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Editor
NADEEM HASNAIN

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FREEDOM, JUSTICE, HUMAN DIGNITY: AN ARABIAN QUEST

Ranjit Sau

Abstract: *The concepts of man and of human progress have recently taken a remarkable turn in that now the focus is, in the first instance, on fuller flourishing of the vast inherent potentialities that a child brings at birth, and their exercise later in life in an environment of freedom, justice and dignity. Such a far-reaching, radical approach is refreshingly ambitious and possibly effective to bring about a society where all human beings would be, in fact, free and equal in social and political spheres. The project looks like a dream that can probably come true, given enough public resolve.*

Human progress in the Arab land is hampered by three key deficits that can be considered defining features: the freedom deficit, the women's empowerment deficit, and the human capabilities/knowledge deficit. To redress these deficiencies, an independent group of Arab scholars led by Nader Fergany, an eminent scholar from Egypt, has formulated a template that advances the cause of a new renaissance in Arabia. The present essay is but a selected annotation of the Fergany blueprint.

A powerful shift in the demographic profile of Arab countries is underway. In Saudi Arabia, for example, as much as one-fourth of the population is foreigners. Foreign workers constitute not less than two-thirds of the total population in six Gulf countries. Fertility rates are falling significantly across the land. In case this trend persists, Arabia of today would become tomorrow a multi-religious, multi-cultural region. Social stability with democracy under such circumstances requires an overlapping consensus on the conception of right and justice among all comprehensive doctrines of faith. And public reason has to strive for eliciting that consensus.

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A profound change has taken place recently in the concept of human being and human progress. In the new view, at birth a person is endowed with certain potentialities, some of which would be realised in the course of her/his life. The realised potentialities constitute the person's 'mental and physical capabilities', i.e. 'capacity for labour'. This capacity can be exercised only if social, economic and political opportunities are available.

And by the very process of exercising it, the set of capacity itself gets transformed. This is how human progress is achieved.¹ Human progress, thus, represents an equation: at the left-hand side are the potentialities and capacity, and at the right-hand side the environment where potentialities are translated into capacity and the latter gets engaged in activity.

Potentialities and capacity are the source of human dignity. Human progress flourishes only in an environment of freedom and justice. In some parts of the world progress is stunted owing to the lack of freedom and justice, despite the presence of human potentialities and capacity. The Arab region comprising 22 member-states of the Arab League shows evidence of such retarded progress, according to the *Arab Human Development Report* (AHDR), sponsored jointly by the United Nations Development Programme (UNDP), the Arab Fund for Economic and Social Development, and the Arab Gulf Programme for United Nations Development Organisations (AGFUND).

Freedom

What is freedom? The independent group of Arab intellectuals led by Nader Fergany, which prepared the three-volume AHDR, describes freedom as 'the liberation of the individual from all factors that are inconsistent with human dignity, such as hunger, disease, ignorance, poverty, and fear' (AHDR 3:8). Freedom includes political freedoms, economic freedoms as well as social freedoms, which are known to be interconnected, complementary, and mutually reinforcing. Its prevalence requires societal institutions to promote, defend and sustain freedom.

Freedom is not the only supreme human goal. There are others; freedom is not justice, equality, or beauty, for example. Freedom might even be inconsistent with other supreme human goals. This means that a superior and enriching human existence might sometimes require preferring one value over another, or reconciling freedom with other ultimate human goals. This possible clash among ultimate goals is one of the reasons for the insistence on the high value of freedom to choose. If it were possible in a good society to realise all ultimate human goals in concert, the agony of choosing between alternatives would vanish.

Freedom is not a blessing that comes without cost: freedom and responsibility go together. Freedom does not only imply the individual's enjoyment of opportunities, nor does it require simply that the individual shoulder the burden of choice. It also implies bearing the consequences of one's decisions; thus to withdraw from responsibility means, in reality, a surrender of freedom.

Equality before the law and with regard to prevailing norms of conduct is the sole type of equality to be guaranteed for preserving freedom. For freedom may ultimately entail the negation of equality in numerous spheres. While justice demands certain conditions or

opportunity for people, which the government defines for all equally, it is possible that conditions of freedom will produce a minimum of equality in terms of results. Equality before the law and equality of opportunity can coexist with various forms of human hardships, such as hunger, disease, or poverty.

The notion of integrating individual liberty with societal organization in the service of human progress is compelling. Societal institutions have an essential place in securing or delimiting the liberty of individuals, considering them as active agents and not as passive recipients of benefits. Many kinds of institutions come to take part in this respect: free markets, government administration, legislatures, political parties, the justice system, nongovernment organizations, and mass media. All of these contribute towards strengthening and safeguarding individual freedom. Political freedoms, economic freedoms, and social freedoms enable people to build their 'capacity of labour' on the basis of their innate potentialities and utilise it to lead the kind of life they desire: achieving this brings human progress.

Democracy, in essence, is a system of managing conflict that allows free competition over the values and goods that citizens care to preserve. As long as there is a group that does not resort to violence, and does not transgress the rights of other citizens, it is accorded freedom to work to promote its interests in both civil and political society. This, in brief, constitutes the core of democratic institutional arrangement.

On occasions, one has to distinguish between freedom and democracy. Excess of the latter, i.e. democracy, and a deficit in the former, i.e. freedom, is known to have occurred in history. If freedom leads to democracy (as in the case of the UK and the US where enjoyment of freedom preceded the establishment of democracy in the 19th century), the opposite is not necessarily true.

Freedom is an end in itself, it is also a means. What is the goal of freedom? The goal of freedom, according to John Stuart Mill, is 'pursuing our own good in our own way,' and this is the most important component of 'happiness or well-being.' On this basis, Mill believed that happiness would accrue only to 'someone who was capable of choosing an independent path and who had the public sphere available in which to exercise that capacity,' through possessing 'faculties of critical judgment and free choice.'

We have the right to discuss, to disagree, to attack, to reject or even to forcefully condemn an opinion. But we have absolutely no right to obstruct or suppress that opinion, because to do so will destroy the very foundation of that right itself. Indeed, to do so constitutes nothing less than collective suicide, both intellectual and moral. For without the right and ability to protest, there can be no justice and no end worth striving for. Without complete freedom of opinion and debate, the truth cannot emerge. So, in Mill's view, even if we find our selves facing no actual opposition, we should devise arguments against ourselves simply in order to remain in a state of 'intellectual fitness.'

Mill poses a very strong connection between freedom, especially freedom of thought and debate, creative expression, innovation, and human progress. For him, the primary engine of progress is the coupling of 'freedom and variety,' which leads in turn to individuality and originality. This combination forestalls the mediocrity that necessarily arises when people remain in a state of conformity and compliance. And Mill made no

exception to the issue of freedom itself. In the introduction to *On Liberty*, he proposes that issues of liberty must be presented anew to humanity whenever human conditions change.

Human conditions in Arabia have changed, indeed. The Fergany group of Arab intellectuals reconsiders freedom with regard to this region at the start of the third millennium. The majority of Arab thinkers today are moving in the direction of a renaissance which combines the principles of freedom and justice, although they may differ as to which principle should come first.

The Arab Discourse: Arab history provides both actual and practical experience of particular significance in respect of freedom and its opposite, that is, coercion. Religious freedom had prevailed as early as 622 at the founding of the first Islamic state in Madina by Mohammad himself. Article 25 of the Constitution of Madina explicitly granted the right to freedom of religion to all: 'The Jews have their religion (*din*), and the Muslims have theirs, and this applies to their freedmen as well as to themselves, except for the one who acts wrongly or unjustly. That person hurts none but himself and his family' (ibid: 62, Watt 1956: 223). Both the Umayyads and Abbasids continued religious freedom. In literary and cultural arena debate on religion and articles of faith between Muslims and Christians was free and rich, and it extended to other creeds and schools of thought. At the turn of the first millennium (9th and 10th centuries), 'freedom often expressed itself in forms incompatible with traditional values'—it was 'the age of liberalism.'

As for political freedom or lack of it, for example, the early Arab history witnessed an upsurge of the 'Umayyad coercive ideology' that attempted to exploit religion for overt political purposes. The Umayyad dynasty (r. 665-750) encouraged the pre-destination doctrine that human actions were pre-ordained, in order to claim that the many injustices for which it was responsible were fated acts ordered by the divine will. So the question of its guilt did not arise, it was merely an instrument to execute the divine plan.

Hasan al-Basri (d. 728) had been brought up in Madina in circles close to the prophet's family. He supported the Umayyads, but made it clear that he reserved the right to criticise them if they deserved it. A student of the theology known as Qadariyyah, Hasan argued that human beings had free will and were responsible for their actions, and that they were not predestined to act in a fixed way. God will not command people to live virtuously if it was not in their power. Therefore, the caliphs must be held accountable for their deeds, and must be taken to task if they deviated from the path of piety.

Hasan's pupil, Wasan ibn Ata (d. 748) founded a moderate school, Mutazila. Mutazilites were often political activists. They turned the statement that people have choice as well as responsibility into a ray of enlightenment, and gave the ontological concept of freedom an open political space. Thus they greatly contributed to refuting the claims of the ideology of coercion and helped place political freedom in Arab religious thoughts on solid foundation. In general, expressions of freedom surfaced visibly across Arab history in all domains: religion, politics, society and economics. The Mutazilites would dominate the intellectual scene in Iraq for over a century.

Freedom in the modern sense of the word came into Arab culture through European influence, especially French. Rifaa al-Tahtawi (1801-1873) of Egypt was the first to refer

to the idea of freedom and connect it with 'justice and equity' in the Islamic heritage. To him, freedom was an essential condition for the progress and civilisation of the nation. His Moroccan contemporary Ahmed bin Khalid al-Nasseri put forward a contrary position that 'the notion of freedom is undoubtedly the work of heretics,' and that it disregarded the rights of humanity. Evidently, a tradition of thesis and antithesis had found deep roots in Arab discourse.

Throughout the 20th century, freedom in Arab culture represents strong desire, a vital need, a major demand and a powerful slogan promoted, most notably, by the proponents of 'free thought' as well as those of 'national independence.' The call for freedom seemed to represent a break with the past among the individuals, groups and parties that sought it; it was an aim to be pursued for the sake of life itself and for the future.

An overwhelming wave of interest in the quest for freedom inspired by the philosophy of existentialism swept the Arab cultural scene. Abdul Rahman Badawi, Zakariya Ibrahim and Mutta Safdi were at the forefront of the movement. A Moroccan philosopher Mohammad Aziz al-Habbabi in his outstanding work *Liberty and Liberation* introduced an innovation known as 'realistic personalism;' it marked a progress in the concept of freedom to be summed up in the phrase 'from freedom to emancipation.' This was a move from freedom as a psychological, spiritual, metaphysical experience and total independence of the self to a 'militant, practical and social experience' which brought emancipation from natural constraints and from all kinds of oppressions, deprivation and exploitation. It consists of 'real freedoms', social, economic and political.

This development gave rise to related societal and civilisational orientations, such as expressed by the nationalist thinker Constantine Zurreq, and a group of social-minded intellectuals inspired by Marxism. Zurreq linked the question of freedom to that of 'civilisational potential' or simply 'civilisation' which, he believed, distinguishes nations in terms of their progress or backwardness. He thought that the backwardness suffered by Arabs in modern times was due to their weak and unbalanced standard of civilization. To overcome both the imbalance and the weakness, basic conditions for civilisation must be guaranteed, for they alone can ensure progress.

Zurreq believes that eight most important yardsticks for determining the degree of civilisation in a given society are: technical know-how; accumulated scientific knowledge; moral values; artistic and literary creativity; freedom of thought; the extent to which skills and values are to be found throughout society; the prevailing systems, institutions and traditions with freedoms and rights they contain; and persons whose lives and activities reflect those skills and values. He gathered his arguments under two main headings: creativity and emancipation. Freedom of thought is necessary for creativity and all else depends on it. Emancipation is the other facet of civilisation and measures the degree of a person's liberation from nature, from illness and desire for self, and from other people, be they exploiting groups or classes or the hegemony of other societies.

At first glance it appears that the current Islamic thought is not particularly concerned with the question of freedom in the practical sense, concentrating instead on the old question whether human actions are the doings of man or of the divine authority. Some scholars,

however, insist that religious texts 'recognise freedom of opinion' and 'political freedom', subject to one limitation, namely, commitment to Islamic law, i.e. *sharia*. To them, the theory of Islamic freedom stems from their critique of the liberal concept of freedom which is said to be based on a number of 'extraneous elements', such as secularism, nationalist movement, capitalist economy, and personal freedom especially including women's liberty to wear practical modern clothing and mix with men, the implementation of foreign laws and parliamentary system.

Evidently, the Arab struggle for freedom is nothing if not full of abundant freedom of opinion, displaying a wide variety of theories, programmes, and positions. Here is, for example, another distinct strand of Islamic consciousness. In the 1950s, the notion of Arab nationalism came to the political arena, for example, in Baathism of Syria and Nasserism of Egypt. It put freedom at the centre of ideology. The Baathist credo had three cornerstones: unity, socialism, freedom. Yet the revolutionary nature of these movements and the surrounding context made the leaders postpone the pursuit of freedom in favour of other principles, namely, Arab unity in Baathism and socialism in Nasserism.

In the light of the variegated theory and practice of freedom in Islamic literature and elsewhere the Fergany intellectuals have formulated a concept of freedom and recommended it to Arabia. Freedom, in its reckoning, has two sides: negative and positive. The first concerns the domain in which an individual (or group) is able to exist and to act without interference by others; it requires lifting any restrictions placed on the person. The second, positive side has to do with the *source* of interference or control over the being or action of the person, or the manners in which individual freedom is regulated for the purpose of avoiding chaos.

The importance of the second aspect of freedom is that some freedoms can be incompatible with higher human goals. An unimpeded spread of total freedom may, for example, block the satisfaction of basic needs of people at large. In short, the positive part of freedom insists that one's freedom must not be inimical to that of others.

Freedom is to be understood in its broader version: not merely civil and political rights linked to citizenship and democracy, but comprehensive enough to include liberation of the individual from all factors that stand in the way of human dignity, such as hunger, disease, ignorance, poverty, and fear. It covers all realms of human rights, that is, economic, social, cultural, and environmental as well as civil and political rights. In this conception, freedom is considered both an ultimate goal of human progress and its foundation.

It needs to be underlined that the individual is free only in a free society within a free nation. Distinguishing between society and nation allows for an analysis and fulfillment of freedoms of different groups in that social space between the individual and the nation. It thus facilitates consideration of minorities, whether ethnic or religious, and the important question of respect for their rights. Rights are the forms of freedom; they must be given substance in all for all.

Now, the pivotal questions are: can the present Arab society achieve this conception of freedom? Are Arab culture and Islam inherently incompatible with freedom? Freedom is unlikely to come by spontaneously. If so, where to begin and how?

The Freedom Deficit: People arrange their lives spread over three interconnected sectors, namely, society, economy, and polity. Society and economy constitute the base, upon it arises a political superstructure. By certain measures, the Arab countries had the lowest freedom score in the late 1990s (AHDR 1:27).

To begin with the polity, the modern Arab state, in the political sense, runs close to this astronomical model, whereby the executive apparatus resembles a 'black hole' which converts its social environment into which nothing moves and from which nothing escapes (AHDR 3:15).

The increasing centralisation of the executive is guaranteed in the constitutional texts of certain states, which vests wide powers in the head of state. The latter becomes the supreme leader of the executive, the council of ministers, the armed forces, the judiciary and public services. In addition to the absolute powers of the executive body, there are additional mechanisms that increase the concentration of power in its hand.

Without the majority of people behind them, most Arab regimes resort to other sources of legitimacy: traditional (religious/tribal), revolutionary (nationalist/liberation), or patriarchal claiming authority flowing from the wisdom of 'the family head.' To justify their continuation of power they style themselves as the lesser of the two evils, or the last line of defence against fundamentalist tyranny, or even more dramatically, against chaos and collapse of the state. The formula is what some have dubbed 'the legitimacy blackmail.'

Roots of the oppressive polity reside in the base: the society and the economy. A number of interrelated factors constricting freedom are embedded in Arab social structures—each of these factors being a link in an interconnected chain. Starting with the child's upbringing within the family, passing through educational institutions, and ending with politics—each link in the chain takes its portion of freedom from the individual and delivers her or him to the next, which in turn steals a further share.

In varying degrees, the family, the primary unit of Arab society, follows clannism², which implants submission, and is considered detrimental to personal independence, intellectual daring, and the flowering of a unique and authentic human entity.

Once children enter school, they find the educational institution, curricula, teaching and evaluation methods which rely on dictation and instill submission. This learning environment does not permit free dialogue and active exploration and consequently does not open doors to freedom of thought and criticism. It weakens the capacity to hold opposing viewpoints and to think outside the box. Its social function is the reproduction of control in Arab societies.

The economic structure adds to the woes. The mode of production is the method by which economic surplus is derived, distributed and invested. Arabia's mode of production, is characterised as 'rentier' in that the basic source of revenue is rent that comes from the extraction of mostly unprocessed natural resources, primarily crude oil. The direct benefit of oil is not confined to Arab Gulf countries; in an increasing number of other Arab countries oil is also the main source of public finance. Oil rents flow into non-oil Arab countries by way of financial remittances, whether official or sent by their citizens working in the oil countries.

Arab states also receive other rents, some of which are derived from geographical location such as the income from the Suez Canal. A small number of Arab states that are positioned for an influential role obtain rent on the strategic position of the region and the challenge which that position brings. They receive such flows mostly in the form of aid.

The rentier mode of production opens cracks in the fundamental relationship between citizens as the payee of public tax revenue and the government. Where a government relies on financing from the tax revenue paid by citizens, it is subject to questioning about how it allocates state resources. By contrast, in a rentier mode of production the government can act as a generous provider that demands no taxes or duties in return. This hand that gives can also take away, and the government is therefore entitled to require loyalty from its citizens invoking the mentality of a clan. In the rentier state, government is absolved of any periodic accountability, not to mention representation. Thus the vicious circle of the freedom-constricting chain is complete.

Overlapping Consensus: In many developing countries, the question of whether a global or a local approach to various aspects of life is more appropriate is often a controversial issue. Freedom, human rights, and democracy are no exception.

Is the idea of human rights really universal? Are there not ethics such as in the realm of Confucian cultures, which tend to focus on discipline rather than on rights, on loyalty rather than on entitlement? Are Asian values opposed—or indifferent—to basic political rights? This debate was forcefully joined by Lee Kuan Yew, the former president of Singapore, arguing in favour of 'Asian values' poised against universal freedom.

A similar controversy is raging with regard to Arabia. The Fergany circle of Arab scholars has declared: 'In general, we incline towards the local or the particular, a context that is conducive to supporting and encouraging an Arab identity, but with the caveat that we should not isolate ourselves or ignore the global environment of which we are a part.' 'In other words, we support taking the local or particular approach in the context of a creative interaction with the achievements of human civilisation, within a framework of a project to stimulate an Arab renaissance.' The group remains hopeful that considerations of Arab specificity will combine with universal human rights to enrich international human rights law from an Arab perspective, rather than to distract from it. And it emphasises that 'the Arab world remains in need of an Arab Bill of Human Rights that is acceptable to all in the region and that can draw on the values of the Arab-Islamic culture' (ibid: 75).

In rebuttal to Lee's position, it has been pointed out that generalisations about Asia are not easy, given its size. Asia is where about 60 percent of the total world population live. Even every country has much diversity as it receives cultural influences from within and without its political borders. For example, it is said about the religion of the 124 million Japanese that 112 million are Shintoist and 93 million Buddhist. Different cultural influences still colour aspects of the identity of the contemporary Japanese, and the same persons can be both Shintoist and Buddhist (Sen 2000:232).

Such observations can be made about, say, Indonesia as well, or about almost all other countries and regions. Arabia is no exception. 'The intellectual curiosity, the adventures in rationalist speculation, the spirit of scientific inquiry among the Arabs of the eighth and

ninth centuries are striking,' writes Nehru (1946:231). 'Arab travelers, among the greatest of their kind, go to far countries to find out what other peoples were doing and thinking, to study and understand their philosophies and sciences and ways of life, and then develop their own thought.'

Scholars and books from abroad were brought to Baghdad and the Khalif al-Mansur (mid-eighth century) established a research and translation bureau where translations were made from Greek, Syriac, Zend, Latin, and Sanskrit. Old monasteries in Syria, Asia Minor and the Levent were ransacked for manuscripts.

The old Alexandrian schools had been closed by Christian bishops and their scholars had been driven out. Many of these exiles had drifted to Persia and elsewhere. They now found a welcome and a safe haven in Baghdad and they brought Greek philosophy and science and mathematics with them—Plato, Aristotle, Ptolemy and Euclid. There were Nestorian and Jewish scholars and Indian physicians, philosophers and mathematicians. All this continued and developed during the reigns of Khalifs Harun al-Rashid and al-Mamun (eighth and ninth centuries) and Baghdad became the biggest intellectual centre of the civilised world. There were many contacts with India during this period and the Arabs learnt much of Indian mathematics, astronomy, and medicine.

Both for philosophy and science the Arabs looked, in the main, to Greece and the old Alexandrian schools. Plato and more especially Aristotle exercised a powerful influence on the Arab mind. Neo-Platonism from Alexandria also enriched Arab thinking. The materialist school of Greek philosophy reached the Arabs and led to the rise of rationalism and materialism. The rationalists tried to interpret religious tenets and injunctions in terms of reason; the materialists rejected religion altogether. What is noteworthy is the full freedom of discussion allowed in Baghdad for all these novel and conflicting theories. This controversy and conflict between faith and reason spread from Baghdad to all over the Arab world and reached Spain.

Rationalism led to agnosticism and skepticism. Gradually with the decline of Baghdad and the growth of Turkish power, the spirit of rationalist inquiry lessened. 'The flowering of Arab culture and civilization in western and central Asia derived its inspiration from two main sources—Arab and Iranian. The two mixed inextricably, producing a vigour of thought as well as a high standard of living conditions for the upper classes. From the Arabs came the vigour and the spirit of inquiry; from the Iranians, the graces of life, art, and luxury,' concludes Nehru.

If Asia has diversity, evidently so does Arabia. If Asia is a rich assimilation of multiple cultural trends and traditions, no doubt, so is Arabia. To visualise a self-nourished Arab culture in a self-contained 'Arab world', as distinct from an imaginary 'non-Arab world', seems a somewhat inadequate rendering of Arab history. Of the 1.5 billion Muslims of the world, the Arab region, with a population of 75 million including non-Muslims, accounts for merely less than one-fifth.

Progressive Arab intellectuals are seeking a renaissance in the region. If its history is any guide, especially the Abbasid florescence of the eighth and ninth centuries, Arabia could do no better than opening its gates and windows to let in fresh air of ideas from the

East as much as from the West. Indonesia and India, in particular, could be of special interest to it as practical examples of democracy and cultural coexistence. India is the home to the second largest Muslim population (150 million) in any one country, behind only Indonesia (population 218 million).

Human rights are essentially a set of ethical claims, rather than a consequence of legislated legal statements. They are a direct derivative of the perceived human dignity, arising prior to any human-made institutions. If human dignity is recognised as universal, so are the human rights. Whether or not they are accorded protection with political arrangements in a given context is an empirical question. But their existence can never be denied, once human dignity is admitted.

The Universal Declaration of Human Rights (UDHR) was adopted and proclaimed by the UN General Assembly in 1948. Its Preamble begins with the acknowledgement that the 'recognition of the inherent dignity and of the equal and inalienable rights of all members of human family is the foundation of freedom, justice and peace in the world.' It states that 'the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of human person and in the equal rights of men and women, and have determined to promote social progress and better standards of life in larger freedom.' And 'Member States have pledged themselves to achieve, in cooperation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedom.' Article 1 of the UDHR opens with the statement: 'All human beings are born free and equal in dignity and rights.'

Some think that it is crucial to acknowledge a disparity between human rights principles, according to international human rights law informed by the UDHR, and traditional interpretations of Islamic law (Sharia) in some areas, such as total equality between men and women, and the treatment of religious minorities. The principle of complete gender equality means that international human rights law prohibits discrimination against women (for example, on inheritance) and minorities (for instance, acceding to the position of Head of State).

Some scholars hold a different, positive viewpoint. 'Some argue that international human rights law and Islam can be harmonised by applying the logic of *ijtihad* (interpretive reasoning) starting from the principle of the welfare of the Muslim nation, even if this transcends the current logic of jurisprudence (*fiqh*). In fact some such interpretations have already established congruence between international human rights law and Islamic law' (AHDR 3:75).

Abdullahi Ahmed An-Naim in his book, *Toward an Islamic Reformation: Civil Liberties, Human Rights, and International Law*, introduces the idea of reconsidering the traditional interpretation of Sharia, which for Muslims is divine law. The basic concept of An-Naim's approach, following the late Sudanese author Ustad Mohamoud Mohamed Taha, is that the traditional understanding of Sharia has been based on the teachings of the later Madina period of Mohammad, whereas the teachings of the earlier Makka period of Mohammad are the eternal, universal and fundamental message of Islam. An-Naim claims that the superior Makka teachings and principles were rejected in favour of the more realistic and

practical, in the seventh-century historical context, Madina teachings because society was not yet ready for their implementation. Now that the historical conditions have changed, An-Naim believes that Muslims should follow the earlier Makka period in interpreting the Sharia. So interpreted, he says that Sharia supports constitutional democracy (ibid: 69-100).

In particular, the earlier Makka interpretation of Sharia supports equality of men and women, and complete freedom of choice in matters of faith and religion, both of which are in accordance with the constitutional principle of equality before the law. 'The Koran does not mention constitutionalism, but human rational thinking and experience have shown,' writes An-Naim, 'that constitutionalism is necessary, for reaching the just and good society prescribed by the Koran. An Islamic justification and support for constitutionalism is important and relevant for Muslims. Non-Muslims may have their secular or other justifications. As long as all are agreed on the principles and specific rules of constitutionalism, including complete equality and non-discrimination on grounds of gender or religion, each may have his or her own reasons for coming to that agreement.' 'This is a perfect example of overlapping consensus,' comments John Rawls (1999b:151n).

Justice

The principles of justice are derived from the ends that persons are assumed to pursue. Suppose that the ultimate goal of the persons is to enjoy pleasure or happiness. Let the 'utility' a person receives by using goods and services stand for some measure of his or her happiness. Then, justice is said to have been achieved, in case the sum total of utility in society is maximum in a given state of affairs compared to all other feasible alternatives. In this view, injustice consists in aggregate loss of utility compared to what could have been achieved. An unjust society is one in which the people are significantly less happy, taken together, than they need be. This is known as the utilitarian theory of justice, associated with the name of Jeremy Bentham.

The most influential, and in many ways the most important, of contemporary theories of justice is that of Rawls (1999a). It begins with the view that all persons have two moral powers—the capacity for a sense of justice, and the capacity for a conception of the 'good'. The equal political liberties including freedom of thought, liberty of conscience, and freedom of association, are to insure that the exercise of their moral powers can be free, informed, and effective. Also the persons are viewed as having higher-order interests in developing and exercising those powers.

Now, what is justice? Justice is the first virtue of institutions, as truth is of systems of thought. Although a society is a cooperative venture for mutual advantage, it is typically marked by a conflict as well as by an identity of interests. There is an identity of interests since social cooperation makes possible a better life for all than any would have if each were to live solely by his own efforts. There is a conflict of interests since persons are not indifferent as to how the greater benefits produced by their collaboration are distributed, for in order to pursue their ends they can each prefer a larger than a lesser share. A set of principles is required for choosing among the various social arrangements which determine

their division of advantages and for underwriting an agreement on the proper distributive shares. 'These principles are the principles of social justice: they provide a way of assigning rights and duties in the basic institutions of society and they define the appropriate distribution of the benefits and burdens of social cooperation' (ibid: 4).

The basic structure of society consists of the political constitution and the principal economic and social arrangements. It is the primary subject of justice because its effects are so profound and present from the start. This structure contains various social positions. Men born into different positions have different expectations of life determined, in part, by the political system as well as by economic and social circumstances. In this way the institutions of society favour certain starting places over others. These are especially deep inequalities. Not only are they pervasive, but they affect men's initial chances in life; yet they cannot possibly be justified by an appeal to the notions of merit or redress. It is these inequalities, presumably inevitable in the basic structure of any society, to which principles of social justice must in the first instance apply. These principles, then, regulate the choice of a political constitution and the main elements of the economic and social system.

So, in the name of fairness, Rawls (ibid: 266) recommends two principles of justice for the institutions as follows. First, each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all. Second, social and economic opportunities are to be arranged so that they are both (a) to the greatest benefit of the least advantaged⁵, and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.

The apparently unequal dispensation by the second principle, with section (a), is based on the ground of redressing the initial inequality so as to bring about greater evenness, and that, with section (b), is to cover the costs of training and education, to attract individuals to places and associations where they are most needed from a social point of view, and so on. In terms of the equation of human progress cited at the beginning, the second principle is concerned with the left-hand side: it enables the individuals to transform their potentialities into realised capacity and to engage the capacity in activities, while the first principle provides an environment of equal political liberty. Thus the two principles together effectively help expand 'the range of human choice' (AHDR 3:2).

The 'least advantaged' are those who are least favoured in the basic structure of society. To be sure, this group includes persons whose family and class origins are most disadvantaged than others, whose natural endowments (as realized) permit them to fare less well, and whose fortune and luck in the course of life turn out to be less happy' (Rawls 1999a:83). In order to treat all persons equally, to provide genuine equality of opportunity, society must give more attention to those with fewer native assets and to those born into the less favourable social positions. The idea is to redress the bias of contingencies in the direction of equality.

By all accounts the women and children are the 'least advantaged' groups in Arab countries. Of the three deficits that are considered defining features of the region, the women's empowerment deficit is one, the other two being the freedom deficit and the human capabilities/knowledge deficit relative to income (AHDR 1:27).

Childhood is the most critical period in the formation of a person. This is the time when, looking at the family and the surrounding, a child begins to gain two moral powers, namely, the capacity for a sense of justice, and the conception of good. The steady affirmation by recent scientific research of the importance of the early years of childhood in configuring the human brain and shaping its faculties underscores the need to concentrate on preschool education. However this is another area in which the Arab countries fall behind developing countries' (ibid: 52).

The Arab family started as an extended (tribal or clan-based) unit and has ended up as a nuclear one. It has however retained at its heart a power structure in which a 'pure form' of authority remains. This consists of a father (or other male in the absence of the natural father) who often tends to be authoritarian, bestowing and withholding favours; a mother, usually tender-hearted, submissive and resigned, who has no say in important matters except behind the scenes; and children who are the objects of the father's instructions and mother's tenderness. These children are referred to in everyday language as 'ignorant kids' and 'scroungers' and are barred from any say in their dealing with adults, or any confrontation with them, whatever the Convention on the Rights of the Child may provide for on that score (AHDR 3:146).

There are three styles of child rearing: authoritarian, permissive, and firm. Research shows that children who have been brought up by firm parents demonstrate greater psychological and social adaptation. Also, they achieve better academic results and have higher self-esteem.

The most common pattern of child rearing within Arab family is authoritarian accompanied by overprotective. This adversely affects children's independence, self-confidence and social efficiency, and leads to an increase in passive attitudes and the deterioration of decision-making skills, not only with respect to behaviour, but also to how the child thinks. For starting in the early childhood, the child becomes accustomed to suppressing her or his inquisitiveness and exploratory tendencies and sense of initiative (AHDR 2:51).

The above-mentioned two principles of justice are for the institutions. The principles of justice for individuals are of a different kind. There are many natural duties for individuals, positive and negative. The following are examples of natural duties: the duty of helping another when he is in need or jeopardy, provided that one can do so without excessive risk or loss to himself; the duty not to harm or injure another; and the duty not to cause unnecessary suffering. From the standpoint of justice as fairness, a fundamental natural duty is the duty of justice. This duty requires us to support and to comply with just institutions that exist and apply to us. It also constrains us to further just arrangements not yet established, at least when this can be done without too much cost to ourselves (Rawls 1999a:99).

Dignity

There are several concepts of man: man is the image of God; man is the 'viceroys' of God on earth; man is a unity of spirit and body; man is a unity of spirit, soul and body; man is a unity of spirit, reason, mind, life, and body; and so on. Several definitions of man have

been proposed in the history of philosophy. There is Aristotle's definition that man is a rational animal, and another that man is a political animal. But it is now said that man is not the only animal that is political or rational. Some of the higher animals exhibit these characteristics too, more or less. According to another definition, man is a moral or ethical animal. And again, some animals show ethical behaviour.

Another definition is that man is a self-conscious animal. But we get into difficulties, if we are to define 'self-consciousness.' Evidently, man is not fully conscious of himself; and if degrees of self-consciousness are admitted, many animals have it up to a degree.

A different perception of man prevails in China. Whether a Chinese is a Confucian or a Taoist, a conservative or a radical, a scholar or an illiterate, he is a humanist. To him, man is the measure of all things. Following Confucius (551-479 BC), he believes that 'It is man that makes truth but not truth that makes man great.' And following Mencius (371-289 BC), he is convinced that good men can make good laws but 'Laws alone cannot operate themselves' (Chan 1992:172).

The all-importance of man can be seen in the Chinese concepts of government. When his pupil Tzu-kung asked about government, Confucius said, 'People must have sufficient to eat; there must be a sufficient army; and there must be confidence of the people in the ruler.' When the pupil asked that if he was forced to give up one of three objects, what would he go without first, Confucius replied, 'I would go without the army first.' Asked which of the remaining two he would give up first if necessary, Confucius said, 'I would rather go without food. From time immemorial there have always been deaths, but a nation without the people's confidence in the ruler will collapse.' Mencius struck a similar note saying 'The people are the most important element; the spirits of the land and grain are the next; the sovereign is the slightest.'

Not only is man the centre in Chinese government and in the arts, but even in religion which is supposed to be otherworldly and transcendental. One of the most important transformations of Buddhism in China has been the change from the doctrine of salvation in Nirvana after death to the doctrine of salvation on earth and 'in this body'. The Taoist religion always holds to the goal of everlasting life on earth. Immortals are believed to inhabit the high mountains. They may ascend to heaven, but more often than not, they roam this earth and move among men, guiding them and helping them. The centre of religion is the human world, where every man's own body becomes important. In humanistic Confucianism, salvation consists in the full realisation of human nature, for it is regarded as tantamount to serving Heaven.

So there is a wide spectrum of conceptions about man—from the loftiest to the mundane. In all of them man is held in high esteem; that is to say, he is accorded 'dignity', a term that means, in dictionary, 'the quality or state of being worthy, honoured or esteemed'. Dignity of man is an ethical concept, pointer to how human beings ought to treat each other, a template of social behaviour. Dignity is the fountainhead of freedom and rights. Now, 'recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in world.' 'Freedom is a human being's primary right. It is a right conferred at birth, because of this all human

beings possess this right on an equal footing. This primary human right is the foundation on which human rights as a whole are built' (AHDR 3:71-73).

Public Reason

Arab states have made substantial progress in human development over the past three decades. Life expectancy has increased by 15 years; mortality rates for children under five years of age have fallen about two-thirds; adult literacy has almost doubled—and women's literacy rate has trebled—reflecting very large increase in gross educational enrollments, including those of girls. Daily calorie intake and access to safe water are higher, and the incidence of dire poverty is lower than in any other developing region.

However, much remains to be done to address the backlog of deprivation and imbalances, to provide current and future generations with the political voice, social choices, and economic opportunities they need to build a better future for themselves and their families. Quantitative improvements in health and education have not reached all citizens, and the often expansion of services have not been matched by needed qualitative improvements in their delivery. The goal is to enhance human dignity and rights in Arab societies and improve levels of welfare for the whole Arab community (ibid: vi).

The combined population of the region—comprising the 22 member-states of the Arab League—was 280 million in 2000, approximately equal to that of the United States but only one-fourth of India's population and one-fifth that of China. In global terms, Arab countries account for five percent of world population; this has approximately doubled over the past 50 years.

The demographic profile has changed substantially. The number of foreign workers in six Gulf countries increased five fold between 1970 and 1990, to reach the mark of as much as two-thirds of their total population. In Saudi Arabia, non-Saudis accounted for not less than 25 percent of the kingdom's population in 1999. Fertility rates have declined substantially in many Arabia countries.

In case this demographic trend continues, the Arab region seems to be on the way to having, sooner or later, a multi-religious and multi-cultural society. Under such circumstances, 'religious, philosophical, or moral unity is neither possible nor necessary for social unity' (Rawls 1999b:16). And, 'if social stability is not merely a *modus vivendi*, it must be rooted in a reasonable political conception of right and justice affirmed by an overlapping consensus of comprehensive doctrines.' 'The political conception should have a reasonable idea of toleration derived entirely from ideas drawn from the category of the political.' Recall that the principles of justice for individuals warrant us 'to further just arrangements not yet established'. So, appropriate institutions have to be put in place to elicit an overlapping consensus among the people on right and justice.

People's life is arranged in three sectors—society, economy, and polity. Of them, the polity is comparatively flexible, the economy rather slow to move, and the society most stubborn. They are, however, interconnected. The three volumes of AHRD, published so far, have advanced 'the renaissance movement' in Arabia (AHRD 3:72). The strategy is to accelerate the process through an assertion of people's political rights, to begin with. As an

individual has a faculty of 'reason' for cognition and judgment, so do people—call it the 'public reason'. The public reason has to be activated to make the people fully conscious of their inherent democratic rights and responsibilities. The economy and the society have to be reoriented accordingly in due course.

NOTES

1. Cf. 'By labour-power or capacity for labour is to be understood the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description.' 'Labour is, in the first place, a process in which both man and Nature participate, and in which man of his own accord starts, regulates, and controls the material re-actions between himself and Nature. ... By thus acting on the external world and changing it, he at the same time changes his own nature. He develops his slumbering powers and compels them to act in obedience to his way' (Marx 1867:167 and 177).
2. 'The worst of clannism is that it eats into the cohesive force of citizenship and its institutional manifestations. Yet it is not an unalloyed evil. Its positive aspects include a sense of belonging to the community and the desire to put its interests first. This can amount to a total dedication, or self-abnegation, for the sake of the community that bespeaks an impressive sense of common purpose, one often stronger than that found in some modern forms of social organisations. The problem with clannism in Arab countries is that it produces types of societal organisation that are modern in form but objectively backward. Class structure is an example. In East Asia, for instance, traditional family capitalism is responsible for important modern achievements, but in the Arab environment it is associated with a rent-based economic model, with all that suggests by way of exalting the values of obligation, favouritism, and inefficiency. Consequently, family capitalism in the Arab world has failed to realise the advances of the Asian miracle' (AHDR 3:145).

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ROLE OF SOCIAL SCIENTISTS IN MUSLIM SOCIETIES

Muqtedar Khan

Abstract: *One of the most important objectives of Islam is to enable its followers to live an enlightened life. The area of knowledge that has been deeply neglected by Muslims is the arena of Social Sciences. While the Quran exhorts Muslims to undertake empirical study and praises those who reflect on the empirical realities of our world the Muslims, at large, continue to look at knowledge only in terms of religious knowledge. The paper takes a hard look at the failure of Muslims in worldly matters and says that it can be explained only through the knowledge deficit that plagues the Muslims. It exhorts the Muslim Societies to give more importance to Social Scientists. The Ummah today does not need ulema who are incapable of knowing the world we live in, but rather Social Scientists who are also familiar with the objectives of Shariah to help develop and govern our Societies efficiently and effectively.*

The basis for happiness in this world and the next is Knowledge (Plato, Al Farabi and Al Ghazali).

The Importance of Social Sciences

One of the most important objectives of Islam is to enable its followers to live an enlightened life. The Quran does not hide its preference for those who possess knowledge and those, whose faith is tempered by reason. Muslims correctly value those who have knowledge and Ulema have, for centuries, determined how Muslims understand Islam and the world. But over time Muslims have mistakenly began equating knowledge with a narrowly defined conception of religious knowledge, and scholars with again narrowly defined conception of scholarship. Thus ironically as the frontiers of knowledge expanded and human understanding of things and the scope of sciences expanded,—sometimes astronomically—the Muslim vision of what is knowledge and who is knowledgeable shrunk.

There is no doubt in my mind that the diminishing Muslim vision of knowledge and the knowledgeable is singularly responsible for the decline of creativity, dynamism, vitality and power of the Islamic civilization. Today, without doubt, the Muslim world lags behind

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no doubt today muslim world lags behind
 all other civilizations in its production and consumption of knowledge. Today most Muslims think of knowledge as that limited to the familiarity with medieval Muslim understanding of law and jurisprudence. Scholars are only those who "memorize" Quran and the traditions and are familiar with pedagogical and epistemological tools developed a thousand years ago. It is therefore not surprising that under the intellectual leadership of this class of scholars the Ummah has gone from one low to another lower low.

One area of knowledge that has been deeply neglected by Muslims is the arena of social sciences. Except for the Islamization of Knowledge project and the American Journal of Islamic Social Sciences, both initiatives launched by American Muslims in early 1980s, there has been very little attempt by Muslims to indigenize social sciences. Social sciences, unlike Islamic sciences, which are essentially normative paradigms, have an empirical focus. Social sciences are more interested in understanding and describing the world as it is rather than on postulating on how it ought to be. Without being prejudicial about what is more important, we must realize that while medieval Islamic sciences do provide a view of how the world ought to be a thousand years ago they do not equip our jurist-scholars with the training and tools necessary to understand the world as it is. Ulema's discourses on how the world ought to be become meaningless and therefore ineffective because they are not grounded in contemporary realities. Very simply, if you do not understand where you are, even if you know where you have to go, you will go no where.

Hence you need social sciences to understand where you are and put religious knowledge of where to go to effective use. To put it bluntly, without social sciences, traditional Islamic sciences are useless.

The Role of Social Scientists

The most important function that social scientists can perform is provide our leaders and the attentive public with an empirical understanding of our existential conditions. Without an accurate analysis of where we are effective remedial policies cannot be articulated. Social scientists provide the in depth analysis necessary for informed decision making.

The Quran in a beautiful passage praises those who reflect on the empirical realities of our world—contemplate the creation—in Surah Al Imran:

Verily in the creation of the heavens and the earth, and the alternation of night and day—there are indeed signs for men of understanding; Men who remember Allah, standing, sitting, and lying down on their sides, and contemplate the creation of the heavens and the earth [Quran 3:190-191].

The Quran also exhorts Muslims to undertake empirical study in Surah Al Ankabut.

Say: Travel through the earth and see how Allah originated creation [Quran 29:20].

Some countries such as Japan, India and China have developed indigenized social scientists who use advanced analytical and research skills in the interest of their nations and provide the necessary information to make effective policy. The progress and growth and development of these nations are indicative of the success of their social scientists. The Muslim world, which often looks to "the Ulema" to ask all questions such as is it halal

to eat gummy bears or if one can one marry two sisters simultaneously, and is it ok to join the WTO and is democracy a good idea, remains strikingly underdeveloped. While the Ulema are "trained" to answer the first two questions, contemporary reality is outside their domain.

The success of non-Muslims and the failure of Muslims in worldly matters can be explained only through the knowledge deficit that plagues the Muslim community. The Quran once again is so clear on this issue:

Allah will raise up to (suitable) ranks (and degrees) those of you who believe and who have been granted knowledge. [Quran 58:11]

While I cannot comment on the faith of anyone, I can understand that Allah has raised the West and the Far East to great heights and honour purely because of their commitment to freedom of thought and knowledge. The best universities and the most productive work in knowledge accumulation is taking place in the West and the Far East. Actually everywhere except in the Muslim World.

Social scientists must not only be consulted but also encouraged to research, speak and write freely on the most important and pressing issues such as external and internal security, geopolitics, globalization, inter-faith politics, economics, social and public policy and short and long term planning. Other issues that they can enrich are normative discussions based on empirical experience of institutions and politics that are best suited for our times. Social sciences are now very diverse, very complex and very advanced. They deal with issues all across the board and their findings impact policy at all levels.

The Ummah today does not need Ulema who are incapable of knowing the world we live in, but rather social scientist that are also familiar with the maqasid al Shariah—the divine way—to help develop and govern our societies efficiently and effectively.

Islamic sciences that were developed—remember they were developed by human beings not revealed by God—were quite advanced for their time and helped vitalize the Islamic world and made it a dominant and thriving civilization. However they have enjoyed little development in over a thousand years. In Islamic Madrassahs syllabi have not been revised in over 200 years! All good social scientists revise their curriculum every time they teach their courses. While Islamic sciences have languished, social sciences have advanced. While the former remains a dead tradition the latter is alive and growing.

Social sciences have also added Islamic studies to their realm and have developed a more nuanced, more sophisticated and even empowering vision of Islam by critiquing and building upon traditional Islamic sciences. Today it is easy to find Muslim social and humanities scholars who are also trained in traditional methods, who now empowered by new epistemologies and are doing wonderful research that if the Ummah were to embrace would resuscitate the community.

Today the knowledge to revive and develop the Islamic Ummah is available. It is time the community recognizes that the for centuries we have failed to become leaders of humanity and fulfill our mandate as Allah's vicegerents on earth (Quran 2:30) is because we have

surrendered our vision, our faith and our reason to deadwood. Power is a function of knowledge.

Say: Are those equal, those who know and those who do not know? [Quran 39:9]

The Ummah is powerless because those whom they consider as knowledgeable have failed for over 500 years to provide us with an empowering vision.

American Muslims now live in times where the basic objectives and even values of the community are questioned. It is time American Muslim social scientists stepped up to the plate and addressed some of these issues. The community needs new vision and new direction. In academic journals and conferences Muslim social scientists have provided sophisticated analysis of our condition and also enlightening pathways for a better and more secure future for all. It is now up to the community leaders to connect the output of these scholars with the direction of the community.

Scholars by nature are isolationists. They need seclusion to think, research and write. It is not fair to expect them to come forward, some do like yours truly, but the community must also seek them and seek their guidance.

The future belongs to those who have thought the deepest about it.

RELEVANCE OF ISLAMIC BANKING AND FINANCE IN MUSLIM MINORITY COUNTRIES

Ausaf Ahmed

Abstract: *Islamic banking as a theoretical construct as well as a new form of financial institution emerging in the Muslim countries, has made considerable progress during the past two decades. Nevertheless, Muslims do not live only in the countries where they constitute a majority. The present paper takes a look at the relevance of Islamic banking and finance to Muslim minority countries. It analyses the concept of interest, obstacles in the establishment of Islamic financial institutions, financial needs of Muslim countries with special reference to India and prospects of Islamic banking and finance in countries like India where Muslims alone do not decide the nature of economy but live as equal citizens with a non-Muslim majority.*

Introduction

Islamic banking, as a theoretical construct as well as a new form of financial institution emerging in the Muslim countries, has made considerable progress during the past two decades. As a scientific discipline, its progress is manifested in scores of books and hundreds of research papers. Islamic banking as an institution has also made significant headway. Many Muslim countries, like Pakistan, Iran and Sudan have committed themselves to introduce Islamic banking, in one form or another, in their respective countries. An important country like Malaysia has made serious attempts to develop a dual banking system in which Islamic banking would exist and flourish side by side the usual form of commercial banking. In addition to these important developments, more than one hundred Islamic banking and financial institutions, known as Islamic banks, have appeared in the private sector in different parts of the world and are working successfully.

However, most of this progress has remained confined to the countries, which are the members of the Organization of Islamic Conference (OIC). A recent study pointed out that, in terms of number of institutions, 42 percent of Islamic banks and Islamic financial institutions are located in the Muslim countries of South and Southeast Asia. In terms of management of funds, Islamic banking is found to be heavily concentrated in the Middle

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East, especially in the GCC countries¹, which handles more than 80 percent of total funds controlled by Islamic financial Institutions.²

Nevertheless, Muslims do not live only in the countries where they constitute a majority. A sizable proportion of total Muslim population of the world lives as minorities in different countries. It is conjectured that total Muslim population in the world is a little above one billion people. Out of this figure about 300 million Muslims live outside the Muslim countries as minorities. Even, as minorities in different countries, Muslims exhibit large absolute numbers. For instance, more than 120 million Muslims live in India, which is one of the largest concentrations of Muslims in the world. A considerable number of Muslims live in China, which possess the largest population in the world. The breakup of former Soviet Union and Yugoslavia has given birth to new Muslim societies in Central Asia as well as Eastern Europe. There is significant presence of Muslims in various countries of Western Europe and North America which came into being as a result of migration out of Muslim countries particularly during the past half century. Hence, it may safely be said that there are many large Muslim societies even in the countries which are not covered under the umbrella of the Organization of Islamic Conference. Further, Muslims living in the non-OIC countries, are spread in almost all continents in the world. Muslim communities are found every where around the globe—in Asia, Africa, Europe, North America and Canada, Australia and even in Latin America.

Muslim Minorities Defined

It may be mentioned at this stage, that the concept of majority and minority are mostly treated as numerical concept. Groups of people having common ethnic, racial or religious background, especially when constituting a rather small proportion of total population are generally referred to as minorities. It has been observed all over the world, and over different periods of times, that minorities often have fewer rights and less political power than majority groups. A primary factor for the existence of minorities is a heterogeneous population often caused by immigration.

However, the majority-minority dichotomy is not merely a numerical concept. It has important sociological and cultural connotations too. Although it is difficult to give any universally acceptable definition of the word minority, it may suffice here to say that the word minority refers to a group of people having some common ethnic, racial or religious background, especially when constituting a comparatively small proportion of a given population. Thus, according to this working definition, two elements are required for a minority group to exist.

- In absolute terms, smaller size of the population in relation to the parent population.
- Some common characteristics, which may give the group a distinct identity.

We may treat the first element as a necessary and the second as a sufficient condition for the existence of a minority group. Of course, the common characteristic within the group shall define the nature of minority community. If the defining characteristic is racial in nature, it will form the racial minority, if it is language, it will form a linguistic minority

etc. Obviously, in case of Muslim minorities, the defining characteristic is the adherence to the religion of Islam that gives a separate distinct identity to Muslim minorities. However, it must also be accepted at the outset that religious denomination is not the only prominent attribute of Muslim minorities. Many Muslim Minority groups may also exhibit certain other attributes, which may make them distinct in relation to dominant population groups. For example the Chinese Muslims living in Sinkiang region have religion and ethnicity both as defining characteristics. Similarly, the Muslims of Northern India, particularly those Urdu speaking, are a religious minority as well as a linguistic minority.

However, generally speaking, Muslim minorities all over the world, are defined in terms of their religious affinity. Main identity of Muslims is their Islamic identity while other identities, given by region; language, culture or ethnicity, are subservient to their dominant identity. It is the bond of religion that binds them together. It is in this respect, that they share not only common belief patterns, values, behavioral models, social and moral norms but also a common history and a shared destiny.

The literature on Islamic Banking has an implicit assumption that it is dealing with the countries in which the Muslims have majority. Consequently, by virtue of their majority, they also have necessary authority and power to design, evolve, implement and change the monetary policy and banking system of their country in any manner they wish. In other words, Muslim countries enjoy sovereignty in economic matters. However, the same can not be claimed about the Muslims living outside the Muslim countries. The Muslims living in minority situation do not have this power to evolve a banking system or even change the present banking system according to their preferences. They are bound to live in a situation in which the dominant majority community has designed the social and economic system of the country. So, the question arises: What is the relevance of Islamic banking to Muslims living as minority community in other countries?

Present research project has been conceived to investigate the issue of relevance of Islamic banking to Muslim minority societies.

Objectives of the Research

Main objectives of this paper are:

- To study and analyze the relevance of Islamic banking to Muslim communities in the countries which are not the members of the Muslim world but have substantial number of Muslims.
- To critically examine the view that that interest (*Riba*) may be permitted in the situation in which Muslims are in minority.
- To take stock of Islamic banking activities undertaken in Muslim minority societies particularly in India.
- To examine the role of Islamic banking institutions in Muslim minority societies; and
- To suggest ways and means how Islamic banking could play a more effective role in the economic development of Muslim minorities.

Although a considerable amount of literature has accumulated on the theoretical and empirical aspects of Islamic banking during the last two decades, there is hardly any study in which the relevance of Islamic banking to Muslim minority societies has been explored in depth. The writers on the subject of Islamic banking have generally not touched the subject from the point of view of minority communities. The literature implicitly assumes that relevant frame of reference is that of Islamic countries where Muslims are in a position to adopt fiscal and monetary policies of their choice. Hence, given enough political will, there is a possibility that Islamic system of economics, banking and finance may be implemented in those countries. In fact, this implicit assumption is not much out of the way. It is true that Islamic economic system shall be first implemented in the Islamic countries and in fact, in some Muslim countries, some beginning has already been made in this direction. The Islamic banks are also mostly located in the Islamic countries. Hence, the question of Islamic banking in the Muslim minority countries was seldom treated in the literature.

The only exception is *The Journal of Muslim Minority Affairs (JIMMA)* which in its July 1992 issue brought out a special section on "Islamic Banking and Muslim Minorities" in which four articles were published on this subject. Chapra, in a perceptive note, demonstrated how Islamic banking could use the concept of micro credit in meeting financial needs of Muslim minorities, particularly belonging to small business and petty trade and agriculture which in Asian countries, is mostly organized by small farmers.³ Malami examined some issues involved in the establishment of Islamic banks in Muslim minority countries in somewhat detail taking the case of Nigeria as an example, although many would argue that Nigeria is not a Muslim minority country.⁴ Rahmatullah gave detailed accounts of Islamic banking in India.⁵ Later, Ahmad pointed out in a comment that most of the institutions described by Rahmatullah as Islamic banks are not the Islamic banks in the strict sense of the term as they operate in the unorganized sector and do not have a legal framework. At best these institutions could be described as interest free credit societies⁶. As an Islamic banker, Shaikh Saleh Abdullah Kamel has elaborated the agenda before Islamic banks for the development of Muslim minority communities in the non-Muslim countries.⁷

PROHIBITION OF *RIBA* AND MUSLIM MINORITIES

It may be observed that prohibition against *Riba* is widely respected among the Muslim minorities all over the world. Respecting this injunction many pious Muslims still have reservation conducting business with the commercial banks. Many among those, who have to deal with the commercial banks, do so revoking the cannons of dire necessity and compulsion. Even in those conditions, they either prefer to open current accounts or leave the interest earned by their deposits, unclaimed. However, sometimes one hears an argument from certain quarters that injunction against *Riba* is not applicable to Muslims living in non-Muslim countries. Hence, they can deal with the interest based banking system. This argument draws its strength from a known position of *Fiqh* on the permissibility of *Riba* between a Muslim and a non-Muslim particularly when the transaction takes place in *Dar-al-Harb*⁸.

Although the above view is not very common but it is concerned with a vital issue of Islamic banking i.e. prohibition of *Riba* in Muslim minority countries. Therefore, it merits careful consideration and full investigation so that no ambiguity on the issue remains.

It is well known that Islamic law is derived from the Divine Revelation contained in the Qur'an and *Sunnah*. *Qur'an* and *Sunnah* are invariant with respect to time and place. The injunctions contained in these basic sources are universal, ahistorical and unchanging. However, human understanding of these injunctions may vary over time and place. The body of knowledge known as *Fiqh* or Islamic jurisprudence reflects human understanding of the divine injunctions contained in the *Qur'an* and *Sunnah*.⁹ Because of universality of Islamic injunctions, one may argue that these would be applicable to Muslims in all times and in all places whether they are in the Muslim or in non-Muslim lands. One should keep the fact in view that Islamic laws, having a Divine origin, are penal as well as moral. While penal aspects of Islamic laws may not be enforced upon the Muslims living outside the jurisdiction of the Islamic lands, the obligation of obeying the moral laws still remains. Hence, living in the non-Muslim lands does not entitle Muslims living there of any exemption from Islamic law merely because they are living in a territory which is outside the penal jurisdiction of the Islamic government. In the absence of an Islamic government in the non-Muslim lands, a Muslim is himself responsible for enforcing the Islamic code of life and Islamic laws in his personal and social life and is directly responsible to Allah for his deeds. Thus, it is rather surprising that some body may have this opinion that Muslims living in non-Muslim countries may deal with other non-Muslims on the basis of *Riba*. Obviously the issue needs further investigation.

The Juridical views on the Issue of *Riba* between Muslim and a Non-Muslim

The views of Islamic jurists on the issue of *Riba* between a Muslim and a non-Muslim in non-Muslim lands differ. One group which includes, great jurists like Imam Abu Hanifa, Imam ibne Taimiya and Imam Mohammad maintains that *Riba* based transactions are permissible. The other group which includes Imam Shafei, Imam Abu Yousuf and majority of other jurists among the Shafeites and Hanbalites, does not see any possibility for the permissibility of such a thing like *Riba* which has been strictly prohibited by the Qur'an and *Sunnah*. Both sides have weighty arguments. Let us examine these arguments.

Arguments in Favour of Permissibility

It is reported that Imam Ibne Taimiyah says:

Riba is prohibited in the Muslim and non-Muslim lands except between a Muslim and a non-Muslim between whom there is absence of a pact of peace.¹⁰

This means that giving and taking *Riba* shall be permissible between a Muslim and non Muslim in the Muslim as well as non-Muslim lands if there is no agreement of peace. This argument is based on the following reasons:

A famous Islamic jurist Imam Sarakhsi in his book *Al Mabsoot* has reported the following:

Makhoor reports that the Prophet (pbuh) said that there is no Riba between the Muslims and between the people of the non-Muslim lands (dar al Harab). This Hadith is Mursil, and Makhoor was a reliable jurist, his narration is acceptable. Imam Abu Hanifa and Imam Mohammad have based their arguments on the basis of this Hadith.¹¹

It is argued that belongings (*Maal*) of a non-Muslim during the time of war are not protected. Hence, it is permissible for Muslims to capture such property. In technical terms of Islamic jurisprudence, this is considered *Mubah* (some thing, which has not been prohibited, or forbidden. Hence, by inference is considered permissible). Kasani in his book *Badai' al Sanai'* writes:

مال الحربي مباح لأنه لا عصمة لمال الحربي

Which means that property and possessions of a non-Muslim are permissible (to be captured) because it is not protected by Islam.

The above views have an implicit assumption that prohibition of *Riba* as well as of other invalid contracts is applicable only in those cases in which contracting parties are Muslims. The inference from this assumption is that invalid contracts such as *Riba* and *Qimar* may be permitted between the residents of a non-Muslim land (*Harabi*) and a Muslim who has entered into non-Muslim land on certain conditions. Two historical examples are cited in support of this position. One is that of the uncle of the Prophet Abbas bin Abdul Muttalib, about whom it is well established that he used to lend money to non-Muslims on *Riba* when he was living in Makkah after accepting Islam and this *Riba* was cancelled by the Prophet only after the conquest of Makkah when Prophet delivered his famous sermon at his last Hajj. As far *Qimar* is concerned, it is reported that Abu Bakr Siddiq, the long time companion and friend of the Prophet had a bet of one hundred camels at the outcome of war between the Romans and Iranians. The bet was with a person who was a non-Muslim. However, the bet amount was received after *Qimar* was prohibited.

There is an implicit assumption that properties (*Mal*) of non-Muslims, who are not *Dhimmi* (protectorates of the Islamic State), are permissible (*Mubah*) (to be taken away). Similarly it is also assumed that any country where Islamic State is not established may be considered a non-Muslim land (*Dar-al-Harb*). In what follows below, the validity of these assumptions, particularly their relevance to contemporary times shall be examined.

Based on these arguments, it is argued that present day countries in which Muslims live as minorities are the non-Muslim lands (Dar al Harb) and therefore, Muslims living in these countries may deal with interest based commercial banks.¹² It is reported that Shah Wali al Allah of Delhi declared India a *dar-al-Harb* after British captured power from the Moghul rulers of India. The view that Indian Muslims, living a predominantly non-Muslim country, where they do not have the power to enforce Islamic laws, may indulge in the interest based transactions with the commercial banks was most vehemently pleaded by an Islamic scholar Manazir Hasan Gilani, using the above arguments.¹³ He argued that India is a non-Muslim land (*Dar al Kufr*) and it is permissible to capture unprotected properties and belongings through contracts, which are not usually permissible in Islam. In a way, it is being argued that the contracts, which are not, permissible in the Islamic State, become

permissible in the non-Islamic lands. Thus, *Riba* is a contract through which some of the money belongs to the borrower is unlawfully transferred to the lender. This is prohibited in Islamic State. However, this is the law of the Islamic State. This can not be applied in the non-Muslim land as a non-Muslim land does not run on Islamic laws. This is the upshot of the argument.

Arguments in Favour of Prohibition

In contrast to the above position, the second and overwhelming view is that giving or taking *Riba* is absolutely prohibited in the Muslim and non-Muslim lands equally. The Shafeites, Hanbalites, Malikites and majority of other jurists hold this view. In this connection, Nazeeh Hammad quotes Imam al Nowi in the following way:

It is a consensus of scholars that prohibition of *Riba* is equally applicable to men and women and to master and slave. There is no difference between Muslim and non-Muslim lands in prohibition of *Riba* as whatever is prohibited in the Muslim land shall remain prohibited in the non-Muslim lands, irrespective whether it happens between Muslims or between Muslims and non-Muslims or whether there is peace between them or not. This is our position and Malik, Ahmad, Abu Yousuf and a majority of other jurists hold the same view.¹⁴

Now, let us see what arguments are offered in favour of prohibition of interest between a Muslim and a non-Muslim in a non-Muslim land. It is argued the Imam Abu Hanifa, Imam Ahmad and Imam Ibne Taimiya and others who have argued in favor of permissibility of *Riba* based transactions between the Muslims and non-Muslims in *Dar-al-Harb* have based their arguments on the *Hadith* reported by Makhool. Any other narrator has not reported this *Hadith*. In the terminology of *Hadith* literature it is rated as poor (*Gharib*). In terms of acceptability of *Hadith*, frequency of narration (*Tawatar*) is an important criterion. If a *Hadith* is reported by only one reporter, it does not rank high in the hierarchy of *Hadith*.

In this connection, following arguments merit careful consideration:

1. The argument that belongings (Mal) of a non-Muslim is *Mubah* and not protected is not universal. This may be said only when the conditions of war are present. Hence one will have to make a distinction between a belligerent and a non-belligerent non-Muslim.¹⁵ Under the conditions of war, many matters between Muslims and non-Muslims were decided on the principle of reciprocity. In olden times, when two countries were at war, they also used to capture each other's people and their belongings. It is with this background that the principle "there is no protection for the belongings of non-Muslim and it is permissible to be captured" must be interpreted. Under the conditions of peace, the life and properties of non-belligerent non-Muslims enjoy as much protection as that of Muslims. Thus, whatever has been said about the permissibility of *Riba* between a Muslim and a non-Muslim refers to the conditions of war and not peace. It remains an exception to the rule and not the rule by itself.
2. It is also not correct to argue that invalid contracts such as *maysir*, *Qimar*, and *Riba* may be permissible in non-Muslim land (*Dar-al Harb*). It is true that the laws prohibiting

these activities, are the laws of the Islamic State. The Islamic State, like any other states in this situation, does not have any power to enforce its laws outside its administrative and political jurisdiction. However, the Islamic laws have a legal and punitive dimension and a moral and ethical dimension. The legal and punitive aspects of Islamic laws may not be enforceable outside the jurisdiction of Islamic government. But the moral dimension of Islamic laws does not need any legal authority for its enforcement. Each Muslim is responsible for enforcing these laws in his personal life as a moral code of conduct and if he does not observe these laws he is accountable before God and is considered sinful. The moral dimension of these laws is also enforceable without any consideration of time and place on all Muslims.

3. Two historical instances cited as evidence in support of the position also need clarification. It is argued that the case of Abbas bin Abdul Muttalib supports the view that *Riba* could be basis of transaction between a Muslim and a non-Muslim in the non-Muslim lands. He had accepted Islam and was living in Makkah before its victory and he used to indulge in *Riba* based transactions, which were later abolished by the Prophet when he delivered the sermon on his last Hajj. However, this account conceals the fact that *Riba* was not prohibited at the time when Abbas was living and conducting his business, in Makkah before its Victory. Most of the historians of Islam and experts of Qur'an are in agreement that verses prohibiting *Riba* (particularly verse 2: 279) were one of the last verses to be revealed. Hence, it is very likely that when Abbas was conducting his *Riba* based transactions, it was still not prohibited in categorical terms, which was done in the verse 2:279. The verses revealed before that condemn *Riba* but do not prohibit it strongly and categorically.. Similarly the case of Abu Bakr Siddiq in case of betting is true but it is also reported that the camels received as the winning amount were given away as *Sadaqa*. Hence these two cases do not provide sufficient basis on whose ground invalid contracts (*Uqud al Mufsidah*) may be treated as valid in the non-Muslim lands whether the contracts is between two Muslims or between a Muslim and a non-Muslim. The majority of the scholars are of the view that Muslims should not enter into invalid contracts whether they are dealing with Muslims or non-Muslims and whether this contract is being made in a Muslim land or in a non-Muslim land. Imam Malik, Imam Shafei, Imam Ahmad, Imam Abu Yousuf, and many other eminent jurists share this opinion.

Juristic Classification of Lands

In the above discussion a reference has been made to Muslim and non-Muslim lands. The classical literature on Islamic jurisprudence divides all lands into two categories:

- The land of Islam or *Dar al Islam*.
- The land which is not under the jurisdiction of *Dar al Islam*.

The second category has been referred into the classical juristic literature by several names. The most popular name, of course, is *Dar al Harb*, which is roughly and sometimes loosely, translated as non-Muslim territory. Probably, the nearest and more accurate

translation of *Dar al Harb* may be enemy territory. Hence, some writers prefer the classification as *Dar al Islam* (the land of Islam) and *Dar al Kufr* (the land of non-Islam) which then may be further be classified into *Dar al Harb* (the land of War) and *Dar al Aman* (the land of peace). Obviously, all non-Muslim territories are not necessarily *Dar al Harb*. A classical example of such a territory is that of Ethiopia during the life of the Prophet (pbuh) where many Companions of the Prophet had taken refuge with his permission. Although Ethiopia was a non-Muslim country, Muslims were allowed there to live in peace and practice their religion with full freedom. In modern terminology, the Muslims enjoyed full freedom of religion in Ethiopia at that time. Hence, it was considered *Dar al Aman* (the land of peace) by the jurists.

The Basis of Classification

Muslim lands are characterized by a number of attributes including the following:

- Application of Islamic laws
- Muslim population
- Sovereignty of Muslim Rulers.

All the three attributes have been used by jurists in distinguishing Muslim lands with non-Muslim lands. However, most often the over riding factor has been the application of Islamic laws and adoption of Islamic way of life. Presence of Muslim population in a country and sovereignty of Muslims have also been important considerations but have not been considered as the overriding factors. For example, India was considered as *Dar al Islam* during the Muslim rule although, even then, Muslims in India were, even at that time, a minority, at least numerically. Main reason for this verdict was the sovereignty enjoyed by Muslims rulers. During more than 800 years long rule of Muslims over the Indian subcontinent, it was rather rarely the case that *Shari'ah* laws were adopted as the legal code of the country. When the Muslims lost the sovereignty to British Shah Waliullah of Delhi had no hesitation to declare British India as *Dar al Harb*.

Conversion of One Type of Land into Another

The classical jurists have also considered the possibility that status of a country as a land of Islam (*Dar al Islam*) may undergo some change in certain circumstances. If a country was being ruled by Muslims and Islamic laws were in operation, it would be considered as *Dar al Islam*. However, the juristic injunction (*Hukum Fiqhi*) would also change if a significant political change affecting the grounds of classification takes place. Thus, it is possible that a land of Islam may be converted into *Dar al Kufr*. In this connection Kasani writes:

إن دار الإسلام لا تعتبر دار الكفر إلا بثلاث شرائط أحدها ظهور أحكام الكفر فيها، الثاني أن تكون ملحقة بدار الكفر، و الثالث ألا يبقى فيها مسلم أو ذمي آمن بالآمان الأول.
بدائع الصنائع - كاساني ج 7 ص 13.

"A Muslim territory does not become a non-Muslim territory except under three conditions: First, non-Islamic laws are enforced there, Second, it is contiguous to a non-Muslim territory and the third, Muslims and Dhimmis do not enjoy their original privileges."

The original privileges in this context refer to those privileges, which Muslims enjoy by virtue of Islam and the *Dhimmis* are given by way of a contract of *Dhimma*. The life and property of Muslims are protected in the Islamic State. This is a right given to them by the *Shari'ah*. It is said that life and property of a Muslim is *Ma'sum* (protected). Nobody, not even State has a right to encroach upon these rights. Similarly, the *Dhimmis* are given protection by the State under a contract of *Dhimma* in return of *Jaziya*. In this contract, the lives and properties of *Dhimmis* are protected by the State, they are exempted from compulsory military service, if this practice is enforced. In return to these privileges the *Dhimmis* pay *Jaziya* to the Islamic State which is the protector of the rights of the *Dhimmis*.

Relevance of Classification to Modern World

The classification of World into *Dar al Islam* and *Dar al Harb*, made by the classical jurists, does not appear to have much practical relevance to the conditions prevailing in the modern world. In this connection, following points need to be considered:

1. In the conception of classical jurists, *Dar al Islam* was one political entity having well defined geographical borders. This is not the case now. Now, there are more than 50 independent and sovereign Muslim countries. Hence, on sovereignty criterion, each of these countries may be considered *Dar al Islam* in her own right. However, on some other criterion, say for instance, application of Islamic laws, none of even these countries may be fully qualified to be called *Dar al Islam*.
2. Many of the Muslim countries are not geographically contiguous to each other.
3. *Dar al Islam* should have free movement of people and Muslims living in the neighboring or adjoining areas occupied by non-Muslims had a right to migrate to *Dar al Islam*. In the modern world, most countries are characterized by the restriction on free movement of people.
4. Even in most Muslim countries, Islamic laws are not implemented completely.

In contrast to this, it may also not be completely justified to treat the non-Muslim countries as *Dar al Harb* for the following reasons:

1. Many of these countries are not at war with the Muslim countries.
2. The migration takes place from Muslim countries to non-Muslim countries, particularly in the West. In other words, the flow of migration has reversed. In the early Islamic period, there was migration from Non-Muslim lands to Muslim lands. But now, there is significant migration from Muslim lands to non-Muslim lands.
3. The life and property of Muslims are protected in these countries (of the West) under the laws, which are common for Muslims and non-Muslims.
4. The Muslims in these countries enjoy freedom to practice their religion. Most of these countries have adopted the Universal Declaration of Human Rights, which grants personal, civil, political, economic, social and cultural rights to human beings. These rights are limited only by the recognition of rights of others and concerns of morality, public order and general welfare of the society. Generally speaking, all minorities,

including Muslims, enjoy the rights to life, liberty, security, personal freedom, freedom from arrest, fair trial, privacy, freedom of movement and residence, freedom of thought, conscience, religion and opinion.

Therefore, it may not be justified to treat non-Muslim countries in the present day world as *Dar al Harb*. Hence the juristic position that *Riba* may be permitted between a Muslim and a non-Muslim in *Dar al Harb* is not applicable to Muslims living in the present day non-Muslim countries. There is a further distinction. This opinion was adopted when Muslims used to travel to non-Muslim lands, particularly the countries which were at war with the Muslim countries. In any emergency, for the purposes of trade and commerce, they were exposed to different kinds of risks, which were common to all travelers at that time. In the modern times, those risks have mostly disappeared. Further, Muslims living in the non-Muslim countries, as minorities are not the temporary visitors. They are settled there either by choice or they are the citizens of those countries by birth. In both cases a dictum which was devised to meet the contingencies and emergency situations, several hundred years ago, can not be said to be applicable in this case.

The present day non-Muslim countries in which Muslims are living as minorities may be considered *Dar al Aman* comparable to Ethiopia of the Prophet's time. As the companion of the Prophet migrated to Ethiopia to seek refuge there to escape from the victimization of pagans of Makkah, Muslims have entered the non-Muslim countries in the west with the permission of the rulers of those countries. They are settled there subject to laws prevailing in the land. While, it is the duty to Muslims in non-Muslim countries to live as peaceful and law abiding citizens, they also have to keep their Islamic identity intact by observing the moral laws of Islam. This can be explained with an example. Drinking alcohol is legal in most of these countries but there is no law, which says that all citizens, must drink. In comparison, there is a law that each citizen must pay his taxes. So, Muslims, like any other citizens, are forced to pay taxes, but no body can force them to drink. This is their personal choice. So, they can opt not to drink. Similarly, they can opt not to indulge in *Riba*. There is no law that will force a Muslim to indulge in *Riba*. So, non-Muslim democratic societies offer an opportunity to all Muslims to practice and apply as much of *Shari'ah* as they wish in their individual lives. Not only this, they can form private societies and associations to find innovative ways to solve their financial problems without indulging in *Riba*. In the next chapters, we shall study some of these innovative ways.

ISLAMIC BANKING IN MUSLIM MINORITY COUNTRIES: ISSUES AND PROBLEMS

It has been established that a large number of Muslims live as minorities in the non-Muslim countries. This is the ground reality. Living as minorities, even in modern times, these minorities do not have enough political clout to shape their own destiny. However, they do have certain political and social rights. The basic problem of Muslims, living in non-Muslim countries as minorities, is how do they maintain their social and cultural identity as a separate religious and cultural group. This is a larger question and encompasses various social and economic factors. Further, the strength and severity of problem differs from

country to country. In certain countries, the minorities enjoy a better deal because of specific social and economic institutions and better records of human rights. In certain other countries, the situation may be more difficult because of group rivalries and confrontations of various interest groups. This is particularly true of certain developing countries. This makes the situation for the minorities even more difficult. The level of tolerance also differs from society to society. In certain composite societies, being different does not attract any attention while in contrast to this, in certain singular societies with miniscule minorities, being different attracts the wrath of majority in various forms. In the previous decades Muslim communities in various eastern European countries have particularly faced majority aggressiveness, endangering their specific identity.

We have also seen above that, notwithstanding the difficult situation in which Muslim minority might find them, observance of Islamic norms of behavior and obeying the moral laws of Islam is obligatory for all Muslims. The prohibition against *Riba* is one such Islamic injunction that has to be observed by the Muslim communities in the non-Muslim countries. However, in the absence of Islamic financial institutions, this becomes a difficult task.

Let us see what are the obstacles in the formation of Islamic financial institutions in the countries where Muslims live as minorities:

Obstacles in Establishment of IFIs

Main obstacles in the establishment of Islamic financial institutions may be identified as follows:

Lack of Political Support

It invariably happens that minority do not enjoy as much political power as the majority groups. It has been noticed even in the democratic countries, that social, political and economic institutions are designed according to cultural patterns of the majority communities. The needs, preferences and requirements of the minority community are seldom given the weights that should be given to them. This results on two consequences: First, dire needs of the minority community remain unfulfilled. Second, because of non-fulfillment of its legitimate needs, the minority community develops a sense of alienation. This phenomenon may be noticed in many places in the contemporary world.

Lack of Expertise and Know how

Another factor responsible for non-emergence of Islamic financial institutions in the non-Muslim countries may be the lack of expertise and know how of Islamic finance. The necessary expertise of Islamic jurisprudence is some how available in the Muslim countries but there is not much arrangement of education of Islamic sciences in the non-Muslim countries. With the result that Muslim communities cannot establish relevant institutions for their own welfare and development even they wish to.

Lack of Organizational Finance

Most of developments in the field of Islamic banking and finance have taken place in the private corporate sector whether they are in the Muslim countries or in Non-Muslim

countries. Establishment of a large banking corporation requires mobilization of funds on a large scale. Although first experiment of Islamic banking started with a small project located in the rural background (Mit Ghamr in Egypt) and with the mobilization of local resources, much of the development of Islamic banking which took place in the late seventies and early eighties has been in the organized corporate sector. Due to lack of organized finance in the required size, many minority communities can not establish an Islamic bank although local communities may have a definite desire to start some kind of Islamic financial institution in order to avoid *Riba*. The establishment of Islamic financial institutions in the non-Muslim countries is further hampered by the limited size of the financial market as Muslims in these countries may be scattered in various cities. That may be a partial reason why many Islamic banks could not function successfully when they were established in Europe.

Favourable Political Climate

Unfavorable political climate may be another factor, which may be considered as a hindrance in the development of Islamic banking in the Muslim minority countries. Establishment of Islamic banks requires a certain institutional and legal framework without which Islamic banks can not function. Many Muslim countries, in which Islamic banking is present in one form or the other, have either legislated new laws permitting Islamic banking or have modified the existing commercial banking laws to make rooms for Islamic banking. Neither of these two situations exists in many Muslim minority countries. Further, prejudice and negative mental blocks still exist in the minds of monetary authorities that are skeptical about both the usefulness and feasibility of interest free financial system¹⁶. Further more, the commercial and banking laws prevailing in the non-Muslim countries also do not provide adequate support and protection to the working of interest free financial institutions. In most of the countries, establishment and functioning of an interest free financial institution shall be a violation of law. Regulatory authorities, in such countries impose number stringent conditions on deposit taking financial institutions which may hinder successful functioning of Islamic financial institutions. For instance, *Murabaha* has emerged as a viable alternative of interest-based financing but in many countries, financial intermediaries are forbidden to undertake direct trade.

Financial Needs of Muslim Minorities

If Muslim minorities wish to avoid indulging in *Riba*, their financial needs must be fulfilled in an a fashion that does not involve *Riba*. Broadly speaking these needs may be identified in four crucial areas:

Personal Finance

The first and foremost need is in the area of personal finance. This is when personal income of an individual falls short of his requirement. Hence, he is obliged to raise a loan. Another need of personal finance occurs in the area of consumer credit such as purchase of consumer durable goods. In the modern society, these needs are fulfilled by finance companies that

specialize in consumer finance, or by business companies that offer consumer credit in the forms of hire purchase schemes and by the credit card companies. All these methods involve *Riba* in one form or the other. Hence, there is a clear need to find an alternative in this area.

Petty trade and Small Scale Industries

In many Muslim countries, Muslim minority's main occupation is either agriculture or petty trade and small scale industries and handicrafts. These trades are specially starved of finance. Because of non-availability of finance, people get caught into the clutches of moneylenders.

Housing Finance

Housing is a basic need of human beings. With the increase in population, urbanization and industrialization, housing has become more and more scarce and expensive. Hence, the need for housing finances. The available commercial facilities and institutional finance provided by private and public agencies in most of the countries are interest-based. Muslims, even they have to deal with such agencies under compulsion of the situation, feel very uncomfortable dealing with institutions. If a way to interest-free housing finance could be found, it would go a long way to boost the morale of Muslim communities in the non-Muslim countries.

Investment Needs

For those people who possess financial resources, the need to invest them in a way that would yield *Halal* returns is of paramount importance. This problem is not acute now for international investor as some international Islamic investment companies, several international commercial banks, investment banks and finance companies have floated funds that invest their proceeds in the Islamic way. However, the situation may look grim in various national economies which are not open to international investment. Main impediment in this connection is the absence of an appropriate regulatory framework.

Interest Free Solutions

If the Muslim communities living in the non-Muslim societies as minorities wish to avoid *Riba*, they may have to adopt an issue by issue approach and search for interest free solutions with respect to each issue separately. Of course, the establishment of an Islamic financial institution such as an Islamic bank may be the first best solution. This institution may have several branches where local Muslims may be located. The minority community may negotiate the terms and conditions of regulatory framework under which this institution may be allowed to operate and be regulated by usual monetary authorities.

However, this solution may not always be available in several countries for various reasons such as miniscule number of Muslims, non-cooperative attitude of the majority and government. Under such circumstances, there may be no alternative but to approach the issue in a circumvent way

Spirit of Cooperation

The Muslims are required to "help ye another in righteousness and piety but help ye not one another in sin and rancour" (*Surah 5: verse 2*). This could be the guiding principle of all collective activities of Muslims in the countries where they live as minorities. In this endeavor, Muslim minorities may make use of cooperative movement and use the concept of cooperative societies to their benefit¹⁷. Following principles of the cooperative movement may be of special relevance to Muslim communities in solving their specific issues:

1. **Democratic Participation:** The cooperative societies are run on the principle of democratic control, with each member entitle to one vote regardless of the number of shares controlled by him. This is in stark contrast with the corporate principle of one share one vote.
2. **Open Membership:** The membership of cooperative societies is usually open to all, irrespective of considerations of race, creed, class, occupation or political affiliation. The only rider governing the membership is that prospective members should agree with the aims of objectives of the society. This may be very convenient to Muslim minorities who can involve the members of majority community or others who agree with their causes. For example, an Islamic Cooperative Credit Society running on interest free basis may involve the people from other groups of the society and may contribute towards producing a favorable climate in favor of interest free finance movement.
3. **Cooperative Education:** All cooperative societies are expected to make some provision for the education of their members, officers and employees and for the general public in the principles and techniques of cooperation as well in the aims and objectives of their cooperative societies. This principle can be used by Islamic cooperative societies to popularize and propagate the concepts of Islamic finance. This may be done by publication of hand outs, pamphlets and by organizing meetings and seminars.
4. **Cooperative Cooperation:** Another principle of cooperative movement is that all cooperative organizations, in order to serve the interests of their members, the cooperative organization must actively cooperate with other such organizations at local, national and international level. In case of Islamic financial institutions that are organized at the principle of cooperation, such coordination may be two fold: On the one hand, they may cooperate with Islamic financial Institution organized on the basis of commercial principle and on the other hand, they may cooperate with the organizations working on the principle of cooperation.¹⁸

The adoption of cooperative principles for strengthening Islamic finance movement in the Muslim minorities may entail certain special advantages, some of which may be enumerated as follows:

1. The organization of Islamic banking and finance movement along the cooperative lines shall insulate it from undesirable and unequal competition from the corporate sector. It is obvious that corporate sector has more finance, better organization and a large market.

Any Islamic financial institution, even if it could be established under existing laws of a Muslim minority country, shall be exposed to unequal competition from the corporate sector. However its establishment and growth in the cooperative sector shall insulate it from such competition.

2. The cooperative sector is usually less regulated than the corporate sector in most of the countries. Hence, it may be easier to establish Islamic Financial Institutions in the Muslim-minority countries in the cooperative sector as capital requirement to establish a cooperative institution is much less than what is required to institute a corporate entity. Further, cooperative institutions are usually provided various kinds of incentives in many countries. Islamic financial institutions, if established along the cooperative lines, may also benefit from these concessions.
3. The cooperative institutions are usually elastic with respect to size. Hence, scale is of no consequence in establishment of a cooperative organization. A cooperative society could be started with minimal of capital but the same could not be said about an establishment in the corporate sector which, in most of the countries, a minimum capital size is determined by the corporate law. This accords flexibility to Cooperative system that is not shared by any other system.
4. The cooperative system is also amenable to different purposes. i.e. different kind of cooperative societies can be established for different purposes. Consumers' cooperatives, producers' cooperatives, distributors' cooperatives and credit cooperatives are mostly common. Among them producers cooperatives have not been very successful. However, in other sectors.
5. Another advantage of cooperative institutions is that these can be fairly decentralized as small cooperative societies can be established in the communities that have relatively small sizes.

Although Islamic finance has yet to benefit from full potentials of cooperatives, a beginning in this direction has already been made in the Muslim minority countries. The Muslim Credit Union Cooperative Society was formed in the Republic of Trinidad and Tobago was formed in 1983 and has been working since then¹⁹. Similarly many interest free societies and associations are working in India although many of them may not have been established as cooperative societies.²⁰

Interest Free Cooperative Credit Societies

Interest free cooperative credit society could be formed to satisfy personal financial needs and to provide interest-free loans to needy people to meet their contingency. The need for such type of finance is felt quite strongly both in rural and urban sectors. In the absence of availability of interest free finance to meet contingencies, the people resort to interest ridden borrowing from traditional as well as non-traditional sources of finance. The formation of interest-free credit society on cooperative basis can solve this problem efficiently and pragmatically.

The scope of interest free cooperative credit societies need not be limited only to granting interest free credit loans. With suitable infrastructure, these societies can also meet the short term and medium term consumer finance needs of their members. They could finance the purchase of durable and semi durable consumer goods such as furniture, electronic goods, etc.

In fact, interest free credit associations and interest free saving and loans associations are already working in many countries where regular and full-fledged Islamic banking is not feasible for one reason or the other. Dawan Rahardjo and Surin Pitsuwan have reported about the existence of these associations in the unorganized sector in Philippines and Thailand respectively.²¹ Most of these associations or societies work on the principle that each member contributes a specified sum of money each month and gets an interest free loan either at his turn or at the time of his need. Hundreds of similar institutions are also working in India. These kind of societies are found not only in the countries where Muslims constitute a minority but also in some Muslim countries such as Indonesia is reported have a large number of interest free credit association.

Main constraint of these societies is that they neither they can function not they can replace an Islamic bank. They can not make use of full potential of Islamic financing techniques as they are not banks. The advantage of a bank is that it performs a multitude of functions while cooperative societies are supposed to look after any one important function for which they have been created. Hence, at best, they remain the second best solution.

Housing Societies

The need for housing finance is one of the most acute needs of human beings in all societies. However, due to high cost of housing, this need has become more prominent in present Western societies where commercial banks, mortgage companies, saving and loans associations, specialized housing banks etc. play a special role in arranging housing finance. By forming cooperative housing societies, Muslims in these countries may get around the problem of interest in housing loans.

Investment Funds

Investment needs of various Muslim minority communities must also be looked after. The desire to have positive returns on one's saving is a very legitimate desire. Islam does not object to it. It prohibits the return on capital only in one specific form i.e. interest. In the absence of Islamic banks, how persons belonging to Muslim communities may invest their savings in order to earn legitimate (Halal) returns? The Islamic Investment Funds provide the answer. In the past two decades there has been a phenomenal growth of investment funds all over the world. There has been a change over from the bank deposits to special investment funds, mutual funds operated by investment companies and other financial institutions. Since most of these funds operate on the basis of interest, the need for such funds that operate on interest-free basis is obvious, particularly in the Muslim minority countries. It is in response to this need, that most of Islamic Investment Funds have been centered in London, which is one of the important centers of international financial activity.²²

It may be pointed out that much growth of Islamic investment funds is due to interest and enthusiasm of Muslim minorities living in the west. However, Islamic investment funds have also been launched in many Muslim countries in the recent years.²³

ISLAMIC FINANCE IN INDIA: PRESENCE AND PROSPECTS

India, which has the second largest population after China and is the largest democracy in the world, is a multi-religious and multicultural country. According to last census carried out in 1991, Hindus constituted 82 percent, Muslims 12 percent, Christians 2.3 percent and Sikhs 1.9 percent of total population. These are major religious groups. However, there are many other religious groups such as Jainis, Buddhists, Zoroastrians, but their presence is not statistically significant. A sizable section of Indian tribal population, known as scheduled tribes, follow aborigine religions but Indian census does not recognize them as separate religion. They are included in Hindu population. India follows a secular constitution, which allows the people of different denominations to maintain their separate religious, cultural and ethnic identity and even propagate it.

India possesses one of the largest concentrations of Muslims outside Muslim countries. Reasonable estimates of Indian Muslim population are around 120 million, although official census figures are below this and private estimates (which may not be more than educated guesses) put this figure much higher. However, what may be the truth regarding correct figure of Indian Muslim population, it is certain that Indians Muslims are one of the largest denominational communities in the world. In order to ascertain what may be the role of Islamic banking for Muslim minority in a country like India, which is economically poor with a large population and complex social relations, we must have a broad idea about social and economic status of Indian Muslims in the country.

Geographic Distribution

Indian Muslims are not concentrated in any one Indian state. They are scattered all over India in different states. In fact, their geographical dispersal reveals that they are evenly distributed over different states. There are only three states which more than 10 percent of total Indian Muslim population. These states are: Uttar Pradesh (22 percent), West Bengal (14 percent) and Bihar (12 percent). Thus 48 percent of Muslim population is concentrated in three states. The rest 52 percent of Muslim population is very evenly even sparsely distributed among the rest of states and union territories.²⁴

Urban Concentration

Indian Muslims are perceived to be an urban community. The proportion of Muslim population as a percentage of total urban population is consistently higher than the proportion of Muslim population as a percentage of total rural population. Some survey data from the state of Uttar Pradesh, which has the largest concentration of Indian Muslims, also points in the same direction. It has been found that there are only 12 districts in which the proportion of Muslim population as a percentage of total population is between 13–24 percent. However, there are 18 districts in which the proportion of Muslim population as a percentage of

urban population is between 25-40 percent. Similar trends are also observed in other class intervals. (see Table 1).

Non-Agricultural Professions

It may also be noted that in general, the proportion of Indian Muslims is higher in the on-agricultural professions. This is irrespective of the rural urban dichotomy. The data for the rural sector reported by the National Sample Survey, reveals that 36 percent of rural Muslims are employed in the agricultural sector while this proportion amongst the Hindus is about 44 percent. The proportion of other minorities, Christians and other religious groups is also higher than Muslims. By corollary, the proportion of Muslims in the non-agricultural is higher. Reportedly occurrence of self employment is higher amongst Muslims, as "a majority of Muslims are self employed, for example, 53 percent of them as opposed to 36 percent of Hindus are self employed in urban areas."²⁵

Levels of Social and Economic Development

It is generally believed that levels of social and economic development amongst Indian Muslims are lower than the national level. Now, a number of research studies are available that substantiate this hypothesis.²⁶ However, quantified data is hard to come by as official statistics is not classified by denominational communities. The reasons for relative backwardness of Indian Muslims are historical. First, Indian Muslims did not adopt modern education and technology as quickly and as early as Hindus. It is held that there was a gap of at least about 60 years in adoption of modern education by the two communities during nineteenth century. The consequences of this historical lag still persist. Secondly, educated, skilled and economically advanced sections of the Muslim community migrated to Pakistan and only weaker sections of the society were left back to India. Thirdly, because of social, political and other reasons, Indian Muslims have not been able to take full advantage of development programs during the last 50 years.²⁷ Thus, they are caught in a cobweb of poverty and backwardness.

Lower Amount of Credit Flow

The National Commission on Minorities, in one of its reports, observed that, "due to lack of awareness, members of minority communities do not receive adequate benefits from government from various development schemes. They also face problems in getting sanction from bank credit."²⁸ In order to substantiate its point, the commission undertook an empirical study of credit flow to minorities in the city of Saharanpur (U.P.) which has a substantial Muslim population. The commission found that "in the year 1990-91, credit flow to minorities, in the city of Saharanpur, was Rs 66.0 million against a total credit of Rs. 506.7 million which is 13 percent of total credit against a Muslim share 31 percent in total population."²⁹

Extent of Bank Use by Indian Muslims

The fact of lower amount of may have two possible reasons: (1) There is a possibility that there is discrimination against Muslims and their applications are mostly rejected in order

to deny them access to credit. (2) Muslims do not seek credit by themselves. It is difficult to say which of these two are responsible for the situation. However, fortunately some quantitative information on the extent of bank use by Indian Muslims is available and has been presented in Table 2.

It can be seen from the table 2 that in the country as a whole Muslims have only 9 percent of total account while they are about 12 percent of total population. In advances of loans the situation appears grimmer as they get only 5 percent of all advances have gone to Muslim minority. The National Minority Commission has identified 41 districts (administrative units of state governments in India) out of more than 300 districts as minority concentration districts. The situation in the minority concentration districts appears to be somewhat better.

It may be deduced from the data provided in Table 2 that extent of bank use is not very high amongst the Indian Muslims. The reasons for low extent of bank use may be several and multifarious including low per capital income, low literacy rate, economic backwardness and religious reasons.

Many Muslims still do not like to deal with the bank because they are based on interest and interest is forbidden in Islam. To such clients, the availability of an Islamic bank is likely to increase the extent of bank use. It shall also mobilize the savings hidden in Muslim society which interest-based system fails to mobilize.

Relevance of Islamic Financing

India has remained on the fringe of developments in Islamic banking and finance. This need not be so. The significance and relevance of Islamic banking and finance may be listed as follows:

1. Islamic banking is an innovation of the Islamic world. It is concentrated in the Arabian Gulf and South and Southeast Asia, particularly in the countries which are the members of the OIC. Muslims constitute a large segment of Indian population. In fact, Muslim population in India exceeds total population of many Muslim countries. Hence, such a large population can not remain oblivious of the important intellectual and financial developments taking place in the Muslim World elsewhere.
2. Except for the countries where Islamic banking is being introduced on the economy wide scale, most of Islamic banking experiments have been taking place in the private sector. A major portion of the banking sector in India is also in the public sector since 1969 when 14 major commercial banks were nationalized. In view of on going liberalization and globalization of the economy, restructuring and privatization of the commercial banking sector in India is long over due. Introduction of Islamic banking in the private sector shall boost private commercial banking in India.
3. There are no investment banks in India. Private commercial banks also restrict themselves to traditional banking function in the strict British tradition. The establishment of an Islamic Investment Bank may boost private Investment banking.

4. India has lately adopted the policy opening up of the banking sector and many foreign banks are now operating in India. India could invite foreign capital if Islamic banks operating in the Gulf are allowed to operate in India. It is known that Dallah Albaraka Group has been allowed to establish a Albaraka Finance House in Mumbai in 1990 with an authorized capital of Rs. 50.0 million. Its paid up capital is Rs. 30.0 million out of which Albaraka share is 51 percent and the rest is domestic equity. The Albaraka Finance House has been given license to operate as an investment bank with the limits set by the Indian law³⁰. Other Islamic banks may use this precedence to enter huge Indian market. Similarly, it shall be beneficial for India to invite other Islamic banks such as DMI group to take advantage of Indian market. Many international banking and financial concerns such as Citibank, ANZ Grindlays etc. have either established subsidiary Islamic companies, floated specialized Islamic funds or even founded Islamic branches. India could benefit from their experience. This shall go a long way to improve the prospects of Islamic banking in India as well as benefit Indian economy.
5. In view of the fact that Islamic financing techniques are not based on interest, Islamic banking has a special relevance for micro credit in satisfying the financial needs of the Indian society.
6. The State Bank of India, which is the largest bank in India, provides credit to agricultural sector on very low interest rate. In certain cases it has provided them loans even on zero interest rate. Islamic technique of financing may have a special relevance for agricultural financing.
7. Interest free cooperative credit society may also serve useful purpose in the Indian context in saving people from loan sharks.

Islamic Financial Institutions in India

Indian banking is seen complex, diverse and burdened by excessive state controls. Indian money market is divided into two classic parts: unorganized and organized. The organized money market consists of commercial banks in the public, private and foreign sector. According to a present survey there are 97 commercial banks comprising of 32 public sector banks, 27 private banks and 38 foreign banks. Although foreign banks are more in number they control least share of market. The bulk of market share is controlled by the public sector banks (83 percent), followed by private banks (9 percent) and foreign banks (8 percent). Similar trends are observed in deposit mobilization and assets ownership.³¹

Indian banks are regulated by Indian Banking Regulation Act 1949, The Reserve Bank of India Act 1935, The Negotiable Instruments Act and Cooperative Societies Act 1866. None of these laws admits the possibility of an interest free bank. Hence, if and when an interest free commercial bank is allowed to be established, the relevant laws will have to be amended.

Under such circumstances, no Islamic banks as such exist in India. However, due to non permissibility of interest in Islam, the Indian Muslim community considered its Islamic duty to look for alternatives. These attempts have hovered around the following:

1. Interest free Credit Associations
2. Interest free Financial Companies
3. Investment Funds.

Each of these institutions are briefly described here:

Interest Free Credit Associations

In order to satisfy their financial needs on interest free basis Indian Muslims have established their own financial institutions. It is estimated that there are more than 200 such institutions operating through the length and breadth of India. Not much statistical and financial information is available about the working of these institutions. There has been no systemic effort to gather information either. Some piecemeal efforts undertaken by individuals ended in utter failure. For instance, Rahmatullah collected the address of 150 institutions and sent them a questionnaire. Only 34 responses were received. Rahmatullah published the findings of his survey in a paper, which till date remains the only source of information about these institutions.³² Rahmatullah calls these institutions "Islamic Banks" arguing that as the interest free financial institutions in India are performing many functions of conventional as well as Islamic banks, it would not be inapt to call them Islamic banks³³. This is precisely the point, which is challenged by Ahmad who argues that, "it is not only a misnomer but, in fact, it distorts the situation as far as it relates to interest free financial institutions in India."³⁴ It is pointed out that commercial banks are not only profit making entities, they are also legal entities. Islamic banks are usually established under some kind of legal framework. If current laws were found to be unsuitable for operation of interest free financial institutions, then either new laws have been enacted or existing laws have been modified. This is not the situation in India where these institutions are operating without any legal framework.

However, on the basis of information supplied by Rahmatullah, some main characteristics of interest free credit associations may be listed as follows:³⁵

1. Although conceptual development and theoretical formulation of interest free financing in the Indian subcontinent goes back to early forties, most of interest free institutions in India were established in the late seventies and eighties. This coincides with the international upsurge in the establishment of Islamic banks in the Gulf and other OIC countries.
2. According to available information most of these institutions are concentrated in Southern Indian states such as Andhra Pradesh, Kerala and Karnataka. Northern India, which accounts for the bulk of Muslim population in India, has yet to benefit from Islamic financial institution on any significant scale.
3. The motivation behind the establishment of these institutions remains mostly religious. The workers belonging to one religious organization or the other have established many of these institutions. However, the main reason is the desire of Muslims to find a way to transact business so as not indulge in *Riba*-based transactions. Many of these institutions have been working as welfare organizations. At this stage of development,

profit motive is not the primary governing motive being these organizations. It could also be said that presently these organizations are not commercial entities.

4. These societies are registered under different laws. Some are registered as charitable societies. Many are registered under the Societies Act. Some work as charitable trust and some other cooperative credit societies. Very few function as business companies.
5. The sources of funds for these institutions differ in accordance with the nature of the society. The charitable societies and trust get their funds from *Zakah*, *Sadaqah* and *Amanah* from general public. The cooperative societies get their funds from their members as share capital as well as deposits from the shareholders. Only the business companies, if they have appropriate permission, as licensed deposit taker, are authorized to invite deposits from the public.
6. Due to lack of sufficient relevant information, it is not possible to speculate about the size of capital involved, or the size of deposits. For the same reason one also could not conjecture to assess the role these institutions may be playing in the economy of Indian Muslims.
7. Main function of these societies / associations is to take deposits from their members and to provide them with interest free loans. The practices greatly differ from one institution to another with respect to providing loans. Some times, it is done absolutely free, some times with a service charge, sometimes against a collateral and sometimes just on a personal guarantee. Some associations also undertake some Islamic financing techniques such as leasing (*Ijara*) and *Musharakah*. However, the scale of such operations must be really limited because of obvious limitations.

A few remarks evaluating this experience are in order. Of course, any full-fledged evaluation must wait till such time that detailed statistical and economic information becomes available. However, with the limited information available, following remarks may be made:

1. These institutions have played a useful role in propagating the idea of interest free financing in an atmosphere that is neither conducive nor cooperative.
2. These institutions are working in the organized sector that is unregulated. This does not breed confidence of the clients about the security of their deposits. A number of these societies are not even registered. Hence they operate without any kind of legality, regulation and control. Sometimes some unscrupulous elements take advantage of this situation and indulgent in fraudulent activities. It shall be in the interest of these organizations to get them registered under some existing law, which admits the possibility of registration, and make their operations clear and transparent.
3. The interest free associations should have a clear objective to the effect that they wish to operate as charitable organization or as a business organization.

Interest Free Financial Companies

The other segment of Interest free financial institutions are some financial and investment companies that conduct their business an interest free basis. These are registered companies

and operate in the organized market. By virtue of their registration, they obviously enjoy much more confidence of the public than their previous counterparts. However there are not very many companies like this. At the moment, we could mention only three companies.

- (a) Al Ameen Islamic Financial and investment Corporation (AIFIC)
- (b) Al Najib Milli Mutual Benefits Ltd.
- (c) Barakat Financial company
- (d) Al Falah Group of Companies.

Since not much know about either existence or performance of these companies in the Islamic financial circles, a brief account of nature and activities of these companies is given here.

Al Ameen Islamic Financial and Investment Corporation (AIFIC)

Al Ameen Islamic Financial and Investment Corporation (AIFIC), is the premier Islamic financial institution in India. Its headquarters is in the City of Bangalore, in Karnataka State of Southern India. It is the only Islamic financial company that functions under the supervision of a *Shari'ah* supervisory board. Its authorized capital is Rs. 100 million, which is divided into ten million shares of Rs. 10 each. Out of which 52,39,000 equity shares of Rs. 10 each have been issues, subscribed and paid up.³⁶

AIFIC has been registered under the Indian Companies Act, 1956. It started its operations in 1986 and now it is recognized by the Reserve Bank of India as a Non-banking Financial Company. Being a licensed deposit taker, the company has launched various schemes to promote saving and investment amongst its clientele which largely Muslim.

Functions of the Company³⁷

1. The company uses leasing as a financing tool to a great extent. There are several leasing schemes. Mainly company leases transport vehicles, plant and machinery, industrial equipment, building equipment etc. The primary lease is for a period ranging from 3- 5 years. In certain cases the lessee has to deposit a certain percentage of the cost of the asset as security deposits. During the period of lease, the lessee pays fixed monthly rental.
2. The AIFIC arranges finance for the purchase of consumer durable on the basis of *Murabaha*. The company purchases the consumer durable and resells it the client on deferred payment basis on a mark up in accordance with the known principle of *Murabaha*.
3. The AIFIC provides financial assistance to industrial, commercial and other project on the basis of profit sharing. The corporation, after appropriate appraisal of the project, negotiates with the clients the share of the profit and quantum of assistance. This usually takes the form of *Musharakah* or direct investment.
4. Housing finance is given to poor and economically weaker section according to a plan. Under the plan the client has to maintain a saving account and put his savings up to

three years. After three years, the client may obtain double of the amount saved as a loan from the corporation up to a maximum of Rs. 200, 000. The loan is repayable in seven years in equal monthly installments. No charges are made on the loan.

5. AIFIC accepts deposits under the Acceptance of Deposits Rules of the Indian Companies Act, 1956. A deposit holder is entitled to participate in the company's profits as well as in bonuses which are declared on the basis of the profits earned by the company.
6. Company's *Mudarabah* deposits have registered substantial growth during the last few years. Total *Mudarabah* deposits in 1994-95 were Rs. 94.1 million, rising to Rs. 104.5 million in 1995-96. The year 1996-97 saw a decline of total deposits to 100.8 million but to rise again in 1997-98 to Rs. 131 million. Thus in the year 1997-98, deposits were 40 percent higher than in the year 1994-95.
7. The deposits at the AIFIC are divided into ten different categories and include: saving deposits, recurring deposits, fixed deposits, *Mudarabah* deposits, senior citizen deposits, pension schemes, benefit cash certificates, reinvestment deposits unit deposits and loan link deposits. Many of these deposits are not operational.
8. The Board of Directors of the AIFIC is authorized to launch other deposit schemes. Consequently AIFIC has launched several innovative deposit schemes such as Haj and Umrah deposit scheme in which one can save to meet the expenses of Haj and Umrah, Iqra deposit scheme to meet educational expenses, *Tohfa* (gift) deposits scheme to encourage thriftiness and frugality etc.
9. AIFIC launches schemes for poor savers from time to time. For instance, a scheme has been launched for three wheeler auto Rickshaw drivers who can obtain a loan Rs 15,000. This amount is enough to buy an auto Rickshaw which is mortgaged to the company. The loan is payable in 1000 days (33 months) at the rate of Rs. 15 per day which an auto driver can easily pay from his daily earnings.
10. Similarly another deposit scheme is designed to encourage the saving habits amongst those who have some regular but unstable source of income. Many petty shopkeepers can not regularly save. Under this scheme they can save a specified sum of money that is contributed and collected on the per day basis. The period of this deposit is two or three years. Since the scheme is designed to promote saving habit, no return is paid on the deposits. The scheme is confined only to members who pay a nominal administrative fee to participate in the scheme.

Al Najib Milli Mutual Benefit Ltd.

It is an a public limited company incorporated in 1990. In 1993, the government of India recognized it as a mutual fund company (which in Hindi is called *Nidhi*. Thus, it has now the authorization to accept deposits from the public without any restriction on the amount. Presently it has branches in U.P. Delhi and Bombay and controls deposits to the tune of Rs. 165 million. The Fund has several deposit accounts such as spot deposit account and deposit benefit scheme. It is necessary to become the member of al Najib in order to open an

account with the company. The spot deposit account is aimed at small savers to encourage saving habits among them. The agents appointed by the company collect saving directly from the savers. It is necessary to maintain a specified minimum balance. No return is given on spot deposit account. The deposit benefit scheme allows the depositors to deposit Rs. 40 per day or Rs. 1000 per month for a period of five and half month. When the money reaches to Rs. 5,500 or its multiple, it is invested in the stock market in equity and shares through Barakat Leasing and Financial Services Ltd. The company provides interest free loans with nominal service charges against gold ornaments.

Barakat Investment Corporation

Barakat Investment Corporation is operating in Mumbai and grew out of the diversification of the activities of Bait un Nasr Urban Cooperative Housing Society. The corporation also has several deposit schemes such as fixed deposit, saving deposit and monthly return deposit scheme. The corporation has a subsidiary as Barakat Leasing and Financial Services Limited. The company invites deposits from interested public who wish to invest in equity and shares. The company accepts these deposits into a scheme called Barakat Stocks and Investment Deposits. It invests from 50 to 80 percent of the proceeds in equities depending upon the market situation. The balance is invested in the real estate. Barakat Leasing and Financial Services offer other financial services such as arranging purchase of shares on brokerage, Secretarial and custodial services etc.

Investment Funds

Despite substantial growth of Islamic investment funds during the recent years³⁸, there have not been many Islamic investment funds in India. Main reason for this may be general economic backwardness of Indian Muslims who are not a significant player in the financial market. It is only recently, as a result of over seas employment, particularly in the Gulf, that a section of Indian Muslims has emerged as investor. However, even this section has serious reservations and suspicion of current financial market because of its involvement in *Riba*-based instruments. Hence, this section wants to invest in a way that would be approved by the *Shari'ah*.

However, there were not very many interest free alternatives available. The only available alternatives for financial investment were either time deposits of commercial banks or stock market. Both instruments were ridden with interest. In the mid sixties, the Government of India introduced a scheme very much similar to mutual fund. It was called Unit Trust of India (UTI). The UTI will sell its units to the public and invest the proceeds in the equity of the industry. The return on Units had to depend upon the performance of the industry and on the result of the investment that UTI would make. Thus, return on investment in units was neither fixed nor predetermined. Because of its variable return, the UTI was considered by many to be closer to Islamic investment, although there were a number of unresolved issues. In the beginning, the UTI did not declare the rate of return. But very soon, it started declaring a return based upon the past performance, which was to guide present investment. Further more UTI investment was not immune from investment

in the activities that are abhorred by the norms of Islamic morality. Hence, Muslims were uncomfortable about investing in Units also.

The situation somewhat eased with the gradual expansion of equity investment and broadening of the stock markets. Equity investment was considered to be a good alternative for Islamic motivated investor. After liberalization, number mutual funds were launched. But these funds did not meet the criterion of Islamic investment either as most of mutual funds invest a significant portion of their total investment in debt instruments, as well as in the industries in which Muslims would not like to invest. *Riba* based investment constitute a significant portion of their portfolio.

In 1995 Tata Core Sector Equity Fund was launched by the Tata Mutual Funds. It was marketed by Barkat Investment Group, Bait an Nasr Cooperative Society and Muslim Fund, Najibabad, which had persuaded Tata mutual funds to tailor made a fund to suit the preferences of the Muslim and other ethical investors. Hence, it was agreed that proceeds of the funds shall not be invested either in debt instruments or in the industries which are repugnant to Islamic mores such as companies dealing with alcohol or pork or finance companies dealing with *Riba*. The resources of the core sector equity fund are exclusively for investment in basic and core sector industries such as cement, iron and steel, power, chemicals, engineering, fertilizers, petrochemicals, automobiles, telecommunications, etc. The subscription to Tata core sector equity fund was overwhelming by Muslims in India as well as in the Gulf. However its performance, due to sagging economy has not been as good as projected.

Prospects for Islamic Banking and Finance in India

It was observed above that Islamic financial institutions in India consisted of different type of institutions: credit societies or associations, Islamic financial companies and investment funds. Now, a question may be raised: what are the future prospects for Islamic banking and finance in India and what course it is expected to take in future?

Given enormous size of Indian Muslim community, it can not be expected that it shall remain oblivious of Islamic banking and finance for too long. The review of activities mentioned in the section 4.3 shall convince any independent observer that community is not lacking in desire to have interest free dealings.

Of course, presently there is no Islamic bank except that an Islamic bank from the Gulf has been permitted to open a branch in Mumbai. However, it does not mean that an Islamic bank can not be opened in India. Successful functioning of Islamic banks elsewhere, and big size of the community are two assurances that interest free bank can be established in India. It is too early to speculate that what form it may take. It can be in the form of an Islamic bank, which may be allowed to open its branches in other parts of the country or it is possible that, motivated by the example of Malaysia, existing commercial bank may be allowed to open interest free counter.

However, it may be said that Indian Muslims have to be integrated in the commercial banking system. So, far they have remained outside the banking system. This has resulted in their being neglected in the developmental effort and deprived of a necessary input called finance.

It is well known that Indian Muslims have established and are administering more than 200 interest free credit societies in the length and breath of the country. These societies are active in mobilizing financial resources and providing interest free loans. Many of these societies such as Muslim Fund, Najibabad in Uttar Pradesh, and Bait-un-Nasr Urban Cooperative Society have grown to become established institutions of fairly large size. However, many of them are functioning without appropriate back up and legal authorization. It is necessary for these societies to have them registered either under the Registration of Societies Act or under the Cooperative Societies Act.

Similarly, the financial companies operating as Islamic investment companies also need to have adequate legal protection. In fact, the Islamic Investment companies, operating in countries like India should have a double legal framework. They should have a *Shari'ah* supervisory board to ensure that they observe the *Shari'ah* rules meticulously and do not violate any *Shari'ah* injunction. This shall repose the confidence of their clients in their operations. Further, they must observe the law of the land. It is necessary as a precaution so that legal recourse may remain open to them in case of need. Further it shall protect them from other hazards as well.

On the other hand, following may be brought to the attention of the monetary authorities and policy makers to provide these institutions a healthy atmosphere for growth.

1. The Monetary authorities have so far no followed any consistent policy towards non-banking financial companies, of which the interest free financial companies are a part. The latest regulations of National banking financial companies were promulgated 10 years ago. However, there has been phenomenal growth both, in the number and business of these companies that calls for modernization of regulations.
2. The non-banking financial companies are controlled by the Reserve Bank of India in more stringent manner. The equity and liquidity norms of these companies may be loosened a little to give them more breathing space.
3. The law requires that these companies should invest at least 15 percent of their investment in government securities that are interest based. The exemption of those companies, which operate on interest free basis, should be considered.
4. The non-banking finance companies are not allowed to invest in land. This is probably to prevent over speculation in land, which is strong in a country like India. However, this also prevents these companies form profitable avenues. With suitable safeguards, these companies may be allowed to invest in land and buildings.

It is hoped that these steps will be beneficial to those financial companies that operate on interest free basis. In addition, the Islamic financial institutions, both in the organized and organized sectors will do well to observe the following norms:

Transparency

All Islamic financial institutions should be transparent to their customers as well as to general public. This shall build the confidence in the public. The transparency, in this context, shall be two fold: That they are observing the *Shari'ah* rules and that rules of

sound financial management are being followed. Hence, there should be a *Shari'ah* audit and an accounting audit. The reports of both audits should be regularly published.

Accountability

The credit society shall be accountable to its member and a shareholding company shall be accountable to the shareholders. In both cases audited statements of accounts should be presented annually to the meeting of members.

Professional Management

It has been noticed that sometimes members establish an institution only because they are motivated by moral zeal to avoid *Riba*. But they do not have required professional management to deal with financial matters. Since resources of other people are involved, it shall be prudent to use professional management and exercise utmost caution and restraint. Another reason to use professional management is that it shall raise productivity and efficiency of the financial institutions.

These requirements are all the more necessary for the institutions that claim that they conduct their business in accordance with Islamic norms. If these organizations do not observe these norms and collapse, then part of the blame also goes to Islamic banking and finance.³⁹ This should be avoided at all cost.

CONCLUSION

The foundation on which the edifice of Islamic banking stands is the prohibition of *Riba*. The injunction of *Riba*, like all other quranic injunctions is above time and place. It is applicable to Muslims in all countries and in all situations. However, there is an impression among the Muslim communities in the countries which are not the members of the Organization of Islamic Conference, that injunction against *Riba* may not be applicable to them as they do not have political authority to change the direction of monetary and fiscal policies in their respective countries.

However this argument is not tenable as Muslims, through out the history, have obeyed and accepted the injunction against *Riba*. There is no ground in *Fiqh*, in the opinion of majority of scholars, on which permissibility of dealing on basis of *Riba* may be admitted to a Muslim living in a non-Muslim country. A Muslim, living in non-Muslim country, is bound by the Islamic laws as much as a Muslim living in a Muslim country.

This is also accepted by the Muslims living in the countries outside the umbrella of the OIC. They also wish to avoid *Riba* as much as the Muslims from Islamic country wish. This desire has become quite strong during the past two decades. The development of Islamic banking has become a big impetus behind this desire. Now, the Muslims living as minorities, in different parts of the country wish to emulate the example of Islamic banks, so that they could also avoid *Riba*.

Muslims in India are no exception from this. They also wish to conduct their financial activities in such a manner that would not involve *Riba*. There are no less than 120 million Muslims living in India. This is a big number. However, their social and economic conditions

are not very impressive for historical reason. Their per capita income is suspected to be much lower than the national average. The rate of literacy is lower amongst the Muslims. Banking facilities are usually not available to Muslims. One reason responsible for this situation may be their relative backwardness and illiteracy. However, they may also not be making much use of available banking facilities because of *Riba*.

In order to avoid *Riba*, Indian Muslims have established hundreds of institutions at the local level. These are referred to by various names. They are known as credit society, saving association, Muslim funds, Islamic funds, bait al Mal, etc. However, their basic function is the same: They encourage savings and accept deposits, some times very small deposits from Muslims who do not want to indulge in *Riba*. They advance interest free loans at the time of the need. Most of the societies extend these facilities only to their members. Hence, in that respect, they resemble to cooperative societies. But a number of these societies are not registered under Cooperative Societies Registration Act. Their re-organization along the cooperative lines may bring them certain advantages that they are deprived of right now. A number of these societies are stripped of any legal framework at all. This exposes them to all kinds of risks. It shall be in their own interest to have some legal protection and get themselves under some appropriate law.

The loans granted by these societies are most of the time distress loans. By providing these loans, these societies are performing a yeoman's service. In case of non-availability of loans from this source, the client would certainly get caught in to the clutches of loan sharks from whom he would get loan at very exorbitant rate of interest. However, very little of the loans granted by these societies are of a business nature. It is reported that some of these societies are making some use of Islamic financing techniques practiced by Islamic banks elsewhere such as *Mudarabah*, *Musharakah*, *Murabaha* and *Ijarah* etc. Nevertheless, the extent and significance of use of these techniques is discounted due to small size of the organization practicing them.

It may be mentioned here that some of these associations in the un-organized sector have grown to become well-established and well-run institutions such as Muslim Fund, Najibabad and Bait – un - Nasr Urban Cooperative Society in Mumbai. These organizations handle quite large sum of money and have several branches.

Interest-free credit societies and saving associations in India may need to be strengthened and streamlined. At the initiative of the above two organizations, an Indian Association of interest-free societies has been formed. However, its activities need to be upgraded. The first and foremost need is that those societies which are not registered must be registered either under the Registration of Societies Act or under the Cooperative societies Act.

In fact, not much is known about the nature and functioning of the societies. A survey done by a scholar did not yield much result. We need to collect more information about the working of these institutions. Only then, these organizations could play a more useful and more effective role in the life of the community.

India is one of those countries where cooperative movement has taken deep roots. The government offers a number of concessions and incentives for promotion of cooperative. If

Indian Muslim could re-orient their interest free association along cooperative lines, it could reap a number of benefits. There could be cooperative credit societies, cooperative housing societies, cooperative marketing societies, etc. Even banks could be established on the cooperative basis.⁴⁰ It may be easier to convince the cooperative authorities to convince that commercial banks could work both on the cooperative and interest free basis at the same time. Hence, interest free cooperative banks remains a distinct possibility.

Another relevant area for Islamic banking and finance in India is that of micro financing. India has a large small scale industries sector. There are traditional handicrafts as well as modern industries in the small scale sector such as power looms, refrigeration workshop, TV repairs, etc. The representation of Indian Muslims in the small scale sector including crafts and self employed sector is quite high. Only in the state of Uttar Pradesh, Muslim crafts men and skilled workers dominate in Bangle industry (Ferozabad), handlooms (Azamgarh), carpet weaving (Mao), Zari saris (Varansi), Chicken (Lucknow), tannery (Kanpur), locks (Aligarh), Utensils (Moradabad). Interest free cooperative societies and interest free cooperative banks can galvanize them by providing finance and other necessary inputs for their modernization and development.

In the past decades or so several financial companies have been established in India, that claim to function on interest free basis. These are registered companies and recognized as non-banking financial companies. Some of these companies have been described in this paper. These also collect funds from public and invest them on profit sharing basis. These companies have to be more transparent to gain the confidence of the public. They have to function under a legal framework.

Another factor to which attention must be paid is that beneficial role of Islamic financing need not be confined to Muslims alone. In a mixed society, the blessing (barakah) of Islamic financing must spread to non-Muslims also. Hence, they should not be deprived of good effects of Islamic banking and finance as interest is a bane for all mankind. In short, if properly guided and meticulously pursued, a brighter and bigger future awaits for Islamic banking and finance in India.

Table 1
Frequency Distribution of Districts as Proportion of Muslims in Total
Population of Uttar Pradesh, 1981

| <i>As a Proportion of Total Population</i> | | <i>As a Proportion of Urban Population</i> | |
|--|------------------|--|------------------|
| <i>Class interval</i> | <i>Frequency</i> | <i>Class interval</i> | <i>Frequency</i> |
| 24.01 and above | 8 | 40.01 and above | 7 |
| 13.01-24.01 | 12 | 25.01-40.0 | 18 |
| 3.01-13.0 | 29 | 11.01-25.0 | 23 |
| Below 3.0 | 7 | Below 11.0 | 11 |

Source: Aijazuddin Ahmad p. 59.

Table 2
Extent of Bank Use by Muslims in India 1991-92
for Public sector Banks Only

| <i>All Districts</i> | | | <i>Minority Concentration Districts</i> | |
|----------------------|--|--------------------------------------|---|--------------------------------------|
| <i>Categories</i> | <i>Number of accounts held</i> | <i>Advances (in Million Rs.)</i> | <i>Number of Accounts</i> | <i>Advances (in Million Rs.)</i> |
| Muslims | 325,4286 (9.34) | 2138.18 (4.99) | 105,8320 (23.66) | 107,5707 (23.80) |
| Minorities | | | | |
| Excluding Muslims | 225,3381 (6.47) | 2727.96 (6.36) | 20,5198 (4.58) | 20,6868 (4.57) |
| All Minorities | 550,7667 (15.82) | 4866.09 (11.36) | 126,3518 (28.28) | 128,2575 (28.37) |
| Others | 293,134,53 (84.18) | 37,968.78 (88.64) | 320,8129 (71.72) | 323,7171 (71.62) |
| Grand Total | 348,211,20 (100.00) | 42,834.87 (100.00) | 447,1647 (100.00) | 451,9746 (100.00) |

Note: The figures in the parenthesis represent percentage with respect to total.

Source: Compiled from the data supplied by the Reserve Bank of India to the National Commission on Minorities. For data, see 14th Annual Report of the National Commission on Minorities, 1991-92 p. XX in the Statistical Appendix.

NOTES

1. Munawar Iqbal, Ausaf Ahmad and Tariqullah Khan, *Challenges Facing Islamic Banking*, Jeddah: Islamic Research and Training Institute, 1998, p. 21.
2. It is difficult to know with any reasonable degree of certainty how much money is handled by the Islamic financial institutions. The estimates are only a few and greatly differ with each other. However it is believed that presently Islamic banking industry handles about 80 billion dollars annually which is expected to reach 100 billion dollars a year within a couple of years.
3. M. Umar Chapra, "The Role of Islamic Banks in Non-Muslim Countries" *JIMMA Vol. XIII*¹.
4. Husaini U. MaLami, "Propsects of Islamic Banking in Muslim Minority Communities," *JIMMA Vol. XIII* No. 2, July 1992 p. 308-316.
5. Rahmatullah, "Islamic Banking in India" *JIMMA Vol. XIII* No. 2 July 1992 p. 317-324.
6. Ausaf Ahmad, "Islamic Banking in India: A Comment" *JIMMA Vol. XIII* No. 1 and 2, 1993 p. 256.
7. Saleh Abdullah Kamel, "Islamic Banking in Practice: The Albaraka Group in Muslim Minority Countries" *JIMMA Vol. XIII* No. 2 July 1992 p. 325-36.
8. From a juridical point of view Islamic jurists classified the whole world into two classes: *Dar-al-Islam* and *Dar-al- Harb* which may roughly be translated as Muslim lands and non-Muslim lands. Muslim lands are characterized by application of Islamic laws and Islamic way of life while the non-Muslim lands are characterized by the application of non-Islamic laws. According to a famous Islamic Jurist, Kasani, a Muslim territory becomes non-Muslim territory only when un-Islamic laws make their appearance. Kasani further explains that a Muslim land does not become non-become non-Muslim land except under three conditions: Firtst, Iun-Islamic laws

are enforced there, second: it is contiguous to a non-Muslim territory and the third: Muslims and *Dhimmis* (protectorates) do not enjoy their original their previous and original refuge (*Aman*). By original refuge, he refers to the privileges which Muslims enjoy in the Islamic lands because of Islam and the protectorates because of the contract of protection (*Dhimma*). See Kasani, *Badai al Sanai* Vol. 7 p. 13.

9. M.N. Siddiqi "Sources of Islamic Jurisprudence" in Hasmet Basar, *Awqaf* Book, IRTI.
10. *Al Moharrir*, Vol. 1. P. 318 cf. Nazeeh Hammad, *Ehkam Ta'amul bir Riba bain al Muslimeen wa Ghair al Muslimeen Fi Zill al 'Alaqat al Dawliyah al Ma'asirah* (Injunctions On dealing between Muslims and Non Muslims on Basis of *Riba*, in the view of Contemporary International Relations). Jeddah: Dar al Wafa Publishers and Distributors, 1987, p.10.
11. Justice Tanzeelur Rahman, *The Judgement that could not be delivered*, p. 64.
12. The first premise of this statement shall be examined in greater detail in a latter section.
13. The above article of Mawlana Manazir Hasan Gilani was originally published in Urdu Magazine *Tarjamanul Quran* Dec 1936. Fortunately, it is now available with a rejoinder by Mawlana Abul Ala Mawdoodi in his book on interest. See; Abul Ala Mawdoodi, *Sood* (in Urdu) Lahore, Islamic Publications Ltd. 1993, The later book is available in translation in English and Arabic languages. Thus, the original article by Gilani has also become in these languages.
14. Al Nowi: *Al Majmoo* cf. Nazeeh Hammad, *Ehkam Ta'amul bir Riba bain al Muslimeen wa Ghair al Muslimeen Fi Zill al 'Alaqat al Dawliyah al Ma'asirah* (Injunctions On dealing between Muslims and Non Muslims on Basis of *Riba*, in the view of Contemporary International Relations). Jeddah: Dar al Wafa Publishers and Distributors, 1987, p.10.
15. Abul Ala Mawdoodi, *Sood*, p.
16. It may be recalled that Governor of the Bank of England delivered a speech in which he pointed out how Islamic banking was incompatible with British laws.
17. The cooperative movement has been successfully used in different fields in UK, Germany, France, Belgium, Austria, Italy, Denmark, Finland, Norway, and Sweden. The Swedish Cooperative movement particularly became successful both in production and distribution and became a significant force in the Swedish economy. According to International Cooperative Alliance, the cooperative movement covered 355 million people. Among the developing countries, India has used cooperative movement on a significant scale, both in the rural and urban sectors.
18. A proposal to establish an International Association of Islamic Cooperatives has already been made by Imtiaz Ali in his paper "Islamic Cooperatives: Pathway in Islamic Finance" Paper presented at the Conference of Islamic Banking and Finance organized by Islamic Society of North America, July 17-18, 1998.
19. Imtiaz Ali, "Islamic Cooperatives: Pathway in Islamic Finance" Paper presented at the Conference of Islamic Banking and Finance organized by Islamic Society of North America, July 17-18, 1998.
20. A discussion of these societies shall follow in the next section.
21. See the articles contributed by these authors on Philippine and Thailand in Mohammad Ariff, *Islamic Banking in Southeast Asia*, Singapore: Institute of Southeast Asian Studies, 1988.
22. Rodney Wilson, "Challenges and Opportunities for Islamic Banking and Finance in the West: The United Kingdom Experience". Unpublished paper, Jeddah: Islamic Research and Training Institute, 1998.

23. The most prominent amongst them are Al Tawfeeq and....Funds launched by Al Barakah., For details on other Islamic investment funds, Osman Babikir, *Islamic Investment Funds*, mimeograph, Jeddah: Islamic Research and Training Institute, 1998.
24. Ausaf Ahmad, *Indian Muslims : Issues in Social and Economic Development*, New Delhi: Khama Publishers, 11.
25. Omar Khalidi, *Indian Muslims Since Independence*, New delhi: Vikas Publishing House, 1995, p. 66.
26. For instance see Ausaf Ahmad, *Indian Muslims : Issues in Social and Economic Development*, New Delhi: Khama Puglishers, 1993 and Omar Khalidi, *Indian Muslims Since Independence*, New Delhi: Viksas publishing House, 1995. Rafiq Zakaria also devotes a great deal of attention on economic conditions of Muslims in his book.
27. This is not just a conjecture. Conceding that "a feeling persists that benefits of the various fiscal policies of the government, both Union and States do not really reach the minorities, scheduled castes, scheduled tribes, and other weaker sections of the society" the Government of India appointed a high powered panel to investigate the issue. This panel was know as Gopal Singh Panel. It submitted its report in June 1983, which could be, released only 1991. The report ratified the position that minorities do not get their due share in the developmental activities of the country.
28. Annual Report, National Commission on Minorities, 1992 p. 321.
29. Ibid. p. 249.
30. Saleh Abdullah Kamel, "Islamic Banking in Practice: The Albaraka Group in Muslim Minority Countries" *Journal Institute of Muslim Minority Affairs*, Vol. 13:2 July 1992 p. 333.
31. "India's Best Banks" *Business India* dated January 11-24 1999 p. 76.
32. Rahmatullah, "Islamic Banks in India" *Journal Institute of Muslim Minority Affairs* Vol 13:2 July 1992 pp. 317-24.
33. Rahmatullah, *ibid.* p. 318.
34. Ausaf Ahmad, "Comment on Islamic Banks in India" *Journal of Institute of Muslim Minority Affairs*, Vol. 14:1 p. 256.
35. To date this article remains the only source where some statistical information has been reported. All India Council of Muslim Economic Upliftment is reported to have launched a second survey of interest free institutions in India. However, it may be observed that the result of the first survey were not very encouraging. Furthermore, mail questionnaire technique does not produce a very high response rate.
36. Al Ameen Islamic Financial and Investment Corporation Annual Report, 1997-98. P.12 The authorized capital of the corporation has recently been raised to 100 million. Previously, the authorized capital of the company was Rs. 50 million, which was divided into 5million equity shares of Rs. 10 each. See Annual Report of AIFIC, 1995-96 P.12. The doubling of authorized capital and issue of new capital itself is a measure of the success of the corporation.
37. The information summarized here has been taken from the promotional booklet issued by the Corporation.
38. For a study of Islamic Investment Funds see, Osman Babikir, *Islamic Investment Funds: The Mode of Resource Mobilization and Placement*, Mimeograph, Jeddah: Islamic Research and Training Institute, 1998.

39. Several companies making tall claims have collapse because of laxity in observing these norms. Famous al Mizan company was one of them. The most recent case comes from the city of Hyderabad where a financial company collapsed and the managing director was arrested on the charges of fraudulent behavior. See Saudi Gazette, Feb 28, 1999.
40. There are a number of cooperative banks. Lately Indian Muslims have entered the field of cooperative banking. There are three cooperative banks established by Indian Muslims, that are currently in operation. These are: The Bombay Mercantile Cooperative Bank in Mumbai, the Amanah Cooperative Bank in Banglore and the Jamia Cooperative Bank in New Delhi. Among these, the last one is the newest and smallest. Further, all these banks are interest based banks.

ROLE OF ZAKAT IN POVERTY ALLEVIATION: BANGLADESH PERSPECTIVE

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Abstract: *Islam provides a rational way of thinking about human welfare and Islamic paradigm of poverty alleviation is full of well conceived ideas to place the disadvantaged on the continuum of redistribution of wealth to give the society the desired direction. Zakat plays an important role as an Islamic way of thinking about poverty alleviation. The value of Zakat in Muslim Community stands out as the sacred continuum of immense significance to foster growth. This paper explains the concept of Zakat and related provisions and explores its possibilities in poverty alleviation with special reference to Bangladesh.*

Introduction

Redistributive mechanism as reflected in Islamic style of conceptualization, is, of course, a rational way of thinking about human welfare putting the last first. Islamic paradigm of poverty alleviation is full of well-conceived palliatives to place the disadvantaged locus on the continuum of redistribution. This is to morally and ethically think about refashioning human society in a desired direction.

Given the dimension of development in Islamic political economy with its universal appeal interactive world system in Islamic perspective has humanitarian underpinnings. As a model of development Islamic political economy has featured prominently in the whole gamut of social philosophy and economic thought. The epistemological roots derived from Islamic political economy provide stimuli for development with human face.

It needs to be stressed that the so-called welfare oriented development policy in democratic capitalistic countries suffers stress under adverse economic climate. A score of poverty alleviation measures are not on track to organize the poor into countervailing force against the crisis of marginalization. Such crisis is staggering to the detriment of the survival of the poor.

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Judged by a composite index of human development poverty alleviation rhetoric in developing countries influenced by the wave of globalization as a borrowed concept from the west have failed measurably to address the issue of de-equalizing syndrome. The progress is far from effective as the projected programmes of goal fail in most cases in stamping out the whims of structural uncertainty and menacing forms of exploitation that reduce public welfare.

The only answer to this human predicament is Islamic way of thinking about poverty alleviation. Islam prescribes personal, social and public life in a more dignified and respectable way. The believers are called upon to translate their faith into positive and dynamic action. At times their involvement in institution building for fair pattern of distribution can ensure a peaceful and prosperous society. A developer must see to it that all his actions for the welfare of the people are well arranged in a real Islamic spirit, guided by the moral and ethical values. He is supposed to contribute to the process of the emancipation of the common masses from the deluge of destitution.

The value of *zakat* in Muslim community stands out as the sacred continuum of immense significance to foster growth with equity indicators. This article is an attempt to highlight the role of *zakat* in poverty alleviation and to suggest a few policy measures.

Key Concepts Defined

Zakat

The Arabic word *zakat*, with its root *z-k-w*, means growth and development, not charity or poor-due. Keeping this meaning in full view, *zakat* is supposed to ultimately lead to growth and development of all human beings; it is supposed to remove the need for charity or poor-due in the long term. The economics of *zakat* and its relevance to modern times is a hotly debated issue among both the religious and liberal Muslims. It is one of the fundamental principles of Islamic value orientation pattern. It is one of the five pillars of Islam. It is ordained by Allah. It does not literally imply giving away. It is the willingness of an obedient Muslim to part with a portion of the wealth in his possession. *Zakat* is not a favour, which one does to fellow Muslims. Rather it is fulfilling the right of our brothers and sisters over the riches and resources bestowed by Allah on us. This is why *zakat* means purification. It signifies the purification of oneself from greed and love of material wealth (Khaleda Begum, 2004).

Poverty: The Islamic View

The Islamic view of *zakat* is the state of inadequacy of goods and means or both that is necessary for the continued physical well-being of the human being. And in terms of economic categories, it encompasses the unemployed poor the underemployed poor, the unemployable and all others who face destitution and want.

There are examples from human history where rich and poor have generally lived together in the same society. The existence of vulnerable sections of population is understandable as it is associated with unfavourable antecedents. But the transformations

of vulnerability to poverty are largely consequences of human irresponsibility. So the *Quran* does not justify poverty as the natural result of vulnerability but rather as a reflection of the irresponsibility of the relatively well-off. Allah says in the *Quran* (15:20) "It is we, who have placed you (mankind) with authority (or ability) on earth and provided you therein with means of fulfillment of your life; small are the thanks to you and (we) have provided therein means of subsistence for you (mankind) and for those whose sustenance you are not responsible." It seems no society as resources poor to a degree not to be able to take care of its needy. On the contrary it argues for responsible behaviour on the part of the well off and calls for satisfying the needs of the disadvantaged through *zakat*, *sadakat*, *infaq*, *itam* (feeding), *ihsan* (beneficence) etc. at the state level. This implies inter-alia the removal of conditions of vulnerability caused by manmade factors like unemployment, underemployment etc. (Hasan and Rahman, 2003).

Sadakat

The Islamic scholars interpret both *zakat* and *sadakat* as charity. And whatever instruction Allah has given in the *Quran* for *sadakat* they attribute it to *zakat*. *Zakat* and *sadakat* are two different terms conveying two different meanings. The root meaning of *sadakat* comes from the root S-D-Q, meaning truth and power. *As-Sadakatu* is anything that is given in the way of Allah *voluntarily* to prove one's promise and belief in Him as opposed to *zakat*, which is *compulsory*. Therefore, *sadakat* has a different purpose in Islam than *zakat* and both cannot be equated with each other.

Initially, Allah asks us for *sadakat*, which is used to gradually change a wrong, unbalanced economic system (based on capitalist politics of greed) to a balanced one that guarantees equal economic opportunities and protection to all. The rich are asked to give their surplus wealth back to the nascent Islamic state for the benefit of the poor and suffering—the ones who really worked hard for creating that wealth in the first place. The instruction about *sadakat* in verse (9:60) would gradually change an unjust economic system to one that would ultimately be based on the economics of *zakat*. Allah says in the *Quran* the *sadakat* are meant for the indigent (2/273), those incapacitated to earn (90/15-16), those who are employed in the collection and administration of *sadakat* helping those who sincerely wish to join the Divine Order but are unable to do so due to financial difficulties, setting free those in bondage (90/13), those who are unduly burdened financially, those who strive in the cause of Allah and stranded travelers. This is an Ordinance from Allah about *sadakat* (9:60). We may also make policy at state level for collecting and disbursing *sadakat*.

Poverty Alleviation

Poverty alleviation is a major theme of Millennium Development Goal (MDG). This is to guide human development policy invoking the concern of academicians and practitioners of development. There has been a policy shift from growth approach to poverty alleviation strategy. It is increasingly realized that all development efforts cannot be meaningful unless the poor obtain access to community resources. A precondition for mobilizing the poor is

to alleviate poverty. Poverty, unemployment, illiteracy and diseases are still endemic in developing world (Owns and Shaw, 1972). True the downward spiral of poverty catches up the poor in developing countries. Poverty alleviation strategy seeks to reduce the vulnerability of the poor through various action programs.

Public agencies address poverty issues with rigid bureaucratic structures. The pattern of bureaucratic allocation in support of the poverty alleviation program delayed the process of desirable action. At times donor fed NGO style of operation with micro credit is capable of performing well. Even then NGOs philosophy about looking at the issue is not without blemishes. NGOs seem to offer a temporary solution to the issue of poverty. This solution may be likened to offering medicine without diagnosing the disease. The whole theme hovering around poverty alleviation dimension of NGO rather perpetuates dependency syndrome.

Poverty Alleviation: The Islamic View

As a complete code of life Islam offers solution to all insurmountable problem of poverty with appropriate measures and strategies of poverty alleviation. Poverty alleviation direction in Islam carries the essence of participation, empowerment, redistribution and apt management replete with proper feedback and transparency. Now let us elaborate the Islamic way of treating the issue of poverty alleviation.

Zakat in Islam: The First Universal Welfare System

Contrary to the beliefs of both religious and secular Muslims, the Prophet's achievements were based not on ephemeral but on the permanent values of the Holy *Quran*. He brought about the greatest revolution – even an economic and political miracle – in human history (Michael Hart, THE 100). In a very short time after the prophet migrated to Medina and implemented the system of *salaat* and *zakat*, the economic condition of the people changed.

Muhammad says: "if a single person were to sleep hungry in a town, then God's protection is lifted from such a town" (Masnad Imam Ahmad). This *Hadith* emphasizes that no one (Muslim or non-Muslim) under this system should go hungry. Thus this *zakat* system created the first universal welfare system in human history. It also gradually transformed the existing slave-based economy to a universal welfare-based economy. By the end of the Prophet's period, the entire Arabian Peninsula enjoyed economic as well as political security. This system reached its pinnacle during Khalifa 'Umar's time (Michael Hart, THE 100), a time when, history tells us, hardly anyone was in need of charity.

A tree is nourished and grows in the presence of Allah-owned resources such as the soil, the rain, the sun, and the air (*Quran*, 56:63-72 and 80:24-31). Allah fulfills this promise by creating the resources for the nourishment and growth of all moving creatures. No one, therefore, has the right to own or control the Allah-given natural resources or to restrict their flow to humanity at large (*Quran*, 107:7 and 17:20).

Secondly, Allah is clearly the real owner of the resources He has created. Allah says in the holy *Quran*: "The earth and all its resources belong to Allah. It is such an obvious fact

that no one can deny it (*Quran*, 6:12, 10:31, 29:61-63, 31:25, 34:24, 39:10 and 38, 43:9); "Allah is the inheritor of the earth (*Quran*, 19:40)"; "The earth has been created for the benefit of all (55:10)"; "It has been created to provide nourishment for all (*Quran*, 56:73)"; "To Him belongs all that is in heavens and the earth, (*Quran*, 2:116, 2:255, 4:171, 5:40, 14:2, 16:52, 20:6, 22:64, 2:284, 3:109, 3:129, 4:131,132, 5:40, 10:55, 10:67, 14:2, 16:52, 20:6, 21:19, 34:1, 42:4, 42:53, 53:21)". The fundamental purpose of the above Quranic verses is to provide nurture to all humanity. Those who confine the means of nurture to them should not imagine that this is good for them. Those who covetously withhold what Allah Almighty has given them shall find that when the Niz'am-e-Rabubiyyat is established, these very things would become halter around their necks. They should know that everything in the universe belongs to Allah and none has the right to claim its ownership (*Quran*, 3:180).

As Owner, then, Allah has given us these resources as a trust, which we are required to disburse according to His Will, which is, to make available to all living creatures according to their needs, without any hindrance or control, the sustenance and provisions of life. And this system obviously is *zakat*.

It was Muhammad's (sm) unshakable conviction, his utter commitment and total obedience to this system of *zakat* that led to the establishment of the basic infrastructure of a universal, welfare-based economic system in Medina, and which reached its pinnacle during Khalifa 'Umar's (R) time, when, it is said, hardly anyone was in need of charity. Muhammad (sm) lived his life true to this principle: "he was not an owner of anything, no land, no possessions; he was merely an enforcer of the Will of Allah" and he established the institution of *zakat*.

Who Should Give Zakat

The obligation of *zakat* is mandatory on every Muslim who possesses the minimum *nisaab*, whether the person is man, woman, young, old sane or insane. Because, the proof of *zakat* in the Qur'an and Sunnah is general and does not exclude young or insane. Allah stated that: "Of their goods take alms so that thou mightiest purify and sanctify them....." (*Qur'an*, 9: 103).

Imam Ibn Hazim said that every Muslim young or old sane or insane needs to cleanse his or her wealth with *zakat* because of generality of the evidence. Anas bin Malik reported that the Messenger of Allah said: "Trade with the money of the orphan, lest it is eaten up by *zakat*" (*At-Tabraani*). In another *Hadith* Amru bin Shuaib related from his grandfather that the Messenger of Allah said: "Whoever is entrusted with money of an orphan should trade with it and should not leave it sitting to be used up by charity" (*Tirmidhi*).

The point of reference in these reports is that the Messenger urged the trustee on the estate of people who due to age or other reasons cannot manage their own financial affairs, to invest it in a business that will yield a return and make it grow until they are in a position to do so themselves. For, if proper investment is not made with an orphan's inheritance, it will be depleted by charity, thus leaving the orphan with little or nothing.

The Items of Giving Zakat

The *Quranic* references to the items subject to give *zakat* are rather general. Verse 103:9 mentions the word '*amwal*' and verse 267:2 mentions what you have earned and what we have produced from the earth. However several sayings of the Prophet make specific reference to gold, silver, camel, cattle, sheep, whatever is prepared for sale, land produces, crops and fruits. Some Islamic scholars believe that items subject to *zakat* are agricultural produces, livestock, mobile assets acquired for resale, gold, silver and money in hand. Some add the returns generated by fixed assets and earning of human capital either as wage, salary or professional income. Some also include the fixed assets also as items of *zakat* (Rahman, 2004).

The Nisaab of giving Zakat

Allah has prescribed the minimum amount that is obligatory for *zakat* in different ranges of properties, and that minimum amount is known as *nisaab* whose details are given in books of *Hadith* and *Fiqh*. The reason for *nisaab* is to ensure that no one is forced to give *zakat* out of what he or she does not have, and that no wealth goes without *zakat*. *Nisaab* is also an insurance against the tyranny of the state to tax the poor and or the most needy as is the case in many countries. *Nisaab* is a reference point for the average Muslim who is not sure whether he possesses the minimum wealth on which *zakat* is obligatory. The wealthy need not worry about the *Nisaab*. *Zakat* is obligatory on their entire wealth and must be paid out at the end of financial year that they set for their *zakat*. There are many conditions attached to the giving and receiving of *zakat*. There is no uniformity even among the Sunnis in the restrictions, rates, and even the items of *zakat*.

The other view takes a different analogy, which considers stocks and shares like an agricultural land. Thus its *zakat* calculated @10% of their yield, i.e. on the profit or dividend paid for them, after deducting any expenses or taxes one incurs on such profits. The same rule applies to hotels, airlines and car dealers. In all these cases the percentage of the forbidden portion is very small. While it is infinitely better to invest in a totally permissible business. If one needs to invest in such companies it is hoped that this is appropriate (Rahman, 2004).

The Recipient of Zakat

Knowing who qualifies as recipient of *zakat* is an important aspect of *zakat* collection in Islam. Fortunately, Allah has been merciful to us in that He Himself spelled out the people eligible to receive *zakat*. In *Surah Tawbah* He stated: "Alms are for the poor and the needy; and those employed to administer (the funds); for those whose hearts have been (recently) reconciled (to truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom" (*Qur'an*, 9: 60). In this verse Allah enumerated the people who deserve this divine welfare, and they are as follows:

The Poor

By the poor is meant the people who basically own nothing. The poor should be given what will suffice them and their families for one full year. The working poor should be given supplementary *zakat*.

The Needy

By the needy is meant the people whose income or salaries, or whatever material goods they have, fall short of the cost of living in a given environment and economy. The needy who want to get married and have no means should be given enough for this purpose, and so, too, the student who needs money for tuition, rent, food, and books.

Zakat Department

Assigned people for collecting, bookkeeping, making lists of people eligible for *zakat*, and a financial calendar will receive *zakat* as compensation for their work, even if they are wealthy. This does not include a person who works as an agent for one or two wealthy people to take *zakat* for himself. They should donate their time for *zakat* disbursement and do it with honesty and truthfulness. If they cannot, they should be paid or rewarded for their time. In a *hadith* related by Abu Musa Al-Ashi'ari the Messenger of Allah said: "A trustworthy Muslim executor is the one who executes completely what has been entrusted to him of *zakat* money in good faith" (*Bukhari*). That is, he will give the *zakat* money to any of the eligible recipients of *zakat*. He should carry on the duty voluntarily, but if he cannot distribute the money without being paid, the *zakat* payer should pay him for his work. The payment for the service of distributing *zakat* should not come out of *zakat* money.

The New Converts to Islam

Whose hearts we want to harmonize into the fold of Islam, either because their faith is weak or we are afraid of their being harmed, should be given *zakat* to strengthen their *Iman* or until we no longer fear their harm.

The Bonded Person

Who has contracted with his master to buy himself out of bondage deserve *zakat* and should be given enough to pay off their debt to the master and be freed themselves; similarly, Muslim prisoners of war, if their freedom is tied to monetary payment, deserve *zakat* sufficient enough to secure their release. On the other hand, if a person accidentally killed someone and have no means to pay off the blood money, he should be helped from *zakat* funds.

The People in Debt

These people are of two kinds: (a) The guarantor, who takes the responsibility of someone else's debt so as to reconcile the two warring parties, to extinguish the fire of *fitnah* between them. If the person requests *zakat* money to pay off this debt he should be given it, which

will encourage him to continue in this noble cause. In a *hadith* reported by Qubaysah Al-Hilaaly he said I was under debt (*hamaalah*) and I came to the Messenger and begged him to help me pay it off. The Messenger told him: "Wait until we receive charity, so we will command that it be given to you." And (b) whoever incurs debt and has no money to pay it back will be given from *zakat* to help pay his debt, whether the amount is large or small; or his creditor should be paid directly on his behalf, so long as it is paid off.

Zakat can be Given in the Path of Allah

By this is meant to finance a Jihad effort in the path of Allah, not for Jihad for other reasons. The fighter (*mujahid*) will be given as salary what will be enough for him. If he needs to buy arms or some other supplies related to the war effort, *zakat* money should be used provided the effort is to raise the banner of Islam.

The Wayfarer

This is the traveler who in a strange land runs out of money. He or she deserves *zakat*, enough money to take him back to his country, even if he is wealthy and can find someone to loan him the money. On his part, he should take with him on his trip sufficient money, if he is wealthy, so that he will not need *zakat*. *Zakat* money can not be used to pay off other obligations, such as giving *zakat* money to people you are obligated to take care of by law; or *zakat* money cannot be used to pay for hotel and food expenses.

The above eight eligible recipients of *zakat* can be denied their right to *zakat* without proof from *Qur'an* or *Sunnah*. In a *Hadith* reported by Ibn Mas'ud, his wife Zaynab heard the Messenger of Allah order women to give *zakat*, so she asked the Messenger: "O Messenger of Allah, you commanded us to give *zakat*, and I have jewellery that I wanted to assess for *zakat*, but my husband Abdullah bin Mas'ud claimed that his son deserves it more than anyone." The Messenger replied: Your husband Ibn Mas'ud is right. Your son deserves your charity more than anyone." In another *Hadith* reported by Salman bin 'Aamir, he said the Messenger of Allah said: "Charity to the poor is only charity, but charity to the rest of kind is charity and maintenance of relations (*sillah*)."¹ (*Nisae*).

No loan should be written off as *zakat* because *zakat* is taken and given. Allah said: "Of their goods take alms...." (*Qur'an*, 9: 103) And in a *Hadith* the Messenger has been reported as saying: "Allah has mandated on you *zakat* to be taken from the wealthy and to be given to the poor." Thus, writing off debt is not taken. For instance, if you loan a person money, you cannot write off that loan as a *zakat*. However, it could be written off as *sadaqat* charity. Furthermore, loan, delinquent or not, is considered an absent money, therefore, it should not be transacted in *zakat*. For *zakat* money is assessed only in cash in hand. Besides, debt money is valued less than cash in the hand, and using that money for alms is like exchanging good money for bad.

Zakat as an Instrument of Poverty Alleviation

Zakat, an important financial institution of Islamic economy functions as a means to reduce inequalities and eradicate poverty. *Zakat* means growth, extension, and purification. It is a

usually annual premium charged on all accumulated productive wealth and on a variety of agricultural product. *Zakat* as an instrument of poverty alleviation cements the ties of Islamic brotherhood. These ties of Islamic brotherhood contain universal appeal deeply encapsulated into the concept of *Ummah*. There must be a full-fledged manifestation of this orchestrated ideology in redistribution of wealth. In this age of globalization *Zakat* can play an important role in alleviating poverty and inequality by providing less fortunate with the means of food, clothing, shelter, medicare, education, and a good livelihood. *Zakat* mainly aims at alleviating several socioeconomic hardships. It is probably the first pillar of Islamic economic system and it addresses two important issues – first, by implementing economic justice and second, by providing sustenance to the financially unfortunates (Rahman, 2004).

Poverty is a social ill. Because it degrades societal status of human beings, gives birth to many social problems and places the poor nations in a disadvantaged position in the world. Islam looks upon poverty as a religious and social problem that pushes a person into lowliness, sin and crime. That is why the Prophet sought the refuge of Allah from it: “O Allah, I seek your refuge from poverty, insufficiency and lowliness” (*Abu Dawd*). It may even lead to killing an innocent soul. The Prophet linked poverty to unbelief: “Poverty is almost like unbelief of Allah” (*Al Bayhaq*). So Poverty is a threat to man’s beliefs and character and to the security and sustainability of the society. That is why Islam focuses poverty alleviation as priority one. It is incumbent on society to confront poverty as a social threat by all possible means in order to establish a healthy community. (Hassan and Rahman, 2003) The Islamic approach to poverty alleviation is a unique one. And this approach is the institution of *zakat*.

For alleviating poverty all schemes has to be based on an inquiry into the causes of poverty. At macro level there are two possible causes of poverty (Sadeq, 1997): first, the low level of GNP. The people are poor because the country is poor and per capita income is low. And secondly, the unequal distribution of income. The people are poor because the income is concentrated among a few people leaving others in poverty. At micro level poverty may be caused by several reasons. A person may be poor because he is unemployed, handicapped and so on or, just because he is born in a poor family and hence is deprived of equal societal opportunities (Hassan and Rahman, 2003). So Poverty reduction programs should keep all these in view for an effective policy formulation and implementation.

Policy Packages for Poverty Alleviation based on *Zakat*

To eradicate poverty we need to empower rural poor and engage them in income generating activities. Side by side we need to provide them at least few compulsory services through *zakat* fund that will help them to engage in the income generating activities.

(a) Food

The basic argument of Islam seems to be “There can be no hunger under Islam.” Whatever resources are needed to meet this objective the state has to arrange for them. By the *zakat* fund we can start school feeding of needy children like breakfasts and lunches, provision

of food to low-income people at work and to poor families through health clinic and community centers.

(b) Shelter

Islam does not tolerate homelessness. On the contrary it considers access to adequate shelter a basic human right. The *zakat* fund provides for reasonable housing in rural areas and shelter towns combined with work opportunities and public services. Supported by *zakat* fund they can become an important means of reducing rural-urban migration that has characterized many developing countries and become source of urban poverty.

(c) Basic Health Care

We are hardly concerned about the people dying of heart attack or cancer and about the people suffering from diarrhea. Public require basic health education and health services very much. This can be arranged through proper application of the *zakat* fund.

(d) Education

There is no alternative to education. We have to have our children, men, women and everybody educated. Without education no person can participate in economic growth. Islam gives importance to education. The first verse of the holy book is "*ikra*" means read. So we may provide the basic education to the poor by using *zakat* funds.

(e) Access to Resources for the Poor

The poor must have unhindered access to resources for eradicating poverty. We may also use *zakat* fund for this purpose.

(f) Beggar's Home

We may establish beggars home for the homeless indigents and beggars and to rehabilitate them through *zakat* fund. Food, shelter, medical treatment, clothing etc. may be supplied to the poor once a home is established.

(g) Emergency Relief

We may use the *zakat* fund to enable the poor to face the antecedents like draught, floods, fire, cyclone or any other accidents.

Following are major strategic directions for a comprehensive policy package to establish income-generating activities to eradicate poverty through using *zakat* fund.

(a) Micro Enterprise Development

With the help of *zakat* fund we can engage the poor by developing micro enterprises or small and medium enterprises. By doing this they can earn a lot that can help them to overcome poverty. Development of poultry, fisheries, hatchery, livestock, farming, shop keeping, cottage industries, etc. are few examples.

(b) Agricultural Development

In case of agricultural development we can use the *zakat* fund for the poor in the forms of micro credit. We can supply seeds, fertilizer and other inputs to the farmers at the low costs and this can be possible with a small amount of money.

(c) Vocational Training for Self Employment

With the help of *zakat* fund we can provide vocational training for the poor man and women so that they can engage in income generating activities. Tailoring, driving, electrical and electronic items repairing etc. are the schemes to be financed by *zakat* fund.

(d) Growth Oriented Schemes

Since the size of a nation's income has important bearing on poverty growth oriented programs that have direct impact on poverty should be undertaken using *zakat* funds. Among other measures this calls for rural and agricultural based schemes, especially irrigation facilities in Bangladesh through the trickle down effects for agricultural development.

(e) Labour Intensive Technology

The labour abundant low income country like Bangladesh should adopt labour intensive technology by using *zakat* funds to increase employment rather the capital intensive technology which leads to unemployment and thus to poverty of the unemployed population.

Management of Zakat

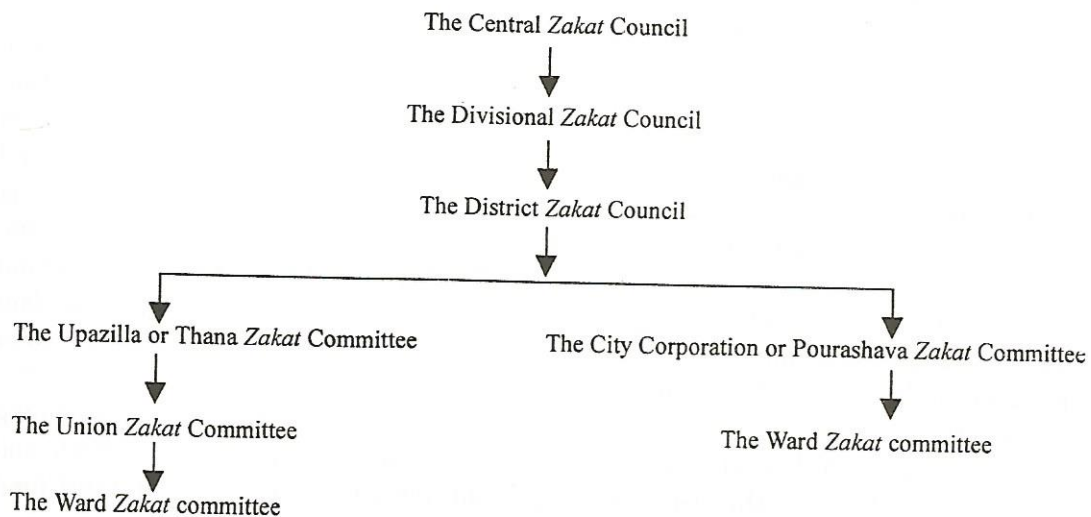
In Bangladesh the *zakat* payers distribute *zakat* fund among the recipients in small amount of cash or in the form of non-cash item like basically clothing (*Shari, Lungi, Punjabi* etc). The recipients use this cash amount of *zakat* under the headings viz. house building, medical treatment, purchase of food items, purchase of cloth, or in the marriage or any social function etc. But a study in Bangladesh found that the maximum recipients are using the *zakat* fund to meet their basic needs of life leaving nothing for other needs like education, building shelter, purchase of domestic animal, establishing micro enterprises or other income generating activities. So these people always remain poor. They need to collect *zakat* fund for living from the *zakat* payers each and every year. It shows that they become dependant on *zakat* fund to maintain their annual expenditure. As a result poverty is not alleviated in Bangladesh. Because of this situation the main objective of *zakat* is not achieved.

It is also found that in Bangladesh *zakat* is an unorganized instrument and not helping the poor much in rural poverty alleviation. So there should be a change in collection and distribution system of *zakat*. Bangladesh does not inherit a long legacy of *zakat* fund management in the public sector. During the period from 1947-1971 when the country was one of the provinces of an Islamic Republic in name only, no remarkable step was taken by the then government to administer the *zakat* fund as a subject of public sector. *Zakat* fund management remained essentially a subject matter of private sector. After the creation of Bangladesh in 1971 Islamic foundation—the only Govt. organization was established by

Bangabandhu Sheikh Mujibur Rahman to deal with religious affairs. During the regime of President Ziaur Rahman Ministry of Religious Affairs was established and it also could not take any initiative to organize *zakat* fund in public sector. During the regime of President H.M. Ershad an initiative was undertaken to collect and distribute *zakat* in the public sector. A *zakat* fund ordinance was promulgated on the 5th June 1982 (Ordinance No. VI of 1982), by the Ministry of Local Government, Rural Development, Cooperatives and Religious Affairs. *Zakat* Board was set up in pursuance of the provision of this ordinance and *Zakat* Collection and Utilization Rules-1983 were declared for the first time in Bangladesh in public sector. But the result was very poor (Noor and Karim, 2003).

To alleviate poverty and to achieve the objectives of *zakat* it is necessary to reorganize the collection and disbursement system of *zakat* in Bangladesh. Without effective and well-structured *zakat* management it will not be possible to achieve our goal. For this purpose we may form an effectible council namely "Central *Zakat* Council" headed by the President. There will also be Divisional *Zakat* Council headed by the Divisional Commissioner, District *Zakat* Council headed by the Deputy Commissioner, Upazilla or Thana *Zakat* Committee headed by the Upazilla Parishad Chairman or Thana Nirbahi Officer (TNO), City Corporation or Pourashava *Zakat* Committee headed by the Mayor or Pourashava Chairman, Ward *Zakat* Committee headed by the Ward Commissioner, Union *Zakat* Committee headed by the Union Parishad Chairman, Ward *Zakat* Committee headed by the Union Parishad Member. The structure of the proposed *Zakat* Council is as follows:

Figure 1: The Proposed *Zakat* Council



The central *zakat* council and other committees will be consisting of Islamic Scholars, *Ulemas*, renowned Islamic Lawyers, Islamic Economists and Social Philanthropists. The central council will incorporate representatives of the different Islamic organizations in

order to obtain a representative character. By the bottom level committees the central council will collect and disburse *zakat* fund to eradicate poverty through decentralized governance.

Conclusion

The effectiveness of *zakat* management depends on community cooperation and response from the economic elite. A study in Bangladesh shows that there are discrepancies between *zakat* due to be paid and *zakat* actually paid thereof. In Practice most businessmen and *zakat* payers do not calculate properly on the basis of *Shariah* law while paying *zakat*. So everybody should be aware of the objectives of the institution of *zakat*. *Zakat* should be encouraged to make proper accounting of their wealth on which *zakat* is payable so that the spirit of compliance with the *shariah* law is maintained (Lokman and Mohiuddin, 2003). The gap between the recipients and payers of *zakat* should be minimized by engaging the poor in various income-generating activities. Proper policy actions for collecting and disbursing *zakat* funds on the part of government, social leaders, and Islamic thinkers should be adopted to eradicate poverty from the society. Only then it become possible to achieve the main goal of the institution of *zakat*, the universal welfare system for the human being where there will be no gap between the rich and the poor. On the other hand we also use *sadakat* fund for poverty alleviation. Allah also ordains *sadakat* for welfare of the human being, the meaning of which is truth and power. It also can lead the nation to growth and development if we use it in the *quranic* way.

Table 1
Items, Nisab and Rates of Zakat

| Sl. No. | Items of Zakat | Nisab | Rates of Zakat |
|---------|---|---|---|
| 1. | Cash in hand or at Banks | Value of 52.5 tolas of silver. | 2.5% of the amount in local currency. |
| 2. | Gold or silver or ornaments of gold or silver | Value of 7.5 tolas of gold and 52.5 tolas of silver | 2.5% of the amount in local currency. |
| 3. | Trading Goods | Value of 52.5 tolas of silver | 2.5% of the value of goods. |
| 4. | Agricultural produces | 5 Wasaq, i.e., 26 mds. 10 Srs. Per harvest of crop | 5% of the produce in case of irrigated land and 5% of the produce in case of rain-fed land |
| 5. | Produce of mines | Any quantity | 20% of the value of the produce. |
| 6. | Cows and Buffaloes | 30 Number | For every 30, 1 one year old calf and for every 40, 1 two years old calf |
| 7. | Sheep and goats | 40 Number | 1 sheep or goat for 40-120 sheep or goats; 2 for 121-200; 3 for 201-300 and 1 more for each 100 or part thereof |
| 8. | Horses | — | 2.5% of the value |
| 9. | Camels | 5 Number | 1 goat for each 5 camels or part thereof 1-24 camels; 1 one year old camel for 1-44 camels and so on |

Source: Ahmed, 1964.

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OCCUPATIONS AND ECONOMY AMONG THE MUSLIMS IN INDIA

Abdul Waheed

Abstract: *Any attempt of analyzing occupations and economy of Indian Muslims is impeded by a dearth of empirical data. This paper is an attempt to analyse the socio-historical factors responsible for the poverty and backwardness of Indian Muslims at macro level. It is based on the assumption that economy of a minority community in a country like India is largely shaped by occupational heritage of the community and the governmental policies and attitudes towards it. Muslims have a fragile economy and they are the poorest among all the religious communities of India.*

Introduction

Muslims constitute about 14% Population of India. They are the largest minority community of the country. Being a plural community, social organizations and economic conditions of Indian Muslims differ from region to region and within a region from one social group to another. However as a religious or minority community they are found most backward and poor at national level by individual researchers and governmental agencies. Despite constitutional guarantees of equality and social justice and socio-economic and educational development in the country, large number of Indian Muslims are either unemployed or associated with manual and low paid occupations both in villages and cities. Rapidly increasing communalism and frequently occurring communal violence in different parts of the country make their economic condition fragile and vulnerable as well as multiply their woes and agony.

Any attempt of analyzing occupations and economy of Indian Muslims in a scientific manner is impeded by a dearth of empirical data. Neither individual social scientists have paid sufficient attention to study Indian Muslims nor Government of India has provided any statistical figures related with economic condition or employment of Indian Muslims in different sectors of economy. The Practice of publishing community wise data of census, except Schedule castes (SCs) and schedule tribes (STs) showing differential development pattern of the various segments of the country, has been discontinued by the State in post independent India. It has deprived Muslims of knowing their exact economic conditions as

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well as social scientists of analyzing factors of poverty and backwardness among them (See Omar Khalidi 1995: 53–54).

This paper is an attempt to analyse the socio-historical factors, making Indian Muslims poor and backward at macro level. It is based on the assumption that economy of a minority community in a country like India is largely shaped by occupational heritage of the community and government policies and attitudes towards it.

Occupational Cultures and Muslims in India

Occupations may be defined as relatively continuous patterns of activities that provides workers a livelihood and define their general social status. Individual capabilities and market forces determine occupation of people in modern industrial society, while status of individuals decides their occupations in traditional societies. India is a society where social status of individuals or group have long been remained determinant of occupations. Until very recent past, or even today, in case of certain occupations involving physical labour status and occupation were interlinked or indivisible. This was due to caste system, which is not merely an institution of arranging groups of people hierarchically but also assigning different occupations to different castes according to their status in caste hierarchy. The normative connection between caste and occupation is well defined by religious texts of ancient India. Among these texts *Manusmriti* is prominent. For, it did not merely elaborate hierarchical association between castes (*Varna*) and occupations but also categorized “desirable” or “ideal” activities for a *varna*. According to Milton Singer, “Westerners from Megasthenes to Myrdal have long been fascinated by the way in which occupation in South Asia are embedded in a complex social and cultural system. Occupations in these countries are more than just jobs; they are ways of life or, as we shall say, “Occupational Cultures” that is, distinctive set of values, beliefs and social institutions that have become associated with the practice of particular occupation” (1973:1). Most often noted features of occupational cultures “are hereditary specialization and division of labour by family, caste and religious sects; the ranked hierarchy of occupation in terms of ritual prestige and power; the organic interdependence of different occupational groups, within village communities at least who exchange services and goods through a hereditary and obligatory system of exchange in kind sometimes called the *Jajmani system*; the special cult of deities, rites and myths associated with particular occupations; and a theodicy rationalizing and justifying the entire social system in terms of the scriptural doctrines of four social orders (*Varnas*), the four stages of life through which an individual passes (*Ashramas*), as well as rebirth (*Punarjanm*), personal destiny (*Karma*) and caste duty (*dharma*)” (Ibid: 1). Despite disassociation of occupations from caste or status in modern Indian society, occupations and economy of social groups and communities represent what they have inherited from the past.

As the occupational culture is the product of caste system and justified in terms of Hindu beliefs and doctrines, one may argue against its relevance to understand occupations and economy among Indian Muslims. It is true that Islam neither arranges groups of Muslims hierarchically nor it associates particular occupation with a specific group of people. Muslims

are free to choose any lawful or permitted occupations, which they like most. Struggle to earn or produce (economic action) is the duty of every Muslim-male and female. No limit to earning/producing is set by Islam. The demand to produce more is from those whom God has given capability, means and opportunities of production. They are enjoined to put in their best efforts in order to achieve maximum economic growth. Economic growth is allowed to be achieved by harnessing natural resources, pursuing trade and commerce, taking austerity measures, reinvestment of wealth etc.

Contrary to Islamic economic ethics and injunctions one would find an explicit linkage between socio-political status and occupations of various social groups among Indian Muslims. Muslim groups and communities are hierarchically organized and most of them are known in society by the occupation with which they have traditionally been associated. Large number of indigenous people, belonging to different tribes, caste and faiths embraced Islam over a period of time in different parts of the country. As the conversion was collective, it was easy for indigenous Muslims to retain their social positions, occupations, customs and traditions. Muslims who came from outside the country either have connection with some occupations or have become parts of different Indian social groups (castes and communities). In this way Muslims developed the same kind of occupational culture as we find it among non-Muslims in India.

Social Structure, Occupations and Economy Among Indian Muslims before Independence

Social structure of Indian Muslims was largely composed of Turks, Afghan, Persian and Arab immigrants and large numbers of natives who had embraced Islam in different regions and circumstances, (Rizvi, S.S.A. 1970, pp. 67-97). Turks, Afghans and Persians came through land to North India (Hindustan) as conquerors. They spread over different parts of the country as invading armies marched in different directions and established their suzerainty. Most of them were warriors and administrators. They felt proud to call themselves as *Ahl-e-Saif* (men of Swords) and *Ahl-e-Qalam* (men of pen, administrators.) (Omar Khalidi 1995, p. 68). Among them were also writers, poets, *sufis* and *ulema*. They brought with them characteristic features of their societies. Many of them were similar to Indian society. For example, the notion of social hierarchy on the basis of "blood purity" (*Hasb-a-Nasb*), patriarchal and patrilineal system of family and inheritance, classes and tribes were all similar to Indian social organizations of family, caste and tribe. While retaining their religious identity, they also evolved, through interaction, indigenous life style and socio cultural traditions. They had influenced Indian social environment and in turn, got influenced by it. As rulers they had displayed themselves as protector of *Shar'iah* but never followed it in their administration. (M. Mujeeb 1985, p. 213). They constituted upper strata of Muslim society in Medieval India. During early Medieval period they were called by their different military and administrative designations like *khans*, *maliks*, *amirs* etc while during the reign of Akbar, they came to be known as *mansabdars*. Some of the native Muslims and many of the Hindu Rajputs also occupied these top positions. As a class of nobles they had similar life style despite their different ethnic background.

Their source of income was limited. It was either from employment in military and administration or from revenue from *jagirs*, granted to them by *sultan* or king. But their expenditure was lavish. They were not frugal except very few. Their conspicuous characteristic was recklessness with life and resources. The lavish expenditure by most of the nobles always kept them in debt to Hindu moneylenders. It also demoralized society by making large numbers of people dependent on them and their generosity, and creating an enormous number of parasites. (Ibid. p. 207).

However, one could see a positive economic aspect in their reckless spending. It was related with ensuring employment to large numbers of art performers and artisans. It also protected and promoted the development of handicraft industries as nobles were great purchasers and consumers of artisans' product.

Native Muslims, who had embraced Islam in different circumstances and regions, belonged to various tribes and castes, especially of lower and middle ranks. Generally, conversion was collective and sometime the whole caste converted into Islam. The collective conversion helped them to retain their caste hierarchy, professional customs and codes as a result of which they were divided into hierarchical groups (which came to develop as caste-like groups or *biradris*). Their social organizations, professional ethics and life styles were similar to non-Muslims of their caste and region. No doubt their identity was Islam. But they followed and practiced many non-Islamic rites and rituals. (Ibid.)

Their source of income was from their traditional occupations-agriculture, handicrafts, trade etc. Some of them were employed in military and state administration. Muslim artisans-embroiderers, weavers, goldsmiths, masons-had the potential to develop themselves as prosperous class. But the system of exploitation and their lack of habit of thriftiness prevented them from building up their business. "The ordinary artisans could be called upon to work at any wage prescribed. The artisan with more than ordinary skill would accept or be forced to accept employment under some high officer, and would work exclusively for him. The especially gifted artisans were monopolized by the Government. (Ibid. p. 375) Condition of the peasantry was undoubtedly the worst as they were exploited by the *mansabdars*, the Zamindars and most of all by the state.

Thus we find two classes i.e. higher and lower or rich and poor among Muslims of North India before British rule. While nobles were rich, peasants and artisans were poor. No significant middle class could develop among Muslims as it did not develop in India until the nineteenth century. "But there has been, all along, a bourgeoisie, a class of people who carried on banking and money lending, who were distributors of goods and who provided artisans, particularly, weavers and jewellers, with the raw material to produce goods and paid the wages on which they subsisted. There were merchants dealing in goods, wholesale or retail. They belonged definitely to what should be called a middle-class" (Ibid. p. 375). But in North India there were very few Muslim traders who belonged to middle class. By and large this class was of Hindu merchants, moneylenders and bankers.

Social structure of South Indian Muslims was different from North. It was composed of Arab traders, there progeny and indigenous people who converted into Islam. Arabs

came to India, primarily, as traders. They had maritime trade relations with India centuries before Turks and Afghans established their rule in Hindustan. In the initial centuries after Hijra, Arab Muslim merchants settled temporarily or permanently along the South Indian coast with little political or religious impact. They were not merely welcomed but also encouraged by local *Rajas* for, they provided commercial taxes and custom duties (Fanselow, Frank S. 1989, pp. 264-290).

Arabs did not usually bring their families. So they often entered into marriages with local women. The offsprings of these unions eventually became the nucleus of indigenous Muslim communities in South India. They came to be called as *Mapillai* or *Moplas*. The subsequent history of Arabs and indigenous Muslim communities in South India was marked by disturbing relation between Arabs and local *Rajas*, dislocation of indigenous Muslims and development of agrarian class among them. All this happened due to coming of Portuguese who were hostile to Arabs and wanted to breakdown their trade control. They succeeded in their design. (Ibid, pp. 267-8).

The Muslim society, which evolved over a period of time in South India, was characterized by both Arabic and local customs and social organizations. Their trade relations and marital alliances with locals made them completely integrated in local social environment. Consequently, their language, dress, food habits etc. were all similar to local population. This integration was so deep and strong that even coming of Turks and Afghans, their co-religionists, from the beginning of fourteenth century could not disturb it. They opposed Turks and supported local rulers. For them Turk was derogatory word. A social division still exist between Urdu speaking (North India) and South Indian Muslims. But social division among them could not assume the form of caste. Economically South Indian Muslims were either traders or agriculturists. They did not have class of nobles or rulers. Unlike North Indian Muslims they did not have class of Nobles. Thus we find people of middle and lower class among them. When we come to see Arabs on Western Coast, we find that they have settled in the important trade marts. They carried much of the sea-borne trade across Indian ocean. (Mishra, Satish 1964, p. 13).

Apart from Arab traders, some Arab Muslims of *Ismaili sect* came to the coastal region of Western India (present day Maharashtra and Gujarat) as preachers. They carried on their mission of converting local people into *Ismaili sect*. But they were persecuted by *Sunnis* and were deprived of land and employment so they were forced to go in trade. They worked hard with rational calculation and austerity measures. As a result of which two famous business communities *Khojas* and *Bohras* emerged among Muslims in western India. No Muslim community of India was comparable with them in terms of trade except *Memons*, again of Western India. (Ibid. p. 32).

Now if we take Indian Muslim as a whole we find Muslims were either nobles and Zamindars or artisans in Hindustan and Deccan. The generality of Muslims kept away from trade and commerce. While in coastal regions of South and Western India some communities of Muslims had gone into trade, partly due to Arab influence and partly on account of their location in coastal regions which has traditionally been the hub of trading activities in India. If Muslim nobles of North India did not go into trade, it was not because

of their religion but indeed because of their being ruling class. Caste system did not allow Brahmans (class of priests) and Kshatriyas (class of rulers) to go in trade. Trade was assigned to Vaishyas and was thought to be an occupation of low prestige.

British rule had far reaching consequences for Indian Muslims. The first impact of British rule on Indian Muslims was that their power and glory had considerably declined. Their sources of income, especially of nobles, from *jagirs* and employment in military and state administration had depleted except in princely states. The land policy of Britishers brought the land into market. It was given to highest bidder. Thus, it replaced the old class of *Zamindars*, mainly Muslims, with speculators comprising of Hindu bankers, moneylenders and subordinate employees of the East India Company. The Muslim aristocracy, which took pride in its extravagance, had not the ready cash to profit by the new regulations as did the Hindus. (S.A.A. Rizvi 1970).

The changes introduced into the revenue and judicial administration by Hastings and Cornwallis deprived Muslims of all the higher posts that they had so far retained. Indeed "colonial" administration was based on modern bureaucratic organization, which required specialized and technical knowledge for recruitment. Initially, Muslims did not go in English education and thus, they have been deprived of many administrative jobs. But more importantly they were not trusted by Britishers whose apprehensive attitudes towards them considerably reduced their share in both administration and armed forces (Ibid. 76-77).

As far as artisans and peasants are concerned, a large number of Muslims were badly hit by colonial economic policies. Britishers were traders who exported raw material from India and imported machine made goods from England. As a result of this policy large numbers of Muslim artisans, especially weavers, were forced to close down their looms as their product became uncompetitive before machine made clothes. Consequently, they fell back on agriculture as landless labourers. Moreover, the exploitative agricultural tax policies made the life of peasants pathetic (Ibid p. 77).

Thus British rule had torn the socio-economic fabric of Indian Muslim. They deprived Muslim nobles of land and employment, artisans of their traditional crafts and peasants of the land. Muslim society and economy was pushed into "depression". The depression was reflected in the form of declaring Britishers as enemy of Islam and thus, call for waging *Jihad* against them. Second, it reflected in the form of "retreatism" and so many *madarasas* started opening with the assumption that de-Islamization of Muslims in the past resulted in the loss of power so Islamization, through these *madarasas*, would help them to come into power again. These movements could not succeed in bringing Muslims at par with Hindus nor could they make Muslims friend of Britishers. Thus Altaf Husain Hali lamented on the condition of Muslim in Hindustan and Deccan as follows:

"we (i.e. Muslims) are not trusted by the Government, nor are we among the prominent courtiers of the ruler. Neither are we among the educated elites. Nor do you find us in the civil service or in the business" (Quoted from Omar Khalidi 1995).

Contrary to North Indian Muslims, the Muslims of Bombay and Madras presidencies did not witness the processes of socio-economic distress. The business communities of

these regions, Bohras, Khojas, Memon, Lebbais etc., in fact, got prosperous further due to opening of many business opportunities during colonial regime. They had also started reforming their societies much before reforms among Muslims of Hindustan and Deccan began.

No "living" community can afford to live perpetually in a state of socio-economic depression. So Muslims of Hindustan and Deccan, very soon, woke up from their slumber and launched movements, especially after 1857-for bringing about socio-educational advancements. Aligarh Movement was prominent in this direction. Sir Syed succeeded in making Britishers friends of Muslims and establishing Mohammadan Anglo Oriental College in 1872 which was subsequently made university in 1920, for promoting modern education among Muslims (Ibid. p. 59). As a result of reformatory drive, Muslims started exploiting emerging opportunities for their benefits. Very soon, a new professional middle class, consisting of lawyers, doctors, teachers etc. emerged among them. And with the changed policies and attitudes of Britishers towards them, they got opportunities to be recruited in administration and armed forces. Muslims did also respond to the changing scenario of trade and commerce as some of them, apart from mercantile groups, entered into business of shopkeeping and petty trade.

In this way, the social structure of Muslims, which evolved during colonial regime, was composed of *Zamindars* and *Jagirdars*, mostly of Princely states, enlightened professional middle class and dynamic political elites; businessmen of south and Western India, petty trader and shopkeepers, ruined artisans and poor peasants.

After Independence

Partition of India, an unprecedented incident, demolished socio-economic base of Indian Muslims. Large number of Muslims, especially from urban areas of Hindi heartland and Deccan migrated to Pakistan. Most of them were people of professional middle class political elites, government servants, military men, some mercantile groups and petty traders and shopkeepers. Migration of these people devastated economic bases of Muslims in trade and commerce, education and white collar occupations. Those who stayed behind in India were unskilled zamindars with large landholdings and past glory, skilled but poor artisans and peasants, mercantile groups of west and South India and some Congress loyal *ulema* and political leaders along with large numbers of poor Muslims. The cumulative effect of the partition was of enormous consequences for Indian Muslims except Muslims of deep South. They were left behind without leaders, in a situation of insecurity and violence, and with rampant poverty. They were hated and victimized.

Thus Muslims of post independent India inherited broken families, illiteracy, poverty and hostilities. They did not inherit any industrialists, financiers, bankers, administrators and other professionals. As the volatile and fluid situation just after the partition started getting stabilized, poor and illiterate Muslims began rearranging their lost and fragmented resources in competitive and conflicting situations. However, the efforts of all Muslims were not of similar nature. It differ from region to region and within region from group to group. Indeed, Muslim response to the emerging opportunities in post independent India

was, by and large, determined by their level of awareness and occupational heritage as well as by state policies and political scenario.

Muslim Artisans

Arts and crafts developed, both as traditions and occupations, among Indian Muslims. We have seen earlier that large number of natives embraced Islam in different circumstances and regions of the country. They were mostly people of artisan and service castes. As the conversion was collective, they retained their arts and crafts or occupations. Therefore, innumerable groups of Muslims are artisans by traditions in different parts of the country.

Until very recently arts and crafts related occupations were of Muslim *biradiris*, (caste like groups) having low social status. Muslims of upper strata did not like to go in these occupations. For them these were menial occupations. But the socio-economic condition of India Muslims has drastically changed. As it has become very difficult for Muslims to make their career through education and white-collar employment, Muslims of upper strata do not hesitate to adopt art and craft related occupations. In this way sizeable number of Muslims of rural and urban areas and of various status and ethnic groups, have become artisans and craftsmen in post independent India. Indeed handicrafts and small-scale industries have become a significant source of employment for Muslims. According to the report of Working Group on 'Empowering the Minorities' constituted by the Planning Commission of India in 2001 "a sizeable section of the Muslim population, which comprises the predominant group amongst the minorities are good artisans and are involved in handloom and handicraft activities such as the brass work in Moradabad, glasswork in Firozabad, leather industry in Agra and Kanpur, carpet and banarsi sarees industry in Mau/Varanasi/Bhadohi/Mirzapur, Chikan work in Lucknow, and so on. About 38% weavers of the country are *Muslims*..." Handicrafts related occupations and industries began to grow within a decade after independence. Government of India, especially after Indo-China war, which made Indian state economically vulnerable, was forced to adopt measures to promote arts and handicrafts in order to generate employment and earn foreign exchange. The liberalized attitude of Indian government towards handicrafts and its demands both in domestic and international market, dramatically boosted economic prospects of poor artisans. (see Imtiaz Ahmad 1995). While quoting from Omar Khalidi (1995) Barbara Harris writes, "the element that has given Muslims a distinctive role in the economy is the revival and expansion of industries whose workforces require highly skilled craftsmen. Crafts skills are reproduced in the family of artisans which survived the decline in the 1950s and 60s of the princely patronage that had given them life. These families responded to the transformation of services and goods for a few patrons into the supply of commodities for national and international demand. As a result, many of the craft based industries have remained strikingly localized. So in Uttar Pradesh, for example, Muslim artisans produced brassware in Moradabad, pottery in Khurja, glassware in Ferozabad, carpets in Bhadoi and Mirzapur, carpentry and wood work in Saharanpur and printed textile in Farukhabad, cotton and silk embroidery in Varanasi, perfume manufacturing (to which the development of Unani medicine is related) in Lucknow, Kannauj and Jaunpur and handloom cloth in

Mau. In Bihar, large number of Muslims are silk and cotton handloom weavers. Muslim workers dominate the *bidri* ware and carpet industry in Andhra Pradesh, and silk worm rearing and toy industries in Karnataka. In Jaipur, Rajasthan, some of the stone cutters and marble workers are Muslims (though tribal women and children are also used in quarrying) and Gujarat's block and screen printing industry employs chipas, a Muslim group. Certain of these craft based industries have evolved into a full blown local Muslim capitalism. The examples most often quoted are Moradabad brassware, which has profited from demand from the middle east and second, cloth and clothing manufacture and trade, which have developed from the skills of Muslim tailors (*darzis*) and weavers (*julahas*)" (2002).

Some of the Muslims, of both lower and higher social strata, have become prosperous and entrepreneurs as a result of growth in handloom or small-scale industries. But large number of Muslim artisans still produce goods for others. They are merely unorganized daily wagers and, therefore, are always vulnerable to various forms of exploitation, to the vagaries of governmental policies and uncertainties of national and international markets.

"Infact the surplus in these industries to be appropriated from the Muslim worker by Hindu and Jain emigrant trading castes which proceed to reinvest it elsewhere. They routinely supply production and consumption credit and raw materials, and sometimes have been found to provide food as an advance against pay. They arrange sales, state licenses, development permits and finance and organized technical change." (Ibid: 2002, p.16).

Traders

Unlike artisans and craftsmen, few Muslim groups and communities have traditionally been associated with trade and commerce. Bohras, Khojas, and Memons of western India, Labbais of southern India are examples of such groups. We do not find any organized traditional trading community in North India. Poor and illiterate Muslims, finding it difficult to enter into governmental employment in post independent India, preferred to be self-employed. In conditions of hostilities and governmental indifference, they worked very hard to establish their petty shops and other small-scale business. Some empirical studies of scholars show efforts of Muslims for becoming traders and entrepreneurs. Mattison Mine's study of Muslim merchants of Pallavaram, Tamil Nadu (1972), S.M. Akram Rizvi's study of Multani *lohar* of Delhi (1976), Elizabeth Mann's study of Aligarh (1992) and M. Akbar's study of entrepreneurship among Muslims of Moradabad (1990) are some of the examples. *India Today*, a popular news weekly, also captured emerging trend of small entrepreneurs among young Muslims who are "forging ahead in small business and independent professions, such as architect, builders, contractors, managers, skilled mechanics and the like. Some of them achieved remarkable success i.e. Rizvi Builders of Mumbai and Shahnaz Husain, Beauty Saloon Franchise, Al-Ameen etc." (31st October 1992).

Among these emerging young entrepreneurs many belong to those social groups which were not associated with trade and commerce in the past. It shows that Muslims do not have any social inhibition of changing their occupational traditions. They are dynamic and know how to adapt themselves with the changing situation. *Chelia* Muslims of Gujarat are

good example to illustrate the point. They are from North Gujarat, Siddhapur, Balanpur-Pathanpur belt. They were Hindu farmers drawn to Islam in the seventeenth century. Most of them are uneducated and very religious. They wear cap and simple *Kurta Pajama* and sport beard. Until about 1950 they were poor agriculturalist like other non-Muslims of the region. Some of their youngsters migrated to Mumbai for employment where they worked very hard and emerged as successful owners of restaurants and hotels. Today they owned about 600 eateries in Mumbai, 350 on National Highway No.8 between Mumbai and Mount Abu in Rajasthan, 60 in Ahmadabad and 10 in Surat and some in Indore and Hyderabad. *Chelia* eateries range from rustic roadside *dhabas* to air conditioned restaurants. (*India Today*, 31st January 1992).

Another is the example of Punjabi Muslims of North India. Traditionally they were associated with selling general and cosmetic items and, therefore, pejoratively referred to as *Bisatis*. Recently they have emerged as successful shopkeepers and traders in the cities of Delhi, Moradabad, Rampur, etc.

Thus, the economy of urban Muslims is made of arts and crafts related occupations and industry, small-scale business and petty trade. This is a very weak and fragile economy due to the following factors:

- (i) Muslim artisans and traders do not have as much capital as they could survive and prosper in adverse conditions and in a highly competitive urban economy. Thus, globalization has badly affected business prospects of small-scale industry and petty trade.
- (ii) Emerging Muslim traders and entrepreneurs generally do not have governmental support as very often they are being discriminated in business for which governmental license is a requirement. For example we find very few Muslims as owners of petrol pumps and cooking gas agencies. Their ventures are also not financed by banks or get subsidies as freely as these are available to non-Muslim mercantile groups.
- (iii) Prospects of business for Muslims are limited due to frequently occurring organized violence against them. Communal violence is generally organized in those urban areas where Muslims have recently endeavoured to establish their economic base. Thus, on the one hand, communal violence demolish their business establishment and make them economically vulnerable, on the other hand Muslim entrepreneurs do not dare to open their business in non-Muslim areas.

Education and Employment

Educational backwardness of Muslims and their under-representation in Ministries, Government services, Private Sectors, Armed Forces is a well known fact. Findings of Dr. Gopal Singh Committee (1983) show that, "enrolment of Muslims in elementary education (Class I-VIII) is 12.39% against their population of 17% in 45 districts of 12 states. Percentage of Muslims has sharply declined in the examination of High Schools and Higher Secondary Schools. The study of Class X examination results pertaining to 8 Boards of Secondary Education shows that out of 13.44 lakh students who appeared in the examinations

0.54 lakh students were Muslims. This constitute only 4.00% of the total that appeared against their population percentage of 11.28% in the sample States. While in Higher Secondary or Class XII examination of 5 Boards it is seen that out of 2.26 lakhs students who appeared in the examination Muslim students was 5,645, constituting 2.49% of the total number who appeared. Thus the number of Muslim students in these examinations was far below their population percentage. However, the participation of Muslim students in the Graduate level examinations of 21 universities spread over 11 States has increased to the level of 6.21%. Whereas, in post Graduation examination of 16 universities of 9 States Muslim participation has further increased to level of 9.11% against their population of 10.95%. The Percentage of Muslim students has sharply declined in professional courses. In B.Sc (Engg.) course of 9 Universities belonging to 6 States Muslim students are 92 out of 2698, i.e. 3.41%. Thus percentage of Muslim students is quite low as compared to their population proportion (12.44%). In MBBS course of 12 universities belonging to 8 States number of Muslim students is 98 out of 2845 i.e. 3.44% as compared to their population percentage of 9.55% (1983:19-24). Representation of Muslims in Governmental services is far below than their educational backwardness. While Muslim graduates and postgraduates are 6.21% and 9.11% respectively, their representation in Indian Civil Services is only 3% between 1971-81 according to Dr. Gopal Singh Committee report. Percentage of Muslims in different Civil Services in the given period is as follows. Indian Administrative Service (IAS) 2.86%, Indian Police Service (IPS) 2.00%, Income Tax Officers (ITOs) 3.06%, Indian Railways Traffic and Accounts Services (IRTAS) 2.65%, Indian Forest Service (IFS) 3.14%. Their representation in these services is quite low if we compare it with their participation in Graduation and Post- Graduation examinations i.e. it is half of their participation in Graduate level examination and 1/3rd of their participation in Post-Graduate examination. It makes Muslims suspicious and promotes a sense of discrimination among them. Their suspicion and feeling of discrimination has further strengthened when they see their negligible representation in those services which do not require higher formal education for example, "Muslim representation in Class IV services of Central Secretariat New Delhi in 1971 was not even 1%. The jobs not requiring formal education are distributed by caste and political network as patronage. Muslims having no lobby or network at the political or administrative level are thus left behind" (Khalidi, Umar 1995: 77). Muslim patriotism and loyalty to Nation is always suspected and therefore they are under-represented in the armed force services and no Muslim is appointed on any position, which is strategically important (Ibid: 77-85). No Marginalised or powerless community could be successful in the area of education and employment in a competitive society without governmental support. Govt. of India has devised policies and programmes for ameliorating conditions of SCs, STs and Other backward Castes for making them competitive in the field of education, employment and business. No such policy has been devised for Muslims of India.

CONCLUSION

Thus Muslims have a fragile and weak economy, "bulk of Indian Muslim work force is self-employed in the unorganized sector, constituting a fairly high majority of construction

labour, rickshaw-pullers, cart pullers, horse cart pullers, coolies barbers, tailors, carpenters, footpath hawkers, fitters, electrician, welders, and petty shop-keepers" (1989, p. 124). They are the most poor community among all the religious communities of India according to the data of National Sample Survey Organization (NSSO) 55th round (1999-2000). (John and Mutatkar, 2005: 1337-1344).

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POPULATION AND EDUCATION DYNAMICS AMONG BACKWARD AND FORWARD CASTES OF DOWNTRODDEN MUSLIMS IN LUCKNOW METROPOLIS

S.S.A. Jafri

Abstract: *Muslims are the second largest religious majority in the world and also the first largest minority in India. The Indian Muslims are far behind in all the spheres of socio-economic status than the majority community. There is no proper observatory (data bank) to record the socio-economic data on Muslims to diagnose the disease, which is making the community poorer and poorer in all spheres of life. In most of the cases we listen in whispers in various seminars and conferences about the approximation of the entire situation related to Muslims and it is confined upto that.*

In view of the above scenario of the community we have tried to find out the population and education dynamics among the backward and forward castes of downtrodden Muslims in Lucknow. Mainly poverty stricken 151 households (consisting of 386 males and 398 females) were randomly chosen and surveyed in the whole metropolis (divided into 8 zones) with the emphasis to cover people engaged in various economic activities and belonging to various groups. While preparing tables backward and forward caste Muslims were split for comparison. There is a great variation in population structure and level of education between backward and forward Muslims.

Introduction

Muslims are the second largest religious majority in the world and also the first largest minority in India. It is also true that Muslims are far behind in all spheres of socio-economic status of their counterpart majority. There is no proper observatory (data bank) to record the socio-economic data on Muslims to diagnose the disease, which is making the community poorer and poorer in all spheres of life. In most of the cases we listen in whispers at various

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seminars and conferences about the approximation of the entire situation related to Muslims and it is confined upto that. After Independence of India the socio-economic condition of Muslims has gone from bad to worse and we blame the colonial masters for this. What has gone wrong under the self-rule, when the Constitution of India provides equal rights for all the citizens and India is one of the signatories in the United Nations Charter for human rights and equal treatment to minorities?

In view of the above scenario of the community it has been tried to find out the population and education dynamics among the 'backward' and the 'forward castes' of the downtrodden Muslims in Lucknow. For the present study 151 poverty stricken households (consisting of 386 males and 398 females) have been randomly chosen and surveyed in the whole metropolis (divided into 8 zones), with the emphasis to cover people engaged in various economic activities. While preparing tables backward and forward caste Muslims were split for comparison.

Population Dynamics

In any society balanced sex-ratio (females per 1000 males) is extremely important for a normal population. Unfortunately in India male is considered prestigious, both socially and economically, than the female who is considered economically burdensome and prone to family blot in the psychic make up. The increasing demand of dowry and its amount has further strengthened this negative concept, especially in urban areas, with the result that the female foetuses are aborted after ultrasound even violating the Government ban on sex determination tests. The result is that in highly urbanized and affluent societies in India the sex ratio has gone alarmingly low. Although in Islam abortion is clearly prohibited, but because of fondness for the male issue and the growing dowry menace, it is suspected that the affluent Muslims are also taking to this path, which the majority community is already doing. There may be various ways in avoiding the female births. In fact, as a whole, in the name of 'family planning' females are being sacrificed. Recently the Registrar General of Census of India disclosed the findings of 2001 Census, which narrates the tale of fast depleting sex-ratio as the quest for male child is highest among the highly educated and affluent urban society. There is a need for social campaign against the ill feeling of female births and dowry among the masses, particularly in urban areas, otherwise the consequences of adverse sex ratio would make the entire country sick.

In our survey the average sex ratio comes to be 1031 females per 1000 males, when the average sex ratio among OBC Muslims is 1130 and Forward Caste Muslims it is 925. Here if we compare the OBC and Forward Castes the difference is 205, when a large number in both the Castes belong to below the poverty line category. Invariably, in all the eight zones the sex ratios among the forward castes are lesser than the OBCs. The lowest sex ratio among the forward castes is recorded 444 in Daliganj Zone and 811 in Nakhas Zone. In Alambagh and Aliganj Zones the sex ratios among the OBCs are the highest, i.e. 1375 and 1275 respectively.

The sex ratio among the children of 0-6 years of age group is as high as 3235 females per 1000 males among the OBCs when it is 1562 among the forward castes. If we see the

sex ratio in the age group of 0-14, then it comes 1714 among OBCs and 1368 among forward castes. As we examine the sex ratio among the higher age groups the sex ratio nose drives. It is perhaps due to heavy casualties during the maternity period as caused by medical deprivation. In the working age group of 15-59 years the sex ratio slides to 946 among OBCs and in case of forward castes it comes down to 824. Among the old age population the situation of sex ratio further worsens as the sex ratio of OBCs goes to extremely low, i.e. 444 and in forward castes 666.

Age structure of population is important to plan the socio-economic activities accordingly. Broadly analyzing the 0-14 years age group, we find that the male and female populations of OBCs are 28.1 and 42.7 per cent respectively; in comparison forward castes are 20.3 and 30.1 per cent respectively. This shows that the proportion of males and females of OBCs are 7.8 and 12.6 per cent respectively higher than the forward caste males and females, which implies that the OBCs are lacking in family planning than the forward castes. In the age group 15-59 years which is supposed to be economically active segment of the society, most the proportions of male and female OBCs are 66.3 and 55.6 per cent respectively when the same in forward castes are 73.3 and 65.3 per cent respectively. It clearly indicates that the economically active males and females of OBC population are 7.0 and 9.7 per cent respectively less than their counterpart forward castes. It means less working hands as compared to proportion of dependents among OBCs then less per capita income, which leads to poverty. In the older age-group which is 60 years and above (no male/female of OBC/forward castes was found above 80 years in our survey), the proportion of male and female OBCs is 5.5 and 1.8 per cent respectively as compared to male and female of forward castes which are 6.4 and 4.6 per cent respectively. It is implicit that due to poor socio-economic condition of OBCs the longevity of life is shorter than the forward castes and the OBCs lack the experienced population.

Out of total male and female populations, the male and female infant children of 0-2 years of age are 2.5 and 7.1 per cent respectively among OBCs, which is proportionately higher than the male and female infants of forward castes being only 1.1 and 2.9 per cent respectively. Here one can observe that besides the higher male and female birth rates among OBCs the sex ratio is also high, i.e. 3200 females per 1000 males as compared to 2500 in forward castes.

Analysis of Table 4, reveals that more than a quarter population consists of students. While 25.1 per cent of males and 28.5 per cent of females are students among OBCs, 21.9 and 27.2 per cent respectively are students in forward castes. In Aminabad and Aliganj Zones the proportion of forward caste female students is quite high, i.e. 50.0 and 45.5 per cent respectively. In Lalbagh Zone the forward caste female students are highest with 44.5 per cent. In Alambagh and Aminabad Zones proportion of female OBC students are quite high, i.e. 40.9 and 39.2 per cent respectively and also male OBC students are proportionately higher in Aminabad with 38.0 per cent.

Among the OBC males and females of 0-14 years of age non-school going children are 9.6 and 21.8 per cent respectively as compared to forward castes who are 8.0 and 12.7 per cent respectively. If we subtract the children of below 3 years we find that 7.0 per cent

males and 14.0 per cent females of OBC and 6.0 per cent males and 9.0 per cent females of forward caste are yet to go to school.

It is reflected that due to poverty, the old age people of 60 years and above are constrained to work for their living among both OBC and forward castes. However, for 15-59 years of working age group 13.1 per cent males and 45.3 per cent females of OBC and 12.8 per cent males and 52.0 per cent females of forward caste are unfortunately still unemployed.

Education Dynamics

According to Table 5, overall 68.9 per cent males and 63.1 per cent females among Muslims were found literate. Caste-wise 65.3 per cent males and 61.3 per cent females of OBC and 72.7 per cent male and 65.3 per cent female of forward caste are literates. In Aminabad Zone all the males and females of forward castes were literates, but in Indiranagar Zone both male and female OBCs were least literates, i.e. 20.0 and 23.3 per cent respectively. The proportion of educated (who have school certificate) is almost the same as the proportion of literates which is due to fact that in Lucknow the tradition of home learning has almost disappeared as it used to be arranged free of cost by the enlightened ladies of the localities in the near past.

Out of total male and female educated or those who have passed upto primary classes, the proportion of OBC males and females is highest i.e. 48.0 and 50.4 per cent respectively. In comparison, this proportion among forward caste males and females is 30.5 and 44.2 per cent respectively. In higher classes the drop-outs are too high, especially of OBCs females. For example OBC males and females who have passed intermediate (Twelfth class) are 6.3 and 7.4 per cent respectively in comparison to forward caste males and females who are 9.4 and 9.0 per cent respectively. In case of higher education, i.e. B.A./B.Sc. and above the proportion of OBC and particularly among their females the situation worsens as it is 4.7 per cent 3.0 per cent respectively as compared to forward castes where it is 11.7 per cent 9.9 per cent. We could not get any person from OBC, who has got any technical education, except in Indiranagar zone, where there is only one male technical degree holder among forward castes. Similarly in our survey not a single OBC male or female has got an M.A./M.Sc. degree, whereas among the forward caste males in Rajajipuram and Nakhas zones, there are 5.9 per cent and 3.8 per cent males and females respectively attaining it.

CONCLUSION

There is a great variation in population structure and levels of education between backward and forward Muslims. Though Islam does not sanction caste or any sort of distinction, but the converted Muslims continue their old age customs and traditions which are persisting even today. The sex ratio among backward castes and forward castes are quite uneven, i.e. 1131 and 925 respectively. This shows that among backward castes the females are not considered as burden unlike forward castes, where it is suspected that the female foetuses are being aborted as it is done among the forward castes of Hindu community due to fear of dowry.

The literacy rate among the males and females of backward castes is still trailing behind the forward castes. The enrolment of male and female children among backward castes at primary school level is quite impressive, but as the children go to high school and intermediate classes and onwards the dropouts become glaring. Thus one can say that due to poverty and lack of enlightenment among OBC Muslims, they are further downtrodden than the forward caste Muslims.

Table 1
Percentage of Broad Age Groups of Muslim Male/Female
to Total Muslim Male/Female Population

| Zones | Caste | Total Population | | | | 0 – 14 | | 15 – 59 | | 60 + | |
|-------------|---------|------------------|------|---------|-----------|--------|---------|---------|---------|-------|---------|
| | | House-holds | Male | Fe-male | Sex Ratio | Male | Fe-male | Male | Fe-male | Male | Fe-male |
| Lalbagh | OBC | 6 | 15 | 14 | 933 | 13.33 | 42.86 | 80.00 | 50.00 | 6.67 | 7.14 |
| Zone 1 | Forward | 5 | 12 | 9 | 750 | 8.33 | 22.22 | 91.67 | 77.78 | – | – |
| | Total | 11 | 27 | 23 | 851 | 11.11 | 34.78 | 85.19 | 60.87 | 3.70 | 4.35 |
| Aliganj | OBC | 17 | 40 | 51 | 1275 | 27.50 | 52.94 | 62.50 | 45.10 | 10.00 | 1.96 |
| Zone 2 | Forward | 5 | 11 | 14 | 1272 | 36.36 | 14.29 | 63.64 | 85.71 | – | – |
| | Total | 22 | 51 | 65 | 1274 | 29.41 | 44.61 | 62.75 | 53.85 | 7.84 | 1.54 |
| Alambagh | OBC | 7 | 16 | 22 | 1375 | 37.50 | 50.00 | 62.50 | 50.00 | – | – |
| Zone3 | Forward | 2 | 9 | 9 | 1000 | 33.33 | 55.56 | 66.67 | 44.44 | – | – |
| | Total | 9 | 25 | 31 | 1240 | 36.00 | 51.61 | 64.00 | 48.39 | – | – |
| Rajajipuram | OBC | – | – | – | – | – | – | – | – | – | – |
| Zone 4 | Forward | 10 | 19 | 27 | 1421 | 5.26 | 44.44 | 94.74 | 55.56 | – | – |
| | Total | 10 | 19 | 27 | 1421 | 5.26 | 44.44 | 94.74 | 55.56 | – | – |
| Daliganj | OBC | 7 | 19 | 20 | 1052 | 26.32 | 25.00 | 73.68 | 75.00 | – | – |
| Zone 5 | Forward | 3 | 9 | 4 | 444 | 11.11 | – | 77.78 | 75.00 | 11.11 | 25.00 |
| | Total | 10 | 28 | 24 | 857 | 21.43 | 20.83 | 75.00 | 75.00 | 3.57 | 4.17 |
| Nakhas | OBC | 4 | 8 | 9 | 1125 | 37.50 | 55.56 | 50.00 | 44.44 | 12.50 | – |
| Zone 6 | Forward | 33 | 85 | 69 | 811 | 17.64 | 28.99 | 70.59 | 62.32 | 11.77 | 86.96 |
| | Total | 37 | 93 | 78 | 838 | 19.35 | 32.05 | 68.82 | 60.26 | 11.83 | 7.69 |
| IndiraNagar | OBC | 11 | 30 | 30 | 1000 | 30.00 | 43.33 | 66.67 | 56.67 | 3.33 | – |
| Zone7 | Forward | 13 | 40 | 38 | 950 | 30.00 | 26.32 | 67.50 | 71.05 | 2.50 | 2.63 |
| | Total | 24 | 70 | 68 | 971 | 30.00 | 33.81 | 67.14 | 64.71 | 2.86 | 1.47 |
| Aminabad | OBC | 27 | 71 | 79 | 1112 | 28.17 | 36.71 | 66.20 | 60.76 | 5.63 | 2.53 |
| Zone 8 | Forward | 1 | 2 | 3 | 1500 | 50.00 | 33.33 | 50.00 | 66.67 | – | – |
| | Total | 28 | 73 | 82 | 1123 | 28.77 | 36.59 | 65.75 | 60.97 | 5.48 | 2.44 |
| Total | OBC | 79 | 199 | 225 | 1130 | 28.14 | 42.67 | 66.33 | 55.55 | 5.53 | 1.78 |
| | Forward | 72 | 187 | 173 | 925 | 20.32 | 30.06 | 73.26 | 65.32 | 6.42 | 4.62 |
| | Total | 151 | 386 | 398 | 1031 | 24.35 | 37.18 | 69.69 | 59.80 | 5.96 | 3.02 |

Source: Based on a survey conducted by the author and his team for the project "Socio-Economic Condition of Downtrodden Minorities in Lucknow Metropolis" at Giri Institute of Development Studies, Lucknow, sponsored by GEM (India), Lucknow, during January-February, 2004.

Table 2
Percentage of Male/Female Muslim Dependents (Children and aged) in the Age Groups
Between 0-14 and 60+ Years of Age to Total Muslim Male/Female Population

| Zones | Caste | Children | | | | | | Old Age | | | | | | | | | |
|-----------------------|---------|----------|--------|-------|--------|-------|--------|---------|--------|-------|--------|-------|--------|-------|--------|------|--------|
| | | 0-2 | | 3-6 | | 7-10 | | 11-14 | | 60-65 | | 66-70 | | 71-80 | | 81+ | |
| | | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| Lalbagh Zone 1 | OBC | — | 7.14 | 6.67 | 21.43 | 6.67 | 7.14 | — | 7.14 | 6.67 | 7.14 | — | — | — | — | — | — |
| | Forward | — | — | 8.33 | 11.11 | — | 11.11 | — | — | — | — | — | — | — | — | — | — |
| | Total | — | 4.35 | 7.41 | 17.39 | 3.70 | 8.70 | — | 4.35 | 3.70 | 4.35 | — | — | — | — | — | — |
| Aliganj Zone 2 | OBC | 2.50 | 11.77 | 10.00 | 23.53 | 7.50 | 7.84 | 7.50 | 9.80 | 7.50 | 1.96 | 2.50 | — | — | — | — | — |
| | Forward | — | — | 9.09 | — | 18.18 | 7.14 | 9.09 | 7.14 | — | — | — | — | — | — | — | — |
| | Total | 1.96 | 9.23 | 9.81 | 18.47 | 9.81 | 7.70 | 7.85 | 9.23 | 5.89 | 1.54 | 1.96 | — | — | — | — | — |
| Alambagh Zone3 | OBC | 6.25 | 4.55 | 12.50 | 9.09 | 12.50 | 9.09 | 6.25 | 27.27 | — | — | — | — | — | — | — | — |
| | Forward | 11.11 | 11.11 | 11.11 | 22.22 | 11.11 | 22.2 | — | — | — | — | — | — | — | — | — | — |
| | Total | 8.00 | 6.46 | 12.00 | 12.91 | 12.00 | 12.91 | 4.00 | 19.36 | — | — | — | — | — | — | — | — |
| Rajajipuram Zone 4 | OBC | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| | Forward | 5.26 | 14.82 | — | 29.63 | — | — | — | — | — | — | — | — | — | — | — | — |
| | Total | 5.26 | 14.82 | — | 29.63 | — | — | — | — | — | — | — | — | — | — | — | — |
| Daliganj Zone 5 | OBC | 10.53 | — | — | 15.00 | 5.26 | — | 10.53 | 10.00 | — | — | — | — | — | — | — | — |
| | Forward | — | — | — | — | 11.11 | — | — | — | — | — | — | — | 11.11 | 25.00 | — | — |
| | Total | 7.15 | — | — | 12.50 | 7.15 | — | 7.15 | 8.34 | — | — | — | — | 3.58 | 4.17 | — | — |
| Nakhas Zone 6 | OBC | — | 11.11 | 25.00 | 11.11 | — | 33.33 | 12.50 | — | 12.50 | — | — | — | — | — | — | — |
| | Forward | — | — | 8.24 | 7.25 | 5.88 | 11.60 | 3.53 | 10.14 | 5.88 | 8.70 | 5.88 | — | — | — | — | — |
| | Total | — | 1.29 | 9.68 | 7.70 | 5.38 | 14.11 | 4.31 | 8.98 | 6.46 | 7.70 | 5.38 | — | — | — | — | — |
| Indira Nagar Zone7 | OBC | 3.33 | 10.00 | 3.33 | 20.00 | 10.00 | 6.67 | 13.33 | 6.67 | 3.33 | — | — | — | — | — | — | — |
| | Forward | — | — | 10.00 | 10.53 | 12.50 | 10.53 | 7.50 | 5.26 | — | 2.63 | 2.50 | — | — | — | — | — |
| | Total | 1.43 | 4.42 | 7.15 | 14.71 | 11.43 | 8.83 | 10.00 | 5.89 | 1.43 | 1.47 | 1.43 | — | — | — | — | — |
| Aminabad Zone 8 | OBC | — | 5.06 | 2.82 | 15.19 | 8.45 | 7.60 | 16.90 | 8.86 | 4.23 | 2.53 | — | — | 1.40 | — | — | — |
| | Forward | — | — | — | — | — | — | 50.00 | 33.33 | — | — | — | — | — | — | — | — |
| | Total | — | 4.88 | 2.74 | 14.64 | 8.22 | 7.32 | 17.81 | 9.76 | 4.11 | 2.44 | — | — | 1.37 | — | — | — |
| Total | OBC | 2.51 | 7.11 | 6.03 | 17.33 | 8.04 | 8.00 | 11.56 | 10.22 | 4.52 | 17.78 | 0.56 | — | 0.50 | — | — | — |
| | Forward | 1.07 | 2.89 | 7.49 | 11.56 | 7.49 | 9.25 | 4.28 | 6.36 | 2.67 | 4.05 | 3.21 | — | 0.54 | 0.58 | — | — |
| | Total | 1.82 | 5.28 | 6.74 | 14.83 | 7.78 | 8.59 | 8.04 | 8.55 | 3.63 | 2.77 | 1.82 | — | 0.52 | 0.26 | — | — |

Table 3
Percentage of Muslim Male/Female Working Age Group Between 15-59
Years to Total Muslim Male/Female Population

| Zones | Caste | Working Age Group | | | | | | | | | |
|-------------|---------|-------------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|
| | | 15-18 | | 19-25 | | 26-30 | | 31-35 | | 36-59 | |
| | | Male | Fe- male | Male | Fe- male | Male | Fe- male | Male | Fe- male | Male | Fe- male |
| Lalbagh | OBC | 13.33 | 7.14 | 26.67 | 7.14 | — | 14.29 | 13.33 | — | 26.67 | 21.43 |
| Zone 1 | Forward | 8.33 | 11.11 | 25.00 | 33.33 | 16.67 | — | 8.33 | 22.22 | 33.33 | 11.11 |
| | Total | 11.11 | 8.70 | 25.93 | 17.39 | 7.41 | 8.70 | 11.11 | 8.70 | 29.63 | 17.39 |
| Aliganj | OBC | 2.50 | 5.88 | 17.50 | 15.69 | 15.00 | 7.84 | 10.00 | 7.84 | 17.50 | 7.84 |
| Zone 2 | Forward | 9.09 | 28.57 | 9.09 | 28.57 | — | — | 9.09 | 14.29 | 36.36 | 14.29 |
| | Total | 3.93 | 10.77 | 15.69 | 18.47 | 11.77 | 6.16 | 9.81 | 9.23 | 21.57 | 9.23 |
| Alambagh | OBC | 12.50 | 13.64 | 6.25 | — | 12.50 | 13.64 | 12.50 | 18.18 | 18.75 | 4.55 |
| Zone 3 | Forward | 22.22 | 11.11 | 22.22 | 11.11 | — | — | 11.11 | 11.11 | 11.11 | 11.11 |
| | Total | 16.00 | 12.91 | 12.00 | 3.23 | 8.00 | 9.68 | 12.00 | 16.13 | 16.00 | 6.46 |
| Rajajipuram | OBC | — | — | — | — | — | — | — | — | — | — |
| Zone 4 | Forward | — | — | 26.32 | 22.22 | 42.11 | 14.81 | 5.26 | — | 21.05 | 18.52 |
| | Total | — | — | 26.32 | 22.22 | 42.11 | 14.81 | 5.26 | — | 21.05 | 18.52 |
| Daliganj | OBC | 15.79 | 20.00 | 21.05 | 30.00 | 10.53 | 5.00 | 5.26 | 5.00 | 21.05 | 15.00 |
| Zone 5 | Forward | 11.11 | — | 33.33 | 25.00 | — | 25.00 | 22.22 | — | 11.11 | 25.00 |
| | Total | 14.29 | 16.67 | 25.00 | 29.17 | 7.15 | 8.34 | 10.72 | 4.17 | 17.86 | 16.67 |
| Nakhas | OBC | — | — | — | 22.22 | 25.00 | — | — | 22.22 | 25.00 | — |
| Zone 6 | Forward | 12.94 | 10.14 | 24.71 | 17.39 | 11.76 | 5.80 | 3.53 | 10.14 | 17.64 | 18.84 |
| | Total | 11.83 | 8.98 | 22.58 | 17.95 | 12.91 | 5.13 | 3.23 | 11.54 | 18.28 | 16.67 |
| IndiraNagar | OBC | 10.00 | 10.00 | 13.33 | 16.67 | 10.00 | 6.67 | 10.00 | 10.00 | 23.33 | 13.33 |
| Zone 7 | Forward | 12.50 | 7.90 | 15.00 | 21.05 | 7.50 | 13.16 | 2.50 | 5.26 | 30.00 | 23.69 |
| | Total | 11.43 | 8.83 | 14.29 | 19.12 | 8.58 | 10.30 | 5.72 | 7.36 | 27.15 | 19.12 |
| Aminabad | OBC | 16.90 | 11.39 | 14.09 | 16.46 | 9.86 | 12.66 | 8.45 | 5.06 | 16.90 | 15.19 |
| Zone 8 | Forward | — | 33.33 | — | — | — | — | — | — | 50.00 | 33.33 |
| | Total | 16.44 | 12.20 | 13.70 | 15.86 | 9.59 | 12.20 | 8.22 | 4.88 | 17.81 | 15.86 |
| Total | OBC | 11.56 | 10.22 | 15.08 | 15.56 | 11.06 | 9.78 | 9.05 | 5.56 | 19.60 | 12.00 |
| | Forward | 11.23 | 9.83 | 21.93 | 20.23 | 12.30 | 8.09 | 5.35 | 8.09 | 22.46 | 19.08 |
| | Total | 11.40 | 10.05 | 18.40 | 17.59 | 11.66 | 9.05 | 7.26 | 8.04 | 20.99 | 15.08 |