

Regulatory Paradigm of Non-Banking Sectors the Case of Saudi Arabia

By
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Abstract

Banking system is considered as the main part of a financial system of any country. A fully regulated financial system is an indicator of stability of the economy. Saudi Arabia is one of the main emerging economy in the world that participating in the G22. Saudi Arabia has been moving to a very fast towards legal, social and economic reforms. It has created its famous vision 2030, which is considered the most constrictive tool to change its future. Moreover, it promulgates several laws and regulations to implement and enforce its vision. Hitherto, some conventional practices by the society may be considered as against the government developing trends. One of the most critical issue that could be considered as outside the government control is the Non-Banking Finance Solutions. This conventional transaction practiced by individuals and commercial entities without a full control from the financial regulator. This study aims to focus on this issue by studying its legal background as well as its implications on the financial system. Also, the study will suggest some legal solution to enhance regulatory supervision that may control such business.

Money Creation Concept and Monetary Policy in Islamic Economy: The Role of Malaysian Regulator

By

Dr. Hafiza Harun

Abstract:

The uniqueness of Islamic economics system lies on its underlying principles and philosophies. Islamic principles stand as the guiding rules in ensuring all mechanisms and relevant activities of economics are in compliance with Shariah. Undoubtedly, the creation of money requires for a meticulous process as the observation of any elements of non-compliance with Shariah must be put in place. The involvement of ethical foundation is also exclusive and worth to be emphasized as a reflection of Islam and a perfect religion. By focusing to Malaysian monetary policy and economics jurisdiction, indeed, the role of regulator is very crucial and being stressed in this discussion. This research paper applies the literature review based methodology that deliberates the money status in Islam, Islamic monetary policy and the significant procedures and financial regulations for monetary policy in Malaysia. Developing a dedicated Islamic monetary policy has been progressing through continuous effort in embarking in-depth research on this area besides the existence of Islamic Interbank Money Market which focuses on absorbing surplus liquidity.

Analysis of the Types of Interest {Riba} in Islamic Law

By

Dr Mohammed Nawaz [al Hasani]

Abstract

The basic difference between the conventional and the Islamic systems of transaction is riba which is the main source of income in conventional system of transactions but is prohibited in the Islamic theory of contract and is also declared harmful for the economy in Islamic law.

As riba is prohibited, it is declared unlawful in its different forms. This article analyzes the different types of riba that are relevant, aims at defining each type of interest [riba] and explaining the difference between these types with examples.

The article gives a comprehensive and exclusive definition of interest [riba] but avoids to elaborate it because it is the topic of another article. It also does not discuss the underlying causes of riba though some relevant matters are discussed here.

This article explains the Shariah standard of riba and its parameters. It also answers some questions related to riba and its definition being not exhaustive.

The article will make it clear that riba is absolutely prohibited in the Islamic law and nobody is allowed to suggest that there are two types of riba, one of which is prohibited and the other is permitted.

Fixed Income Assets of Islamic Banks: Moving Forward To Adapt a New Role as a Trading House

By
Muhammad Ali Shaikh

1. Introduction

Major portion of the asset portfolio of Islamic banks (IBs) consists of Fixed Income (FI) assets. The reason for keeping higher share of FI assets (e.g. Murabahah, Ijarah and Diminishing Musharaka) is obvious. The return paid to depositors depends on the earning potential of the asset portfolio. Risk perception about investment risk in PLS assets is high as compared to fixed income (FI) assets based on trading or Ijarah involving credit risk which is considered lower and easier to manage. Some failures of PLS financing in the first phase of Islamic banking in Pakistan in the eighties also created this impression without going in to the reasons of their failure. Islamic bankers coming from the traditional background of conventional banks were more familiar with credit and collateral based financing and related risk. Therefore, despite criticism regarding credit and collateral structure which creates similarity with conventional methods and questions about socioeconomic impact the initial structure of the asset portfolio of IBs mainly consisted of FI assets. However recent data shows a change in the trend showing improvement in the share of PLS assets but FI assets are still the main component of asset portfolio.

Since the portfolio risk is an important factor besides the requirement of halal income in deciding the asset structure the journey towards desired structural change may be longer than expected. It is not only the debate of PLS vs FI assets. Some situations like infrastructure financing and consumer financing may not be suitable for PLS financing leaving the fixed income type as the only choice. Even when all issues hindering adaption of PLS assets are resolved (apparently a distant possibility) complete switch over to PLS assets may not be practically possible. Therefore, FI assets will remain in the portfolio of Islamic banks although the percentage share may come down in the coming years.

This paper deals in detail with issues involved in the practice of FI products particularly with reference to banks' new role as a trading house and explains the ways how this role can be adapted by the Islamic Banks to make FI assets as undisputed viable Shariah compliant asset creation alternative.

Factors Motivating the Establishment of Waqf Institution towards Poverty Alleviation among Muslim Ummah in Oyo State, South West, Nigeria

By

Ibraheem Alani Abdul Kareem

Dr. AhamadFaosiyOgunbado

Abstract

This article explores the factors motivating the establishment of waqf institution towards poverty alleviation among Muslim Ummah in Oyo state, South West, Nigeria, considering the importance of waqf institutions in taking care of the needs of the less privileged in the society. To achieve the objective of this study, the theory planned behavior (TPB) was selected to accommodate such variables as attitude, subjective norm and perceived behavioural control as predictors of waqf institutions establishment in Oyo state, Nigeria. Based on this, three hypotheses were formulated for the study. This study adopts a quantitative research where a sample was drawn from the population of Islamic scholar (Alfa) Oyo state, Nigeria. A number of 218 Islamic scholars were randomly selected to respond to the survey which was designed to examine the relationship between the predictors (attitude, subjective norm and perceived behavioural control) and the establishment of waqf institution as a way of poverty alleviation. Data was analysed using statistical

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achieve the objective of this study. The findings supported the three formulated hypotheses, indicate that attitude, subjective norm and perceived behavioural control have a positive significant relationship towards the establishment of waqf institution as a way of poverty alleviation. This study adds to the existing literature of waqf and suggests opportunities for future research.

The Impact of Dividend Policy on Shareholders' Wealth: A Case Study of Syariah Compliance Companies

By

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Syukriah Ali, HasniAbd Rahim and KartiniKasim

Abstract

Maximizing the shareholder's wealth is an ultimate goal for every firm. It can be achieved through the company's action, usually through the periodic dividend payments which is determined by dividend policy. The objective of this study is to determine the impact of dividend policy on shareholders' wealth based on ten (10) Syariah compliance companies in consumer product sector listed at Bursa Malaysia within the period of 2007 to 2017. The market price per share (MPS) was used as the dependent variable. The dividend policy such as Earnings per Share (EPS), Dividend per Share (DPS), Return on Equity (ROE), and Retained Earnings (RE) were used as a proxy of dividend policy and represent as independent variables.

This study used a multiple linear regression analysis at a significance level of 5% processed by Eviews version 9.5 and 10. From the results, it showed that all the variables proxies of the dividend policy has positive effect on shareholders' wealth (MPS).

***Bay' al-Wafa* Repo [BW Repo-i]: A Proposed Shariah Compliant Liquidity Management Instrument from the Classical Perspective**

By

Abdul-Azeez Maruf Olayemi

Abstract

The dearth of Shariah compliant instruments for liquidity management is yet a major challenge that works against the stability and the growth of Islamic banking and finance. However, an in-depth study of the literatures of Fiqh 'Islamic jurisprudence' shows that one of the method that was used to solve the problem by classical scholars was the introduction of some hybrid contract, such as Bay' al-'Uhudah, Bay' al-Wafa contracts etc. Adopting jurisprudential and legal methodology, the current study seeks to propose a new tradable and viable instrument for the market. The instrument is coined "BW Repo-i." It is a Shariah compliant repurchase agreement. If the instrument is adopted, it is believed that it will offer a solution to the challenges of liquidity management in the Islamic financial institutions. The instrument shall be tradable at both the primary market and secondary market of the Islamic money market.