

Promoting Islamic finance

By
Dr. Ishrat Hussain

Abstract

Islamic Finance is becoming popular world-wide as it addresses the shortcomings of the conventional system that lead to the financial crises of 2008-2009. However, to make Islamic banking and finance a viable option, certain aspects thereof must be addressed which this article discusses.

Managing Risks in Islamic Finance

By

Imran Hussain Minhas

Abstract:

Since the inception of Islamic finance, it is encountered with different challenges and criticism from advocates of conventional financial system but time has proved that Islamic finance is a reality having tremendous potential to grow. Islamic finance has now reached to around 100 countries of the world which includes the non-Muslim jurisdictions, as well. Islamic finance is getting its share in the financial system with a rapid double digit growth rate and worldwide assets of Islamic Finance have reached to US\$ 1.8 trillion in 2013 from US\$ 826 billion in 2010. For a strong Islamic capital and money market, an effective risk management structure is mandatory and the author discusses these in this article.

Islamic Gold *Dinar*

A Socio-Economic & Regulatory Analysis

By
Prof. Dr. Mohd. Ma'sum Billah

Abstract

Money plays a vital role to the economy of any country, not only for providing a medium of exchange but also for the basic survival of the economy of the country. Traditionally, many things have been used by man to accommodate trade and be used as money such as sea shells, gold, silver, special type of stones and so on. Currently the world is using paper money as the official medium of exchange between individuals and institutions. So far, the system has managed to survive many financial crises and it seems to be in use for many years to come. Unfortunately, the paper money system does have its flaws including some that make it an unacceptable medium in the eyes of Islam. These flaws are discussed in this paper along with an alternative system that can be used by the world communities. This new system is one that is sure to be just and also in accordance with the Islamic injunctions. This paper however seeks to analyze different aspects of political-regulatory issues for the possible implementation of gold currency in the contemporary reality.

Understanding Riba and Gharar in Islamic Finance

By
Camille Paldi

ABSTRACT

The philosophical and conceptual foundations behind the prohibition on riba (interest) and gharar (uncertainty) can be derived through the Shuratic process in discursive interpretation of the Qu'ran and Sunnah. Riba (interest) is in fact just a form of gharar (uncertainty). Gharar (uncertainty) opens the door for speculation, ruthless greed, immorality, and social decay. Both riba (interest) and gharar (uncertainty) result in social harm in the form of inflation, unemployment, volatility, instability, and environmental degradation. Riba (interest) and gharar (uncertainty) are both prohibited under Shari'ah as their harm outweighs any benefit, however, gharar (uncertainty) is allowed in instances where the benefit outweighs the harm.

The Role of Awareness and Perceived Values Upon The Acceptance of Islamic Banking in Dagestan

By
Muhamad Abduh & Magomed Idrisov

Abstract

Islamic Banking has been introduced in many countries globally for the last three decades. However, in Russia, Islamic Banking and Finance industry is still in its early stages. The study is aimed at examining the role of awareness and perceived values among Dagestanians upon their acceptance towards Islamic banking. Modified theory of reasoned action model was used to examine the factors affecting Dagestanians' behavioral intention to patronize Islamic Banking. Information from 400 respondents was extracted using structural equation model. The findings indicated that awareness, although without having fundamental knowledge about Islamic banking, has a positive influence on intention to support Islamic banking via attitude while perceived values have positive influence on intention to support Islamic banking but statistically insignificant.

Analysis of Challenges and Opportunities in Islamic Banking

By
Salman Ahmed Shaikh

Abstract

Islamic banking has achieved exceptional growth in the last two decades and has been able to sustain it even during the recession and afterwards. In this paper, we analyze the economic merits of Islamic banking principles that have made it so successful and widely acceptable. We provide mathematical exposition of the Islamic banking architecture and discuss its salient economic merits. Then, we discuss the potential challenges that it has to overcome. We discuss that lack of flexible financing options, incomplete product mix, scale diseconomies, contractual frictions and constraints in liquidity management are potential future challenges for this industry. We also highlight growth opportunities by noting that Islamic banks in many jurisdictions are yet to enter into infrastructure financing for development spending, energy financing, investment banking and sovereign financing. 10 of the 25 most growing economies have Muslim majority population and it is a lucrative market for transnational banks especially after the credit crisis and contagion in Europe. We also note that Islamic banks are yet to fully capitalize on their ideals and principles. By establishing their niche in microfinance and agriculture finance, they can validate their egalitarian status and mandate. We also show that most Muslim majority countries have savings deficit which is important for growth and development. Hence, Islamic banking has the potential to promote savings culture and contribute in capital formation in these economies.

Islamic Home Financing and Ownership Transfer to the Customer: Models Compared

By
Prof. Dr. Zubair Hasan

Abstract

In my latest article on Islamic home financing models in the ISRA Journal June 2013, I had shown that the Zubair Diminishing Balance Model (ZDBM) does not involve compounding of return and the transfer of ownership to the customer perfectly matches the payments' rate; the two norms Islamic models must meet. It is satisfying to note that Nabil in the same issue of the journal takes up these issues in a comprehensive and tightly argued conceptual paper and convincingly vindicates my position on the compounding issue. However, he argues that the transfer of ownership in the ZDBM also does not meet the stated ideal even as it is closer to the norm than other constructs. The objective of this brief note is to clarify my position on this latter issue albeit I shall put on record a more clinging demonstration of interest compounding in the conventional formula as many Islamic banks do use it in various contracts, especially in home financing.

Big Data Technology in Shari'ah Compliance Risk Management (SCRM): A view of Information Technology in Islamic Finance Risk Management

By
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Abstract

The global Islamic finance sector is booming and is likely to sustain a stable growth. With many Islamic Finance products introduced over the years, the demand in studying risk pertaining to Islamic finance product is becoming a major concern. The main reason to manage risk is to attain the organizations' objectives on financial stability. In Islamic finance the risk is much further than just financial itself because we have to look into activities related to the Islamic Finance existence. These activities related to Islamic Finance must abide by the Shari'ah law. Thus, the Shari'ah non-compliance is a unique risk for Islamic finance which needs a special risk management apart from typical risk management of conventional finance. From Information Technology point of view this problem can be addressed by implementing Big Data technology in risk management systems. This will enable financial bodies to identify the breach of Shari'ah law in the Islamic Finance activities. Big Data technology have the ability to perform analysis of vast amounts of information that can be converted into decision making and priority of impact level in risk event. Adopting Big Data technology in risk management, opens a new door to Financial Risk Management techniques with primarily focuses on Islamic finance.

