

Analysis of Islamic Mutual Funds Operations in Pakistan

By

Salman Ahmed Shaikh

Abstract

Islamic finance is a set of financial institutions representing a connected financial architecture that works based on prescribed Shari'ah principles. Growth in the industry has been stellar, but, certain principles, the strategic direction and the practices do not warrant celebration yet. This paper while noting the impressive performance of Islamic mutual funds in Pakistan, strives to a) discuss the theoretical problems in screening principles followed in investment policy, b) identifies the problematic and less ideal investment alternatives used in practice, and c) highlights the anomalies in income purification methodology. The paper argues that the vision of leading the establishment of an egalitarian and balanced financial system has taken a backseat and increasingly innovative financial engineering seems to have blurred the distinctive identity of Islamic financial system. The paper concludes with the recommendation that in the short term, Shariah regulators must comprehensively train themselves in prevalent financial reporting standards and understand their implications. In the medium to long term, centralized Shariah board and revised financial reporting standards must be structured taking into account special needs of auditing the fulfillment of Islamic principles in practice.

Islamic home finance: legality, pricing, and profit - Models compared

By

Prof. Dr. Zubair Hasan

Abstract

The Musharakah Mutanaqisah Partnership model or the MMP is fast gaining popularity in Islamic home financing, for jurists and the bankers both validate it as a totally interest free structure. We have exploded the myth of that validation in our earlier writings and reinforce our argument here . But on a more important side, we shall show that the construct, which some now refer to as the Zubair Diminishing Balance Model or the ZDBM, is cheaper for the customer without reducing in any way the profit margin for the bankers; instead, it provides them with a competitive edge over their mainstream rivals at zero cost. The model is more efficient: it uses fewer resources, the rate of return on investment remaining unchanged. Liquidity in the system is improved and social cause is served as the price of a basic human need is lowered. In contrast, the MMP is complicated, implies compound interest in practice, and is prone to Shari'ah frowns. ZDBM is especially fairer in the treatment of default related issues. It also does not invite the tensions which rental determination/revision or property valuation creates in the MMP programs. In this context the paper refers as illustrations to actual cases from some countries where MMP is gaining ground. The innovation of charging on diminishing balance may usher in revolution in finance.

Practices Of Insurance Operators In Malaysia: Conventional vs. Unconventional Life Insurance

By

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Abstract

Risk is part and parcel of our daily life and we have been trying to find out the way to protect ourselves in the case of misfortune. That is the reason why insurance came to play an important role in our life. Unfortunately, insurance seems to be not fully complied with unconventional (Islamic) aspect and hence, it has been modified to ensure unconventional requirements. However, to our knowledge, no research has been done to what extent these two differ and hence, the objective of this research is to examine the current conventional and unconventional life insurance practices in Malaysia. Interviews and the questionnaires have been conducted and the findings show that there are no significant differences in practices except for product development and allocation of premium contribution.

Econometric Analysis of Attitudinal Differences of Islamic Banking in Pakistan

By

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Abstract

This research examines the attitudinal difference of Pakistani customers about Islamic banking services. Data were collected from 600 respondents by using stratified sampling technique. A structured questionnaire was constructed to collect the necessary data to answer the research questions as being framed on related effective factors of attitudinal differences of customers' in Pakistan. In this research we have employed independent sample 't' test and ANOVA to test the hypotheses. It was revealed that Pakistani customers have positive attitude towards Islamic banking. Results of 't' test showed significant attitudinal differences between males and females. In addition, the results of ANOVA showed significant attitudinal difference existed only between the Punjabi, Sindhi, Phaktoon and Balouch customers regarding the Islamic banking. . Therefore, a generalization about the entire population of Pakistani banking customers of banking sector is inappropriate. In addition, this research could not incorporate all levels of diverse attributes of Islamic banking that might influence customers' behavior. The results of this study can facilitate the Islamic banking service providers to introduce new, innovative service offerings based on attitudinal differences and of course, in accordance with Islamic principles.

***Riba* Regime, Lean Purses And Angry Heavens: Palliatives And Opportunities In The Nigerian Economy**

By

Mubarak Oladosu

ABSTRACT

The notion that Islam offers a blueprint for a viable and vibrant society is well established in theory and history. However, the evolution of the economic dimension of the Islamic social order founded on interest-free economy into a globe-wide alternative ideological contender in political economics has a history that is less than half a century old. The first modern experiment with Islamic banking being undertaken in 1963 in Egypt and the first international academic conference on Islamic economic system was held in Jeddah in 1976. Prior to these ventures, many Muslim communities and nations practiced interest-free commerce under colonial economic regimes, under the states that succeeded these colonial governments, and before colonisation came to be. For Muslims in Nigeria, the challenges that inspired the early initiatives on Islamic economic system remain, and they remain in an atmosphere of economic woes, the centre of which is widespread and grinding poverty such that the middle class in Nigeria remains middle, in the last thirty years, only in the social sense but relegated to the lower class in the economic sense. Though two conventional banks offer interest-free banking services, interest-free economic atmosphere in Nigeria largely endures in the realm of theories, experimentation and intuitive practice in contraindication to the population of Muslim citizens, Muslim rulers and Muslim policy makers in Nigeria. The university community typifies the middle class in Nigeria and this paper sets out to examine issues surrounding Nigeria's absence on the global map of Islamic Banking and Finance and the opportunities obtainable to address Muslim poverty and absence in the global shari'ah compliant economy using the university of Ilorin as a case study.

Focus on Difference between Interest and Trade Profit

By

Muhammad Ayub

ABSTRACT

Time value of money is not only an economic reality, but also accepted by Islam in a different paradigm from that of the interest based finance. Islamic allows one to keep in view the time of any credit transaction while pricing the assets and / or their usufruct, but not for loans and debts. The unanimous rule of Bai'al Sarf that money or monetary units have to be exchanged on hand-to-hand basis lead to the fact that in business and commercial transactions time has value. Although Shirkah based modes are preferable than the debt creating mode like Murabaha, yet banks can use the latter provided they fulfill the relevant Shariah essentials. But some writers keep on arguing that Islamic banks using Murabaha are involved in interest business. The paper argues that while profit on credit sales – Murabaha or Musawama is permissible and Halal, any return on loans and debts is prohibited due to being Riba.

The Constitutionality Of Islamic Banking And Financing Services Under The Nigerian Constitutions

By

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ABSTRACT

Islamic banking and financial services have been a mirage soon after Muslim Bank West Africa Ltd was forced out of operation. There were agitations though to have a re-introduction of this type of banking but political insincerity and lack of political will to embed its operation with legal enhancement contributed in no small measure to its impossibility, until recently. A part of these problems is the fictitious assumption that the Nigerian Constitutions have not at any point in time provided for its establishment. It was however discovered that this assertion is far from being correct. Through historical and analytical research approaches, it was revealed that the three successive Constitutions of the Federal Republic of Nigerian have continually bestowed due legal recognizance and enabling right of operation for banking and financial services that are in compliance with the principles of *Mu'amalat* (Islamic Law guiding economic system generally).

Examining The Prudence Of Islamic Banks: A risk management perspective

By

Dr. Muhammad Imran Ashraf Usmani

ABSTRACT

Islam is a complete code of life. It not only lays down rules for religious affairs but it also covers every aspect of human activities including economic matters. It not only bans riba and gharar but also all ancillary practices which under the subterfuge of trade may surreptitiously be adopted to dodge the ban. It has, therefore, specified the types of transactions which should not be undertaken and closed all back doors for trespass of these evil practices into Muslim economic arena. It is on account of these restrictions that risk in Islamic finance is well managed and the system remains immune from the ravages of the storms which often appear on the financial firmament of the world.

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