Shariah Rulings of Price Intervention (*Tas'eer*) and its Contemporary Applications

By

Bilal Ahmed Qazi *

Abstract

The paper discusses the scale of latitude that Islamic Jurisprudence provides to an Islamic State for price regulation (TAS'EER). After describing in detail the various schools of thought of Islamic Jurists on the topic and identifying the preferred view, the paper discusses the pros and cons of price restrictions in contemporary circumstances. It also presents the Shariah rulings on hoarding (IHTIKAAR) of commodities that may result due to price control. Views of the traditional jurists in the light of the narrations of the Prophet Muhammad (صلى الله عليه وسلم) on the matter are described followed by their evaluation with respect to their accordance with the conventional concepts of economics. The regulatory structure and practices of Khilafat-e-Usmaniah are narrated in evidence of the practicality of solutions in the light of Islamic Jurisprudence. The paper then proceeds with highlighting the potential and viability of equity based financing (Musharakah & Mudarabah) that can be capitalized by the regulators as one of the tools for monetary policy and open market operations to control the money supply and ultimately the prices of the products.

Meezan Bank: A Role Model of Shariah Compliance for Islamic Banks

By

Ahmed Ali Siddiqui & Obaid Usmani *

Abstract

Islamic Banking has shown notable growth in the last decade in Pakistan, mainly due to the availability of learned Shariah scholars who have gained expertise in Islamic Finance. The first Bank to register as an Islamic Bank in the country was Meezan Bank and the value it places on its Shariah Product Development and Compliance functions has gone a long way in making it the market leader.

Money, Gold and Inflation:
Some history and observations

By

A.L.M. Abdul Gafoor

Abstract

The article traces the evolution of paper currency from the outset to the present level of its development. Gold was initially used as money. For facility gold coin was minted. First the goldsmith's receipt of depositors' coin was used as currency and was the precursor of paper money. This was followed by the banks issuing bank notes and lastly Govts issued Notes and declared them legal tender. The paper money was gradually delinked from gold by all Govt to adopt deficit financing. This triggered inflation putting common mans' welfare in jeopardy. However in the view of the author, it is the depreciation in the value of currency and not inflation which causes surge in prices.

Interest-free Finances/Islamic Banking: AContemporary Challenge for *Ahlu-l-Kitab* (Christians and Jews) and Muslims in Nigeria

By

Dr. Huud Shittu

Abstract

Interest-free banking has polarized citizenry in Nigeria on the basis of sentiment and ignorance over interest/usury and the policy of the Central Bank of Nigeria (CBN). On this background, this paper examines the challenge of interest-free finance/banking in Nigeria. In achieving this aim, critical/rhetoric method and everyday life theory are employed. This work identifies Ahlu-l-Kitab as a group among the stakeholders, examines their commitments to the non-interest finance and clarifies conceptual study of the interest rate in Old and New Testaments as it relates to Neshekh and Tarbit. What relationship exists between the interest-free finance and Islamic banking system against the ribaNasi'ahand ribafadil? The contemporary challenges such as ethical requirement and steps taken in the quest for Islamic Bank are not only explored but also solved. The goal of this paper is to clarify the incompliance to the financial hypothesis given to the Jews, Christians and Muslims whereas they ought to practice it as taught and the paper concludes that society will be free from financial hardship and exploitations.Hence non-interest bank will be effective and productive more than the modern banks.

A Case-Study of Kuwait Finance House: Issues and Concerns in the Financial Reporting of Islamic Banks

By

Camille Paldi

Abstract

In this financial and non-financial analysis of Kuwait Finance House Group (KFH), I have conducted a ratio analysis of key liquidity, profitability, and efficiency ratios including the current ratio, EPS, return on equity (ROE), return on assets (ROA), and the debt-to-equity ratio and compared KFH to one of its main competitors, Gulf Finance House (GFH) in order to illuminate the financial health of KFH. In addition, I have examined KFH accounting, disclosure, and reporting practices and their suitability for an Islamic bank, remuneration practice, corporate and Shari'ah governance, corporate social responsibility, significant changes in policy and strategy and their possible financial impact, and have discussed risk mitigation and capital structure in order to provide a snapshot of the financial and non-financial health of the institution for the benefit of a potential investor/depositor. I have investigated various reasons for the performance of KFH and explored the profitability of the investment and real estate segments of the KFH conglomerate. The comprehensive analysis is based on the 2009-2011 annual reports of KFH and GFH, the 2009-2011 KFH Corporate Sustainability Reports, and the 2011 Public Disclosure Report of KFH Bahrain. In addition, I have examined and discussed relevant industry standards including IFRS, IFSB, and AAOIFI regulations regarding accounting and capital adequacy and explored the work of several academics including Haniffa, Safiedinne, Ahmed, Khan, Epstein, Archer, Simon, and Karim, Sarea, Shabbir, and Van Greuning and Iqbal as well as the work of industry practitioners such as Mohammad Amin and Michael Gassner. I conclude with recommendations to KFH and the industry for the best way forward in terms of financial reporting practice. This paper is directed at the stakeholders as defined in the KFH 2011 CSR Report.

Wavelet Analysis of Deposit returns. Conventional and Islamic Contingency: The Malaysian Saga

By

Mughees Shaukat

Abstract

A unique feature of Islamic banking, in theory, is its profit-and-loss sharing (PLS) paradigm. In practice, however, we find that Islamic banking is not very different from conventional banking in devising their rates of return. There appears to be a clear contingency. Using wavelets analysis in investigating such relationships between the conventional deposit returns and their influence on the Islamic versions, our study on Malaysia shows that Islamic deposits returns are closely pegged to conventional deposits rates. In this study, the proposed procedure is applied to a sample composed of 64 monthly observations spread over 2005- April 2011. It has proved that the contingency between the returns of deposits and their betas are more robust at short scales and higher frequencies. The study has also tried to go more deeper and attempted to observe even a homogeneous comparison between Islamic saving and Investemnt deposit returns and hence the influence of the former on the later. It was found that there is a constant casual relation and this mutual inclusivness was much more evident in longer scales or lower frequency instances.

Insights on Islamic finance

By

Imran Hussain Minhas

Abstract

Islam prescribes an all inclusive blue print for life. It recommends guiding rules for personal, interpersonal, financial, economic, political and religious aspects of life. This article discusses the sources of these rules and goes on to explain the basic prohibitive rule in Islamic finance – riba and its exclusion in earlier revealed religions as well, and why.

Journal of Islamic Banking & Finance April-June 2014

Islamic Finance in the Western World: Development, legal regulation and challenges faced by Islamic Finance in the United Kingdom

By

Shafaq Asmat

Abstract

This article analyses the emergence, growth and prominence gained by Islamic finance in the Western world using the example of the United Kingdom (U.K.). With the global expansion of Islamic financial markets, the U.K. and particularly London, has become one of the leading Islamic financial centres in Europe. Today London is in a position where it competes to stand alongside established Islamic finance capitals in the Muslim world, such as Dubai and Kuala Lampur. This article examines the growth of the phenomena in the U.K. in light of its significance for the British economy, the Government's approach to an industry based on Shari'ah principles and the delicate issues presented in accommodating Shari'ah based financing in a secular U.K., particularly in the often hostile and anti-Islamic climate post 9/11. Further, the legal regulatory framework governing Islamic finance in the U.K. is discussed, along with the challenges of accommodating Islamic finance within an established legal framework for conventional banks. While undoubtedly in the foreseeable future the U.K. has the potential to offer an array of opportunities in Islamic finance, the shortcomings of regulating an Islamic financial sector by religiously neutral laws cannot be ignored.