

# **“Sub prime crises and the lessons for the Islamic Financial Industry”**

*By*

*Suleman Muhammad Ali*

## **ABSTRACT**

*The Islamic Financial Industry (IFI) and its players including the regulators need to learn important lessons from the sub prime crises; especially since the industry at present is in its initial stages and is some what indirectly linked to the global conventional financial system. The paper discusses the sub prime crises and digs deep into the factors that led to this mayhem which has affected the global financial markets triggering a global recession on a scale unmatched since the great depression. The paper then goes on to suggest various factors that need to be taken care of and measures to be taken by the IFI industry players to avoid the chaos experienced by interest based financial system.*

# **A Competitive Analysis of Islamic and Conventional Banks in Pakistan during Global Recession**

By

Syed Farhan Najum,

Irfan Anjum Manarvi

## **ABSTRACT**

*International financial institutions especially the banks were seriously hit by the global recession and the period after it. A large number of conventional and Islamic banks were operating in Pakistan at that time, though with slightly different practices and strategies. This research was focused on analyzing their performance during and after the recession period. Financial ratios such as advanced deposit ratio return on investment, debit to equity, current and working capital ratios were considered appropriate tools to carry out this analysis. Data from published yearly reports of various conventional and Islamic banks such as Bank Al Habib, Alfalah, Islami, Muslim Commercial and Meezan bank was collected and analyzed by evaluating these ratios for each bank. A comparative analysis was also carried out through time series during the period from 2006 to 2011. Both the types of banks were found to be hit by the recession, however the effect on Islamic banks was observed lower than the conventional bank. A review of the history of a bank's operations showed that those with longer operational period performed better than the new entrants in Pakistani market.*

# Non-Interest Banking System In Nigerian: Sharī‘Ah Perspectives

By

Dr. Huud Shittu Ph.D\*

## ABSTRACT

*Endless queues and congestion, wary and unsympathetic cashiers, ineffective Automatic Transaction Machine (ATM) and other inconveniences are the major traits of the Nigerian Banks resulting to dilly-dally economy of Nigeria. Exploitation and economic corruption in the blood stream of Nigeria citizenry worsen economic responses. This altogether precipitates, recently, the apex Bank in Nigeria to announce its determination to float non-interest banking. This proposal has indeed grouped Nigerian Societies into two based on religions: Islām and Christianity; it influences responses of stakeholders towards changing Nigeria to an Islamic country while others welcome the step because their religion accepts it. Some Nigerians have not believed that Sharī‘ah has its system of banking. This work, therefore, is not examining the position of stakeholders but it brings to the fore the concept of non-interest banking as it relates to Sharī‘ah perspective. Two methods are used: historical and survey. Secondary sources are used in establishing historical data. The paper further examines the objectives of the non-interest banking system. How would Islamic banking work to benefit every customer irrespective of religious background? Against this background, this paper has reviewed extant works and examined what constitute Islamic banking? It surveys some countries where pilot projects on Islamic banking system were carried out and subsequently substantiated. Major features of Islamic banking are highlighted; the policies and modes of trading within and outside the Bank are also explained. Benefits that could be derived from Islamic banking are comprehensively stated. The paper puts together all the salient points as summary, recommendation and conclusion.*

# **Analysis of Promise in Islamic Law Definition and The Opinions of Muslim Jurists with Regard to Binding Nature of Promise**

By

Dr Mohammad Nawaz {al Hassani}

## **ABSTRACT**

*The Article explained the meaning of promise {al Wad} and discussed about the Opinions of Muslim scholars with regard to the binding nature of promise in Islamic law and analyzed their evidences on their view points and provided the preference in this regard.*

*The article described the opinion of Muslim jurists with regard to validity of contract concluded on the bases of promise and analyzed their arguments in detail and provided the preference in this regard.*

*This article analyzed the opinion of contemporary scholars who hold that promise is binding and enforceable by court and the contract which based on such promise is also valid and the article rejected their opinion with strong evidences and mentioned that the opinion of contemporary scholars does not have any conformity with the opinion of classical jurists neither Hanfi, Shafei and Hanbi Jurist nor Malki jurists and proved that the opinion of contemporary jurists is combined from the clashes.*

# Firm's Behavior in Islamic Economics

By

Salman Ahmed Shaikh

## Abstract

*This paper attempts to explain the distinctive features of Islamic Economics that guide the equitable distribution of resources in an economy. Prohibition of interest and institution of Zakat encourage investment, spending and circulation of wealth. It is discussed that how Islamic principles help in achieving both efficiency and equity. Islam does not disallow market and price mechanism, but compliment them with rules and institutions that ensure distributive justice, equity and social welfare. The paper also discusses how Islamic principles help moderate greed, pursuit of self-interest and how ethical principles and afterlife accountability result in including externalities and marginal social cost in firm's economic accounting of profits and costs. In the final section, it is argued that the Islamic ethical principles have far reaching effects on corporate governance.*

# Islamic Finance in a Multipolar World: Traversing the Complexities of a New World

By

Abbas Mirakhor  
MugheesShaukat

## Abstract

*The recent financial developments have given rise to a developing consensus that the Unipolar economic growth regime dominated by U.S, Japan and few European centers, is under great stress. The consensus takes into consideration the present financial stresses and strains, and the ensuing uncertainty surrounding the sustainability of the unipolar regime, which has given way to a shift towards a multipolar economic setup. Scholarship has already hinted on not only better trade and investment opportunities, but also on a much more resilient global economic growth that such a shift can bring. However, there are some major obstacles that need to be overcome in order to reap fully the desired benefits of multipolarity. Continuation of debt-based financing regime (the hallmarks of which are risk transfer and risk shifting) will not necessarily allow the benefits of emerging multipolarity to accrue to the world economy. The new system can be more effective with a new regime of financing. Indications are that almost all emerging countries in Asia are actively considering risk sharing via Islamic finance as a possible alternative.*

# Dynamic Model of Islamic Bank Profitability

By

Titi Dewi Warninda

## Abstract

*Analysis of profitability determinants will contribute in increasing Islamic bank profitability. This research aims to analyse Islamic bank profitability determinants in the short and long run. It uses data of Indonesian Islamic banking. It applies dynamic model of Error Correction Model (ECM) to find several internal and external factors that influence Islamic bank profitability in the short and long run. This research shows that Total Financing becomes dominant variable in the short run and has positive effect. In the long run, Loan Loss Provision becomes dominant variable but has negative effect. Mark Up Financing has significant influence in the short and long run, but Equity Financing only has significant influence in the long run. Surprisingly, this research indicates that Equity Financing has stronger influence than Mark Up Financing in the long run.*

# Efficiency and Performance of Islamic Banks in Bangladesh

By

Muhamad Abduh  
Sidratul Mahabub Hasan  
Alfatih Gesan Pananjung

## Abstract

*The aim of this study is to investigate the efficiency and performance of five Islamic banks in Bangladesh namely, Islami Bank Bangladesh Limited, Al-Arafah Islami Bank Limited, Social Islami Bank Limited, Shahjalal Islami Bank Limited and First Security Islami Bank Limited. Data are collected through their published annual reports from the year of 2006 to 2010. In addition, methods used to measure the performance and efficiency of Islamic banks are ratio analysis and data envelopment analysis respectively. With regard to banks' performance, this study concludes that Shahjalal Islami Bank limited is better than other Islamic banks in terms of its ROA, ROE, ETA, CAR, IER and AU ratios. On the other hand, with regard to banks' efficiency, all Islamic banks have shown an improvement on their efficiency level. However, the result shows that First Security Islami Bank is better in terms of efficiency. This study complements other studies which discuss about performance and efficiency in Islamic banks, particularly in the case of Bangladesh.*