentieth century and many of them are also of the view that the religious prohibition should be brought back into the conscious of the people.

2.3.1 Historical Background of RIBA

Even prior to the dawn of Islam, over 1400 years ago, the majority of ancient philosophers and almost all the religions of the world had prohibited money lending as a business; Riba, interest or usury.

In A.D 1300, Pope Clement V made the prohibition of usury absolute and declared all legislations in the favors of usury as null and void. The teaching of Jesus on the subject is very clear—“love your enemies and do good, lend, expect nothing in return”. The charging of interest has also been prohibiting in Judaism. It says, “If you lend money to any of my people who are poor, you shall be to him as a creditor, and you shall not exact interest from him”.

It is interesting to note that in A.D 605; just before the dawn of Islam, on a stormy day, a spark of fire caught the curtains of Ka’ba (house of Allah in Makkah) resulting in serious damages to the holy building. For the repair and reconstruction of the building contributions were asked from the general public living in the locality. It was, therefore, strongly announced that for THE HOLY BUILDING, only pure, clean, and honestly earned money should be donated; prostitutes and usurious people were specifically debarred from contributing anything .it is, therefore, obvious that even among the pagans of Arabia, in the dark days of civilization, usury and interest was considered to be the money earned by unethical means.

The word “interest” indicated a reasonable and moderate rate as against usury, which was symbolized as an excessive rate of return. Laws were framed for legalizing the charging or paying of interest on money lending transactions.

2.3.2 Nature and Meaning of RIBA

Riba is an Arabic word, which means, “increase”, “addition”, “expansion”, or “growth” and refers to the additional amount, which a lender recovers from the borrower according to a fixed rate over and above the principal amount. In the New Encyclopedia Britannica, usury is explained as compensation for the use of money regardless of the amount, according to earlier English law.

According to Hughes, Riba in terms in Muslim Law as:

“An excess according to legal standard of measurement or weight, in one or two homogeneous articles opposed to each other on a contract of exchange and in which such excess is stimulated as an obligatory condition on one of the parties without any charge”.

According to Quran illustrations, the literal meaning of Riba is ‘increase’. In Shariah, it means “AN ADDITION”, however slight, over and above the principal”. Riba is, therefore, the premium that is recovered by the lender from the borrower along with the principal amount as a part of lending arrangements, or for an extension in the maturity period of loan.

2.3.3 The Prohibition of RIBA

Prohibition of Riba in the Light of Holy Quran

The following are the relative verses from the Holy Quran on the subject. It is to be noted that the Holy Quran has used the Arabic word Riba in the verses, which has been retained in the English translation.

“And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in zakah, desiring the countenance of Allah - those are the multipliers.”(Room 30:39)

“And [for] their taking of usury while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have prepared for the disbelievers among them a painful punishment.”(4:161)

“O you, who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful.”(AL.IMRAN 130)

“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.”(2:276)

“O you, who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers.”(2:278)

“And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged.”(2:279).

2.3.4 Prohibition of Riba In The Light of Ahadith

There are numerous Ahadith (sayings, deeds or tacit approvals of the Holy Prophet of Islam, Peace Be Upon Him) on the subject of Riba.

From Jabber: the prophet, (Peace Be Upon Him), cursed the receiver and the payer of Riba, the one who records it and the two witness to the transaction and said: “they are all alike [guilt]”. (Tirmizi)

From Abu Hurayrah: the Prophet, (Peace Be Upon Him), said: “on the night of Ascension I came upon people whose stomachs were like houses with snakes visible from the outside. I asked Gabriel who they were. He replied that they were people who received Riba.”(Musnad Ahmed)

From Abu Hurayrah: the prophet, (Peace Be Upon Him), said: “there will certainly come a time for mankind when everyone will take Riba and if he does not do so, its dust will reach him.”(Abu Daud).

In his last sermon during the pilgrimage, the Holy Prophet, (Peace Be Upon Him), in the presences of about one hundred thousand revered companions declared:

“Every form of Riba is cancelled.”(Musnad Ahmed)

It is, there for, clear, that interest, Riba and usury, in all forms and intent are strictly prohibited, as per teachings given herein above.

2.3.5 RIBA and Islamic Banking

Islamic banking, which principally should be completely free from Riba (interest) is practiced under the same “fractional reserve” banking system that has to maintain a minimum “capital adequacy ratio” instructed by central bank of the country they are operating in.

Capital adequacy ratio (CAR) is a defined percentage of customer’s deposit that goes to the central bank while the customer’s bank is free to lend/invest remaining part to its other customers, also it is the main constituent of formula that define the “money multiplying factor” in monetary terms. The bank to create money use “money multiplying factor”.

2.4 Various Islamic Modes of Financing

Concept of Various Islamic Modes of Financing

Islamic banks around the world have devised many creative financial products based on the risk sharing, profit sharing principles of Islamic banking. For day to day banking activities, a number of financial instruments have been developed that satisfy the Islamic doctrine and provide acceptable financial returns for investors.

2.4.1 Musharaka as a Mode of Islamic Financing

“Musharka” is a term frequently referred to in the context of Islamic modes of financing. There are certain ingredients, which are peculiar to the contract of “Musharka”. They are summarized here:

Musharka is a relationship established by the parties through a mutual contract. All the necessary ingredients of a valid contract must be present here also. For example, the parties should be capable of entering into a contract; the contract must take place with free consent of the parties without any duress, fraud or misrepresentation, etc.

The proportion of profit to be distributed between the partners must be agreed upon at the time of affecting the contract. If no such proportion has been determined, the contract is not valid in Shariah.

The ratio of profit for each partner must be determined in proportion to the actual profit accrued to the business, and not in proportion to the capital invested by him. It is not allowed to fix a lump sum amount for any one of the partners, or any rate of profit tied up with his investment.

Is it necessary that the ratio of profit of each partner conform to the ratio of capital invested by him? There is a difference of opinion among the Muslims jurists about this question.

In the view of Imam Malik and Imam Shafi'i, it is necessary for the validity of Musharakah that each partner gets the profit exactly in the proportion of his investment. Therefore, if A has invested 40% of the total capital, he must get 40% of the profit. Any agreement to the contrary which makes him entitled to get more or less than 40% will render the Musharakah invalid in Shariah.

On the contrary, the view of Imam Ahmad is that the ratio of profit may differ from the ratio of investment if it is agreed between the partners with their free consent. Therefore, it is permissible that a partner with 40% of investment gets 60% or 70% of the profit, while the other partner with 60% of the investment gets only 40 % or 30%.

The third is presented by Imam Abu Hanifa, which can be taken as a via media between the two opinions mentioned above. He says that the ratio of profit may differ from the ratio of investment in normal conditions however, if a partner has put an express condition in the agreement that he will never work for the Musharakah and will remain a sleeping partner throughout the term of Musharakah, then his share of profit cannot be more than the ratio of his investment.

Sharing of Loss

But in the case of loss, all the Muslims jurists are unanimous on the point that each partner shall suffer the loss exactly according to the ratio of his investment. Therefore, if a partner has invested 40% of the capital, he must suffer 40% of the loss, not more, not less, and any condition to the contrary shall render the contract invalid. There is a complete consensus of jurists on this principle.

Therefore, according to Imam Shafi, the ratio of the share of a partner in profit and loss both must conform to the ratio of his investment. But according to Imam Abu Haifa and

Imam Ahmad, the ratio of profit may differ from the ratio of investment according to the agreement of the partners, but the loss must be divided between them exactly in accordance with the ratio of capital invested by each one of them.

2.4.2 Mudarabah as Islamic Mode of Financing

“Mudaraba” is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called “Rabb-ul-mal” while the management and work is an exclusive responsibility of the other, who is called “Mudarib”

The difference between the Musharakah and Mudaraba can be summarized in the following points:

The investment in Musharakah comes from all the partners, while in Mudaraba; investment is the sole responsibility of Rabb-ul-mal.

In Musharakah, all the partners can participate in the management of the business and can work for it, while in Mudaraba; the Rabb-ul-mal has no right to participate in the management, which is carried out by the Mudarib only.

In Musharakah, all the partners share the loss to the extent of the ratio of their investment while in Mudaraba the loss, if any, is suffered by the Rabb-ul-mal only, because the Mudarib does not invest anything. His loss is restricted to the fact that his labor has gone in vain and his work has not brought any fruit to him.

However, this principle is subject to a condition that the Mudarib has worked with due diligence which is normally required for the business of that type. If he has worked with negligence or has committed dishonesty, he shall be liable for the loss caused by his negligence or misconduct.

In Musharakah, as soon as the partner mix up their capital in a joint pool, all the assets of the Musharakah become jointly owned by the all of them according to the proportion of their respective investment. Therefore, each one of them can benefit from the appreciation in the value of the assets, even if profits have not accrued through sales.

The case of Mudaraba is different. Here all the goods purchased by the Mudarib are solely owned by the Rabb-ul-mal, and the Mudarib can earn his share in the profit only in

case he sells the goods profitably. Therefore, he is not entitled to claim his share in the assets themselves, even if their value has increased.

2.4.3 Murabahah as an Islamic Mode of Financing

Murabahah is a particular type of sale and not a mode of financing. The ideal mode of financing according to Shariah is Mudaraba and Musharakah. In the perspective of the current economic set up, there are certain practical difficulties in using Mudaraba and Musharakah instrument in some areas of financing. Therefore, the contemporary Shariah experts have allowed, subject to certain conditions, the use of the Murabahah on deferred payment basis as a mode of financing. But there are two essential points:

It should never be overlooked that, originally, Murabahah is not a mode of financing. It is only a device to escape from “interest” and not an ideal instrument for carrying out the real economic objectives of Islam. Therefore, this instrument should be used as a transitory step taken in the process of the Islamization of the economy, and its use should be restricted only to those cases where Mudaraba or Musharakah are not practicable.

Then second important point is that the Murabahah transaction does not come into existence by merely replacing the word interest by the word of “profit” or “mark-up”. Actually, the Shariah scholars with some conditions have allowed Murabahah as a mode of finance. Unless these conditions are fully observed, Murabahah is not permissible. In fact, it is the observance of these conditions, which can draw a clear line of distinction between an interest-bearing loan and a transaction of Murabahah. If these conditions are neglected, the transaction becomes invalid according to Shariah.

Basic Features of Murabahah Financing

Murabahah is not a loan given on interest. It is the sale of a commodity for deferred price, which includes an agreed profit added to the cost.

Murabahah cannot be used as a mode of financing except where the client needs funds to actually purchase some commodities. For example, if he wants funds to purchase cotton as a raw material for his ginning factory, the Bank can sell him the cotton on the basis of Murabahah. But where the funds are required for some other purposes, like

paying the price of commodities already purchased by him, or the bills of electricity or other utilities or for paying the salaries of his staff, Murabahah cannot be effected, because Murabahah requires a real sale of some commodities, and not merely advancing a loan.

The commodity must come into the possession of the financier, whether physical or constructive, in the sense that the commodity must be in his risk, through for a short period.

The best way for Murabaha, according to Shariah, is that the financier himself purchases the commodity and keeps it in his own possession, or purchases the commodity through a third person by him as agent, before he sells it to the customer.

The sale cannot take place unless the commodity comes into the possession of the seller, but the seller can promise to sell even when the commodity is not in his possession. The same rule is also applicable to Murabahah.

2.4.4 Ijarah as an Islamic Mode of Financing

“Ijarah” is a term of Islamic Fiqh. It means ‘to give something on rent’. In the Islamic jurisprudence, the term Ijarah is used for two different situations. In the first place, it means to employ the services of a person on wages given to him as a consideration for his hired services. The employer is called “Musta’jir” while the employee is called “Ajir” while the wages paid to the Ajir are called their “Ujrah”.

Therefore, if A has employed B in his office as a manager or as a clerk on a monthly salary, A is Musta’jir and B is Ajir. This type of Ijarah includes every transaction where someone else hires the services of a person.

The second type of Ijarah relates to the uses of assets and properties, and not to the services of human beings. Ijarah in this sense means to transfer the use of a particular property to another person in exchange for a rent claimed from him. In this case, the term Ijarah is analogous to the English term “leasing”. Here the lessor is called “Mujir”, the lessee is called “Musta’jir” and the rent payable to the lessor is called “Ujrah”.

2.4.5 Salam as an Islamic Mode of Financing

The modern banks and financial institutions especially to finance agriculture sector use this mode of financing. Salam is a sale whereby the seller undertakes supply of specific goods to the buyer at a future date an exchange of an advanced price fully paid at spot. Here the price is paid as cash, but the supply of the purchased goods is deferred.

Purpose of Salam financing

When Allah declared Riba as Haram, the farmers could not take usurious loans. Therefore Holy Prophet allowed them to sell their agricultural products in advance. Salam is beneficial to the seller because he receives the price in advance and it is beneficial to the buyer also because normally the price in Salam is lower than the price in spot sales.

The permissibility of Salam is an exception to the general rule that prohibits forward sale and therefore it is subject to strict conditions, which are as follows:

Conditions of Salam

It is necessary for the validity of Salam that the buyer pays the price in full to the seller at the time of affecting the sale. In the absence of full payment, it will be tantamount to sale of a debt against a debt, which is strictly prohibited by the Holy Prophet (P.B.U.H.). Moreover, the basic wisdom for allowing Salam is to fulfill the instant need of the seller. If it is not paid to him in full, the basic purpose of the transaction will be defeated.

Only those goods can be sold through a Salam contract in which the quantity and quality can be exactly specified. For example, the precious stones cannot be sold on the basis of Salam because each stone differ in quality, size, weight and their exact specification is not possible.

All details in respect to quality of goods sold must be expressly specified leaving no ambiguity, which may lead to a dispute.

It is necessary that the quantity of commodity be agreed upon in absolute terms. It should be measured or weighted in its usual measure only.

The exact date and place of delivery must be specified in the contract.

Salam cannot be affected in respect of things, which must be delivered at spot.

The commodity for Salam contract should remain in the market right from the day of contract up to the date of delivery or at least till the date of delivery.

The time of delivery should be at least fifteen days or one month from the date of agreement. Price in Salam is generally lower than the price in spot sale. The period should be long enough to affect prices.

Since price in Salam is generally lower than the price in spot sale, the difference in the two prices may be a valid profit for the bank.

A security in the form of guarantee, mortgage or hypothecation may be required for a Salam in order to ensure that the seller delivers.

3 CHAPTER 3 “METHODOLOGY OF THE STUDY”

3.1 Target Population

The target population in this research referred to Maiwand Bank

3.2 Sampling Technique

Simple Random sampling method is used for collecting information. The questioner papers were distributed amongst customers.

3.3 Sample Size

A sample size of 25 people was pre-determined and selected randomly.

3.4 Procedure

Researcher had personal observation of the activities performed by Islamic banking division. Also head of Islamic banking division was interviewed as the mode of survey to make the study more meaningful & so that maximum information could be collected. Also questionnaire was made. The questionnaire was combination of many questions in which likert scale method was used and also Yes& No option was given in few questions.

3.5 Time Frame

The given time for writing this report was 3 months

3.6 Research Tools

3.6.1 Primary Data

Is collected through:

- Personal Observation
- Questionnaire
- Interviews were also conducted with head of Islamic banking division

3.6.2 Secondary Data

The secondary data is collected from reliable sources which includes the following:

Banking magazines, journals, banking related notes studied at university and internet

3.7 Data Presentation

The statistical data of the report is presented through graphs and tables.

3.8 Scope and limitation

This research is consisted of primary and secondary data and it was conducted in Kabul. The Head of Islamic Banking division in Maiwand Bank was very busy with his routine activities and I wasn't able to meet him regularly, it was a limitation for research.

Lack of well-resourced libraries, useful information about Islamic banking and research centers in Kabul was a major limitation to find data for this research project.

As well as time and cost was another limitation as I am working in an organization where lots of works are pended and it was also costly for me to meet several branches of the bank for distributing the questionnaire and collecting it back.

4. CHAPTER 4 “ANALYSIS AND FINDINGS”

4.1 Islamic Banking Products of Maiwand Bank

Basically Maiwand Bank has following types of Accounts and Products:

- 1. Alwadiha Account (Current Account)**
- 2. Musharaka Account**

3. Mudarabah

4. Murabahah

4.1.1 Al Wadiha (Current Account): Al Wadiah Current Deposit is a deposit product operated according to Islamic Shariah where the depositor will deposit money in the Bank in the form of 'Amanat' and thus expects on profit or loss. The Bank takes permission from the depositor to use the deposit according to Islamic Shariah but guarantees that the amount deposited would be available to depositors whenever s/he demands. If Bank does loss using this deposit then bank will incur all responsibilities. Since depositors do not take any risk of loss, so they cannot demand any profit.

Features

- This is a nonprofit and loss bearing account.
- Bank gives the guarantee to return the full amount on demand
- Bank may share the profit with the depositors as per management's decision.
- Unlimited transactions are allowed
- Cheque Book is available
- No withdrawal notification required
- Any branch Banking facility
- Bank provides monthly statement, free of charge.

Rules & condition

- Client can open an Al-Wadiah Current Account by depositing minimum amount of AFN 10,000.00
- The Client has to provide sufficient Identification document before opening an account.

- Deposit is taken in the account according to the policies of Al-Wadiah and Bank uses the deposit according to Shariah along with other Deposit. Client will not have any share in the profit or loss for his/her deposit.
- Initially the Client has to apply for cheque Book in a separate form. From next time on Client has to apply using the application form attached to the cheque book.
- The Client should count the leaves of a cheque book while taking it from the Bank. The safety of the cheque book is the sole responsibility of the Client. For any fraud or forgery using lost cheque book or leaf, the Bank cannot be held accountable.
- The Client has to sign cheques according to the signature card kept with the Bank. If the Client wishes to change his/her specimen signature, s/he has to inform the Bank.
- The Client has to deposit using Bank's specified deposit slip. In the deposit slip the Client has to mention his/her account A/c No#, account name, deposit amount and particulars of the deposit. The Client can deposit in cash or cheque. If cheque is deposited then it has to be marked as account payee.
- Stop payment of cheque is taken under notification with proper caution and attention but if payment is made by mistake then the Bank cannot be held responsible.
- Bank reserve the right to close any account without showing any cause.
- In case of death of one or more persons of jointly operated Al-Wadiah Current Account, if no agreement is made, the balance is made available to other live partners. Inversely, if there is any credit due to investment, linked to that account, the live partners will be accountable to pay back.

Eligibility's

- AI - Wadiah Current Deposit Account can be opened both for Individual and Corporate bodies, Companies , Society, and Etc
- The Account Holder must me Sound Mind.
- AI - Wadiah CD Account can be opened both for resident and non - resident Afghani Nationals
- Age bar for Personal AI - Wadiah CD Account: 18 years or above
- Joint account can be opened
- Account can be opened in the name of Trust / Club / Association / Societies / Non - Trading Concerns.

Required Documents

- Photocopy of Citizenship Certificate / Passport / Voter I.D. Card / National I.D. Card / Driving License.
- Introducer. Certified document(s) for source of income.
- Personal Information Form.
- KYC means Know Your Customer, Form.

4.1.2 Musharaka Saving Account:

It's a mode of deposit under Musharakah principles of Islamic Sharia. It is a profit / loss bearing account. These deposits are repayable subject to a period of notice and hence known as time deposits or time liabilities meaning thereby that these are withdraw able subject to a period of notice and not on demand. Deposits are accepted for different tenures as decided by the Bank and are entitled to receive profit on their deposit on the basis of weightage as decided by the management. A receipt is issued against each deposit.

Features

- Rate of Interest :
- This deposit product is guided by the Musharakah principles of Islamic sharia with additional conditions as stated below.
- Bank will invest the MSD fund through sharia compliant investment modes along with the other Musharakah fund to earn profit.
- Until otherwise decided, the profit sharing ratio will be as per each Bank profit ratio. Ex 40:60.

- Actual profit on the MSD will be calculated at the end of year on the basis of weightage fixed by the bank. OR after each 6 Months or after each 3 Months.
- MSD can be opened for 1 month, 3 Months, 6 months & 12 months tenure or for any other tenure as approved by the bank.
- If not instructed otherwise, the MSD will be automatically renewed for another term under the terms prevailing at the time of renewal along with the provisional profit, if any.
- Minimum amount to open an MSD AFS 5,000.00/- OR \$100.00- A Musharaka Saving Deposit Certificate (MSDC) shall be issued there against and MSDC are not transferable. The beneficiary shall ensure safe keeping of the MSDC at his/her own risk and immediately notify the bank in case loss or damage of the MSDC.

Eligibility

- Resident Afghani National
- Age: 18 years or above.
- Joint account can be opened.
- Minor account can be opened under the supervision of his / her / their guardian.

Required Documents

- Photocopy of Citizenship Certificate / Passport / Voter I.D. Card / National I.D. Card / Driving License
- Certified document(s) for source of income
- Nominee form and photograph of nominee(s) (signature attested by the account holder). In case of minor nominee, copy of the birth certificate and photograph required.
- Personal Information Form.
- KYC Form.

Rates & Charges

- Cheque Book Issuance fee :

4.1.2. Followings are the account types of Mushareka Saving Account:

1. Maiwand Mutalem Saving Account:

This type of account requires an initial amount of AFN 5000

The sharing of profit will be based on average balance

The sharing of profit will be on monthly basis

No limitation on withdraw and deposit

Such account can be opened individually or by more than one person

Online banking facility

Electronic card will be issued without any charges

2. Maiwand Mutalem Special Saving Account:

This type of account requires an initial amount of AFN 10000

The sharing of profit will be based on average balance

The sharing of profit will be on monthly basis

No limitation on withdraw and deposit

Such account can be opened individually or by more than one person

Online banking facility

Electronic card will be issued without any charges

3. Maiwand Notes period deposit Account:

In this type of account the amount will be deposited on customer's choice whether for 7days, 15days or one month .

During signing the contract the customer shall mention that for how long the money will be kept with bank and the profit will be charged based on duration of deposit and if the contract is not extended the bank will not pay profit with amount laid with bank even if the money is laid for more than 2 months.

4.1.3 Mudarabah:

Mudaraba is a contract whereby one side the investor or Rabb ul Mal contributes money and the other side work, being the manager or Mudarib. The Rabb ul Mal bears all losses, and the Mudarib(Bank) earns a profit share:

Mudaraba is a concept to provide capital to somebody undertaking the work. It could be understood as being similar to the function of an asset manager or employed manager of a company.

Legally this concept is established as permissible by the consensus of the scholars and not based on primary sources of the Shariah.

As the profits are shared with the Bank (Mudarib) and the capital provider (Rabb ul Mal) or customer but the losses are face only by the capital provider this mode is also named profit sharing – loss faced. Before the manager gets his share, the losses, however, if any, needs to be recovered. A wage could be negotiated.

4.1.3 Important Features of the Mudaraba Agreement:

Every customer that desires to open an account with the Bank shall have to sign the Account Opening Form along with its Terms and Conditions. This is an agreement for provision of general banking services to the customer. However, in case the customer wants to invest whether under the Savings Account or Term Deposit, he shall additionally sign a Mudaraba Agreement, which will govern the relationship between the Bank, as the Mudarib, and the depositor as the Rabb ul Mal. All the accountholders should carefully read the Mudaraba Agreement and the Terms & Conditions of the Accounts before signing them.

1. The relationship between the Bank and the investment depositors will be governed by the terms and conditions of the Mudaraba Agreement.
2. Funds can be invested in both Afghanis & US Dollars.
3. Presently, profit distribution ratio is 50:50 between the investment depositors and the Bank. However, this may be changed to any other ratio after it is announced, through

proper channels, by the Bank to the depositors from time to time. The new weightages become applicable after a given date in future.

3. Profit is calculated on the basis of a weightage system which takes into consideration the size of funds, its tenor and profit payment frequency; and the details of the weightages are available in all the branches of the Bank. The bigger the size of the fund and the longer the tenor, the higher would be the weightage of the fund for profit distribution, because the Bank would be able to invest such funds in relatively long term projects, while short term deposits or deposits of Savings accounts, that may be withdrawn at any time, could not be committed for such projects. All the details of the profit distribution have been incorporated in the Profit Distribution Policy which has been duly approved by the Shari'a Advisor and other authorities of the Bank.

4. Profit will be distributed on quarterly basis.

5. The profit for Savings Accounts shall be calculated on the basis of the monthly minimum. This means that minimum balance of any day during the month shall be regarded as the balance for calculation of the profit for that period, irrespective of any increase in the balance of other days.

4.1.4 Murabahah

Murabaha is a particular kind of sale where the seller expressly mentions the cost of the commodity purchased, and sells it to another person by adding some profit thereon. Thus, Murabaha is not a loan given on interest; it is a sale of a commodity for cash/deferred price.

The Bai' Murabaha involves purchase of a commodity by a bank on behalf of a client and its resale to the latter on cost-plus-profit basis. Under this arrangement, the bank discloses its cost and profit margin to the client.

In other words rather than advancing money to a borrower, the bank will buy the goods from a third party and sell those goods to the customer at an agreed price.

All the expenses incurred by the seller in acquiring the commodity like freight, custom duty etc. shall be included in the cost price and the mark-up can be applied on the aggregate cost.

Murabaha is valid only where the exact cost of a commodity can be ascertained. If the exact cost cannot be ascertained, the commodity cannot be sold on murabaha basis.

Difference between Murabaha and Sale

A simple sale is a sale without disclosing or referring to the cost of goods sold. However when the cost price is disclosed to the client, it is called Murabaha . A simple Murabaha is one where there is cash payment and MurabahaMuajjal is one on deferred payment basis.

Basic Rules for Murabahah

Following are the rules governing a Murabahah transaction:

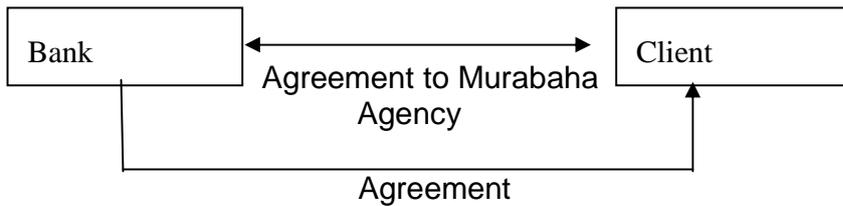
- The subject of sale must exist at the time of the sale. Thus anything that does not exist at the time of sale cannot be sold as this makes the contract void.
- The subject matter should be in the ownership of the seller at the time of sale. If the seller sells something that he himself has not acquired, then the sale becomes void.
- Sale must be unconditional.
- Assets to be sold:
 - a) Should not be used for un-Islamic purpose.
 - b) Should be in ownership of the seller at the time of sale; physical or constructive.
- Re-negotiation of price and roll over of Murabaha are not permitted.
- Discounting of Murabaha instrument is not permitted.

Murabahah financing

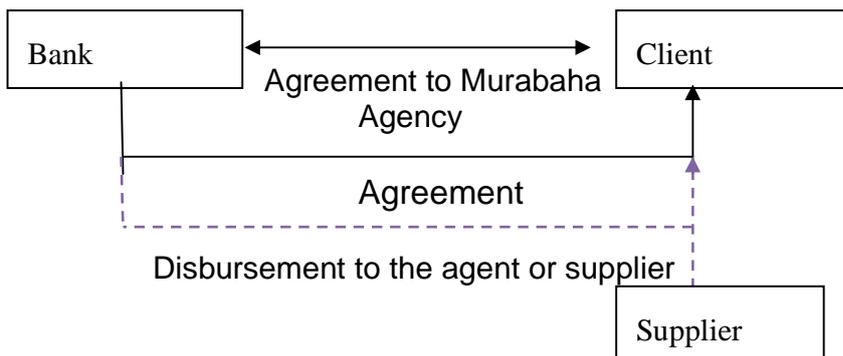
4.1 Client and bank sign an agreement to enter into Murabaha.



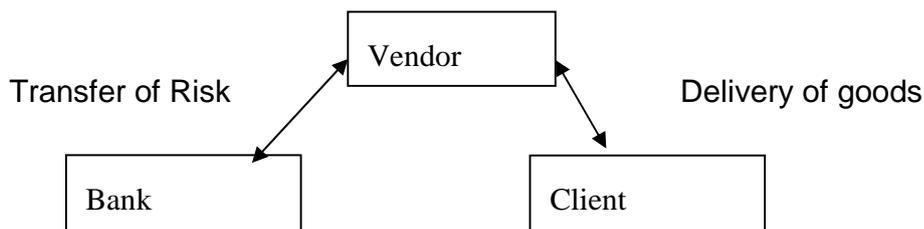
4.2 Client appointed as agent to purchase goods on bank's behalf



4.3 Bank gives money to agent/supplier for purchase of goods.



4.4 The agent takes possession of goods on bank's behalf.



4.5 (a). Client makes an offer to purchase the goods from bank through a declaration.

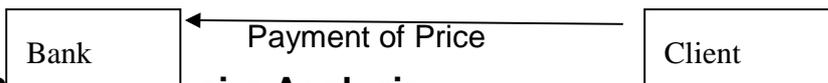


Offer to purchase

5.(b). Bank accepts the offer and sale is concluded.



4.6 Client pays agreed price to bank according to an agreed schedule. Usually on a deferred payment basis (Bai Muajjal)

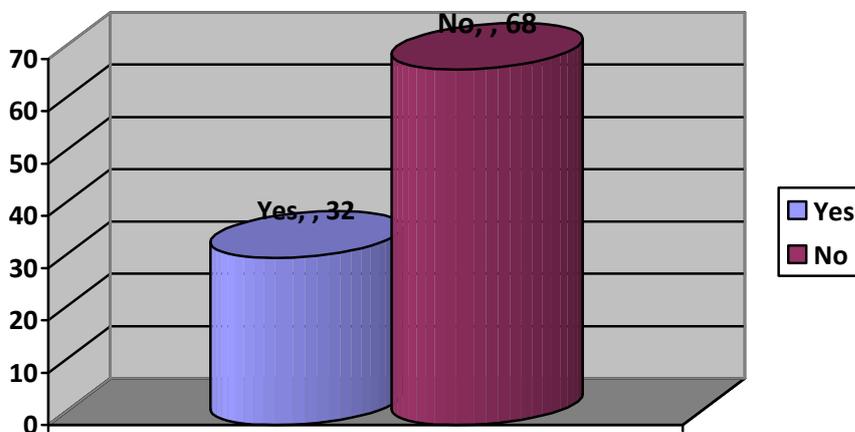


4.2 Questionnaire Analysis

Question 1:

Do you know about the concept of Islamic Banking and its products?

Concept of Islamic Banking	Frequency	%age
Yes	8	32
No	17	68
Total	25	100

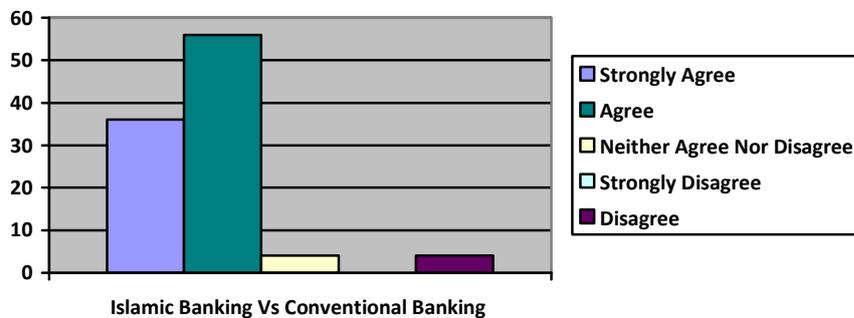


Explanation

The above graph indicates the knowledge of customers about Islamic banking. 32 percent have knowledge of Islamic banking while 68 percent don't have knowledge of Islamic banking. It means that majority of the customers don't have knowledge of Islamic banking.

Question 2: The foundation of Islamic bank is based on the Islamic faith and must stay within the limits of Islamic Law or the Shariah in all of its actions and deeds while conventional banking is essentially based on the debtor-creditor relationship between the depositors and the bank on one hand, and between the borrowers and the bank on the other. Interest is considered to be the price of credit, reflecting the opportunity cost of money.

Islamic Banking Vs Conventional banking	Frequency	%age
Strongly Agree	9	36
Agree	14	56
Neither Agree Nor disagree	1	4
Strongly Disagree	0	0
Disagree	1	4
Total	25	100

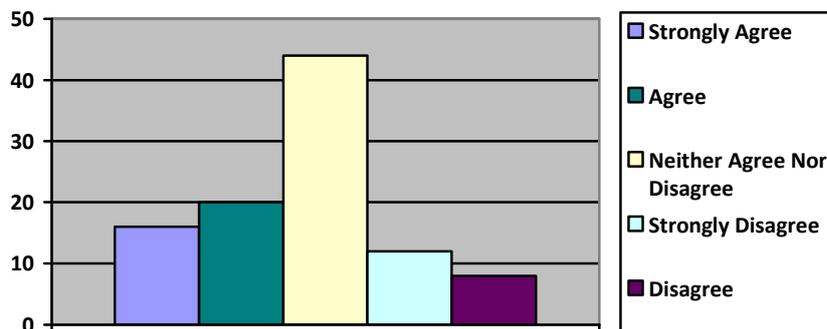


Explanation

The above graph refers to the difference between Islamic banking and conventional banking; out of total respondents. 36 percent customers are strongly agreed. 56 percent customers are Agree, 4 percent are neither are Neither Agree nor disagree, zero present are strongly disagree and 4 percent are Disagree.

Question 3: The Islamic banking products offered by Maiwand bank are in accordance with Islamic principles.

IB products by Maiwand bank are in accordance with Islamic principles	Frequency	%age
Strongly Agree	4	16
Agree	5	20
Neither Agree Nor disagree	11	44
Strongly Disagree	3	12
Disagree	2	8
Total	25	100

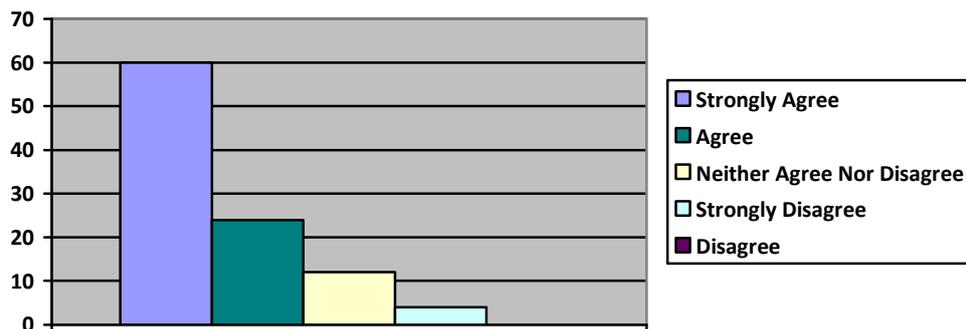


Explanation

The above graph shows that whether the Islamic banking products offered by Maiwand bank are in accordance with Islamic principles; out of total respondents. 16 percent customers are strongly agreed. 20 percent customers are Agree, 44 percent are neither are Neither Agree nor disagree, 12 percent are strongly disagree and 8 percent are Disagree.

Question 4: The Islamic banking division staff provide enough information regarding Islamic banking products and they are trained well.

Provision of enough information to customers regarding Islamic banking products	Frequency	%age
Strongly Agree	15	60
Agree	6	24
Neither Agree Nor disagree	3	12
Strongly Disagree	1	4
Disagree	0	0
Total	25	100



Explanation

The above graph shows that whether the Islamic banking division staff of Maiwand Bank provide enough information regarding Islamic banking products and they are trained well ; out of total respondents. 60 percent customers are strongly agreed. 24 percent customers are Agree, 12 percent are neither are Neither Agree nor disagree, 4 percent are strongly disagree and 0 percent are Disagree.

Question 5: There are Islamic banking guild lines by DAB (Da Afghanistan Bank) to Islamic banking institutions and the banks are applying those guild lines accordingly.

There are Islamic banking guidelines by DAB to commercial banks	Frequency	%age
Strongly Agree	5	20
Agree	4	16
Neither Agree Nor disagree	11	44
Strongly Disagree	1	4
Disagree	4	16
Total	25	100

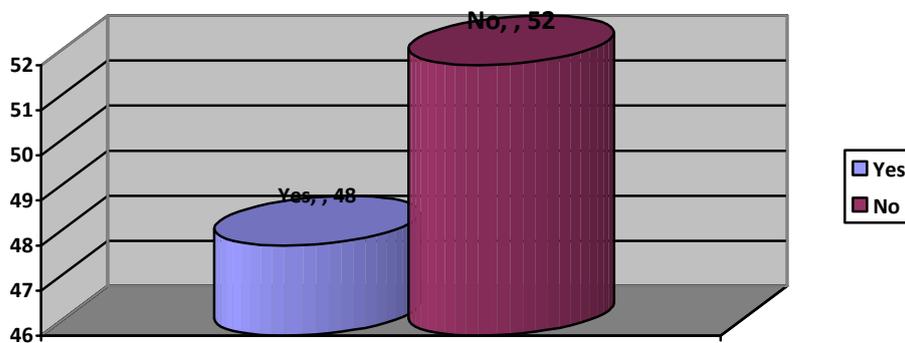


Explanation

The above graph shows that DAB has issued Islamic banking guidelines to commercial banks and they are applying it accordingly; out of total respondents. 20 percent customers are strongly agreed. 16 percent customers are Agree, 44 percent are neither are Neither Agree nor disagree, 4 percent are strongly disagree and 16 percent are Disagree.

Question 6: Are you getting update news and information through Maiwand Bank regarding Islamic banking products and related events?

Are the customers getting update news from bank regarding products	Frequency	%age
Yes	12	48
No	13	52
Total	25	100

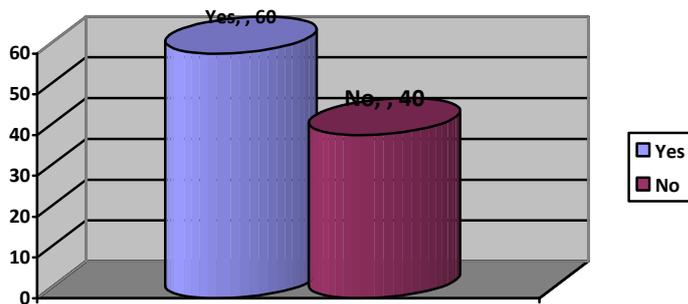


Explanation

The above graph indicates that are the customers getting update news and information through Maiwand Bank regarding Islamic banking products and related events; out of total respondents. 48 percent customers mentioned yes. While 52 percent mentioned No.

Question 7: Are you satisfied with the overall Islamic banking service of Maiwand Bank?

Are the customers satisfied with Islamic banking service of Maiwand Bank	Frequency	%age
Yes	15	60
No	10	40
Total	25	100



Explanation

The above graph indicates the satisfaction level of customers in Maiwand Bank. 60 percent customers mentioned yes. While 40 percent mentioned No.

4.4 Findings

Maiwand Bank is one of fast growing banks in Afghanistan which started the Islamic Banking service for the first time in Afghanistan and this bank is rapidly expanding its operations in to other provinces.

After working on this project the researcher has found following findings which is necessary for the Islamic banking division of MB to concentrate on them in order to improve its current Islamic banking products and Accounts in order to satisfy the needs of its customers

- Absence of Shariah audits in financial institution
- Lack of qualified Shariah supervisory board members in bank
- Lack of research and development in the field of Islamic finance and economics
- Inadequate training for Islamic banking division staff
- A disoriented education system devoid of Islamic principles, lack of public awareness about an Islamic economic system
- No Islamic Banking Guild lines from Gov. Specially from DAB

5. CHAPTER 5 “CONCLUSION AND RECOMMENDATIONS”

5.1 Conclusion

There are some findings and recommendations of MB, which are briefly discussed below.

Regardless of it that the problem is of the external nature or that of internal nature, it is necessary for the bank administration to solve them properly so that the bank can satisfy better the needs of customers and achieve its pre-determined objectives. Using the proper way of administration could solve both these problems.

All the employees working in the bank may be trained well in Islamic banking fields and they should be paid enough monthly salary. Approximately one or two clerks may be appointed other than the sanctioned strength, so that one the time when one takes leave could be replaced by the person in extra. This may cause some financial problems to the bank for which an institution always tries to get rid of. But it will help the bank in negotiating the public properly, which will increase the goodwill of the bank the eyes of public that will result in the increase in the business of bank and profit of bank.

5.2 Recommendations

5.2.1 Short Term Recommendations

The Maiwand Bank is recommended with the following short term recommendations for satisfying the needs of its customers and strengthening their position in the up-beating competition going between different commercial banks.

1. Training sessions for the Islamic Banking branch managers of at least one week duration shall be arranged internally at one place and at one time. The branch managers should be trained in the latest branch management techniques, employee's management, inter branch co-ordination and branch head office co-ordination. Also they should be made aware of Islamic banking vision, mission, objectives, current strategies followed, schemes and facilities offered & marketing activities undertaken.

2. Training should be provided to the line staff of branches about customer handling, giving queries and about latest banking techniques.
3. The Marketing department should arrange together functions, and create knowledge of Islamic banking in customers minds.
4. The Maiwand Bank public relations department sponsors different types of sports activities and Islamic activities as a publicity tool. They should sponsor Quran reciting competition and some liked games.
5. So far no advertisement has been aired for the brand awareness purpose and also about the facilities and schemes offered by the bank on the national electronic media. So to educate the general public about the facilities and schemes offered by the bank and also to improve the image of the bank the marketing department of the bank should run in advertisement on national media from their annual budget.
6. The Bank ATM's and credit cards should be launched as soon as possible for which the regulatory and infrastructure requirements has been fulfilled by the bank.

5.2.2 Medium Term Recommendations

1. The Bank should increase the number of sponsorship of Islamic banking diploma studies and should make it compulsory to the employees to acquire diploma in Islamic banking.
2. The bank should start a program for attracting high caliber young professionals.
3. In order to have a pool of potential employees of the bank, the bank should get the names and addresses of top students from universities.
4. The bank are availing the opportunities present in the country should expand their branch network to other industrial cities and strategic business areas.
5. As the bank runs on the customers' money and staff of the bank should do their best to provide better services to the customers. The bank should compete with other banks on the basis of the quality of their service.

5.2.3 Long Term Recommendations

1. Maiwand Bank should construct a big building for their head office at the bank property in a business area where The Head Office is located now a day. The building should be sufficient enough to accommodate all the departments of the bank, main branch, Car park and should accommodate the other departments of the bank in case of expansion.
2. The bank should also open its branched in other provinces of Afghanistan.

Bibliography

1. Maiwand Bank Magazine
2. Unstructured Interview with Dr. Abdul Shukur Mumand , Head of Islamic banking division at Maiwand Bank
3. Islamic banking in light of Holy Quran and Ahadees , a text book written by Dr. Abdul Shukur Hadawal, Head of Islamic Banking division of Maiwand bank
4. www.maiwandbank.com

ANNEX I:

How an Account is opened in Maiwand Bank

Maiwand Bank currently uses banking software by the name of CBS (Core Banking System) which is currently used by most of banks in Afghanistan such as Bank-e-Millie Afghan, Pashtany Bank etc.

Following steps are taken into consideration for opening an account:

When the account opening officer opens the software through user he/she follows and clicks on below options:

Services-----Customer-----Type (Type of Accounts) ---- Insert

Above options are needed to be filled and then it should be saved,

Stage 1:

1. General: this option contains: Name, F/Name, Last Name etc
2. Correspondence: this option contains Customer's address(current and permanent)
3. Others: Customers documents are attached here
4. Other facilities: in this option the account opening officer writes the type of facility which is offered to customer e.g A.T.M Card
5. KYC: it stands for Know Your Customer which contains the detailed information about the customer e.g source of income monthly income, type of business etc
6. Photograph and signature: the photo of customer will be captured through installed camera with computer and then customer will sign in a card, then the card will be scanned in a through a scanner called(World Card) and the photo and card will be saved in computer.

After processing all above option the next button will be clicked and press ok to go for next stage.

Stage 2 :

Stage 2 is the authorization of accounts which contains below options:

Back Office – Customer Authorization- New Account-Search-Related account select-next – Finish

Finally an icon appears to authorizer and he/she should click on user name and put the user name and select the branch code and type the his/her user password and by clicking ok the preview of ID card appears and the authorizer should check the preview and print the card.

Account Opening Form

BRN:

Branch:

Account No:

Date:

I/We wish to open an account with (Maiwand Bank) and undertake to comply, observe and be bound by the rules and regulations made by you and in force from time to time or as amended by you.

BASIC INFORMATION (For all types of account)

Title of Account

(Please use capital letters while filing as per Tazkira/Passport)

Title to appear on ATM/Debit Card in National Language:

(For individual, Joint & Proprietorship Accounts; Please mention one name for joint Accounts)

Account Type: Al-WADIAH Account A/C MUSHARAKAH Saving A/C
 ADI/M/Term Deposit

(Please tick the appropriate box)

Type of Relationship: Individual Joint Govt. Employee

(Please take the appropriate box)

Sole Proprietor

Pvt.Ltd

Others (Please Specify) _____

Currency: Afghani USD EUR BWP

(Please take the appropriate box)

Initial Cash Deposit: _____

I do not wish to subscribe to Internet Banking

(Please Tick)

PERSONAL INFORMATION (Individual Applicant 1)Title: MR. Ms. Mrs.

First Name: _____ Middle Name: _____ Last Name: _____

Father's/ Husband's Name: _____ Mother's Maiden Name: _____

Date of Birth: _____ Place of Birth: _____

Gender: Male Female **Marital Status:** Single MarriedTazkira No: Passport No:

Date and place of Issue: _____ Expiry Date: _____

Nationality: _____ Country of Residence: _____

Qualification: _____ Occupation/ Profession: _____

Please Specify)

Preferred Mailing Address: Current Residence Permanent Residence Office

Current Resident Address: _____

Permanent Residence Address: _____

Office Address: _____

Mobile#: _____ Office#: _____ Res#: _____ Fax#: _____

Email Address: _____

Accommodation: Apartment House Others: _____Premises is: Owned Rented Parents Others _____

Monthly Income: AF 10000 AF 10000-24999 AF 25000-49999
 50000-74000 AF75000-99999
 AF100000-149,999 AF 150000-200999 Above 200999

Service with present employer: <1 Year 1-3 Years 3-5 Years
 Years

Total Service: 1-3 Years 3-5 Years 5-10 Years 10-15 Years
 Above 15 Years



Name: _____ Relationship: _____ [Tel: _____](#)

Personal Information (Individual Applicant2)

Title: Mr. Mrs. Ms

Fisrt Name: _____ Middle Name: _____ Last Name: _____

Father's/Husband's Name: _____ Mother's Maiden Name: _____

Date of Birth: _____ Place of Birth: _____

Gender: Male: Female:

Marital Status: Single Married Number of Depends

Tazkira No:

Passport No:

Date& Place of Issue: _____ Expiry Date: _____

Nationality: _____ Country of Residence: _____

Qualification: _____ Occupation/profession: _____

Preferred mailing Address: Current Residence Permanent Residence

Office

Current Residence Address: _____

Permanent Residential Address: _____

Office Address: _____

Mobile#: _____ Office#: _____ Res#: _____ Fax#: _____

Email Address: _____

Accommodation: Apartment House Others _____

Premises is: Owned Rented parents Others _____

Business Account Section

Business Name: _____

National Tax No:

Date & Place of Incorporation/Establishment: _____

Nature of Business:

Service Manufacturing Trade

Whole Sale Retail Others _____

Line of Business:

Line of business: Textile Pharmaceutical Machinery

Chemical Construction Others _____

Mailing Address: _____

Registered Address: _____

Telephone#: _____ Fax#: _____ Email: _____ Website: _____

Contact person: _____

Email Address: _____ Tel#: _____ Mobile#: _____ Fax#: _____

Declaration by Authorized Signatories

I/We request you to open an account with (MAIWAND BANK) as per details given . I/We hereby confirm that the information furnished by me/us herein is true, correct & complete in all respects.

I/We agree to observe and be bound by the terms and condition and any changes, supplements or modifications thereto that may be made by the Bank from time to time.

I/We the undersigned authorize you until I/any one of us give/gives you notice in writing to the contrary, to honor and pay to the debit of such account all cheques, drafts and orders, all bills accepted and all notes made when endorsed/signed by:

Me: Either or Survivor Jointly

Any other of our representative who's signed is attached

Name: _____ Signature _____

Name: _____ Signature _____

Operating Instructions: singly Eithor or Survivor Jointly

Jointly any others: _____

Hold Mail Required: Yes No

Additional Information

Presently banking with: _____ Since _____ A/c# _____

How did you learn about this Bank:

Print Advertising TV Advertising Outdoor Advertising

Other _____

Reason(s) for opening bank account with us :

Halal Banking Friendly Staff convenient location

Customer Service Other _____

How would you like to be informed about new products and announcements?

by Mail by Email by telephone by relationship officer

For BANK USE ONLY

Passport No:

Introducer's Name _____

Code _____

Reviewed and Signed by in charge deposits:

Account Opening checklist

Individual customer/ joint accounts

Description:

- | | | | |
|---------------------------------------|--------------------------|------------------------------|--------------------------|
| 1. Date of Account opening | <input type="checkbox"/> | 11. Currency Account | <input type="checkbox"/> |
| 2. Account Opening Approval | <input type="checkbox"/> | 12. Related Account info | <input type="checkbox"/> |
| 3. Customer Name | <input type="checkbox"/> | 13. Cheque Book request form | <input type="checkbox"/> |
| 4. Joint Name | <input type="checkbox"/> | 14.ATM | <input type="checkbox"/> |
| 5. Mailing Address | <input type="checkbox"/> | | |
| 6. K.Y.C form | <input type="checkbox"/> | | |
| 7. Telephone Number | <input type="checkbox"/> | | |
| 8. Nationality | <input type="checkbox"/> | | |
| 9. Attested Copy of Tazkira/ Passport | <input type="checkbox"/> | | |
| 10. Account Type | <input type="checkbox"/> | | |

Sole Proprietorship

- | | | | |
|---------------------------------------|--------------------------|------------------------------|--------------------------|
| 1. Attested Copy of Tazkira/ Passport | <input type="checkbox"/> | 3. A/c opening request | <input type="checkbox"/> |
| 2. Copy Tax certificate | <input type="checkbox"/> | 4. Sole Proprietorship Stamp | <input type="checkbox"/> |

Limited Company Accounts

- | | | | |
|---------------------------------|--------------------------|--------------------------------------|--------------------------|
| 1. Certificate of Incorporation | <input type="checkbox"/> | 5. Current list of directors | <input type="checkbox"/> |
| 2. Certificate of Commencement | <input type="checkbox"/> | 6. Copy of board resolution | <input type="checkbox"/> |
| 3. Memorandum of Association | <input type="checkbox"/> | 7. Attested copy of Tazkira/Passport | <input type="checkbox"/> |

4. Article of Association

8. Copy of National Tax certificate

Verified and approved by

Account opening officer's Name& Signature

When above form is completely filed then the customer will receive his/her bank account card.

ANNEX II:

**Questioners for Thesis report on Customers Satisfaction and Awareness about
Islamic banking products of Maiwand Bank**

سوالات پیرامون مونوگراف تحت عنوان "رضاعیت و آگاهی مشتریان در رابطه به خدمات بانکداری اسلامی
میوند بانک"

1	Do you know about the concept of Islamic Banking and its products?	آیا در مورد بانکداری اسلامی و خدمات بانکداری اسلامی که ارابه میگیرد معلومات دارید؟			
<input type="checkbox"/> Yes (بلی)		<input type="checkbox"/> No (نخیر)			
2	The foundation of Islamic bank is based on the Islamic faith and must stay within the limits of Islamic Law or the Shariah in all of its actions and deeds while conventional banking is essentially based on the debtor-creditor relationship between the depositors and the bank on one hand, and between the borrowers and the bank on the other. Interest is considered to be the price of credit, reflecting the opportunity cost of money.	بانکداری اسلامی مطابق اساسات و عقاید اسلامی بوده که حدود تعیین شده در آن مد نظر گرفته میشود ولی بانکداری غیر اسلامی یا بانکداری مروج امروزی بر اساس تفاهم میان بانک و مشتری بوده که در آن مفاد (سود) نیز به اساس تفاهم هر دو جناح شامل میباشد.			
<input type="checkbox"/> Strongly Agree (کاملاً موافقم)		<input type="checkbox"/> Agree (موافقم)	<input type="checkbox"/> Neither Agree Nor disagree (نظری ندارم)	<input type="checkbox"/> Strongly Disagree (کاملاً مخالفم)	<input type="checkbox"/> Disagree (مخالفم)
3	The Islamic banking products offered by Maiwand bank are in accordance with	خدمات بانکداری اسلامی که توسط میوند بانک صورت میگیرد مطابق با اصول و شرایط بانکداری اسلامی			

	Islamic principles.	میباشد.			
<input type="checkbox"/> Strongly Agree (کاملاً موافقم)	<input type="checkbox"/> Agree (موافقم)	<input type="checkbox"/> Neither Agree Nor disagree (نظری ندارم)	<input type="checkbox"/> Strongly Disagree (کاملاً مخالفم)	<input type="checkbox"/> Disagree (مخالفم)	
4	The Islamic banking division staffs provide enough information regarding Islamic banking products and they are trained well.	کارمندان شعبه بانکداری اسلامی میوند بانک دارای مهارت و تجارب کافی بوده و معلومات کافی را به مشتریان نیز ارایه میدارند.			
<input type="checkbox"/> Strongly Agree (کاملاً موافقم)	<input type="checkbox"/> Agree (موافقم)	<input type="checkbox"/> Neither Agree Nor disagree (نظری ندارم)	<input type="checkbox"/> Strongly Disagree (کاملاً مخالفم)	<input type="checkbox"/> Disagree (مخالفم)	
5	There are Islamic banking guild lines by DAB(Da Afghanistan Bank) to Islamic banking institutions and the banks are applying those guild lines accordingly	طرز العمل بانکداری اسلامی توسط بانک مرکزی به تمام بانک های خصوصی که خدمات بانکداری اسلامی ارایه میدارند توزیع گردیده و بانکها مطابق آن خدمات شان را عرضه میدارند.			
<input type="checkbox"/> Strongly Agree (کاملاً موافقم)	<input type="checkbox"/> Agree (موافقم)	<input type="checkbox"/> Neither Agree Nor disagree (نظری ندارم)	<input type="checkbox"/> Strongly Disagree (کاملاً مخالفم)	<input type="checkbox"/> Disagree (مخالفم)	
6	Are you getting update news and information through Maiwand Bank regarding Islamic banking products and related events?	آیا از طریق میوند بانک در مورد بانکداری اسلامی و حساب های بانکی آگاهی حاصل مینمائید؟			
<input type="checkbox"/> Yes (بلی)		<input type="checkbox"/> No (نخیر)			

7	Are you satisfied with the overall Islamic banking service of Maiwand Bank?	آیا در مجموع از خدمات بانکداری اسلامی میوند بانک راضی هستید.
<input type="checkbox"/>	Yes (بلی)	<input type="checkbox"/> No (نخیر)

List of Acronyms

DAB	Da Afghanistan Bank
MB	Maiwand Bank
KYC	Know Your Customer
ATM's	Automated Teller Machine
A.D	Anno Domini
IDB	Industrial Development Bank
MSD	Musharaka Saving Deposit
MSDC	Musharaka Saving Deposit Certificate