Evolution of Islamic Economics Definition, Nature, Methodology, Problems and Challenges

By

Professor Emeritus Dr. Zubair Hasan

Abstract

Since the ill-conceived separation of finance from Islamic economics proper in the literature, the latter has landed in confusion and neglect. Of late, much concern is being voiced on this state of affairs; divergence of views on various aspects of the subject tends to grow, cohesive efforts are missing. It is in this context that the present paper takes a hurried look at the evolutionary process of the subject and examines the definition, nature and scope, the issue of methodology, system approach, the problems that seem to beset its growth, the challenges it faces and how can same of these be faced.
Exploring the Impact of Shariah Training on Islamic Banking Employees in Pakistan

By
Syed Ahmad Ali
Prof. Dr. Arif Hassan
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ABSTRACT

**Purpose** – The paper explored the need and role of Shariah training of Islamic banking employees in Pakistan. It also examined the effect of such training on employees’ commitment and attitude towards Islamic banking.

**Design/Methodology/Approach** – The study used qualitative approach in which semi-structured interviews were conducted online using Skype from Islamic banking employees in Pakistan.

**Originality/Value** – The research appeared to be among the few on this subject and fulfills the need to understand training needs and its role in the context of Islamic banking employees in Pakistan. The uniqueness of the study is to examine Shariah training effect on employees’ work outcomes.

**Findings** – The findings revealed that employees working in Islamic banks perceive Shariah training as a necessity to work for and to continue their Islamic banking operations. For different levels of Shariah training, a step by step approach was suggested – basic to extensive. Similarly, for Shariah training, it turned out to impact employee motivation, organizational commitment, occupational commitment, attitude towards Islamic banking as well as performance.
Liquidity Determinants of Islamic and Conventional Banks

By
Oussama Gafrej
Mouna Boujelbene Abbes

Abstract
This paper investigates the impact of specific banking factors and macroeconomic factors on banks’ liquidity of Islamic and conventional banks using generalized least squares (GLS). We show that Islamic banks hold more liquidity, can absorb the excessive withdrawal of funds and can pay its shorter maturity obligations better than conventional banks for the period from 2006 to 2013. For Islamic Banks, we found a positive and significant influence of past liquidity, return on assets and capital to total assets ratio on banks’ liquidity. Also, we found a negative and significant influence of size to banks’ liquidity. The loan loss reserves to gross loans ratio and the inflation rate have a positive and insignificant impact on liquidity, whereas the age has a negative and insignificant impact on liquidity. While the results of growth of loans, growth of gross domestic product and deposit interest rate are ambiguous. On the other hand, for conventional banks we found a positive and significant influence of past liquidity and return on assets on banks’ liquidity. Also, we found a negative and significant influence of capital to total assets ratio, growth loans, size, age and inflation rate on banks’ liquidity. The deposit interest rate has a positive and insignificant impact on liquidity. On the contrary, the growth of gross domestic product has a negative and insignificant impact on liquidity. While, the result of loan loss reserves to gross loans ratio is ambiguous.
Expounding the Relevance of Retirement Planning from the Primary Sources of the Shari’ah

By

Hanefia Binti Muchlis Gazali and Nabil Bello

Abstract:

Purpose - This paper presents an introduction on retirement planning from the Islamic perspective. Most importantly, it points out the lessons of retirement planning from the Islamic primary sources, that is the Qur’an and the Hadith and also from the maqasid al-Shari’ah.

Design/methodology/approach – A secondary methodology is used for this study through library research by reviewing the concepts and processes of retirement planning from the Islamic perspective.

Findings – Although the concept of retirement planning is not found in Islamic literature, there are some verses in the Qur’an and hadith that show the importance of planning for future and taking measures against risks and uncertainties in life. The importance of planning is not solely for individuals alone but for their wives and children.

Limitation/implication – It is noted that there are limited studies on retirement planning from Islamic perspective. The paper also utilized conceptual approach without conducting empirical and statistical investigations.

Practical implication – The paper provides an insight on the importance of retirement planning and its relevance from the Shari’ah point of view. It is essential for the policy makers and service providers to offer retirement products that comply with Shari’ah rulings.

Originality – This paper is the first attempt to discuss retirement planning through maslahah and Maqasid al-Shari’ah in order to encourage Muslim manage their wealth properly for the sake of obtaining al-falah in this world and in the hereafter.
Modaraba: A Viable Option for Project Financing
By
Muhammad Ali Shaikh

Abstract:
Conventionally project finance (PF) is limited recourse finance (LRF) based on non recourse to the sponsors and relies mainly on the project cash flows which closely resembles Modaraba. There are many things common such as project’s viability as investment criteria, monitoring by banks, non recourse to sponsors and management control. Key issues such as risk of loss have many similar dimensions.

Modaraba option has some benefits which make it a better alternative. For example if project fails, the bank as owner can quickly liquidate the assets to improve recovery. In case of mismanagement and violation of contract, the bank can assume control and fix responsibility on the Modarib for losses. Besides losing remuneration for his work, his reputation is also at stake. Therefore delegation of managerial authority to Modarib is not a blank cheque. Capital gain in successful projects accrues to the bank where as in a loan situation it goes to the project. Collateral is a fallback position in LRF but is not needed in Modaraba.

The limited exposure of IBs in PF business needs enhancement for which a market niche exists, particularly in Pakistan where the field is open without significant competition after the closure of DFIs.
Capital Structure Decisions in Islamic Banking: Empirical Evidence from Pakistan

By

M. A. Rehman Shah¹, A. Rashid², M. Khaleequzzaman³

Abstract

This study aims to explore the determinants of capital structure in the Islamic banking industry of Pakistan. It also aims at exploring the effects of macroeconomic conditions and policy variables on the financing decisions of Islamic banking industry. To do this, the study uses an unbalanced panel data covering the period from 2006 to 2012. The results from fixed effect model indicate that bank-specific variables, namely bank size, tangibility, and growth are positively related to banks’ capital structure, whereas profitability, liquidity, and capital adequacy ratio are negatively related to the capital structural decisions of banks. On the other hand, real interest rate and inflation are negatively related to the capital structure of Islamic banking industry, while industrial production index has a positive impact upon the capital structure decisions of the Islamic banking industry of Pakistan.