

Islamic banking on a roll

IDB chief shares his views on Islamic finance with The Daily Star

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Bangladesh's commercial banks following Shariah-based principles will continue their phenomenal growth as elsewhere in the world as the system deals with 'real economy and real commodity', the head of Islamic Development Bank (IDB) Group said.

In Bangladesh, there are now seven Islamic banks that provide full-fledged Shariah-based financial services through 622 branches. Besides, a number of conventional banks have set up branches to grab a pie of the market.

"The IDB is a shareholder of Islami Bank Bangladesh, the largest Islamic bank in the country. It is doing very well. Buoyed by its success, Bangladesh has now a number of Islamic banks," said Ahmad Mohamed Ali, president of Jeddah-based IDB.

"A number of commercial banks have also opened wings for Islamic banking. It is growing and we expect the growth will continue in future," he told The Daily Star on Monday in an interview.

He said the Islamic banks in Bangladesh are growing faster with high profit margin, due to the preference of people. "This is the choice of the people."

"There is an indication that they expect to earn more," he said, when asked about the reason why many commercial banks are opening Islamic banking wings or totally converting to Shariah-based banking.

Ali said the growth of Islamic banking in Bangladesh is part of the phenomenal growth of Shariah-based financial system across the world, particularly after the global financial crisis.

He said Islamic banking is spreading across the world, not only in the Muslim countries, but also in the non-Muslim countries.

"Islamic banks have proved more resilient to the crisis. There is a demand for it, especially after the financial crisis in countries such as England, France and Italy," he said.

Although the head of the development bank could not give an exact estimation of the growth of Islamic



Ahmad Mohamed Ali

banking, he said: "Many experts and observers say Islamic banking is a fast-growing industry. Some of them put the annual growth at 15 percent and higher."

"The industry will definitely grow more and more in the future."

He said, when the IDB was established in 1975, there was only one Islamic bank in the world. "Now, there are hundreds of such banks managing billions of dollars."

There are Islamic banks in 40 countries, and those are handling business worth \$22 trillion, according to ana-

lysts. In Bangladesh, private banks control about 62 percent of the economy, and Islamic banks account for a significant part of that.

During the global financial crisis, a number of big banks in the developed world collapsed and had to be bailed out by taxpayers' money, while banks complying with Shariah principles continued outstanding growth.

"The reason is very simple: Islamic banking deals with real economy. There is no speculation," he said.

In Bangladesh, critics have serious misperception and doubt about the

religion-based banking system, but Ali defended, saying: "There are Shariah committees; the central bank audits them regularly and they publish their accounts. So I don't understand why there should be any misperception."

Ali said he does not think there is any need for a separate regulatory system to police Islamic banking. "In my opinion, Islamic banks should be regulated by the normal authorities. But there are some necessities of the Islamic banking that should be taken into consideration by the central bank."

He said, for every Islamic financial

institution there is a Shariah board to ensure that the operations of that institution are in accordance with Islamic principles.

Critics say Islamic banks cash in on people's sentiment -- a thing Ali has not denied completely. "In any business, you have to market it and cash in on the sentiment or the feelings of the customers."

"You need to use all ways and means to convince the potential customers to come and buy your products."

He said Islamic banks respond to the demand from individuals either because of their belief or nature of the business. There are some businesses that are appropriate for the market.

"In Malaysia, for example, there are Chinese businessmen who are dealing with Islamic banks although they are not Muslims. They found Islamic banking as more appropriate for their business."

This week Ali was in Dhaka to facilitate signing of an agreement to finance shelter, water supply and sanitation projects in the cyclone Sidr-affected areas under IDB's \$130 million philanthropic "Fael Khair" programme.

The donation was made to the bank by an anonymous philanthropist to support the victims of cyclone Sidr, which hit the coastal areas of Bangladesh in 2007, killing thousands and rendering millions homeless.

On Monday, Ali, the former deputy education minister of Saudi Arabia, visited Sidr-affected Sharankhola upazila in Bagerhat to lay the foundation stone of a school-cum cyclone shelter.

Of the total grant, \$110 million will be spent for constructing about 440 cyclone shelters-cum-primary schools. Each building, equipped with solar energy, will be used as schools in the normal time and as shelters during any natural disaster.

The IDB is providing \$140 million to the government to help construct the much-talked Padma Multipurpose Bridge.

"This is the largest participation of the development bank in any single project in Bangladesh," he said.

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Laos throws doors open to 'eco tourists'

AFF, Nam Ha, Laos

In a hilltribe settlement in the forest of northern Laos, an old man sits on the ground weaving a basket while another villager hangs out her washing to dry.

It is a scene of everyday life for the Akha communities living in the Nam Ha Protected Area, where elephants, gibbons and leopards roam among giant bamboo near villages perched on the banks of a tributary of the Mekong river.

The 220,000-hectare national park is at the forefront of efforts by the landlocked, impoverished nation to become a leading eco-tourism destination -- an effort that appears to be paying off.

Lured by the wild beauty and cultural riches of the numerous ethnic minorities, almost 250,000 tourists visited northwest Luang Namtha province in 2010, up from 20,000 in 1999, according to the Laos tourism administration.

"Compared to Thailand it is definitely a lot more authentic, better run and the fact that we were just a small group, just four people, makes it a much more genuine experience," said 28-year-old British tourist Joe Part.

"We perhaps leave less of a footprint and not too much of our own culture in the area, so I think it was fantastic," he said during a trek inside the park.

While some ethnic villagers, such as the Lanten, still wear their indigo traditional clothes, they make no particular effort to dress up for tourists and go about their normal lives as much as possible when they come.

It is the fruit of years of planning by the Communist nation to attract more foreign visitors while preserving its cultural heritage.

After opening up to foreign visitors

in the 1990s, Laos "quickly saw that being a country in the middle of the Mekong region, with many visitors going to the surrounding countries, that it would be a good opportunity to develop the economy and create local jobs," said Steven Schipani, who was involved in the Nam Ha ecotourism project as a UN advisor.

"But they were also aware that tourism, if not properly managed, can cause a lot of negative impacts," added the American, who is now in charge of the Asian Development Bank's Southeast Asia tourism programme.

The Laotian authorities, who have

created 20 national parks covering 14 percent of the country, attempted to manage the explosion in tourism so as to avoid queues of coaches or rows of concrete hotels.

"Laos will become a world renowned destination specialising in forms of sustainable tourism that, through partnership and cooperation, benefits natural and cultural heritage conservation and local socio-economic development, and spreads knowledge of Laos' unique cultural heritage around the world," proclaims the state run website www.ecotourismlaos.com.

The Nam Ha national park, thanks to a partnership with UNESCO dating back to 1999, has served as a model of development for ecotourism aimed at benefiting local communities.

"Before, only backpackers, who often only rent a motorbike and drive around, not stopping in the villages, came to Namtha," said Adrian Schuhbeck, a development expert with a German-backed agency in Luang Namtha province.

"But this is changing. People with more money come, which is good for the communities -- they get more return."

Thanks to the Nam Ha project, several dozen villages have signed agreements with local trekking agencies to supply guides, maintain the paths, share their traditional cuisine and offer a roof for the night, no more than twice a week.

For welcoming eight tourists -- the maximum allowed in a single group -- on a two-day trek, a village receives about \$135, or more than a third of the ticket price, said Chittaphong Chanthakhoun, a local tour agent.

Hundreds of similar projects are being set up elsewhere in the sparsely populated country, one of the poorest in the world.

While it is not the answer to all the villages' problems, Laos has at least avoided the pitfalls seen by its neighbours, where tour operators bring hordes of tourists to villages without consulting the locals.

Signs on the walls of local trekking agencies give advice to foreigners: take off your shoes before entering a home, respect sites of worship and do not take photographs without asking the subject's permission.

The villagers for their part have been educated about the needs of their visitors and ways to improve hygiene.

While it lures avid adventurers to its steep-sided valleys and villages lost in the middle of the forest, Laos has also equipped its capital Vientiane and the ancient city of Luang Prabang with a solid tourism infrastructure, capable of accommodating a rising number of visitors.

Tourist arrivals in the Communist nation have risen from scarcely 5,000 in 1991 to more than two million in 2009, according to official figures.

But the eco-tourism boom "will only be sustainable if both sides understand what is important for each other," said Schuhbeck.



Briton Joe Part (2nd from right), 28, and his girlfriend Emily Soyer (1st from right), 25, watch local Khmu hilltribe ethnic guides prepare a lunch in a jungle during a 4-hour trek at Nam Ha Park in the Northern province of Luang Namtha.

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