

Rastin Social Takaful (RST)

Bijan Bidabad¹

Abstract

Rastin Social Takaful (RST) is a financial subsystem of Rastin PLS banking system. RST provides necessary background for depositors' participation in benevolent activities of takaful and interest-free loans in various fields. Social Takaful includes two sections of "Social Takaful" which involves the duty of people of society in alleviation of other's penury, and "Ensure Dependency" that is obligation of government in fulfilling minimum livelihood of the people of the society. Mechanism of fulfilling Social Takaful, including grants and interest-free loans are defined under Rastin PLS banking. In this scheme, depositor permits the bank to invest their funds through Rastin PLS banking to donate takaful payments or interest-free loans from the principal, or profit of his investments to needy persons introduced by depositors or Social Welfare Organization, and report to depositor and supervisory authorities. Specific governmental authorities are responsible for supervision and surveillance of takaful payments.

Keywords: Takaful, Loan, Rastin Banking, Rastin Profit and Loss Sharing, PLS, Islamic Banking, Interest-Free Banking, Rastin Certificate

Introduction and Objective

Real establishment of Islamic banking system can remove many important economic, social and financial problems of the society. Many discussions have been done in the topic of poverty alleviation, but among them Islamic provisions are more general and effective. Social Takaful includes two parts of Social Takaful, which involves the duty of people of the society in alleviation of each other; and "Ensure Dependency" (*Zemane I'alih*) as obligation of government in fulfilling minimum livelihoods of the people of the society. In this regards we try to design effective executive methods to implement Islamic Social Takaful under Rastin Profit and Loss Sharing (PLS) banking. Rastin Financial Sharing (RST) is a financial subsystem of Rastin PLS banking system and works under its instruction, organization, regulations and electronic infrastructure.²

The mechanism of fulfilling Social Takaful, including grants and interest-free loans are defined in this direction with operational methods and instruments to fulfill this benevolent approach.

Methodology and Scope

Similar to other financial subsystems of Rastin PLS banking, in Rastin Social Takaful, bank can be private or public. By receiving commission, as an intermediate or agent, bank offers capital management services to benevolent depositor and provides the necessary background for takaful and interest-free loan activities.

Depositor permits the bank to invest his funds in Rastin PLS projects in order to finance takaful and interest-free loan from the principal or the yields of investments. Innovations such as Rastin Certificates are used in Rastin PLS banking. By using foundation of Rastin PLS banking, Rastin Social Takaful is applicable and by issuing Takaful Certificate and Loan Certificate,

¹ Dr. Bijan Bidabad is Professor of Economics and Chief Economic Advisor to Bank Melli Iran. bjan@bidabad.com
<http://www.bidabad.com>

² - For more information and full-text documents about Rastin PLS banking see: <http://www.bidabad.com>

Takaful payments and interest-free loan are implemented according to instructions.

Rastin Social Takaful

Rastin Social Takaful is based upon two principles of unity, and association in risk. This approach of financial support, which is quite similar to prevailing insurance at present time, flourished in Islamic and other countries since three decades ago. At present time, this approach has assigned a new global market to itself. There are various definitions for takaful with similar conceptual meaning. Takaful meaning considered mostly in Islamic countries has an insurance viewpoint, but the meaning we consider here has the guardianship or deputy viewpoint.

Alvan³ defines Social Takaful as backing up and bailing each other in the society, personally or collectively, by affirmative operational guidelines (like patronage of orphan) or privative (such as prohibition of *Riba*) with motivation of inner sense and conscience originated from Islamic beliefs to protect human beings to live in the society under the shelter and patronage of the society. In this direction, the society assists the man in a way that all people help each other to establish a superior society and eliminate losses and harms from the members. On the other hand, from Islamic point of view, Social Takaful means support, patronage and bailment of people of a society by themselves.

In Rastin Social Takaful, benevolent depositors (private or public) can deposit their funds under Rastin PLS banking regulations for public charity activities so that the depositor allows the bank to use the principal or the profit of his specific deposits to help the poor people and their family. In addition to depositors, all people, organizations, religious authorities, institutes, religious centers, government, government institutes and affiliated organizations, non-government organizations (NGOs), can help the people through Social Takaful by allocating their own funds. They can allocate all their resources such as targeted subsidies, ransom (*Kaffareh*), alms (*Sadaqah*), tithes (*Zakat*), one-fifth (*Khoms*), charity (*Infaq*), consecration (*Waqf*), will of dead person (*Wasiat*), blood money of killed person (*Diyeh*), trophy (*Qanimah*), vows (*Nazr*), sacrifice (*Qorbani/Fadiyah*), tribute (*Kharaj*), inheritance with no inheritor, pol tax (*Jaziyah*), properties with no owner, government owned mines and treasury (*Anfal*), benevolence (*Khair*), financial fine of convicted, confiscated illegal properties, smuggling yield, received usury (*Riba*) and similar sources through RST.

Funds owners (depositors) can ask the bank to allocate their funds or returns of their funds to predetermined persons, group of persons or those introduced by Social Welfare Organization. Bank is obliged to facilitate this procedure, and report the details of its payments to depositors annually. The provided information should be in detail and make it possible for case by case inspection of the payments by fund provider.

Charity and protective organizations can have private or public legal personalities. The central bank with help of Social Welfare Organization and consecration organizations will compile the operational regulations and pass it through relevant authorities. Consecration and Charity Organizations will provide the supplementary rules for financial consecration (tangible or in-tangible) assets subject to Rastin Social Takaful subsystem and pass it through relevant authorities. People can deposit their funds at banks for takaful activities according to these rules and regulations. Social Welfare Organization will be obliged to compile the operational procedures of recognition, supporting shelter, payment and supervision of the payments of Social Takaful and Ensure Dependency by consulting central bank and passing it through relevant authorities.

Feeble and incapable people who cannot afford their necessary needs and all people who deserve to receive alms (*Sadaqah*), ransom (*Kaffareh*) and tithes (*Zakat*) is the subject of this donation.

Safeguarding the minimum needs through Rastin Social Takaful insurance includes the

³ Alvan, Naseh, (1409 Lunar Hijri), Al takaful Al ijtemaee fi Islam, Dar Alsalam publications.

following subjects⁴:

1. Financial insurance: is used to finance needy people including bankrupts.
2. Dwelling insurance: everybody has to have dwelling and dwelling insurance is to provide the minimum dwelling for everyone in the society. Financial help for home repair is also included in this insurance.
3. Marriage insurance: providing necessary conditions for marriage and removing marriage barriers in the society.
4. Job insurance: everybody has the right to have a job and job insurance will provide job for the unemployed people. In contrary to unemployment insurance, which gives financial support, job insurance provides job.
5. Education insurance: anybody who wants education or training should have the suitable possibilities.
6. Medicare insurance: all members of the society should have medical care insurance when they become sick and this is the duty for this insurance to care them.
7. Nursing insurance: all disabled persons are under the coverage of this insurance to receive nursing care.
8. Incident insurance: all people deserve to have this kind of insurance against natural and unnatural incidents.
9. Food insurance: food insurance is the nutritional shelter of the society; so that no one is to be left hungry. According to this insurance, minimum foods should be accessible for everybody.
10. Right advocacy insurance: whenever the right of a person is overwhelmed or oppressed, he must have the protection of prosecuting attorney.
11. Attorney insurance: helping people to achieve their rights is the task of this insurance.
12. Orphan insurance: providing living conditions for orphans and underage with no guardian and protecting their rights are the task of this insurance.
13. Retirement and disability insurance: elderlies who cannot work permanently or temporarily because of ageing, handicap or illness are covered by this insurance.
14. Wardship insurance: patronage of people with no guardian, elderlies, widowed, incapable, insane and thereof are covered by this insurance.
15. Adjutancy insurance: resolving problems of disabled people in all social affairs is the responsibility of this insurance.
16. Cultural insurance: helping disabled people in preserving their good traditions and manners is the task of this insurance.
17. Clothing insurance: nakedness is not admissible for anyone and providing minimum needed clothing of all needy people is the task of this insurance.

Social Welfare Organization, charity institutions and protective organizations cannot obtain the principal and profits of deposits directly and are obliged to issue draft and money order to bank to pay the needy people or their family. These organizations and banks are not allowed to hand out aid payments in a way (such as publishing the aids in their websites) which affects the prestige of the poor; while they are obliged to present separate annual report to the President, Central Bank, Public Inspection Organization, Steering Council of Social Welfare Organization and Supreme Council of Consecration. The Central Bank and Public Inspection Organization have to review and report the condition of activities of the banks, charity and supportive

⁴ - See:

- Bidabad, Bijan, Economic-Juristic Analysis of Obligatory Insurance, 2010. <http://www.bidabad.com/doc/bimeh-ejbari.pdf>
- Bidabad, Bijan, Economic-Juristic Analysis of Social Security Insurances, 2010. <http://www.bidabad.com/doc/bimeh-tamini.pdf>
- Bidabad, Bijan, Religious-economic analysis of insurance and characteristics of Islamic government. Monetary and Banking Research Academy, Central Bank of Iran, 2003. <http://www.bidabad.com/doc/bimeh.pdf>

organizations to the president and in case of abjuration or breach, should take legal action. For rendering services, bank can receive assessment and supervision fees only, and is not allowed to ask for profit.

Humanitarian and governmental supports and other allocated funds to supportive institutions can be collected in takaful account at the bank. Bank also collects deposits from his clients and supportive institutions or depositors for investing their funds. Bank works according to intermediary (*Muvasitah*) contract for his clients. Bank will use the funds in PLS projects and the profit of the activity belongs to takaful account. In this system, bank should observe client's benefits and expedience in PLS investment activities. The returns of benevolent deposits are saved into bank accounts and the benevolent person or institution will issue the payment order and the bank is obliged to pay the order amount to the needy persons. Since receipts and payments of money in the Rastin Social Takaful is carried out by bank under the supervision of trustee and supportive institutions, therefore, the efficiency of charity institutions will considerably increase and corruption will notably decrease.

Rastin Social Takaful Operations

- 1- Two kinds of activities are performed in Rastin Social Takaful subsystem. The first is the payments of depositors for takaful activities from the principal or return of invested funds to be paid to the needy people within the framework of Rastin Social Takaful subsystem. The second group is the payments of depositors for loan facilities in which the principal, return or both are paid as loan to needy people and the principal should be returned to depositor at maturity.
- 2- The following cases are considered in takaful operations:
 - a) Depositor agrees to pay his fund to needy people as grant without investing his fund in investment projects.
 - b) Depositor agrees to pay his fund to needy people periodically as grant without investing his fund in investment projects.
 - c) Depositor agrees to pay return of his fund to needy people as grant after investing his fund in investment projects.
 - d) Depositor agrees to pay returns of his fund to needy people periodically as grant after investing his fund in investment projects.
 - e) Depositor agrees to pay principal and returns of his fund to needy people as grant after investing his fund in investment projects.
 - f) Depositor agrees to pay principal and returns of his fund to needy people periodically as grant after investing his fund in investment projects.
- 3- The following cases are considered in loan operations:
 - g) Depositor agrees to pay his fund to needy people as loan without investing his fund in investment projects.
 - h) Depositor agrees to pay returns of his fund to needy people as loan after investing his fund in investment projects.
 - i) Depositor agrees to pay principal and returns of his fund to needy people as loan after investing his fund in investment projects.
- 4- Bank will issue Takaful Certificate for takaful depositing and Loan Certificate for depositing with the aim extending loan to needy people.
- 5- Needy people under takaful coverage who cannot afford their living includes: individuals and families of needy, poor, indigent, helpless, tired out, poverty stricken families, ill, blind, disabled, handicap, mad, retarded, mentally sick, insane, paralytic, elderly, without guardian, homeless, captive, imprisoned, exiled, waif, orphan (without father or without mother), deserted child, child without guardian (permanently or temporarily), under debt, detriment, force majeure and forcible affected, unintentionally punished or those who are condemned and cannot pay the fine (or blood money), those who have no livelihood, no guardian family

or with women guardians (divorced, separated, or with a dead, missing, exiled, imprisoned, soldier, fugitive, insane husband) and similar cases and all those who deserve alms, tithes, guilt compensation and charitable fund.

- 6- Peoples who deserve Rastin Social Takaful loan are those who cannot afford marriage, trousseau, illness, home repair, education costs or rural housing and other similar.
- 7- All real persons and legal entities, government, government affiliated institutes, charity institutions and non-governmental organizations (NGOs) can deposit their funds under the subsystem of Rastin Social Takaful for takaful and loan.
- 8- Minimum and maximum limits for the amounts of payments are determined by Central Bank with consulting Social Welfare Organization. Payments for takaful, loan, installments, also debt payment period cannot exceed the minimum and maximum limits determined by central bank for each person.
- 9- Rastin Social Takaful payments are tax-free for all parties including depositor (benevolent), bank and needy.
- 10- Entrepreneur can introduce his investment project for Rastin Social Takaful to bank. The profit of the investment project will be delivered to deserved needy people thereof. In this case, the project will be tax-exempted.
- 11- Depositor can introduce needy persons or group of persons to bank for receiving takaful and loan payments and bank is obliged to pay to the nominated persons.
- 12- If depositor did not introduce needy person, bank will pay to nominated people by Social Welfare Organization.
- 13- Bank has to report the received and paid amounts of money in takaful activities to depositor and supervisory institutions.
- 14- If the agreement was made to allocate depositor's fund in PLS investment projects, then the activities will be according to Rastin PLS banking regulations and entrepreneur and project proposal will be assessed and supervised in every step from the start to end as other projects.
- 15- Bank can only receive commission for takaful activities for handling and covering his management, assessment and supervision expenditures, and cannot receive cited profit in Rastin PLS banking instructions.
- 16- Depositor can transact Rastin Social Takaful Certificates in Rastin Certificate Market or transfer them to others.
- 17- Operational activities of Rastin Social Takaful will be carried out according to the signed contract between depositor and bank. Trustee unit supervises the operating department performances and prepares necessary reports for upstream inspection and surveillance.
- 18- The operations of Rastin Social Takaful follow the general regulations and instructions of Rastin PLS banking.
- 19- Bank is allowed to invest deposited funds in the assessed and approved projects by assessment unit of the bank.
- 20- Bank has to keep the money obtained from Rastin Social Takaful in separate accounts and is not allowed to use it for other cases except for what has been mentioned above.
- 21- In extending loan to needy people as subject of Rastin Social Takaful loans, bank has to obtain sufficient collateral and guarantee from the borrower.
- 22- Regarding the concepts, procedures and instructions of implementing Rastin Social Takaful, and the defined tasks of bank, depositor and entrepreneur, structure and organization⁵ and functions are as explained in Rastin PLS banking.
- 23- Rastin Social Takaful generally conforms to Rastin PLS banking instructions⁶, except to

⁵- Bidabad, Bijan, M. Safarzadeh and J. Aghabeigi, Organization of Profit and Loss Sharing (PLS) Banking in Bank Meli Iran. Bank Meli Iran, 2011. <http://www.bidabad.com/doc/PLS-organization.pdf>

⁶ See:

explicated notes.

Takaful and Loan Certificates

New financial innovations of Takaful Certificate and Loan Certificate are used in Rastin Social Takaful subsystem. By using Rastin PLS banking infrastructure, the Rastin Social Takaful scheme is applicable and by issuing Takaful and Loan Certificates, this scheme can run.

Takaful Certificate is a bearer document with a defined face value and term which is issued by Rastin PLS bank branch. The owners of these certificates give the choice to PLS bank to use their deposits for granting to needy people for a specific period and report his activities to depositor and supervisory authorities.

Loan Certificate is a bearer document with a defined face value and term that is issued by Rastin PLS bank. The owners of these certificates give the choice to bank to use their deposits for extending interest-free loans to needy people for a specific period, and return the principal money back to depositor after that period and report his activity to depositor and supervisory authorities.

These negotiable certificates are issued at bank's website. The owners of these certificates can negotiate them in Rastin Certificate Market of the bank on internet and put an end to their godly charity work whenever they need their funds back. These certificates are negotiable to let the depositor deviate his funds from benevolent activity when he wants. In order to start large takaful activities that need large amount of funds, government and supportive organizations and people can finance large investment projects by themselves and then, by supplying Takaful and Loan Certificates to public, call for their partial participation in Rastin Social Takaful.

References

- Alvan, Naseh, (1409 Lunar Hijri), Al takaful Al ijtemaee fi Islam, Dar Alsalam publications.
 - Bidabad, Bijan, Jina Aghabeigi, Mahasti Naeemi, Azarang Amirostovar, Saeed Salehian, Saeed Nafisi Sarae, Alireza Mehdizadeh Chelehbari, Hojattollah Ghasemi Sayghalsaraee, Bijan Hossainpour, Saeed Sheikhani, Mahmoud Allahyarifard, Mohammad Safaeipour, Nadia Khalili Velae. Detailed design of Profit and Loss Sharing (PLS) banking. Office of Research and Planning, Bank Melli Iran. 2008, Tehran.
<http://www.bidabad.com/doc/detailed-pls.pdf>
 - Bidabad, Bijan, J. Aqabeigi, A. Amirostovar, A. Hezaveh, A. Shafiei, S. Nafisi Zobdehsaraei, A. Mehdizadeh, A. Hayatdavoodi, B. Hussainpour, S.A. Hussaini, A. Shali, M. Kashefi, M. Allahyarifard, M. Safaeipour, A. Kosari, B. Einollahzadeh, M. Naeimi, N. Khalilivelaei, Shakeri. Detailed design of Modarebah Financial Sharing (MFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2010.
<http://www.bidabad.com/doc/detailed-mfs.pdf>
-
- Bidabad, Bijan, et. al. Detailed design of Profit and Loss Sharing (PLS) banking. Office of Research and Planning, Bank Melli Iran. 2008, Tehran. <http://www.bidabad.com/doc/detailed-pls.pdf>
 - Bidabad, Bijan, et. al. Detailed design of Modarebah Financial Sharing (MFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2010. <http://www.bidabad.com/doc/detailed-mfs.pdf>
 - Bidabad, Bijan, et. al. Detailed design of *Joalah* Financial Sharing (JFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2010. <http://www.bidabad.com/doc/detailed-jfs.pdf>
 - Bidabad, Bijan, Detailed design of Installment Financial Sharing (IFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2011. <http://www.bidabad.com/doc/detailed-ifs.pdf>
 - Bidabad, Bijan, Detailed design of Rent Financial Sharing (RFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2011. <http://www.bidabad.com/doc/detailed-rfs.pdf>
 - Bidabad, Bijan, Detailed design of Bail Financial Sharing (BFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-bfs.pdf>
 - Bidabad, Bijan, Detailed design of Rastin Personal Security (RPS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-rps.pdf>
 - Bidabad, Bijan, Detailed Design of Rastin Social Takaful (RST), A subsystem of Rastin Profit and Loss Sharing Banking System. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-rst.pdf>

- Bidabad, Bijan, J. Aqabeigi, A. Amirostovar, A. Hezaveh, A. Shafiei, S. Nafisi Zobehsaraei, A. Mehdizadeh, A. Hayatdavoodi, B. Hussainpour, S.A. Hussaini, A. Shali, M. Kashefi, M. Allahyarifard, M. Safaeipour, A. Kosari, B. Einollahzadeh, M. Naeimi, N. Khalilivelaei, Shakeri, M. Naseri. Detailed design of *Joalah* Financial Sharing (JFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2010. <http://www.bidabad.com/doc/detailed-jfs.pdf>
- Bidabad, Bijan, Detailed design of Installment Financial Sharing (IFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2011. <http://www.bidabad.com/doc/detailed-ifs.pdf>
- Bidabad, Bijan, Detailed design of Rent Financial Sharing (RFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2011. <http://www.bidabad.com/doc/detailed-rfs.pdf>
- Bidabad, Bijan, Detailed design of Bail Financial Sharing (BFS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-bfs.pdf>
- Bidabad, Bijan, Detailed design of Rastin Personal Security (RPS), a subsystem of Rastin Profit and Loss Sharing (PLS) banking. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-rps.pdf>
- Bidabad, Bijan, Detailed Design of Rastin Social Takaful (RST), A subsystem of Rastin Profit and Loss Sharing Banking System. Bank Melli Iran, Tehran, 2012. <http://www.bidabad.com/doc/detailed-rst.pdf>
- Bidabad, Bijan, Economic-Juristic Analysis of Obligatory Insurance, 2010. <http://www.bidabad.com/doc/bimeh-ejbari.pdf>
- Bidabad, Bijan, Economic-Juristic Analysis of Social Security Insurances, 2010. <http://www.bidabad.com/doc/bimeh-tamini.pdf>
- Bidabad, Bijan, Religious-economic analysis of insurance and characteristics of Islamic government. Monetary and Banking Research Academy, Central Bank of Iran, 2003. <http://www.bidabad.com/doc/bimeh.pdf>
- Bidabad, Bijan, M. Safarzadeh and J. Aghabeigi, Organization of Profit and Loss Sharing (PLS) Banking in Bank Melli Iran. Bank Meli Iran, 2011. <http://www.bidabad.com/doc/PLS-organization.pdf>