

Mutual Funds in India - Potential for Islamic Versions

By

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Abstract

Purpose

This research investigates the prospects of Shari'ah mutual funds in India. India is among the fastest emerging destinations for investment. It has the second highest Muslim population in the world with 180 million representing some 14.4% of India's total population. Having a huge potential and strong regulatory infrastructure, India has the ability to become a hub for Shari'ah compliant funds. In this regard, the Securities Exchange Board of India has thus far approved two Shari'ah mutual funds in India.

Methodology

It adopts a qualitative methodology wherein primary data is sourced through interviews. In addition, purposive, and judgemental sampling methods are employed and the findings are analysed based on thematic analysis. It has been conducted by personal interviews and e-interviews. In total 9 interviews have been conducted of which 4 from mutual funds companies and 5 from Shari'ah finance experts are analysed in this research.

Findings

The findings highlight that Shari'ah mutual funds can play a big role in economic reform and development by including Muslims and other communities into the financial institutions of India. When accompanied with a framework for Shari'ah governance, such investments will enjoy enhanced transparency and accountability. Further, the findings show that training, education, and awareness programmes are crucial to increase the confidence in and demand for Shari'ah mutual funds. The nature of Shari'ah investments limiting to areas that are not socially

and ethically destructive render it a morally upright and socially responsible investment channel suitable to all religions.

Research Limitations

This research does not cover all Islamic finance experts and mutual fund companies of India. Due to time and other constraints, the researcher managed to interview five Islamic finance experts. Similarly, the researcher approached ten mutual fund companies located in Hyderabad and succeeded in interviewing four mutual fund companies as most of the mutual fund companies did not respond.

Practical Implications

This study is new in the context of India and is relevant to regulators and mutual fund companies towards establishing more Shari'ah compliant mutual funds and to serve as a guide for the future direction of the Shari'ah mutual fund industry of India.

Originality Value

Most of prior research focuses on the conventional mutual funds. As per the researchers' knowledge, no study has been done on the prospects of Shari'ah mutual funds in India. This raises the high demand for various new funds to be launched according to Shari'ah guidelines. This research focuses on prospects of Shari'ah mutual funds in India. Thus, the findings of this research contribute to the existing literature.

The Achievement, Implementation and Future of a Cooperative Zakat Model in the Inland Empire and Beyond

By
Husam Suleiman

Abstract

The course of this submission is to detail the creation and implementation of a cooperative zakat distribution model in a geographic area encompassing over a dozen mosques and Islamic organizations. The first section opens by outlining the initial state of zakat management in the given region, resulting from the implementation of a decentralized model. The section concludes by highlighting the respective strengths and weakness of the initial model in the region. The second section defines a set of objectives and procedures aimed at correcting the zakat management in the region by capitalizing on a unified approach. The third section describes the attempted implementation of a centralized system in the region with the newly created process, ultimately resulting in an unsustainable model. Having failed with a decentralized and centralized model, the fourth section details the creation of a hybrid; the cooperative model. This section summarizes the beneficial attributes of the centralized and decentralized methods ultimately incorporated into the hybrid. The section closes outlining the initial results of the hybrid model, which was very encouraging as zakat distribution was standardized and efficiency was increased. The fifth section concludes the paper with suggestions to further improve zakat management within, and beyond, the geographic region with the continued use of a cooperative model.

Corporate Social Responsibility (CSR) in Islamic financial Institutions: the Shariah Adoption and Standardization, UAE and Malaysian Model

By

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Abstract

This paper proposes a standardized 'Corporate Social Responsibility (CSR)' framework for the Islamic financial institution queing from the idea of the proposed UAE framework. The development of CSR framework in UAE is the newest contribution of the country to the growth of Islamic finance, after being the cradle of the industry. The Emirates' Ministry of Commerce has instructed corporations in the country to register for a mandatory CSR practice, including the Islamic financial institutions. However, the Islamic financial institutions lack a standardized CSR framework. This is also the case with Malaysia. Individual financial institutions use separate framework for CSR. The current study adopts a qualitative approach and it proposes a standardized CSR framework for the Islamic financial institutions. In addition, interviews was conducted to extract valuable information from the Islamic finance practitioners in both UAE and Malaysia on the CSR practice in the countries. The interviewees agree that the Islamic financial institutions are lacking standardized CSR framework and suggest the development of a unified framework. More so, majority of the interviewees agreed that the Carroll Model of CSR can be adopted and adapted to the Shari'ah practice of the Islamic financial institutions. The current paper highlights areas that require attention while developing a standardized Islamic finance CSR.

Challenges of Islamic Banking in Nigeria; Legal and Regulatory Perspectives

By

Idris Muhammad Idris

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Abstract

This research paper discussed the challenges of Islamic banking in Nigeria, looking at the legal and regulatory perspective of the industry. The background of both the Islamic and Conventional banking system was analyzed, the legal background supporting the major actors in the industry i.e. (CBN and NDIC) functions was also analyzed. The research concluded that Islamic banking is an essential sub-sector with prospect and has a lot to contribute to the diversification of the Nigerian financial system. However, legal and regulatory challenges would hinder the success of this financial system. It is recommended that the policies guiding the operations of Islamic banking in Nigeria should be restructured to consider the AAOIFI standard. Islamic Financial market should be developed so that Islamic banks could invest their excess liquidity. FRACE should be a unit within the CBN that will oversee the activities of the ACE on day to day basis. The ACE tenure should be a non-renewable one term of four (4) years to enhance their independence. Advanced trainings on Islamic banking should be conducted for the regulators of the industry in order to meet their regulatory challenges and the global best practice of Islamic banking. Capacity building for the regulators and operators in the sub-sector should be intensified. To have a robust Islamic banking and finance system, these challenges need to be addressed in order to achieve the objectives and goals of Islamic banking.

Are Shari'ah Governance and Risk Management Important? A case of Islami Bank Bangladesh Ltd

By

Md Akther Uddin, PhD

Abstract

This paper studies Shari'ah governance and risk management practices in the biggest Islamic bank in Bangladesh, Islami Bank Bangladesh Ltd (IBBL). The study is descriptive and comparative in nature. We have analyzed existing literature to compare Shari'ah governance framework and used secondary data to understand the risk management practices in IBBL. The results indicate that Shari'ah governance differ across regions and legal institutions but uniformity is recommended to further develop the Islamic Financial Institutions (IFIs) in both Muslim and non-Muslim countries. In Bangladesh, IBBL follows the AAOIFI standards in Shari'ah governance and has maintained high standard so far. However, the situations in other Islamic banks are not very satisfactory. IBBL has developed comprehensive risk management framework but still face significant investment and credit risk with growing non-performing loan and excess liquidity risk due to limited short-term investment opportunities. The study could help policy makers to develop comprehensive shari'ah governance and risk management framework in IFIs across the world.

Conceptual Approach to Identification of Fault lines in Conventional Financial System's Risk Transfer Mechanism: A Case for Risk Sharing in Islamic Finance

By
Mustapha Abubakar PhD
Kabiru Jinjiri Ringim

Abstract

The concepts, theory and practice of risk sharing as enshrined in Islamic finance remain a real mechanism for widening the space for participation in economic activities for growth and development. The perceived propensity for greater risk sharing derivable benefits, which mutual efforts enjoyed in Islamic finance, is a process of risk transfer in a conventional financial system. Indeed, risk sharing takes center stage in Islamic finance as a catalyst for business inclusion, thus accommodating the poor more in economic activities. Many fault lines have been identified in existing practices in conventional systems, through risk transfer, which voids the essence of its institution as a nebulous structure to fund economic activities. The dysfunctional outing of conventional finance risk transfer mechanism is rarely documented. Hence, the efficacy of Islamic finance risk sharing mechanism that ought to be harnessed has not been adequately brought to the limelight. Consequently, the primary objective of this paper is to present a conceptual discussion on risk, arguments about Islamic risk sharing practice, and fault lines that inherently characterize conventional risk transfer mechanism. The paper argues for a reintroduction and strengthening of other crucial players' relevant activities for such to be harmonized in the interest of the overall financial system stability.

The Halal and Haram Aspect of Cryptocurrencies in Islam

*By
Sudais Asif*

Abstract

This paper takes into view the conditions that render an investment or transaction haram in Islam and relates them to cryptocurrencies through a literature research methodology. Furthermore, elements that exist in the cryptocurrency ecosystem such as tokens, initial coin offerings (ICOs) and cryptocurrency derivatives are assessed to check as to whether they are compatible with Islam. The difference between Bitcoin and its alternatives is also recognized by analyzing their underlying technology and how they could be a major tool in defining whether or not a cryptocurrency falls in the Islamic permissibility criteria. It concludes that although the technology of cryptocurrencies in itself is Halal; different aspects contribute in deciding whether the specific digital currency in question is Halal or Haram. Future research is needed on a couple of key issues related to Proof of Stake protocol which has been discussed.