

# Liquidity Management for Islamic Banks in Indonesia: The Experience of Komoditi Syariah Jakarta Future Exchange (KS-JFX)

By

*Muhammad Iman Sastra Mihajat, Ph.D*

## **Abstract**

*The development of Islamic banking in Indonesia has gained popularity since the last two decades that implies high demand on innovative product particularly for liquidity management for Islamic banks. At the same time, the liquidity management is something crucial and urgent to Islamic banking operation. In 2011, Jakarta Future Exchange (JFX) has launched one innovative Islamic money market instrument for Islamic bank as liquidity risk management namely Komoditi Syariah. This product was accommodated by Fatwa DSN-MUI No. 82/DSN-MUI/VIII/2011 to justify the sharī'ah compliance of the product. This paper highlights the contemporary issues of liquidity risk management for Islamic banks in Indonesia. The paper also attempts to elucidate in depth the concept and mechanism of Komoditi Syariah of JFX and lays down several possible sharī'ah issues in the structure. At the end of the chapter, the paper proposes parameters guidelines to comply with sharī'ah, and proposes possible sharī'ah structure that can be taken into consideration by Islamic financial industries for future structure for liquidity management product.*

# Green Sukuk for Financing Renewable Energy Projects

By

*Siti Rohaya Mat Rahim, and Zam Zuriyati Mohamad*

## **Abstract**

*This paper investigates the application of the Green Sukuk, particularly, for financing the renewable energy. More precisely, three case studies had been chosen for discussion. In the first case study, we highlights “Hybrid Sukuk” framework adopted by Tadau Energy Sdn. Bhd. for financing solar photovoltaic (PV) plants. The second case study, we reviewed on “Sukuk Wakalah” issued by BEWG (M) Sdn. Bhd., as an ideal solution for water treatment project. Finally, for the third case study, we have discussed in details about “Sukuk Murabahah” which being used by Sarawak Hydro Sdn. Bhd. for financing the hydroelectric plant (BAKUN hydroelectric project).*

# Model for Financing Agro Projects in Islamic Banking Institutions

By

*Muhammad Ridhwan Ab. Aziz  
Muhammad Mohamad Yusoff*

## Abstract

*The main aim of Islamic financing in agriculture is to finance agriculture-based projects and to prevent any involvement of haram elements by using banking and financing instruments which is Shariah-compliant among agro-entrepreneurs. However, there are several risks that need to be faced by agro-entrepreneurs which may force them to accommodate possible loss from effect of risks using the same funding. Both agropreneurs and banking institutions are increasingly seeking effective and sustainable strategies and approaches to mitigate, transfer, or cope with these inherent risks. Hence, the main aim of this paper is to develop a suitable financing model as a solution to the risks. The methodology of the research in this paper is mixed methodology, using qualitative and quantitative approach in answering research questions. The methodology of data collection is semi-structured interviews and survey questionnaires. This paper shows various noteworthy findings such as agropreneurs' risks issues, awareness on Islamic financing, and Shariah-compliant financing constructs. The newly developed agro financing mechanism that complies with sharīah law will be proposed in the end of this paper.*

# Islamic Finance: Challenges of Islamic Banking in Pakistan

By

*Shaikh, Asif Zaheer  
Dr. Shah, Ume Laila*

## **Abstract:**

*Islamic finance is growing with remarkable pace, especially Islamic banking, a major segment of Islamic finance, is expanding rapidly. This evaluates position of Islamic finance and Islamic banking, around the world in general and particularly in Pakistan. History of Islamic banking in Pakistan is protracted and at present this sector is growing significantly. However Islamic banking is confronting with number of challenges, which restrain it from sustainable growth in Pakistan. Growth level of Islamic banks should be steeper to contribute substantial share in country's economy. It is important to formulate effective policies, at institutional and operational level to address these challenges through close collaboration of key stakeholders.*

# Shariah Compliance Prediction Model for Shariah Compliant Stocks Based on Historical Discriminant Trend Analysis

By

Usman Khurshid

Assoc. Prof. Dr Syed Musa Alhabshi

## ABSTRACT

*Shari'ah stocks screening methodologies had a significant impact in the realm of Islamic finance portfolio stocks since the early 1990s. These enabled a more inclusive investment community among overall Islamic financial community that led to the growth of Islamic financial institutions including Islamic banks and takaful. Over the years different Shari'ah stocks screening methodologies have been developed by the leading indices in different jurisdictions both at the agency and regulatory level. All the newly developed Shari'ah screening methodologies shared a common core i.e. screening out the Shari'ah non-compliant business activities e.g. alcohol, gambling. On the other hand, the threshold of the financial ratio was the distinguishing feature among the methodologies from applications of different juristic rulings. Even though Shari'ah stocks screening methodologies are a vital tool for Islamic equities sphere, there is a lack of empirical research on the Shari'ah governance dimension of the Shari'ah stocks screening methodologies. Therefore, understanding the degree of possibility of Shari'ah compliant stocks to become Shari'ah non-compliant will enhance the level of Shari'ah governance of the Shari'ah compliant stocks. The research aims to fill this gap by providing a Shari'ah governance tool for Shari'ah stocks screening methodologies, which will help Islamic investors and stakeholders to better understand the Shari'ah compliant stocks and the mechanisms of Shari'ah stocks screening methodologies around the world. The sample in this research includes 1440 Shari'ah compliant stocks spanning 69 countries with high market capitalization, over a period between 2010-2016/17. The sampled stocks were analyzed using the modified discriminate function to forecast the Shari'ah compliance level for the stock based on trends from historical Shari'ah compliance level of the stocks i.e. green, yellow and red. Forecast results provide the variations of Shari'ah compliance level of the stocks over the years for a robustness evaluation of 5 global Shari'ah stocks screening methodologies. The results highlight that the Standard & Poor and Dow Jones Shari'ah screening methodologies are more robust than others as they have a highest and stable number of green Shari'ah compliant stocks from the sample 1440 stocks from the year 2010 to 2016/17. The Shari'ah compliance trend from the historical data analysis can be further used to forecast the future Shari'ah compliance direction of the stocks.*

# Factors Influencing the Adoption of Islamic Banking of Pakistan

By

*Kashif Abbass, Hua-Ming Song, Arsalan Tanveer  
Muhammad Zeeshan & Shazia Shaheen Shaikh*

## **Abstract:**

*The purpose of the study is to determine the factors that are influencing the adoption of Islamic banking. To determine the factors that are influencing the adoption of Islamic banking amongst the 150 employees of the middle management were taken as a sample of the total population of the department. A convenience sampling technique is used for data collected from the banks, five point Likert scale were used to get the response from employees, and all the questions are close ended. The data are analysed by applying co-relation, regression and descriptive analysis to find the result of variables (Religious Motives, Financial, Teaching of Islam, Reputation, Convenience and Responsiveness) by using SPSS (24.0). The results of the study show that all variables are significant and all the variables influence the customers while the adoption of Islamic banking.*