

# EVALUATION OF ISLAMIC BANKING STABILITY IN AFGHANISTAN FROM THE MAQASID SHARI'AH PERSPECTIVE

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## ABSTRACT

The main purpose of this article is to explore Islamic Banking performance in Afghanistan and to evaluate its stability from the perspective of maqasid sharia. The continuation of the Instability in Afghanistan's Islamic Banking industry may negatively cause its market share and leads to increasing the distrust among the customers. Therefore, this study aims to explore and identify the instability caused by using the qualitative method *by* collecting secondary data based on issues analysis and different sources such as document policy, reviewing relevant articles, official reports, books, websites of banks especially websites of (ACB/DAB), conducting the interview, they are used to provide information on the stability and instability of Islamic Banking in Afghanistan followed by the maqasid sharia. The researcher has reached the result that, the main reason for instability is civil war and non-consistency of the political system for a long time which all

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these reasons led to economic and financial instability in the country. The researcher recommends the authority to establish Islamic Banking institutions and support their activities, then focus on developing and promoting Islamic Banking constructive thought in the community, try to organize public awareness programs, and increase people's knowledge and motivations about Islamic Banking and finance. And the education centers such as universities, and educational institutions have to concentrate on organizing conferences, workshops, seminars, and webinars and have exchange programs with other countries especially those famous for their basic role in the present Islamic Banking system to keep them more stable.

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## INTRODUCTION

This article is regarding a significant issue (evaluation of Islamic banking stability in Afghanistan from the maqasid sharia perspective) which should be discovered nowadays, then we can find the challenges and opportunities of Islamic banking in Afghanistan, and its consistency and non-consistency but under the light of maqasid sharia because no bank become Islamic if its services are not in line with sharia compliance. Even though Afghanistan is a Muslim country the Islamic banking system was established there later than what would be expected to be even later in some non-Muslim countries. In another hand, the weak Islamic Banking system was not solidly and rigidly, rather, it was always in a state of fluctuation and instability because of some reasons which the researcher is going to mention but Afghanistan is making consistent and comprehensive efforts to promote Islamic Banking (Zariri, 2019).

The first Islamic bank in Afghanistan was established in 1993, however, due to security challenges and financial problems, it was not so active and obtained its banking license in 2003. (Naseri, 2020). In 2003, according to the new laws and regulations, a new banking system was established in Afghanistan, then Islamic banking has made significant progress in all sectors. For the first time in March 2009, Islamic Banking was established under the General Directorate of Financial Supervision of Da Afghanistan Bank but so far any independent Islamic bank has not yet started operating in Afghanistan (Zariri, 2019).

Again Islamic banking thought was announced in Afghanistan between 2008 and 2009. The Islamic Bank of Afghanistan (IBA) was officially established on 9 April 2018 and is the country's first full-fledged Islamic

bank. IBA is now Afghanistan's first Islamic bank, with all of its services based on Islamic law (Islam, 2012). Since it was bought by Azizi Bank in 2009, the IBA was known as Bakhtar Bank and operated under a conventional banking license, and after completing the conversion of its balance sheet, the central bank (Da Afghanistan Bank) handed IBA an Islamic Banking license on April 9 so the first independent bank that started operating is Bakhtar Bank which converted to Islamic bank (IBA) Islamic bank of Afghanistan. And it focuses on non-investment services life deposits than investment services like mudarabah, musharaka, murabahah, and so on (Zariri, 2019).

Recently, many conventional banks have opened the Islamic banking windows in their banks, for instance. The Islamic banking branch of the Da Afghanistan Bank was founded with the technical assistance of the Sharia Council, which is made up of well-known religious scholars from Afghanistan and other nations. (Website DAB, 2019). There are some windows for Islamic banking practice in these banks as well: New Kabul Bank, Afghan Bank Mille, Afghan United Bank, Maiwand Bank, Ghazanfar Bank, Afghanistan International Bank AIB, Azizi Bank, Al Falah bank. (Website DAB, 2019).

Islamic banking in Afghanistan has faced instability in various dimensions and in different terms, in terms of lack of customers, lack of performance distrust, lack of legal and regulation lack of experts and specialists, etc. and the main reasons for the lack of customers are the lack of public awareness of the Islamic banking system and religious sensitivities, and regarding the lack of performance distrusts it should be said that three decades of war in Afghanistan have alienated people unfamiliar with banks and banking services and have little faith in banking activities, both conventional and Islamic (Islam, 2013). The low level of public trust in banks was eroded by the Kabul Bank crisis and the Afghan banking system lost public trust (Akbar, 2019). The progress and development of the banking system in our society require two-way interaction between all the people of Afghanistan and the country's banking system, so the only essential thing in Islamic banking is to build trust and confidence in banking services that can face great challenges for the Afghan economy, and the context of lack of law and regulations it should be mentioned that Afghanistan Banking Law was endorsed in 2015( Banking law, 2015) with serial number 1197, in which only the seventh chapter contains Islamic banking, which includes 4 articles, and also some regulations and bills regarding Islamic banking have been approved in Da Afghanistan Bank. There are several major problems in this regard: one is the non-approval of the Independent Islamic Banking Law in Afghanistan and the other is the complexity of Islamic banking articles, and also the mentioned articles have not been able to clearly distinguish between Islamic banking and conventional banking, the shortage of specialists and experts in the field of Islamic banking in Afghanistan is evident as well (Rostan, 2021). It is clear that when Islamic banking is unstable for the above reasons, there is a fundamental deviation in the goals of Islamic banking;

because the lack of customers and lack of faith in the performance of Islamic banks leads to a lack of investment and dormancy of wealth, which is inherently contrary to the purpose of maqasid shariah; Because one of the great goals of sharia is to trade in property and invest it, therefore, shariah forbids the accumulation of wealth, Allah (S.W.T.) said: “And those who hoard gold and silver and do not spend it in the cause of Allah, then give them tidings of a painful punishment” ( surah al tawbah, 34). On the other hand, the lack of laws and regulations in the realm of Islamic banking has caused the interference of goals between banks, and the mechanism of Islamic banking is unknown to the people and causing the lack of growth and development of Islamic banking (Sekoni, 2015). Also, the lack of experts and specialist causes the general public to be unaware of the principles of Islamic banking and slows down its progress, while the usury system is a great loss to humanity and one of the objectives of sharia is to eliminate and eradicated losses, one of the qawayed fiqhi is (الضرر يزال) the loses must be eliminated (Al-Zaidan, 9168). It should be mentioned that there is not enough study done in this regard for the Afghanistan context, so the researcher decides to explore the issues from the perspective of sharia. The research problem in this study is that, whether there is Islamic banking stability in Afghanistan or not. And in both cases, what are the reasons for it, since I proved its instability, I also presented the reasons for it with the ways of treating it (Hamisu, 2017).

### **CHALLENGES THAT RELATED TO THE IBA IN AFGHANISTAN**

The Islamic banking sector in Afghanistan faces numerous challenges, including the following: lack of public awareness about banking services, lack of knowledge and human capacity, lack of independent law on Islamic banking, no Sharia consensus among Ulema and Scholars, lack of Sharia experts and Scholars' understanding of Islamic principles, Unavailability of Islamic Insurance (takaful), Lack of attention and assistance from decision-makers, as well as a lack of capital investment (Hashmatullah, 2020). Despite all these challenges and ignorance, the people of Afghanistan are relatively inclined towards Islamic banking and aspire to achieve economic prosperity through Islamic banking and Islamic economics. And soon we will see a dramatic change in Islamic banking in Afghanistan and most of the banks in that country will become under the Islamic banking system. The Islamic banking stability concept from the Maqasid Shari'ah perspective: The financial stability in Islamic banking is to protect the property of the people, to provide opportunities for all segments of society to invest in it as much as they can of capital, it means there is financial inclusion, the property is in circulation, and peace of mind for the people in the financial sector will emerge, and so on.

Islamic economics (of which Islamic banking is a branch of it) refers to a set of instructions and guidance taken from the Holy Quran, the Sunnah of Prophet Muhammad (PBH), and the traditions of religious leaders and sects and denominations, which have been issued with the aim of regulating

the economic behavior of the Muslim in order to ensure his this world and hereafter happiness and prosperity. Islamic economics, along with sections such as Islamic philosophy, Islamic politics, Islamic law, Islamic management, Islamic ethics, and Islamic culture, create a system called the Islamic system. (Asyraf Wajdi Dusuki, 2019). The purpose of establishing Islamic banking in the first step is to remove usury from the banking transaction cycle, especially in attracting deposits from customers and allocating funds to facility applicants. (Siddiqui, 2001). In a short, we can say: stability is the condition of being stable or in equilibrium, and thus resistant to change something so Islamic Bank, as a financial intermediary, manages the surplus funds of households by using Islamic contracts, observing principles such as the liquidity principles, the transparency principles, the efficiency principles, and the principle of supervision in a way that jointly serves the interests of depositors and bank founders. Facilitates industrial, agricultural, service, and commercial fields in Islamic society. In addition, the Islamic Bank is responsible for fulfilling social responsibilities such as eliminating poverty, reducing class distance, promoting moral values, and promoting Islamic Culture. Certainly, Islamic Bank is a for-profit institution, but maximizing personal interest without observing the sharia standards will call into question its Islamic nature. (Goaied, 2010). On the other hand, Islamic banking is an interest-free financial system governed by Islamic Sharia'h principles, or it is Sharia-compliant finance, which is banking or financing activity that complies with Sharia and its practical implementation through the development of Islamic economics.

This article seeks to examine and explore the issue of stability and instability of Islamic banking in Afghanistan and explains the reasons in detail. Unlike other articles, this article is about the stability and instability of the Islamic banking system in Afghanistan from the perspective of maqasid sharia, no article has been written about it so far, and no reason has been given for its instability. As I proved, Islamic banking in Afghanistan is not stable and invoked many reasons which have not been discussed before independently and clearly.

### **MAIN OBJECTIVE OF THE RESEARCH**

The objectives of the research are:

- To explore the implication of sharia objectives on Islamic banking stability in Afghanistan;
- To evaluate the instability effect of the IB industry in the Afghanistan context;
- To illustrate the maqasid sharia indicates the stability of Islamic banking and its solutions for eliminating the instability of Islamic banking;
- To identify the challenges and instability of Islamic banks in Afghanistan and find ways to solve them;

### **RESEARCH QUESTIONS**

In light of the objectives of the research, I am going to mention the following questions.

1. What is the implication of Shari'ah objectives on Islamic Banking stability in Afghanistan?
2. What is the instability effect of the IB Industry in the Afghanistan context?
3. How does the maqasid shariah indicate the stability of Islamic banking and what is its solution for eliminating the instability of Islamic banks?
4. What does cause instability in Islamic banks in Afghanistan and how it can be solved?

### **LITERATURE REVIEW**

There are some terms, which should define scientifically and then explore as the main part of the article, like the bank, Islamic bank, maqasid sharia, the differences between Islamic banks and conventional banks in Afghanistan, the features, advantages, and objectives of Islamic banks, sharia compliance. Islamic Banking system in the glance of Shari'ah objectives: Essentially, the bank is one of the vital intermediary financial institutions in the lives of people for saving, investing, and transferring their properties and monies. There are different definitions for term (Bank) but the target is one.

Some say: "It is a commercial and legal office that collects people's capital and provides loans to businessmen, craftsmen, and other needy people", today's conventional banks make interest on loan repayments and distribute a small percentage of the interest to their customers (accountants), and taking the remaining interest as the banks' interest.

Hence, some economists say: "Banks are in fact a center for the supply and demand of cash capital" (Zariri, 2019).

Definition of the bank in Afghanistan banking law: In the second article, the first paragraph of banking law says: a "Bank" refers to a legal entity that accepts money deposits or other repayable funds from the public and provides credits for its own advantage, and includes Islamic and conventional banks". In the second article, the third paragraph says: A bank that follows traditional banking standards is referred to as a "conventional bank." and the second article, the second paragraph says: an "Islamic Bank" is a type of financial institution that follows Islamic Sharia law". (Banking law, 2015). Maqasid al- shariah an overview: The term Maqasid al-Shari'ah is made up of two Arabic words. The first is maqasid, which is a plural form of maqsad and refers to goals or objectives (Al-BàLabakī, 1990) meanwhile, al-Shari'ah, which means "ways," is the second one. It is possible to define it as Islamic laws (Al-Zaidan, 1968). As a result, the term maqasid al-Shari'ah can be understood as the wisdom that is emphasized by Allah in His decisions and decrees (Al-Yübī, 1998). This is based on the idea that Islamic decisions are purposive, in the sense that they serve certain objectives that are either explicitly stated or can be inferred from the Shari'ah's sources (Adis, 2014).

Ghazali defined the (maqasid al shariah: as “the protection of religion, self, intellect, offspring, and property” (Ghazali, 2021). Many verses in the Qur'an and Hadith illustrate the importance of attaining *maslahah* (which translates to *maqasid al- shariah*), the goal of Islamic laws. These include Bringing mercy, avoiding hardships, perfecting excellent character, and improve better life (Anas, 2008). Despite the fact that the *maqasid al-Shari'ah* has been in use from the time of the Prophet, his companions, and the early generation, its theory was only written down between the 15th and 18th centuries after Hijrah (Auda, 2007). The discussion of *maqasid al-Shari'ah* has reached a significant stage resulting from a unique approach from al-Shatibi (Hamīdan, 2004), known as the father of the *maqasid al-Shari'ah*, he developed this subject as a separate topic in Islamic jurisprudence such that it was apart from *adillah* (evidence). And in modern times, contemporary scholars have proposed many modifications to the *maqasid al-Shari'ah*, it has been re-manifested as a separate subject and has been developed to be more productive and constructive. As a result, other values like as equality, freedom, reform, justice, human dignity, and the advancement of civilization were included in the *maqasid al- sharia*.

According to the scholars' discussion, the *maqasid al-Shari'ah* covers the entire well-being and improvement of human beings and their immediate environment to obey the Shari'ah's commands (Shinkafi, 2017). Based on the (*qawayeed fiqh*) the big target of Islamic law (especially the Islamic economic system) is to boost the prosperity or interest ( *masalah*) of human beings and to avoid the damages from them which is said in Arabic ( جلب المصلح و درء المفساد ). The term *maslahah* refers to the essential spectrum of the *maqasid al-Shari'ah* that must be fulfilled while applying Islamic regulations into practice. According to the opinions of *maqasid sharia* scholars, *masalah* is gained by promoting the necessities (الضروريات), the complementary requirements (الحاجيات), and beautifications (التحسينيات), and the fulfilling of these three important aspects is the purpose of *maqasid sharia*.

According to Ibn Ashur, *maqasid al-Sharia* (Sharia goals) is a term that refers to maintaining order, achieving benefit, preventing harm or corruption, establishing equality among people, making the law revered, obeyed, and effective, and allowing the *ummah* to become powerful ( Al-Misawi, 2006). So the *maqasid al-Shariah* principles (objectives of Islamic law) can be classified into six aspects: Protection of life (*nafs*), protection of property (*mal*), protection of religion (*din*), protection of dignity (*irdh*), protection of lineage (*nasl*), Protection of Intellect ('*aql*). These objectives are generally classified into three categories, general *Maqasid*, particular *Maqasid*, and partial *Maqasid*. (Habib, 2011). Thus, religion, life, intelligence, lineage, dignity, and property protection are six significant priorities in a human's life that come under the necessities category.

So one of these objectives is (the protection of property) which means that the property of humans must be preserved from any kind of harm and hazard, and one dangerous harm is *riba*( interest) and *gharar*( uncertainty), the property of people should be free from these illegal damages in both

sides: income and consumption, so we need to Islamic banks and the stability of them to gain this significant purpose. (Ibn Ashur, 2006).

### **MAQASID AL- SHARIA IN ISLAMIC FINANCE**

There have been numerous approaches to applying maqasid al-Shari'ah in Islamic finance, particularly Islamic banking. The relationship between the maqasid al-Shari'ah and Islamic economics, banking, and finance are among the maqasid Shari'ah's instrumental aspects. Looking profoundly and frequently at many Qur'anic verses on financial activities, as well as the Sunnah of the Prophet (PBUH), it can be concluded that the Shari'ah has followed particular aims in the enactment and demonstration of financial laws and principles. These goals include the continuous wealth circulation in society, the continuity of wealth investment, attaining economic success for the entire community by meeting people's basic requirements, financial transparency to reduce conflicts, and the permissibility of private and state wealth ownership. These are the main objectives of Shari'ah in financial transactions and contracts. All of the foregoing goals are covered by the overall meaning of the following verses of the Qur'an: "Allah does not want to place you in difficulty, but He wants to purify you and to complete His Favor to you that you may be thankful". [Al-Maidah 5: 6] Allah also says in another ayah: "Allah intends for you ease, and He does not want to make things difficult for you". [Al -Baqarah 2: 185] .

As a result, there are numerous assessments and recommendations based on the maqasid al-Shari'ah in this field. For example, Dusuki and Abdullah (Dusuki, 2007) asserted that the maqasid al-Shari'ah might provide substantial ethical guidance, particularly through the concept of corporate social responsibility in banking institutions, whereby Islamic banks must not merely focus on profit. Instead, they must promote social welfare and protect the needs of society as a whole and have consideration regarding their stability of them. Developed a maqasid al-Shari'ah framework for Islamic finance that is based on wealth circulation, fair and transparent financial practices, and justice at the micro and macro levels. These three objectives can be accomplished by making financial contracts easier to complete, creating principles and standards, and instilling a sense of social responsibility and economic stability. Simultaneously, Ahmed (Ahmed, 2011) presented the maqasid al-Shari'ah as a method of evaluating Islamic banking products. These services must fulfill not only the form and substance of Islamic law but also the survival and security needs of all segments of society, including the poor and small or micro-entrepreneurs, which is referred to as Islamic bank stability.

To sum up the function of the maqasid al-Shari'ah in this field, scholars and jurists must consider matters not only in terms of Islamic sources and principles, but also in terms of present conditions, maslahah priority, and the consequences of implementation. Furthermore, the maqasid al-Shari'ah should not be used solely to allow or prohibit anything because of specific realities. Instead, it should devise practical ways to ensure that Islamic



banking and commercial norms may be gradually adopted with maintaining the essence and spirit of Shari'ah.

The overall target of the Islamic finance system as part of the Islamic economic system is to realize the maqasid al sharia in the financial segments to enable growth and justice among mankind. Islamic finance should ensure the society's social requirements, there is a consensus that the maqasid should have power over the products and operations of firms and industries, however, from an Islamic perspective, the hierarchy of demands can be considered in terms of various levels of ma'laah (مصلحة). Prosperity and Welfare can be enhanced by promoting the necessities (الضروريات), the complementary requirements (احتياجات), and the beautifications or embellishments (تحسينيات). (Ibn Ashur, 2006). Analysis and critique related articles: previous articles regarding this issue and its weaknesses and strangeness:

1. there has been written an article by some authors by name (Challenges of Islamic Banking in Least Developed Countries: The Case of Afghanistan), This article examines the obstacles to Islamic banking in LDCs, focusing on Afghanistan and utilizing the Islamic Bank of Afghanistan (IBA) as an example. The identified obstacles, according to their ideas, are a lack of public awareness and education about the benefits of Islamic banking, as well as a lack of interest in Islamic banking due to ineffective marketing strategies. They also stated in their abstract that Islamic banks may separate themselves from conventional banks by offering more innovative services because the concepts of religion and trust do not appear to be sufficient as marketing arguments. And regarding the reasons for fewer users and not sufficient account owners (its proportion is about 10% of the total number of bank users) in Islamic banks in Afghanistan, they said: The main reasons for the reduced number of users are a weak economy (Afghanistan is ranked 207th out of 213 countries in terms of GDP per capita in 2019), a permanent state of war with a country plagued by almost daily terrorist attacks that have a negative impact on economic growth, and the dominance of conventional banks in which the majority of the population lacks confidence.

IBA should enhance its marketing policies in order to increase the number of its consumers, as this is a solution that is accepted and agreed upon by all authors interested in promoting Islamic banking. To boost the number of its consumers, IBA must take two dramatic measures. First, by raising awareness among the customers to attract and enhance their knowledge about Islamic products, second, by drawing on the experience of some of the world's most successful Islamic banks, focusing on growing products that aren't commonly used and providing more options. And because it only offers a few services, it needs to refocus its marketing strategy and promote and advertise the entire Islamic product line, which includes Musharakah, Ijarah, Istisna, and Salam. It should also pay more attention to ordinary people with jobs, who make up a large section of the population. Furthermore, IBA is advised to develop creative and less

expensive items, as well as to rely on cutting-edge technologies, in order to set themselves apart from their competition. (Rostan, 2021).

This article only addresses the challenges that hinder the development of Islamic banking, especially in Afghanistan, but does not mention its stability and instability in terms of maqasid sharia, as well as how to keep Islamic banking stable.

2. The second article which has been written related to the Islamic bank in Afghanistan is (Comparative Analysis of Conventional and Islamic Banking: The Case of Bakhtar Bank Transforming into Islamic Bank of Afghanistan), this paper also has been written by some researchers, their case study is (Islamic bank of Afghanistan). These researchers compared the conventional banks and Islamic banks in Afghanistan from the perspective of growth and performance and they have achieved the result that, that IBA financial performance in liquidity ratio, Solvency ratio and returns ratios (ROA and ROE) has improved although Solvency ratio has not improved significantly as a whole we have concluded the bank financial situation and performance satisfactory and acceptable and accept the alternative hypothesis while rejecting the null hypothesis. And they have suggested that the management of IBA should focus on making a comprehensive strategic plan and reform its policies regarding credit policy, marketing policy, hiring experts, and others that can essentially change the performance of the bank. (Erdal, 2020).

This article( the same as the previous article) only addresses the challenges that hinder the development of Islamic banking, especially in Afghanistan, also has differentiated between Islamic banks and conventional banks in Afghanistan, but does not mention its stability and instability in terms of maqasid sharia, as well as how to keep Islamic banking stable.

3. The third article which has been written related to the banks in Afghanistan is (Determinants of Bank Choice in Afghanistan), this article also has written by some researchers, they also discuss the weaknesses of Islamic banking and its competition with conventional banking, as well as the reasons for the reluctance and inclination of people to Islamic banking in Afghanistan. (Hashmatullah, 2020).

But he has not said anything about the stability and instability and their reasons for Islamic banking from maqasid sharia perspective.

## **METHODOLOGY**

This study is conducted with the objectives of evaluating the stability and instability of Islamic banking in Afghanistan and identifying the factors, which cause to reform the Islamic banking development. An explorative research design is adopted for the study. So the article uses a qualitative research method based on issues analysis and different sources such as publications, articles, books, websites of banks especially websites of ( ACB/DAB), and questionnaires, used to provide information on the stability and instability of Islamic banking in Afghanistan. Also this paper secondary data. Firstly the researcher has reviewed the previous sources then collected data and came up with the preferable and real aspects of the

Afghan Islamic banks concerning their stability and instability situations, and has documented them with reasons.

Document analysis is the process of analyzing and studying documents in order to extract meaning, gain comprehension, and produce empirical knowledge, but regarding the historical issues, the prior studies are the basic sources (Naseri, 2020). And regarding references, the researcher used the coding system in this article except for the explanation of some issues or persons.

### **DATA ANALYSIS AND DISCUSSION**

Maqasid al-Shari'ah, in principle, ensures that Islamic banks (or any other financial institution or manufacturing/industrial organization) can contribute to the promotion of human welfare, the prevention of corruption, and the enhancement of social and economic stability (Ibn 'Āshūr, 2006). As a consequence, for Maqasid al-Shari'ah to be properly realized, Islamic banking and finance must ensure that all transactions comply with Shari'ah; not only in terms of legal technicalities and forms but also in terms of the economic substance of these transactions, which is based on Shari'ah's objectives (Al-Zaidan,1968). Islamic Shari'ah objectives as a tool for development not only within the traditional framework of our legal thought and practice, but also within a broader spectrum of thought that connects the concept of Islamic Shari'ah objectives to the overall development as well as the reconstruction of Muslim thought, personality, culture, and civilization. (Monzur-E-Elahi, 2010).

#### **Maqasi al sharia in Islamic bank afghanistan limited**

As previously stated, Maqasid al Shariah is the goal of shariah ruling, and in finance, it includes the circulation of wealth in society, the continuity of wealth investment, achieving economic prosperity for the entire society by meeting the basic needs of the people, transparency in financial activities to eliminate disputes, and the permissibility of private and public wealth ownership. Furthermore, providing particular attention to a limited group of customers and clients is deemed Maqasid al Shariah. Most Islamic Bank products are designed to conform to this last Maqasid, which has been successfully implemented throughout time (Zariri, 2019). Maqasid al sharia includes maslaha( public interests) is a technical word that refers to the general advantages of mass people in Islamic Law, also includes the prohibition of riba ( increment/ addition), It is an unjustifiable increase in borrowing or lending money, paid in kind or in money over the loan amount, as a lender-imposed condition or by the borrower voluntarily, (One of the fundamental Maqsad al Shariah is the prohibition of Riba (interest)), saving people's properties/monies, playing an essential part in capital development, income production, and job creation, and contributing to the increase in wealth of individuals and nations through productive investment, work on all interest-free deposits as well, invest in all kind of mudaraba and another investable contraction, conduct the sharia awareness programs and so on (Jalil, 2020). All mentioned duties are indicated the stability of the banks

but unfortunately, the IBA is lack them, therefore I can say that there is no banking stability in Islamic banks in Afghanistan. (Zariri, 2019).

### **STABILITY OF ISLAMIC BANKS**

As It is the assessment that a project will have sufficient finances to meet all of its resource and financial commitments, whether the fund continues or not. Islamic banking must be superior and robust to other conventional banks in order to remain stable in a highly competitive market. As a result, by adding corporate social responsibility (CSR) and sustainable development concepts, the stable banking theme is seen to be important to its operation. Stable banking incorporates environmental, social, and governance (ESG) standards into traditional banking and priorities ESG advantages. (Growth, ND). According to the economic system, stability has three elements: economic, environmental, and social but in Islamic banking, we add one more element which has been called sharia compliance. Stability improves our lifestyles, protects our ecology, and ensures that natural resources are preserved for future generations. In short, we can say that the stability in Islamic banks is to improve all economic aspects of individuals, families, and societies without the tensions and stresses regarding the financial issues along with sharia compliance (Islam, 2015). The stability of banks also means financial improvement, financial inclusion, and comprehensive. (Goaied, 2010)

And the financial stability in Islamic banking is to protect the property of the people, to be able to invest, and all segments of society can invest as much as they can of capital, it means there is financial inclusion, the property is in circulation, peace of mind for the people in the financial sector will emerge, and so on.

### **STABILITY OF ISLAMIC BANK FROM PERSPECTIVE OF MAQASID SHARIA**

As it is clear that one of the characteristics of maqasid sharia is that, they are the foundation of legislation because legislation must serve the interests of all human beings (jalb-al- masalih) and protect them from harm (daf-al-mafasid). The second characteristic is that they are universal, which means that they must serve the interests of mankind and require the adherence of all human beings. This is because it is (Islamic religion) the last revelation, applicable to the entire human race everywhere on earth until the end of this world, the maqid al-third sharah's feature is that it is inclusive (absolute), It includes all human actions, whether they are related to ibdah (responsibilities to Allah) or mu'amalah (responsibilities to others) (responsibilities concerning with other human beings), The fourth attribute of maqid al-sharahis is that they are definitive, i.e. they have been formed from a variety of texts and diverse parts of pieces of evidence rather than from a single text or evidence. (Asyraf Wajdi Dusuki, 2019)

Maqid al-sharah has been separated into two categories by Islamic scholars: general objectives (maqid ammah) and particular objectives (maqid

khassah). The general objectives are classified into three main categories: fundamentals (daruriyyah), complements (hajjiyyah), and embellishments (tahsiniyyah), as previously stated the five sharah objectives of religion (dn), life (nafs), intelligence (aql), posterity (nasl), and wealth (ml) are gathered together as darriyyah (necessities or essentials) (Adis, 2014). hajjiyyah (need or complementary) interests are those that are supplementary to the necessary interests. It refers to neglected interests that cause hardship but not utter disruption of life's natural order. Tahsiniyyah (embellishments), the embellishments relate to pursuits that result in refinement and perfection in people's customs and behavior at all levels of attainment. The second type of maqid is specific purposes of Islamic legislation (al-maqid al-khassah), which is concerned with a particular discipline, such as Islamic transactions, family law, or private conduct (Ibn Ashure, 2006).

### **MAQASID SHARIA AND ISLAMIC BANKING**

The Islamic bank is meant to be guided by shariah's objectives as a shariah-oriented economic enterprise. In Islamic finance, maqid al-sharah comes under the second type of maqid, namely specified objectives (al-maqid al-khassah), because it deals with certain disciplines. The general objectives, on the other hand, are equally relevant and directly related, as Islamic banking attempts to preserve one of the daruriyyat (necessities), specifically, the preservation of wealth (hifz al-mal), which is intertwined with other daruriyyat, particularly the preservation of religion (din). As a result, it is vital to look into the goal of asset preservation as well as the overall goals of Islamic finance. (Nyazee, 2002).

#### **Preservation of Wealth (Hifz al-Māl)**

The preservation of wealth is one of the essential and universal principles of the shariah, falling under the daruriyyah category, according to Islamic scholars. Naturally, a shariah whose purpose is to preserve and develop human social order may place a high value on material prosperity. Property and money have a vital status and place in Shariah, as evidenced by numerous Quranic verses and Prophetic Traditions. In fact, Islamic Law has many rules aimed at preserving wealth in both material and socio-psychological terms. According to Muslim jurists, wealth preservation is achieved through at least five main aspects. These dimensions are as follows:

1. Preservation of wealth through the protection of ownership.
2. Preservation of wealth through acquisition and development.
3. Preservation of wealth from damage.
4. Preservation of wealth through its circulation.
5. Preservation of wealth through its value protection. (Asyraf Wajdi Dusuki, 2019)

There are many reasons for quranic verses and prophetic traditions (hadiths) for each of the above-mentioned preservation aspects which is not possible to invoke in this paper and to be described.

### **STABILITY AND INSTABILITY OF ISLAMIC BANKS IN AFGHANISTAN UNDER THE LIGHT OF MAQASID SHARIA:**

As I mentioned before that, the financial stability in Islamic banking is to protect the property of the people, to be able to invest, and all segments of society can invest as much as they can of capital, which means there is financial inclusion, the property is in circulation, peace of mind for the people in the financial sector will emerge, and so on.

The clarity of the above definition of banking stability and the following information prove that there is no stability of Islamic banking in Afghanistan. Afghanistan's 12 private and state-owned banks now have only 10 percent of the country's estimated population of 32 million. Regarding the reluctance of Afghans to open accounts in banks, World Bank statistics show that 36% of Afghans do not open have accounts in banks due to their concerns about payment terms, which can be filled by developing Islamic banking, for this reason, the awareness and introduction program of Islamic banking should be increased so that people can open accounts in banks. (Website DAB, 2019). There are currently 410 active bank branches across Afghanistan, overseen by the Central Bank.

Recently, the authorities of Afghanistan realized that, if we want to improve and cover our financial problems, we must establish and support the Islamic banks, and their implementation, especially the Taliban government, they have the decision to increase the role of the Islamic banks and even eliminate the conventional banks gradually. But the implementation of Islamic banking requires to endorse Islamic banking law, public awareness, and publicity. There is currently one pure and independent Islamic bank in Afghanistan which is named (IBA) Islamic bank of Afghanistan (his owner is Mirwais Azizi General Manager of Azizi Group companies and the owner of Azizi Bank in Afghanistan) and seven windows Islamic services in conventional banks in Afghanistan (Zariri, 2019), but this pure bank and windows in conventional banks have been not stable through the history as well due to many reasons which I have explored in the questionnaire, and the biggest reasons are political instability, civil war, weak public awareness, lack of professional members and sharia boards, lack of currency and liquidity, and lack of trust of citizens on them. Even though some scholars and authors disagree with me concerning this issue (non-stability of Islamic banks in Afghanistan) it should be said that we cannot conceal the sun with one toe and finger, it is clear for all specialists and common people, therefore I can say clearly, that the Islamic bank's system is very weak and inefficient and non-stable in Afghanistan.

### **THE GROWTH OF "ISLAMIC BANKING" IN AFGHANISTAN AND HOW THEY BECOME STABLE:**

According to the International Group of Mizan News Agency, the Board of Islamic Banking Services, based in Malaysia, wrote in a report: "Since 2015, the capital of Islamic banking in Afghanistan has tripled its capital,

but faces obstacles such as profits, limited investment options, and financial instruments, and non-financial inclusion." (Mizan, 2019) and we can add some more reasons like civil war, non-awareness's of citizens, weak advertisement, weak sharia board specialists and so no.

Islamic banks in Afghanistan Like conventional banks, have not been stable throughout history and they are constantly fluctuating but it should be noted that the people of Afghanistan are in favor of the Islamization and transferring of conventional banks to Islamic banks, and the growth of Islamic banking as well as the stability of them.

Islamic banks in Afghanistan, both independent and non-independent, have not grown significantly, and the researcher is going to explain the main reasons for three different issues below: firs the factors of non -the tendency of people to Islamic banks: this is because of lack of public awareness of Islamic banking, fearing of losing their money coz of weak administration, less of providing perfect and correct services by Islamic banks, a little favorable results of Islamic banks in the country, and lack of consistency and strong supervision and monitoring of the services of Islamic banks by sharia boards. Second, the reasons for the lack of growth and development of Islamic banking in Afghanistan are political and economic instability, security and social inconsistency, lack of proper and useful services for people in the community, the non- clearness of the future of these banks for citizens, lack of awareness of people and investors about the benefits and positive results of Islamic banking, less of liberty and democratic system in the country, the role and rule of lords' war, coercion, and usurpation, and the non-existence of enacted law regarding the Islamic banks in Afghanistan even though we have some few regulations, bills and manuals concerning Islamic banking which proved by the ( DAB)like: (website DAB, 2019).

Third, the causes of instability- non sustainability of Islamic banking in Afghanistan and its ups and downs throughout history are: insecurity, political and economic stability, and interactions, lack of publicity of Islamic banking services, the absence of the sharia council board supervising it, and lack of proper monitoring and supervised by the central bank and the lack of enacted law in this segment.

I have conducted a questionnaire among the 23 lecturers and students of Afghanistan who are studying in IIUM in different faculty now and wanted their views regarding Islamic banking of Afghanistan and its stability and non-stability, and this is the result in the below columns:

| Questions                         | Answ<br>er              | Answ<br>er         | Answer | Answer | Answer | Answer |
|-----------------------------------|-------------------------|--------------------|--------|--------|--------|--------|
| Are you familiar with any Islamic | Yes, 18<br>74.13.<br>3% | No. 5<br>21.5<br>% |        |        |        |        |

|                                                                                      |                                     |                            |                                                   |                      |                           |  |
|--------------------------------------------------------------------------------------|-------------------------------------|----------------------------|---------------------------------------------------|----------------------|---------------------------|--|
| bank in Afghanistan?                                                                 |                                     |                            |                                                   |                      |                           |  |
| Have you ever invested in Islamic banks in Afghanistan?                              | Yes, 6.26.1%                        | No. 17.73.9%               |                                                   |                      |                           |  |
| Do you know how Islamic banks operate in Afghanistan?                                | Yes, 17.73.9%                       | No, 6.26.1%                |                                                   |                      |                           |  |
| How many pure and independent Islamic banks are there in Afghanistan?                | One bank only                       | More than one bank         |                                                   |                      |                           |  |
|                                                                                      | 20.90.9%                            | 2.9.1%                     |                                                   |                      |                           |  |
| Do you support the Islamization of conventional banks in the country?                | 100%                                | 75%                        | 50%                                               | N0                   |                           |  |
|                                                                                      | 14.60.9%                            | 6.26.1%                    | 2.8.7%                                            | 1.4.3%               |                           |  |
| Are all the services of Islamic banks pure and in accordance with sharia compliance? | 100%                                | 75%                        | 50%                                               | I don't know         |                           |  |
|                                                                                      | 2.8.7%                              | 9.39.1%                    | 3.13%                                             | 9.39.1%              |                           |  |
| What are the factors of non – the tendency of people to Islamic banks?               | Lack of public awareness of Islamic | Fear of losing their money | lack of providing perfect and correct services by | no sharia compliance | Poverty and lack of money |  |



|                                                                                                                  |                                              |                                               |                                                                |                                                               |                                             |                                           |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------|-------------------------------------------|
|                                                                                                                  | banking                                      |                                               | Islamic banks                                                  |                                                               |                                             |                                           |
|                                                                                                                  | 13.56.5%                                     | 4.17.4%                                       | 3.13%                                                          | 2.8.7%                                                        | 1.4.3%                                      |                                           |
| What are the reasons for the lack of growth and development of Islamic banking in Afghanistan?                   | Security and social inconsistency            | Political and economic instability            | Lack of proper and useful services for people in the community | the non-clearness of the future of these banks for citizens   | Lack of awareness of people and investment. | Lack of liberty and democratic system ... |
|                                                                                                                  | 8.34.8%                                      | 6.26.1%                                       | 2.8.7%                                                         | 4.17.4%                                                       | 2.8.7%                                      | 1.4.3%                                    |
| What are the causes of instability of Islamic banking in Afghanistan? Which always faces a lot of ups and downs? | Insecurity, political and economic stability | Lack of publicity of Islamic banking services | The absence of sharia council board supervising on it          | Lack of proper monitoring and supervising by the central bank | no sharia compliance                        |                                           |
|                                                                                                                  | 13.56.5%                                     | 7.30.4%                                       | 1.4.3%                                                         | 1.4.3%                                                        | 1.4.3%                                      |                                           |

The above questionnaire shows that the big reason for the instability of the Islamic bank in Afghanistan is Insecurity, political and economic instability, even though the other reasons also have more affected the instability of Islamic bank services.

### RESEARCHER FINDINGS

Undoubtedly, Islamic banking in Afghanistan is a new system. And it has had its ups and downs throughout history. And the people of Afghanistan are also interested in Islamic banking and want to get rid of the deadly profit system. And I have found from the research data and analysis and conducted questionnaire that, Islamic banking in Afghanistan is not stable, and there are many reasons for its factuality of it, and the most important one is Insecurity, political and economic instability. Also, the research shows that the nonexistence of endorsement and enacted law regarding

Islamic banking in Afghanistan is a big reason for its instability, weaknesses, and backwardness, as well as the continued density of other reasons mentioned above. In addition, we can add some more reasons, like: the absence of Sharia audits in a financial institution, Lack of qualified Sharia supervisory board members in the bank, Lack of research and development in the field of Islamic finance and economics.

### **CONCLUSION**

The first Islamic bank was in 1993 by the name of (gulabuddin shirzai) and it faced many challenges so it has been failed and stopped its services and progress. Then, in 2008 again the new system of Islamic banking was introduced to the Afghan people, and most of the banks irrespective of public and private have opened some windows for Islamic banking products, but there was not any pure and independent Islamic bank until 2018 and this year the first pure Islamic bank established by Mirwais Azizi the owner of Azizi bank, actually it has not established but changed from a conventional bank (bakhter bank) to Islamic bank IBA Islamic bank of Afghanistan. And it was not as stable and advanced as the founder and establisher wanted because of many reasons. Even though it has seen some development but still faces many challenges.

This article proved the instability of Islamic banks in Afghanistan and explores the factors of their inconsistency throughout history, using document analysis, from first the establishment of Islamic banks in Afghanistan (bank Islami shirzai.), article review, books study, and questionnaire. Unfortunately, the Islamic bank of Afghanistan has been affected by some dangerous causes especially civil wars over 4 decades, and has failed to make remarkable progress and advancement. And big reasons are Insecurity, political and economic instability, and lack of proper monitoring and supervision by the central bank.

Also, it has problems with its inadequate services, limitation in both supply and demand, excess liquidity, lack of specialists, and so on.

### **RECOMMENDATION**

After the analysis of the topic and data concerning the stability of Islamic banks in Afghanistan from the maqaised sharia perspective, I am going to have the following suggestion to improve the Islamic banking system in Afghanistan and as well as to keep their stability of them and make them active and dynamic no silent and static.

- ❖ The researcher suggests to the Afghan government establish Islamic banking institutions, faculty, and majors which particularly concentrated on Islamic bank studies.
- ❖ The government should support the Islamic banking activities and keep them stable, and strive to find out the solution to their instability problem.
- ❖ The education centers such as universities, institutes, schools, government administrations, and others should concentrate on organizing conferences, workshops, seminars, and webinars, and

have exchange programs with other countries especially those famous for their basic role in the present Islamic banking system.

- ❖ The government and authorities have to arrange programs for public awareness and motivate people to deal with Islamic banks, and increase their knowledge regarding Islamic banking and finance.
- ❖ The government should make concerted efforts to develop and promote Islamic banking and its constructive thought.
- ❖ The causes of Islamic banking instability in the country must be rooted out and efforts must be made to address them.
- ❖ If Islamic banking services are not under the light of the maqasid sharia (the purposes of Sharia) they should be prevented.

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