

Shari'ah Mechanisms of Audit

Saudi Arabian and Malaysian Experiences

By
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Abstract

It is the common regulatory culture that, an annual audit is mandatory for every company, regardless of size, that is registered under the Saudi and Malaysian Companies Act¹. For this reason, the term 'auditing' is most commonly associated with the statutory audit of a company's accounts or financial statements as provided under the Acts. The Acts also stipulate that an external independent auditor referred to in the Act as 'approved company auditor' must perform a company's annual audit. An audit of financial statements increases the reliability of financial information for users (e.g.: managers, investors, creditors and regulatory agencies). An auditor plays an important role in this process by providing objective and independent reports on the reliability of information². By adding the audit function in the business environment, the users of the financial statements have reasonable assurance that the financial statements do not contain material misstatements or omissions. The auditing profession is currently operating in a very dynamic environment as numerous forces are affecting the responsibilities and activities of the public accountants. Lately, critics have charged that the current audit has failed to meet user expectations (e.g.: Enron case). Therefore it is important for the profession to reflect as to the nature and ethics of auditing in hope that by practicing ethically this will restore the confidence of the public. The purpose of this term paper is to explore auditing under the Shari'ah guidelines. Perhaps the best solution to the above critics is by developing an auditing standard and guidelines with reference to the Shari'ah rulings.

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¹ Companies Act 2015, Ministry of Commerce and Industry, Saudi Arabia. Companies Act 1965, Malaysia.

² Auditing and Assurance services in Malaysia, William F. Messier, Jr. Margaret Boh, McGraw Hill, Malaysia Edition, 2002, Pg 3

The Significance of Faith-based Ethical Principles in Responding to the Recurring Financial Crises

By
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Abstract:

The global financial system has been under tremendous pressure due to recurring financial crises. With nearly every major economy affected, the cost of managing these crises has been enormous. Some studies have identified ethical failure as the root cause of these financial crises, while others have focused on the structural flaws in the system. While both the diagnoses may be correct, the prescription for handling the crises lacks clear direction and consideration for its applicability over the long run. This paper focuses mainly on the ethical aspects and recommends a few long-term measures that seek to improve moral behavior. Few suggestions have also been made to improve financial inclusion based on common religious, social and moral values.

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The Impact of *Sukuk* investment in Developing UAE Economy¹

By

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Abstract

Purpose: *Sukuk* (Islamic bonds) is an integral part of Islamic economics and finance. It is an excellent source of funding for governments or companies who are craving for Shariah compliant tools which can foster the economic growth. The governments around the globe have taken deep interest in issuing and promoting *Sukuk* investment as the mainstream financial tools and the government of UAE particularly Dubai government has taken the lead in ensuring the Emirate being one of the first adapters of *Sukuk* in order to diversify its economy.

Design/methodology: A survey/interviews was conducted with Islamic banking professionals and investors. The Data helped to examine the impact of *Sukuk* investment in diversifying UAE economy as the UAE possesses nearly 10 per cent of the world's total reserves, and there is no doubt that oil will continue to provide the income for both economic growth and the expansion of social services for several more decades.

Findings: The *Sukuk* investment has always been preferred by the people who have preferences for the Islamic financial Systems. Thus it is imperative that the target market should be identified and the most attractive location has been identified as UAE as it has developed a strong market for *Sukuk* investment.

Originality/value: This research is to highlight the impact of *Sukuk* issued by Nasdaq Dubai on the UAE economy as one of the fastest growing financial products in Islamic Financial Institutions (IFIs). Finally, this research will analyze the potential of making Dubai as the centre of Islamic economics in line with the vision of Dubai government and foreseeable of economy growth opportunities in the Dubai Expo 2020.

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Objectivising the Social Justice Paradigm in Islamic Finance: [An Appraisal]

By

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Abstract

Islamic finance is hyposthased as the avatar of egalitarianism, equity and the zenith of social justice. Nevertheless, some scholars argue that the social justice objective of the Islamic finance is idealistic. This paper examines the extent to which the acclaimed social justice objective is innate to the services of the institutions. The focal areas include the provision of benevolent loan, corporate social responsibility, the duty of the payment of Zakat, extermination of debt based instruments, total elimination of interest, gambling and uncertainty from the financial system. However, is it concluded that, although, Islamic finance strives to realize its social justice objective, nevertheless, the institution needs to lift the bar of its acclaimed financial egalitarianism further higher.

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Crowdfunding and the Opportunity Presented in the American Islamic Financial Sphere

By

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Abstract

This paper serves to explore the next paradigm of evolution regarding Islamic finance products in light of the development and vast success of crowdfunding platforms¹. The first section examines the shifting paradigm of the Islamic finance lending product in America; the Islamic finance mortgage product. Demonstrated is that each subsequent shift in lending procedure has removed Islamic attributes associated therein, resulting with current products that have lost the substance of Islamic teachings and have fundamentally converged to the conventional product in function and form. The second section then reviews the methodology and practice of crowdfunding in the current financial landscape. Thereupon, juxtaposed are the advantages and attributes of crowdfunding and Islamic finance, highlighting the overwhelming similarities. The third section accordingly considers the current opportunity presented with crowdfunding, outlining additional attributes that must be present in an Islamic finance product. The article ultimately concludes by calling upon Islamic financial product developers to explore and pursue the current opportunity presented by the natural pairing of crowdfunding and Islamic finance products.

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¹ Although this paper aims solely to discuss the American Islamic Mortgage, the relevancies can easily be extrapolated to other segments of finance.

Macro-prudential Supervision in the Indonesia Financial Services Authority (OJK) and the Role of Sharia Board: A Proposed Framework

By

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Abstract

Recent global financial crisis has intensified the official sector's interest in strengthening the macro-prudential orientation of current policy arrangements in particular for Islamic banking and finance sector. The crisis also has highlighted the issues in quality of regulation and supervision in the financial sector, and tested the effectiveness of current regulation and supervision in identifying and mitigating the risks faced by the conventional systems in various jurisdictions. With increasing complexity and the uniqueness of Islamic banking and finance, OJK has to adopt a more macro prudential framework to address systemic risks and Shari'ah risks. The paper proposes a new macro prudential framework by involving a new Shari'ah Board Authority (DPSN) under the Commissioners of OJK to regulate and supervise the Shari'ah matters for Islamic financial institutions in Indonesia. The paper discusses the challenges in adopting this new framework. The paper concludes that the current shortcomings of the macro prudential approach for Shari'ah supervision and regulation require a new Shari'ah Board Authority under the commissioners of OJK who has full authority over Shari'ah matters.

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Effect of Quality of Services, Bank Image, Religious Perspective on Bank Customer Loyalty (A mediator role of customer satisfaction)

By

Amin Ur Rahman*

Abstract

with the liberalization of economic sector of Pakistan and introduction of Islamic banking system, the industry become more competitive as the consumers have more choices and thus their preference changed toward banking. In this increasing high competitive industry, Bankers are more focus on customer loyalty to win market share and thus gain competitive advantages. The purpose of this paper is to identify those core factors that influence customer loyalty in the banking sector of Pakistan.

The paper examines three independent factors i.e. Bank services, Bank reputation and religious perspective along with a mediator factor which is customer satisfaction that ultimately results in gaining customer loyalty. This study was carried out by taking a sample size of 260 participants and a structured questionnaire of 35 items was used to collect data and analysis was done using SPSS (edition 22) software. The Result of the study shows that there is a positive relation amongst Bank Services, Bank Image and Religious Perspective on customer satisfaction which directly leads to customer loyalty. With the help of this study we found that Bank service is considered as a most prominent factor that leads to customer satisfaction and customer satisfaction leads to customer loyalty. This study is helpful for policy makers and bank managers to know customer satisfaction thus they can earn more customer loyalty.

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