

A new model for the reorganization of Islamic banking

Abstract: The most important challenges of Islamic banking are: very low volume of profit-loss-sharing, high cost of supervision, limited monetary policy instruments, and structural challenges for financing small enterprises, inconsistency of intermediary and agency nature of Islamic banks, and lack of appropriate structure for engagement with the real sector of the economy. These challenges emanate from the current organization of conventional banking which is utilizing for Islamic banking. For this end, three models proposed for the reorganization of Islamic banking, that is, Anwar model, Dar and Presley model and Mousavian model. After reviewing the proposed model, a new model proposed with three changes in the current banking system. First, limiting the mandate of Islamic banks to current account and Gharz Al-hassan deposits and providing financial services. Second, delegation of long-term investment deposits to development banks. Third, transferring short-term investment deposits to finance companies. These financial institutions work as an organization for Islamic banking group.