



Internship Report

On

**“THE ROLE OF ISLAMIC BANKING PRACTICE ON SMES
DEVELOPMENT IN MOGADISHU”**

Submitted to

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LETTER OF TRANSMITTAL

Date: 21st December 2018

To: Dr. Mostafa Kamal

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Subject: - Submission of internship report

Dear Sir,

With due respect, I'm glad to submit my internship report entitled "the role of Islamic banking practice on SMES development in Mogadishu" as a partial fulfillment of Master of Business Administration. It is an immense pleasure to complete this thesis within due time under your guidance and supervision. While conducting this research all instructions and guidelines were duly followed.

A sincere time was spent and all necessary effort was made to complete this research in a feasible and realistic way, with hope that this thesis will meet all the requirements and expectations.

Thank you

Yours Sincerely,

.....

Adam Ahmed Mohamed

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LETTER OF AUTHORIZATION

I hereby declare that this submission is my own work in completion of the program of Master of Business Administration, major in Finance, and that to the best of my knowledge, it's my work and it contains no material previously published by another person nor it has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

Adam Ahmed Mohamed

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Date

LETTER OF ACCEPTANCE

I am very much pleased to certify that internship report entitled “the role of Islamic banking practice on SMES development in Mogadishu” prepared by **Adam Ahmed Mohamed** ID No: **181-14-2711**, Department of Business Administration, Faculty of Business and Economics Daffodil International University under my supervision. The data and findings presented in this thesis paper seem to be authentic. Thus, the internship report has been approved for presentation. I wish him every success in life.

.....
Date.....

Dr. Mostafa Kamal

Professor, Department of Business Administration and
Advisor, Department of Real Estate
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ABSTRACT

The purpose of this research is to investigate the Role of Islamic Banking Practice on SMEs Development in Mogadishu. The study was intended specifically to determine and describe The Islamic banking principles, objectives, contracts in promoting SMEs in Mogadishu, and financing problems and challenges facing SMEs in Mogadishu. Due to the scarce literature, which links Islamic finance and finance in general for SMEs, The main motive of this paper is to find the role of Islamic banking practice on SMEs development in Mogadishu. Since Somali's banks are increasing at alarming rate, there is a great need for SMEs to be financed to contribute sustainable growth for the country's economic conditions. Quantitative study was carried out which involved 45 questioners of closed end questions of target population in gathering primary data with different groups of people such as the Bank Officials, SMEs Entrepreneurs. The questionnaire are based the role of Islamic banking practice on SMEs development in Mogadishu.

The research findings revealed that Murabahah is one of the most popular contracts of sale used for purchasing commodities and other products on credit and Musharakah is most suited for financing private or public companies and financing project that contributes for developing and promoting Small Medium Enterprises in Mogadishu. The findings suggested that Islamic banks should treat SMEs differently compared to big corporations and according to their needs.

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CHAPTER ONE

INTRODUCTION

1.1. Background

The starting point of Islamic fund goes back to the beginning of Islam 1,400 years prior. Authentic books composed amid the early long stretches of Islam demonstrated that amid the 1st century of Islam (AD 600), a few types of managing an account exercises existed that were like current keeping money exchanges. The main sorted out Islamic monetary organization is Baitul Mal, which means "Place of Money" and was set up in the beginning of Islam. Initially, organization of charges, dissemination of zakat (riches assess), and overseeing government uses were the primary capacity of Baitul Mal. Moreover, these antiquated books uncovered that Al-Zubair container Al-Awam, a standout amongst the most well known identities in Islam, was tolerating stores from individuals as credits and contributing that cash. At the season of his demise, his obligation had achieved 2,200,000 dinar, as checked by his child Abdullah. Likewise, he had a few branches in various parts of the Islamic Empire to return stores to their proprietors. (Alharbi, 2015)

The beginning of the advanced Islamic managing an account framework can be ascribed to the flood of change contemplations and thoughts that occurred in the late nineteenth and mid twentieth hundreds of years in what was known as the Islamic resurgence developments. Amid this time, Muslim masterminds and reformers restored and empowered the thoughts of reapplication of Islamic standards to all parts of life and that adherence to shari'ah standards is basic for Islam and Muslims. (EL TIBY, 2011)

The historical backdrop of current Islamic saving money can be separated into four periods beginning from 1965 until the present, The principal time frame, The foundation time frame, which kept going from 1965 until 1976 and saw numerous Islamic exercises over the Muslim world, set the ground for building up the Islamic monetary framework, The foundation of Muslim associations to advance participation and support among Muslim nations. The foundation of a few Islamic banks over the Muslim world. This period additionally saw the foundation of a few Islamic banks in the Arab world: Nasser Social Bank in Egypt in 1971; Dubai Islamic Bank, set up in Dubai, United Arab Emirates, in 1975 by a gathering of

businesspeople from a few nations as the primary private Islamic bank on the planet; Faisal Islamic Bank in Egypt in 1977; and Faisal Islamic Bank in Sudan in 1977—both as private banks. In 1977, the legislature of Kuwait set up the Kuwait Finance House. (EL TIBY, 2011)

The second time frame, the spread time frame, which traversed from 1977 until 2002, was filled by the sharp increment in oil costs that conveyed huge riches to the Middle East and the spread of Islamic banks over the Islamic and non-Islamic nations. Amid this period, in excess of 100 Islamic banks were opened and working over the world. Likewise, regular banks began to give and offer shari'ah-consistent items and administrations through devoted divisions in what wound up known as Islamic windows. This period additionally saw the full change of the managing an account framework in Iran, Sudan, and Pakistan to the Islamic saving money framework. The change of the monetary framework was done quickly in both Iran in August 1983 and Sudan in July 1984. In Pakistan, nonetheless, it was a progressive procedure that begun in 1947, was formalized in the late 1970s, and was summed up in mid-1985. (EL TIBY, 2011)

The third time frame, the universal acknowledgment time frame appears to have extended from 2003 until the center of 2009. There are two noteworthy particular highlights in this period:

The worldwide acknowledgment of the shari'ah-agreeable monetary arrangements by the administrative experts in Western Europe and the United States, especially by the Financial Services Authority (FSA), the single money related controller in the United Kingdom.

The developing interest and association of the worldwide monetary monsters in Western Europe, Japan, and the United States in Islamic money related exchanges. These incorporate ANZ Grindlays, Citibank, Union Bank of Switzerland (UBS), Credit Swiss, and HSBC. Japanese banks have additionally turned out to be associated with Islamic exchanges. The Industrial Bank of Japan (IBJ) has built up an Islamic portfolio for Mudarib. The Bank of Japan and the Japan Bank of International Cooperation, the two of which are government offices, have joined the IFSB as onlookers. (EL TIBY, 2011)

The fourth time frame, the assessment time frame, appears to have started at some point amidst 2009, when investors, administrators, and controllers over the globe were assessing the causes and results of the worldwide financial emergencies and the credit crunch confronting banks. In spite of the way that it is still right on time to arrive at solid resolutions, numerous brokers and also controllers are assessing the way that Islamic banks were the slightest influenced by the credit smash because of its advantage based nature. The Banker's third yearly study in 2009 of the world's best 500 Islamic money related Institutions demonstrates development resources at a to a great degree solid rate of 28.6 percent to achieve resources of \$822 billion of every 2009, contrasted with \$639 billion of every 2008. In ordinary keeping money, the rate of development of benefits of the main 1,000 world banks declined from 21.6 percent in 2008 to 6.8 percent in 2009. (EL TIBY, 2011)

Islamic keeping money is built up and developing at exceptionally fast pace in the course of the most recent two decades in the Muslim and non-Muslim nations as an option in contrast to the premium based saving money framework (regular managing an account). As a matter of first importance, Islamic bank was built up by Egypt named as Mit Ghamr Saving Bank presented by Egypt in 1963 and over the most recent four decades Islamic managing an account development expanded at extremely quick pace as far as size and in the quantities of players. At present, Islamic saving money is working in excess of 60 nations of the world and evaluated development rate is 15 - 20% per annum. (Ashraf, 2013)

Somalia's money related framework has been crushed by two many years of contention. In January 1991, all state foundations that gave administrations and controlled the economy fallen, including the Central Bank of Somalia and the whole saving money framework. The business bank liabilities that had endure the 1989 chapter 11 of the main business bank in the nation vanished. The nation has additionally been suspended from getting to worldwide money related markets, a circumstance that bargains the use of the Transition Federal Government (TFG) in household and additionally universal monetary markets. (Istanbul meeting on Somalia, 21 – 23 May 2010)

Generally money related division improvement is subject to a sound lawful and administrative structure and the capacity of national banks to give the important help and supervisory capacities. Without an unmistakable lawful structure authorized by a practical controller, there is little degree for pulling in private division speculators to set up banks and other monetary

foundations in Somalia. The universal network can work with the Somali specialists to set up the fundamental lawful system and construct the limit of the focal keeping money structures, concentrating on a lot of center need capacities. Speculators have communicated an enthusiasm for setting up formal managing an account tasks in Somalia, yet have been compelled by the nonattendance of a sound legitimate and administrative structure, a solid property rights culture, enforceable insurance contracts, available credit data frameworks and related monetary foundation. In this specific situation, the Somali budgetary area stays immature, casual and unsupervised, with constrained access to credit and reserve funds, and no security for purchasers and money related foundations. Aside from the constrained keeping money administrations offered by the Central Bank, the primary performers in Somalia's monetary part are the Somali settlements organizations, which have broad systems of operators that benefit all towns and towns in the nation, and additionally real urban areas in nations populated by Somali Diaspora. The restricted working of the Central Bank additionally compels private segment advancement as it comprises a genuine hazard factor to the speculation atmosphere for customary Somalis and business working in the nation. A noteworthy interest for money related administrations from the two people and little medium endeavors (SMEs) stays unsatisfied, even at essential dimensions. (Istanbul meeting on Somalia, 21 – 23 May 2010)

Little and Medium Enterprises (SMEs) make up the main part of the monetary tissue of the economy. In creating nations, they speak to the larger part of business, including female work. Putting resources into SMEs is a long haul and keen system, with supportable returns that duplicate crosswise over districts, nations and social orders. SMEs establish the greater part of firms. Comprehensively, SMEs make up over 95% all things considered, represent roughly half of GDP and 60%– 70% of aggregate work, when both formal and casual SMEs are considered. This adds up to between 420 million and 510 million SMEs, 310 million of which are in developing markets. Elevating access to back for SMEs has been on the worldwide change plan since the worldwide money related emergency. (Elasrag, 2016)

1.2. Statement of the Problem

Albeit Islamic banking is becoming quickly all around the globe and the thoughts identified with Islamic managing an account and fund are presently 30 years of age, Islamic keeping money hypothesis is as yet not all around created. In spite of the fact that there is an abundance of writing around Islamic banking and around fund when all is said in done for SMEs, writing that draws and interfaces these two territories together is constrained. A case of this disengagement concerns exchanging which is a standout amongst the most widely recognized exercises for Islamic banks.

Islamic banks are compelled to wind up engaged with the way toward moving and purchasing products as per the exchange rules recommended by Islamic law. They are qualified for benefit by attempted business dangers, for example, those engaged with genuine division business (Ayub, 2007). Without the intrigue framework in business exchanges, there are sorts of budgetary contracts which are displayed in Islamic statute as options to Riba.

Additionally, the writing on Islamic keeping money and banking has concentrated on a couple of credit-based instruments recommending that exploration in the field of Islamic fund is as yet falling behind. The superseding worry in designing or adjusting new monetary instruments has been meeting the sharia (Islamic law) necessity legalistically while the maqasid Sharia (targets of Islamic law) has not gotten due consideration. All business and banking contracts in the structure of Islamic fund need to fit in with Sharia guidelines and mean to meet the goals of Islamic law (Ayub, 2007).

Then again Small Medium Enterprises (SMEs) have huge job in business creation and development of gross local results of creating nation. Be that as it may, so as to develop and contribute all the more essentially to the economy, SMEs confront a few limitations. (Huda, 2012)

Because of the rare writing, that joins Islamic banking and fund when all is said in done for SMEs and given the absence of supporting exact proof on the Islamic financing of SMEs, especially in Mogadishu, it is vital and convenient to analyze the job of Islamic managing an account practice on the advancement of SME in Mogadishu.

The primary thought process of this paper is to discover the job of Islamic saving money practice on SMEs advancement in Mogadishu. Since Somali's banks are expanding at disturbing rate, there is an incredible requirement for SMEs to be financed to contribute manageable development for the nation's financial conditions.

1.3. Objectives of the Study

The destinations of the examination were classified into general and explicit as pursues:

1.3.1. General Objective

The General target of the investigation was to recognize the job of Islamic keeping money practice on SMEs improvement in Mogadishu.

1.3.2. Specific Objectives

The explicit destinations are among the accompanying:

- To explore and break down job of Islamic managing an account standards in advancing SMEs in Mogadishu.
- To discover significance of Islamic saving money targets on advancements of SMEs in the City.
- To survey how Islamic Banking rehearses (contracts) address the issues of SMEs in Mogadishu.
- To basically assess the financing issues and difficulties confronting SMEs in Mogadishu.

1.4. Research Questions

- What is the job of Islamic managing an account standards in advancing SMEs in Mogadishu?
- What is the significance of Islamic managing an account targets on improvements of SMEs in the City?
- How do Islamic Banking rehearses (contracts) address the issues of SMEs in Mogadishu?
- What financing issues and difficulties do SMEs experience in Mogadishu?

1.5. Scope of the Study

Extent of the examination incorporates, content degree, geographic extension and time scope:

1.5.1. Content Scope

The investigation was constrained to Islamic managing an account practice, and how contributes SMEs improvement in Mogadishu

1.5.2. Geographic Scope

The examination depended on poll directed in Islamic Banks and private company business visionaries in Mogadishu.

1.5.3. Time Scope

The examination was done in the Academic semester of 2018

1.6. Significance of the Study:

To the scholarly analysts, the examination would make a critical commitment to the current assemblage of learning in the field of Islamic Banking. The discoveries would be utilized as a wellspring of reference for different analysts. Furthermore, scholarly specialists would require the examination discoveries to invigorate further research in these territories and in that capacity it would frame a premise of good foundation for further research. Additionally, this investigation is fundamental for making duplicates of study and disseminations of open library for perusing reason.

1.7. Conceptual Framework:

The investigation relates a lot of free factors which incorporates Islamic saving money Objectives, capacities, standards, and Islamic Banking contracting to one ward variable of financing SMEs. The factors are in the containers while the connections are appeared by bolts as appeared as follows:

CHAPTER TWO

LITERATURE REVIEW

2.1. The Modern and the Concept of Islamic Banking System

Although Islam has provided a blueprint of how a society is to be organized and how the affairs of its members are to be conducted in accordance with its prescriptions, with the exception of a brief period following its inception the system itself has not been applied in its entirety. The economy at that time was, of course, much less complex than the economies of modern times. The business practices of the day conformed to the principles of Islam and the element of “interest” was minimized. Indeed, the practice of interest was also condemned by other major religions and the institution of interest had yet to be developed. It is only in recent decades, when the element of interest became an integral part of economic life, that Muslims have been forced to become more conscious of its existence at a time of growing interest in the wider implementation of Islamic teachings. It is for this reason that the history of Islamic economics finance is limited to developments since the nineteenth century. (ZAMIR IQBAL, 2011)

2.2. The Principles of Islamic Banks:

Islamic fund is controlled by Sharia, the lawful structure of Islam and its Quranic elucidation, alongside the lessons of Sunna. This system gives rules to individuals to pursue the standards of the Holy Quran and the Sunna in their basic leadership in all parts of life. Monetary exchanges are one of the more essential dealings controlled by Sharia, apparently to guarantee the more fair dispersion of salary and riches among Muslims in Islamic economies. (Alsadek H. Step, 2007)

The general standards are as per the following: (I) the disallowance of Riba (usury or exorbitant intrigue) and the expulsion of obligation based financing from the economy; (ii) the forbiddance of Gharar, incorporating the complete honesty of data and evacuation of any hilter kilter data in an agreement; (iii) the avoidance of financing and managing in evil and socially flippant exercises and wares, for example, betting and the generation of liquor; (iv) chance sharing, the supplier of money related assets and the business visionary offer business hazard as an end-result of offers of benefits and misfortunes;

(v) Materiality, a budgetary exchange needs a 'material irrevocability', that is an immediate or backhanded connect to a genuine monetary exchange; and (vi) equity, a money related exchange ought not prompt the misuse of any gathering to the exchange. (Alsadek H. Walk, 2007)

2.2.1. The Prohibition of Riba

Any foreordained installment well beyond the genuine measure of vital is precluded. Islam permits just a single sort of advance and that is qard al hassan (actually 'great advance'), whereby the bank does not charge any premium or extra sum over the cash loaned. (Kettell, 2011)

Conventional Muslim Jurists have translated this guideline so entirely that, as indicated by one Islamic researcher, 'the restriction applies to any favorable position or advantages that the bank may anchor out of the qard (credit, for example, riding the borrower's donkey, eating at his table or notwithstanding exploiting the shade of his divider'. (Kettell, 2011)

It is for the most part contended that the disallowance of Riba (usury or intrigue, regardless of whether little or extensive) is the most imperative standard of Islamic back. Any intrigue or foreordained installment well beyond the real measure of guideline is unequivocally restricted by the Holy Quran and the Sunna. (Alsadek H. Walk, 2007)

The proof from the Holy Quran and the Sunna as pursues:

The individuals who eat up usury won't remain aside from as stands one whom The Evil One by his touch hath headed to frenzy. That is on the grounds that they state: Trade resembles usury. In any case, Allah hath allowed exchange and taboo usury (2:275).

O Ye who accept! Dread Allah and surrender what survives of your interest for usury, if Ye are undoubtedly devotees. In the event that ye do it not, consider war from Allah and His Apostle. Yet, on the off chance that Ye turn back, Ye will have your capital totals: Deal not unjustifiably and Ye will not be managed treacherously (2:278-279).

The Prophet has denounced both the collector and the provider of usury. It is guaranteed that the prophet stated: Sell not gold for gold aside from in equivalent amount, nor move silver for silver with the exception of in equivalent amount, nor move anything present, for that which is missing.

In this custom, gold and silver were utilized as cash in Muhammad's time when usury on these materials was taboo. Likewise another Hadith (or message) from the Sunna that:

Muslim described on the specialist of Abou Said Al-Khudriy: Bilal visited the Messenger of Allah with some top notch dates, and the prophet asked about their source. Bilal clarified that he exchanged two volumes of lower quality dates for one volume of higher quality. The Messenger of Allah stated: "this is definitely Riba! Try not to do this. Rather, move the primary kind of dates, and utilize the returns to purchase the other. It is obvious from the over that Riba (usury or intrigue) is entirely taboo. (Alsadek H. Walk, 2007)

2.2.2. The restriction of Gharar

The second critical disallowance in Islamic fund is Gharar, for the most part interpreted as hazard, danger or vulnerability. An Islamic money related framework demoralizes accumulating and disallows exchanges highlighting outrageous vulnerability, betting, and hazard. (ZAMIR IQBAL, 2011)

gharar (actually 'danger'). While riba and maysir are denounced in the Holy Qur'an, judgment of gharar is bolstered by ahadith. In business terms, gharar intends to attempt an endeavor aimlessly without adequate information or to embrace an unnecessarily hazardous exchange, albeit minor vulnerabilities can be allowed when there is some need.

In a general setting, the consistent perspective of the legal scholars held that, in any exchange, by coming up short or fail to characterize any of the basic mainstays of agreement identifying with the thought or proportion of the article, the gatherings attempt a hazard which isn't fundamental for them. This sort of hazard was esteemed unsuitable and commensurate to hypothesis on account of its innate vulnerability. Theoretical exchanges with these qualities are hence precluded. (M. Kabir Hassan, 2007)

Imam Malik characterizes Gharar as the closeout of an article which is absent and in this way whose nature of being great or awful isn't known to the purchaser: as in the clearance of a runaway slave or a creature which has been lost by its proprietor, or the closeout of a posterity still in the belly of its mom, or purchasing of olives with olive oil, or sesame with sesame oil or spread with margarine oil. These are for the most part unlawful deals as indicated by Imam Malik on account of the inclusion of the component of possibility. (Ayub, 2007)

This denial applies in various conditions, for example, when the vender isn't in a situation to hand over the merchandise to the purchaser or when the topic of the deal is unequipped for procurement, for instance the closeout of organic product which isn't yet aged, or fish or fowls not yet got; that is, short-moving. Theoretical business, such as purchasing merchandise or offers at low costs and moving them at greater expenses later on, is viewed as unlawful.

Gharar applies additionally for speculations, for example, exchanging prospects on the share trading system; in reality, gharar is available in all future (mudhaf) deals and, as indicated by the agreement of researchers, a gharar contract is invalid and void (batil). (M. Kabir Hassan, 2007)

The 1970s saw the rise of various Gulf-based Islamic banks, remarkably Dubai Islamic Bank and the Islamic Development Bank. The principal Islamic protection (takaful) organization was set up in 1979 – the Islamic Insurance Company of Sudan. The 1980s saw national monetary frameworks pronouncing their expectation to go to full Shari'a frameworks, upheld by the 1981 Organization of the Islamic Conference in Khartoum. The International Monetary Fund began to distribute

data on Islamic money related structures and over the Muslim world, insightful premium expanded and a wide range of items created. With the foundation of the Accounting and Auditing Organization for Islamic Financial Institutions in 1990, and the Islamic Financial Services Board in 2002 setting out new norms for Islamic fund and improvement of money related administrations, the institutional framework began to end up considerably more advanced and western banks and establishments began to include themselves through offering non-enthusiasm bearing securities and files intended for the Shari'a advertise. A century after Barclays opened its Cairo branch, the Islamic back area was simply beginning to expand its intrigue to the mass retail showcase. It has created at a considerable rate in the last quarter of the twentieth century, every decade seeing increasingly more refinement and widening of its market.

In the early long stretches of the 21st century, it is ready to extend exponentially into the retail managing an account area and turn into the quickest developing component of worldwide saving money. As it develops, the examination of money related items and business forms by senior Muslim researchers keeps on winding up increasingly advanced and significant. Discussion and contention will proceed as certain new items develop, which some may consider to conflict with

the soul of Shari'a, in spite of the fact that their constituent components themselves are passable. Just through this persistent innovation, evaluation and reappraisal will a solid, adaptable yet agreeable Islamic fund structure completely create, and grow over the world's business sectors. (Anwar, 2008)

2.3. Definition of Islamic Finance

What is Islamic bank? Definitions extend from the specific restricted (premium free managing an account) to the plain wide (monetary activities directed by Muslims). A helpful definition is the accompanying: Islamic budgetary organizations are those that are based, in their targets and tasks, on Koranic standards. They are therefore separate from 'traditional' organizations, which have no such distractions. This definition goes past basically likening Islamic fund with 'premium free' saving money. It permits to consider tasks that could conceivably be sans intrigue, however are in any case permeated with certain Islamic standards: the evasion of *riba* (in the wide feeling of unjustified increment) and *gharar* (vulnerability, chance, theory); the emphasis on *halal* (religiously reasonable) exercises; and all the more by and large the mission for equity, and other moral and religious objectives. (Warde, 2000)

An extensive number of Islamic bank definitions are found in the writing, running from the generally basic definitions for explicit angles (state, Islamic keeping money) to progressively complex definitions covering every single monetary task, (Alsadek H. Step, 2007) , for instance, Islamic fund is characterized as a monetary administration basically executed to follow the

2.3.1. Prohibition of Maysir (gambling and other games of chance)

The words *Maisir* and *Qimar* are utilized in the Arabic dialect indistinguishably. *Maisir* alludes to effortlessly accessible riches or securing of riches by shot, regardless of whether it denies the other's correct. *Qimar* implies the round of shot – one increases at the expense of other(s); an individual puts his cash or a piece of his riches in question wherein the measure of cash in danger may bring tremendous entireties of cash or may be lost or harmed. While the word utilized in the Holy Qur'an for forbiddance of betting what's more, betting is "*Maisir*" (sections 2: 219 and 5: 90, 91), the Hadith writing talks about this demonstration for the most part for the sake of "*Qimar*". (Ayub, 2007)

As indicated by the law specialists, the contrast among Maisir and Qimar is that the last is a vital sort of the previous. "Maisir", got from "Yusr", implies wishing something important easily and without paying a proportionate remuneration ('Iwad) for it or without working for it, or without undertaking any obligation against it, by method for a round of possibility.

"Qimar" likewise implies receipt of cash, advantage or usufruct at the expense of others, having privilege to that cash or advantage by falling back on shot. The two words are appropriate to diversions of shot. References from the Holy Qur'an in such manner are:

"O you who accept! Intoxicants and betting, relinquishing to stones, and divination by bolts, are odious activities of Satan; so refuse them, that you may thrive." (5: 90)

- "Satan plans to energize ill will and disdain among you with intoxicants and betting, and upset you from the recognition of Allah, and from petition; will ye not then go without?" (5:91)
- "They ask thee concerning wine and betting. State: 'In them is incredible sin and a few advantages for individuals; however the wrongdoing is more noteworthy than the advantages'." (4: 219)

Maisir and Qimar are engaged with various customary money related exchanges and bank plans/items which Islamic banks need to stay away from. Traditional protection isn't Shari'ah-consistent because of the inclusion of both Riba and Maisir. Governments and open/private division partnerships assemble assets based on lottery and draws, which go under the pennant of betting and are, in this way, denied. Present prospects and alternatives gets that are settled through value contrasts just are secured under betting. (Ayub, 2007)

2.3.2. Risk Sharing

Since premium is restricted, unadulterated obligation security is wiped out from the framework and accordingly providers of assets move toward becoming financial specialists, instead of lenders. The supplier of money related capital and the business visionary offer business hazards as a byproduct of offers of the benefits and misfortunes. (ZAMIR IQBAL, 2011)

Another center guideline of Islamic financial matters is the thought of hazard sharing. This depends on the standard of obligation, which expresses that benefit is defended based on assuming liability, conceivably notwithstanding getting to be in charge of the misfortune and the

outcomes. This lawful adage, said to be gotten from a truism of the Prophet (pbuh) that "benefit accompanies obligation," suggests that Shari'ah recognizes legitimate benefit from every single other type of gain and that privilege to benefit exists just when there is likewise the obligation, or hazard, of misfortune. (ZAMIR IQBAL, 2011)

Islamic fund urges individuals to contribute their cash successfully with no bad form for the individuals who are either banks or borrowers. As per this guideline, loan specialists should impart to borrowers the benefits or misfortunes from the subsidized undertaking. Generally this is taken as they ought to similarly convey the danger of their business, reliable with their sharing of the capital added to the endeavor. A benefit sharing rule and a benefit/misfortune sharing guideline. (Alsadek H. Stride, 2007)

2.3.3. Justice and Equity Based

The utilization of Islamic rules in back isn't only to clean the money related framework from premium and Gharar, rather it is to build up equity in fund for which Riba and Gharar have been denied. Islamic back attempts to advance social equity and value in human culture. Equity in business or association necessitates that both the gatherings ought to contribute money, resources or work and bear or offer the hazard in business. Based on commitment and hazard bearing or sharing, the benefit and misfortune are circulated to the gatherings. As to exchange, the Shariah gives the decisions to shield the shoppers from makers or dealers in case of the last controlling costs, and shield the makers or venders from purchasers should the last cease from paying or default in their installment without a substantial reason. Thusly, foundation of equity and value turns into the extra component of Islamic back. (Marifa Academy, 2014)

2.4. Islamic Banking Contracts

In Islam, an agreement is esteemed lawful and legitimate by the Shari'ah if the terms of the agreement are free of any denial. At the end of the day, if an agreement does not have or include any of the disallowed components, for example, riba or gharar, and does not damage some other standard or law it is viewed as substantial. For instance, despite the fact that an agreement to put resources into an organization creating liquor might be free of riba and gharar, it would even now be invalid according to the Shari'ah, since it manages the generation of liquor, which is disallowed in Islam. A few business contracts have their underlying foundations in the pre-Islamic period however have been additionally created and broadly rehearsed after their similarity with the standards of Shari'ah was learned and affirmed.

The Islamic monetary framework has a lot of center contracts, which fill in as building hinders for structuring progressively advanced and complex budgetary instruments. There is no settled order of agreements in the Islamic lawful framework thusly, yet from a business and business perspective, certain agreements can be gathered together as per their capacity and reason in the monetary and money related framework.

Value-based Contracts manage the genuine - part monetary exchanges that encourage the trade, deal and exchange of products and ventures. The center value-based contracts depend on exchange

Or trade - based exercises. Trade could be on the spot or on a conceded premise and could be of products for merchandise, or of merchandise for cost, or merchandise for guarantee to pay. These agreements make resources, which further turn into the premise of financing and speculation openings; in this way they shape the plain center of an all-encompassing monetary and money related framework.

Financing Contracts offer approaches to make and broaden credit, encourage financing of value-based contracts, and give channels to capital arrangement and asset assembly among speculators and business visionaries. The distinctive element of such financing contracts is the nonappearance of an obligation contract. Financing contracts are implied either for the financing of value-based contracts as exchange fund or resource - upheld securities, or for giving capital through value associations, which can take a few structures, for example, organization, co - possession, or decreasing association.

Intermediation Contracts is to encourage a proficient and straightforward execution of value-based and budgetary contracts. These agreements incorporate mudarabah (a trustee fund contract), musharakah (value organization), kifala (ensure), amanah (trust), takaful (protection), wakalah (office) and jo'alah (expense - based administration). (ZAMIR IQBAL, 2011)

2.4.1. Barter Trading (Bay al-muqayada)

It very well may be considered as the main contract of offer in which merchandise were traded for different products. This agreement was generally rehearsed in the early times of mankind's history. Amid the season of Prophet Muhammad (Peace be up on Him), this was the general practice. There is no explicit preclusion found in the Quran or Sunnah about the act of this sort of

agreement. Nonetheless, Shariah does not energize the act of this agreement to stay away from any component of shamefulness in return of products. (Marifa Academy, 2014)

2.4.2. General Sale (Bay' al-mutlaq)

This is a closeout of products for cash and was created when the issue of trade emerged in the deal framework. It is the most favored method of exchanging as it can reasonably esteem and decide the cost of merchandise. The significance of closeout of merchandise for cash can be comprehended from the Hadith in which the Prophet (Peace arrive) disallowed the trading of second rate nature of dates for better quality and instructed than move the blended dates concerning mediocre quality for cash and purchase prevalent quality with that cash. (Marifa Academy, 2014)

2.4.3. Exchange Sale (Bay' al-Sarf)

Cove' al-Sarf is the trading of one fiscal shape for another in the equivalent or diverse sort or classification, i.e., gold for gold coins, silver for silver, gold for silver, silver for gold, and so forth., regardless of whether it is as adornments or mintage. In any case, such exchanging must be done in consistence with the accompanying Shariah guidelines and statutes:

The two gatherings must claim the counter qualities previously scattering, such belonging being either real or useful.

- The counter estimations of similar cash must be equivalent in sum, regardless of whether one of them is in paper cash and the other is in coin of a similar nation, similar to a note of one pound for a coin of one pound.
- The contract will not contain any contingent choice or delay provision with respect to the conveyance of one or both counter qualities.
- The managing in monetary forms will not go for setting up a syndication position, nor should it involve any underhanded results to the enthusiasm of people or social orders.

2.4.4. Mudarabah (Trustee Profit-Sharing)

A bank may embrace to back worthy activities as per the rule of mudarabah. Here the bank goes about as the "supplier of capital" and will offer 100 percent financing for the important undertaking, while the initiator of the task is the "business visionary" who will deal with the venture. The bank can't meddle in the administration of the venture, however has the privilege to attempt the development and supervision undertaking. In these conditions, the two gatherings will concurred, through arrangement, on the proportion of the circulation of the benefits produced from the undertaking, assuming any; in case of the task making a misfortune, at that point the bank bears every one of the misfortunes. (Venardos, 2005)

As indicated by (M. Kabir Hassan, 2007) characterizes Mudaraba as a type of association in which one accomplice (rabb al-mal) accounts the undertaking, while the other party (mudarib) oversees it. Albeit like a musharaka, this method of financing does not necessitate that an organization be made; the money related foundation gives the majority of the capital and the client is in charge of the running of the task. Benefits from the speculation are circulated by a settled, foreordained proportion. The rabb almal has ownership of the advantages, however the mudarib has the choice to purchase out the rabb al-mal's venture. Mudaraba might be finished up between an Islamic bank, as supplier of assets, for itself or for its investors as a trustee of their assets, and its business– proprietor customers. In the last case, the bank goes about as a mudarib for an expense. The bank likewise goes about as a mudarib in connection to its contributors, as it puts the stores in different plans. (M. Kabir Hassan, 2007)

The mudaraba contract is a benefit sharing contract. Mudaraba is consequently saved for business fund, it isn't appropriate for customer back. Mudaraba is utilized in exchange fund and in venture ventures with short growth periods, yet it isn't exceptionally famous, aside from its utilization as a type of store taking by banks. The way that misfortunes are only borne by the agent carries with it genuine organization issues. (Visser, 2009)

The Distinct Features of Mudarabah

As per (ZAMIR IQBAL, 2011) the mudarabah has the accompanying unmistakable highlights:
Control Although Shari'ah researchers have contrasts of conclusion about the limitations in a mudarabah contract with respect to its exercises, extension, and targets, these distinction don't have any huge effect on its capacity. As a rule, the speculator assigns the mudarib as an operator and subsequently does not have any privilege to control, or take part in, the mudarib's choices with regards to the position of assets. As it were, the financial specialist does not have any administration rights over the mudarib, who is allowed to choose the ventures in which to put or the way in which to contribute.

Benefit/Loss Sharing One of the most huge highlights of mudarabah is that while the benefits are shared between the financial specialist and the operator, any misfortune in the venture or business is borne exclusively by the capital - proprietor, except if such misfortune is caused by the unfortunate behavior or carelessness of the mudarib. In situations where the specialist demonstrations in compliance with common decency and wisely, yet the speculation results in a

misfortune, the capital proprietor loses a segment of the capital, yet the operator loses the time and exertion conveyed amid the business adventure. The mudarib isn't an underwriter of the capital, with the exception of where there is unfortunate behavior or carelessness on his part.

Benefit Distribution in the mudarabah agreement, the accomplices appreciate total opportunity to decide the division of benefits. Coming up next are a portion of the guidelines pertinent to the assurance and conveyance of benefit and misfortune under a mudarabah:

- The most basic necessity is that the division of benefits between the financial specialist and mudarib must be as extents and proportions, instead of in outright numbers.
- The benefit - sharing recipe itself must be made explicit in advance and should be plainly demonstrated in the agreement revenue driven dispersion. Neither one of the parties can have particular rights over the benefits to the prohibition of the other.
- The benefit appropriation proportion may contrast from that of capital commitment.
- The appropriation of benefits in a mudarabah can just happen after the capital - proprietor has recovered his capital.

Various levels Early Shari'ah researchers assumed an essential job in the advancement of complex intermediation structures by giving the important opportunity to the mudarib to frame different associations with outsiders. (ZAMIR IQBAL, 2011)

Credit Risk and Defaults since there may not be any unmistakable resources that can be utilized as security against potential misfortunes, dealing with the credit hazard and defaults regularly turns into an issue. To limit such hazard, the capital – proprietor or financial specialist ought to perform due steadiness in regard of the past execution and notoriety of the mudarib. (ZAMIR IQBAL, 2011)

Musharakah (Partnership or Joint Venture)

The association is a pre - Islamic get that was generally acknowledged and advanced by the Prophet (pbuh). The musharakah — a half breed of the shirakah (association) and the mudarabah — is a mix of speculation and the board. Without obligation security, the Shari'ah advances the musharakah type of financing and is genuinely far reaching in characterizing diverse sorts of associations, in distinguishing rights and commitments of the accomplices, and in stipulating the principles

overseeing the sharing of benefits and misfortunes. A musharakah or shirakah can be characterized as a type of organization where at least two individuals join either their capital or work to share the benefits and misfortunes, and where they have comparative rights and liabilities. (ZAMIR IQBAL, 2011)

Musharakah is a game plan where at least two gatherings build up a joint business venture and all contribute capital and additionally work and the executives when in doubt". The benefits and misfortunes that spill out of the Musharakah are again shared among the gatherings on a pre-agreed proportion. By and large, Musharakah is most suited for financing private or open organizations and task financing. With regards to Islamic managing an account, Musharakah is portrayed as a joint endeavor between an Islamic bank and a client or business firm for specific activities. The Islamic bank can possibly go about as the reserve supplier to back industry, exchange and every legitimate venture through either value speculation or direct cooperation.

Musharakah contracts can be set up in one of two different ways. The principal method for these is a perpetual contract which guarantees for its gatherings (the financial specialist, bank and business visionary) a fair offer in the yearly benefit/misfortune on pre-agreed terms. This sort of lasting contract holds consistent for a constrained or boundless period as indicated by the first agreement. The second sort of Musharakah is a lessening contract favored by investors since it enables the bank to diminish a lot of value every year and get intermittent benefits dependent on the decreasing value balance. In this frame, the value offer of the client in the capital of big business increments after some time until the person turns into the sole proprietor of the undertaking. As appeared, musharakah has numerous points of interest that give parallel advantages to all gatherings and there is an agreement among Islamic researchers of its legitimacy under Sharia. Be that as it may, Musharakah contracts more often than not require the assistance of legitimate specialists to guarantee that any potential Riba or Gharar is cautiously kept away from. (Alsadek H. Step, 2007)

Bai'Salam/Salaf (Prepaid Purchases)

Bai' Salam is an old type of forward contract wherein the cost was paid ahead of time at the season of making the agreement for recommended products to be conveyed later. The two terms "Salam" and "Salaf" have been utilized conversely in Hadith writing to portray the agreement for future delivery of indicated merchandise with in advance installment of the cost.

Salam has been allowed by the sacred Prophet (pbuh) himself, with no distinction of supposition among the early or the contemporary legal advisers, despite the general standard of the Shari'ah that the clearance of a product which isn't in the ownership of the merchant isn't allowed. Upon relocation from Makkah, the Prophet came to Madinah, where the general population used to pay ahead of time the cost of organic product (or dates) to be conveyed inside one, two and three years. In any case, such a deal was done without indicating the quality, measure or load of the ware or the season of conveyance. The blessed Prophet structured: "Whoever pays cash ahead of time (for organic product) (to be conveyed later) should pay it for a known quality, determined measure and weight (of dates or natural product) obviously alongside the cost and time of conveyance". (Ayub, 2007)

Benefits of Salam and the Economic Role of Bai'Salam

Forward deal as Salam has been permitted by the Shari'ah with such a structure, to the point that it turns out to be free from Riba, Gharar and, in this manner, from abuse of one gathering by the other. It is somewhat founded on veritable need of the business and, in this way, valuable to both purchaser and dealer. The dealer gets ahead of time the cash he needs in return of commitment to convey the item later. In this manner, he profits by the Salam deal by covering his money/liquidity needs in regard of individual costs or for beneficial or exchanging action. The buyer gets the product he has wanted to exchange at the time he chooses. He will likewise profit by modest costs, in light of the fact that normally the Salam cost is less expensive than the money advertise cost. Along these lines he will likewise be anchored against vacillations of cost. The monetary job which Bai'Salam should perform can be summ

(Marifa Academy, 2014) Defines BBA is a sale contract in which the payment of the price is deferred and payable at a particular time in the future. The distinguishing feature of BBA is that in BBA the payment is always deferred.

Al-ijara (Leasing)

This is normally a money related rent sort of agreement connected for renting of advantages with intermittent rent rental installments and consummation with clearance of the benefits at ostensible cost. (Venardos, 2005)

As demonstrates (Warde, 2000) Ijara or renting is likely the quickest developing movement of Islamic money related foundations. The rule is outstanding and for all intents and purposes indistinguishable to regular renting: the bank rents an advantage for an outsider in return for a predefined lease. The measures of installments are known ahead of time and the advantage

remains the property of the lessor. Just in a couple of regards do Islamic contracts contrast. A minor departure from the fundamental guideline is *ijara wa iktina*, a rent buy agreement whereby at the lapse of the rent, the renter turns into the proprietor of the benefit.

Al-qardh al-Hasan (Benevolent Loans)

Al-qardh al-Hasan (Benevolent Loans) — these are advances which are returned toward the finish of an agreed period with no intrigue or offer in the benefit or loss of the business. Along these lines, it is a sort of unnecessary credit given to the poor individuals for a settled period without requiring the installment of intrigue or benefit. The collector of qard al-hasan is just required to reimburse the first measure of the credit. (Venardos, 2005)

The demonstration of loaning cash isn't taboo in Sharia, just Riba is denied during the time spent loaning. Qard Hassan is a generous credit without enthusiasm to help the destitute trying to mitigate hardship. Subsequently, people and firms may loan cash on a premium free premise to any number of recipients for some, reasons, including costs identifying with instruction and marriage. The sum paid by the moneylender is viewed as a premium free advance from the season of installment until the date of the repayment. (Alsadek H. Stride, 2007)

2.5. Objectives of Islamic Banking

In the present investigation Objectives of Islamic Finance is displayed under three heads specifically

1. Religious Objectives i.e. gathering and conveying Zakat. Zakat (a religious commitment) is paid by Muslims and saved into a reserve that is disseminated to the poor specifically or through religious foundations. Zakat is forced at a rate generally proportionate to 2.5 percent of the market estimation of a person's genuine and monetary property. Zakat may likewise be forced on the underlying capital of an Islamic bank, its stores, and its benefits.
2. Social Objectives i.e. easing of neediness and evacuating social disparities. Asset enhancement: Funding is given just to ventures that, in the bank's gauge, have the most good return-for-hazard estimates, notwithstanding meeting the paradigm of being socially gainful. Ventures are chosen essentially based on their foreseen benefit as opposed to the financial soundness of the borrower.

3. Economic Objectives i.e. expansion of benefit , advancement of manageable ventures , limiting expense of activity , upgrading item and administration quality and offering aggressive money related items.

Impartial Distribution of Resources: One of the points of Islamic managing an account is to serve the less blessed by advancing the evenhanded conveyance of assets. The dissemination of pay and assets of Islamic budgetary structures is planned to be proportionate to the esteem offered by partaking parties.

Monetary Development: Participatory-type financing for framework ventures, in light of mudharabah (benefit sharing) and musharakah (joint endeavor), is planned with the goal that speculation comes back to both the supplier and the client of assets will mirror the accomplishment of the undertaking. The component of sharing benefits prompts a nearby working connection among bank and business person and is accepted to energize financial advancement because of the bank's value type stake in the financed venture.

Dependability in Money Value: Stability in the estimation of cash is accepted to be upgraded by necessitating that money be supported by a hidden resource, which empowers the vehicle of trade to be a solid unit of record. Islam perceives cash as a store of riches and as a methods for trade yet does not see cash as an item that ought to be purchased and sold at a benefit.

In Islam the principle goal of financial exercises is to give most extreme prudent things which will be useful to expand benefit. Further Quran says that Islamic Finance ought to ensure the enthusiasm of the denied and persecuted i.e. to spin the cash in every one of the gatherings of the general public so as to mitigate destitution. (Hafiz Iftikhar Ahmed, 2007)

Islamic banks (non – premium bank) need to work as per the shariah (Islamic law) and they have distinctive targets to encourage and enhance the prosperity of an individual and the economy everywhere; among these goals are:

- To advance, encourage and build up the utilization of Islamic standards, law and custom to the exchange of monetary and related business issues.
- To advance venture crusades, endeavor and concerns which are they occupied with legal business exercises.

- Investors getting their arrival from benefit and business sharing (PLS) venture. (Ajagbe T. S., 2013)

2.6. Concept and Definition of Small and Medium-Sized Enterprises:

The advancement of little and medium-measure endeavors assumes a vital job in the development and thriving of country. Albeit substantial scale partnerships, especially modern concerns contribute sizably/to a great extent in gross residential items (GDP) and other financial factors of thriving yet the noteworthiness of SMEs is broadly perceived far and wide. SMEs make a generous commitment towards GDP, income gathering as assessments, cultivating business enterprise culture, work openings, salary age, abilities improvement of HR, neediness easing, and enhancing the way of life and personal satisfaction.

Over all the prime monetary advantages of SMEs advancement incorporate empowering impeccable rivalry and reasonable circulation of riches. On the off chance that there are just vast scale companies either, there will be a restraining infrastructure in an industry, with a solitary providers, or oligopoly with just couple of providers, or monopolistic rivalry with just a few providers, at that point the significant segment of national pay and riches will move inside the hands of enormous industrialists. SME division, nonetheless, makes reasonable rivalry and fair dissemination of riches. SMEs aid territorial and nearby advancement as they quicken industrialization in country regions by connecting them with the more sorted out urban area and help accomplish reasonable and fair appropriation of riches by provincial scattering of financial exercises. (Javed Qureshi, 2011)

2.6.1. Definitions of SME

The term 'SME' envelops an expansive scope of definitions, which contrast as per factors, for example, nation, geographic district, dimension of improvement and business culture. Indeed, even inside nations, definitions may fluctuate or be nonexistent. Likewise, the definition itself is frequently connected to national help programs and different controls, making the appropriation of a solitary definition troublesome. Adding to the plenty of nation definitions for SMEs are those made by global associations and nongovernmental associations (NGOs).

The explicit needs and condition of their venture portfolios regularly drive such definitions. Different criteria used to characterize SMEs, for example, the quantity of specialists, resource estimate, yearly deals, or yearly generation, etc. This most likely mirrors the firm size

conveyance of the locales in which the last organizations work, and hence the dimension of monetary improvement. Three primary quantitative parameters are ordinarily utilized in the SMEs definitions. (Elasrag, 2016)

Under the monetary definition a firm is viewed as little in the event that it meets the accompanying three criteria:

1. it has a moderately little offer of their commercial center;
2. it is overseen by proprietors, or part proprietors, personalized and not through the mechanism of a formalized administration structure; and
3. It is autonomous in that it isn't a piece of a bigger undertaking.

The —statistical definition, then again, is utilized in three principle regions:

- 1) measuring the span of the little firm part and its commitment to GDP, business and fares;
- 2) Contrasting the degree with which the little firm division's financial commitment has changed after some time; and
- 3) In a crosscountry correlation of the little firms 'monetary commitment. (National Credit Regulator, 2006)

2.6.2. Islamic Financing Techniques for SMEs

SMEs over the world, particularly in creating nations are confronting different difficulties, and access to formal back is one of the primary hindrances that they confront. Access to back is a worldwide test that should be tended to all the more altogether by different related bodies and offices. The worldwide test can be met through inventive and various monetary item contributions. As far as creative and different wellspring of financing for SMEs one probability is to recognize the quality and capability of participatory back, for example, Islamic fund. Different financial devices that Islamic fund can additionally take advantage of incorporate zakat, waqf and qard al-hassan (kindhearted advance) nearby financial money related instruments that are intended to give budgetary help to the poor, for example, Shariah-agreeable little and medium undertakings (SMEs).

Regardless of how Islamic fund is marked, in view of the basic beliefs of advancing monetary improvement through an arrangement of benefit based and value based financing arrangements,

an unmistakable financing hole for SMEs can be handled and served through Islamic managing an account and nonbanking budgetary administrations. (El

2.6.3. Islamic Financing Options for SMEs

Islamic markets offer diverse instruments to fulfill suppliers and clients of assets in an assortment of ways: deals, exchange financing, and venture. Fundamental instruments incorporate expense in addition to financing (murabaha), benefit sharing (mudaraba), renting (ijara), organization (musharaka), and forward deal (sound' salam), Deferred-installment deal (straight' mu'ajjal) and conceded conveyance deal (bay'salam) contracts, notwithstanding spot deals, are utilized for leading credit deals. In a conceded installment deal, conveyance of the item is gone up against the spot however conveyance of the installment is deferred for an agreed period. Installment can be made in a single amount or in portions, gave there is no additional charge for the postponement. (Elasrag, 2016)

2.6.4. The Challenges of Financing SMEs

Monetary Problems: About 80% of Small and medium undertakings are quieted as a result of poor financing and other related issues. The issue of financing SMEs isn't so much the wellsprings of assets yet its openness. Variables distinguished repressing subsidizes openness are the stringent conditions set by money related organizations, absence of satisfactory guarantee and credit data and cost of getting to reserves. The capital deficiency issue in the little firm division is mostly one, which stems for the uneconomic organization of accessible assets by the proprietor directors. (Emeti, 2014)

Back is a useful region of business without which ventures couldn't endure. All business tasks would stop if fund isn't sufficient to deal with it. SMEs confront numerous issues and back is one of the real ones. SMEs couldn't anchor back because of lacking assurance to acquire credit from money related foundations, poor attainability and absence of value commitment which upset the stream of budgetary help to them. (Daneji, 2014)

As indicated by the (Elasrag, 2016) ponder, there are numerous snags confronting banks in the financing of little and medium ventures.

- SMEs need administrative abilities to oversee organizations successfully. This prompts a wasteful tasks structure, frail monetary revealing, and unviable activities (high obligation). What's more, SMEs for the most part work in the casual division. Consequently, banks are hesitant to loan to SMEs and see them as dangerous speculations.
- Although as of now featured in a few investigations, it is as yet important noteworthy variables that influence the supply of fund to the SME part. Components incorporate SME-explicit issues (absence of a legitimate business structure), and additionally issues looked by banks in adjusting the SME area (absence of ability to loan to SMEs). Issues confining access to fund are interesting to every nation, except a few normal subjects underline these issues.
- Most banks need capacities to loan to the SME area. This could incorporate deficient procedures, absence of SME-explicit items (particularly Islamic items), untrained staff, and lacking effort. The huge dangers included together with mind-boggling expenses of exchanges/overhauling the SME client likewise deflect banks from focusing on the SME division. Due to these institutional holes, banks will in general spotlight on developing and medium-sized organizations and partnerships, which are more secure ventures than SMEs, and banks as of now have the capacities to loan to these organizations adequately.
- Lack of data on SMEs is another issue looked by banks crosswise over nations. The absence of an acknowledge department for satisfactory data on SMEs is a huge obstacle averting banks from loaning to them. The issue introduces a noteworthy chance to build up a thorough database on SMEs, which would plug data holes and lead to expanded supply of fund to the SME division.

Islamic back, as an option and moral financing strategy, guides subsidizing to affect situated genuine monetary exercises; it accordingly uses monetary and budgetary assets to fulfill the material and social needs of all individuals from the network—including SMEs and imaginative new businesses. The primary establishments of Islamic budgetary items are its advantage based exchange nature, together with its value based nature of sharing danger and benefits. Every one of these financing classes has a major task to carry out in expanding the monetary consideration of SMEs and inventive new businesses, also pulling in potential capital from Islamic capital suppliers and sources. (World Bank Group and Islamic Development Bank, 2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This part is worried about the depiction of the chose technique of the exploration.

Strategy is the point by point methodology to be pursued to accomplish the examination goals.

The specialist explored or inspected how Islamic Banks practice contribute great execution and advancements for Small and Medium-sized Enterprises SMEs in Mogadishu. The analyst additionally arranged the exploration configuration, examine territory and populace, testing structure and size, information sources, gathering strategies, and instruments, information preparing, dissecting and introduction and the constraints of the examination.

3.2. Research Design

The specialist has picked quantitative technique for gathering information since it appears the most proper and significant strategy to the investigation under thought. The exploration configuration alludes to by and large arrangement or technique for directing the examination. The analyst utilized contextual analysis as appropriate research structure since it will be utilized in profound comprehension of the issue than summing up the discoveries over the populace.

3.3. Population and Sampling

3.3.1. Study Population

The objective of this paper is surveying the Islamic Banks practice on the improvements of Small medium-sized undertakings in Mogadishu. The populace under the examination included explicit 51 people chose from the populace. The objective populace contains of SMEs business visionaries and bank authorities of the chose Banks.

3.3.2. Sample Design

Judgmental inspecting is a testing structure where the specialist picks components of the populace that are mindful to the motivation behind examination and this causes the analyst to decide the example measure since this examining configuration handles populace important to the investigation and this gets respondents with specialized learning of the investigation.

3.3.3. Sampling Size

The example comprised of 45 examiners of shut end inquiries of target populace. This size has been picked by arrangement of genuine arrangement of issues. The data was accumulated from the chose respondents. In light of Slovin's Formula 45 test respondents were chosen from the objective populace.

$$n=N/(1 +Ne^2)$$

$$= 51/(1 + 51(0.05)^2) = 45$$

Table 3.1 Structure of test estimate:

No	SampleFrequencies
1	SMEs Entrepreneurs 15
2	Bank Officials 30
3	Total 45

Source: Primary Data

3.3.4. Sample Techniques

The example technique utilized is stratified example, this is on the grounds that distinguishes subgroups in the populace and their extents and select from every subgroup to shape an example.

3.4. Data Collection Methods

The analyst utilized in the time of directing this examination both essential and optional as examiners. The specialist frame amass discourse; the reason for existing is to acquire adjusted data. The strategy utilized was just examiners.

3.4.1 Research Instruments

Poll technique is a standout amongst the most prevalent instruments for an information accumulation in instructive research. This strategy gives us the quantitative information.

3.4.2 Research Procedures

The specialist gathered the required information through surveys by utilizing the exploration instrument expressed prior.

3.4.3 Data Source

The scientist gathered this investigation through utilizing:

Essential Data: - The wellsprings of Primary information are surveys.

Optional information: - the wellsprings of auxiliary information are web, books, and so on.

3.5. Data Analysis

Expressive research was use in this exploration report so as to think about Islamic banks practice on advancements of little and medium-sized ventures. The quantitative investigation was completed. Information was gathered through shut finished surveys. In this manner, the analyst made an understanding of the recurrence tables and in like manner made a synopsis of discoveries, ends and proposals.

3.6. Ethical Consideration:

Each respondent were asked finished polls. Great clarification was done before filling it. Secrecy was guaranteed and security kept up.

3.7. Anticipated Limitations of the Study

The Following are the real confinements that may keep the scientist from accomplishing the most ideal consequence of this paper:

1. Lack of libraries.
2. Shortage of web get to or some other valuable innovation.
3. The specialist expected to be obliged with time for completing examination which may prevent the analyst from doing research on a greater number of respondents.
4. The investigation is relied upon to be expensive as far as accounts for printing, authoritative and transport moving to regions of study.
5. Little of data from some objective populace.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. Introduction

This chapter presents the findings of the research as well as the interpretation and analysis of both the primary and secondary data on Role of Islamic Banking Practice on the Development of SMEs in Mogadishu. The study was carried out with the aim of providing answers to the research questions using the methodology described in chapter three.

All 45 research participants responded to the entire survey questionnaire. The findings focus on the following areas: Profile of respondents, to critically evaluate the financing problems and challenges facing SMEs in Mogadishu, to review how Islamic Banking practices (contracts) meet the needs of SMEs in Mogadishu, to investigate and analyze role of Islamic banking principles in promoting SMEs in Mogadishu, to find out importance of Islamic banking objectives on developments of SMEs in the City.

In the discussion process, it is obvious to differentiate the scale of the respondent agreement and disagreement of different variables of the study in order to find out the highest frequency agreement or disagreement in percentage manner as well as the lowest percentage frequency. Also, there are tables and figures of statistical data analysis and results that will be used in the discussion.

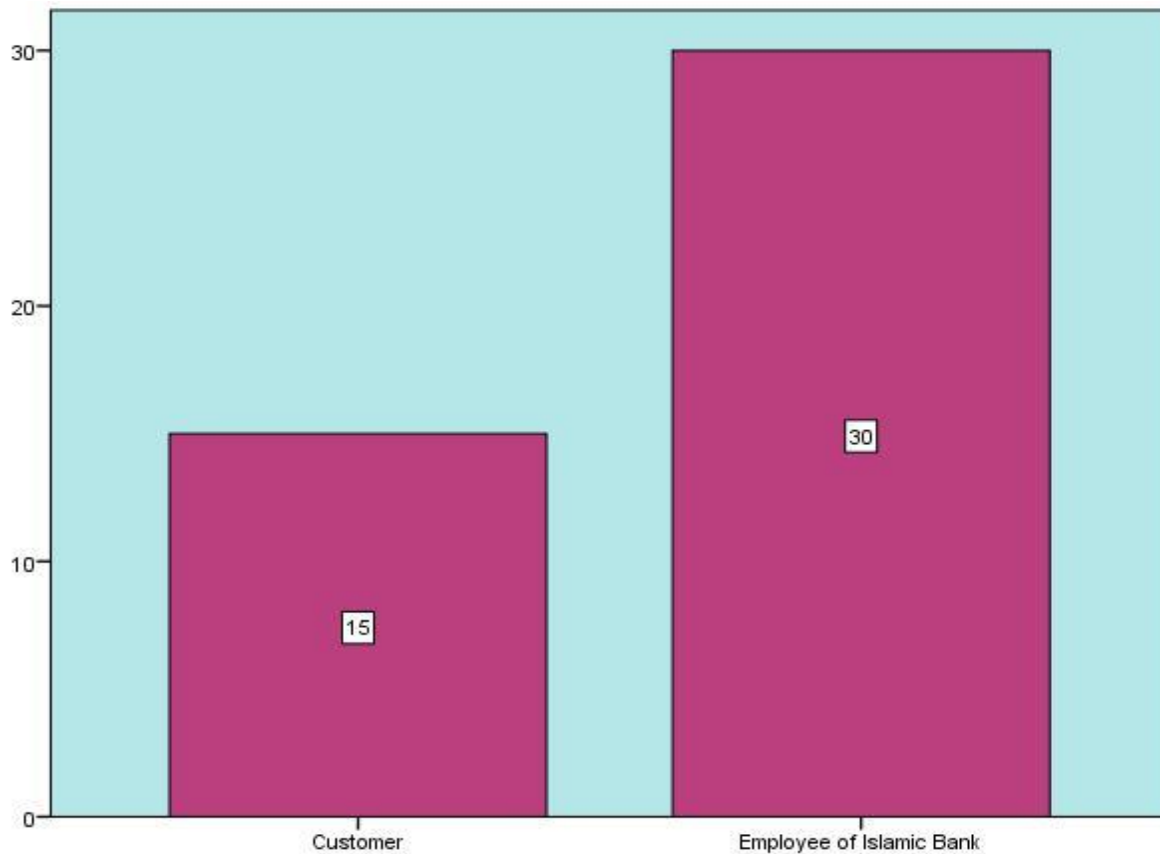
Table 3: How are you related with Islamic Finance?

Description	Frequency	Percent
Customer	15	33.3
Employee of Islamic Bank	30	66.7
Total	45	100.0

Source: primary data 2017

Findings show that 30 (66.7%) of the respondents are employee of Islamic Banks or Bank Officials, while 15 (33.3%) of the respondents are Small Medium Enterprises Entrepreneurs respectively. This shows that most of respondents Islamic bank officials.

Figure 3: How are you related with Islamic Finance?



Source: primary data 2017

4.3. Role of Islamic Banking Principles in Promoting SMEs in Mogadishu.

This section aspects findings of the role of Islamic Banking principle, respondents asked related matters about the principles of Islamic Banking in promoting Small Medium Enterprises in Mogadishu.

Table 6: Islamic Banking and Financial Services is Investing in business where there is no Gharar (more risk).

Description	Frequency	Percent
Strongly agreed	15	33.3
Agreed	21	46.7
Not sure	3	6.7
Disagreed	6	13.3
Total	45	100.0

Source: primary data 2017

For first statement in table 4.2.1, Islamic Banking and Financial Services is Investing in business where there is no Gharar (more risk)., approximately half 21 (46.7%) of respondents have agreed the statement, while 15 (33.3%) strongly agreed and small number of responders 6 (13.3%) disagreed, regard less to the disagreement of these small number of respondents another 6.7% of the total population said not sure as shown in figure 4.2.1.

Therefore, most respondents 80% agreed that Islamic Banking and Financial Services is Investing in business where there is no Gharar (more risk).

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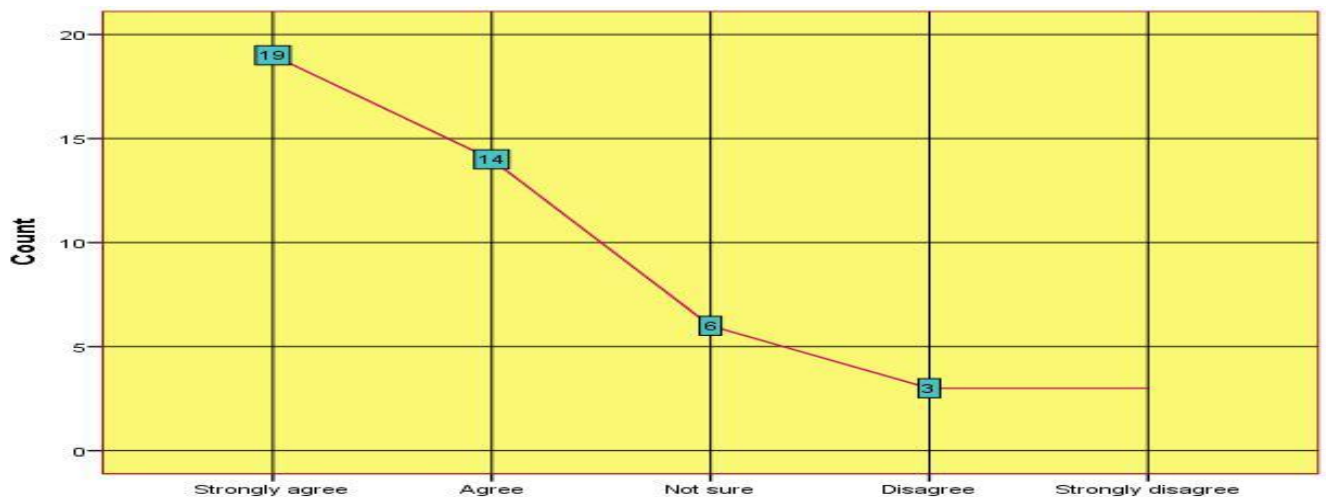
Table 4.2.4 The Prohibition of Riba (Usury or Interest, Whether Small or Large) is the Most Important Principle of Islamic Finance.

Description	Frequency	Percent
Strongly agreed	19	42.2
Agreed	14	31.1
Not sure	6	13.3
Disagreed	3	6.7
Strongly disagreed	3	6.7
Total	45	100.0

Source: primary data 2017

As the above table and the following figure illustrate, 19(42.2%) of the repliers strongly agreed that the prohibition of Riba is the most important principle of Islamic finance. 14(31.1%) of them agreed with the same idea, while 6(13.3%) of them showed moderation, and 6(13.4%) of them disagreed and strongly disagreed, Therefore, most respondents were agreedd (73.3%) that prohibition of Riba is one of the important principles of Islamic finance.

Figure 4.2.4 the prohibition of Riba (usury or interest, whether small or large) is the most important principle of Islamic finance.



Source: primary data 2017

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Table 4.3.3 Islamic Banking achieves the objectives of Islamic finance by maximizing profits and minimizing cost of operations.

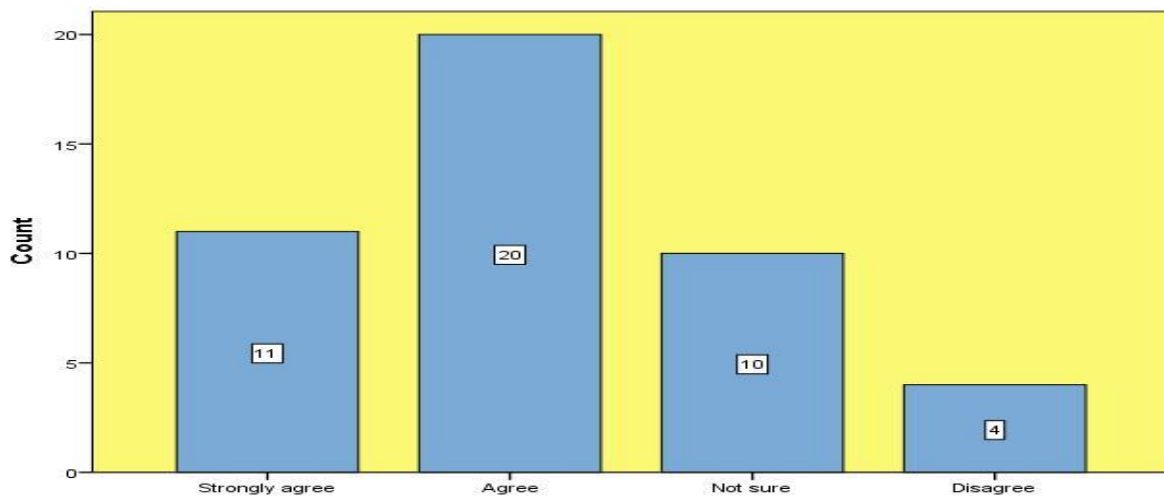
Description	Frequency	Percent
Strongly agreed	15	33.3
Agreed	19	42.2
Not sure	3	6.7
Disagreed	6	13.3
Strongly disagreed	2	4.4
Total	45	100.0

Source: primary data 2017

As regard for the statement in above table 4.2.3, that most of the respondents 42.2% (19) have agreed that The Islamic Banking achieves the objectives of Islamic finance by maximizing profits and minimizing cost of operations, 33.3% (15) of respondents said strongly agreed, 13.3% (6) said disagreed and 6.7% (3) said not Sure about the statement and finally 4.4% (2) said strongly disagreed as shown in figure 4.3.3

The researched noticed from this point that a sum of 34 respondents which represents about 75.5% of the sample population have agreed with the statement.

Figure 4.3.3 Islamic Banking achieves the objectives of Islamic finance by maximizing profits and minimizing cost of operations.



Source: primary data 2017

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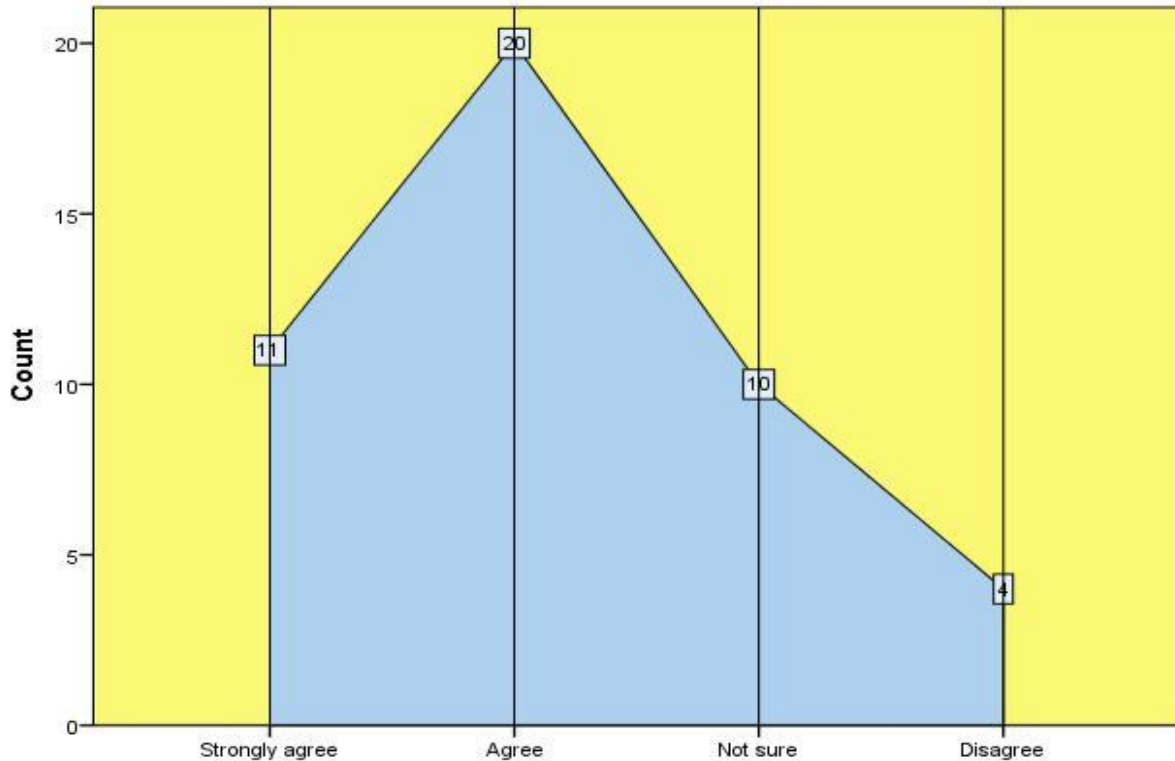
Table 4.3.4 Islamic Banking achieves the objectives of Islamic finance by promoting sustainable development projects.

Description	Frequency	Percent
Strongly agreed	11	24.4
Agreed	20	44.4
Not sure	10	22.2
Disagreed	4	8.9
Total	45	100.0

Source: primary data 2017

As regard for the statement in above table 4.3.4, the researcher high pointed that most of the respondents 44.4% (20) have agreed that Islamic Banking achieves the objectives of Islamic finance by promoting sustainable development projects, 24.4% (11) of respondents said strongly agreed, only 10 and 4 respondents said not sure about the statement and disagreed respectively.

Figure 4.3.4 Islamic Banking achieves the objectives of Islamic finance by promoting sustainable development projects.



Source: primary data 2017

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2.12 Islamic Banking Practices (Contracts)

This Section looks For the Relationship between Islamic banking contracts and needs of Small Medium Enterprises, respondents were asked about their expertise and understanding of the relationship the usage Islamic banking practices such as cash Murabahah, Mudarabah, Musharakah and Bai‘Salam and the needs of SMEs.

Table 4.4.1 The Murabahah is one of the most popular contracts of sale used for purchasing commodities and other products on credit.

Description	Frequency	Percent
Strongly agreed	28	62.2
Agreed	13	28.9
Not sure	2	4.4
Disagreed	2	4.4
Total	45	100.0

Source: primary data 2017

As the above table and the following figure illustrate, 62.2% of the repliers strongly agreed that Murabahah is one of the most popular contracts of sale used for purchasing commodities and other products on credit., 28.9% of them agreed with the same idea, while 4.4% of them showed moderation, and 4.4 % of them disagreed. Therefore, most respondents were strongly agreed (62.2%).

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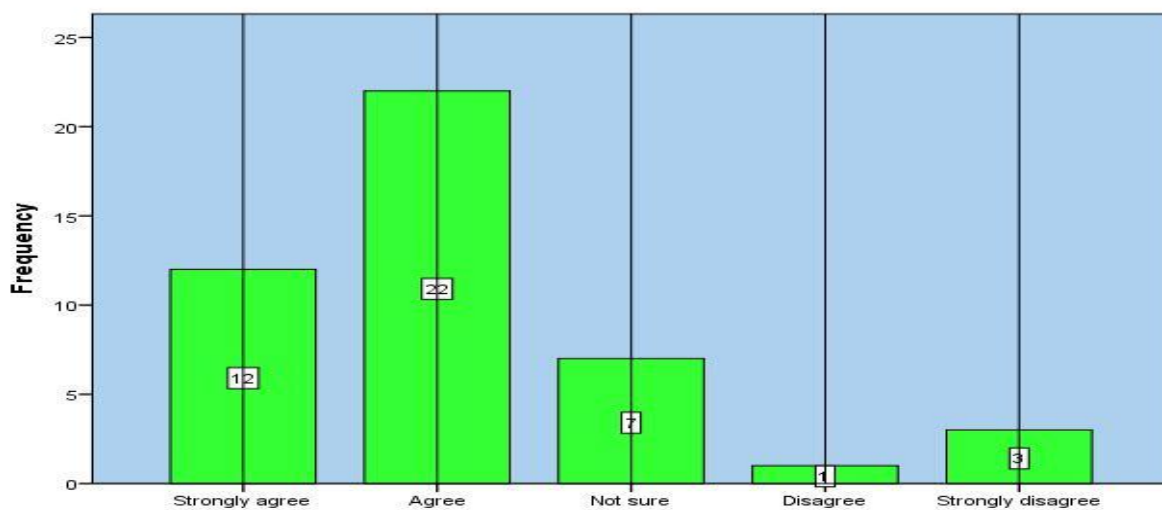
Table 4.4.2 The Mudaraba contract is a profit-sharing contract and it is used in trade finance and in investment projects with short gestation periods.

Description	Frequency	Percent
Strongly agreed	12	26.7
Agreed	22	48.9
Not sure	7	15.6
Disagreed	1	2.2
Strongly disagreed	3	6.7
Total	45	100.0

Source: primary data 2017

As the above table and the following figure illustrate, 48.9% of the repliers agreedd that Mudaraba contract is a profit-sharing contract and it is used in trade finance and in investment projects with short gestation periods, 26.7% of them strongly agreed and 15.6% of them showed moderation (not sure), 2.2% and 6.7% disagreed and strongly disagreed. Therefore, most respondents agreed (48.9%) as shown in figure 4.4.2

Figure 4.4.2 The Mudaraba contract is a profit-sharing contract and it is used in trade finance and in investment projects with short gestation periods.



Source: primary data 2017

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2.13 The Financing Problems and Challenges Facing SMEs in Mogadishu

This section looks for findings of the financing problems and challenges facing SMEs, respondents were asked about their Experience of the related terms of the financing problems and challenges facing.

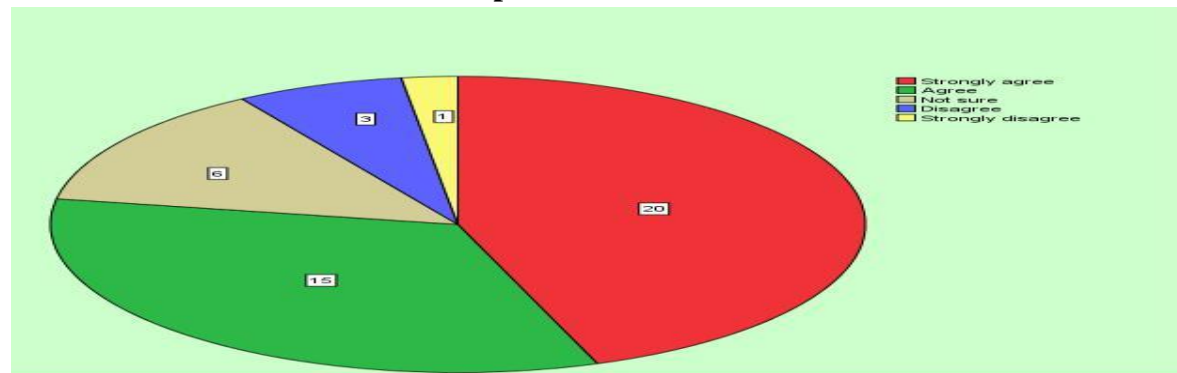
Table 4.5. 1 Islamic financing encourage entrepreneurship as well as risk sharing between the financier and the entrepreneur.

Description	Frequency	Percent
Strongly agreed	20	44.4
Agreed	15	33.3
Not sure	6	13.3
Disagreed	3	6.7
Strongly disagreed	1	2.2
Total	45	100.0

Source: primary data 2017

The findings constituted that majority of the respondents have agreed and strongly agreed with the statement in a number of 15 (33.3%) and 20 (44.4%) respectively, while small number totaling 3 (6.7%) and 1(2.2%) disagreed and strongly disagreed respectively with the statement as shown in figure 4.3.3, therefore most respondent strongly agreed

Figure 4.5. 1 Islamic financing encourage entrepreneurship as well as risk sharing between the financier and the entrepreneur.



Source: primary data 2017

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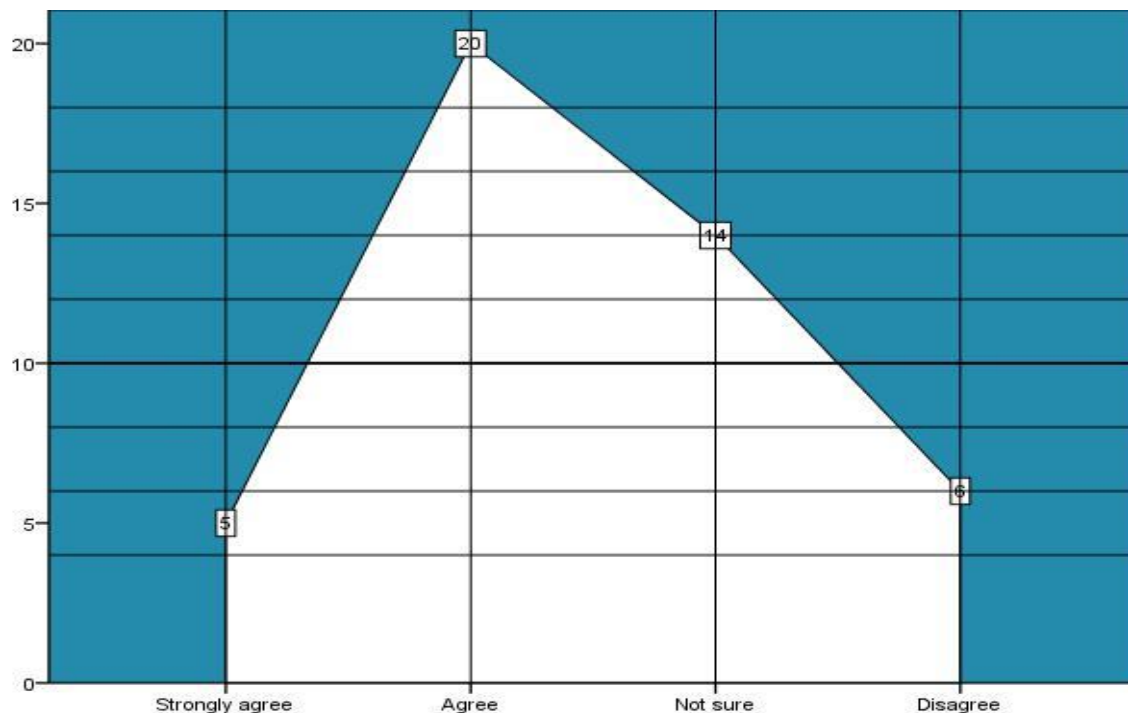
Table 4.5.2 Finance is a functional area of business without which enterprises could not survive.

Description	Frequency	Percent
Strongly agreed	5	11.1
Agreed	20	44.4
Not sure	14	31.1
Disagreed	6	13.3
Total	45	100.0

Source: primary data 2017

The findings reveal that about approximately half of respondents 44.4% answered agreed while 11.1% more respondents strongly agreed leaving tiny number exactly 13.3% disagreed as shown on figure 4.5.2, this shows that most of the respondents agreed

Figure 4.5.2 Finance is a functional area of business without which enterprises could not survive.



Source: primary data 2017

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Summary

In this section the researcher presented a summary of the findings for the Role of Islamic Banking Practice on the Development of SMEs in Mogadishu. It is based on the results put forward in chapter four. It highlights the objectives of the study and the findings of each objective.

5.1.1. The Profile Information of Respondents

The discoveries demonstrate that out of every one of the 45 respondents, male respondents comprised 38(84.4%) of the populace and 7(15.6%) females. As to the age gatherings, dominant part of respondents 28(62.2%) between 26-35 years of age and the second position has a place with age bunch between under 26 years of age. This demonstrates respondents fall inside various age sections from youth to senior citizens who have more data in the field of study and can give an exceptionally helpful data to the investigation. Discoveries demonstrate that 32 (71.1%) of the respondents are four year certification holders, while 10 (22.2%) and 2 (4.4%) of the respondents are ace degree and PHD holders individually. As indicated by the training dimension of respondents no less than two third 71.1% of the respondents are four year college education though the rest 33% 26.6% establish Master qualification and PHD holders just 2.2% are auxiliary or proportionate dimension. This implies all bank authorities and SMEs business people have achieved a specific dimension training and learning. The examination uncovers that 17 (37.8%) of the respondents have been working under Multi year, 22 (48.9%) between 2-5 years, 5 (11.1%) between 6-9 years and the rest 2.2% have been Working 5 years or more. Discoveries demonstrate that 30 (66.7%) of the respondents are worker of Islamic Banks or Bank Officials, while 15 (33.3%) of the respondents are Small Medium Enterprises Entrepreneurs individually. This demonstrates the greater part of respondents Islamic bank authorities.

Most of the respondents working background is at most five years, which demonstrates that most respondents have sufficiently accomplished understanding. The Findings demonstrate that 24 (53.3%) and 7(15.6%) of the respondents rete their dimension of in general in the Islamic managing an account framework educated and entirely proficient by

any stretch of the imagination, while 11 (24.4%) and 3(6.7%) of the respondents have constrained learning and no information at all separately. This implies greater part of the respondents have information in the Islamic saving money framework.

5.1.2. Role of Islamic Banking Principles in Promoting SMEs in Mogadishu

- Regarding the issue the job of Islamic keeping money Principles in elevating to the advancement of SMEs, the analyst distinguished Islamic Banking and Financial Services is Investing in business where there is no Gharar, the investigation demonstrates that greater part of the respondents which is 80% are either unequivocally concurred (33.3%) or concurred (46.7%). This implies most of the respondents imagined that Islamic Banking and Financial Services is Investing in business where there is no Gharar.
- The contemplate likewise uncovered around 73.3% of the respondents either unequivocally concurred (48.9%) or concurred (24.4%) that Islamic Banking and Financial Services is for all intents and purposes not reveled in organizations like betting, explicit, liquor, film and other prohibited organizations in Islam.
- The specialist discovered that greater part of the respondents 88.9% either unequivocally concurred (46.7%) or concurred (42.2%) to acknowledge the possibility that Islamic Banking and Financial Services is advancing Islamic qualities and lifestyle towards staff, customers and overall population.
- The specialist uncovered that around respondents concurred or firmly concurred (73.3%) the forbiddance of Riba (usury or intrigue, regardless of whether little or expansive) is the most imperative rule of Islamic fund. This outcome reinforces that most respondents despise premium based ideas that describe western banks.

5.1.3. The Importance of Objectives of Islamic Banking on Developments of SMEs in Mogadishu

- The consider showed that all the more 50% of the respondents 13 (28.9%) firmly concurred that Islamic Banking accomplishes the targets of Islamic back by reducing neediness, furthermore, 24(53.3%) altogether Agreed with the announcement. As per (Hafiz Iftikhar Ahmed, 2007) Social goals i.e. mitigation of neediness and expelling social disparities.

Asset enhancement: Funding is given just to ventures that, in the bank's gauge, have the most ideal return-for-hazard figures, notwithstanding meeting the paradigm of being socially helpful. Tasks are chosen principally based on their foreseen gainfulness instead of the financial soundness of the borrower.

- The analyst discovered with the examination that around 68.9% of the respondents were either unequivocally concurred (28.9%) or concurred (40%) that Islamic Banking accomplishes the goals of Islamic fund by contributing in expelling society's disparities, enhancing general way of life and giving business openings.
- Also, the scientist found that around 75.5% of the respondents were either emphatically concurred (33.3%) or concurred (33.3%). This outcome shows a positive sign as lion's share of the respondents concurred that Islamic Banking accomplishes the targets of Islamic fund by amplifying benefits and limiting expense of activities.
- The specialist uncovered that around (68.8%) respondents concurred or firmly concurred that Islamic Banking accomplishes the destinations of Islamic back by advancing practical improvement ventures. As Ajagbe T. S., 2013 demonstrates Islamic banks need to work as per the shariah and they have distinctive targets to cultivate and enhance the prosperity of an individual and the economy everywhere; among these destinations are to advance speculation battles, endeavor and concerns which are they occupied with legal business exercises, Investors getting their arrival from benefit and business sharing (PLS) venture.

5.1.4. Islamic Banking Contracts and Needs of SMEs in Mogadishu

- The consider built up that about 91.1% of the respondents were either firmly concurred (62.2%) or concurred (28.9%). This implies The Murabahah is a standout amongst the most well-known contracts of offer utilized for acquiring items and different items on layaway which is a positive sign. As demonstrated (Zamir Iqbal, 2011) the murabahah is a standout amongst the most prevalent contracts of offer utilized for buying items and different items using a credit card. The idea is that an agent buys an item — a ware, crude material, etcetera for the benefit of a business person who does not have the money to do as such. The agent and the business person concurred on a net revenue, regularly alluded to as "stamp - up," which is included to the expense of the item. The installment is

deferred for a predefined timeframe, amid which the business person delivers the last item and moves it in the market.

- The think about likewise shown that around 48.9% of the repliers concurred that The Mudaraba contract is a benefit sharing contract and it is utilized in exchange back and in speculation ventures with short development periods, While 26.7% of them firmly concurred with a similar thought.
- The scientist uncovered that around (86.7%) of the respondents are either unequivocally concurred (31.1%) or concurred (55.6%). Along these lines, larger part of the respondents concurred that Musharakah is most suited for financing private or open organizations and financing venture, just (4.4%) firmly differ the announcement.
- The scientist uncovered that Bai'Salam may be an ideal method for accepting financing when contrasted with a credit with intrigue, since it didn't make an expansion in expense as intrigue did and it spared them from the hardships and the hazard engaged with advertising their create. 33.3% of the repliers concurred, 13.3% of them emphatically concurred with a similar thought, while 42.2% of them addressed not certain, and 11.1% of them oppose this idea.

5.1.5. The Financing Problems and Challenges Facing SMEs in Mogadishu

- Regarding the issue how the financing issues and difficulties confronting SMEs in Mogadishu, the investigation shows that greater part of the respondents which is 77.7% are either unequivocally concurred (44.4%) or concurred (33.3%), (13.3%) of the respondents not certain or moderate and (6.7%) oppose this idea. this implies most of the respondents imagined that Islamic financing supports business enterprise and additionally chance sharing between the agent and the business person.
- The examine additionally uncovered around 55.5% of the respondents were either emphatically concurred (11.1%) or concurred (44.4%) that Finance is an utilitarian region of business without which undertakings couldn't endure, and (31.1%) of the respondents not certain if the Finance is a practical region of business without which endeavors couldn't endure and (13.3%) differ as demonstrates (Daneji, 2014) Finance is an utilitarian zone of business without which ventures couldn't endure.

All business tasks would stop if back isn't sufficient to deal with it. SMEs confront numerous issues and fund is one of the significant ones.

- The specialist discovered that lion's share of the respondents 68.9% acknowledge that Lack of administrative capacities to oversee organizations viably prompts a wasteful activities structure, powerless monetary revealing, and unviable tasks.

5.2. Conclusion

All in all every one of the respondents comprehend the job of Islamic keeping money practice on SMEs advancement in Mogadishu. The zones that the investigation centered were Islamic saving money rule, destinations, contracts in advancing SMEs in Mogadishu, And financing issues and difficulties confronting Small and Medium-sized Enterprises (SMEs) in Mogadishu.

The examination uncovered that Principles of Islamic banks can add to the improvement of SMEs and can totally supplant premium based exchanges that describe western banks, as indicated by (Alsadek H. Walk, 2007) Islamic fund is very much arranged by Sharia, the legitimate structure of Islam and its Quranic understanding, alongside the lessons of Sunna, This system gives rules to individuals to pursue the standards of the Holy Quran and the Sunna in their basic leadership in all attributes of life. Money related exchanges are one of the more imperative dealings controlled by Sharia, apparently to guarantee the more fair dissemination of salary and riches among Muslims in Islamic economies, and a portion of the basic standards include: the forbiddance of Riba (premium), the denial of Gharar, and the prohibition of financing and managing in wicked and socially flippant exercises and items, for example, betting and the creation of liquor.

As to target of Islamic banks, the investigation underlined that the fundamental goal of Islamic banks accomplishes by mitigating destitution, contributing in evacuating society's imbalances, enhancing general way of life, giving business openings, boosting benefits, limiting expense of activities and by advancing practical improvement ventures without disregarding Shari 'a law, yet it denied that All Islamic banks destinations are relevant in advancing SMEs. Likewise, the investigation set up that all Islamic managing an account targets completely couldn't help contradicting western saving money destinations regarding financing

SMEs. As indicated by (Ajagbe T. S., 2013) Islamic banks (non – premium bank) need to work as per the shariah and they have diverse goals to encourage and enhance the prosperity of an individual and the economy everywhere, as to advance, cultivate and build up the utilization of Islamic standards, law and custom to the exchange of budgetary and related business issues, venture battles, undertaking and concerns which are they occupied with legitimate business exercises, Investors getting their arrival from benefit and business sharing (PLS) speculation.

The investigation shows that Murabahah is a standout amongst the most prevalent contracts of offer utilized for buying wares and different items on layaway and one of the strategies for financing SMEs in Mogadishu and Musharakah is most suited for financing private or open organizations and financing venture that contributes for creating and advancing Small Medium Enterprises in Mogadishu. As indicated by (Ayub, 2007) From the perspective of the ranchers, Bai'Salam may be an ideal method for accepting financing when contrasted with an advance with premium, since first, it didn't make an expansion in expense as premium did and, second, it spared them from the hardships and the hazard engaged with promoting their deliver. It isn't sure whether the establishments of Bai'Salam achieved any adjustment in the job of delegates in the country economy. It is, be that as it may, sure that it made ready for an immediate connection between the producer and the broker in the city, who for the most part was the provider of assets.

At long last, concerning the issue of the financing issues and difficulties confronting SMEs in Mogadishu, the examination uncovered that Finance is an utilitarian zone of business without which ventures couldn't endure, Also Lack of administrative capacities to oversee organizations adequately prompts a wasteful tasks structure, powerless monetary announcing, and unviable activities.

As indicated by (Emeti, 2014) about 80% of Small and medium endeavors are quieted in view of poor financing and other related issues. The issue of financing SMEs isn't so much the wellsprings of assets however its availability. Components distinguished repressing finances openness are the stringent conditions set by monetary organizations, absence of sufficient security and credit data and cost of getting to reserves. The capital deficiency issue in the little firm area is mostly one, which stems for the uneconomic arrangement of accessible assets by the proprietor chiefs.

5.3. Recommendations

Islamic banks work under the Shariah standards (Islamic Law) and that is the reason Islamic managing an account is additionally valued by the Muslim nations. The fundamental explanation for the valuation for Islamic keeping money is the preclusion of Interest in the budgetary exchanges. Based on the discoveries that have been set up and end drawn from the examination, the analyst thinks following proposals are required:

So as to upgrade the SME division, the money related and learning establishments should offer classes and instructional classes in: how to compose a field-tested strategy; how to lead broad investigation into the business field; government principles and directions. The discoveries recommended that Islamic banks should treat SMEs contrastingly contrasted with huge organizations and as per their necessities. In addition, they should fund start-up SMEs, and should utilize Musharaka and Ijarah contracts in their managing SMEs.

Another recommendation of the examination worried that Islamic banks could utilize an okay contract, for example, renting, they could likewise build up an autonomous establishment to go about as an underwriter for SMEs looking for bank back; utilize takaful protection; The scientist proposes Islamic banks in Mogadishu to utilize small scale fund as a fundamental device of financing SME's. The discoveries likewise prescribe that Qard hassan to be a decent Islamic strategy for fiscally supporting SMEs. The specialist suggests Increase financing of little and medium ventures through Murabaha contract.

5.4. Suggestions for Future Research

There were numerous focuses, questions, and regions of premium that developed amid the examination, which might be of enthusiasm for further research. These include:

It was discovered that Islamic banks felt that musharaka contracts were dangerous. To produce more extravagant discoveries, an investigation of the impact of musharaka contracts in building up the SME area in Mogadishu would be helpful.

Government bolster for the SME division is as yet missing to offering money, yet the examination found that the administration could assume a critical job in supporting the SME part. In this manner, the job of government foundations in supporting SMEs would be a fascinating theme for further investigation and may conveniently improve the job of these organizations.

Moreover, the discoveries of this investigation demonstrate that qard hassan are helpful wellsprings of fund for SMEs. In this manner, leading an exploratory examination into the impact of qard hassan on the development of SMEs

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