

# Towards a Sustainable Islamic Microfinance Model in Pakistan

By  
Salman Ahmed Shaikh

## Abstract

*According to SDPI estimates, poverty rate in Pakistan has increased sharply, especially in rural areas. Some 58.7 million Pakistanis are classified as poor while Microfinance beneficiaries are only 2.8 million people. The progress and penetration of Islamic Microfinance is even more insignificant in relation to the enormous underdevelopment challenges faced by Pakistan. In this paper, we document the progress of Islamic Microfinance in Pakistan and build the case of its importance for Pakistan and for the Islamic finance industry. We also document the various business models and institutional structures used in practice for offering Islamic Microfinance products and services. We also document the regulatory environment under which Islamic Microfinance products can be offered in Pakistan. We explain the two basic models of Islamic Microfinance using a mathematical representation. The paper highlights the reasons why Islamic Microfinance in particular and Microfinance in general is not growing as rapidly as it should have given the level of underdevelopment and poverty in the country. Lastly, we propose how standardized screening and complimentary operations of NGOs and commercial IMFIs together with fiscal and monetary support can make Islamic Microfinance sustainable and commercially viable.*

# Islamic Banking and Its Implications on Human Capital Development in Nigeria

By

ZakaAbdurahman & HuudShittu Ph.D

## Abstract

*Recently, the Central Bank of Nigeria embarked on provisions for the proper establishment and operation of Islamic (Interest free) banking. This paper examines the viability of promoting Islamic banking in Nigeria and its implications on human capital development. This paper reveals various opportunities for Nigeria in promoting Islamic banking such as mobilization of funds, means of achieving financial inclusion, exchange of expertise, employment generation, promotion of quality services and healthy competition. This paper highlights the challenges that could hinder the development of the Islamic banking industry which include lack of awareness by the general public, lack of a Supervisory council on Shari'ah (Islamic Law), shortage of qualified manpower, prohibitions of interest (Riba) and Usury (Gharar) in all financial dealings among others. To ameliorate these challenges, the study recommends the effective regulation and supervision of Islamic banks, massive sensitization campaign and review of the existing company and banking laws. The paper concludes that the successful development of the Islamic banking industry in Nigeria will depend to a large extent on the size and quality of its human capital. In light of this, the study recommends that the approach of human capital development in Islamic banking to be comprehensive, meeting the highest standard and in close collaboration with the industry shall thereby give Islamic banking a great opportunity to achieve its major objectives of social justice and distribution of income. From the forgoing, it will be established that developing Islamic banking in Nigeria will have positive multiplier effects on both the financial sector and the economy as a whole.*

# The Practical & Behavioral Issues of Islamic Economic System

By  
*Muhammad Zeeshan Farrukh*

## **Abstract**

*Due to the consistent failure of conventional economics and finance in achieving economic goals, the need for an alternate system is being felt at every level in the world.*

*Being Muslims, we believe that Islam is a complete code of life and presents the complete and ideal lifestyle and socio-economic system for humanity that could lead to the real welfare of society. Therefore, there is a need to make analysis for developing proper strategy to present and implement the Islamic economic principles at the local and global level.*

*Now we are living in a global village where we are dealing with different nations, regions, communities, religions and thoughts. So it is mandatory to think, study and implement the golden principles and practices of Islamic Economic System in a global scenario rather than keeping them confined to only Muslim countries as the Muslim world cannot live in isolation in this time of globalization.*

*Keeping in view the above-mentioned scenario, this article discusses and analyzes the maximum possible hindrances, issues and challenges, while striving towards practicing Islamic Economic System, with respect to different possible behaviors expected from different schools of thought and beliefs of society and then presents the possible recommendations in this respect. The points discussed in this article may pave the way of serious thinking in this direction and requires concrete steps at authoritative and concerned levels.*

# Islamic Financial Services Patronizing Behavior in Tatarstan: An Exploratory Study

By  
Ruslan Sabirzyanov  
Muhamad Abduh

## **Abstract:**

*Despite the tremendous growth shown by global Islamic financial services industry, there are Muslim minority countries that have not embraced Islamic finance yet and Russian Federation is one of them. This research is aimed at investigating the people patronizing behavior towards Islamic financial services in the Republic of Tatarstan, the Russian Federation. The theory of reasoned action is adopted to examine the factors affecting Tatarstan citizens' behavioural intention to patronize Islamic financial products and services. Sample size of 517 is available for analysis. Confirmatory factor analysis and structural equation model were used as the method of analyses. The finding shows that awareness had positively influenced people's attitude towards Islamic financial services and subjective norms had positively influenced the intention to patronize Islamic financial institutions. This study evidences that in order to attract more people to patronize Islamic financial institutions, Islamic bankers in Tatarstan can approach people perceived important by the people of Tatarstan such as scholars and teachers.*

# **Wider Access to Collateral-Free Financing and the Role of Waqf in Promoting Loss- Profit Sharing Contracts**

*By*

*Mohammed Mahmoud Mantai*

## **Abstract**

*The purpose of this paper is to examine previous studies on the wider access to collateral-free financing in the context of Islamic micro-finance and entrepreneurs through the contracts of trust (Mudarabah and Musharakh) as well as assessing the role of the Waqf institution funds in their facilitation. We find that majority of the previous studies investigated propose the provision of collateral-free financing to the poor and the entrepreneurs and suggest the participation of the Waqf institution but unfortunately there is no specific model developed so far. Therefore, in this paper, we attempt to propose a new model in which Islamic banks can offer collateral-free financing with collaboration with the Waqf institution through the Profit and Loss sharing contracts.*

# Shariah Appraisal of the Takaful Model Based on 'Tabarru' (Donation)

By  
Farrukh Habib  
Mughees Shaukat

## Abstract

*The perception of donation ('Tabarru') is one of the basic elements in most of the composition of Takaful models. It intends not only to facilitate the modern Takaful structures from an Islamic law perspective, as it immunizes these structures from prohibited factors; but also to promote the noble concept of Islamic law of contracts, which is risk sharing among the participants of an Islamic financial system, or of a Takaful scheme for that matter. However, in current Takaful practices, the notion of 'Tabarru' is quite vague and controversial. It is argued that the concept of 'Tabarru' has been implemented while following only the letters of the Islamic law, but not the spirit. In order to support such practices, some dubious and perplexing explanations have been utilized; making the whole structure of such Takaful models questionable. This study critically examines the 'Tabarru' based models of Takaful; our analysis shows that the present practices of 'Tabarru' based Takaful models, renders it more in violation of Shariah ordainments than in compliance to them. Such deviations lead to an increasing absence of risk sharing in finance; a necessary requirement of an Islamic economic system. Therefore, it is suggested that the 'Tabarru' structure, as implemented today, needs to be re-examined and reformed on the basis of the concept of risk-sharing.*

# Comparison of Efficiency in Conventional and Islamic Banks Using Data Envelopment Analysis (DEA)

By

*Muhamad Nadratuzzaman Hosen  
Zahra Rosa Amalia  
Syafaat Muhari*

## **Abstract**

*One of the financial performance measurements of banks is to look at level of efficiency and this has been a concern of Financial Service Authority (FSA) of Indonesia. The level of efficiency is not only important for conventional banks but also important for Islamic banks to enable expansion by increasing the number of bank offices or new products. This research is based on data from four conventional banks i.e. Bank Mandiri, BRI, BCA and BNI and four Islamic banks i.e. Bank Syariah Mandiri, Muamalat, BRI Syariah and Mega Syariah during the period of 2009-2012. Method used in this research is the Data Envelopment Analysis (DEA) with intermediation approach and Constant Return to Scale (CRS) and Variable Return to Scale (VRS) models. The results showed that there is no significant differences between conventional banks and Islamic banks's level of efficiencies using CRS and VRS models. On the other hand, the result of paired sample t-test showed that there is a different level of efficiency between CRS and VRS model. This research showed that fixed asset variable (technology) and labour cost are significant influences in the differences between CRS and VRS models.*

# Islamic Social Finance: A Sustainable Means of Alleviating Poverty

By

*Akeem Kolawole Odeduntan & Tajudeen Adetokunbo Oni*

## **Abstract**

*The emphasis of Islamic finance has been continually laid on public interest which is believed to have had long lasting positive impact not only on socio-economic wellbeing but also on day-to-day affairs. The present paper seeks to bring to light institutions Islam puts in place to strengthen our social interaction thereby preventing socio-economic unrest, poverty, violence, terrorism and insurgency. The paper adopts a qualitative research approach to examining theoretically Islamic social finance in the perspective of communal oriented institutions such as Zakat and Waqf. Being a library-based research, the paper specifically applies the content analysis method to unravel the social values and goals of Islamic finance. The exploratory study on the subject matter was carried out by reviewing and analysing relevant literature. The outcome of this paper revealed that Islamic social finance remains one of the viable options of restoring peace and tranquility to the world system.*