

ISLAMIC ECONOMIC STUDIES

Vol. 24 No. 1

June, 2016 (Sha'ban 1437H)

Advisory Board

Khurshid Ahmad
Mohamed Ariff
M. Umer Chapra
Seif I. Tag el-Din
Abbas Mirakhor
John R. Presley
Mohamed Ali Elgari
M. Nejatullah Siddiqi
Rodney Wilson
Abdel-Rahman Yousri
M. Anas Zarqa
M. Umar Zubair
Tariqullah Khan

Articles

An Evaluation of Islamic Monetary Policy Instruments
Introduced in Some Selected OIC Member Countries

Md. Abdul Awwal Sarker

Research Trends on *Zakāh* in Western Literature

Ahmed Belouafi

Abderrazak Belabes

Critical Review of the Tools of *Ijtihād* Used in Islamic Finance

Abdulazeem Abozaid

An Assessment of Journal Quality in the Discipline of Islamic
Economics

M Nahar Mohd Arshad

Resolution of (OIC) Fiqh Academy

Book Review

Events, Reports and New Publications

Abstracts of Articles Published in *Dirasat Iqtisadiyah Islamiah*

Cumulative Index of Papers

List of IRTI Publications



Islamic Research & Training Institute (IRTI)

Establishment

The Islamic Research and Training Institute (IRTI) was established by the Board of Executive Directors (BED) of the Islamic Development Bank (IDB) in conformity with paragraph (a) of the Resolution No. BG/14-99 of the Board of Governors adopted at its Third Annual Meeting held on 10th Rabi-ul-Thani, 1399H corresponding to 14th March, 1979. The Institute became operational in 1403H corresponding to 1983. The Statute of the IRTI was modified in accordance with the resolutions of the IDB BED No.247 held on 27/08/1428H.

Purpose

The Institute undertakes research for enabling the economic, financial and banking activities in Muslim countries to conform to Shariah, and to extend training facilities for personnel engaged in development activities in the Bank's member countries.

Functions

The functions of the institute are to:

- A. Develop dynamic and innovative Islamic Financial Services Industry (IFSI).
- B. Develop and coordinate basic and applied research for the application of Shariah in economics, banking and finance.
- C. Conduct policy dialogue with member countries.
- D. Provide advisory services in Islamic economics, banking and finance.
- E. Disseminate IFSI related knowledge through conference, seminars, workshops, apprenticeships, and policy & research papers.
- F. Provide learning and training opportunities for personnel engaged in socio-economic development activities in member countries.
- G. Collect and systematize information and disseminate knowledge.
- H. Collaborate to provide policy advice and advisory services on the development and stability of Islamic Finance and on the role of Islamic institutions in economic development to member government, private sector and the NGO sector.
- I. Develop partnership with research and academic institutions at OIC and international levels.

Organization

The President of the IDB is the President and the Legal Representative of the Institute. The Board of Executive Directors of the IDB acts as the supreme body of the institute responsible for determining its policy. The Institute's management is entrusted to a Director General selected by the IDB President in consultation with the Board of Executive Directors. The Institute has a Board of Trustees that function as an Advisory body to the Board of Executive Directors. The Institute consists of two Departments, each with two Divisions:

Research & Advisory Services Department	Training & Information Services Department
Islamic Economics & Finance Research Division	Training Division
Advisory Services in Islamic Economics & Finance Division	Information & Knowledge Services Division

Headquarters

The Institute is located at the headquarters of the Islamic Development Bank in Jeddah, Saudi Arabia.

8111 King Khalid St. A1 Nuzlah A1 Yamanian Dist.
Unit No. 1, Jeddah 22332-2444, Kingdom of Saudi Arabia
Tel: (00966-2) 636 1400 Fax: (00966-2) 637 8927
Home page: <http://www.irti.org> Email: irti@isdb.org



© Islamic Research and Training Institute
Member of Islamic Development Bank Group

Copyright by Islamic Research & Training Institute, a Member of the Islamic Development Bank Group. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the copyright holder, except reference and citation, but must be properly acknowledged.

The view expressed in this publication are those of the authors and do not necessarily reflect the view of the Islamic Research and Training Institute of the Islamic Development Bank.

King Fahd National Library Cataloging-in-Publication Data
Islamic economic studies – Jeddah

Vol. 24, No. 1; 17 x 24 cm
ISSN: 1319/1616
1-Islamic economics
I. Title

ISSN: 1319/1616
LDN: 14-0721

Published by

The Islamic Research and Training Institute
A Member of the Islamic Development Bank Group
P.O. Box 9201 – Jeddah 21413 Saudi Arabia
Tel: (+96612) 6361400, Fax: (+96612) 6378927
Email : irti@isdb.org
Website: http://www.irti.org

Islamic Economic Studies (IES) is published biannually, in the months of Muharram and Rajab, according to the Islamic Hijra calendar. *Islamic Economic Studies* is a refereed journal that maintains high academic standards. It is included in the Abstracting Services CD-ROM indexing of the Journal of Economic Literature published by the American Economic Association.

Subscriptions: First class mail is US \$35.00 for one year (two issues). The price of a single issue is US \$20.00. Subscriptions should be mailed to the following publisher address:

The Islamic Research and Training Institute
A Member of the Islamic Development Bank Group
P. O. Box 9201, Jeddah 21413 Saudi Arabia
Tel: (+96612) 6361400, Fax: (+96612) 6378927
E-mail: ejournal@isdb.org

ISLAMIC ECONOMIC STUDIES

Vol. 24 No. 1

June, 2016 (Sha'ban 1437H)

Editor

Salman Syed Ali

Co-Editors

Mohammed Obaidullah
Nasim Shah Shirazi
Muhammad Zulkhibri

CONTENTS

Articles

Editorial Board

Mohamed Azmi Omar
Sami Al-Suwailem
Tariqullah Khan
Osman Babiker
Mohammed Obaidullah
Salman Syed Ali

An Evaluation of Islamic Monetary Policy Instruments
Introduced in Some Selected OIC Member Countries 1

Md. Abdul Awwal Sarker

Research Trends on *Zakāh* in Western Literature 49

Ahmed Belouafi

Abderrazak Belabes

Critical Review of the Tools of *Ijtihād Used in Islamic
Finance* 77

Abdulazeem Abozaid

An Assessment of Journal Quality in the Discipline of
Islamic Economics 95

M Nahar Mohd Arshad

Resolution of (OIC) Fiqh Academy 117

Book Review 131

Events, Reports and New Publications 139

**Abstracts of Articles Published in *Dirasat Iqtisadiyah
Islamiah* 159**

Cumulative Index of Papers 167

List of IRTI Publications 179

ARTICLES

An Evaluation of Islamic Monetary Policy Instruments Introduced in Some Selected OIC Member Countries

Every nation has a direction (or vision) towards which it turns; therefore, try to excel in all that is good. (al-Qur'ān, 2:148)

MD. ABDUL AWWAL SARKER•

Abstract

This paper investigates the concepts and operational methodologies of the monetary policy instruments introduced by the OIC central banks' to manage their monetary affairs in line with Islamic Sharī'ah. The Islamic monetary policy instruments of Malaysia, Sudan, Bahrain, Iran and Bangladesh have been examined and modalities of two new monetary policy instruments have been suggested. The suggested instruments are a) Central Bank Muḍārabah Ṣukūk (CBMS) and Government Murābahah Ṣukūk (GMS). The analysis is in the context of Bangladesh, therefore the instruments are aimed to help Bangladesh Bank to regulate the liquidity of the Islamic banks and money supply process through the Islamic banking sector of the country. Bangladesh Bank may issue 'Central Bank Muḍārabah Ṣukūk' (non-tradable CBMS) to the Islamic banks and non-bank Islamic financial institutions' (NBIFIs) on weekly auction basis to facilitate open market operations (Islamic alternative to REPO and Reverse REPO). It is expected that channelization of the CBMS proceeds by the Islamic microfinance providers at the grassroots level, would help develop new Islamic micro entrepreneurs class, which would broadly spur income generating activities in the economy. On the other, CBMS would provide space for the Islamic banks for parking their excess liquidity. The second instrument Government Murābahah Ṣukūk (non-tradable GMS) could be

• General Manager, Research Department, Bangladesh Bank, Head Office, Dhaka, Bangladesh, awwal.sarker@bb.org.bd awwal.dhaka.1960@gmail.com

used by Bangladesh Bank as a Sharī‘ah-compatible monetary policy instrument in tandem with the Government Treasury Bills/Bonds to finance government imports. The GMS would provide an easy avenue to Government to raise funds to finance its imports for both food and non-food items (e.g., petroleum imports).

Keywords: Monetary Policy Instruments, Central Banking, *Ṣukūk*

JEL Classification: E52, G21

KAUJIE Classification: Q21, K13

Section 1

Introduction

Background of the Study

Nigel Lawson remarked that ‘man is a moral animal and no political or economic order can long survive except on a moral base.’¹ The growing acceptance of Islamic banking by the people of Bangladesh irrespective of religion confirms the comment of Nigel. The contribution of the Islamic banks and financial institutions proved to be conducive to attain sustainable economic development of the country. But, due to the unavailability of the Islamic monetary policy instruments alongwith the Islamic financial legal infrastructure, the system could not exerted the maximum yields towards the overall development of the country. This issue might be addressed urgently. Bangladesh economy is marching forward towards achievements of middle income country status by the year 2021. To ensure this transformation, government will and monetary authority’s role should be pragmatic. With this in view, it is felt that excess liquidity of the banks especially of Islamic banks should be redirected to help achieve monetary policy objectives and conducive Islamic monetary policy instruments should be devised.

Islamic Monetary Policy, what it is?

As we know from the literature that the main function of the central bank is to keep the inflation under control as well as to give emphasis on employment generation. Many central banks follow monetary targeting framework while some other central banks also follow the inflation targeting framework of monetary policy. However, in both cases the primary role of the central bank is to provide

¹ Lawson, Nigel: Some reflections on morality and capitalism, in Brittan and Hamlin, 1995, pp. 35-44. Excerpted from *The Future of Economics*, M Umer Chapra, The Islamic Foundation, UK, 2000.

sufficient reserves and hence the money supply to avoid large fluctuations in price level and unemployment rate henceforth. This means that the nominal output and employment must be kept close or ideally at their "natural rates". In other words, the goal of monetary policy should be the reduction of the variability of output and employment. The central bank, while keeping the level of output at its "natural rate", should preserve the value of the currency at a reasonably stable level. This is more important in an Islamic economic system than an interest-based economy for several reasons. Besides the unfair and capricious redistribution of income and the uncertainty that accompanies inflation, preserving the value of money is more important in an Islamic framework because of the paramount significance of honesty and fairness in all relationships and dealings in all aspects of life.² Most writers on this subject agree that the major objectives of monetary policy of the central bank in an interest free banking system will be basically the same as those that are found elsewhere. But the monetary policy makers in this setting will have to find the policy instruments which will be Sharī'ah compatible and will be used to attain the objectives of monetary policy.

Dr. M. Umer Chapra (1985) discussed the issue of monetary policy under Islamic framework in detail and observed that 'in an Islamic economy, the demand for money would arise basically from the transactions and precautionary needs which are determined largely by the level of money income and its distribution. The speculative demand for money is essentially triggered by interest rate fluctuations in the capitalist economies. A decline in interest rates combined with expectations about their rise induces individuals and firms to increase their money holdings. ---The abolition of interest rate and the levy of zakat at the rate of two-and-a-half percent per annum would not only tend to minimize the speculative demand for money and reduce the locking-in effect of interest rates but also impart greater stability to the total demand for money,---the Islamic central bank should gear its monetary policy to the generation of a growth in money supply which is adequate to finance the potential growth in output over the medium and long-terms within the framework of stable prices and the other socio-economic goals of Islam.³

Significance of the Study

As it is explained in the above paragraphs, the Islamic banking sector is rapidly growing in the country due to mass participation of the people. It constitutes a

² Hamid Zangeneh and Ahmad Salam. "Central Banking in an Interest-Free Banking System" *Journal of King Abdul Aziz University: Islamic Econ.*, Vol. 5, pp. 25-36 (1413 A.H./1993 A.D.)

³ M. Umer Chapra: *Towards a Just Monetary System* (A discussion of money, banking and monetary policy in the light of Islamic teachings), The Islamic Foundation, UK 1985, pp. 187-189.

significant and rising share of the financial sector in Bangladesh providing an alternative to conventional finance. Key developmental challenges in the Islamic banking sector are to provide effective supervision and liquidity management infrastructure. In particular, the tasks of building an enabling environment for liquidity management are still at a nascent stage. Moreover, to commensurate with the growth of this sector, preparedness of the central bank is not so much prominent especially in the field of implementation of monetary policy transmission mechanism. It is assumed that the monetary policy of central bank will become irrelevant if suitable monetary policy instruments are not developed in line with the Shari'ah framework to manage and regulate the rapidly increasing Islamic banking sector and thereby attain the overall monetary policy objectives.

Available studies point to a significant absence of an effective systemic liquidity infrastructure for Islamic finance.⁴ Islamic Financial Services Board (IFSB) in a study recommended that to constitute a forward looking Islamic money market development strategy at national level, monetary authorities should take into consideration the following tasks⁵ on an urgent basis:

1. Design Islamic money market and Islamic government financing instruments (i.e. Shari'ah compliant public sector debt (and financing) instruments) with the desirable characteristics i.e. relatively low risk, simply designed, regularly issued, widely held and supported by a robust payment and settlement system
2. Incorporate Islamic government financing instruments as an integral part of the overall public debt and financing program, and foster the development of an Islamic government securities market. This requires a systematic approach to linking government expenditures, asset acquisition, and asset generation with sovereign *shukūk* issuance program.
3. Actively use Islamic government financing instruments in market-based monetary operations of the central bank to manage liquidity in the Islamic money market. This would facilitate also a uniform approach to dealing with both Islamic and conventional banks in the conduct of monetary operations.

⁴ V. Sundararajan. Towards developing a template to assess Islamic financial services industry (IFSI) in the World Bank – IMF Financial Sector Assessment Program (FSAP), IRTI, IDB, 2011.

⁵ IFSB (2008): Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets. March 2008.

4. Develop efficient trading arrangements and the associated market microstructure for Islamic money and government finance instruments and develop in parallel the foreign exchange markets.
5. Provide supervisory guidance and incentives for effective liquidity risk and asset liability management by IIFS, and in parallel foster privately issued money market securities.

Therefore, in view of the above, to ensure effectiveness of the central bank monetary policy and to ensure smooth operation and sustainable stability and growth of the Islamic banking sector in the country, Bangladesh Bank needs some appropriate Islamic monetary policy instruments to regulate the money supply and facilitate the sector. Therefore, with this end in view, this research project is expected to review the Islamic monetary policy tools and instruments introduced by the OIC central banks to address the monetary policy issues under Islamic perspectives both under single/dual banking system and to customize some of those instruments for application in the context of Bangladesh.

Research Methodology and Structure

The study examines the theoretical as well as empirical aspects of the Islamic monetary policy instruments so far introduced by the OIC central banks (on the basis of available information). Published and unpublished material has been used and discussions were made with the experts at Islamic Research and Training Institute (IRTI), IDB to understand the pros and cons of the ideas related to those instruments to derive the basis of correct thinking into the study. A letter was sent to some selected OIC central banks to collect information on their Islamic monetary policy instruments. However, very few central banks responded to the request.

Section 2, discusses concept and framework of some Islamic monetary policy instruments (IMPIs) introduced by the OIC central banks. IMPIs introduced in the countries like Malaysia, Sudan, Iran, and Bahrain is highlighted. Section 3, reviews operational methodology and constraints of Government Islamic Investment Bond (GIIB) introduced in Bangladesh in 2004 as an Islamic monetary policy instrument. Section 4, discusses the theoretical rationale and operational design of two new IMPIs for introduction in Bangladesh. Section 5, finally, concludes the study highlighting the limitations and specific policy recommendations for future research.

Section 2

IMPIs introduced by the OIC Central Banks

Generally, monetary policy aims at achieving sustainable growth in an environment of price stability and meets the overnight operating target to reinforce monetary policy intention, and manage liquidity in the desired manner. Monetary policy operations in both conventional and Islamic set up mainly focus on absorbing the surplus liquidity of the system.

The central banks, both under single or dual banking system, and irrespective of the Islamic or non-Islamic countries, need to develop an Islamic monetary policy framework to monitor and forecast short-term liquidity developments on a continuous basis, so that its discretionary operations are made consistent with its ultimate and intermediate objectives. The main purpose of monetary policy regime and their regulatory framework is to monitor and forecast short-term liquidity developments in the Islamic finance sector to create an information set which puts the central bank into a position to look into the smooth changes in liquidity conditions (with a view of creating stable liquidity conditions and limit market volatility) and to ensure that its monetary operations are very much consistent with the monetary program. To take well informed monetary decisions, dual framework necessitates the central bank to communicate with the both segment of market in an effective manner.

A number of IMPIs have been introduced in different OIC countries to manage and control the money supply. The following Islamic monetary policy instruments, introduced in some of the jurisdictions have been selected to discuss their concept and operational methodology and suitability in view of Bangladesh's overall financial sector conditions for liquidity management of the Islamic finance industry.

Central bank standing facilities for the Islamic finance sector⁶

Standing credit facilities are aimed at providing short-term liquidity at the initiative of commercial banks, signaling the general stance of monetary policy and limiting the volatility in overnight market interest rates. The central bank's credit facilities, as lender of last resort, are important for the development of the Islamic money market. In certain countries, credit facility is provided in the form of

⁶ IFSB (2008): Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets.

Commodity *Murābahah* arrangements, or arrangements to an exchange of deposits on a mutually offsetting basis, or temporary accommodation of money on a free-of-charge basis. In others, central banks may provide credit with returns tied to *Muḍārabah* deposit rates of banks receiving credit, or may provide liquidity through buyback arrangements for specified *Ṣukūk*⁷ held by the banks. It would be desirable to develop some form of Sharī'ah-compliant alternatives to REPO (based on *Ṣukūk*) or other form of short maturity transactions using tradable instruments that are more flexible, and that can be priced in relation to market returns at an appropriate level. Central banks in all jurisdictions impose reserve requirements on the deposit liabilities of the banks. At present, the reserve maintenance method is the same for both conventional banks and Islamic banks, and penalties are imposed for any shortfall in reserves below the minimum reserves requirement. Central bank may offer deposit facility on a Commodity *Murābahah* arrangement, allowing the Islamic banks to obtain some form of return. Another central bank offered *Wadī'ah* certificates as evidence of deposits placed with it, with returns tied to the average of the return on Interbank *Muḍārabah* investments.

Malaysia

No special deposit facilities are available to banks in Malaysia (conventional or Islamic), other than the current account for holding the required and excess reserves. No return is paid on excess reserves. A range of short-term securities – such as Islamic Treasury bills, Islamic BNM notes, etc. are available for Islamic banks. BNM also provides deposit placement facility to Islamic banks via Commodity *Murābahah* transaction. Several instruments are also available for Islamic banks wanting to obtain financing from the central bank, including placements based on *Wadī'ah*, *Rahn* or *Muḍārabah* principles, and through a sale-and buyback facility on the underlying *Ṣukūk*.

Sudan

No special deposit facilities are available to banks in Sudan (conventional or Islamic), other than the current account facilities for holding the required and excess reserves. No return is paid on excess reserves. However, Islamic banks have access to a range of *Ṣukūk* available on auctions for investing their surplus funds.

⁷*Ṣukūk* in general may be understood as a sharia'h compliant 'Bond'. In its simplest form *ṣukūk* represents ownership of an asset or its usufruct. The claim embodied in *ṣukūk* is not simply a claim to cash flow but an ownership claim. This also differentiates *ṣukūk* from conventional bonds as the latter proceed over interest bearing securities, whereas *ṣukūk* are basically investment certificates consisting of ownership claims in a pool of assets.

Financing from the central banks is now made available through repurchases of *Shukūk* and auctions of investment financing.

Bahrain

Islamic banks rely only on non-interest-bearing excess reserves held in their current accounts with Central Bank of Bahrain. Islamic banks have access to a range of *Ijārah* and *Shukūk Al-Salam* for their liquidity management. The development of OMOs using Sharī'ah-compliant alternatives to REPOs and outright sale or purchase is crucial for efficient monetary operations of the central bank. Although most central banks use OMOs and OMO-type operations, only some have adapted these operations to accommodate transactions with Islamic banks. It is important, therefore, that suitable instruments are designed, particularly to accommodate Sharī'ah-compliant alternatives to REPO-like transactions for effective monetary operations with Islamic banks.

Islamic Monetary Policy Instruments introduced in Malaysia

Malaysia's monetary policy framework has evolved over time in response to changes in the economic environment and financial landscape in Malaysia. The variety of monetary instruments available for the liquidity management of the banking system accorded flexibility to the Bank in meeting market expectations and liquidity needs. Amid rising yields on market expectations for an increase in the OPR, higher issuances of Bank Negara Monetary Notes (BNMNs), especially from July 2014 to October 2014, were undertaken to meet the strong market demand, including that of the non-resident portfolio investors.⁸

The share of Islamic interbank surplus liquidity as a percentage of total market surplus liquidity continued to increase to 31.7% in 2014 from 23.4% in 2009, reflecting the growth and the development of the Islamic banking industry. With the requirement to distinguish between Islamic deposit and investment accounts under the implementation of the Islamic Financial Services Act 2013 (IFSA), it is expected that there will be greater use of commodity *Murābahah* transactions as an instrument of Islamic deposits in the Islamic financial market. Accordingly, the Bank has increased the use of the Commodity *Murābahah* Programme (CMP) in its Islamic liquidity management operations since early July 2014. Consequently, banks have progressively switched their short-term placements with the Bank to the CMP, as evidenced by the increase in the share of the CMP from 3.9% in 2013

⁸ Bank Negara Malaysia, Annual Report 2014,

to 14.5% of total Islamic short-term borrowings in 2014. As innovative structures evolve in the issuance of Shari'ah compliant securities, the Bank has taken the initiative to move its Islamic securities issuances towards the more efficient and cost-effective Trustee-based structure. The new Islamic BNMNs (BNMN-i), under the *Murābahah* concept of using a trustee-based structure, were issued at the beginning of September 2014. This was a change from the previously used special purpose vehicle (SPV)-based structure. Although other characteristics of the BNMN-I remain unchanged, the new trustee-based structure simplifies the issuance structure by allowing the Bank to be the direct issuer of the BNMN-i, instead of an SPV. This eases investors' understanding of the BNMN-i issuances structure and facilitates risk assessments on the issuer of the BNMN-i, and subsequently, may attract wider interest from both Islamic and conventional investors.⁹

Instrument 1: Sale and Buyback Agreements (Shari'ah-compliant alternatives to REPOs)

The SBBA consist of two legs of transactions. In the first leg, the Islamic Financial Institution (IFI) with liquidity shortage offers to sell eligible Shari'ah compliant securities to BNM. Securities will cease to form part of the Islamic bank's portfolio. Subsequently, the IFI make a unilateral promise (*wa'ad*) to buy back the Islamic securities the next day (overnight) at an agreed price which treated as contingent liability. Both contracts for each sale leg are independent of each other. The SBBA transactions enable IFI to acquire liquidity from BNM overnight.

Design

Involves one contract to sell a security outright at an agreed price, with a second contract for a forward purchase of the security at a specified price and on a specified future date. The undertaking made by both the buyer and the seller to sell and buy back the instrument, respectively, at the maturity date is based on promise.

Features

Requires an active secondary market for a long-dated security, in which outright spot and forward transactions can be executed, or a strong counterparty, or a central bank that can quote firm buy and sell prices. These requirements could limit the potential of Shari'ah-compliant alternatives to REPO as a money market instrument.

⁹ Bank Negara Malaysia, Monetary Policy Report, 2014 in Annual Report 2014.

Instrument 2: Central Bank Wadī'ah Certificates (Wadī'ah Yad Dhamanah)

Bank Negara Malaysia (BNM), the central bank of Malaysia absorbs excess liquidity by accepting deposits on a trust concept from Islamic banks and financial institutions. BNM provides guarantee to the principal of deposits. Deposits may be invested for making profit with permission from depositors. BNM is, in principle, not obliged to give any return to depositors; *Hibah* (gift) can be given to depositors as a token of appreciation. This practice by BNM is widely accepted by the universal scholars

Design

Issued by the central bank as evidence of funds placed with the central bank for varying maturities. The central bank may pay a bonus on the funds at maturity tied to the average return on Interbank *Muḍārabah* investments.

Features

- a. Not readily tradable.
- b. The rate of return is tied to market rates, which are in turn tied to recent realized profits.

Instrument 3: Şukūk Bank Negara Malaysia Murābahah

As a part of Bank Negara Malaysia's initiative to support Islamic Finance development in Malaysia, Commodity *Murābahah* Programme (CMP) was introduced to facilitate liquidity management and investment purposes. CMP is a cash deposit product which is based on a globally acceptable Islamic concept called *tawarruq*. It is an efficient instrument for mobilization of funds between surplus and deficit units. CMP is designed to be the first ever commodity-based transaction that utilizes the Crude Palm Oil based contracts as the underlying assets. CMP transaction with BNM was first auctioned competitively in the Islamic Interbank Money Market (IIMM) via the Fully Automated System for Issuing/Tendering (FAST) on 14 March 2007 and it marked an extensive effort by the country to become a significant player in Islamic Financial Market globally. CMP may also be transacted bilaterally amongst IIMM participants including BNM.

The introduction and usage of CMP as liquidity management tool contributes to realizing the vision of making Malaysia as an International Islamic Financial

Centre (MIFC). The Purpose of CMP is to offer Islamic financial institutions a new instrument in managing liquidity in the IIMM. Fixed Return CMP provides certainty of returns as it is undertaken based on pre-agreed 'margin' or 'mark-up' from the sale and purchase of the underlying asset. The benefits of CMP are efficient allocation of resources, effective liquidity management tool, and platform for monetary policy implementation, portfolio diversification, risk management facility and global acceptance. Issued based on *Murābahah* concept. SPV issues *ṣukūk* to investors, which proceed is used to purchase commodity. Commodity is then sold to BNM on *Murābahah* basis with deferred payment. BNM then sell the commodity purchased to another party to obtain cash and absorb liquidity from the market. At maturity, BNM will pay the purchase price, which will be used to redeem the *ṣukūk*.

Instrument 4: Government Investment Issues (GII)¹⁰

GII stands for Government Investment Issue and is a form of marketable government debt securities issued by the Government of Malaysia to raise funds from the domestic capital market to finance the Government's development expenditure. GII is Islamic securities issued in compliance with Sharī'ah requirements and is an alternative debt instrument for the Government.

The issuer of the bond is the Government of Malaysia (GOM) and Bank Negara Malaysia (BNM) acts as Facility Agent/Lead Arranger. Effective from 22 July 2013, GII is issued based on *Murābahah* concept. GII is essentially a certificate of indebtedness arising from a deferred mark-up sale transaction of an asset, such as commodity (mainly crude palm oil), which complies with Sharī'ah principles. This new issuance under *Murābahah* contract involves commodity transactions to create indebtedness between the *ṣukūk* issuer and the investors. Under the issuance principle, the successful bidders or investors appoint BNM as their agent to buy the commodity. BNM as the commodity agent will buy the commodity e.g. Crude Palm Oil. Upon completion of the purchase, BNM on behalf of the successful bidders or investors, sells the commodity to Government at a mark-up price to be paid on deferred payment date. The obligation of the Government to settle the purchase price is securitized in the form of GII and is issued to the investors. Profit from the sale represents the coupon of GII, which is paid periodically such as semi-annual basis. On maturity, i.e., deferred payment date, the Government pays the principal amount and final profit payable to the GII holders, to redeem the GII.

¹⁰ Bank Negara Malaysia: Information Note, Government Investment Issue (GII), Principal Information.

On the other hand, Government appoints BNM as their agent to sell the commodity at cost to raise the required funding. BNM as the commodity agent will sell the commodity and remit the cash to Government. Meanwhile, the GII issued prior to 22 July 2013, is based on *Bay' Al- ĩnah* contract, is a trust certificate, arising from sell and buy back of asset in Islamic finance.

GII is long-term non-interest-bearing Government securities based on Islamic principles for funding developmental expenditure. GII is issued through competitive bidding auction by Bank Negara Malaysia on behalf of the Government. The GII issuance program is preannounced in the auction calendar with issuance size ranging from RM2 billion to RM5 billion and original maturities of 3-, 5-, 7-, 10-, 15- or 20-year. GII is issued under the Government Funding Act 1983¹¹ (formerly known as Government Investment Act 1983). The terms and conditions of the GII shall be governed by, and construed in accordance with, the laws of Malaysia. The parties irrevocably submit to the exclusive jurisdiction of the courts of Malaysia. Shari'ah Advisory Council of Bank Negara Malaysia provides necessary Shari'ah clearance. For issuance under *Murābahah*, the underlying assets used are Shari'ah compliant commodity (non *ribāwi* item), such as Crude Palm Oil. The Issuer is to enter into *Murābahah* transactions involving the buying and selling of commodities namely Crude Palm Oil, and to issue securities in its own name. The issuance, holding, sale and purchase of such securities shall be subject to such terms and conditions or guidelines governing the issuance thereof.

There is no capital gains tax in Malaysia and there is no stamp duty relating to the issuance and transfer of government debt securities or private debt securities approved by the Securities Commission (SC). Resident individuals, unit trust companies and listed closed-end fund companies are exempted from income tax for interest income/profit earned from ringgit-denominated government debt securities and private debt securities in Malaysia. Non-resident investors are also exempted from withholding tax on interest income/profit earned from ringgit-denominated debt securities issued by Government of Malaysia as well as private debt securities approved by the SC. Competitive multiple-price auction via FAST (Fully Automated System for Issuance/Tendering) is used. All bids at primary issuance must be submitted through the Principal Dealers (PDs) network whom is appointed by BNM. Payments for the amounts accepted and allotted must be made in full by 11:30 a.m. on the issue date. On issue date, RENTAS (Malaysia's RTGS system) will credit the GII to the securities accounts of the successful bidders after

¹¹ Bank Negara Malaysia: Frequently Asked Questions (FAQ) Government Investment Issues (GII).

successfully debiting the respective cash accounts. GII shall be redeemed by Government of Malaysia at their par value on the maturity date.

Status of the GII is accorded with the regulatory treatment as follows:

- a. Eligible collateral for Standing Facility;
- b. Class-1 liquefiable assets status under the Liquidity Framework, subject to a yield slippage of 2%;
- c. 0% risk weight under the Risk-Weighted Capital Adequacy Framework and the Capital Adequacy Framework for Islamic Banks;
- d. Excluded from Single Customer Credit Limit; and
- e. 0% risk charge under the Risk-Based Capital Framework for Insurers.

Design

The specified Government assets are sold to investors at an agreed cash price decided on an auction basis, with an agreement to buy back the assets at the nominal value at maturity. The difference between the buying price and the selling price is the profit for the participating financial institutions, through which all interested parties place their orders.

Features

- a. Actively traded in the Islamic interbank money market in Malaysia.
- b. In principle, the use of this instrument is limited by the availability of assets for sale, may not be accepted by all Shari'ah boards, and is limited to trading among Islamic banks primarily, thereby limiting the liquidity of the market for GIIs.

Instrument 5: Bank Negara Monetary Notes Murābahah¹²

Bank Negara Malaysia introduced a new Islamic monetary instrument named Bank Negara Monetary Notes *Murābahah* (BNMN-*Murābahah*) for the purpose of managing liquidity in the Islamic financial market. The main objective of issuing BNMN-*Murābahah* is to increase efficiency and flexibility in managing liquidity in the financial system by diversifying the Shari'ah concept used in Islamic

¹²A note on Bank Negara Monetary Notes *Murābahah*, Bank Negara Malaysia.

monetary instrument. The introduction of BNMN *Murābaḥah* would also benefit investors as the use of *Murābaḥah* contract will expand investors' base and consequently promote liquidity in the Islamic money market. The introduction of a new instrument reflects continuous effort by Bank Negara Malaysia to spur product innovation for the development of a vibrant and comprehensive Islamic money market in Malaysia. Issuance of BNMN-*Murābaḥah* is based on *Murābaḥah* contract which refers to a mark-up sale transaction. BNMN-*Murābaḥah* is essentially a certificate of indebtedness arising from a deferred mark-up sale transaction of an asset, such as commodity (mainly crude palm oil), which comply with Shari'ah principles. BNMN-*Murābaḥah* is issued by BNM *Ṣukūk Berhad*, the same SPV used for the issuance of *Ṣukūk BNM Ijārah*. The issuances are to be conducted through competitive auction via the Principal Dealer (PD) network. BNMN-*Murābaḥah* is traded using the current market convention and accorded the same regulatory treatment as the existing BNMN-i.

*Instrument 6: Ṣukūk Bank Negara Malaysia Ijārah (Ṣukūk BNM Ijārah)*¹³

Ṣukūk issued based sale and lease-back transaction. Globally acceptable. BNM sells its *Ijārah* assets to SPV to obtain cash and absorb liquidity from market. SPV will issue *ṣukūk* to finance the purchase of assets and consequently lease the properties back to BNM. Lease rental paid by BNM to SPV will be passed to investors as return on *ṣukūk*. On maturity, BNM will buy the properties from SPV, which proceed will be used to redeem the *ṣukūk* from investors. The issuer of *Ṣukūk Bank Negara Malaysia Ijārah* is *BNM Ṣukūk Berhad* and facility agent/lead arranger is Bank Negara Malaysia. The issuance principle of *Ṣukūk Bank Negara Malaysia Ijārah* is based on trust certificates to be issued under the Islamic contract of *Al-Ijārah*.

To facilitate the issuance of *Ṣukūk BNM Ijārah*, a master sale and purchase agreement is executed by BNM as seller, the Issuer as buyer and the *Ṣukūk BNM Ijārah* trustee to govern the respective individual purchase and sale agreements of the acceptable assets entered into by the seller, the buyer and the trustee from time to time. The Issuer will issue the *Ṣukūk BNM Ijārah* and utilize the issue proceeds to pay for the purchase price of the acceptable assets. A head lease agreement is executed by BNM as lessee, the Issuer as lessor and the *Ṣukūk BNM Ijārah* trustee to govern the respective individual lease agreements of the acceptable assets entered into by the lessor, the lessee and the trustee from time to time. Essentially, the acceptable assets shall be purchased in accordance with the terms of each

¹³ Bank Negara Malaysia. 16 February 2006.

individual sale and purchase agreement at a purchase price to be agreed upon. Immediately thereafter, the acceptable assets shall be leased to BNM in accordance with the terms of each individual lease agreement, and lease rentals shall be paid by BNM to the Issuer over a period which amount and duration shall be equal to the nominal value and tenure of the *Şukūk* BNM *Ijārah* respectively.

The trust obligations of the Issuer to the holders of *Şukūk* BNM *Ijārah* shall be evidenced by the Issuer issuing the *Şukūk* BNM *Ijārah* up to the issue size comprising Primary *Şukūk* BNM *Ijārah* with attached Secondary *Şukūk* BNM *Ijārah*. All bids submitted by the investors for the *Şukūk* BNM *Ijārah* are bids to purchase. BNM's land and buildings in existence are used as at the relevant issue date as determined and identified by BNM and the Issuer. This *şukūk* is issued on competitive Tender via FAST. The *Şukūk* BNM *Ijārah* is listed on the Scriptless Securities Trading System (SSTS). The *Şukūk* BNM *Ijārah* shall be redeemed by BNM at their full nominal value on the maturity date less all return payments previously made under the Secondary *Şukūk* BNM *Ijārah* on the respective return payment dates. Secondary *Şukūk* BNM *Ijārah* is payable semi-annually based on the weighted average successful rental rate determined during the tendering exercise. Return payments and/or redemption payments on holidays shall be guided by the Rules on The Scriptless Securities under the RENTAS.

The *Şukūk* BNM *Ijārah* will be accorded with the following regulatory treatment:

- a. Holdings of *Şukūk* BNM *Ijārah* qualify for a 0% risk weight under the Risk Weighted under capital ratio framework;
- b. Class-1 liquefiable assets status with yield slippage of 2% under the liquidity framework;
- c. Primary issuance of *Şukūk* BNM *Ijārah* will be through Principal Dealers' network; and Holdings of *Şukūk* BNM *Ijārah* by licensed institutions are exempted from the computation of *Single Customer Credit Limit*.
- d. Holding of *Şukūk* BNM *Ijārah* by insurance companies will be accorded 'low-risk asset' status.

Payments for the amounts accepted and allotted must be made in full by 11:30 a.m. on the issue date. On issue date, RENTAS will credit the *Şukūk* BNM *Ijārah* to the securities accounts after successfully debiting the cash accounts of the successful bidders. The *Şukūk* BNM *Ijārah* will be issued pursuant to the trust deed between the Issuer and Malaysian Trustees Berhad dated 8 February 2006 ("Trust

Deed”). A copy of the Trust Deed will be available for inspection during office hours on any weekday (except Saturdays and public holidays) at the registered offices of the Issuer and the trustee. The terms and conditions of the *Ṣukūk* BNM *Ijārah* are governed by the Trust Deed under the Laws of Malaysia. The Paying Agent is Bank Negara Malaysia and Shari‘ah Adviser is National Shari‘ah Advisory Council of Bank Negara Malaysia.

Islamic Monetary Policy Instruments introduced in Sudan

Both the Central Bank of Sudan (CBS) and the Government of Sudan (GoS) have raised funds through the domestic issuance of Shari‘ah-compliant securities via the Sudan Financial Services Company (SFSC), which was created in 1998. The three types of securities that have been issued so far are: (i) *Central Bank Mushārakah Certificates* (CMCs), (ii) *Government Mushārakah Certificates* (GMCs), and (iii) *Government Investment Certificates* (GICs).¹⁴ CMCs were issued primarily for the implementation of monetary policy but proved to be too costly. CMCs were akin to trust certificates in a closed-end fund managed by the SFSC, which assigned investors a stake in commercial banks in which the central bank was a shareholder. Despite strong investor demand, the security design of CMCs was severely flawed. Issuance of CMCs was soon discontinued due to their high cost, limited volume, and lack of tradability. From 2001 to early 2007 the government used short-term GMCs to finance the government budget deficit. Investment in GMCs was restricted to Sudanese nationals. Investors received ownership interest in a portfolio of specific state-owned enterprises, whose profits were distributed as pro-rated bullet payments at maturity. GMCs were tradable in the secondary market immediately after issuance. Amid an improved fiscal position, the government discontinued GMCs in early 2007 following reduced short-term financing needs. In 2003, the government also introduced GICs to fund its trade, procurement, and development projects. Unlike GMCs, investors (which can include foreigners) are shareholders of an investment company managed by SFSC and do not hold a title to government assets. GICs can also be traded in the secondary market.¹⁵

¹⁴ Ali, Salman Syed, 2005, “Islamic Capital Market Products—Developments & Challenges,” Islamic Research and Training Institute (IRTI), Islamic Development Bank, Jeddah, KSA

¹⁵ Andreas Jobst, Peter Kunzel, Paul Mills, and Amadou Sy, “Islamic Bond Issuance—What Sovereign Debt Managers Need to Know,” IMF Policy Discussion Paper No. PDP/08/3, July 2008.

Instrument 7: Central Bank Mushārahah Certificates (CMC)¹⁶

Central Bank *Mushārahah* Certificates (CMCs) were inceptioned in 1998 with the hope of developing tools of indirect liquidity management in the banking sector. They represent a limited number of participation certificates (shares) issued by Sudan Financial Services (SFS) company on the basis of government ownership in nine commercial banks. The value of individual shares varies with changes in the value of the assets of the banks involved, and the company produces monthly information on the market for CMCs. The holders of CMCs are not shareholders, and their reward is determined by the face value of the shares plus capital gain or loss. In other words, the return of these banks depends on the difference between the buying and selling price. The risk of holding CMCs is presumably low given their diverse asset base represented by the nine banks. As certificates of equal nominal value that is monthly revised, CMCs are negotiable and can be used to settle debt or as securities against finances. They are highly liquid and the Bank of Sudan (BOS) undertakes to repurchase them should there be no other buyer. CMCs can be used as tools for conducting open market operations. The BOS invites bidding from commercial banks for the buying and selling of CMCs. The selling (purchase) price of CMCs is the bidding or offer price at which the quantity demanded (supplied) by commercial banks is equal to the quantity the BOS wishes to sell (purchase). Thus the value of CMCs is market determined. In addition to helping the central bank in trying to control liquidity, CMCs provide an opportunity for commercial banks to manage their short-run liquidity fluctuations.¹⁷

Design

An instrument based on a profit- and loss-sharing contract. A CMC is an asset based security issued against central bank and Ministry of Finance equity participation in a commercial bank's assets. The CMC is sold through auction. The return on investment of the CMC is determined by the expected return on the underlying asset where a pro-rata share of the income stream is distributed between the partners.

¹⁶ The introduction of GMCs and CMCs in the Sudan's reform period is perhaps the most serious attempt for developing such instruments. These certificates were the outcome of a joint effort involving the Bank of Sudan, the Ministry of Finance and the IMF. Source: Elhiraika, Adam B (2004): On the design and effects of monetary policy in an Islamic framework: the experience of Sudan, IRTI Research Paper No. 64.

¹⁷ Elhiraika, Adam B (2004): On the design and effects of monetary policy in an Islamic framework: the experience of Sudan, IRTI Research Paper No. 64.

Features

- a. Can be used by a central bank to conduct monetary operations.
- b. Offers bank an investment opportunity for their excess reserves.
- c. It has medium-term maturity, is transferable and is tradable in the stock exchange. However, access to CMCs is limited to commercial banks, Government-owned companies' funds and insurance companies.

Instrument 8: Government Mushārah Certificate (GMC)

Government *Mushārah* Certificates (GMCs) are also asset-based securities that rely on the accounting value of nine government-owned highly profitable corporations. They are managed by SFS Company and were first issued in 1999 by the Ministry of Finance. In addition to their fixed nominal value (SD 0.5 billion per share), GMCs holders are entitled to a share in the profits realized by the corporations concerned. The corporations are required to submit quarterly audited accounts, and the securities have a fixed one-year maturity. The primary objective of the securities is to mobilize non-inflationary finance for government deficit. They can also be used by the BOS as instruments of liquidity management. Similar to CMCs the price of GMCs is market-determined and the government guarantees their purchase at the fixed nominal values plus a profit share should there be no private buyer. GMCs are negotiable and transferable and are available to banks and other financial institutions, private and public corporations and individuals.¹⁸

Design

An instrument based on a profit- and loss-sharing contract. A GMC is an asset based security issued against a certain percentage of Government ownership in more profitable and joint venture enterprises. GMC returns are determined by the expected return on the underlying asset where a pro-rata share of the income stream is distributed between the partners.

Features

- a. Fixed short-term maturity (one year).
- b. Listed on and traded in the stock exchange (transferable and fully negotiable).

¹⁸Elhiraika, Adam B (2004): On the design and effects of monetary policy in an Islamic framework: the experience of Sudan, IRTI Research Paper No. 64.

- c. Accessible to all.
- d. Provides financing for Government's budget deficit through a non-inflationary instrument.
- e. Can be used as a tool for open market operations.

Instrument 9: Government Investment Certificates (GIC)

Design

An asset-based security issued against a number of contracts, including *Ijārah*, *Salam*, *Muḍārabah* and Artisan'. The relationship between the holder of a GIC and the issuer is based on a restricted *Muḍārabah* contract. The instrument's maturity profile ranges from two to six years. The expected return is determined by the fixed rental income on *Ijārah* plus the income from the sale of *Murābaḥah*, *Salam* and *Istiṣnā'* contracts. Profit is distributed every three or six months. Sales of primary issues are made through an auction system. The GIC is listed on the stock exchange.

Features

- a. Appears promising in terms of market acceptance, cost to the Government, and prospects for secondary markets.
- b. Instrument can be readily tradable so long as the proportion of the underlying *Ijārah* assets exceeds the percentage specified by the relevant Shari'ah board.
- c. Requires close coordination between the Government's expenditure execution and debt issuance programs.

Instrument 10: Central Bank (or Government) Ijārah Certificates

Design

The certificate represents part ownership of the assets that have been leased to the central bank (or Government) typically its buildings and/or other assets it might acquire and sell to a special purpose vehicle (SPV), which issues the securities. The contract between the SPV and the investor is based on restricted *Muḍārabah* in Sudan. In the case of Bahrain, the Central Bank arranges the issuance of *Ṣukūk* (without an SPV) on behalf of the Government, which guarantees the rental payment to *Ṣukūk* holders and the repurchase of assets at maturity. The expected

return is determined by the fixed rental income from the *Ijārah*. In the case of Sudan, the sale of primary issue is made through auction, and the maturity of the CIC may vary from three to ten years. Short term *Şukūk Al-Ijārah* is also issued by Brunei and Bahrain.

Features

- a. Used by central banks for open market operations.
- b. Listed on the exchange, but can only be repurchased by the central bank.
- c. Supply is limited to the availability of assets for sales and lease-back.

Islamic Monetary Policy Instruments introduced in Bahrain¹⁹

In accordance with the CBB (Central Bank of Bahrain) Law, the CBB issues, on behalf of the Government of Bahrain, short and long-term debt instruments, including Treasury Bills, *Şukūk Al-Salam* and *Şukūk Al-Ijārah*. The issuance of all government debt securities is executed in coordination with the Ministry of Finance (MOF). During 2011, the CBB issued two Islamic monetary policy instruments, on a monthly basis, three-month *Al Salam Şukūk* (BHD) and on a monthly basis, six-month *Ijara Şukūk*. The CBB also issued long term *Ijārah Şukūk* of different issue amounts and different maturities, under advice of the MOF. On 22nd November 2011, the CBB issued a 7 year International *Ijārah Şukūk* for USD 750 million with a fixed return of 6.273%. The CBB implemented the first Islamic *Şukūk* Liquidity Instrument (ISLI), which is a CBB Sharī'ah Board compliant sell/buyback of *Ijārah Şukūk* (issued in local currency) held by the CBB. The processing of this is in the SSS System and the settlement takes place in the RTGS System. This instrument has been renewed four times during the year of 2011.

Instrument 11: Şukūk Al-Salam

Design

Governmental Islamic *şukūk al-salam* is instruments that represent assets (bauxite) described as a liability with a deferred delivery. *Şukūk Al-Salam* are created and sold by an SPV under which the funds mobilized from investors are paid as an advance to the company SPV in return for a promise to deliver a commodity at a future date. An SPV can also appoint an agent to market the promised quantity at the time of delivery, perhaps at a higher price. The difference

¹⁹ Central Bank of Bahrain (2011): Annual Report CBB 2011, Public Debt Issuance.

between the purchase price and the sale price is the profit to the SPV and hence to the holders of the *Ṣukūk*.

Features

In a *Salam* contract the Sharī‘ah allows the purchased goods to be sold to other parties before actual possession at maturity. This however must be done in a separate sale and purchase contract (also referred to as *Parallel Salam*) to avoid sale of receivables (*Bay‘ al-Dayn*) which is not acceptable by Sharī‘ah. This constraint renders the *Salam* instrument illiquid and hence somewhat less attractive to investors as the investor will only buy a *Salam* certificate if he or she expects prices of the underlying commodity to be higher on the maturity date.

Instrument 12: Ṣukūk Al-Ijārah

Design

Islamic *Ijārah ṣukūk* are financial instruments representing certain governmental assets (governmental possessions) issued by the Bahrain Monetary Agency on behalf of the government of the kingdom of Bahrain, with the purpose of creating new investment opportunities for the surplus financial resources within society, and for the financing of the capital expenditure on various developmental projects. The government of the kingdom of Bahrain by means of this issue undertakes to offer these assets to the investors for their purchase from the government and subsequent renting of the same assets to the government at a rental installment, through a contract of *Ijārah muntahiyyah bit-tamlik* (lease terminating in ownership) so the kingdom of Bahrain is able to repurchase these assets at the end of the period of issue for a price representing the original value at which they were purchased from the government. The Bahrain Monetary Agency undertakes to issue these *ṣukūk* on behalf of the Kingdom of Bahrain.

Features:

1. The government of the kingdom of Bahrain guarantees these *ṣukūk* through a direct and unconditional guarantee.
2. The expected rate of return or the rental due on the assets represented by these *ṣukūk* is paid every six months each year during the period of issue.
3. The *ṣukūk* is issued at a price that is 100% of the value of certificate

4. At the time of implementation of the promise to own, the return of the *ṣukūk* takes place at their original value (face value), and this takes place on the date of maturity. It is permitted to the issuer to return the value of the *ṣukūk* prior to the date of maturity.
5. All commercial banks and financial institutions licensed by the Kingdom of Bahrain are entitled to invest in the *ṣukūk*. Likewise, the customers of these banks and institutions are also entitled to subscribe through the participating banks and institutions.

Islamic Monetary Policy Instruments introduced in Iran

Iran is the world's largest market for Islamic finance. Iranian banking is unique in that all banking activities must follow Shari'ah principles. Moreover, Islamic banking is regulated by a law,²⁰ whereas other countries hosting Islamic banking have used the regulatory level to introduce provisions for the specific requirements of Shari'ah, especially the prohibition of interest and of gambling/speculation.²¹ The Tehran Stock Exchange (TSE) is developing plans for listing *ṣukūk*, a market which has not yet developed in Iran, as it has developed in Malaysia and GCC countries.²² The 5th FYDP (2010-2015) provides the legal framework for issuing, trading, and structuring of *ṣukūk*. Islamic bonds have existed in Iran since 1994 in the form of "participation bonds" (*ṣukūk Mushārah*) issued by municipalities or large companies to finance projects. However, the participation bonds are redeemable on demand and at face value from the issuing agent and are therefore not suitable for secondary trading. As a result, issuance has been small (less than 1 percent of GDP per year) until 2009-10. In 2010-2011, issuance increased to 4 percent of GDP. Participation papers (bank CDs or participation bonds) pay a maximum of one percentage point more than equivalent term deposits that issuers can use to attract subscribers. From April 2011 onward, Islamic bonds will also take the form of asset-based *ṣukūk* that are not redeemable and must be listed on the TSE.

According to IMF Staff Report, the Central Bank of Iran (CBI) has been successful in regaining control over monetary policy and reducing liquidity to lower inflation. In this regard, the restructuring of overdraft lending into a short-term liquidity facility is a step in the right direction. Going forward, access to the liquidity facility should require the use of collateral, possibly in the form of

²⁰The 1983 law on usury (interest) free banking.

²¹See Wilson, R. (2011), "Approaches to Islamic Banking in the Gulf," Gulf Research Center, Dubai.

²²IMF Country Report No. 11/242, Islamic Republic of Iran: Selected Issues Paper, August 2011

government participation paper or CBI paper²³. This would also help develop a secondary market.

Instrument 13: Central Bank Participation Papers

The Law for the Issuance of Participation Papers describes details of issuance and management of the central bank participation paper. The Law states that in order to increase public participation in implementation of profitable government's development projects included in government annual budget laws, as well as profitable productive, construction and services projects, the government, public corporations, municipalities, non-public institutions and entities, public utility corporations, and their affiliates, joint-stock and public joint-stock companies and producers' cooperatives are allowed, in line with this law, to finance part of the financial resources required for the implementation of the projects including financial resources required for the procurement of raw materials required by the productive units through issuance and public offerings of participation papers.²⁴ Participation papers are registered or bearer securities with a specified nominal value issued for a specific period of time and assigned to investors for the implementation of the projects mentioned in Article 1. Holders of these papers are entitled to their shares of profit, proportionate to the nominal value and the period of their participation. These papers are transacted directly or through the stock exchange.²⁵

Issuance of participation papers is authorized by government solely to finance implementation of profitable government's development projects mentioned in Article 1 to the amount projected in government annual budget laws. The Ministry of Economic Affairs and Finance guarantees repayment of the principal and the provisional and realized profits of these papers out of credits of certain budgetary items, which are projected for the same purpose in government annual budget laws by the Plan and Budget Organization. The Central Bank of the Islamic Republic of Iran studies all the mentioned projects except the profitable government's development project, subject of Article 3, presented by public corporations, municipalities and non-public institutions and corporations mentioned in Article 1, and provided that it has sufficient economic, technical and financial justification, and after the applicant corporation or institution supplies the agent with sufficient guarantee, the Central Bank issues the permit for the issuance of participation

²³ IMF: Islamic Republic of Iran: 2009 Article IV Consultation—Staff Report; Staff Supplement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Iran, IMF Country Report No. 10/74, March 2010.

²⁴ Central Bank of Iran: The Law for the Issuance of Participation Papers

²⁵ Central Bank of Iran: The Law for the Issuance of Participation papers.

papers up to required amount. Public corporations, municipalities and non-public institutions and corporations mentioned in Article 1, in case of issuing participation papers, are obliged to ensure and guarantee repayment of the principal and the accrued profit of these papers in the specified maturities. In case of non-fulfillment of these obligations in due maturities, the agent is obliged to take action by itself from the guarantee mentioned in Article 4.

Public joint-stock companies in line with this law can issue participation papers, which can be converted or changed into shares. The conditions and procedures of converting and changing such papers are in line with the executive by-law of this law. Paid or allotted sums as the accrued profit of participation papers are subject to a 5% tax, and no other tax is levied on the profit and transactions of participation papers. Payers of profit of participation papers, whether actual or provisional, are obliged to subtract the levied tax at the mentioned rate in each pay mentor allotment and deposit the amount in an account specified by Treasury within 10 days after the payment or allotment. They are also obliged to surrender the relevant receipt within 30 days from the date of deposit along with a list containing the amount of the profit to the relevant tax authority. Payers of profit of participation papers are subject to the regulations of the context of Article 199 of "Direct Taxes Act" approved in Esfand 1366 in case of non-fulfilling their obligations.

If joint-stock companies affiliated to organizations mentioned in Article 1 of this law convert to public joint-stock companies, holders of participation papers of these companies have priority in purchasing the shares. The profit paid to holders of participation papers is regarded as part of the acceptable expenses in the tax account, subject of Article 148 of "Direct Taxes Act". Utilization of funds obtained from assignment of participation papers for the purposes other than implementation of the said projects is known as illegal possession of public funds and properties.

Design

Issued on a *Mushārah* basis (i.e. yields in principle linked to central bank's profit, excluding the cost of monetary operations), but with a guarantee on yields and principal.

Features

Tradable only at par, and hence not suited for more flexible monetary operations. However, this instrument is suitable for Iran in order to absorb the huge amount of liquidity in its economy.

Instrument 14: Government Participation Papers

Government Participation Papers (GPP) was first issued in 1998, but they did not play a major role in attenuating the impact of fiscal dominance or stimulating the development of money markets (participation papers of municipalities and various ministries and public enterprises have been authorized since 1994). A GPP is an instrument used to finance non-specific government infrastructure projects by providing investors a temporary (equal to the maturity of the paper) equity stake in the underlying assets. The government promises to pay on maturity a return that approximates the rate of return on the underlying asset, which should be at least equal to the private sector rate. GPP is a different instrument than the government bonds issued in the 1980s. GPPs are not designed for use by the central bank to manage liquidity but were primarily intended to finance central government infrastructure projects. GPPs are issued in the primary market at preannounced fixed rate of return with a five-year maturity, and the outstanding stock is modest. Banks are obliged to rediscount GPPs in the same manner as CBPPs. The tax-adjusted rates of return on GPPs are below those on CBPPs, despite the much longer maturity of the former. This implies a negatively sloped yield curve of rates of return, which has reduced the attractiveness of GPPs in the presence of high uncertainties over future inflation developments.²⁶

Design

Issued on a *Mushārah* basis (i.e. yields in principle linked to Government's profit from its share in profitable state-owned enterprise or projects under construction) with the aim of financing the Government's budget deficit. The instrument provides a guarantee on yields and principal.

Features

Limited to the availability of assets held by the Government.

Islamic Monetary Policy Instruments introduced in Bangladesh

Growing side by side with conventional banking, Islamic banking has already attained systemic importance in Bangladesh with around a fifth of total banking assets and liabilities, bringing in additional issues and dimensions for effective conducting of monetary policies; one being that unlike influencing of funding costs

²⁶AbdelaliJbili, VitaliKramarenko, and José Bailén, Islamic Republic of Iran: managing the transition to a market economy, Washington, D.C.: International Monetary Fund, 2007

for conventional banking by Bangladesh Bank's (BB's) policy interest rates, mechanism for BB's influencing funding costs (profit sharing ratios in interbank *Murābahah* markets) of Islamic banks remains yet to be devised. BB's monetary policies make use of both policy rate interventions and monetary targeting. Limitations in market deepening constrain effectiveness of the interest rate channel of monetary policy transmission, while monetary targeting acting thru the credit channels remain effective with limited openness of the domestic market to external flows.

With market based flexibility of exchange rate of domestic currency Taka, the exchange rate channel of monetary policy transmission also remains open, inter alia entailing sterilization of exchange rate movement driven liquidity surpluses to the extent warranted by the programmed monetary targets. For conventional banking, key market infrastructure elements for monetary policy transmission through the interest rate channel (viz., an active interbank market, and a sovereign yield curve for treasury securities of tenors ranging from 28 days up to 20 years to serve as rates benchmark) are in place; but distortions from government's non-bank savings certificates at non-market interest rates, and from presence of weak banks with high non-performing loan burdens constrain flexibility of bank deposit and lending rates, limiting effectiveness of the interest rate channel of monetary policy transmission.

BB's statutory mandate covers issuance only of interest based conventional instruments for market interventions, leaving no direct handle for influencing funding costs of Islamic banks. However, in the dual regime still dominated by conventional banking BB's monetary policy actions in the interest rate channel indirectly impact the mark-up rates of Islamic banks as well; as observable in the positive correlation of trends of the two variables.

The credit channel of monetary policy transmission works through changes in the Cash Reserve Requirement (CRR) with BB, both for conventional and Islamic banks. Statutory Liquidity Requirement (SLR) is set at a lower level for Islamic banks (11.5% of time and demand liabilities, against 19.5% for conventional banks) because they typically have to maintain additional cash reserves with BB to meet SLR due to inadequate availability of eligible Shari'ah compliant liquid assets. Outstanding volumes of Bangladesh Government Islamic Investment Bonds, Shari'ah compliant SLR eligible assets are however rising steadily, and transition to a uniform liquidity requirement for both conventional and Islamic banking may be feasible in the near future (issuance of Islamic government bonds remain limited because Islamic banks and financial institutions are the only users

of proceeds of these bond funds, the government has no Sharī'ah compliant window yet for using these funds for itself).

BB's half yearly Monetary Policy Statements outlining near and medium term macroeconomic and monetary outlook including inter alia for growth, inflation, interest rates and so forth serve as the signaling medium for the expectations channel of monetary policy transmission. BB's repo, reverse repo auctions influence funding costs in conventional banking; but similar tools for direct influencing of profit sharing ratios in interbank *Murābahah* transactions of Islamic banks are absent as BB's statutory mandate permits engagement only in conventional interest rate based transactions. BB holds weekly auctions of Bangladesh Government Islamic Investment Bonds of 3 and 6 month tenors on profit sharing ratio basis setting benchmark for prices in the Islamic funds market, an Islamic Interbank Fund Market working on the same basis is also in place since 2012. The later has lately remained inactive in the prevailing situation of high structural excess in market liquidity.

Segmentation prevails in Bangladesh between the dominant conventional banking and the growing and already significant Islamic banking markets, with the latter's obligation of adherence only to Sharī'ah compliant transactions. Continuing with this dual regime will require shoring up of the interbank markets for Sharī'ah based transactions. As for conventional banking, bringing about well functioning Islamic interbank money and financial markets will require issuance of further new Sharī'ah compliant shorter-dated bills by government/BB, and longer-dated Sharī'ah compliant bonds (*ṣukūk*) by the Government. Proceeds accruing from issuance of government Islamic bonds are now left solely for use by Islamic banks themselves, with no Sharī'ah compliant utilization window yet for the government's own financing.

Using *ṣukūk* and other Islamic instruments alongside conventional ones for financing budget deficits will require decisions and regulatory changes in government's financing policies and practices. BB's direct intervention engagements for influencing profit sharing ratios in interbank Islamic fund markets, and for extending any Lender of Last Resort (LOLR) liquidity support to Islamic banks/financial institutions in need, will likewise require government decisions of new enactment enabling BB to engage in profit sharing ratio based transactions alongside conventional interest based ones.

Instrument 15: Government Islamic Investment Bond (GIIB)

Design

Government of Bangladesh has introduced Government Islamic Investment Bond (GIIB) in 2004. Governed on the principles of *Mudārabah*, bondholders get an interim profit on the maturity date of the bond. This interim profit is adjusted after finalization of the investment accounts of the bond proceeds user Islamic banks. The interim provision of profit is based on the received monthly profit realized on the invested funds in the Islamic banks or financial institutions. The trading of the GIIB is based on the interim profit rate derived from the investments of those with the Islamic banks. In profit calculation, borrower Islamic bank follow the pre-agreed profit sharing ratio of her banks. On maturity, Bangladesh Bank appropriates accrued profit on the basis of the ex-ante profit sharing ratio with the bondholders. The interim profit rate is reviewed on a monthly basis.

Features

- a. Can be purchased by any individual, private or public companies, Islamic banks and financial institutions for a minimum investment of Taka 100,000 (one hundred thousand and multiples thereof).
- b. Can be used as collateral for a loan or investment from any financial institution.
- c. Considered as qualified securities for the purpose of complying with the liquid assets requirement to be maintained by the banks and non-bank financial institutions. The central bank may provide the discount window facility for banks and financial institutions to buy or sell GIIB.

Lessons Learnt from the above Islamic Monetary Policy Instruments

Designing Islamic monetary policy instruments aiming absorbing excess liquidity in the banking system without linking with the specific underlying projects in the real sector is quite difficult. Prohibition of interest in Islam prevents using traditional monetary instruments which have direct link to interest. Interest is involved in calculation of most of these instruments, and therefore, for implementing monetary policies, new financial instruments should be innovated in compliance with the prohibitions. Many central banks of OIC countries have developed Islamic monetary policy instruments which needs careful investigation on their transparency and consistency in line with the application modalities of Shari'ah contracts.

Summary Table of Islamic Monetary Policy Instruments²⁷

Market	Instrument	Sharī'ah Contract	Country
Market for Government and/or central bank securities	Islamic Treasury Bills	<i>Bay' al 'īnah</i>	Malaysia
	Government Investment Issues	Initiall Qard Hassan. Now BBA/ <i>Bay' al 'īnah</i>	Malaysia
	Government Islamic Investment Bond	<i>Muḍārabahh</i>	Banladesh
	Government Investment Certificates	<i>Ijārah, Istiṣnā' h, Salam, Muḍārabahh</i>	Sudan
	Central Bank Wadiah Certificates	Wadiah	Bahrain
Market for Government and /or central bank securities	Bank Negara Monetary Notes	<i>Bay' al 'īnah</i>	Malaysia
	<i>Ṣukūk Al Salam</i> (Central Bank)		Bahrain
	Shariah Compliant Certificate of Deposits (CDs)	Commodity <i>Murābahahh</i>	UAE
	<i>Ṣukūk Mushārahahh</i> (Central Bank & Government <i>Mushārahahh</i> Certificates)	<i>Mushārahahh</i>	Iran, Sudan
	<i>Ṣukūk Ijārah</i> (short-term & long-term)	<i>Ijārah</i>	Malaysia, Bahrain, Brunei, Sudan
	Bank Indonesia Shariah Certificate	Jualah	Indonesia
Market for short-term financial instruments issued by financial institutions and other corporates (non-financial) entities	Negotiable Islamic Debt Certificate	BBA/ <i>Bay' al 'īnah</i>	Malaysia
	Islamic Accepted Bills	<i>Murābahahh, Bay' al Dayn</i>	Malaysia
	Islamic Commercial Papers	<i>Bay' al Dayn</i>	Malaysia
	Sell & Buyback Agreement (Islamic Repos)	<i>Bay' & Wa'd ('īnah)</i> , commodity <i>Murābahahh, Wa'd</i>	Malaysia, Bahrain, Saudi Arabia
	<i>Ṣukūk</i>	<i>Ijārah, Istiṣnā' h, Salam, Murābahahh, Mushārahahh, Muḍārabahh, Wakalah, Istithmar</i>	

Despite the existence of a broad array of instruments developed in various jurisdictions, tradability of those instruments is generally limited. Most Islamic banks purchase these instruments and tend to hold the securities until maturity, instead of trading them in the secondary market. Tradable *Ṣukūk* on a predictable schedule in sufficient volume should be considered. Overcoming this limitation of insufficient availability of assets would require appropriate design of Islamic Government finance instruments based on systematic linkage between Government spending and its funding (using Sharī'ah-compliant contracts). Such a linkage will

²⁷Source: Adapted from a Lecture Note of Dr. Azmi Omar, Director General, IRTI, IDB.

be the key to raising the volume of issuance, widening the range of holders, and fostering secondary markets. The system for ensuring Shari'ah compliance of the instruments – e.g. involving a designated Shari'ah board – should also be transparent.

Cross Country Comparisons of IMPIs²⁸

Short-term Shari'ah-Compliant Mechanisms for Liquidity Injection or Absorption						
Commodity <i>Murābahah</i>	Interbank <i>Muḍārabahh</i> Investment	Government <i>Mushāarakahh</i> Certificates (GMCs)	Government Investment Certificates		Short-term <i>Salam</i> <i>Shūkū</i>	Central Bank Participation Certificates/ <i>Wadiah</i> certificates
Islamic mode	<i>Murābahah</i>	<i>Muḍārabahh</i>	<i>Mushāarakah</i>	<i>Ijārah or</i> <i>Murābahah</i>	<i>Salam</i>	<i>Wadiah and</i> <i>Jualah</i>
Country of use	Bahrain, Saudi Arabia, Malaysia	Bangladesh, Indonesia, Malaysia	Sudan, Iran	Sudan and Malaysia	Bahrain	Indonesia
Underlying assets to which returns are linked	Commodity, Metal	Central Bank's assets	Government equity in some commercial banks	Government financing contract to finance public expenditure	Commodity	A share in government's development projects
Range of maturities	Up to 12 months	Up to 12 months	2 years			3-month paper rolling program of monthly issuance
Tradability	No	Not easily tradable	Freely tradable	Potentially tradable	Not readily tradable	Tradable only at par
Suitability for monetary operations	Not flexible for monetary operations	Not well suited to absorb liquidity	Very expensive to conduct monetary policy or to finance government expenditure	Recently introduced to gradually replace GMCs and appear promising	Not well suited to absorb liquidity	Not suitable for flexible monetary operations

The Islamic monetary policy instruments introduced by the central banks are not above criticism. The controversies surrounding the Malaysian instruments are mainly due to the overemphasizing on the use of *bay' al-ʿinah* and reverse

²⁸Source: Adapted from a Lecture Note of Dr. Azmi Omar, Director General, IRTI, IDB.

Murābaḥah contract in devising most interbank Islamic monetary instruments. For example, GII which was initially issued by the Government of Malaysia based on *qard ḥasan* principle, now replaced by *bay' al-ṭinah*, allowing it to be traded in the secondary market via the concept of *bay' al-dayn* (debt trading).²⁹ The concept of *bay' al-dayn* is out rightly rejected by the scholars for its very nature of discounting. On the other, in the case of *bay' al-ṭinah* based GII transaction, the Sharī'ah-compliant asset will be sold by a financier (for example, by central bank) to the recipient bank at X price on deferred payment terms. Then, the recipient bank will sell back the asset (GII) to the financier on cash basis at Y price. The deferred price of X is higher compared to the cash price Y, hence the difference is regarded as profit to the financier. The contemporary Muslim jurists termed the *bay' al-ṭinah* based financial contracts as it is a legal device (*hilah*) to circumvent *ribā*-based financing, which in fact opens a 'back door' to *ribā*.³⁰

Bank Negara Malaysia has developed several IMPIs to facilitate effective management of liquidity position of the Islamic financial sector. *Wadī'ah* acceptance is criticized as a 'guaranteed time deposit for increment'³¹. They remarked that 'the interest is declared to be a dividend and is being paid under the name of being a *hibah* (gift). Under ar-rahnu agreements (RA-1) BNM imposes average inter-bank money market rate as gift which is nothing but the repo transaction in the conventional central banking arrangement. The other liquidity management instruments introduced by BNM on the basis of *bay' al-ṭinah* (BNM Istithmar Notes, sale and buyback agreement, Islamic Negotiable Instruments of Deposit, Negotiable Islamic Debt Certificate, and *Ṣukūk* BNM *Ijārah*) claimed as Sharī'ah-compliant alternatives have severely been criticized as replication of conventional products.³²

Central Bank of Sudan (CBS) has introduced four instruments on the basis of *ṣukūk* for liquidity management and open market operations. In order to issue and

²⁹Dusuki, AsyrafWajdi: Commodity *Murābaḥah* Program, An Innovative Approach to Liquidity Management, Journal of Islamic Economics, Banking and Finance, IBTRA, Dhaka, Bangladesh. Volume 10 Issue 3, 2010.

³⁰ Ali, E. R. A. E. (2007), *Bay' al-ṭinah* and *Tawarruq*: Mechanisms and Solutions. In Bank Negara Malaysia (Ed.) proceedings.

³¹ M Kahf & C R Hamadi: An attempt to develop Sharī'ah compliant liquidity management instruments for the financier of last resort: with reference to Qatar Development Plan, Islamic Economic Studies, Vol.22, No. 1, May, 2014, Islamic Research and Training Institute, IDB, Jeddah, KSA.

³²Bacha, O. I. (2008): The Islamic Inter-bank Money Market and a Dual banking System: The Malaysian Experience, Page-10. Retrieved on March 2015 from <http://mpr.ub.uni-muenchen.de/12699>.

manage the *ṣukūk* CBS has established a company on partnership basis named ‘Sudan Financial Services Company’ (SFSC), of which 90% is owned by CBS. The deals occur in the government sector. This system of management seems to be highly regimented by the government and this process become successful due to the profitable ventures run by the government and full political commitment from public sector banks. Central Bank of Bahrain (CBB) issued different types of short term and long term debt instruments and one Islamic repo instrument. Under *Salam ṣukūk*, government promises to sell aluminum to the buyer at a specified date in return for a full price payment in advance. There is a doubt about this type of notional sale within the system. *Ṣukūk al-Ijārah* falls under the category of *ijārah ʿīnah* as per the verdict of OIC Fiqh Academy.³³

Central Bank of Bahrain (CBB) has also issued 3-Party Islamic repo on the basis of *Iʿaadat al shira*, to obtain cash. This type of repo is classified by OIC Fiqh Academy as ‘organized *tawarruq*’ and resolved that this is prohibited since it involves pre-arrangement³⁴. Central Bank of Kuwait (CBK) routinely use ‘reverse *Murābahah*-type contracts’ based on *tawarruq* as a means to absorb structural longer-term liquidity of the Islamic banks. The provision and withdrawal of liquidity through such contracts are governed by a standardized agreement, pre-formulated with each party. This type of contract also falls under organized *tawarruq*.³⁵

In discussion on Faulty *Ṣukūk*, Mabid Ali Al-Jarhi opined that ‘*Ṣukūk* are supposed to be Islamic financial assets that represent common undivided shares in Sharīʿah-compliant real and financial assets. *Ṣukūk* therefore would be like shares in companies that represent equity investment. However, *Ṣukūk* have been entrusted to the financial engineering talents of a group of Sharīʿah scholars who view them not as Islamic financial instruments but are rather “Islamic bonds” or fixed income instruments that have cleverly been made up to look Sharīʿah compliant.’³⁶

³³ The OIC Fiqh Academy, 2010, Recommendations of Seminar on Islamic *ṣukūk* held in King Abdul Aziz University, unpublished document p. 6.

³⁴ The OIC Fiqh Academy, Resolution of the OIC Fiqh Academy, 157/17.

³⁵ Islamic Financial Services Board (2008): IFSB Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets, March 2008).

³⁶ Al-Jarhi, Mabid Ali (2007) Institutional *Tawarruq* as a Products of Ill Repute, Workshop on Methodological issue in Sharīʿah -Compliant Finance, Harvard Law School & London School of Economics February 1.

Section 3

Islamic Monetary Policy Instruments introduced in Bangladesh

At present, there is one Islamic monetary policy instrument available at the central bank of Bangladesh named as ‘Bangladesh Government Islamic Investment Bond (BGIIB). Details of the instrument are:

In order to facilitate maintain Statutory Liquidity Requirement (SLR) by the Islamic Banks and to provide a cushion for deployment of their surplus fund, government of the People’s Republic of Bangladesh introduced “Bangladesh Government Islamic Investment Bond”³⁷ (Islamic Bond/ BGIIB) in 2004 and also circulated the rules of the same under cover of Bangladesh Bank Circular.

Salient Features of Bangladesh Government Islamic Investment Bond (GIIB)

- a. Name of the Bond: Bangladesh Government Islamic Investment Bond (Islamic Bond/ BGIIB).
- b. Purchaser of Bond:
 - Institutions and individuals resident in Bangladesh agreeing to accept Islamic Shari‘ah based profit and loss sharing under these rules shall be eligible for purchase.
 - A non-resident Bangladesh national agreeing to accept returns on the basis mentioned at (a) above shall be eligible, subject to the purchase being made with funds from a non-resident foreign currency account in the name of the purchaser with a bank in Bangladesh.
- c. Denomination of the Bond: Tk. 1,00,000/ or multiples thereof.
- d. Period of the Bond: 3 Months & 6 Months.
- e. Transferability: The Bond is transferable.
- f. SLR Maintenance: The Bond will be accepted as part of SLR (Statutory Liquidity Requirement).
- g. Deduction of Tax will be applicable on the profit of the Bond.
- h. Profit of the Bond: The Bond purchaser will be eligible to get profit as per predetermined Profit Sharing Ratio (PSR) subject to adjustment with final profit within 31st March of the following year.

³⁷Bangladesh Bank Circular. No. FRTMD (PDS) 146/ 2004-16 dated 15.09.2004, further amended by Ministry of Finance and circulated the same by Bangladesh Bank vide circular letter No.05 dated 01.09.2014.

- i. Loss if any will be debited / recovered from the Bond amount.
- j. Deployment of Bond proceeds and Increase of the Bonds: The proceeds of the Bond will be deployed to Islamic Banks & Islamic Financial Institutions for maximum 180 days and profit will be received on maturity basis at provisional rate of profit of the respective institution's 03 months (and/or) 06 months Fixed Deposit rate adjustment with the final rate of profit.

Limitations of Bangladesh Government Islamic Investment Bond (GIIB)

Huge supply of GIIB: Since it is the only Islamic financial instrument at the hand of central bank, Islamic banks compulsorily invests in the bond to maintain SLR requirement. After meeting the statutory requirement, they also use this avenue to park their excess liquidity. Therefore, to commensurate with the supply, demand side is not much responsive and accommodative because of the re-rolling of the fund among the Islamic banks.

Lower yield from Fund: The borrowing Islamic banks from the GIIB Fund is required to pay profit on their 3/6 months profit rate and Bangladesh Bank (BB) as *Mudārib* on behalf of government takes a portion of the profit, then the profit gained by the investing banks falls far below compared to the rate of other interest bearing instruments and deposit rate. Therefore, demand side should be expanded or government should use the bond proceeds for her own investment purposes on Shari'ah basis so the yield on bond become lucrative or at least at the market rate level.

Tenor of the Bond: Minimum tenor of GIIB is 03 months. This also creates illiquidity problem in the system. Treasury management for short time period hinders the smooth process due to the 3 month long time to maturity. Banks cannot use this bond to meet overnight or short-term obligations. Limited investment opportunity hinders the smooth development of the bond market in the country. Given the huge excess liquidity of the Islamic banks, they are allowed to invest only the amount of SLR requirement, excess investment in the bond leads to fall in the profit rate. Therefore, new avenues/instrument should be introduced by the Government/central bank in line with Shari'ah to provide enough space for parking excess liquidity of the Islamic banks and ensure the level of money supply at the desired level.

The Dilemma

The dilemma is that BGIIB is a government instrument and government should utilize the bond proceeds as *Muḍārib*. But government is not taking the proceeds, on the other, Bangladesh Bank on behalf of government, plays the role of *Muḍārib* and since bond proceeds are roaming among the Islamic banks yield on banks remains non-attractive. The objectives of introduction of Bangladesh Government Islamic Investment Bond (BGIIB) remains unachievable since the government is not using the fund proceeds to meet her budget deficits.

Section 4 **Operational Design of New IMPIs for Bangladesh Bank**

Proposed New Islamic Monetary Policy Instruments for Bangladesh

Two new Islamic Monetary Policy Instruments are suggested for introduction in Bangladesh.

1. Product 1: Open Market Operation using Central Bank *Muḍārabah Ṣukūk* (non-tradable) linked with the Real sector (to finance microfinance sector)³⁸, and
2. Product 2: Government Commodity *Murābahah Ṣukūk* (to finance government imports)

Product-1: ‘Central Bank Muḍārabah Ṣukūk’ (CBMS)

Design of CBMS is outlined in Figure 1. Bangladesh Bank may issue ‘Central Bank *Muḍārabah Ṣukūk*’ (non-tradable CBMS) to the Islamic banks and non-bank Islamic financial institutions’ (NBIFIs) on weekly auction basis to facilitate open market operation. The tenure of CBMS may be from 3 months to 1 year. CBMS investor will be *rabb al-māl* and central bank will be *Muḍārib*. The Profit-Sharing Ratio (PSR) for CBMS may be higher for long tenure and lower for short tenure (say, 70:30 to 90:10 subject to BB’s decision to control the money supply in the market). Central bank may create a specialized SPV called ‘Bangladesh Islamic Microfinance Foundation’ (BIMF) to invest *ṣukūk* proceeds directly to the Islamic microfinance institutions (IMFIs). The return to be received from BIMF shall be shared between the central bank and *ṣukūk* holders as per mutually agreed PSR. This type of *ṣukūk* will create a linkage between financial sector and real sector via microfinance project financing.

³⁸ A concept of fund mobilization through *Ṣukūk* for Microfinance and possible use of these *ṣukūk* as liquidity management by Islamic banks have been presented earlier in Ali, Salman Syed (2007).

Features of CBMS

- a. The CBMS may be used by Bangladesh Bank as an Islamic monetary policy instrument for open market operation purpose.
- b. Primarily, the CBMS may not be listed on the Stock Exchanges in Bangladesh (Dhaka Stock Exchange and Chittagong Stock Exchange) but can only be repurchased by the central bank. But, in due course, to facilitate develop the bond market or market for tradable *ṣukūk* in Bangladesh CBMS may be allowed to be traded in the exchange.
- c. It is expected that since the proceed will be channelized by the Islamic microfinance providers at the grassroots level, the real economy would get finance and would be revamped, thereby the income generating activities will help to spur the economy and ultimately would help the country to achieve the mid-level status by the year 2021.
- d. The profit sharing ratio (PSR) will be predetermined at the time of issuance of CBMS through bidding or auction. The return will be higher since the microfinance sector will generate higher income from investments of the proceeds.
- e. Holdings of CBMS will qualify for a 0% risk weight under the risk weighted capital ratio framework under BASEL-III.
- f. The management of the CBMS requires close coordination between the 'Bangladesh Islamic Microfinance Foundation' (BIMF) and Islamic microfinance institutions.
- g. The CBMS offers banks an investment opportunity for parking their excess reserves for the development of the micro entrepreneurs who will be after sometime graduated as SME entrepreneurs.

Figure 1: Graphical Presentation of CBMS

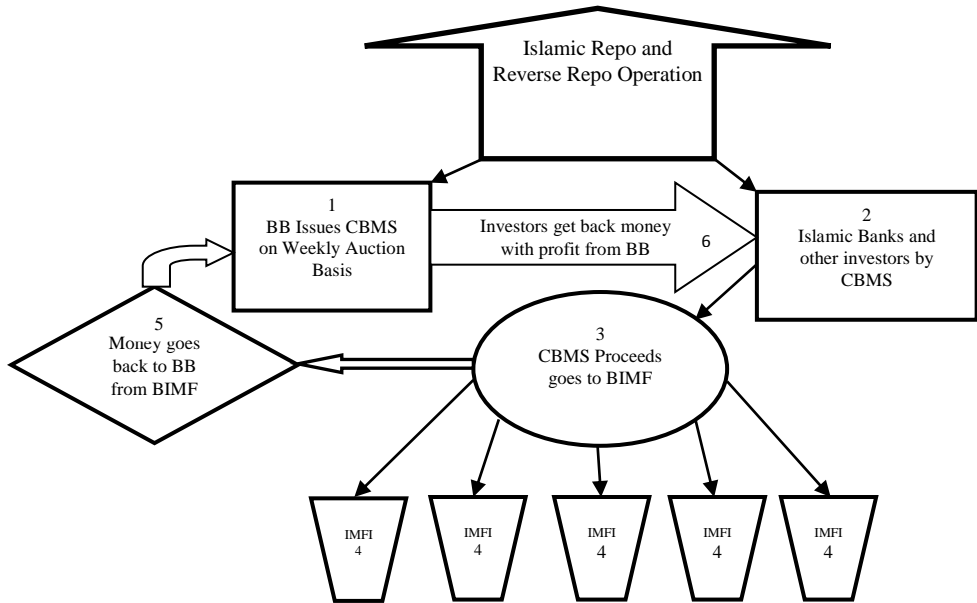
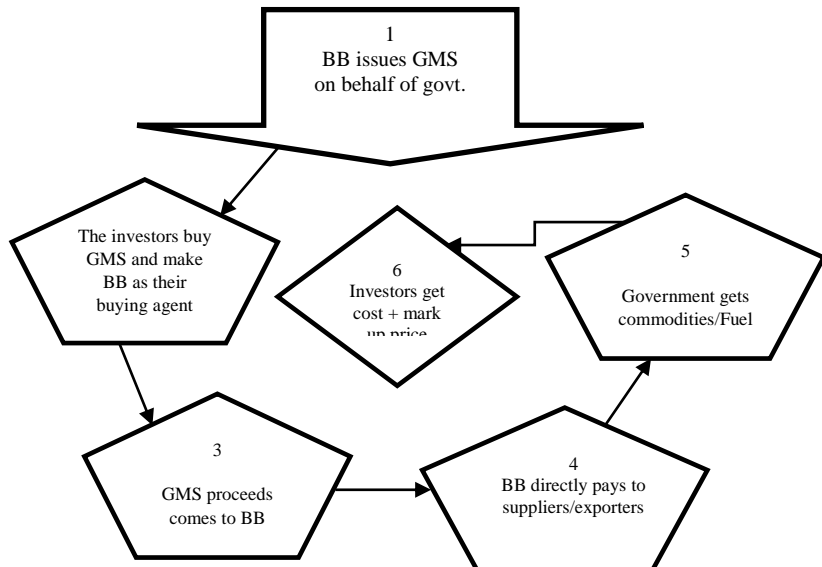


Figure 2: Graphical Presentation of GMS



Product-2: Government Commodity Murābahah Šukūk (to finance government imports) (GMS)

Central bank, on behalf of the government of Bangladesh, may issue non-tradable ‘Government *Murābahah Šukūk*’ (GMS) on competitive bidding auction basis to finance government imports especially oil imports from the Middle Eastern countries on *Murābahah* basis. The design of GMS is outlined in Figure 2. Mark-up profit on GMS may vary depending on the objectives of monetary policy, overall economic situation, monetary conditions and real buying and selling of the importable commodities. The tenure of GMS may be 1 month, 2 months, and 3 months to 1 year. Under the issuance principle, the Successful Bidders may appoint Bangladesh Bank (BB) as their agent to purchase the commodity. BB as the commodity agent will buy the commodity i.e., Crude Oil. Upon completion of the purchase, BB on behalf of the successful bidders, sells the commodity to Government at a mark-up price to be paid on deferred payment date. GMS is a long-term Government treasury bill based on Islamic principles for funding import expenditure of government.

Features of Government Murābahah Šukūk’ (GMS)

- a. Government *Murābahah Šukūk* or GMS can be used by Bangladesh Bank as a Sharī‘ah-compatible monetary policy instrument to conduct monetary operations.
- b. GMS offers an investment opportunity for the Islamic banks and Islamic non-bank financial institutions to park their excess liquidity to finance government imports.
- c. Since the GMS is fixed-debt instrument and has fixed short term maturity, it is easy for the investors to calculate their earnings over the investments on GMS.
- d. Government will get an easy avenue to raise fund to finance its imports both food and non-food items (like petroleum imports).

Section 5

Concluding Remarks and Recommendations

The central banks of the OIC countries may like to introduce the suggested instruments in their monetary policy management. For example, Bangladesh Bank (the central bank of Bangladesh) is actively considering providing a cushion to the Islamic banks to park their excess liquidity to the Sharī‘ah-compliant monetary

policy instruments and utilizing the monetary reserves in a productive manner to finance government budget deficit and thereby to achieve the monetary policy objectives. Taking this view in mind Bangladesh Bank had introduced the Government Islamic Investment Bond (BGIIB) in 2004 on behalf of the government on *Muḍārabah* basis to provide an investment space for the Islamic banks to park their excess liquidity through this bond. The objective of utilization of the liquidity of the Islamic banking sector towards this end failed because the replacement of *ribā* with Sharī'ah-compatible modes in government transactions put severe challenges in case of using this fund by the government. As a remedial measure, an amendment has been carried out to the Government Islamic Investment Bond (BGIIB) in 2014 to make the tenor of the bond at 3 months, but the real Sharī'ah-related issues has not been addressed. Therefore, the issue of non-utilization of bond proceeds by the government remains.

In order to ensure effective management of monetary policy in line with Islamic Sharī'ah, central bank needs prudent government policies to facilitate efficient and proper functioning of the markets. The modes of finance utilized by the governments (especially in Muslim jurisdictions) to finance public expenditure and economic development must be consistent with the Islamic Sharī'ah principles. The BGIIB introduced in Bangladesh on the basis of *Muḍārabah* makes it difficult for the government to play the effective contractual role as *Muḍārib* to utilize the bond proceeds since government has not been pursuing any profitable venture consistent with the Sharī'ah principles. Therefore, other Sharī'ah alternatives to government treasury bills/bonds should be thought of. Because of the unavailability of the avenues to ensure PLS modes by the central bank and government, best alternative secondary instruments could be used as basis for development of Islamic monetary policy instruments.

In recent times, with the setting up of huge number of Islamic banks and non-bank Islamic financial institutions throughout the globe, many countries' central banks and governments develop different types of Islamic monetary policy instruments based on Sharī'ah-compatible financial contracts. According to Abdul Latin A. Rahim Janahi, 'financial contracts, in general, may be divided into three types: commutative (*muawadat* contracts, such as *salam*, *istiṣnā'* and *Ijārah*; participatory (*mushāarakah*) contracts, such as *muḍārabah* and *mushāarakah*; and gift and donation (*tabarruat*) contracts. Commutative contracts are either financial (deferred sales) in nature or non-financial (spot sales). The financial contracts are of the nature of sales of either wealth (*mal*) for wealth or wealth for usufruct. Sales include *musawamah* (spot sale), sale with *khiyar* (option), the *muzayadah* (auction) sale, the *amānah* (trust) sales, *ṣarf* (currency exchange), the *salam*

(advance payment) sale, *istiṣnāʿ* (goods made to order) sale and *Ijārah* sale of usufructs.³⁹

To develop suitable Islamic monetary policy instruments for Bangladesh Bank and government, a thorough analysis has been made on the available instruments introduced by the OIC central banks. Concept and modalities of the instruments has been checked. The pros and cons with Sharīʿah compatibility of the Instruments introduced in the countries like Malaysia (6 instruments), Sudan (4 instruments), Bahrain (2 instruments), Iran (2 instruments) and Bangladesh (1 instrument) have been analyzed. Finally we have devised modalities of two instruments suitable in the context of Bangladesh.

Limitations of the Study

The study is purely based on the secondary information, published materials and direct contact with the scholars of IRTI on the issues and problems of the underlying Sharīʿah concept, implementation modalities and their shortcomings from the Sharīʿah as well as central banking viewpoint. A letter signed by the Director General of IRTI was sent to some 25 selected OIC central banks requesting to provide data/information relating to their Islamic monetary policy instruments. But, unfortunately, only 2 central banks have sent one page each containing data on the instruments. It is true that due to short span of time for this research (two months only) and time-consuming bureaucratic process (non-responsiveness of the central banks) suggests working on this issue very closely with them. Researcher may take another project to deal with this issue with direct discussion and practical observation of the *modus operandi* of these instruments at the respective central banks before suggesting new instruments.

It is undoubtedly true that Islamic financial industry is growing at a very fast pace throughout the globe. The need for Islamic monetary policy instruments is increasingly becoming a necessary requirement for a central bank both in Islamic and non-Islamic jurisdictions to adequately address the monetary management issues emanating the expansion of the Islamic financial system. To achieve monetary policy objectives and to regulate process of money supply, central banks should devise conducive Islamic monetary policy instruments considering the unique characteristics of Islamic financial instruments. This is very much crucial to ensure stability and sustainable growth of the financial industry. Therefore, we

³⁹ Abdul Latif A. Rahim Janahi, *Shariah Alternatives to Government Bonds*, appeared in *Financial Engineering and Islamic Contracts* (edited by Munawar Iqbal and Tariqullah Khan), Palgrave Macmillan, 2005.

would like to indicate that there is a growing need for more studies and debates on the concept and usability of the Islamic monetary policy instruments and their linkages with the real sector. Central bank and other related regulatory bodies nationally and internationally need to carefully examine the implication of Islamic monetary policy instruments on the stability and equitable growth of the economy.

Lack of prior research studies on the topic and lack of sufficient information/reliable data likely require the researcher to initiate further research/study with a good size of sample. On having access to people, organizations, or documents researcher may complete her investigation and conclude with original findings.

Recommendations

A coherent macroeconomic framework aimed at achieving a relatively fast pace of disinflation can be developed if such framework is closely coordinated with fiscal, monetary, and exchange rate policies. A clear monetary policy mandate addressing all currents of financial and banking models is needed for a country like Bangladesh to achieve sustainable and equitable development. To achieve the non-inflationary monetary policy goal, it is necessary to promote the development of new financial instruments conducive to the new financial architecture based on Islamic Shari'ah. Since central bank has operational independence, it can design its monetary policy tools as per the demand of the market and thereby strengthen its role with transparency and accountability.

Renowned Islamic economist Dr. M Umer Chapra observes that 'Monetary authorities in Muslim countries have adopted attitudes ranging from passive hostility to active support', ----'Monetary authorities, other than those that have adopted a hostile attitude, do not necessarily deserve the blame for not fully playing the role that is expected of them. They have their own limitations. Some do not have the political support for this task and, even if they do, they may not be able to do everything needed in the short run, they do not have trained manpower or the resources to do so. Most of the requirements for the proper functioning of an Islamic banking system may be fulfilled only over time through an evolutionary process with the combined effort and resources of the governments and the central and Islamic banks. What is needed is patience and persistent effort. Monetary authorities may, however, be able to expedite the evolutionary process through an active leadership role which some of them have tried their best to play'.⁴⁰

⁴⁰ M UmerChapra, *The Future of Economics*, The Islamic Foundation, UK, 2000.

Yusuf Muhammad Bashir opined that ‘Islam prohibits dealing in interest and uncertainty indicates that a country that wants to operate the Islamic financial system alongwith the conventional system must provide separate facilities for its operation. This is exactly what Bank Negara Malaysia (BNM) is doing. In an attempt to provide a level playing ground for the two financial systems, the BNM has given the Islamic system almost equal opportunities as their conventional counterparts. This means monetary policy has to be made considering the two systems’.⁴¹ Therefore, it is imperative that governmental promotional will and central bank’s pragmatic steps in formulating and implementing Islamic monetary policy will ensure positive gain for the country.

Implications of the Proposed Instruments and the Way Forward

The proposed instruments for monetary policy management are very significant for the part of central bank as well as for the Islamic banks and Islamic financial institutions operating in the country. ‘Central Bank *Mudārabah Šukūk*’ which is proposed as a non-tradable instrument will serve as repo and reverse repo instruments to affect the short term liquidity management in the system. Under the *Mudārabah* principle, central bank may adjust the profit element with the final result of the micro-finance institutions. The need of liquidity of the grassroot level development institutions would be routed through the proposed Islamic micro-investment foundation which may open up a new door for practicing Islamic financial instruments to lessen the poverty incidence of the disadvantaged people of the countries.

The Islamic banks and non-bank Islamic financial institutions’ (NBIFIs), specially through their apex body BIMF may participate at weekly auctions to facilitate open market operation. The tenure of CBMS may be from 3 months to 1 year. CBMS investor will be *rabb al-māl* and central bank will be *Mudārib*. The Profit-Sharing Ratio (PSR) for CBMS may be higher for long tenure and lower for short tenure (say, 70:30 to 90:10 subject to the central bank’s decision to control the money supply in the market). Central bank may also create a specialized SPV called ‘Islamic Microfinance Foundation’ (IMF) to invest *šukūk* proceeds directly to the Islamic microfinance institutions (IMFIs). The return to be received from IMF shall be shared between the central bank and *šukūk* holders as per mutually agreed PSR. This type of *šukūk* will create a linkage between financial sector and real sector via microfinance project financing. This process will discard the interest-based lending

⁴¹ Yusuf Muhammad Bashir. How Spiritual Capital Shares Economic Policy: The Malaysian Example, in Comprehensive Human Development in Islamic Perspective, edited by Khalifa Mohamed Ali, P-216, Islamic Research and Training Institute, IDB, 2014.

window or framework of the conventional NGO's and help the Muslims in general to practice the Shari'ah approved instruments which is in line with their belief.

The second instrument proposed for the Governments of the OIC member countries is 'Government *Murābahah Ṣukūk*' or GMS. Generally, government imports many essential industrial or commercial equipments say for example OIC LDCs imports oil by borrowing from multinational lenders on interest basis. If central banks, on behalf of the government imports those items through the proposed GMS, this would also help the government to mobilise the domestic resources and the benefit of borrowing will remain in the country and the domestic institutions or investors would be highly benefitted since the operation would be based on *Murābahah*. Therefore, under the proposed GMS framework, central banks may issue non-tradable 'Government *Murābahah Ṣukūk*' (GMS) on competitive bidding auction basis to finance government imports especially oil imports from the Middle Eastern countries on *Murābahah* basis. Mark-up profit on GMS may vary depending on the objectives of monetary policy, overall economic situation, monetary conditions and real buying and selling of the importable commodities. The tenure of GMS may be 1 month, 2 months, and 3 months to 1 year. This sort of *ṣukūk* will replace the dependence of the governments on interest-based treasury bills or bonds to borrow from the banks and financial institutions.

The management of the bond would entirely depend on the monetary policy pursued by the governments. Under the issuance principle, the Successful Bidders may appoint the central banks as their agent to act on behalf of them and purchase the commodity. central banks as the commodity agent will buy the commodity. Upon completion of the purchase, central banks on behalf of the successful bidders, sells the commodity to Government at a mark-up price to be paid on deferred payment date. GMS may also be used as a long-term Government treasury bill based on Islamic principles for funding import expenditure of government.

To facilitate a robust Islamic banking sector in the OIC countries following steps may be considered on an urgent basis:

1. Lack of political will, be it originated within the organization or personal is a deterrent factor for smooth development of the Islamic financial industry in the OIC countries. Countries with positive determination have devised lot of IMPIs to foster the sector and now they have claimed as Islamic financial hub. Malaysia, Bahrain, Iran and Sudan are depicting their firm commitment to achieve this goal. Bangladesh should also come forward to utilize huge Islamic

banking potential to help boost the sector providing with the most suitable IMPIs and thereby attract huge middle-eastern funds.

2. The monetary authority should take prompt actions to develop capacity to regulate and monitor the Islamic financial sector confidently. A sustainable and forward looking monetary policy under Islamic setting is a must to ensure the financial stability. Qualities of human resource are also important for implementation of the plan in its true spirit.
3. Any effective institution is governed by people, system and resources. Therefore, a vital institutional transformation or restructuring plan is needed which entirely depends on the continuity of the vision and strategy. Strengthening the existing Islamic banking related legal infrastructure (one Islamic banking guideline issued in 2009) through enactment of different manuals, acts etc. will foster the growth of the Islamic financial sector.
4. Bangladesh Bank should actively liaise and cooperate with relevant organizations that have been developing Islamic financial standards for the stability and soundness of the Islamic financial system. On the global perspectives, four institutions are actively working to develop cutting-edge standards, they are: Islamic Financial services Board (FSB), Bangladesh is a member to the IFSB, Accounting and Auditing Organization for the Islamic Financial Institutions (AAOIFI), International Islamic Rating Agency (IIRA), and International Islamic Financial Market (IIFM). Bangladesh Bank should take membership of AAOIFI for introducing AAOIFI developed Islamic banking and Sharī'ah standards aiming at ensuring harmonization and to enhance the soundness of Islamic financial services through a robust infrastructure to support efficient functioning of the Islamic financial system and promote an efficient and competitive money market with greater depth and liquidity.
5. In some jurisdictions, the central bank has a Sharī'ah board (e.g., Afghanistan, Malaysia, Pakistan, Palestine, Sudan, and Syria). However, Sharī'ah boards of central banks differ in their mandate, scope, governance, and accountability. It appears that the ultimate overall responsibility for a central bank's Sharī'ah compliance lies mostly with its Sharī'ah board of directors, which typically delegates the responsibility for day-to-day Sharī'ah compliance to its senior management. Senior management, in turn, is required to ensure Sharī'ah compliance in line with the guidance of the Sharī'ah board.⁴² Bangladesh Bank

⁴²Inwon Song and Carel O osthuizen. IMF Working Paper. WP/14/220 Islamic Banking Regulation and Supervision: Survey Results and Challenges, Monetary and Capital Markets Department, December 2014.

may consider constituting a Sharī'ah board to suggest BB in matters of monetary policy operations including the policy development for the Islamic banking system.

From the analysis made above, it is clear that devising financial instruments in accordance with religious principles are not difficult at all. Considering the necessity, we may, initially, issue proposed instruments to achieve monetary policy objectives. More theoretical analysis and actual experimentation may pave the way to develop the tailor-made rules and codes of financial behavior in line with Islamic Sharī'ah under modern-day financial models to suite the country specific needs.

References

- Abdelali Jbili, Vitali Kramarenko, and José Bay'len, (2007), Islamic Republic of Iran: managing the transition to a market economy, Washington, D.C.: International Monetary Fund.
- Abdul Latif A. Rahim Janahi, (2005), Shariah Alternatives to Government Bonds, appeared in *Financial Engineering and Islamic Contracts* (edited by Munawar Iqbal and Tariqullah Khan), Palgrave Macmillan.
- Ali, E. R. A. E. (2007), *Bay' Al- 'inah and Tawarruq: Mechanisms and Solutions*. In Bank Negara Malaysia (Ed.) proceedings.
- Ali, Salman Syed (2005), *Islamic Capital Market Products—Developments & Challenges*, Islamic Research and Training Institute (IRTI), Islamic Development Bank, Jeddah, KSA
- Ali, Salman Syed (2007), "New *Shukūk* Products: A Case for Microfinance Sector" a presentation of various microfinance *shukūk* made during the IIFM-IRTI organized 'Islamic Financial Markets Conference,, 24-25 January 2007, Karachi. Available at <https://www.meezanbank.com/docs/A%20Case%20for%20Microfinance%20Sector.pdf>
- Al-Jarhi, Mabid Ali (2007), Institutional *Tawarruq* as a Products of Ill Repute, Workshop on Methodological issue in Sharī'ah-Compliant Finance, Harvard Law School & London School of Economics February 1.
- Andreas Jobst, Peter Kunzel, Paul Mills, and Amadou (2008), Islamic Bond Issuance—What Sovereign Debt Managers Need to Know, IMF Policy Discussion Paper No. PDP/08/3, July.

- Bacha, O. I. (2008): The Islamic Inter-bank Money Market and a Dual banking System: The Malaysian Experience, Page-10. Retrieved on March 2015 from <http://mpira.ub.uni-muenchen.de/12699>.
- Bangladesh Bank Circular. No. FRTMD (PDS) 146/ 2004-16 dated 15.09.2004, further amended by Ministry of Finance and circulated the same by Bangladesh Bank vide circular letter No.05 dated 01.09.2014.
- Bank Negara Malaysia, A note on 'Bank Negara Monetary Notes on *Murābahah*'.
- Bank Negara Malaysia, Annual Report 2014,
- Bank Negara Malaysia, Monetary Policy Report, 2014 in Annual Report 2014.
- Bank Negara Malaysia. 16 February 2006.
- Bank Negara Malaysia: Frequently Asked Questions (FAQ) Government Investment Issues (GII).
- Bank Negara Malaysia: Information Note, Government Investment Issue (GII), Principal Information.
- Central Bank of Bahrain (2011): Annual Report CBB 2011, Public Debt Issuance.
- Central Bank of Iran: The Law for the Issuance of Participation Papers
- Central Bank of The Islamic Republic of Iran, The 1983 law on usury (interest) free banking Website: <http://www.cbi.ir>
- Dusuki, Asyraf Wajdi: (2010), "Commodity *Murābahah* Program, An Innovative Approach to Liquidity Management", *Journal of Islamic Economics, Banking and Finance*, IBTRA, Dhaka, Bangladesh. Volume 10 Issue 3.
- Elhiraika, Adam B (2004): On the design and effects of monetary policy in an Islamic framework: the experience of Sudan, IRTI Research Paper No. 64.
- IFSB (2008): Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets. March 2008.
- IMF Country Report No. 11/242, (2011), Islamic Republic of Iran: Selected Issues Paper, August.
- IMF: Islamic Republic of Iran: (2009), Article IV Consultation—Staff Report; Staff Supplement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Iran, IMF Country Report No. 10/74, March 2010.

- Inwon Song and Carel Oosthuizen. (2014), IMF Working Paper. WP/14/220 Islamic Banking Regulation and Supervision: Survey Results and Challenges, Monetary and Capital Markets Department, December.
- Islamic Financial Services Board (2008): IFSB Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Markets, March 2008).
- Lawson, Nigel: Some reflections on morality and capitalism, in Brittan and Hamlin, (1995), pp. 35-44. Excerpted from *The Future of Economics*, M Umer Chapra, The Islamic Foundation, UK, 2000.
- M Kahf & C R Hamadi: (2014), "An attempt to develop Shari'ah compliant liquidity management instruments for the financier of last resort: with reference to Qatar Development Plan", *Islamic Economic Studies*, Vol.22, No. 1, May, Islamic Research and Training Institute, IDB, Jeddah, KSA.
- M Umer Chapra, (2000), *The Future of Economics*, The Islamic Foundation, UK.
- M. Umer Chapra: (1985), *Towards a Just Monetary System* (A discussion of money, banking and monetary policy in the light of Islamic teachings), The Islamic Foundation, UK, pp. 187-189.
- Omar Dr. Azmi, (2015), Lecture Notes on Islamic Treasury Products: An Update. Collected directly from Dr. Azmi while the author was working on this research at IRTI.
- The OIC Fiqh Academy, (2010), Recommendations of Seminar on Islamic *ṣukūk* held in King Abdul Aziz University, unpublished document p. 6.
- The OIC Fiqh Academy, Resolution of the OIC Fiqh Academy, 157/17.
- V. Sundararajan. (2011), Towards developing a template to assess Islamic financial services industry (IFSI) in the World Bank – IMF Financial Sector Assessment Program (FSAP), IRTI, IDB.
- Wilson, R. (2011), "Approaches to Islamic Banking in the Gulf," Gulf Research Center, Dubai'.
- Yusuf Muhammad Bashir. (2014), How Spiritual Capital Shapes Economic Policy: The Malaysian Example, in *Comprehensive Human Development in Islamic Perspective*, edited by Khalifa Mohamed Ali, P-216, Islamic Research and Training Institute, IDB.

Research Trends on *Zakāh* in Western Literature ⁺

AHMED BELOUAFI[•]

ABDERRAZAK BELABES[‡]

Abstract

This study explores research trends in Western literature about Zakāh, which is considered to be an equivalent, to a certain degree, to a charity in the Christian tradition. The study is based on a sample of considerable studies in English and French, collected over a period of eighty one years (1934-2015). The preliminary results highlight three important implications. These are: (1) the multiplicity and the diversity of the conceptualization of Zakāh beyond the purely moral, juristic, discursive and literalistic approaches which seem to be dominating research trends in the Arab-Muslim world; (2) the predominance of theoretical studies over applied ones. (3) Zakāh as a valuable resource is perceived; according to some treatises as an instrument of power from the geo-economics view-point.

Keywords: *Zakāh*, Islam, charity, social justice, monotheist religions

JEL Classifications: I30, O23, P47, P51, Z12

KAUJIE Classifications: E1, F1, M83, N4, R2

1. Introduction

In recent years, Islamic Economics literature received a great deal of attention in the academic domain. However, attention and focus have been dominated by issues relating to Islamic finance at the theoretical as well as practical levels. As a

⁺ The paper is based on a paper that was presented, on 11 February 2015, at the monthly video-conferencing seminar jointly organized by Islamic Economics Institute of King Abdulaziz University and the Chair “*Ethics and Financial Norms*” of the University of Paris 1 Panthéon-Sorbonne.

[•] Researcher, Islamic Economics Institute, King Abdulaziz University, ambelouafi@kau.edu.sa

[‡] Researcher, Islamic Economics Institute, King Abdulaziz University, abelabes@kau.edu.sa

result, less attention has been given to other aspects of the Islamic economic system. Family¹, *Zakāh* and *Awqāf*² are three important institutions of that system. They have played a pivotal role in the development and evolvement of Muslim societies and communities throughout history and in different places and regions, but they have not received the due consideration they deserve to complement and enhance the role played by operating Islamic financial institutions. However, there are signs that *Zakāh* and other social institutions like *Awqāf* (endowments) are gaining some momentum. For instance the Islamic Research and Training Institute (IRTI); an affiliate of the Islamic Development Group (IDB) produced, this year, the second volume of an annual report series covering the developments, trends, challenges and opportunities surrounding the Islamic social finance in member countries³. Hence, this paper aims at filling a gap in in this domain through the exploration of research trends about *Zakāh*, the third pillar of the Islamic faith, in Non-Muslim literature. The study is based on the analysis of a sample consisting of a considerable number of studies.

The remainder of the paper is structured as follows: section II deals briefly with the concept of *Zakāh*, its importance and dimensions. Section III highlights the importance and aims of the study. Section IV spells out the research methodology and steps. In section V, a historical account of some early studies about the Islamic fiscal system is covered, while section VI has been devoted to results and discussion. Section VII explores the *Zakāh* frequency as a research theme. Last but not the least, section VIII concludes with some remarks and recommendations.

2. *Zakāh*: Concept, Importance and Dimensions

*Zakāh*⁴, or obligatory alms giving (*ṣadaqah*), is the third pillar of Islam; it is among the five basic foundations upon which the Islamic faith rests. It was established in *Makkah*, as a desirable charitable act that Muslims are encouraged to undertake but it was not a mandatory act yet (Qur'ān, 23: 4). After the migration of Prophet Muhammad (PBUH)⁵ with his companions to *Madinah* and the establishment of the first Islamic State, *Zakāh* was institutionalized and decreed as an obligation, (Qur'ān, 9: 103), during the second year of migration. Its importance

¹ For a recent and very interesting treatise of the role of the family in the structure of economic relations in the three major monotheistic religions; see: Delille (2015).

² Endowments.

³ Islamic Research and Training Institute. (2015). Islamic Social Finance Report 1436H (2015).

⁴ The word *Zakāt* literally means growth, increase, and purification.

⁵ Peace Be Upon Him.

can be traced in the two prime sources of Islam, i.e. Qur'ān and *Sunnah*⁶. In many instances in the Qur'ān, *Zakāh* has been paired with the second pillar; the five daily prayers. Moreover, the category of beneficiaries has been spelled out in the Qur'ān clearly and comprehensively (9: 60). Its rates, different forms of assets and wealth that are subject to *Zakāh*, conditions and provisions have also been detailed in the secondary source of Islamic law. As a result, *Zakāh* is neither a tax nor a 'pure' act of ritual that benefits the doer and has no direct impact on people's life. It is, rather, an act of worship that has social, behavioural and economic dimensions. These dimensions affect, among others, the redistribution of wealth and poverty alleviation. For this reason, the concept of *Zakāh* is often regarded as a principle of economic ethics in Islam in the contemporary literature of Islamic finance (Chapellière, 2009; Belabes, 2010; Boşca, 2012; Visser, 2013; Al-Suwailem, 2013; Lelart, 2014). Therefore, *Zakāh* refers to a set of moral, social, economic and political considerations reflecting a specific worldview that regards wealth as mean, not an end, and the fact that true wealth comes from giving initiative more than that of receiving. This calls for reflection to setting priorities by distinguishing between the essential and the superfluous, and more generally between essentials (*dhāruriyat*), needs (*hājiyāt*) and luxuries (*kamāliyāt*), as it has been mentioned by the classical literature on the teleology of Islamic law (*Maqāṣid al-Sharī'ah*).

Due to its multidimensional aspects and fundamental nature as a faith tradition in the context of monotheistic religions (Bremner, 2000; Cascio, 2003; Maréchal, 2004; Samad and Glenn, 2010; Wishart, 2015), *Zakāh* attracted interest from a variety of researchers of different backgrounds. The research trends on *Zakāh* in Western literature are examined and analysed in this paper within the research framework programme which aims to promote interaction, collaboration and exchange between cultures and religions. A broader mutual understanding is needed in order to improve global charity coordination amongst themselves for the good of those most in need (Benedetti, 2006). Hence, there is need to develop a form of collaborative charity or philanthropy for working together towards the greater good of humanity all over the world.

To meet the intended objectives the research addresses the following questions:

- Are the examined literature dominated by theoretical or applied studies? What are the significance and implications of that?
- Do the studies cover modern era or do they cover different stages of Islamic history since the era of Prophethood until the now?

⁶ *Sunnah* means the sayings, acts and approbations of the Prophet Muhammad (PBUH).

- Do the studies cover the Muslim world in its entirety, or focus its attention on rather specific states, regions and/or villages?
- How *Zakāh* is perceived and looked at? Is it a tax? Or an alms-giving similar to some extent to charity?
- What is the nature of the dominant categories of the carried out studies? Were they academic and scientific enquiries? Or were they just mere reports and the like of news coverage and ‘snapshots’?

3. Importance and Aims of the Research

The importance of the study stems from the fact that - in so much as we are aware of - it is the first of its kind in tracing and analysing Western literature relating to *Zakāh*. In so doing the paper aims at meeting the following objectives:

1. Collect the largest possible number of Western studies that have addressed topics related of *Zakāh* in one way or the other. We hope that this exercise will save time, effort and resources to many stakeholders; Islamic economics and finance research centres and institutions, specialized *Zakāh* organizations, and even individuals who cannot access literature in foreign languages; French in particular. Moreover, we anticipate that the collection will form a starting point for accurate and up-to-date databases of *Zakāh* bibliographies.
2. Identify the main research trends covered in these studies for the purpose of determining the reasons behind their elaborations, and the methodologies that they have pursued to meet the planned for goals and syntheses.
3. Explore some possible venues for future research that go beyond the ‘traditional juristic (*Fiqhi*)’ approach pursued in the Arabic literature to consider the socio-economic impact of *Zakāh* in poverty alleviation (Shirazi, 2014), or within the emerging paradigms like the Sharing Economy (Gold, 2004, Stephany, 2015) and Collaborative Economy’ (Rifkin, 2014; Kostakis and Bauwens, 2014) as a result of the development of the digital technologies and new financing methods like microfinance, crowdsourcing, crowdfunding, and peer-to-peer lending. Until recently, the concept of gift offered one of an interesting theoretical framework (Mauss, [1925] 2007; Polanyi, [1944] 2001). From this perspective, the philosophy of *Zakāh* invites to invent economic organizations that derive their vitality from the social contract, and limit the effects of market relations by ensuring solidarity against exclusion. Another theoretical framework can

be based on the comparative study between the fundamentals of an Islamic economic system and the social market economy which presents *Zakāh* as an important ingredient of social safety net (Nienhaus, 2010).

4. Extract some of the cultural, social, economic, and even political, and geo-strategic conditions and circumstances that have played a prominent role in the increase and/or the decline in the interest in topics relating to *Zakāh*.
5. Identify areas that received great deal of attention in these treatises, and by whom? And on what basis?
6. Determine major publication venues; are they academic theses? Or articles and scientific papers? Or books and reports? Or, may be, others?

4. Research Methodology and Data Collection Protocol

To meet the intended objectives, the study utilizes a methodology consisting of collecting, compiling and analysing the Western literature on *Zakāh* in English and French languages from many renowned sources; like the US Congress Library, the British Library, the French National Library and WorldCat, a catalogue of library resources from around the world with more than 332 million bibliographic records that represent more than two billion items held by participating libraries. In addition, we have referred to some bibliographies published by esteemed Islamic Economics Institutions; like the one published by the Islamic Economics Institute; an affiliate of King Abdulaziz University (Islahi, 2005), and IRTI of IBD group (1993). For ease of comparison, the collection of items was restricted to studies in whose titles *Zakāh*, its equivalent (alms giving) has been stated, or which content focuses on *Zakāh*. In this way, they are both verified and verifiable.

The data collection protocol for the study has been based on the following steps:

1. After collecting one hundred twenty five titles, the sample was subjected to a thorough screening, which led finally to fifty nine titles.
2. Verification of names, titles, and year and place of publishing by returning to the original source wherever possible.
3. Consulting web pages and Curriculum Vitae of the authors to determine their scientific background, field of research, institutional and geographical affiliation.

5. Early Western Studies on the Islamic Fiscal System: A Brief History

Islahi (2014: 75-82), pointed out that the exchange of ideas in the economic field between the Muslims and others has been carried out through several

channels: oral transmission, trade and commerce, crusades, travellers and explorers, translation, diplomacy, pilgrimage, monasteries and Cathedral schools and missionaries. Before treating *Zakāh* as a separate subject, Westerners were interested in exploring the Islamic tax system during the period of the first caliphs (Berchem, 1886), in specific periods (Løkkegaard, 1950) or regions (Morimoto, 1981). Most authors have addressed the various components of Islamic fiscal system, which includes: *Zakāh*, *Kharaj* (land tax), *ushr* (trade tax). The first studies were conducted through Ph.D. thesis. Firstly by Max van Berchem through his Ph.D thesis "*La propriété territoriale et l'impôt foncier sous les premiers califes. Etude sur l'impôt du kharag*" (The territorial property and the land tax under the early caliphs: Study of the *Kharaj* tax) that was defended in 1886 at the Faculty of Philosophy of the University of Leipzig, one of the oldest Universities in Germany. The notion of *Zakāh* is defined as a legal donation paid in the form of tax (van Berchem, 1886: 14). It was followed by Nicolas Agnides Ph.D. thesis entitled "*Mohammedan Theories of Finance*" defended in 1916 at the Faculty of Political Science in Columbia University. *Zakāh* is defined as a tax (Agnides, 1916: 203-204).

Prior to the aforementioned studies the oldest Western writing that we have been able to trace so far on *Zakāh* appeared in the introduction to the Latin translation of the Holy Qur'ān prepared by the Italian cleric Ludovico Marasio (1612-1700), after his presidency of the Chair on Arabic Language at the University of Sapienza in Roma. The first volume, published in the city of Padua in 1691, contained an introduction of the biography of Prophet Muhammad (PBUH), and a summary of the five pillars of Islam. The second volume published in the same city in 1698 contained the translation of the Holy Qur'ān from Arabic to Latin. The treatise on *Zakāh* came in the first volume as a third pillar (tertium fundamental) of Islam (Marraccio, 1691: 31-34).

In his book "*Invasions des Sarrazins en France*" (The Muslim invasion to France), Joseph Toussaint Renault (1836: 280-281) -the responsible of the Eastern manuscripts in the Royal Library⁷- evokes the subject of *Zakāh* paid by Muslims vis-à-vis the notion of *Jizyah* imposed upon the non-Muslims in Andalusia according to the book "*History of the Conquest of Andalusia*"⁸ by Ibn al-Qutiya (died in 720) which is considered as one of the most important historical sources on the Islamic presence in Spain.

⁷ Currently the National Library of France or the French National Library.

⁸ Manuscript No. 1867 at the National Library of France, see Muhammad Ibn al-Qutiya. *Early Islamic Spain: The History of Ibn Al-Qutiya: A Study of the Unique Arabic Manuscript in the Bibliothèque Nationale de France*, Paris, London: Routledge, 2009.

The “*Grand dictionnaire universel du siècle*” de Larousse (1877: 309) dealt with fiscal aspect of *Zakāh* as one of the public finance resources for the treasury (*Bait-Al-Māl* or the house of money) of the Islamic state in the era of the Caliphs.

In his book “*L’impôt dans les diverses civilisations*” (Tax in different civilizations), Ernest Forney de Valley (1897: 498) dealt with *Zakāh* as a religious charity that provides retribution in the hereafter. But the retribution in the hereafter was not sufficient to ensure the continuity of the Islamic religion. That is why Prophet Muhammad (PBUH) used -according to the author- the booty, which gave his disciples retribution in this life. This conclusion has no scientific underpinning because the *Zakāh* is the main source that provides support for the poor, the needy and the other spelled out categories of beneficiaries in this life, not in the hereafter. This fact is well established about the nature and role of *Zakāh*.

At the end it has to be noted that the first treatise of the subject of *Zakāh* in its own; as far as we are aware of, is the study of the German orientalist; Joseph Schacht (1934: 1202) in the ‘*Encyclopaedia of Islam*’ who defines it as an “*alms tax, one of the principal obligation of Islam*”; before stressing due to the high imposts and taxes currently collected: “*Actual practice differed from the theory of Zakāh in the different Muslim countries*” (Schacht, 1934: 1203). A recent study of IRTI (2014: 42) on the collection of *Zakāh* in five countries (Indonesia, Pakistan, Singapore, Brunei and Malaysia) noted that “*Zakāh can potentially meet the resource gap for poverty alleviation in all the countries under focus. However, the potential remains unrealized as actual Zakāh mobilized falls far short of its potential in most countries*”. Despite the undeniable revival of interest on *Zakāh* in the modern era, it appears that its impact on reducing poverty is hardly noticeable because of the difficulty in estimating *Zakāh*, avoidance and evasion in paying it, and corruption, mismanagement and inefficiency in distributing the proceeds.

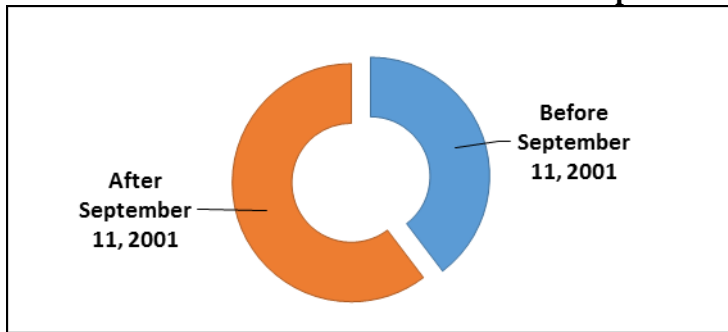
6. Results and Discussion

Based on the sample of the collected studies, the research trends can be examined from different angles and axes. In this occasion, the following five factors have been looked at:

Time factor. Figure (1) shows clearly the impact of the events of September, 11th on the increase in the number of studies related to *Zakāh*. This may be due to the presumption taken by these investigations in liaising *Zakāh* funds to the financing of ‘terrorism’. Indeed this may be the case. For instance, Reddan

(2009:2-3) states “within current literature, five principal ways have surfaced through which terrorist’s finance their organizations: direct contributions, international donations into charitable foundations, state sponsorship, criminal activities, and the collection of the *zakāh*”. And within these five channels “international donations and *zakāh*” have been identified as the two prime sources for charity funds that have been accused of supporting ‘terrorist’ activities.

Figure-1
Distribution of the Studies on *Zakāh* before and after September 11, 2001



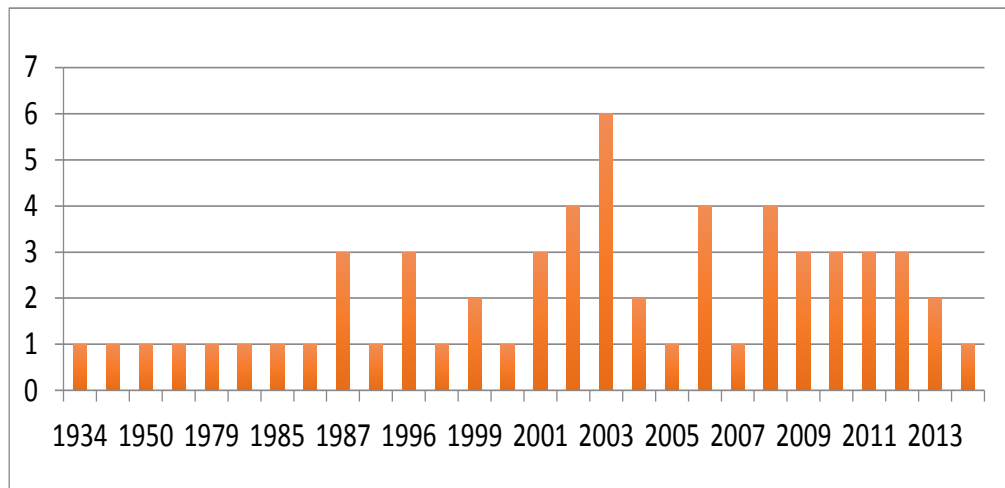
Source: Authors from the sample compiled, see Annex II.

Figure (2), on the other hand, displays the distribution of the surveyed studies over the eighty years span. The display supports the previous findings. It is very apparent that the years after the events of September saw a big increase in number. For instance in the year 2003, the number of studies has increased by 50% from those of 2001, and the rate of the number of studies has gone by three-fold from the less than one study per year over the previous period.

The nature of the studies factor

This factor addresses the following question: are the investigated studies dominated by theoretical or applied essays? Or is it a combination of both? Is there a discrepancy between the two periods; pre and post 9/11? The results indicate a slight dominance of the theoretical treatises. Figure (3) shows that fifty-five per cent studies are theoretical and the rest are applied. Among the factors that may have contributed to this trend is the lack of accurate and up-to-date data that can be relied upon to arrive at grounded scientific results.

Figure-2
Distribution of the Studies over years (1934-2014)



Source: authors from the sample compiled, see Annex II.

Figure-3
The nature of the compiled studies: theoretical versus applied



Source: authors from the sample compiled, see Annex II.

The translation of the word Zakāh

During the compilation of the various forms of writing of the word *Zakāh* (Annex 1), it appeared that the most used translations of the word, as shown in table 1, are:

- ‘Tithe’ (in English) and ‘dîme’ (in French): from old English ‘teogotha tenth’ and old French ‘dixme’. The two terms mean a tenth part of something and appear as a literal translation of the Arabic word ‘*Ushr*’, which is the *Zakāh* of crops from rain.
- ‘Charity’ (in English) and ‘charité’ (in French): the act of giving, for the love of God, to help people who are poor and needy.
- ‘Alms’ or ‘almsgiving’ (in English) and ‘aumône’ (in French): something given freely to relieve the poor and needy.
- ‘Tax’ (in English) and ‘impôt’ (in French): mandatory contribution or compulsory levy.

In the title of their writings (Annex 2), most researchers prefer to use the original term ‘*Zakāh*’ (83%), and then charity (7%), alms and almsgiving (4%), ‘*Ushr* or tithe (2%). It should be noted that the *Zakāh* was used in the Qur’ān and the *Sunnah* through the word *Ṣadaqah* in the sense of compulsory alms, almsgiving or charity. It has however never been used through the word tax. For example, the Qur’ān (9: 60) refers to the verse: “*The Ṣadaqāt are only for the poor and for the needy*”; and *Sunnah* to the *Hadith* (narration) when Prophet Muhammad (PBHU) sent Mu’adh to Yemen, he said: “*Teach them that Allah has made obligatory for them to pay the Ṣadaqah from their goods and it is to be taken from the wealthy among them and given to the poor*” (Bukhari, 1993, 2: 505). The literal meaning of *Zakāh*, i.e. purifying the wealth for the love of God, shows that it cannot be considered as a tax. Moreover, the word *Zakāh* is mentioned in the Qur’ān twenty-eight times in combination with prayer. In the *Sunnah*, the Prophet –PBHU– said in a sacred narration: “*Allah said: We have descended the goods to accomplish prayer and pay Zakāh*”⁹. This means that the right of creatures, symbolized by *Zakāh*, is intimately related to the right of God, symbolized by prayer (Ibn Qayyim al-Jawziyah, 2009: 314). The use of the word *Zakāh* in its original Arabic form has finally the advantage for most researchers of making a multidimensional conceptualization, in light of advances in social sciences, which is usually not the case of most translated words. They seem keep in mind the well-known proverb: ‘Translating is misinterpreting’. In other words, according to Saussure (1989, 1: 380), there are in each language productive and sterile words, the term *Zakāh* is one of the most productive words of the Arabic language that needs to be treated with caution.

⁹ Reported by Imam Ahmad ibn Hanbal and at-Tabarani, and authenticated by al-Albani (1995, 4: 182-183).

Table-1
The most used translations of the term ‘Zakāh’ in the English and French.

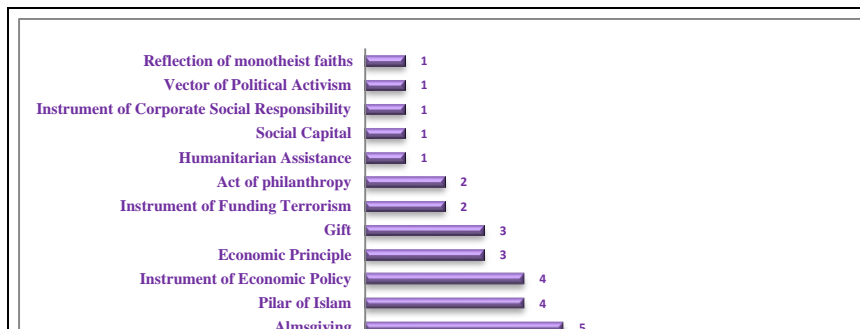
English Translation	First Known Use	French Translation	First Known Use
Tithe	before 12th century	dîme	before 12th century
Alms, Almsgiving	before 12th century	aumône	before 10th century
Charity	before 13th century	charité	before 10th century
Tax	before 14th century	impôt	before 14th century

Variety of conceptualization of the word Zakāh

The figure 4 shows a variety of conceptualization of the notion of *Zakāh*, where it is analyzed, for the most part, as an economic, social, and political fact. From an economic perspective, *Zakāh* is perceived as a religious tax system that encourages the redistribution of wealth to those who are in need. This indicates the role of *Zakāh*, from a social point of view, to promote social justice and the solidarity between rich and poor. At the political level, *Zakāh* is sometimes perceived as a form of political activism which can be exploited to finance terrorism. The study of *Zakāh* as a pillar of Islam is addressed in a comparative legal perspective between certain schools of thought within Islamic jurisprudence.

An in-depth analysis of these conceptualizations, over the past decade in the context of globalization, shows a growing trend to consider the concept of *Zakāh* as an individual act in favor of the social and solidarity economy. This relates, to a certain extent, to the analysis that the religious acts claims to Islam reflect an individual rather than collective affirmation (Roy, 1999; 2002). The practice of *Zakāh* could therefore, in some cases, be a manifestation of a ‘post-islamist’ era, in the sense of the reaffirmation of the religious outside the political project as has been the case for Islamic banking over the last quarter-century (Chapellière, 2009: 306). This opens the way to accord greater weight to perception frameworks of *Zakāh*, its symbolic forms, ethical dimensions and teleological horizons beyond traditional approaches. Among the most recent conceptualizations, one draw to the attention: the *Zakāh* as a social capital, which encourages cooperation, reduces transaction costs and promote a sense of responsibility towards others (Robin and Tlemsani, 2003). Another emerging issue for number of Muslims living in the West is a tax deduction for *Zakāh* payments (Wishart, 2015).

Figure-4
Variety of conceptualization of the notion of *Zakāh*



Source: authors from the sample compiled, see Annex II

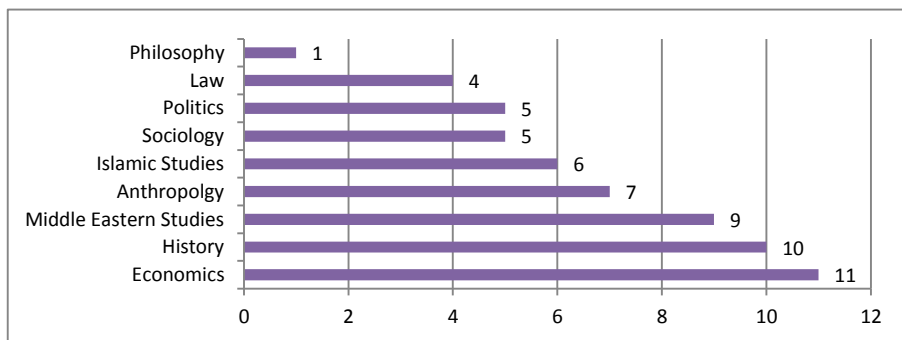
The scientific disciplines, field of specialization of authors and the publishing channel factor

After careful examination of the Curriculum Vitae of the authors, and the channels through which they published their research and studies on the subject of *Zakāh*, we have been able to trace nine areas of specialization as shown in Figure (5) below. It seems, at first glance, that the economic and historical dimensions take the lion's share, but after careful consideration, it is evident that the Middle Eastern and Islamic studies are no less important than the historical and economic areas. It should be noted that Middle Eastern and Islamic may appear to be significantly different from each other, however close examination indicate that this is not the case as both disciplines deal primarily with issues relating to the political and socio-economic reality of the societies and communities in the Muslim and Arab World.

The geographical distribution factor

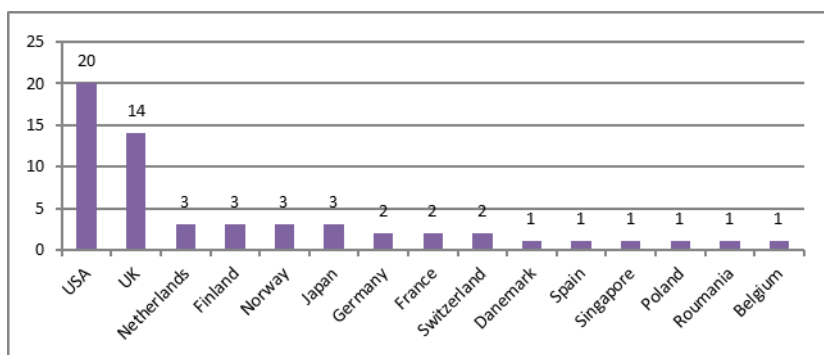
In terms of the distribution of studies over a number of countries, figure (6) displays that both the United States and the United Kingdom topped the list; the contribution of these two countries accounted for about sixty per cent of the total studies. If the status of Britain is justified due to its historical role and ties with the Islamic and Arabic Worlds, the forefront of United States can be explained by the events of 11 September 2001 and their aftermath inflictions and consequences.

Figure-5
Distribution of studies by speciality



Source: authors from the sample compiled, see Annex II.

Figure-6
Distribution of studies by Country



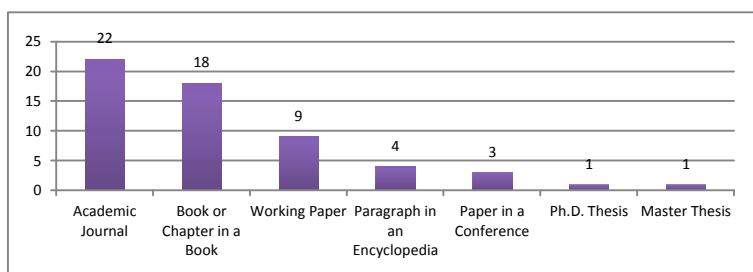
Source: authors from the sample compiled, see Annex II.

The quality of scientific publishing factor

As shown by figure (7), the bulk of the published literature on *Zakāh* is of scientific and academic orientation in the form of journal articles, books, working and conference papers. Taking this result at the face of it may indicate the objectivity in the treatment of issues relating to *Zakāh*. However, this is not the case, as some of the writings are not free of ideological prejudices or prior positions that some authors took. Moreover, most of the writers of these studies do not consult original texts due to language barrier. In this regard, it should be noted

that some authors of early studies referred to original references, and perhaps some of them may have been mastering the Arabic language. For instance, Aghnides (1916), in his Ph.D dissertation, analysed the Word *Zakāh* from the linguistic and Islamic jurisprudence (technical) point of view. Not only that, but he went further by examining close terms to *Zakāh* like *Ṣadaqah* (almsgiving) whether they carry the same meaning or not, because in some passages of the Qur’ān they have been used interchangeably. Aghnides (1916: 203-204) concluded “... *every Zakāh is also Ṣadaqah, only the Ṣadaqah which is farḍ (obligatory) is Zakāh*”. Therefore, one might conclude that early studies may have more depth and understanding than contemporary ones. This conclusion has to be treated cautiously, as a comprehensive and through examination of the literature is far from complete at this stage yet.

Figure-7
Distribution of studies according to the quality of scientific publishing.



Source: authors from the sample compiled, see Annex II.

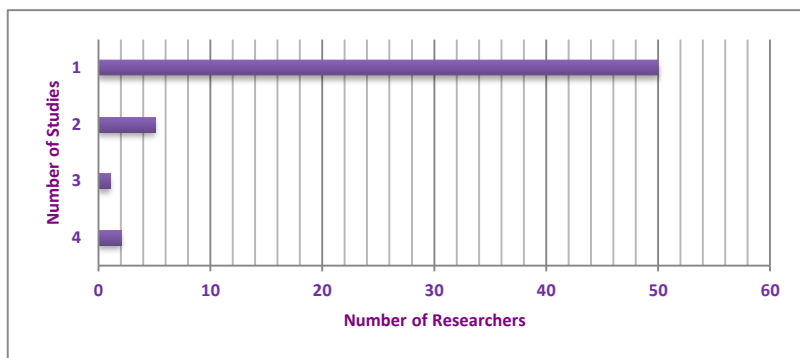
The Zakāh frequency as a research theme

The computation of the *Zakāh*'s frequency as a research topic Figure (8) shows that it is not a priority research topic. Among the researchers retained in the database, only two published four studies on *Zakāh* (3%), one researcher three studies (2%), five researchers two studies (9%) and the rest only one study (86%). This reveals a lack of specialists on *Zakāh* by Non-Muslims and the necessity to train researchers specialized in the field, in particular through the organization of workshops to improving the awareness of researchers on the multiple facets of the notion of *Zakāh* and its socio-economic dimensions¹⁰, the supervising of Master dissertations and Ph.D. thesis on *Zakāh*, and the launching of a multi-disciplinary

¹⁰ For example, the university of Strasbourg organized a symposium on 'Zakat and Banking' in 26 May 2012.

journal dedicated to *Zakāh* in three languages (Arabic, English and French) as it is the case of the *Awqāf Journal* published by the Kuwait *Awqāf* Public Foundation. The increase in the number of new researchers would be beneficial by opening new perspectives on research relating to *Zakāh*, empirical studies in particular.

Figure-8
Frequency of studies on *Zakāh* according the number of researchers



Source: authors from the sample compiled, see Annex II.

Relevance of Islamic Economics Concepts and Principles to Nowadays: Malaises of Contemporary Societies and Economic Systems

In the aftermath of the global financial crisis of 2007-2008 many Muslims and Non-Muslims alike have shed light on the relevance of Islamic Economics Concepts and principles to the complex issues and problems of contemporary societies and their operating eco-systems. It is not the intention of this section to explore, analyse and discuss all issues raised on that literature, the purpose is to highlight a few things related to the theme of this paper; *Zakāh*. As has been noted by Jean-Yves Moisseron and Frederic Teulon (2014: 7), some Western economists believe that “*Zakāh may be useful to undeveloped society*”. Based on this idea other authors, including Muslims living in the West, suggest that the exemption limits of *Zakāh* (Khan, 2013: 417), must be adapted to the modern economy. Here, the issue of *Ijtihād* in matters related to *Zakāh* will signify itself. It may be recalled that *Ijtihād* is the exertion of utmost efforts by a scholar, or a person who has studied Islam law for a long time and knows a lot about it, to derive the rulings of Shari‘ah in new issues (*nawazil*). It can be performed by a scholar or group of scholars within a committee like the International Islamic Fiqh Academy affiliated to the Organization of Islamic Cooperation (OIC) based in Jeddah, and Islamic Fiqh

Council affiliated to the Muslim World League (MWL) based in the Holy City of Makkah.

The *Ijtihād* is needed in some specific and well defined areas like the *Zakāh* of modern forms of wealth such as shares, *ṣukūk* and funds. *Ijtihād* is also needed in the *Zakāh* of debts; an issue engulfing the like of all economic agents and the investments of the funds of *Zakāh*. These are some contemporary issues that have no specific evidence (*dalīl*) from Qur'ān, *Sunnah* and the consensus of the scholars (*Ijmā'*). Therefore, we must stress the fact that one has to be very careful in this delicate area by adopting the appropriate and right tools of *Ijtihād* in accordance to the well-established methodology of Islamic jurisprudence (*Uṣūl Al-Fiqh*) taking into consideration the purposes (*Maqāṣid*) of Sharī'ah and the application of the derived verdicts in the complexities of nowadays societies and systems. It is beyond the limits and scope of this paper to deal appropriately with this delicate area. However, it is important to note that *Ijtihād* is justified by the absence of a clear text that is not the case concerning the conditions of *Zakāh*.

In another expose, three researchers of the World Bank have explored the potential of *Zakāh* as a 'social safety net' in some Middle Eastern and North African countries. Based on the empirical study that they have carried out in Yemen they concluded that "*Zakāh* is an important source of financial support for the poor, it reaches the poor and is used mostly for necessities, and attitudes towards *Zakāh* are generally positive" (65% of the surveyed population completely agree that '*Zakāh* is the best way to fight poverty') (Silva *et al.*, 2012). However, the authors have pointed out to some deficiencies and other important issues like 'the need of other complementary social safety net tools beside *Zakāh*' and the organization of this institution in the examined countries. The issues of *Ijtihād*, the socio-economic impact of *Zakāh* and/or its usefulness as a policy tool in economic downturn are of high importance and relevance to provide some useful insights and to design some important policies that might help societies and communities in reducing the severities of the many illnesses like wealth inequality, poverty and financial 'exclusion' that modern societies suffer from.

7. Concluding Remarks and Recommendations

In the light of the data compiled so far, it appears that Non-Muslims literature has addressed the issue of *Zakāh* for at least the last three centuries. After being approached from an ideological posture as the third pillar of the Islamic religion, the theme was treated academically in the late 19th century as a component of the Islamic fiscal system. Since the early 20th century, the concept of *Zakāh* was

discussed as a separate topic that encompasses several dimensions. In this context, the present paper analyses the research trends on *Zakāh* literature in the Western World during the period of eighty one years (1934-2015) on the basis of a database comprising fifty nine studies. The study concludes the following remarks:

- The multiplicity and the diversity in the conceptualization of *Zakāh* beyond the purely moral and juristic approaches. It encompasses economics, history, Middle Eastern studies, anthropology, sociology, politics and philosophy.
- The predominance of theoretical (56%) in comparison to applied studies (44%). This may be due to the difficulty in obtaining accurate data on *Zakāh*.
- The perception of *Zakāh* as an instrument of power after the events of September 11, 2001. This represents a very significant milestone in the increased interest on *Zakāh* by the association of Islamic charitable organizations to 'terrorism'. The number of studies increased drastically (40% before, and after 60% after).

In view of these results, the paper recommends the following:

- The need to deconstruct the discourse linking *Zakāh* to terrorism for seizing its assumptions and in view of the difficulty of obtaining detailed data on the payment of *Zakāh* which remains today primarily a private act, particularly in the West where states do not intervene in the collection of *Zakāh*.
- Taking into consideration the different dimensions of *Zakāh* that transcends the prism of the third or non-profit sector in which *Zakāh* is usually confined.
- From an economic perspective, specific researches in the context of post-industrial and digital economy are needed beyond the mercantile, agricultural and industrial approaches dominant in the Arabic literature.
- Exploring the theoretical frameworks that can be used to better approach the concept of *Zakāh* in the Non-Islamic world beyond the belief that human beings are only individual subjects who are by nature selfish, greedy and indifferent to others.
- Making appropriate *Ijtihād* in very specific and well defined areas that have arose due to the developments and complexities of modern societies. Areas that have no specific text (Nass) or evidence (*dalīl*) from Qur'ān, Sunnah and consensus of the scholars (*Ijmā'*).

Acknowledgment

The authors would like to acknowledge the financial support received from the 'Chair of Dr Abdulhadi H. Taher for Studies of Fiqh and Accounting of Zakāh' at the Department of Economics and Administration, King Abdulaziz University in conducting this research. The contents, views and recommendations are sole responsibility of the authors; they represent neither that of the institution nor that of Dr. Abdulhadi H. Taher's Chair.

References

- Abu Yusuf, Ya'qub (1921) *Le livre de l'impôt foncier*, traduit et annoté par E. Fagnan, Paris: Librairie orientaliste Paul Geuthner.
- Aghnides, Nicolas Prodromou (1916) *Mohammedan Theories of Finance*, New York: Columbia University Press, Woods, John E. (Edited by). Islamic Taxation, New York: Arno Press, 1973.
- Al-Albani, Muhammad Naser Eddine (1993) *Silsilat al-ahadith al-sahiha* (Compilation of the authentic narrations of the Prophet), Riyad: Dar al-Maarif.
- Al-Suwailem, Sami (2013) *Introduction to the Fundamentals of Islamic Finance* (in Arabic), Riyad: Namaa Center for Research and Studies.
- Alvin, Robert Cornelius (1970) A scheme for establishment of *Zakāh*, *Dacca: Society for Pakistan Studies*.
- Belabes, Abderrazak (2010) Le lien entre finance et économie islamiques via le modèle principal "ZR", *Etudes en économie islamique*, 4(1), Janvier, pp. 15-37.
- Benedetti, Carlo (2006) Islamic and Christian inspired relief NGOs: between tactical collaboration and strategic diffidence?. *J. Int. Dev.*, 18: 849-859. doi: 10.1002/jid.1318
- Berchem, Max van (1886) *La propriété territoriale et l'impôt foncier sous les premiers califes: étude sur l'impôt du kharâg*, Genève: H. Georg.
- Bremner, Robert H. (2000) *Giving: Charity and Philanthropy in History*, New Brunswick and London: Transaction Publishers.
- Bukhâri, Muhammad (1993) *Sahih al-Bukhâry* (Authentic Hadiths of al- Bukhâry), Dar ibn Khatir.
- Cahen, Claude (1960) *Bayt al-māl*, *Encyclopaedia of Islam*, Second edition, E. J. Brill, Leiden.

- Cahen, Claude (1990) *Kharādj. Encyclopaedia of Islam*, Second edition, E.J. Brill, Leiden.
- Cahen, Claude (1991) *Darība. Encyclopaedia of Islam*, Second edition, E.J. Brill, Leiden.
- Cascio, Toni (2003) Religious Foundations of Charity, in ‘*Religious Organizations in Community Services: A Social Work Perspective*’, edited by Terry Tirrito, Toni Cascio, New York: Springer Publishing Company, pp. 2-20.
- Chapellière, Isabelle (2009) *Ethique et finance en Islam*, Paris: Koutoubia.
- Darling, L. (1996) *Revenue-Raising and Legitimacy: Tax Collection and Finance Administration in the Ottoman Empire, 1560–1660*, New York: E.J. Brill.
- Delille, Gérard (2015). *L’Économie de Dieu. Famille et marché entre christianisme, hébraïsme et islam*, Paris: Les Belles Lettres, coll. Histoire.
- Fournier de Flaix, Ernest (1897) *L’impôt dans les diverses civilisations*, Paris: Guillaumin et Cie, 1897.
- Gold, Lora (2004) *The Sharing Economy: Solidarity Networks Transforming Globalization*, Ashgate Pub. Ltd.
- Ibn Qayyim al-Jawziyyah, and Muhammad (2009) *Uddat as-Sabirin wa Dhakhiratu ash-Shakirin* (Patience and Gratitude), Makkah: Dar Alam al-Fawaid.
- Islahi, Abdul Azim (2005) *Zakāh: A Bibliography*. Scientific Publishing Centre, King Abdulaziz University, Jeddah, Saudi Arabia.
- Islahi, Abdul Azim (2014) *History of Islamic Economic Thought*, Cheltenham and Northampton: Edward Elgar.
- Islamic Research and Training Institute (1993) *A Bibliography of Islamic Economics*, Jeddah: IDB.
- Islamic Research and Training Institute. (2014). Islamic Social Finance Report (2014). Jeddah: IDB.
- Islamic Research and Training Institute. (2015). Islamic Social Finance Report 1436H (2015). Jeddah: IDB.
- Khan, Muhammad Akram (2013) *What Is Wrong with Islamic Economics?: Analysing the Present State and Future Agenda*, Cheltenham: Edward Elgar Publishing.

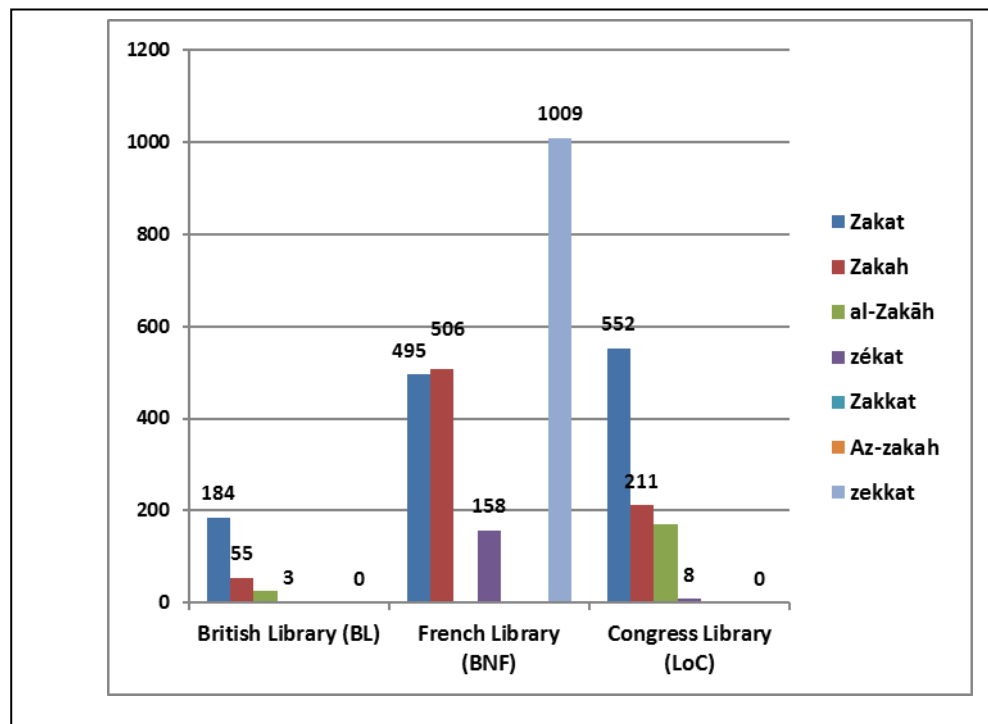
- Kostakis, Vasileios and Bauwens, Michel (2014) *Network Society and Future Scenarios for a Collaborative Economy*, London: Palgrave Pivot.
- Larousse, Pierre (1866) *Grand dictionnaire universel du XIX^e siècle: français, historique*, tome dix-septième, deuxième supplément, Paris: Administration du Grand Dictionnaire Universel, 1866-1877.
- Lelart, Michel (2014) *De la finance éthique à l'éthique dans la finance*, Document de Recherche n° 2014-03, Laboratoire d'Économie d'Orléans.
- Løkkegaard, Frede (1950) Islamic taxation in the classic period: with special reference to circumstances in Iraq, *Thesis in Literature*, Copenhagen: Branner & Korch.
- Maréchal Jean-Paul (2004) Aux origines bibliques de l'éthique économique, *Ecologie & politique* 2/2004, (N°29), pp. 215-226.
- Marraccio, Ludovico (1691) *Alcorani textus universus*, Patavii: Typographia Seminarii 1691, <http://gallica.bnf.fr/ark:/12148/bpt6k5698206k>
- Marraccio, Ludovico (1691) *Refutatio Alcorani*, Patavii: Typographia Seminarii 1698, <http://gallica.bnf.fr/ark:/12148/bpt6k5698394h>
- Mauss, Marcel ([1925] 2007) *Essai sur le don. Forme et raison de l'échange dans les sociétés archaïques*, Paris: Presses Universitaires de France.
- Moisseron, Jean-Yves and Teulon, Frederic (2014) Are Moral Islamic Economics an Answer to the Global Financial Crisis? Working Paper 2014-152, IPAG Business School, https://www.ipag.fr/wp-content/uploads/recherche/WP/IPAG_WP_2014_152.pdf
- Morimoto, Kosei (1981) *The Fiscal administration of Egypt in the early Islamic period*, Kyoto: Dohosha, 1981.
- Nienhaus, Volker (2010) Fundamentals of an Islamic Economic System compared to the Social Market Economy: A Systematic Overview, *KAS International Reports*, http://www.kas.de/wf/doc/kas_21079-544-2-30.pdf?101110140957
- Pellat, Charles (1981) *Some remarks on a problem of taxation in mediaeval Islam*, Islamabad: Hamdard Islamicus.
- Polanyi, Karl ([1944] 2001) *The Great Transformation: The Political and Economic Origins of Our Time*, Boston: Beacon Press.
- Qudāma'ī ibn Ġa'far, ibn Qudāma'ī ibn Ziyād and Abū Yūsuf, Ya'qūb ibn Ibrāhīm al-Anṣārī. *Taxation in Islam*, Leiden: E.J. Brill; London: Luzac & Co, 1965.

- Quraṣī, Yaḥyá ibn Ādam (1895) *Kitāb al-Kharāj*, Laydin: Maṭba‘at Birīl.
- Reddan, Peter Scott (2009) Biting the Hand that Feeds You: Abuse of Islamic Charities by Terrorist Organizations. Master Thesis, Naval Postgraduate School Monterey, California, USA, http://calhoun.nps.edu/bitstream/handle/10945/4346/09Dec_Reddan.pdf?sequence=1
- Reinaud, Joseph Toussaint (1836) *Invasions des Sarrazins en France et de France en Savoie, en Piémont et dans la Suisse, pendant les 8^e, 9^e et 10^e siècles de notre ère, d'après les auteurs chrétiens et mahométans*, Paris: Librairie Orientale.
- Rifkin, Jeremy (2014) *The Zero Marginal Cost Society: The Internet of Things, the Collaborative Commons, and the Eclipse of Capitalism*, London: Palgrave Macmillan Trade.
- Roy, Olivier (2002) *L'Islam mondialisé*. Paris: Seuil.
- Roy, Olivier (1999) *Vers un Islam européen*. Paris: Esprit.
- Saussure, Ferdinand de (1989) *Cours de linguistique générale*, édition critique par Rudolf Engler, Wiesbaden: Otto Harrassowitz.
- Shirazi, Nasim Shah (2014) Integrating Zakāt and Waqf into the Poverty Reduction Strategy of the IDB Member Countries, *Islamic Economic Studies*, 22(1), May, pp. 79-108.
- Silva, J., Alloush, M. and Wodon, Q. (2012) Middle East and North Africa: *Zakāh* as a Social Safety Net in Yemen, Unpublished manuscript, Washington, D.C.: World Bank.
- Stephany, Alex (2015) *The Business of Sharing: Collaborative Consumption and Making it in the New Sharing Economy*, London: Palgrave Macmillan.
- Visser, Hans (2013) *Islamic Finance: Principles and Practice*, Second Edition, Cheltenham: Edward Elgar Publishing.
- Web Sites www.worldcat.org, www.loc.gov, www.bl.uk, www.bnf.fr

ANNEX I

Statistics on the writing of the word "*Zakāh*" in Western literature

This Annex compiles the writing of the word "*Zakāh*" through the largest public libraries in the world: the Library of Congress in USA, the UK National Library and the French National Library. From the literature that we have been able to consult, we came up with seven different spellings of the word '*Zakāh*' in English and French. However, two spellings are commonly used more than the rest. These are: *Zakāh* in English and *Zekkat* in French. This exercise shows one of the difficulties that we have faced in tracing the writings about *Zakāh* in the various library sources.



ANNEX II

The sample of the Western studies compiled to determine the research features and trends

1. Benthall, Jonathan (1998) The Qur'ān's Call to Alms. *Zakāh*, the Muslim Tradition of Alms-giving, *ISIM Newsletter*, Institute for the Study of Islam in the Modern World, Leiden University, https://openaccess.leidenuniv.nl/bitstream/handle/1887/16762/ISIM_1_The_Qur-ans_Call_to_Alms_Zakāh_the_Muslim_Tradition_of_Alms-giving.pdf?sequence=1
2. Benthall, Jonathan (1999) Financial Worship: The Quranic Injunction to Almsgiving. *Journal of the Royal Anthropological Institute*, 5:1, March, 27-42.
3. Benthall, Jonathan (2002) Organized charity in the Arab-Islamic world: A view from the NGOs. In H. Donnan (Ed.), *Politics and Culture: A Theory, Culture & Society Series: Interpreting Islam*, London: SAGE Publications Ltd, pp. 150-167.
4. Benthall, Jonathan (2008) The Palestinian *Zakāh* Committees 1993–2007 and Their Contested Interpretations, Graduate Institute of International and Development Studies, Leiden University, *PSIO Occasional Paper* 1/2008, file:///C:/Users/00053723/Downloads/Graduate_Institute_HEI_2008_en.pdf
5. Boşca, Loredana (2012) Le *Riba* et la *Zakāh* dans le système économique islamique, *Cogito - Multidisciplinary Research Journal*, 03/2012, pp. 100-107.
6. Calder, Norman (2006) *Zakāh* in Imami Shi'i Jurisprudence, From the Tenth to the Sixteenth Century A.D., in G.R. Hawting (Editor). *The Development of Islamic Ritual* (The Formation of the Classical Islamic World), Book 26, Variorum, 2006, pp. 228-230.
7. Calder, Norman (1955) Exploring God's Law: Muhammad ibn Sahl al-Sarakhsi on *Zakāh* in C. Toll and J. Skovgaard-Peterson (eds.), *Law and Islamic World Past and Present*, Copenhagen: Munksgaard. Services, pp. 57-73.
8. Calder, Norman (1981) *Zakāh* in Imami Shi'i Jurisprudence, From the Tenth to the Sixteenth Century A.D. *Bulletin of the School of Oriental and African Studies*, 44(3), pp. 468-480.

9. Chugani, Sumeet H. (2008) Benevolent Blood Money: Terrorist Exploitation of *Zakāh* and its Complications in the War on Terror, *North Carolina journal of international law and commercial regulation*, Vol. 34(2), Winter, pp. 601-654.
 10. Clark, Grace (2000) Pakistan's *Zakāh* and Ushr System 1979-1999, in Charles H. Kennedy and Craig Baxter. *Pakistan 2000*, Lanham (Mary- land): Lexington Books, pp. 139-164.
 11. Clark, Grace (1985) Pakistan's *Zakāh*: An Islamic public welfare system in a developing country. *Unpublished thesis*, University of Maryland, School of Social Work and Community Planning.
 12. Clark, Grace (1986) Pakistan's *Zakāh* and 'ushr as a welfare system, in Anita M. Weiss (ed.) *Islamic reassertion in Pakistan: The Application of Islamic laws in a Modern State*, New York: Syracuse University Press, pp. 79-95.
 13. Clark, Grace (2001) Pakistan's *Zakāh* system: A policy model for developing countries as a means of redistributing income to the elderly poor, *Social Thought*, Vol. 20, Issue 3-4, pp. 47-75.
 14. Clarke, Frank, Craig, Russel. and Hamid, Shaari (1996) Physical Asset Valuation and *Zakāh*: Insights and Implications, *Advances in International Accounting*, Vol. 9, pp. 195-208.
 15. Constantelos, Denetrios J. (1994) *Zakāh* in Islam and Philanthropia in Greek Orthodox Christianity,
- http://intraweb.stockton.edu/eyos/arhu/content/docs/_djc%20archive/_Zakāh%20in%20Islam.pdf
16. Converset, Emilie and Binois, Jean-Marc (2006) *La Zakāh au Soudan, une alternative islamique à l'aide humanitaire internationale?*, Geneva: Institut universitaire d'études du développement.
 17. Craig, Ryan Robinette (2012) *Ṣadaqah and Zakāh: Almsgiving in the Early and Medieval Islamic Context*, February 17, Available at SSRN: <http://ssrn.com/abstract=2007336> or <http://dx.doi.org/10.2139/ssrn.2007336>
 18. Dominic, M.P. (1979) Towards an Islamic order in Pakistan: introduction of Islamic taxes (*Zakāh* and 'Ushr), *Bulletin for international fiscal documentation*, 33(4), pp. 183-184.

19. Dudoignon, Stephane, A. (2001) Status, Strategies and Discourses of a Muslim "Clergy" under a Christian Law: Polemics about the Collection of the Zakāh in Late Imperial Russia, *Islamic Area Studies*, 3, pp. 43-76.
20. Dutton, Yasin (2011) The politics of usury or the politics of Zakāh? Reflections on the future of Islam in Britain, *The Journal of Islamic Law & Culture*, 13(2/3), pp. 226-241.
21. *Encyclopedia Britannica*. Zakāh, <http://www.britannica.com/EBchecked/topic/655448/Zakāh>
22. Guermat, A., Al-Utaibi, A.T. and Tucker, J.P. (2003) The practice of Zakāh: an empirical examination of four Gulf countries, *Discussion Papers in Economics*, The School of Business and Economics, University of Exeter.
23. Gordon, Jerry (2009) Zakāh and Terrorism, *New English Review*, July, http://www.newenglishreview.org/Jerry_Gordon/Zakāh_and_Terrorism/
24. Hurgronje, Christiaan and Snouck (1957) "La Zakāh", in Bousquet, Georges-Henri and Schacht, Joseph (eds) *Oeuvres choisies*, Leiden: E.J. Brill, pp. 150-70.
25. Hurgronje, Christiaan, Snouck (2006) On the Institution of Zakāh, *The Formation of the Classical Islamic World: The Development of Islamic Ritual*, edited by G.R. Hawting, Vol. 26, London: Variorum.
26. Kochuyt, Thierry (2009) *God, Gifts and Poor People: On Charity in Islam*, *Social Compass*, March 2009, 56: 98-116.
27. Kuran, Timur (2003) Islamic redistribution through Zakāh: Historical record and modern realities, in Bonner, M., Ener, M. and Singer, A. (Eds.), *Poverty and charity in Middle Eastern context*, New York: State University of New York Press, pp. 275-293.
28. Lokkegaard, Ferde (1950) *Kharaj and 'Ushr Land*, in *Islamic Taxation in the Classic Period*, by Ferde. Lokkegaard, Copenhagen: Branner and Korch, pp. 38-72.
29. Lundblad, Lars Gunnar (2008) Islamic Welfare, Discourse and Practice: The Institutionalization of Zakāh in Palestine, in *Interpreting Welfare and Relief in the Middle East*, edited by Nefissa Naguib & Inger Marie Okkenhaug, Leiden: Brill, pp. 199-216.
30. Lundblad, Lars Gunnar (2011) *Islamic welfare, meanings and practices: processes of institutionalization and politicization of the Zakāh principle in Palestine*. Bergen: Universitetet i Bergen.

31. Matthews Robin and Tlemsani, Issam (2003) *Zakāh* and Social Capital: Parallels between Islam and The West, *International Banking Conference* Entitled 'From Money Lenders to Bankers: Evolution of Islamic Banking in Relation to Judeo-Christian and Oriental Banking Traditions', Monash Prato, Italy.
32. Mattson, Ingrid (2003) *Status-Based Definitions of Need in Early Islamic Zakāh and Maintenance Laws*. In M. Bonner, M. Ener, and A. Singer (Eds.). *Poverty and Charity in the Middle Eastern Context*, New York: State University of New York, pp. 31-52.
33. Mattson, Ingrid (2010) *Zakāh in America: The evolving role of Islamic charity in community cohesion*, Lake Institute on Faith and Giving, The Center on Philanthropy at Indiana University Indiana University-Purdue University Indianapolis,
http://www.philanthropy.iupui.edu/files/event_resources/lakelecture_mattson2010.pdf
34. May, Samantha (2011) Political Piety: The Politicization of *Zakāh*, *World International Studies Committee (WISC), Third Global International Studies Conference*, 17-20 August 2011, Porto, Portugal, http://www.wiscnetwork.org/porto2011/papers/WISC_2011-517.pdf
35. McChesney, Robert D. (2004) Islamic Philanthropy: The Ethical and Historical Context, in *Philanthropy in America: A Comprehensive Historical Encyclopedia*, Vol. 1, edited by Dwight Burlingame, ABC-CLIO, August 19, pp. 269-280.
36. Medani, Ahmed and Gianci, Sebastiana (2005) *Zakāh*, in 'Encyclopedia of Taxation and Tax Policy', edited by Joseph J. Cordes, Robert D. Ebel, Jane Gravelle, Washington: The Urban Institute Press, p. 479-481.
37. Mruk, Wojciech (2003) 'Zakāh' - jałmużna i podatek we wczesnej tradycji muzułmańskiej - VII-IX wiek (The *Zakāh* - Alms and Tax in the Early Muslim Tradition - 7th-9th c.), *Zeszyty Naukowe Uniwersytetu Jagiellońskiego. Prace Historyczne*, 130, pp. 7-19.
38. Nienhaus, Volker (2006) *Zakāh, Taxes, and Public Finance in Islam*, in: Sohrab Behdad and Farhad Nomani (eds.): *Islam and the Everyday World – Public Policy Dilemmas*, Abingdon and New York: Routledge, pp. 165-192.
39. Pereire, Kenneth George (2007) Thailand's *Zakāh* Funds Bill Regulating charities with sensitivity, *RSIS Commentary*, No.45, 28 May.

40. Powell, Russell (2010) *Zakāh: Drawing Insights for Legal Theory and Economic Policy from Islamic Jurisprudence*, 7 *Pitt. Tax Rev.* 43 (2009-2010), <http://digitalcommons.law.seattleu.edu/cgi/viewcontent.cgi?article=1089&context=faculty>
41. Reddan, Peter Scott (2009) Biting the Hand that Feeds You: Abuse of Islamic Charities by Terrorist Organizations. *Master Thesis*, Naval Postgraduate School Monterey, California, USA. http://calhoun.nps.edu/bitstream/handle/10945/4346/09Dec_Reddan.pdf?sequence=1
42. Richardson, Gail (2004) Islamic Law and Zakāh: Waqf Resources, in 'Pakistan, *Islamic Law and Social Policy*', ed. Stephen P. Heyneman, Nashville: Vanderbilt University Press, pp. 156-180.
43. Samad, A. and Glenn, L.M. (2010) Development of Zakāh and Zakāh coverage in monotheistic faiths, *International Journal of Social Economics*, 37(4), pp. 302-315.
44. Schacht, Joseph (1934) *Zakāh*, in 'Encyclopaedia of Islam' (old edition), Leiden: E.J. Brill, Vol. 4, pp.1202-1205, https://books.google.com.sa/books?id=rotXw_hxMC&pg=PA1202&lpg=PA1204&focus=viewport&dq=Zakāh
45. Schäublin, Emanuel (2009) Role and Governance of Islamic Charitable Institutions: The West Bank Zakāh Committees (1977-2009) in the Local Context, *Working Paper*, The Graduate Institute, Geneva, Centre on Conflict, Development & Peacebuilding, http://dar.aucegypt.edu/bitstream/handle/10526/1435/The-West-Bank-Zakāh-Committees-1977-2009-in-the-Local-Context_Arabic.pdf?sequence=4.
46. Scott, James C. (1987) Resistance without Protest and without Organization: Peasant Opposition to the Islamic Zakāh and the Christian Tithe, *Comparative Studies in Society and History*, 29, pp 417-452, <http://courses.arch.vt.edu/courses/wdunaway/gia5274/scott87.pdf>
47. Scott, James C. (1987) Resistance without protest: peasant opposition to the Zakāh in Malaysia and to the tithe in France, Townsville, *Qld: Asian Studies Association of Australia*, The Fourth James C. Jackson Memorial Lecture. URL: <http://trove.nla.gov.au/work/18163298?q&versionId=21320793>
48. Selvik, Kjetill (2013) Business and Social Responsibility in the Arab World: the Zakāh vs. CSR models in Syria and Dubai, *Comparative sociology*. 12(1), pp. 95-123.

49. Toth, Anthony B. (2012) Control and Allegiance at the Dawn of the Oil Age: Bedouin, *Zakāh* and Struggles for Sovereignty in Arabia, 1916-1955, *Middle East Critique*, 21(1), pp. 57-79,
<http://www.tandfonline.com/doi/pdf/10.1080/19436149.2012.658667>
50. Van Hoven, E. (1996) Local Tradition or Islamic Precept? The Notion of *Zakāh* in Wuli (Eastern Senegal), *Cahiers d'études africaines*, 36(4), Issue 144, pp. 703-722.
51. Weiss, Holger (2002) *Social welfare in Muslim societies in Africa*, Uppsala: Nordisk Africa Institute.
52. Weiss, Holger (2003) *Obligatory almsgiving: an inquiry into Zakāt in the pre-colonial Bilād al-Sūdān*, Helsinki: Finnish Oriental Society.
53. Weiss, Holger (2002) *Zakāh* and the Question of Social Welfare: An Introductory Essay on Islamic Economics and Its Implications for Social Welfare, in '*Social Welfare in Muslim Societies in Africa*', edited by Holger Weiss, Stockholm: Elanders Gotab, pp. 7-38.
54. Wright, M.S. Dudley (1947) The Fourth Pillar of Islam – Charity, *The Islamic Review*, 35(4 & 5), April-May, pp. 137-145.
55. Ybarra, Josep-Antoni (1996) The Zaqāt in Muslim society: an analysis of Islamic economic policy, *Social Science Information*, December, 35(4), pp. 643-656, doi: 10.1177/053901896035004004.
56. Zysow, Aron (2002) *Zakāh*, in *The Encyclopaedia of Islam*, Leiden, E.J. Brill, (New Edition), Vol. XI, pp. 403-422.
57. Iqbal Zafar and Lewis Mervin K. (2014) *Zakāh* and Economy, in *Handbook on Islam and Economic Life*, Cheltenham and Northampton: Edward Elgar Publishing Limited, p. 453-474.
58. Von Benda-Beckmann Franz (2007) Islamic Law and Social Security in a Ambonese Village, in '*Social Security Between Past and Future: Ambonese Networks of Care and Support*', edited by Franz von Benda-Beckmann and Keebet von Benda-Beckmann, Münster: LIT VERLAG, pp. 159-184.
59. Wishart, Roewen (2015) Understanding *Zakāh*: Islamic giving in Australia, *Generosity*, January 21, <http://www.generositymag.com.au/understanding-Zakāh-islamic-giving-in-australia/>

Critical Review of the Tools of *Ijtihād* Used in Islamic Finance

ABDULAZEEM ABOZAID*

Abstract

Sharī‘ah covers all aspects of human dealings, including Islamic financial law and its Fiqh nominated contracts, essentially the basis for all Islamic banking and finance transactions. These contracts are either readily found in the classic books of Islamic law or modified versions adopted to suit the modern financial needs. In some cases they are a combination of more than one contracts designed to serve a particular financing purpose, like the contract of Ijārah Muntahia Bittamlik (lease ending with transfer of ownership) where the transaction starts with lease and ends with sale. This paper attempts to discuss the most important Ijtihād instruments that can be used by the faqih (jurists) to evaluate and endorse products in Islamic finance. It then elaborates on the instruments that are in use in the modern Islamic finance, and which reflect a departure from Sharī‘ah rules and tools for Ijtihād (the process of deriving Sharī‘ah rules for the new incidents from the Sharī‘ah sources). The objective of this paper is to shed light on the cotemporary Ijtihād in Fiqh of finance in light of the guidelines provided by the Sharī‘ah in an attempt to draw the outlines of what constitutes a proper use of Ijtihād instruments in Islamic finance.

Keywords: *Ijtihād*, Islamic Finance, *Maṣlaḥah*, *Maqāṣid*, *Ḍarūrah*, Sharī‘ah Policy.

JEL Classifications: K19, P43, G38.

KAUJIE Classifications: A6, A5, B4.

* Corresponding author; E-mail: abozaid.abdulazeem@gmail.com

1. Introduction

Islamic law is believed by Muslim scholars to be the most flexible heavenly revealed law when compared with the other revealed laws in their original versions. Thanks to this flexibility, Islamic law can accommodate all genuine and useful needs of the market. Elements of flexibility of Islamic financial law include: Permissibility, as the de-facto original position in Sharī'ah; and Dynamism, as Sharī'ah rules being not all fixed or permanent for they include the *Mutaghiyyrat* (changeable); and the prohibitions in Sharī'ah, for not being all of the same degree. Equipped with a flexible basis for legislation, the *faqih* (Muslim jurist) is provided with general guidelines that help him reach sound and acceptable rulings. These guidelines teach the *faqih* to observe while judging or developing a transaction: the structure of the transaction, the essence of the transaction, the general as well as the particular Sharī'ah objectives of the transaction and the implications of implementing the transaction. Sharī'ah also teaches the *faqih* to prioritize these requirements when compromising some is necessary. Well-established Sharī'ah concepts, however, like Sharī'ah policy, public interest and necessity have been used in the modern *Fiqh* (Islamic law), especially in Islamic finance, to reprioritize these requirements and sometimes to unjustifiably sacrifice some. Although these concepts are Sharī'ah concepts and some are originally valid *Ijtihād* instruments, applying them in the context of Islamic finance has raised major Sharī'ah concerns. The following discussion outlines some of the valid *Ijtihād* instruments for Islamic finance, and then it elaborates on the instruments effectively in use and their Sharī'ah concerns.

2. The Proper *Ijtihād* Instruments in Islamic Finance

Sharī'ah equips Sharī'ah scholars conducting *Ijtihād* with multiple *Ijtihād* instruments that would help them structure and endorse products. The following are the most vital *Ijtihād* instruments at the disposal of the *Mujtahid* in the field of Islamic financial law.¹

2.1. Sharī'ah texts and their interpretations

Sharī'ah texts refer to the Quran and the *Sunnah*. In the area of financial transactions Sharī'ah texts provide general rules and rarely provide details. This is because the nature of the financial transactions changes as they may get more

¹ *Mujtahid* is the one who performs *Ijtihad*, i.e. the process of deriving the Sharī'ah rules from their sources. Al-Zuhaili, 1993, "Al-Waseet if Usul Fiqh". Vol. 2, p 67.

sophisticated over time. Therefore, it would not be convenient to provide details on the inherently changeable contracts, because these details would not be possibly relevant then to the modern applications of these contracts. The general rules provided by the Shari'ah texts, however, are sufficient for Muslim jurists to deduce Shari'ah rules for the modern transactions. When attempting *Ijtihad*, however, Muslim jurists may find that the same Shari'ah text pertaining to a financial transaction may be interpreted in multiple valid ways. In fact, this applies to most legal Shari'ah texts, and it explains the reasons why within the boundaries of Shari'ah existed different schools of *Fiqh*. Contemporary Shari'ah scholars do not need to restrict their *fatwas* (legal opinions) to one particular valid interpretation advocated by a particular *Fiqh* school, or even stay within the interpretations made by the classic schools of *Fiqh*, as long as the interpretation they may opt for, or develop on their own, is meeting the basic requirements of validity. That is, the interpretation is not in conflict with the established Shari'ah rules and principles, and the Arabic language admits this interpretation within the context of the text.²

2.2. Permissibility being the original ruling in Shari'ah

One of the well-established *Fiqh* maxims is "permissibility is the original norm in Shari'ah". Accordingly, all matters are deemed permissible in the absence of prohibiting texts.³ This, in fact, constitutes a vital tool for the Shari'ah scholars to endorse new Islamic banking and finance products and transactions. Any new structured products or transaction will be deemed as permissible as long as it is free from the prohibited elements like interest, *gharar* (uncertainty) or *Ghabn* (fraud).

2.3. Prohibition being of different categories and degrees

Prohibition in the Shari'ah is not of the same category especially in the field of financial transactions, for there exist in Shari'ah the so-called *haram lizatihi* (unlawful in itself) and *haram lighairihi* (unlawful in consideration of something else). The first prohibition is applicable to cases where the evil is embedded in the very act, like in *Ribā* where charging interest is an evil in itself, or in gambling where it involves unjustified seizure of others' properties. The second prohibition relates to acts that are originally lawful but made unlawful owing to the presence of certain conditions, like sale contract when concluded during *Jum'a* (Friday) prayer.

⁴ Although sale contract is originally *halal* (lawful) by virtue of some textual

² Al-Zuhaili, Wahba, 1993, "Al-Waseet if Usul Fiqh". Vol. 2, p 125.

³ Ibn Nujaim, (undated), "Al-Ashbah Wal Nazooir", p66; Al-Seotui, undated, "Al-Ashbah Wal Nazooir", p60.

⁴ Kamali, 1999, "Principles of Islamic Jurisprudence" p.330.

evidences, it is deemed *haram* (unlawful) if concluded during *Jum'a* prayer since engaging with sale, or any other transaction/activity, may lead to the evil of missing the *Jum'a* prayer. In other words, the *haram lighairihi* is unlawful in view of its results and implications.⁵ Being so, there is an avenue for acts under this category of prohibition not to be regarded unlawful if they can be construed as non-leading to the perceived cautions. This means, based on the rationale and reason of this prohibition, that if care is exercised for the act not to be conducive to the feared evil, then the act may be regarded as lawful. This in fact adds to the flexibility to Islamic law and functions as a relaxing instrument particularly within the framework of Islamic financial contracts.

However, it remains the responsibility of Sharī'ah scholars to identify the unlawful acts that can fall under this category of prohibition. This is in order to look into the possibility of excluding them by laying the appropriate conditions that will liberate these acts from their evil-producing nature. In this regard, it can be said that the very prohibition of *gharar* (uncertainty) is declared by some esteemed old Sharī'ah scholars not to be meant for itself, but in conjunction with its possible evil implications (*tahreem dharai'i- prohibition in view of evil implications*) like the dispute it may lead to between the parties to the contract.⁶ This means that *gharar* is prohibited only when evils are expected; if, however, no evil or harm to be expected, then the contracts involving *gharar* may be deemed as lawful. This stand may be supported by the existence of many exceptions Sharī'ah made to *gharar* prohibition, like in validating *gharar*-bearing contracts like *Salam* and *Istiṣnā'*⁷, and also in tolerating the minor *gharar* in all sorts of contracts.

2.4. Analogy (*Qiyās*)

Analogy is very instrumental for *Ijtihād*, it relates to the extension of a Sharī'ah ruling of an old established case to a new case when the latter shares the same effective cause (*illah*) of the former. Since Sharī'ah texts have stated the rulings of many financial transactions, the jurist (*faqih*) may make use of these stated rulings

⁵ For more details on this matter see Abozaid, Abdulazeem. (2007). "Examining the Malaysian Sharī'ah Guidelines for Islamic REITs", a paper presented at the International Conference on Islamic Capital Market, which was organized by Muamalat Institute & Islamic Research and Training Institute in Jakarta, August 27-29.

⁶ Ibn Tayimiyah and Ibn Al-Qaiyyem have adopted this approach. Further details and discussion can be found in Al-Dareer, *Al-Gharar wa Atharuhu fil Uqud*, a book published in Arabic by Dar al-Jeel, 2009, second edition.

⁷ Other examples include *Khayar al-Shart* (option of stipulation), and the sale of pregnant animals. In the first case, the contract is uncertain to the contractor who grants this option to the other and in the second case a part of the price goes implicitly to the pregnancy though its outcome is not certain.

by applying the same to the new transactions if they are found to be sharing the same *illah*. For example, the modern day financial derivatives, when used for hedging, become similar in essence to gambling and games of luck, and therefore they have been ruled by contemporary scholars as unlawful since gambling itself is stated by Sharī'ah texts as unlawful. Thus, *qiyās* is very vital and useful instrument, and it in fact ensures consistency between Sharī'ah and reason. The challenge however is, to certain extent, in identifying the *illah* and to larger extent in assessing the similarity of the new case with the old case; a process that jurists have termed as *tahqiq al-manat*.

2.5. Public interests (*Maṣlaḥah Mursala*)

By definition, *Maṣlaḥah Mursala* refers to any interest that is deemed to be beneficial to the society and which has no textual evidence on its authority or otherwise. It is a juristic device whose authority has been established based on the fact that all Sharī'ah rules are meant to realize public benefits. Muslim jurists have built on this fact the notion of *Maṣlaḥah*; deeming as permissible anything that realizes public interest and as invalid or impermissible anything that brings about harm and evil. Among the major *Fiqh* schools, *Maliki* School is known to be the leading proponent of *maṣlaḥah* as one of *Ijtihād* instruments and sources of Sharī'ah. On the other hand, other *Fiqh* schools reject it as independent source of Sharī'ah though they practice it, possibly under a different name⁸, without theoretically admitting its authority as an independent source of the Sharī'ah.⁹

One of the basic conditions, however, for the operation of this juristic instrument is for the perceived *Maṣlaḥah* not to be in conflict with any Sharī'ah text or established principles, because the human perception of *Maṣlaḥah* may err, and Sharī'ah texts and principles must prevail over any human legal exercise.¹⁰

⁸ *Istihsan*, for example, which is adopted by the Hanafī school, leads in some of its applications to the same end result of *Maslahah*; it endorses Sharī'ah rules based on their inherent benefits.

⁹ Abozaid & Dasouki, 2009, "A Critical Appraisal of The Challenges of Realizing *Maqāṣid Al-Sharī'ah* in Islamic Banking and Finance", P 7, *IJUM Journal of Economics and Management*, International Islamic University Malaysia, Vol. 15, No 2.

¹⁰ The formulation of a rule on the basis of '*al-masalih al-mursalah*' must take into account the public interest and conform to the objectives of Sharī'ah. The application of this tool must fulfill three main conditions. First, it only deals with transaction matters (*mu'āmalah*) where reasoning through rational faculty is deemed to be plausible. Second, the interests should be in harmony with the spirit of Sharī'ah. In other words it must not be in conflict with any of its main sources. Third, the interests should be of essential and necessary (*darurah*) and not of a luxury type. For more details, see Abozaid, 2006, "The Devotional Dimension in Interest-oriented Shari'a Rulings" Article in Arabic, *Journal of Islam in Asia*, Volume 3, No 1,; Sobhi R. Mahmassani, 2000, "The Philosophy of Jurisprudence in Islam", (Kuala Lumpur: Open Press, P. 87-89).

Relationship between *maṣlaḥah* & *maqāṣid al-Sharī'ah* (Sharī'ah objectives): *Maṣlaḥah* directly relates to *Maqāṣid al-Sharī'ah* since the very realization of *maṣlaḥah* is the primary objective of the Sharī'ah. Protection of religion, life, lineage, intellect and wealth are the five essential values of Sharī'ah, and all Sharī'ah rules revert to these values. Rules of *Ibādah* (devotions), for example, relate to the protection of religion. Islamic rules of financial transactions, on the other hand, relate to the protection of wealth. Protection of all these essential values is the ultimate *maṣlaḥah* for human beings and thus, it is the primary Sharī'ah objective.

2.6. *Blocking the means to evil*¹¹

Among the valid juristic devices that the *Mujtahid* needs to uphold while attempting *Ijtihād* on a Sharī'ah issue is *Sadd al-dhara'iy*', which means blocking the means to evil before it materializes. A particular transaction could be lawful in itself but in view of its goal or outcome it may lead to evil and thus, it should be ruled as unlawful. Leasing a real estate property, for example, to a company that will use it as a gambling casino is unlawful though the lease contract in essence is lawful; this is in view of the implication of this lease contract, which is in this context facilitating the evil of gambling. Another application is sale contract when executed in a way that renders it an interest-bearing loan. Selling an asset on credit basis then buying it instantly on the spot for a cash price and in collusion with the buyer is effectively a *Ribā* contract, whereby the original seller has advanced cash money to the buyer then claimed more from the same, and the asset of sale has been used only as a tool to presumably legalize the exchange of cash ('*inah* sale).

In fact, *Sadd al-dhara'iy*' is of a special importance in Islamic finance since it protects it from the invasion of products that have a valid structure but an unlawful essence. It, in other words, helps ensure the identity of Islamic finance being genuinely distinguished from that of the conventional finance.

Thus, *Sadd al-dhara'iy*' is a juristic device that excludes rather than endorses new products, but yet it is an extremely vital tool to ensure the quality of the products being genuinely Sharī'ah compliant and not conducive to the evils of the conventional banking and finance products.

¹¹ The authority of *Sadd al-dhara'iy*' (blocking the means to evil) as a means to invalidate acts is disputed by schools of Islamic legal thoughts. Malikis and Hanbalis accept it while Hanafis and Shafi'is reject it. Al-Zuhaili, Mohammad Mustafa, 1991, "Usul Fiqh al-Islami", p217-218.

3. Invalid *Ijtihād* Instruments & Applications

Despite the valid instruments that the Sharī‘ah equips the *Mujtahid* with when determining the Sharī‘ah validity of contracts and transactions as detailed above, the contemporary *Ijtihād* in Islamic finance has sometimes departed from the proper tools and methodology of *Ijtihād* by adopting inapplicable instruments, twisting or misusing of applicable ones and by overlooking important instruments. This is detailed in the following discussion.

3.1. Use of inapplicable instruments

3.1.1. Sharī‘ah Policy (*al-Siyasah al-Shar’iyyah*)

The term Sharī‘ah policy has recently entered the jargon of the *fatwas* related to Islamic banking and finance. Some products and transactions have in their list of *fatwa* justifications the term Sharī‘ah policy. So, what is Sharī‘ah policy and is it a valid instrument for endorsing products and transactions on its basis?

a. Meaning of Sharī‘ah Policy

Sharī‘ah policy, or *al-siyasah al-Shar’iyyah*, in its broad sense refers to the area in Islamic *Fiqh* that explains rulings related to policies and approaches taken in managing and organizing national policies in accordance with the spirit of the Sharī‘ah.¹² It covers a whole spectrum of issues in areas like economics, the judiciary, politics and international relations.¹³ It is the management of the public and general affairs of the Muslim state in accordance with the public interests and the interest of the Muslim state.

Sharī‘ah policy involves different principles including striking the balance between what it is dictated by the circumstances and the stated Sharī‘ah rules. In other words, it gives the Muslim governor the needed flexibility to occasionally set aside an established Sharī‘ah rule in favor of a new rule recognizable by the Sharī‘ah if the latter serves the public interest in a better way. It may involve the temporary suspension of some Sharī‘ah provisions that relate to *Mubahat* (permissible things). In other words, it relates to *Maṣlahah* in its macro applications, and in some of its application it relates to the estimation of the general

¹² For detailed definition of Sharī‘ah policy refer to Al-Juwaini, 1980, “Ghiyath al-Umam”, P 14.

¹³ Abozaid & Dasouki, 2009, “A Critical Appraisal of The Challenges of Realizing *Maqāṣid* Al-Sharī‘ah in Islamic Banking and Finance”, P 7, IIUM Journal of Economics and Management, International Islamic University Malaysia, Vol. 15, No 2.

darūrah (necessity) that is capable of rendering the prohibited things permissible or the obligatory things not mandatory.

b. Who is to determine the Sharī'ah policy?

Sharī'ah policy can only be determined by the Muslim government and cannot be left to be determined by individuals including Sharī'ah scholars. This is because it relates to the management of the people and the state's general affairs, which is the responsibility of the Muslim government. Assuming the responsibilities of the Muslim government by independent individuals opens the door to some evils. Naturally, if individuals are empowered to do so, they may produce conflicting policies. It is also possible that they will serve their own interests rather than the public interests.

c. Mishandling of Sharī'ah policy in Islamic finance

Sharī'ah scholars assuming the Muslim government's responsibilities in determining Sharī'ah Policies in Islamic finance

In the absence of Sharī'ah-committed Muslim governments and their roles in drawing up the necessary Sharī'ah policies in Islamic finance to meet the challenges facing this industry, individual Sharī'ah boards and scholars have taken up this responsibility of the Muslim government and engaged themselves in practicing the Sharī'ah policy. However, the danger stems from the fact that realization of the people's interests and the maintenance of Sharī'ah objectives, which are the core of Sharī'ah policy, will have been then placed at risk. This is because Sharī'ah policy is a quite sensitive principle. When Sharī'ah scholars¹⁴ ply Sharī'ah policy, their presumed transparency may be potentially challenged and be influenced by the material gains that they may derive from the rules they determine on the basis of their exercise of the Sharī'ah policy. Obviously, Sharī'ah scholars are not neutral or independent in this regard, but rather beneficiaries of the very rules that they justify on Sharī'ah policy basis. In other words, it is justifiably feared that this very sensitive legal tool called Sharī'ah policy may be misused by the Sharī'ah boards to tolerate unlawful transactions that would please their employers (Islamic banks) under the pretext and the claim that these transactions serve the public interest or the economies of the Muslim countries. Besides, competitions between banks and lack of coordination among Sharī'ah boards will

¹⁴ Particularly, those who are paid for their advice by the financial institutions or by the parties to the contract.

very likely result in having conflicting assessments of the Sharī'ah policy, yielding thus conflicting rules, products and stands on what constitutes a public interest. Eventually, it is the *Ummah* as a whole that will suffer from this practice and the Sharī'ah policy will lead to what is just the opposite of what it has been designed for.

It is for these two reasons that the Islamic Sharī'ah gives the power of determining Sharī'ah policy to the Muslim government and not to individual bodies or entities. In fact, it is a tool in the hands of politicians, as the name indicates, and not in the hands of anyone else, and the absence of Sharī'ah-observant Muslim government does not give the right to Sharī'ah people to assume responsibilities which cannot be theirs.

Moreover, determining an issue on the basis of Sharī'ah policy is not simple; it is a process that involves observing different considerations such as the degree of urgency, measuring the harms against the benefits expected and the implications on all levels. It may also involve setting a timeframe that needs to be observed and possibly amended in light of the results, implications and the changing circumstances. Therefore, it is not a simple process but rather a one that requires an institution at the top government level. For this reason determining a Sharī'ah policy is a joint governmental work. The Muslim ruler should set Sharī'ah policies after consultation with the *Shūrā*¹⁵ council which houses trustful and independent consultants of different specialties and backgrounds including the Sharī'ah scholars.

Another important element that relates to the operation of Sharī'ah policy is the enforcement of the policy, for the absence of the enforcement power may lead to opposite results. In the context of Islamic banking and finance, if not all of the financial institutions abide by the rules determined on Sharī'ah policy basis, disorder and chaos will prevail, and these institutions will fail to play their perceived economic role in the society. Thus, even when the Sharī'ah policy is plied right by individuals, lack of enforcement will hinder its success and may turn it into a sheer evil.

However, none of the above is observed when Sharī'ah policy is determined by individual Sharī'ah scholars or Sharī'ah boards, and apart from those conditions of the operation of Sharī'ah policy, lessons of experience have taught us that transparency is not something that can be taken for granted in any person, and

¹⁵ *Shūrā* means consultation.

Sharī‘ah scholars being humans and fallible are not exception. In fact, Sharī‘ah dictates that transparency and credibility must be sought in anyone who is to hold an office attending to public affairs and needs, but being a practical and realistic religion, Sharī‘ah does not stop at this point. It, in fact, places rules and restrictions on the conduct and the behavior of such a person. A Muslim judge, for example, must be among the most trustworthy persons to be eligible for his position. However, his proved trustworthiness never gives him the right to take fees or accept gifts from the parties attending his court, for this may trigger his instinctively sinful human nature and thus influence his judgment and cause him to deviate from the path of justice.¹⁶

3.1.2. *The Principle of Ḍarūrah (Necessity)*

It is a well-established principle in Islamic law that *ḍarūrah*, which means necessity, renders the prohibited things permissible. This principle is unanimously agreed upon by all schools of Islamic law, and it constitutes a *Fiqh* maxim that reads “Necessities permit the forbidden” (*Al-Ḍarūrat Tubih Al-Mahzūrat*). It means that the forbidden can be un-sinfully committed when necessary. However, when jurists discussed and explained the applications of this *Fiqh* maxim they mentioned what is known in Arabic as *dawābit*, which means conditions and guidelines, for the functionality of this maxim. These regulations (*dawābit*) are stated in or derived from the Sharī‘ah texts. One of these guidelines relates to the very concept of *ḍarūrah* or what really constitutes a *ḍarūrah*. The jurists’ approach to the concept of legal *ḍarūrah* can be summarized by saying that *ḍarūrah* is something which is indispensable for the preservation and protection of the five essential values: Religion, Life, Intellect, lineage and Wealth.¹⁷ This means that the concept of *ḍarūrah* would give the *Mukallaf* (the Muslim charged with Sharī‘ah rules) the legal excuse to commit the forbidden when it becomes indispensable for his survival, spiritually and physically.¹⁸

Therefore, in order for the principle of *ḍarūrah* to be operative the underlying act must be indispensable for the survival of human being, i.e. it must be a necessity. However, some *Fiqh* schools have placed at par with necessity what is termed in the Sharī‘ah as *hajah* (need) but only when it is public. The term *hajah*

¹⁶ Ibn Qudama, 1985, “Al-Mughni”, 10/118.

¹⁷ Al-Shatibi, (undated), “Al-Muwafaqat”, 2/10.

¹⁸ Majallat Al-Ahkam Al-‘adliyyah, (undated) section 22; Ibn Nujaim, Zainulddin, (undated), “Al-Ashbah Wal Naza’ir”, 1/105-107; Al-Seyoti, Jalaulddin, (undated). “Al-Ashbah Wal Naza’ir”, p.84-92; Al-Kurdi, Ahmad, 1986, “Al-Madkhil Al-Fiqhi”, p.48.

refers to a human need that is not essential for the survival of human beings, but it is important for their wellbeing. In other words, *hajah* is what a human can survive without, but only with hardship and difficulties. For example, having a car is not a necessity in Sharī'ah terms, but it could be a public need in some places.

3.1.3. Misapplication of *Darūrah*

Darūrah has been loosely used in Islamic banking and finance to justify products that would not pass Sharī'ah scrutiny test and would breach basic Sharī'ah rules. The justifying argument predicates on the submission that such products are indispensable for the survival and long-term sustainability of Islamic bank due to certain uncontrollable considerations. Very clearly, this argument presumes that the very concept of banking is a necessity in itself, while in the actual fact banking is not indispensable for the *mukallaf's* (obligor's) survival from the Sharī'ah perspective, nor is it a public need in Sharī'ah terms. If such *darūrah* hypothetically exists, then it would rather legitimize dealing with conventional banks directly.

Obviously, when Sharī'ah prohibits something it always provides alternatives. For example when Sharī'ah prohibits *zina* it permits marriage, when it prohibits wine and pork for consumption it permits all other sorts of food and drinks. Likewise, when Sharī'ah prohibits certain contracts such as contracts based on *ribā* (interest) and *gharar* (uncertainty), it alternatively permits many contracts like sale, lease, *salam*, *istiṣnā'*, *mudarabah* and *musharakah*. To economists, such contracts are even better alternatives to *ribā* and *gharar*, and ultimately can help develop a prosperous and healthy economy, while an economy that is based on *ribā* and *gharar* deepens the disparity between rich and poor, and leads to inequitable and unjust wealth allocation in a given society. Thus, there is no *darūrah* that may allow Islamic banks to abandon these beneficial contracts in favour of harmful and destructive ones.

Moreover, tolerating a sinful activity on the basis of *darūrah* never justifies the claim of its original permissibility. Islamic banks have tolerated certain products on the basis of *darūrah* then offered the same to the public as Sharī'ah compliant products. Obviously, this is a betrayal of Sharī'ah rules and a betrayal of the clients' trust, not to mention the negative effects of such attitude on the image of Sharī'ah if not Islam in general. Promoting as Sharī'ah compliant something that is not so, raises question marks on the rationality of the religion by Muslim and non-Muslims alike and may cause aversion to Islam.

3.2. *Misuse of valid instruments*

3.2.1. *Misuse of Maṣlaḥah*

Maṣlaḥah as a *Fiqh* instrument has been overemphasized by contemporary *Ijtihād* in Islamic banking and finance. In some cases, it has been treated as a priority over Sharī'ah texts and Sharī'ah established rules. Upon the existence of a conflict between a Sharī'ah text (or established rule) and a *mujtahid's* (*faqih's*) perception of *maṣlaḥah*, the latter has been sometimes given a priority over the established Sharī'ah text or rule. This work is a departure from the legal *maṣlaḥah*, i.e. the *maṣlaḥah* that carries a legislative power in Islamic law, for a variety of reasons:

First, the claim of a possible conflict between Sharī'ah text and *maṣlaḥah* is an erroneous claim. If the Sharī'ah text or rule is definitive, then it cannot be in conflict with a real *maṣlaḥah*, because all Sharī'ah rules aim at realization of *maṣlaḥah*. Therefore, in this case it is the assessment of *maṣlaḥah* by the *mujtahid* which will be deemed erroneous. In other words, the issue of a potential conflict existing between a definitive Sharī'ah text and the *maṣlaḥah* is not conceivable if we are viewing *maṣlaḥah* from a Sharī'ah perspective. However, if we are viewing *maṣlaḥah* from a human perspective then the conflict is plausible, but the determination of what is beneficial and what is harmful cannot be left to human reasoning alone¹⁹. Human reasoning in that regard plays a role only within the framework guided by Sharī'ah (Nyazee 2000). This is because, the inherent limitations of human beings posit a strong reason which requires Divine guidance to ascertain what is right and what is wrong.²⁰

Second, even if such a conflict hypothetically exists, then it is the Sharī'ah text that must be given priority over *maṣlaḥah*. This is particularly true since *maṣlaḥah* derives its authority from the Sharī'ah text and not vice versa. It is illogical to give priority to a branch over its core and source of authority.²¹

Third, the approach of giving priority to *maṣlaḥah* fails to distinguish between a definitive (*qat'y*) and a speculative (*zanniy*) text. If the text is definitive with

¹⁹ His argument is supported by a number of Qur'ānic verses. Refer to Al-'iz bin Abdelsalam, 1999, "Qua'id Al-Ahkam fi Masalih Al-Anam", 2/161.

²⁰ Abozaid & Dasouki, 2009, "A Critical Appraisal of The Challenges of Realizing *Maqāṣid* Al-Shari'ah in Islamic Banking and Finance", P 7, IIUM Journal of Economics and Management, International Islamic University Malaysia, Vol. 15, No 2.

²¹ Al-Zuhaili Wahbah, 1993, "Al-Waseet fi Usul al-Fiqh", p. 361.

regards to its authenticity (*thubut*) and meaning (*dalalah*), then the ruling it produces is final and binding; i.e. there is no room for human perception of *maṣlaḥah* to add any interpretation to the text.²² While if the text is speculative with regards to its authenticity or meaning, then there may be an avenue for the perceived *maṣlaḥah* to further interpret and give meaning to the text in a way that does not hinder its realization. This is acceptable as long as the perceived *maṣlaḥah* meets all of its conditions: being public not private, authentic not false, definitive not probable.²³

To summarize, upon presuming an occurrence of a genuine conflict between the Sharī'ah text and the *maṣlaḥah*, the priority must be given to the Sharī'ah text and not to the perceived *maṣlaḥah*, this is provided the Sharī'ah text is definitive in terms of authenticity and meaning. If, however, there is a justifiable doubt over the authenticity or the meaning of the text, then there is an avenue for the perceived *maṣlaḥah* to reconcile with the text.

3.2.2. Twisted interpretations of Sharī'ah texts & Fiqh statements

Some Interpretations of Sharī'ah texts that came in the form of *Fiqh* statements made by some *Fiqh* schools have been twisted to help legitimize certain problematic Islamic banking and finance products. For example, although sale of future debt to a third party is ruled as unlawful by all *Fiqh* schools based on Sharī'ah texts. Its validity has been incorrectly attributed to some *Fiqh* schools (like the *Shafi'i* school), and an unsupported distinction has been made between a debt resulting from a loan contract and a debt resulting from other financial contracts; allowing the later and forbidding the former. In fact, both the validity of sale of debt and this distinction have no ground whatsoever, and this position is based on incorrect interpretation of Sharī'ah texts and some *Fiqh* statement.²⁴

Another example is *īnah* sale. Although all *Fiqh* schools base the permissibility of the contract on its essence and objective, rather than on its form and structure, which is the basis for the validity of the contract, cotemporary *fatwas* in Islamic finance have implied the opposite; considering a contract Sharī'ah compliant only if its form and structure are sound from Sharī'ah perspective. Not only do these *fatwas* contravene Sharī'ah texts and principles by basing contracts permissibility

²² See in Al-Ghazali, 1413H, "Al-Mustasfa", p176; Al-Bouti, 1982, "Dawabit Al-Maslah", p119.

²³ Al-Bouti, 1982, "Dawabit Al-Maslah", p.119.

²⁴ For details on this issue refer to Abozaid, Abdulazeem, 2008, "Examining the New Applications of Sale of Debt in the Islamic Financial Institutions", Journal of Islam in Asia, Volume 5, No 2, December. It can be downloaded from www.abdulazeem-abozaid.com

on their form and structure rather than essence and objective, but some of them attribute also such erroneous stand to the *Shafi'i Fiqh School* when they claim that this school rules the permissibility²⁵ of *'inah* sale.²⁶

3.3. *Overlooking important instruments*

3.3.1. *Relevant Sharī'ah texts*

Some Sharī'ah texts have been overlooked in *fatwas* on Islamic banking and finance products, although they are closely related to the *fatwas* in questions. For example, Sharī'ah texts very clearly state that combining between a sale contract and a loan contract in one transaction is unlawful *'la yahillu salaf wa bay'*²⁷ (It is prohibited to combine between sale and loan), and like sale contract in this regard is any commutative contracts as elaborated by the jurists.²⁸ This is because the sale or the commutative contract in general could be used to cater to interest in the loan contract. For example, interest can be catered to in sale contract by demanding a price that is higher or lower than the market value, like in the lender colluding with the borrower to give him an interest-free loan but conditional on the latter buying from the former something at higher than the market value, or selling him something at lower than the market value.

However, this Sharī'ah text has been totally overlooked in a variety of products. For example, in a product named "Islamic Pawn Broking". Herein, the bank provides a so-called interest-free loan but conditional on the borrower providing valuables that will be safeguarded by the bank against fees, so that the bank can profit from the loan indirectly through the fees charged on the safekeeping of the valuables. Another product is the service-based Islamic Credit Cards, the issuing bank provides the card credit on interest-free loan basis; however, it charges the card holder for the embedded services as well as the extra services coupled with the card, like the free stuff the card holder may be entitled to when subscribing to the

²⁵ For details on these sales see Abozaid, Abdulazeem, 2008, "Contemporary Inah is it a sale or usury" a book published in Arabic by Dar Al-Multaqa, Aleppo, Syria, 2004; Abozaid Abdulazeem. "Contemporary Islamic Financing Modes between Contracts Technicalities and Shari'ah Objectives", Eighth Harvard University Forum on Islamic Finance, Harvard Law School – Austin Hall, USA, April 19-20.

²⁶ Abozaid, Abdulazeem, 2008, "Examining Bay'-al-'inah and its New Applications in the Islamic Financial Institutions", Journal of Al-Tamaddun, Volume 4, December.

²⁷ This Hadith is reported in many Sunnah authoritative books including: Sunan Abi Daud, (3504) and Sunan Al-Termithi, (1234).

²⁸ Al-Dasuqi, (undated), "Hashiyah", 3/76.

card. This practice is basically valid, but provided the fees are against the services and not the loan. To ensure it is so, the market value of these services must not be lower than the fees charged on the card. However, in practice it is much lower, which means that the fees are meant to cater to the interest over the loan.

3.3.2. *Blocking the means to evil*

Although this instrument is vital and important for identifying the Sharī'ah compliant products and for protecting contracts from being misused and manipulated as elaborated earlier, it has not received the due attention by Sharī'ah scholars giving *fatwas* to Islamic banks. This is evidenced by the existence of products criticized for being genuinely no different from the conventional products, and by the misapplication of some Islamic finance products to the degree of distortion. Had this instrument been observed and applied, it would have removed these practices from the shelves of Islamic banks and filtered financing deals so that no financing would be given when resulting in unfavorable implications.

4. Conclusion

From the above discussion it can be concluded that Sharī'ah has equipped Muslim jurists and Scholars with useful and practical *Fiqh* instruments that if used properly will yield sound transactions and products. However, some of these instruments were misused, others were overlooked and some inappropriate instruments were also introduced.

These practices have been responsible for the invasion of some controversial products into Islamic finance and to the misapplication of some other products. This phenomenon has been in fact the natural result of the disorder and the lack of or weak Sharī'ah governance in Islamic banks. Despite the great importance of *Ijtihād* and *fatwa* in the field of Islamic finance and their serious implications, this area has not received the due attention. In fact, the situations call for the following urgent reforming steps:

- *Ijtihād* in Islamic finance must be exercised by *Ijtihād* institution and not by individuals at least on the products level, whereby only an independent centralized Sharī'ah committee shall have the sole authority to endorse or reject products.
- The independent central Sharī'ah committee must include besides highly qualified Sharī'ah scholars economists, lawyers and financial experts, and it must have a binding authority over the individual Sharī'ah boards.

- In the absence of the Sharī'ah-committed Muslim government, a body comprising highly qualified intellectuals of different relevant specialties, similar to *Shūrā* council, can be formed to handle matters related to Sharī'ah policy, and it can collaborate with the central Sharī'ah committee to determine the Sharī'ah policy related to Islamic finance.
- All *fatwa* issued by individual Sharī'ah boards or scholars must be subjected to scrutiny by the centralized Sharī'ah committee. Procedurally, the centralized Sharī'ah committee must have the authority to conduct unannounced Sharī'ah auditing visits.
- A centralized qualified institution must create accreditation criteria for Sharī'ah scholars, accredit who can sit on the Sharī'ah boards of financial institutions, and exclude the Sharī'ah specialists who do not qualify for *Ijtihād* or *fatwas*.

Indeed, segregation between the *Ijtihād* institution and the political system has led to chaotic approaches to *Ijtihād* and *fatwas* by individual Sharī'ah scholars. This disorder did not carry much of evil before, but with the advance of Islamic banks it produced serious damages. The same disorder and confusion, however, will inevitably take place even in other fields of the Muslims' affairs when they get the chance to be applied on institutional level, because the roots of the problem are the same; mainly the rupture between the political system and the *Ijtihād* institution.

References

- Abdulsalam, Al-Izz, (1999). *Qawa'id Al-Ahkam fi Masalih Al-Anam*. Beirut: Dar al-Kutub al-'Ilmiyyah.
- Abozaid & Dasouki, (2009). A Critical Appraisal of The Challenges of Realizing *Maqāṣid* Al-Shari'ah in Islamic Banking and Finance, P 7, *IIUM Journal of Economics and Management*, International Islamic University Malaysia, Vol. 15, No 2, 2009.
- Abozaid Abdulazeem, (2006). The Devotional Dimension in Interest-oriented Shari'ah Rulings, Article in Arabic, *Journal of Islam in Asia*, Volume 3, No 1, July 2006.
- Abozaid Abdulazeem, (2008). Contemporary Islamic Financing Modes between Contracts Technicalities and Shari'ah Objectives. Eighth Harvard University Forum on Islamic Finance, Harvard Law School – Austin Hall, USA, April 19-20, 2008.

- Abozaid, A. (2004). *Contemporary 'īnah: Is it a Sale of Usury?* Aleppo: Dar al-Mutlaqah.
- Abozaid, Abdulazeem, (2008). Examining Bay' al-'īnah and its New Applications in the Islamic Financial Institutions, *Journal of Al-Tamaddun*, Volume 4, December 2008.
- Abozaid, Abdulazeem. (2007). Examining the Malaysian Shari'a Guidelines for Islamic REITs, a paper presented at the International Conference on Islamic Capital Market, which was organized by Muamalat Institute & Islamic Research and Training Institute in Jakarta, August 27-29. Unpublished article.
- Abu Daud (undated). *Sunan AbiDaud*. Beirut: Al-Maktabah Al-'asriyyah.
- Al-Bouti, M. S. R. (1982). *Dhawabit Al-Maṣṭalahah fil Shari'ah al-Islamiyah*. 4th Edition. Beirut: Al-Risalah.
- Al-Dareer, (2009). *Al-Gharar wa Atharauhu fil Uqud*. Second edition. Beirut: by Dar al-Jeel.
- Al-Dasuqi, (undated). *Hashiyah*, Dar Ihia'a al-Kutub al-Arabiyyah, Beirut.
- Al-Ghazali. (1413 H). *Al-Mustashfah*. Beirut: Dar al-Kutub al-'Ilmiyyah.
- Al-Juwaini, Imam al-Haramain. (1980), *Ghiyath al-Umam*, Second Edition, Al-Maktabat al-Kubra.
- Al-Kurdi, A. (1986). *Al-Madkhil Al-Fiqhi*. Damascus: Damascus University Publication.
- Al-Seotui. (undated). *Al-Ashbah Wal Nazooir*. Beirut: Dar al-Fikr.
- Al-Shatibi. (undated). *Al-Muwafaqaat*. Beirut: Dar al-Fikr.
- Al-Tirmidhi (undated). *Sunan al-Termithi*. Cairo: Dar al-Hadith.
- Al-Zuhaili, Mohammad Mustafa, (1991). *Usful Fiqh al-Islami*, Damascus: Damascus University Publishing House
- Al-Zuhaili, W. (1993). *Al-Waseet fi Usul al-Fiqh*. Damascus University Publishing House.
- Ibn Juzai. (undated). *Al-Qawanin Al-Fiqhiyyah*. Beirut: Dar al-Kutub al-Ilmiyyah.
- Ibn Nujaim. (undated). *Al-Ashbah Wal Nazooir* (1st ed.). Beirut: Dar al-Kutub al-Ilmiyyah.
- Ibn Qudama, (1985), *Al-Mughni*, Beirut: Dar Ihia' al-Turath.

Kamali, Hashim. (1999). *Principles of Islamic Jurisprudence*, Second Edition. Kuala Lumpur: Ilmiah Publishers.

Mahmassani Sohail, (2000). *The Philosophy of Jurisprudence in Islam*. Kuala Lumpur: Open Press.

Majallat Al-Ahkam Al-`Adliyyah. (The Civil Code of Ottoman Khilafah)
[http://legal.pipa.ps/files/server/ENG%20Ottoman%20Majalle%20\(Civil%20Law\).pdf](http://legal.pipa.ps/files/server/ENG%20Ottoman%20Majalle%20(Civil%20Law).pdf)

An Assessment of Journal Quality in the Discipline of Islamic Economics

M NAHAR MOHD ARSHAD*

Abstract

The purpose of this study is to assess the quality of journals related to the discipline of Islamic Economics—including Islamic Business, Islamic Accounting, Islamic Management, and Islamic Banking and Finance (IEBAMBF) in the scholarly world. This study is important in understanding the development of the discipline over the past decades, and the significant contributions of the discipline to the world. Using nine assessment criteria for journal quality, this study integrates both objective and subjective measurement tools. The findings suggest that multidimensional assessment approach is required to measure a journal's quality. Also, when evaluating outlets for publication in the discipline, researchers are constraint by quantity and quality of specialized journals available on the areas. To overcome this limitation, editorial boards of journals in the areas of IEBAMBF need to improve the visibility of their journals by meeting the global assessment standard. Alternatively, the community of Muslim scholars should work within their assessment standard and push it to be another global standard for quality assessment.

Keywords: Islamic Economics, Assessment, Standard, Journal Quality, Ranking.

JEL Classification: A10

KAUJIE Classification: V0

* Economics Department, International Islamic University Malaysia, sonnahar@hotmail.com

1. Introduction

Journals provide an avenue for researchers to share their studies and findings of particular inquiries. Development of knowledge in any discipline can be observed by looking at the number of journals in the discipline, length of time the journals have been in publication, quality of the journals and contents of the journals. As far as Islamic Economics is concerned, its emergence in modern times is relatively new. Efforts to revive Islamic Economics had started particularly after the end of World War II (1945) when many Muslim countries got their independence. Since then, rapid development in the areas of Islamic Economics, Islamic Business, Islamic Accounting, Islamic Management and Islamic Banking and Finance (IEBAMBF) has witnessed the emergence of journals related to the disciplines. Many decades have passed by. It is now timely to evaluate progress made by the discipline in terms of the position of its specialized journals.

This study takes the approach of assessing the quality of journal publications in the areas of IEBAMBF in order to evaluate the progress of Islamic Economics. This approach has yet to be applied to the discipline. The central questions of the study are; i) how many and what are the names of journals specialized in the areas? ii) how to assess the quality of the journals? and iii) how they have performed in terms of quality? Answers to these questions are certainly important for Muslim scholars to understand the state of the discipline and then take the necessary strategies to improve it further.

This study is structured in the following order. In the next section, the extant literature on assessment of journal's quality, in particular, studies related to the discipline are discussed. The methodological approach to assess journal's quality is presented in Section 3. In Section 4, results of the study are presented and discussed. The concluding remarks follow in Section 5.

2. Progress of Islamic Economics

Since the launch of the Islamization of knowledge master plan (Al-Faruqi, 1982), Islamic Economics has emerged as one of the fastest growing disciplines of study in economics. Its development in modern time can be assessed in three broad areas, namely, institutional setup, political support and scholarly contributions. The progress made in all these areas happen concurrently.

Regarding institutional setup, significant global institutions to address many needs of Muslims have been established. In 1969, for example, the formation of the

Organization of Islamic Cooperation (formerly Organization of Islamic Conference or, OIC) marked a significant attempt by Muslim countries to safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony among various people of the world. Then, in 1975, the Islamic Development Bank was established with the purpose of fostering economic development and social progress of OIC member countries and Muslim communities through various Islamic financial schemes. The decade of the 1980s witnessed the emergence of institutions related to intellectual development with the establishments of the International Institute of Islamic Thought (IIIT) and the International Islamic University (IIU) Islamabad, both in 1981, and the International Islamic University Malaysia (IIUM) in 1983. These institutions have major roles to play to address the political, socioeconomic and educational needs of Muslims, all of which are essential ingredients to the development of Islamic Economics. Around the same time, the Centre for Research in Islamic Economics (CRIE) in 1977 at King Abdulaziz University, and the Islamic Research and Training Institute (IRTI) in 1983 at Islamic Development Bank were established to promote research.

In terms of political support for Islamic Economics, almost all Muslim countries have embarked upon the process of Islamization of their economies. The inculcation of Islamic values and establishments of *baitul mal*, Islamic capital and money markets as well as Islamic financial institutions have flourished especially from 1980's onwards. These trends are not surprising because many early writings by Muslim economists had emphasized the importance of Islamic behavioral norms, zakat and the prohibition of interest (Siddiqi, 1981; Kuran, 1986; Haneef, 2001)). The political and social environments also played significant roles in some countries. For example, Pakistan embarked on Islamization of banking and finance in the 1980s but slowed down in the later period. One particular country to highlight is in the case of Malaysia. There has been a noticeable sustained political will (Haneef, 2001) adopted by the ruling government. For example, the inculcation of Islamic values by government agencies in 1984 during the prime ministership of Dr. Mahathir Mohamad (1981 - 2003), the concept of *Islam Hadhari* by Abdullah Ahmad Badawi (2003 - 2009) and *Wasatiah* agenda by the present Prime Minister, Najib Abdul Razak. All of these are meant to develop the human capital need of the economy with Islamic values, apart from having strong Islamic institutions.

Another criterion to evaluate progress in a particular discipline is by assessing the quality of books and journals published. Publication of textbook is a monumental milestone for any particular discipline. Apart from that, having

specialized journals for a discipline is another success indicator of knowledge development. Over the past decade, despite many books have been written on Islamic Economics, a textbook on the discipline still has yet to be materialized. Efforts to publish a textbook on the discipline remains an elusive milestone although this point has been highlighted as the main agenda of the Islamization of knowledge, as set out by Al-Faruqi (1982).

Early journal writings on Islamic Economics before 1983 were scattered without specialized journals in the discipline for scholars to publish their works. In 1983, *Journal of Research in Islamic Economics* became one of the earliest specialized journals in the discipline. Only after 1983, more journals specialized in the discipline started to flourish. With the availability of more journals, quality of them need to be assessed. Studies that evaluate and rank scholarly journals are common in many disciplines (Moris et al., 2009; Rosenstreic & Wooliscroft, 2012; Sun, 2013), yet notably absent in the discipline of Islamic Economics. This study spearheads this dimension of research with the hope that the findings will shed light on the quality of journals in this discipline and perhaps, more improvement in quality can be considered in the future.

3. Methodology

Journals related to the discipline of Islamic Economics were searched on Google using the keywords “Islamic Economics, Islamic Business, Islamic Accounting, Islamic Management, Islamic Banking and Islamic Finance.” The search for journals also was conducted on several database platforms such as Index Islamicus, EconLit, Emerald, Elsevier, and ProQuest. A journal would be considered if the terms were in the journal’s title or the terms explicitly stated as one of the aims and scopes of areas of the journal. The search was undertaken in October 2015. Focus of the search was limited to English journals only. From the exercise, 25 journals had been identified and the list was sent to the faculty members of Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia (the faculty members, in general, are familiar with journals related to the discipline) for verification and further suggestions. I received one suggestion to include *Journal in Islamic Branding and Marketing* but after further investigation, no result for the journal was found on all the search engines (the journal was new). The journal, therefore, was omitted. The final number of journals considered for this study remains at 25 journals—refer to Appendix A.

The identified journals were then evaluated based on nine criteria as proposed by Rapple (2012). In the following sub-sections, I discuss each of them.

3.1 Impact Factor

The report on a journal's Impact Factor (IF) is available at the database of Journal Citation Reports (JCR). In short, the IF refers to the frequency of articles' citation published in a particular year over the number of articles published in the past two years or:

$$\text{Impact Factor} = \frac{\text{no. of current year citations}}{\text{total no of articles published in the last two years}}$$

As an illustration, an IF of 3.0 indicates that, on average, the articles published by a journal in the past two years have been cited thrice. One limitation of the impact factor measure is that only those journals indexed by JCR were evaluated. The database, according to Rappale (2012), has approximately over 8,000 journals in Science and 2,700 in the Social Sciences. A search conducted on JCR found no journals related to the discipline of Islamic Economics.

3.2 Google Scholar Metrics

Google Scholar Metrics (GSM) reflects the visibility and influence of recent articles in scholarly journals. It provides Google's h5-index, which is an alternative to the impact factor. The index is equivalent to the Hirsch index, but calculated for a journal rather than an author, over a 5-year period. An h5 = 10 means that during the past five years, a journal has published ten articles which were each cited at least ten times (and many more articles which were cited fewer than ten times).

3.3 Eigenfactor Score and Article Influence Score

Like the Impact Factor, the Eigenfactor Score and Article Influence Score use citation data to assess and track the influence of a journal in relation to other journals. The Eigenfactor Score calculation is based on the number of times articles from the journal published in the past five years have been cited in the JCR year, but it also considers which journals have contributed these citations so that highly cited journals will influence the network more than lesser-cited journals.

The Article Influence determines the average influence of a journal's articles over the first five years after publication. It is calculated by dividing a journal's Eigenfactor Score by the number of articles in the journal, normalized as a fraction of all articles in all publications. The mean Article Influence Score is 1.00. A score greater than 1.00 indicates that each article in the journal has above-average

influence. A score less than 1.00 indicates that each article in the journal has below-average influence (Rapple, 2012).

3.4 Publisher

The quality of a journal also can be evaluated based on its publisher. The publisher can be an institution, society, an association or even a publication house. The reputation of a publisher matters in giving the first impression about the quality of the publication. A university press, for example, signifies a scholarly type of academic work with a high standard of intellectual contents expected.

3.5 Editorial Board

The reputation of a journal also relies on members of its editorial board. Who's who on the editorial team may provide tips about the quality of the journal. This criterion is subjective in nature because the involvement of every editorial member towards the quality of the journal is hard to measure.

3.6 Acceptance/Rejection Rates

The level of acceptance or rejection rates may also indicate the quality of a journal. Low acceptance rates (high rejection rate) implies difficulties for an article to be published. Not all journals, however, provide information on this criterion.

Also, the calculation of the rates may be different from one journal to another journal. For example, an acceptance rate can be calculated based on the number of articles accepted out of all articles submitted. Another calculation is based on the number of articles accepted over the articles sent out for peer review. These two ways of calculations give different levels of acceptance rate.

This criterion to measure journal quality is also sensitive to the area of study. An area of study with a limited number of articles written may have a higher acceptance rate than a more popular area.

3.7 Peer-Reviewed

Whether a journal is peer reviewed (refereed) or not is another way the quality of a journal can be assessed. It is a common practice today for an article to undergo a blind peer review. The rigorous level of the reviewing process again may vary not just from journal to journal but who involves in reviewing the article. This

criterion is open to the issue of subjectivity and therefore, results in varying degree of quality in peer-reviewed journals (Smith, 2008).

Despite much contesting evidence on the effectiveness of the peer review process, in general, it remains important in the process to select the best papers to publish in a journal, to improve the quality of papers to be published and to detect errors or fraud.

3.8 Where Indexed

Where a journal is indexed is another way the quality of a journal can be assessed. ISI indexed, and Scopus indexed are two popular indexing systems for journals today. Other indexes are Index Islamicus, EconLit and EBSCO, just to name but a few. Having a journal indexed can improve its quality because certain standard must be met for the journal to be accepted into a particular indexing system.

3.9 Publication Fees

Some journals may require payment for publications such as in the case of many open access journals. This requirement is not necessarily a sign for suspicion that the journal is of low quality. Caution, however, needs to be exercised whenever there is such a requirement. The rapid growth of predatory and fake journals (Tin et al., 2014) whose primary goal is to obtain money from authors should keep authors to be vigilant in this respect.

Based on the nine criteria above, information for every 25 identified journals in the discipline of Islamic Economics were then collected by visiting every journal's web page. The information and findings from the exercise are reported in the next section.

4. Results and Discussion

One common issue facing many researchers to publish their works is the efforts required to search for that suitable journal. Visibility of a journal online is one important factor that can help researchers to find an appropriate journal for publication. It is also a crucial factor to promote and improve the reputation of a journal. For this study, a journal is considered visible when its name appears in the search results for a search on terms "Islamic Economics, Islamic Business, Islamic Accounting, Islamic Management, Islamic Banking and/or Islamic Finance" on

Google search engine and databases platforms such as Index Islamicus, EconLit, Emerald, Elsevier, and ProQuest. From the search exercise, I found 25 specialized journals related to the discipline. In Appendix A, the list and information of the journals are provided.

The discussion based on Appendix A starts with an analysis of years a journal was published. Almost all Islamic economic journals have a relatively short history. A few journals were founded in the 1980s. It is worth noting, though, that some of the older titles have high status and their age could be a contributing factor in their high reputation. Important institutions and universities established with Islamization agenda founded these journals. Articles published in those journals, therefore, were mostly related to the policies, facts and events of the modern development of the discipline.

As shown in the appendix, the earliest journal was published in 1983 (Journal of Research in Islamic Economics). However, this journal was discontinued, where a search on Index Islamicus for its latest publication traced back to the last published volume 22, in 1987.

In 1987, the International Islamic University Malaysia (IIUM) had taken one of the earliest efforts to develop the discipline by the publication of IIUM Journal of Economics and Management. The University itself was established in 1983. As compared to many other later journals (especially after 1987), the Journal bears no “Islamic Economics” or “Islamic Banking and Finance” in its name. As one of the earliest journal in this area, it was a missed opportunity that should have been considered to promote the discipline especially in its early stage of development. The Journal’s name was then changed to International Journal of Economics, Management and Accounting (IJEMA). The Journal is indexed in EconLit and Web of Science (starting in 2015). Considering its pioneering status, the repetition of the institution it comes from and the indexing systems it has obtained, IJEMA is presently one of the reputable journals in the discipline of Islamic Economics.

Journal of King Abdulaziz University, Islamic Economics (JKAUIE), Review of Islamic Economics (RIE), Islamic Economic Studies (IES) and International Journal of Islamic Financial Services (later changed its name to IBF Review) were another three journals published before the year 2000. All the three journals bear the name Islamic Economics and Islamic Finance in their publication titles. Over the years, JKAUIE and IES have continued to grow to be two of the most prestigious journals in this area. Both journals have a long-standing publication status and are from reputable institutions in the discipline of Islamic Economics.

Also, JKAUIE has been indexed in Scopus, among the few journals in Islamic Economics with such recognition thus far. In the case of Review of Islamic Economics, a search on Google for its latest publication only showed until the year 2011. There is no clear status of this journal—no official web page is available. Given its pioneering status in this discipline, it is unfortunate for such journal with an excellent publication title ended in limbo.

More journals in the discipline of Islamic Economics have emerged after 2000, with the latest was The Canadian Journal of Islamic Economics and Islamic Finance in 2015. In 2008, Emerald Group Publishing based in the United Kingdom launched the International Journal of Islamic and Middle Eastern Finance and Management, followed by Journal of Islamic Accounting and Business Research and Journal of Islamic Marketing, both in 2010. All these journals are indexed in Scopus. In 2013, the American Research Institute for Policy Development, USA, introduced the Journal of Islamic Banking and Finance, which has gained fast recognition. All these latest trends of publications, which come from the UK, US and Canada (Muslim minority countries), signify growing interests by many in the discipline of study. One ironic point here is that these journals are growing fast in terms of acceptance, quality and reputation, surpassing many earlier journals in this area. Other journals, therefore, need to improve their level of sophistication in meeting the more demanding publication requirements (e.g. indexed, fast response, online visibility) today.

No journals listed in Appendix A is available in the database of Journal Citation Reports (JCR) or the Eigenfactor Score and Article Influence Score. As to whether journals in the discipline of Islamic Economics should be evaluated based on those criteria is a debatable issue. Criteria set by JCR or Eigenfactor Score and Article Influence Score are biased towards the scientific area of studies. Since Islamic Economics has its unique methodology, evaluations based on a different set of criteria is needed, according to some views. Impact Factor or Eigenfactor Score and Article Influence Score, therefore, are not the way to measure the quality of journals in this area.

A check on Google Scholar Metrics (GSM), however, only resulted in two journals with h5-index availability, namely, the Journal of King Abdulaziz University, Islamic Economics (h5-index = 4) and the International Journal of Islamic and Middle Eastern Finance and Management (h5-index = 16). The index shows that the International Journal of Islamic and Middle Eastern Finance and Management had published 16 articles which were each cited at least 16 times (and many more articles cited fewer than 16 times) in the last five years. It has more

citations than the Journal of King Abdulaziz University, Islamic Economics. Apart from these two journals, other journals should find ways to improve the number of citations for every publication.

In general, almost all journals in this discipline are peer reviewed, a common practice for journal publications. Even though the degree of its effectiveness to ensure quality publication is contestable (Smith, 2008), the process is certainly crucial in assisting journal's editor to select the best paper for the publication and to ensure no errors and fraud in the research published.

In Appendix A, names of the editor-in-chief for every journal are presented. On every journal's web page, the information of its editorial board was available. Names such as Professor M. Kabir Hassan and Professor Masudul Alam Choudhury, just to name a few, are well-known scholars in this area. Professor M. Kabir Hassan, for example, becomes the chief editor of three journals, namely, the International Journal of Islamic and Middle Eastern Finance and Management, Journal of Islamic Economics, Banking and Finance and International Journal of Excellence in Islamic Banking and Finance. Again, the link between the quality of a journal and members of its editorial board is not clear. Maybe, the willingness of a renowned professor to be one of the editorial members for a particular journal reflects the confidence over the quality of the journal.

As far as fees are concerned, none of the surveyed journals in Appendix A requires such payment for publication. It is important to note here that charging fees for publication do not mean that the journal is a low-quality journal. Many high-quality journals now would ask for fees to allow for open access to the article (usually it is optional where authors can choose whether to allow for open access or not). The perception regarding charging fees to be associated with low-quality journals exists because of the growing numbers of predatory and fake journals or publishers. As far as journals in Appendix A are concerned, none of them is fake or predatory journals. Publications in those journals are free.

As discussed in Section 3, a journal's acceptance rate could also indicate the level of quality. Low acceptance rates signal a high degree of rigor and analysis required for an article to be accepted for publication. The editor and reviewers can be expected to scrutinize the article carefully to ensure excellent publications standard. In the case of journals, as listed in Appendix A, this particular information (acceptance/rejection rates) is not available on every of the journals' web pages. Therefore, a comparison based on this criterion could not be undertaken in this study.

It is not the intention of this study to rank journals in the discipline of Islamic Economics. The study only compares the information provided by every journal on its Web page based on the suggested criteria by Rapple (2012) to assess the quality of journals. This study is constrained by several problems and issues. First, it is only limited to visible English journals in the discipline. Journals in other languages which are certainly important have been omitted from the analysis. Missing information for some journals in Appendix A is because I could not find the information at the time the data were collected (in October 2015). The missing information may be available from other sources. Third, a comparison based on a more objective criterion such as the impact factors and Google Scholar Metrics (GSM) is limited. In the case of this study, only GSM was available, but only two journals appeared in GSM. The assessment was mostly based on subjective criteria such as reputations of the publishers and the editorial board. In the next section, some concluding remarks regarding the study are presented.

5. Conclusion

The Islamization of Knowledge (IoK) agenda has become one crucial master plan to bring Muslim scholars together in efforts to Islamize human knowledge (Al-Faruqi, 1982; Haneef, 2005). This concerted effort includes Islamic Economics. Over the past four decades, the discipline of Islamic Economics has achieved many milestones in its development. Even though scholarly works on the discipline had started much earlier, the emergence of specialized Islamic economic journals only began in 1983 (with the first publication of *Journal of Research in Islamic Economics*). Since then, more journals in the discipline have emerged especially after the year 2000. Rapid development in the telecommunication and information technology (ICT) industry may explain the rising number of specialized journals in the discipline. Computers and the Internet indeed have enabled faster and cheaper publication of journals.

With the rising trend in the publications of specialized journals in Islamic Economics, this study has assessed the quality of journals in the discipline. I have identified 25 most visible journals in the discipline. The listed journals appear in the search results when one types “Islamic Economics, Islamic Business, Islamic Accounting, Islamic Management, Islamic Banking and/or Islamic Finance” on Google search engine and database platforms such as Index Islamicus, EconLit, Emerald, Elsevier, and ProQuest). These journals then have been evaluated based on nine identified criteria to assess a journal’s quality.

From the study conducted, there is a concern regarding limited quantity and quality of globally reputable publication avenues in the discipline of Islamic Economics. Journals in the discipline also lack visibility (as the defined earlier). The editorial board of journals, therefore, needs to improve the information provided on their journals' web pages. Also, efforts to index journals with established database platforms are one of immediate step that should be undertaken. One advantage of being in a database platform is that the requirements for membership need to be fulfilled. This fulfillment would improve the journal's visibility, especially online. The fulfillment also would put Islamic economic journals to stand comparable with other specialized journals in the discipline of Economics. Many excellent articles on Islamic Economics appear in other journals (not specialized in Islamic Economics) because the authors may feel better recognitions and visibility of their works in those journals.

One issue regarding the requirements demanded by many database platforms is that they are biased towards pure science. The scope of social science, on the other hand, is limited to positivism epistemological approach. Hence, journals on Islamic Economics may encounter difficulty to be ranked in such databases. A multidimensional assessment approach is therefore required to measure an Islamic economic journal's quality. For that, the community of Muslim scholars should work within their recognized assessment standard and push it to be another global standard for quality assessment.

References

- Al-Faruqi, I. R. 1982. *Islamization of Knowledge: General Principles and Work Plan*, Herndon, VA, International Institute of Islamic Thought.
- Cherkowski, S., Currie, R. & Hilton, S. 2012. Who Should Rank Our Journals ... and Based on What? *Journal of Educational Administration*, 50, 206-230.
- Haneef, M. A. 2001. Islam and Economic Development in Malaysia—A Reappraisal. *Journal of Islamic Studies*, 12, 269-290.
- Haneef, M. A. 2005. *A Critical Survey of Islamization of Knowledge*, Kuala Lumpur, International Islamic University Malaysia.
- Haneef, M. A. & Furqani, H. 2011. Methodology of Islamic Economics: Overview of Present State and Future Direction. *International Journal of Economics, Management and Accounting*, 19.

- Iqbal, M. & Molyneux, P. 2005. *Thirty Years of Islamic Banking: History, Performance and Prospects*, London, UK, Palgrave Macmillan.
- Kuran, T. 1986. The Economic System in Contemporary Islamic Thought: Interpretation and Assessment. *International Journal of Middle East Studies*, 18, 135-164.
- Morris, H., Harvey, C. & Kelly, A. 2009. Journal Rankings and the ABS Journal Quality Guide. *Management Decision*, 47, 1441-1451.
- Rapple, B. 2012. Assessing Journal Quality. *Boston College Libraries Newsletter: ISI Journal Citation Reports*.
- Rosenstreich, D. & Wooliscroft, B. 2012. Assessing International Journal Impact: The Case of Marketing. *European Business Review*, 24, 58-87.
- Siddiqi, M. N. 1981. Muslim Economic Thinking: A Survey of Contemporary Literature. *International Centre for Research in Islamic Economics, King Abdul Aziz University*, 1.
- Smith, R. 2008. Peer Review: A Flawed Process at the Heart of Science and Journals. *Journal of the Royal Society of Medicine*, 99, 178–182.
- Sun, J. & Wang, G. G. 2013. How is HRD Doing in Research and Publications? An Assessment of Journals by AHRD (2005-2011). *European Journal of Training and Development*, 37, 696-712.
- Tin, L., Ivana, B., Biljana, B., Ljubica, I. B., Dragan, M. & Dušan, S. 2014. Predatory and Fake Scientific Journals/Publishers—A Global Outbreak with Rising Trend: A Review. *Geographica Pannonica*, 18, 69-81.

Appendix A**Specialized Journals in the Discipline of Islamic Economics**

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
1.	Al-Iqtishad: Journal of Islamic Economics	Faculty of Sharia and Law Syarif Hidayatullah State Islamic University Jakarta	Indonesia	2009	Yes		—	
2.	Eghtesad Islami	Institute for Culture and Islamic Thought, Tehran	Iran				—	Abbas Arab Mazar
3.	Global Review of Islamic Economics and Business	Faculty of Islamic Economics and Business, State Islamic University Sunan Kalijaga Yogyakarta	Indonesia	2013	Yes		—	Misnen <u>Ardiansyah</u>
4.	IBF Review, Formerly International Journal of Islamic Financial	International Institute of Islamic Business and Finance (IIIBF)		1999			—	

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
Services								
5.	International Journal of Economics, Management and Accounting, formerly IIUM Journal of Economics and Management	IIUM	Malaysia	1987	Yes	Google Scholar, Malaysian Citation Index (MyCite), Open Access, EconLit, e-JEL, JEL on CD, EBSCO, ndex of Islamic Literature	—	Zarinah Hamid
6.	International Journal of Excellence in Islamic Banking and Finance	Hamdan Bin Mohammed Smart University		2010	Yes		—	M. Kabir Hassan

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
7.	International Journal of Islamic and Middle Eastern Finance and Management	Emerald		2008	Yes	ABI/INFORM Complete, ABI/INFORM Global, ABI/INFORM Professional Advanced, ABI/INFORM Professional Standard (ProQuest), Academic Search Alumni Edition, Academic Search Complete, Academic Search Elite, Academic Search Premier (EBSCO) Banking Information Source(ProQuest), The British Library, Business Source Alumni Edition, Business Source Complete, Business Source Complete Plus, Business Source Elite, Business Source Premier (EBSCO), Cabell's Directory of Publishing Opportunities in Management and Economics & Finance, EconLit, Index Islamicus, International Bibliography of Social Sciences (IBSS), OCLC - Electronic Collections Online, Professional ABI/INFORM Complete, Professional ProQuest Central, ProQuest Central (ProQuest), RePEc – Research Papers in Economics, Scopus	16	M. Kabir Hassan
8.	International Journal of Islamic Economics and Finance Studies	Centre of Political Economic and Social Research (PESA)		2015	Yes	ASOS Index, Google Scholar, BASE, CiteFactor, ESJI, Research Bible, Scientific Index, JournalTOC, Index Islamicus	–	Mehmet Asutay

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
9.	Islamic Economic Studies	IRTI	Saudi Arabia	1993	Yes	RePEc, Google Scholar	–	Salman Syed Ali
10.	ISRA International Journal of Islamic Finance	ISRA	Malaysia s	2009	Yes	-	–	Mohamad Akram Laldin
11.	Journal of Emerging Economies and Islamic Research	UiTM	Malaysia	2013	Yes	Malaysian Citation Centre, MyCite Citation Report		Saadiah Mohamad
12.	Journal of Ethics, Economics and Finance						–	Masudul Alam Choudhury
13.	Journal of Islamic Accounting and Business Research	Emerald	United Kingdom	2010	Yes	SCOPUS, The Association of Business Schools' (ABS) Academic Journal Guide 2015 (the Guide), Cabell's Directory of Publishing Opportunities, The British Library, EBSCO, PROQUEST, OCLC	–	Roszaini Haniffa

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
14	Journal of Islamic Business and Management	Riphah Centre of Islamic Business (RCIB), Riphah International University	Pakistan	2011	Yes		—	Anis Ahmad/ Muhammad Ayub
15	Journal of Islamic Banking and Finance	American Research Institute for Policy Development	USA	2013	Yes	CrossRef, CrossCheck, Cabell's, Ulrich's, Griffith Research Online, Google Scholar, Education.edu, Informatics, Universe Digital Library, Standard Periodical Directory, Gale, Open J-Gate, EBSCO, Journal Seek, DRJI, ProQuest, BASE, InfoBase Index, OCLC, IBSS, Academic Journal Databases, Scientific Index	—	Yusof Jahmani
16	Journal of Islamic Economics and Finance	IZU, International Research Center for Islamic Economics and Finance - See more at:	Turkey		Yes		—	Mehmet Bulut

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
17	Journal of Islamic Economics, Banking and Finance	Islami Bank Training and Research Academy Islamic bank Bangladesh	Bangladesh	2005	Yes	Index Islamicus, Cabell's Directory of Publishing Opportunities, The British Library, EBSCO, PROQUEST, Journal of Economic Literature, Ulrich, Australian Business Deans Council (ABDC), Association of Business Schools, UK (ABS): now under Academic Journal Guide 2015	—	M. Kabir Hassan
18	Journal of Islamic Finance	IIUM Institute of Islamic Banking and Finance (IIiBF), International Islamic University Malaysia (IIUM)	Malaysia	2012	Yes		—	Syed Musa Syed Jaafar AlHabshi
19	Journal of Islamic Marketing	Emerald	United Kingdom	2010	Yes	British Library; Scopus	22	Jonathan A.J. Wilson
20	Journal of Islamic Monetary Economics and Finance	Center for Central Finance Reserch and Education, Bank Indonesia	Indonesia	2015	Yes	Google Scholar	—	Perry Warjiyo

#	Name	Publisher	Country	Year (Vol 1, No. 1)	Peer Review	Index	Google Scholar Metrics (H5 Index)	Chief Editor or Editor
21	Journal of King Abdulaziz University, Islamic Economics	King Abdulaziz University	Saudi Arabia	1989	Yes	Scopus	4	
22	Journal of Research In Islamic Economics			1983			—	
23	Review of Islamic Economics			1991			—	
24	The Canadian Journal of Islamic Economics & Islamic Finance	ECO-ENA: Economics & ECO- Engineering Associate, Inc., Canada	Canada	2015	Yes		—	Akbar Manoussi
25	Turkish Journal of Islamic Economics		Turkey	2014	Yes	EBSCO	—	Saim Kayadibi

Note: The information was collected in October 2015 from web pages of every journal.

RESOLUTIONS OF OIC
***FIQH* ACADEMY**

**Resolution of OIC Fiqh Academy
(Related to Islamic Economics and Finance)**

بسم الله الرحمن الرحيم

Resolution No. 200 (6/21)

**Bases of Cooperative Insurance
In the light of Shari'ah Rulings and Controls**

The Council of the International Islamic Fiqh Academy (IIFA), of the Organization of Islamic Cooperation (OIC), in its 21st session, held in Riyadh (Kingdom of Saudi Arabia), during the period 15-19 *Muharram, 1435H* (November 18-22, 2013),

Having reviewed the recommendations of the Seminar on “*Bases of Islamic Cooperative Insurance in the Light of Shari'ah Rulings and Controls*”, organized in Jeddah (KSA) by IIFA, during the period 20-22 *Jumada-II, 1434H* (April 30 - May 1, 2013), in response to IIFA Resolution No.187 (2/20), issued by its 20th Session, held in Oran (People's Democratic Republic of Algeria), during the period 26 *Shawwal-2 Dhul Qi'dah, 1433H* (September 13-18, 2012),

And based on the discussions of the subject,

Resolved the following:

Cooperative insurance is a new contract based on the principle of cooperation, which, in its turn, is governed by controls derived from guidance of the holy *Quran* and *Sunnah* (Prophetic Tradition).

Insurance, in general, is divisible into two types:

- (1) Commercial insurance, which aims to achieve gain to insurance seeker through compensation for risks, while from the standpoint of the managing company, it aims to achieve profit.

- (2) Non-commercial insurance that does not aim to achieve profit, but to serve interest of its participants through mutual contribution to bearing of injury.

The second type of insurance has several denotations, including cooperative insurance, solidarity insurance, reciprocal insurance and Islamic insurance.

There are essential differences between cooperative insurance and commercial insurance of which most important are the following:

- 1) Islamic cooperative insurance is a form of cooperation between members of a group or a number of groups in the society through mutual contribution to risk bearing without seeking profit. Therefore, it does not constitute a *mu'awadah* (compensation) contract, and the degree of *gharar* (uncertainty) it involves is forgivable. Contrarily, commercial insurance is a *mu'awadah* (compensation) contract, which aims to generate profit through compensation for shifting of risks from insurance client to insurance company. Therefore, commercial insurance is subject to the rulings on compensatory financial dealings that are affected by *gharar*.
- 2) The parties of the relationship in cooperative insurance are: the total number of participants in the cooperative insurance fund and the managing party, while in commercial insurance they are the company and the policyholders.
- 3) In cooperative insurance, there is a fund containing assets that comprise contributions of policyholders, profits generated from investment of contributions, and reserves, whereas there is no such fund in commercial insurance.
- 4) In cooperative insurance, the Management Company assumes the tasks of managing the coverage and insurance business, besides investment of insurance funds, whereas in commercial insurance the insurance company is the insurer who owns the insurance premiums as well as insurance profits and surplus.
- 5) Policyholder and insurer in cooperative insurance are, in fact, the same person with two different legal considerations, contrary to the case in commercial insurance, where they are completely different, since the participant is the insurance client and the insurer is the insurance company.
- 6) Management in cooperative insurance, whether an elected body from the participants, a specialized company or public institution, is an agent that assumes contracting on behalf of participants' (policyholders) fund, and

has the right of receiving a pay for that, while in commercial insurance, management is a principal party who performs contracting on its own.

- 7) Management Company in cooperative insurance does not own the insurance premiums (contributions), because premiums are owned by participants' (policyholders) fund, but in commercial insurance, the company owns the insurance premiums against its commitment to provide compensation in case of injury.
- 8) In cooperative insurance, the remaining amount of premium and its returns – after deduction of expenses and compensations – remains owned by and in the accounts of the fund. It constitutes the surplus, which regulations of the fund indicate the way of disposing of it. This can never happen in commercial insurance, where the company owns the premiums contractually and in terms of actual possession. That is to say, in commercial insurance, premiums represent revenue and profit for the insurance company.
- 9) In cooperative insurance, returns on investment of premiums – after deduction of management costs, which go to Management Company – remain in the policyholders' fund, while such returns belong to the insurance company in commercial insurance.
- 10) On liquidation of cooperative insurance fund, its assets are either spent on charitable purposes or distributed among participants instantly (as indicated in detail in clause 13 hereafter), where such assets go to shareholders in commercial insurance.
- 11) In cooperative insurance, the company is bound to observe relevant rules of Islamic Shari'ah and *fatwas* (Shari'ah Opinions) of its Shari'ah Board, a situation, which is irrelevant to commercial insurance.

Cooperative and commercial insurance are similar, in consideration of the basic principles of insurance, including:

- 1) Principle of Insurance Interest: which is the legal right of insurance that stems from a legally recognized financial relationship between the insurance client and the subject matter of insurance.
- 2) Principle of Good Faith: which means the positive and voluntary duty of strict and perfect disclosure of all essential facts relating to the risk insured against, whether such facts are requested or not.
- 3) Principle of Close Direct Cause: which refers to that effective cause which is sufficient to set in force a series of incidents constituting the cause of the

result that originate from them, without the invention of any other factor stemming from an independent new source and breaking the series.

- 4) Principle of compensation.
- 5) Principle of Participation.
- 6) Principle of Substitution and Rights.

Cooperative insurance has also its own distinguishing principles, which include:

- 1) Abidance by rules and principles of Sharī'ah in all dealings and contracts.
- 2) No insurance is provided under this system to Sharī'ah taboos.
- 3) Avoidance of any transaction that involve receipt or payment of *ribā* (usury).

Fundamental Bases and Principles of Cooperative Insurance

Clause (1): Definition:

Cooperative insurance is the process in which a group of people, who face certain risk(s), agree that each of them contribute a specific amount, based on cooperation, to a non-profit fund that is to be used for compensating anyone of them for the harms he would encounter when the risk in question materializes, as per signed contracts and adopted regulatory legislations.

Clause (2): Forms of Cooperative Insurance Management:

Cooperative insurance is managed by an independent licensed body that works in compliance with the rules of Islamic Sharī'ah, and may take one of several forms of which most notable are the following:

- a) A selected panel of policyholders.
- b) A specialized insurance management company.
- c) A public institution established by and report to a state or number of states.

Clause (3): Relationship between Insurance Fund and Management:

The relationship between insurance fund and managing party is as follows:

- a) Regarding management of insurance business: the relationship is according to agency contract, with or without pay.
- b) In case of investment: the relationship is governed by either an agency or a *muḍārabah* contract. When agency contract is used, agency can be against pay or not. When using *muḍārabah*, the managing party is entitled to a share in the profit as per agreement, whereas any loss is borne by owners of capital, except in case of negligence or default, or breach of conditions or regulations.

Clause (4): Pay for Management:

Pay for management takes one of two forms:

- a) When cooperative insurance business is managed according to rulings of agency contract, pay for managing party can be a lump sum amount, or a given percentage of contributions.
- b) When management of investment assets of participants' fund is arranged through *muḍārabah*, managing party (*muḍārib*) is entitled to a given percentage of the profit, whereas if investment is according to agency contract, the remuneration could be a lump sum amount, or a given percentage of invested amounts.

Clause (5) Ownership of Contributions and Returns on their Investment.

Contributions and net returns on their investment are considered as rights of cooperative insurance fund, whereas rights of policyholders in the fund are determined according to the insurance system and conditions of entitlement regarding compensation and insurance surplus.

Clause (6): Remuneration of Insurance Business Managing Party

Remuneration or pay for insurance business management is estimated, subject to fair criteria set by an independent body, such as an institution of insurance supervision or through negotiation between the representatives of the fund or any party chosen by participants to oversee their interests, and the managing party.

Clause (7): Responsibility of the Fund:

The cooperative insurance fund bears any losses whether in investment or in insurance activities, except when such losses originate from negligence, default or

breach of conditions or regulations by the managing party, who should bear them in such case.

Clause (8): Insurance Surplus:

Insurance surplus is the financial balance that remains from collected contributions in addition to its investment returns and any other revenues, after payment of compensations and deduction of necessary allocations and reserve balances, as well as all due expenses and outstanding commitments of the fund.

The entire insurance surplus can be retained in the fund or distributed, totally or partially, among policyholders in a way that achieves justice, and conforms to regulations of the fund.

Clause (9): Cooperative Insurance Fund Deficit (How it can be dealt with):

In case of failure of cooperative insurance fund to pay its due commitments, the managing company may resort, without commitment, to one or more of the following actions:

- a) Borrowing from a third party.
- b) Provision of *qard hasan* (benevolent loan) from the managing party.
- c) Increasing the amount of contributions after the consent of participants.
- d) Agreement with compensations' beneficiaries to reduce the amounts of compensations or pay them in installments.

The managing company may also resort to any other arrangements it deems suitable, after clearance by the fund's Sharī'ah Board.

Clause (10): Reinsurance

- (1) It is permissible for the cooperative insurance company to conclude reinsurance contracts, taking into consideration that the reinsurance transactions it takes part in, by virtue of such contracts, conform to rulings of Islamic Sharī'ah and basic principles of cooperative insurance as decided by its Sharī'ah Supervisory Board.

- (2) Cooperative insurance companies are committed to do all their reinsurance arrangements with Islamic reinsurance companies. When it is impossible, for reasonable justifications, to observe such commitments, they may conclude reinsurance contracts with traditional reinsurance companies to the extent of their real needs and in conformity with the controls set by Shari'ah boards and any other controls they deem suitable, including the following:
- a) Cooperative insurance companies should keep the ratio of traditional reinsurance coverage at the minimum level.
 - b) The managing party should not direct reinsurance premiums paid to cooperative insurance company to any type of investment that does not comply with rules and principles of Islamic Shari'ah. Conversely, the managing party should neither claim a share in the returns on investments of traditional reinsurance companies nor should it accept to bear any portion in the losses incurred by investments of these companies.
 - c) Cooperative insurance companies should not pay or receive any interest relating to their reinsurance arrangements with traditional reinsurance companies. Additionally, reinsurance funds should be kept with cooperative insurance companies rather than with traditional reinsurance companies.
 - d) Agreement with traditional reinsurance companies should be for the minimum possible period.

Clause (11): Shari'ah Compliance

Cooperative insurance management should comply with rules of Islamic Shari'ah in all insurance operations, activities and investments.

Clause (12): Shari'ah Supervision:

A cooperative insurance enterprise should appoint a Shari'ah supervisory board and a Shari'ah audit body as has been stated in IIFA's Resolution No. 177 (3/19) on "Role of Shari'ah Supervision in Controlling Islamic Banking Business (Significance, Conditions and *Modus Oprandi*)". Appointment and operation of this Shari'ah board should be subject to approval of central Shari'ah supervisory body, if any.

Clause (13): Fund Liquidation:

When a cooperative insurance fund is liquidated, its assets can be channeled into charitable purposes or distributed among participants, according to fair bases after meeting its technical and legal commitments, subject to regulation of the fund and under supervision of the public authority of Sharī'ah supervision. Fund manager, in this case, is not entitled to any share of the assets.

Clause (14): Conflict Resolution:

Conflicts that arise between cooperative insurance company and policyholders should be dealt with, according to prevailing regulations and laws, starting from reconciliation, then arbitration and finally resort to competent judiciary body.

Clause (15): Relationship between Participants of the Cooperative Insurance Fund

The relationship between participants of the fund is a form of cooperation in which a group of people agree to contribute specific amounts so that the proceeds of their contributions be used in compensation for harm or realization of interest to anyone of them when need arises. Such cooperation is based on forgiveness, equality and permissibility of benefiting from the rights of each other, rather than on reciprocal compensation, stinginess and drive for profit. Therefore, a lot of *gharar* can be excusable under this type of arrangement, which also has nothing to do with *ribā*. Several instances to substantiate this fact can be quoted from Sharī'ah, such as:

Firstly: The divine order to cooperate in the cause of righteousness and piety. In this regard, Allah the Almighty says: ***“Help ye one another in righteousness and piety, but help not ye one another in sin and rancor”***[*Al-Ma'idah*:2].

Secondly: The *Ash'aris* *hadith* (Prophetic tradition about the *Ash'ari* people) narrated by Abu Musa Al-Ash'ari (may Allah be pleased with him) who told that the Prophet (pbuh) said: ***“When the Ash'aris encounter food shortage during invasion, or have insufficient food stocks for their families in Madinah, they used to collect and pile up all the food they have on a piece of cloth and divide it equally among themselves. (Therefore) Ash'aris are my people and I am one of them”*** [agreed upon].

Commenting on this *hadith*, Al-Nawawi said: *(In this hadith, there is the virtue of the Ash'aris, the virtue of altruism and consolation, and the virtue of sharing food supplies during travel as well as in urban communities when there is food shortage. The hadith does not refer to "Division" as it is known in Fiqh writings with all its conditions, its prohibition in ribāwiyat "ribā-liable commodities", equality requirement and the like. What the hadith seems to refer to, is permissibility among the Ash'aris (to get equal shares) and their consolation to each other with what they had) [Al-Nawawi's Elaboration in Sahih Muslim: 16/62].*

Thirdly: *Nihd, Nahd or Munahadah* (Sharing): Imam Al-Bukhari indicated the concept of *Nahd* in the form of a long title as follows: [*Chapter on Sharikah (Partnership), Sharikah in Food, Nahd and Urood (articles) and how a commodity that should be measured in terms of weight or volume is divided by rough estimate or handful measurement, when Muslims saw no harm that each of them got the same share of their footstock, and also using rough estimate in division of gold and silver, or two different varieties of dates when pooled together*]. What is meant here, is contribution of a group of travelers to all travelling expenses and dividing such expenses among them.

Ibn Hajar Al-Asqalani also indicated that the term *Nihd* or *Nahd* refers to equal sharing of sustenance stuffs while on travel. He, further elaborated that usually sharing comprises a multitude of stuffs among which are food items including *ribā*-liable commodities. Yet, according to Al-Asqalani, *ribā* restrictions on exchange of *ribā*-liable commodities is forgiven in the case of *Nihd*, because proof of *Nihd* permissibility is well established (See Fathul Bari: 5/128).

Clause (16): Fund Autonomy

Cooperative insurance fund should be independent and may comprise other donations besides those of participants. Independence of the fund can be ensured by granting it a legal personality decided by law, or through complete separation of its accounts from those of the managing party. Alternatively, a charitable cash *Waqf* can also be established based on permissibility of such type of *waqf*.

Clause (17): Withdrawal from Fund:

Cooperative insurance policy regulates cases of withdrawal according to regulations, conditions and controls cleared by Sharī'ah Board, without infliction of harm on others.

Clause (18): Contribution to Insurance Fund:

- (1) Contribution is determinable according to actuarial principles based on statistical techniques, with due consideration to whether risk is constant or variable. Determination process would also involve application of principle of proportionality between contribution and risk itself and taking into account type and period of contribution, as well as amount of insurance cover.
- (2) Risk, insured against, must be of probable occurrence, rather than just relating to will of insurance client, and should not relate to a prohibited object.

Clause (19): Substitution:

Fund management substitutes the participant it compensates for injury inflicted upon him, in suing harm inflictor in all lawsuits and rights and the proceeds thus collected goes to the fund.

Clause (20): Bearing:

It is permissible to stipulate in the insurance policy that insurance client has to bear a lump sum amount or a percentage of compensation amount for harms, which others inflict upon him or those which he inflicts upon others.

Clause (21): Ownership of Premiums:

It is permissible for the fund to own contributions and in that case, policyholders will no longer remain owners of their contributions as soon as they pay it. In this case, each policyholder is considered to have assigned his right of owning his contribution to the fund. One of these two options, of owning or relinquishment, of the right in contribution should be explicitly referred to in the insurance policy.

And Recommends the Following:

- (1) Communication of these rulings, bases and conditions to concerned parties in Islamic countries, especially those responsible for issuing rules and regulations, cooperative insurance companies and other interested parties.

- (2) Operationalization of what has been stated in IIFA Resolution No. 177 (3/19) concerning call upon Islamic countries to establish central supervisory bodies to oversee the work of supervisory boards of Islamic financial institutions and cooperative insurance companies.
- (3) Call for establishment of an international Sharī'ah board under the supervision of IIFA. The following institutions may contribute to the establishment of the board:
 - Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
 - Islamic Development Bank Group (IDBG).
 - Islamic Financial Services Board (IFSB).
 - General Council for Islamic Banks and Financial Institutions (CIBAFI).

Among the basic functions of the proposed board is issuance of Sharī'ah standards that regulate cooperative insurance and Islamic banking activities, getting such standards ratified by IIFA and facilitating their adoption, by supervisory and regulatory bodies, as the laws that govern the work of Islamic financial institutions.

IDBG and IIFA's Secretariat may coordinate for developing the detailed proposal on the working modalities of the board.

- (4) The Secretariat General of IIFA should mobilize more studies on some issues of cooperative insurance including:
 - Presentation of international experiences in the field of cooperative insurance and exploring their abundance by the bases adopted in this resolution.
 - Studying the idea of remunerating the managing party for management of insurance operations through a specific amount or ratio of the insurance surplus without allocating any part of contribution proceeds for payment of management expenses.
 - Studying the idea of remunerating the party that manages insurance operations through a combination of a ratio of contribution proceeds along with a ratio of the insurance surplus, to ensure motivation of management for enhanced performance.
 - Studying the different aspects relating to the *waqf*-related basis of cooperative insurance.

BOOK REVIEW

Book Review

***al-Madkhal ila Qawā'id al-Fiqh al-Mālī* (Introduction to Financial Legal Maxims)**

Author: Ali Ahmad Nadvi
Scientific Publishing Center,
King Abdulaziz University, Jeddah: 2015, 183 pages.

Reviewed by: Dr. Abderrazak Belabes*

The book¹ under review, written in Arabic under the title *al-Madkhal ila Qawā'id al-Fiqh al-Mālī* (Introduction to Financial Legal Maxims), is intended for postgraduate students and researchers specializing in Islamic finance. Its author, Sheikh Ali Ahmad Nadvi, is a renowned reference in the field. He was awarded King Faisal International Prize (KFIP) in Islamic studies in 2004. He holds a Bachelor of Arts from the Islamic University of al-Madinah al-Munawarah, and subsequently his Master and Ph.D. degrees from Umm al-Qura University in Makkah al-Mukarramah. Having served as an advisor to the Shari'ah Committee of al-Rajhi Bank for fifteen years, besides chairing the legal rules section of the project on the *Ma'lamat al-Qawā'id al-Fiqhīyah* (Encyclopedia of Legal Maxims) led by the International Islamic Fiqh Academy for five years. He joined the Islamic Economics Institute at King Abdulaziz University in 2011. Among his books that have been a resounding success are *al-Qawā'id al-Fiqhīyah* (The Legal Maxims), which is in its fifteenth edition, and *Jamharat al-Qawā'id al-Fiqhīyah fi al-Mu'āmalāt al-Mālīyyah* (The Collection of the Legal Maxims in Financial Transactions) published in three volumes.

The book has four sections. The first section includes twelve introductory parts, the second section focuses on five major rules (*qawā'id kubra*) with their contemporary applications, third and fourth sections address respectively the rules relating to prohibited (*mahzūrah*) and permitted (*mashrū'ah*) financial transactions.

* Researcher, Islamic Economics Institute, King Abdulaziz University, abelabes@kau.edu.sa

¹ Available: <http://iei.kau.edu.sa/Pages-A-CurriculumPublish.aspx>

The reading of the opening section highlights several key issues that deserve to be mentioned in this succinct statement. The legal maxim is a brief and concise proposal, setting out a legal injunction, a norm of action, and a principle of conduct. According to the discursive context and epistemological reference, it could be synonymous to the following notions: rule, standard, precept, and principle. Hence, the need to distinguish between the legal maxims that include secondary matters (*furū'*) from various areas and the legal rules (*dawābit fiqhīyah*) that include secondary matters within the same domain.

The legal maxims can be drawn from Qur'ānic verses, *ahadīth*, or juristic writings. This brings up the consensual maxims and others that are specific to legal schools or particular authors in the field of Islamic jurisprudence. This variety of interpretations provided untold wealth that generates an open system and leaves great scope for the effort of reflection (*ijtihād*).

A question, that arises here, is: how is this matter useful to students and researchers of Islamic finance? The answer can be summarized as follows:

- (i) It offers the possibility of linking the secondary issues to general principles.
- (ii) It allows the jurist (*faqīh*) to pronounce judgment on new issues (*nawāzil*) based on a solid reference and, thereby, to grasp the process of establishing the decree or decision that results.
- (iii) It prevents the jurist from falling into contradiction. Hence the need to consider the weight of the maxims, their specificities, and the antonymic maxims.
- (iv) It contributes to the shedding of light on the ethical purposes of Islamic law.
- (v) It leads to a better understanding of the meaning of certain principles of Islamic finance as well as the coherence of the subject.

This brings up a multitude of interactions between the legal maxims, the methodology of Islamic law, ethics, and core values they cover or to which they are backed by justice, equity, fairness, respect for private property and rights of others.

The science of legal maxims, notes the author, deals with general injunctions, while the methodology of jurisprudence (*ūsūl al-fiqh*) is about the general evidence, such as the Qur'ān, the *Sunnah*, the consensus ('*ijmā'*') and analogical reasoning (*qiyās*).

The legal maxims are underpinned by individual and collective ethical values proper to inspire sustainable confidence of financial agents in their daily exchanges. The confidence is called, for the past two decades, to the rescue of a growing number of economic analyses as an explanatory factor for the success of some societies². This posture, which focuses on intangible capital, allows us to exceed the reign of quantity that has long prevailed in economic theory.

The five major rules that form the basis of the second section are:

- (i) Actions are but with intentions. Among its typical applications: the need to consider the substance of the contracts and transactions rather than their legal form, legal subterfuges (*hiyāl*) are useless if they are found to be contrary to the spirit of the Sharī'ah.
- (ii) The custom (*ādah*) is a source of law. It consists, therefore, of an unwritten rule of law from the social body and considered mandatory, provided it does not violate explicit text from the Qur'ān, the *Sunnah*, or the consensus (*Ijmā'*).
- (iii) No nuisance to oneself or others; among its potential applications: the need to repel the nuisance; wherever possible, on condition that it does not result in more nuisances.
- (iv) The difficulty calls a favorable outcome.
- (v) The certainty prevails over doubt.

The third section devoted to prohibited financial transactions addresses a number of legal maxims:

- (i) Misappropriation of others' property is amounting to an unlawful gain under Islamic law.
- (ii) Any transaction tainted with usury (*ribā*) is illegal whether carried out at a minimal or substantial rate.

² Peyrefitte, A., (1995). *La société de confiance. Essai sur les origines et la nature du développement*, Odile Jacob, Paris.

- (iii) The gain is not allowed as long as it is not guaranteed. For example, you cannot sell what you do not own³.
- (iv) The excessive ambiguity in contracts (*gharar fāhish*) cancels the transaction.
- (v) The excessive ignorance (*jahālah fāhishah*) cancels the contract.
- (vi) Two conflicting contracts cannot be combined in a single agreement.

The last section on the permitted financial transactions addresses a number of legal maxims as followings:

- (i) The rule in terms of transactions is the permission.
- (ii) The approval of the contractors.
- (iii) The respect of contractual obligations.
- (iv) The correction of those, which seem unfavorable whenever possible.

This shows that the philosophy of Islamic contract law is fundamentally based on the values of justice, equity and fairness. Hence, the principle of Profit and Loss Sharing (PLS) often presented as the specific trait of Islamic finance. The question has not yet been finally determined in the light of some recent publications from leading researchers⁴.

Among the advantages of the book that are worth mentioning include the followings:

- It is written in a clear and pedagogical way that reflects a mastery of the subject and of Arabic language.
- It refers to original sources that are full of untapped treasures to this date. For example, in his book *al-Tabyīn*, Amīr Kātib al-Atqānī (1286-1357) stipulates the protection of assets against the risk (*khatar*) of any kind.
- It clearly distinguishes the major legal maxims from the secondary ones.
- Most maxims are illustrated by contemporary examples. This is not easy for the common specialists in Islamic finance.

³ This maxim drew attention of the British-American economist Willem Buiter, a professor at the London School of Economics, and led him to write a paper on the subject: Should you be able to sell what you do not own?, *Blogs.ft.com*, March 16, 2009.

⁴ Siddiqi, M. N., 2014. Life and Reflections on Islamic Economics, In *Global Islamic Finance Report GIFR*, Edbiz Consulting, London, pp. 197-207.

- It brings a breath of fresh air to the Islamic finance education that is gradually bogged down in a bipolar discourse based on the principles and purposes. This leads to a better understanding of the scope of certain historical documents, calling for example to the creation of a bank in accordance with the Islamic legal maxims that often go unnoticed⁵.

As regards to the recommendations, it would be useful to add a section in the introductory section addressing the linkage between the legal maxims and *Maqāsid al-Sharī'ah* (objectives of the Islamic law), which is not obvious for the non-specialist and can lead to confusion.

Moreover, it would be convenient to translate the book into English and French that students and researchers may benefit from it as a complement to the work of Muhammad Tahir Mansoori Sharī'ah *Maxims Modern Applications in Islamic Finance*⁶, and that of Mohamad Akram Laldin *Islamic Legal Maxims and their Application in Islamic Finance*⁷. Any additional publications would be appreciated by sharing different views aiming at further quality of education in this specialized knowledge domain, particularly by those who master the theoretical and practical knowledge.

⁵ Abū al-Yaqdhān, I., (1928). Hājat al-Jazā'ir ila Masrif Ahlī (The need to create a bank for the natives in Algeria), *Wādī Mizāb*, 28 juin, p. 2.

⁶ Mansoori, M. T., (2012). *Sharī'ah Maxims Modern Applications in Islamic Finance*, Islamabad: Sharī'ah Academy, International Islamic University; see also: Abdul Azim Islahi. Book Review of Muhammad Tahir Mansoori (2013). *Sharī'ah Maxims: Modern Applications in Islamic Finance*, *Islamic Economic Studies*, Vol. 21, No.2, November, pp. 111-118, and Ali Nadvi (2014). Book Review of Muhammad Tahir Mansoori. *Sharī'ah Maxims: Modern Applications in Islamic Finance*, *Journal of King Abdulaziz University: Islamic Economics*, Vol. 27 No. 1, pp. 143-147.

⁷ Laldin, M. L., (2013). *Islamic Legal Maxims and their Application in Islamic Finance*, International Sharī'ah Research Academy for Islamic Finance, Kuala Lumpur.

References

- Abū al-Yaʿqdhān, I., (1928). Hājat al-Jazāʾir ila Masrif Ahlī (The need to create a bank for the natives in Algeria), *Wādī Mizāb*, 28 June, p. 2.
- Buiter, W., (2009). Should you be able to sell what you do not own?, *Blogs.ft.com*, March 16.
- King Faisal International Prize, (2004). Dr. Ali A.G.M. Nadvi Winner of the 2004 KFIP Prize for Islamic Studies, <http://kfip.org/dr-ali-a-g-m-nadvi/>
- Laldin, M. A., (2013). *Islamic Legal Maxims and their Application in Islamic Finance*, International Sharīʿah Research Academy for Islamic Finance, Kuala Lumpur.
- Nadvi, A. A., (2000). *Jamharat al-Qawāʾid al-Fiqhīyah fī al-Muʾāmalāt al-Mālīyyah* (The Collection of the Legal Maxims in Financial Transactions), al-Rajhi Investment and Banking Corporation, Riyadh.
- Nadvi, A. A., (2014). Book Review of Muhammad Tahir Mansoori. Sharīʿah Maxims: Modern Applications in Islamic Finance, *Journal of King Abdulaziz University: Islamic Economics*, Vol. 27 No. 1, pp. 143-147.
- Nadvi, A. A., (2015). *al-Qawāʾid al-Fiqhīyah* (The Legal Maxims), al-Dar al-Shamiyyah, Bayreuth.
- Nadvi, A. A., (2015). *al-Madkhal ila Qawāʾid al-Fiqh al-Mālī* (Introduction to Financial Legal Maxims), Scientific Publishing Center, King Abdulaziz University, Jeddah.
- Mansoori, M. T., (2012). Sharīʿah Maxims Modern Applications in Islamic Finance, Sharīʿah Academy, International Islamic University, Islamabad.
- Islahi, A. A., (2013). Book Review of Muhammad Tahir Mansoori. Sharīʿah Maxims: Modern Applications in Islamic Finance, *Islamic Economic Studies*, Vol. 21, No.2, November, pp. 111-118.
- Peyrefitte, A., (1995). *La société de confiance. Essai sur les origines et la nature du développement*, Odile Jacob, paris.
- Siddiqi, M. N., (2014). Life and Reflections on Islamic Economics, In *Global Islamic Finance Report GIFR 2014*, Edbiz Consulting, London, pp. 197-207.

EVENTS AND REPORTS

11th IDB Global Forum on Islamic Finance:
Experts Outline How Islamic Finance Can Support Achieving the SDGs

The 11th IDB Global Forum on Islamic Finance was held on 16 May 2016 in Jakarta. The Islamic Research and Training Institute (IRTI) and Bank Indonesia jointly organized it as part of side events of the 41st Annual Meeting of the Islamic Development Bank Group. The theme was: 'Role of Islamic Finance in Achieving the SDGs'.

In a keynote address, Indonesian Finance Minister Dr. Bambang Permedi Brodjonegoro said if well harnessed, the various aspects of Islamic finance could help achieve several SDGs targets, including poverty reduction, financial inclusion, and reducing inequality.

The Minister explained that Islamic social finance instruments of *zakāh*, *awqāf* and microfinance perform the socio-religious role of curbing poverty as well as the role of creating economic activity. *Ṣukūk*, on the other hand, he added, could support building of infrastructures that will improve people's living conditions.

In his opening remarks, IDB President, Dr. Ahmad Mohamed Ali commended IRTI and Bank Indonesia for organizing the forum, saying Islamic finance has a crucial role to play in achieving the SDGs targets of curbing poverty and fostering financial inclusion.

The opening speeches were followed by two panel discussions on the role of Islamic finance in the SDGs.

During the first session, a former Governor of State Bank of Pakistan, Dr. Ishrat Husain, listed four areas through which Islamic finance can facilitate achieving the SDGs. These are reducing income inequality, fostering financial inclusion, use of *Ṣukūk* for infrastructure, and ensuring financial stability.

He said there is need to be conscious of the fact that Islamic finance cannot solve all the problems in the world, and therefore advised for a focus on the four listed areas for maximum impact.

Dr. Ishrat Husain also urged for changes affecting legal and regulatory frameworks as well as product innovation in Islamic finance, to ensure Islamic finance plays a significant role in realizing the SDGs in IDB member countries.

Governor of the Central Bank of The Gambia, Mr. Amadou A. Colley, in his presentation, said the roles of central banks are crucial in ensuring that Islamic finance supports the SDGs targets of poverty alleviation and financial inclusion.

He said authorities should come up with regulations towards boosting Islamic microfinance, which can assist the poor and promote economic activity at the local level. “Regulatory impediments need to be removed to allow microfinance work well so that we can achieve the SDGs in our countries,” he explained.

Deputy Governor of Bank Indonesia, Dr. Perry Warjiyo, in his presentation, outlined a framework for the use of Islamic finance in meeting the SDGs, especially the targets of ending poverty and fighting inequality. The framework showed that if *zakāh* and other Islamic social finance instruments are properly mobilized, these targets can be met easily.

In the second session, panelists discussed the global perspectives of the role of Islamic finance in the SDGs. They are Dr. Jemilah Mahmood, under-secretary of the IFRC; Dr. Edy Setiadi, Deputy Commissioner of the Indonesian Financial Services Authority, Otoritas Jasa Keuangan, (OJK); and Mr. Punky Sumadi, Director of BAPENAS.

***Forum on Şukūk:
1st Annual Islamic Finance Conference: Şukūk for Infrastructure Financing
and Financial Inclusion Strategy***

The Islamic Research and Training Institute (IRTI), a Member of the Islamic Development Bank Group, held a forum to discuss the role of *şukūk* in infrastructure financing and financial inclusion.

IRTI jointly organized the forum with the Indonesian Financial Services Authority (OJK) on 17 May 2016, under the auspices of the 1st Annual Islamic Finance Conference, in conjunction with the 41st IDB Group Annual Meeting which held in Jakarta, Indonesia. The forum was aimed to promote the use of

Islamic financing modes to fund infrastructure projects and to enhance financial inclusion.

During the forum, experts and policymakers discussed the issues surrounding regulatory frameworks and *ṣukūk* issuance for infrastructure financing. They concluded that *ṣukūk* have an important role to play in provision of critical infrastructure in IDB member countries, although far-reaching legal and regulatory changes are required across jurisdictions.

In his opening remarks, Finance Minister Dr. Bambang Permadi Brodjonegoro, said Indonesia's use of *ṣukūk* products in infrastructure financing has helped to build critical infrastructure like railways and roads. The Minister explained that *ṣukūk* is becoming more relevant in infrastructure financing today because of its flexibility and underlying assets, adding that various *ṣukūk* forms and structures exist, thereby giving prospective users a range of options.

"*Ṣukūk* naturally controls the needs of financing, which are based on underlying assets. It also provides a protective mechanism and natural hedging, making the industry more sustainable," Mr. Brodjonegoro said.

The Minister said *ṣukūk* are now being used to raise funds and to finance projects in 30 jurisdictions across developing and developed countries, including the United Kingdom, South Africa, Hong Kong, and Luxembourg. He said also retail *ṣukūk*, which are growing in Indonesia, foster financial inclusion, reduce inequality, and provide equal access to investment products across the strata of the society.

IDB Vice President for Corporate Services, Dr. Ahmet Tiktik, said since governments' resources are not adequate to meet the massive funding required to build critical infrastructure, Islamic finance modes like *ṣukūk* offer viable alternative funding sources. He expressed IDB's readiness to continue to provide support for infrastructure financing in member countries.

The opening speeches were followed by a lecture on structuring *ṣukūk* to mobilize financing for infrastructure projects, delivered by Prof. Michael McMillen, Adjunct Professor of Law, University of Pennsylvania, United States, and subsequently by three panel discussions.

In his presentation, Prof. McMillen identified the legal and regulatory constraints impeding private sector involvement in *ṣukūk* issuance in OIC

countries. “In OIC jurisdictions, it is not possible to get satisfactory legal opinions, which means no ratings,” he said.

Other trends he cited are issues related to collateral security, predominance of *murābahah sukūk*, and poor data collection and provision. In his conclusions, he highlighted the need to emphasize private sector *sukūk* issuances to bring the private sector into infrastructure financing, and improved transparency in provision of *sukūk* data. Prof. McMillen also noted the “too much ado” about the concepts of ‘asset-based’ and ‘asset-backed’ in *sukūk* issuance, given that in reality no real transfer of assets is involved in sovereign *sukūk*.

He recommended substantive legal and systemic reforms on the issues raised, especially special purpose vehicles, bankruptcy and insolvency, collateral security, and legal structure and functioning. “Islamic finance should take the lead; shape the outcome from inception rather than making piecemeal amendments to principles designed for interest-based finance,” Prof. McMillen said.

Panel Session I

The first panel session discussed policy and strategy to enhance infrastructure development and financial inclusion. Prof. Suahasil Nazara, Chairman of Indonesian Fiscal Policy Agency, discussed the Indonesian fiscal policy to enhance infrastructure development and financial inclusion. He noted that because of the huge gap between available resources and infrastructure needs, the Indonesian government is taking advantage of *sukūk* to source funds for infrastructure projects.

Mr. Sarjito, Deputy Commissioner, Capital Market Supervision, OJK, made a presentation with the title, “Capital Market Strategy to Enhance Infrastructure Financing and Financial Inclusion: the Case of Indonesia.” He cited some of the key impediments to *sukūk* issuances, including that *sukūk* is more costly than regular bonds, only Shariah-compliant companies can issue *sukūk*, and ignorance in the society.

Dr. Walid Abdelwahab, Director of IDB Infrastructure Department, gave an overview of current developments, as well as opportunities and challenges IDB faces in infrastructure financing in member countries.

Panel Session II

In the second session, Dr. Robert Pakpahan, Indonesian Director General of Budget Financing and Risk Management, led discussion on retail *sukūk* issuance in

Indonesia and its role in promoting financial inclusion. He noted that retail *ṣukūk* inculcates savings culture among the people and promotes financial inclusion.

Mr. Rafee Hanef, CEO, CIMB Islamic, who presented the Malaysian experience in retail *ṣukūk*, explained that the country has enacted enabling regulations that promoted retail *ṣukūk*, which broadened the investor base by exposing investors directly to *ṣukūk* rather than through mutual funds and other channels.

Mr. Oussama Abdel Rahman Kaissi, Head of the IDBG's Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), represented by an official of the corporation, presented the experience of ICIEC in *ṣukūk*.

Panel Session III

The final panel session focused on country-specific experiences on use of *ṣukūk* for infrastructure financing. Mr. Isa Rachmatarwata, Deputy Minister of Finance, gave a presentation on the experience of Indonesia, while Dato' Noorizah Hj Abd Hamid, CEO of PLUS, presented the Malaysian experience. They both concluded that *ṣukūk* have the potential to provide alternative financing for infrastructure in the two countries.

Mr. Neil D. Miller, Global Head of Islamic Finance, Linklaters LLP, presented the experience of the Gulf Cooperation Council (GCC) countries, noting that *ṣukūk* regulations and practices as well as Sharī'ah ruling vary across the GCC. He recommended standardization of Sharī'ah rulings to facilitate *ṣukūk* issuances across the sub-region.

IDB Group and OIC Launch 'Islamic Microfinance for Poverty Alleviation and Capacity Transfer' Program during Islamic Microfinance Seminar in Indonesia

The Islamic Development Bank (IDB) Group and the Organization of Islamic Cooperation (OIC) have launched a program aimed at developing and promoting Islamic microfinance in member countries.

The 'Islamic Microfinance for Poverty Alleviation and Capacity Transfer' (IMPACT) program was launched during a seminar on Islamic Microfinance for

Poverty Alleviation in OIC Member Countries, jointly organized by the Islamic Research and Training Institute (IRTI) of the IDB Group and the OIC.

Hosted by the Bogor Agricultural University on May 14, the seminar was organized in conjunction with the 41st Annual Meeting of the IDB Group in Indonesia.

The IMPACT program provides a platform for experts to share and deepen their understanding on Islamic microfinance models as well as create tools and infrastructure to disseminate best practices. It also aims to promote Islamic microfinance with the poor client's needs at the centre, providing the enabling environment and tools for microfinance institutions to do business and help them thrive.

IDB Group and OIC initiated the program in response to the IDB President's call for experts in Islamic Finance to take advantage of existing technologies and business approaches to develop 'Smart Islamic Microfinance'.

More than 40 experts and practitioners from 12 OIC member countries gathered during the seminar to discuss the development of the Islamic microfinance and to share experiences on innovative best practices.

Experts discussed issues and offered ideas and solutions to develop the Islamic microfinance sector in five key areas: a) Technology; b) Advocacy; c) Operations; d) Monitoring & Evaluation; and e) Policy and Standards.

Some of the key observations and conclusions regarding Islamic microfinance include:

- Islamic microfinance institutions are very different from conventional microfinance. They do not charge interest and work on profit- and risk-sharing basis. Their relationship with the client is not a creditor-debtor relationship.
- Islamic microfinance institutions engage and treat their clients as business partners. As business partners, they add value in the relationship and provide 'smart finance'. This is how Islamic microfinance institutions can create sustainable jobs even in the most difficult and fragile situations.
- The central premise of Islamic microfinance institutions is that social networks among partners have value. The collective value of all social

networks and the dispositions that arise from these networks are to do things for each other. The social capital resources (e.g. trust, norms and networks of association or *ukhuwah*) inherent in social relations could facilitate collective action for a common purpose. All these would bring efficiency to Islamic microfinance institutions.

- The innovations in Islamic microfinance and its ability to generate employment and alleviate poverty through trading and investing with clients have made it possible for microfinance institution to do business with the poor. However, such good practices are not well known and expertise and experience gained from innovative pilots scattered in various countries.

Mr. Anas Elhasnaoui, CEO of IBF Group, said, “Islamic microfinance is about economic empowerment of the poor”. He shared the experience of how Bank of Khartoum in Sudan was able to invest USD 4 million venture capital *muḍārabah* investment and partner 600 poor in the Abu Halima Greenhouse project.

“Islamic Microfinance Institutions treats their clients as business partners not as debtors,” noted Mr. Nasser Faqih, Team Leader of the Deprived Families Economic Empowerment Program (DEEP) in Palestine. He cited how the same microfinance with two sources of funding, one from IDB and the other from a conventional donor treated their clients differently depending on which window they borrowed from.

IRTI RECENT PUBLICATIONS

Fundamentals of Islamic Economics and Finance

Jeddah: Islamic Research and Training Institute, 2016.
Hafiz Muhammad Yasin and Atiq-uz-Zafar Khan
Pages 556 + xvii, 20x25.5 cm,
ISBN: 9960-32-289-0

Islamic Economics as a distinct discipline emerged in the last quarter of 20th century and the subject is now offered in many universities as part of the curriculum of economics at the undergraduate and graduate levels. Although a few texts on introduction to Islamic Economics and Finance are available in the market, this book is the first of its kind and nature.

A vast body of thought provoking research literature is available by now in different areas of theory and policy of Islamic Economics. However, this voluminous literature is scattered in hundreds of thousands of pages of different journals, books, and manuscripts. There also exist a significant number of institutions that cater for the cause of Islamic Economics and Finance, among them the Islamic Research and Training Institute (IRTI) is playing the pioneering role. These institutions organize and conduct conferences, seminars, symposia and workshops in different parts of the world and the material presented is often available in published form. Obviously, access to this huge body of literature is much difficult for students, who are constrained to cover the prescribed course contents and syllabi within the limited timeframe of one or two semesters. Furthermore, the said body of literature comprises the views of scholars and practitioners, expressed in technical language, and these views are sometimes contrasting due to differences in the approach and coverage.

As cited above, Islamic Economics and Finance is an emerging and yet expanding disciplines, and as such we do not have a paradigm. This state of affairs may be confusing for young students and general readers. In fact, it is not possible for anybody, even for the specialists in Islamic Economics, to digest all what is available in the literature. The book is an attempt to present the important fragments in one volume, to explain the different concepts in simple words on which there is consensus among scholars, and to bypass the differences of opinion

at this level. A comparative approach to the mainstream economics has been followed throughout for better understanding of the concepts.

The book is divided into four parts. Part-I develops the basic concepts in three chapters that overview: the foundations of Islamic economics, guidelines for economic behavior, and methodology and goals of Islamic economics. Part-II builds Islamic economic theory with a comparative perspective. The chapters 4 to 6 cover microeconomics focusing on: consumer theory, business organization and behavior of firm, and market structure. The chapters 7 to 10 focus on macroeconomics, covering the theory of distribution, money, public finance, and macroeconomic modeling. Part-III takes a system wide approach and discusses Islamic economic system. In chapters 11 to 16 it presents: Salient features of Islamic economy, financial architecture, banking and monetary policy, fiscal policy and the role of state, economic growth and development, and lastly comparative economic systems. Part-IV is titled Islamic economics: past and present. The two chapters 17 and 18 in this part discuss economic history of Muslim civilization and the current economic profile of Muslim world.

***The Islamic Finance Risk Initiative:
Risk Management for Islamic Financial Institutions***

Joint Production of Global Association of Risk Professionals (GARP) and Islamic Research and Training Institute (IRTI), 2016.

Pages 108 + xx, 21x29.7 cm,

ISBN: 978-1-933861-08-1

The book has been a product of a collaborative initiative of Islamic Research and Training Institute (IRTI-IDB) and Global Association of Risk Professionals (GARP).

Importance of risk management in Islamic finance can hardly be overemphasized. Detailed guidance featuring techniques and methodologies for risk identification and risk assessment is the need of the growing Islamic finance industry. These techniques must account for the different nature of Islamic finance and promote good risk management, as it is a fundamental requirement for good business management and healthy environment for all stakeholders. The Islamic Finance Risk Initiative (IFRI) was taken to fill this need by developing appropriate

learning material that has the academic rigor, yet practice-driven to help the professionals in Islamic finance services industry. Selection of topics went through a process of a survey and structured consultations with the Islamic finance professionals. As a result, this first book in the series focuses on risks associated with *Murābahah* and the management of those risks. The draft of the book also went through a round of comments and suggestions from the practitioners. A condensed table of contents given below shows the coverage of topics.

Condensed Table of Contents

<p>Chapter 1. Introduction to Islamic Finance</p> <p style="padding-left: 20px;">1.1 <i>Ribā</i>, Usury, and Interest</p> <p style="padding-left: 20px;">1.2 <i>Gharar</i></p> <p style="padding-left: 20px;">1.3 Time Value of Money</p> <p style="padding-left: 20px;">1.4 Sale of Debt</p> <p>Chapter 2. Structure Mapping of Debt-Like Transactions</p> <p style="padding-left: 20px;">2.1 <i>Murābahah</i> Financing</p> <p style="padding-left: 20px;">2.2 <i>Salam</i> Financing</p> <p style="padding-left: 20px;">2.3 <i>Istiṣnāʿ</i></p> <p style="padding-left: 20px;">2.4 <i>Ijārah</i> and <i>Ijārah Muntahia Bi-Tamleek</i> (IMT)</p> <p>Chapter 3. Risk Identification - <i>Murābahah</i></p> <p style="padding-left: 20px;">3.1 <i>Murābahah</i> to the Purchase Orderer</p> <p style="padding-left: 40px;">3.1.1 Phase One: Promise Agreement-<i>Murābahah</i> Contract</p> <p style="padding-left: 40px;">3.1.2 Phase Two: <i>Murābahah</i> Contract-Debt Paid in Full</p> <p style="padding-left: 40px;">3.1.3 Case Study One: Muhammad al-Idrissi High School</p>	<p>Chapter 4. Market Risk</p> <p style="padding-left: 20px;">4.1 What is Market Risk?</p> <p style="padding-left: 20px;">4.2 Value at Risk</p> <p style="padding-left: 20px;">4.3 Expected Shortfall</p> <p style="padding-left: 20px;">4.4 Extreme Value Theory</p> <p style="padding-left: 20px;">4.5 Value at Risk Approaches</p> <p>Chapter 5. Credit Risk</p> <p style="padding-left: 20px;">5.1 What is Credit Risk?</p> <p style="padding-left: 20px;">5.2 Why Measure and Manage Credit Risk?</p> <p style="padding-left: 20px;">5.3 Measuring and Managing Credit Risk</p> <p style="padding-left: 20px;">5.4 Classification of Credit Risk Models</p> <p>Chapter 6. Operational Risk</p> <p style="padding-left: 20px;">6.1 What is operational Risk?</p> <p style="padding-left: 20px;">6.2 Operational Risk Management Framework</p> <p style="padding-left: 20px;">6.3 Taxonomy of Operational Risks</p> <p style="padding-left: 20px;">6.4 Operational Risks Specific to IFIs</p> <p style="padding-left: 20px;">6.5 Operational Risk Assessment</p> <p style="padding-left: 20px;">6.6 Operational Risk Capital</p>
---	--

Developing Inclusive and Sustainable Economic and Financial System

The five volumes series is organized around specific sub-themes consist of selected papers from the 8th International Conference on Islamic Economics and Finance held in Doha from 19 to 21 December 2011 and from the 9th International Conference on Islamic Economics and Finance held in Istanbul from 9 to 11 September 2013. All volumes are joint production of Islamic Research and Training Institute (IRTI), International Association of Islamic Economics (IAIE), and Qatar Faculty of Islamic Studies (QFIS); published through Bloomsbury Qatar Foundation Journals in 2015 and made available for download from QFIS, IRTI, and the publisher.

The Editorial Board comprised of Hatem A. El-Karanshawy; Azmi Omar; Tariquallah Khan; Salman Syed Ali; Hylmun Izhar; Wijdan Tariq; Karim Ginena; and Bahnaz Al Quradaghi who oversaw the project, while specific editors edited each individual volume.

Volume 1:

Access to Finance and Human Development – Essays on Zakah, Awqaf and Microfinance

Edited by Tariquallah Khan, pages 94 + xv, 21x29.7 cm

Publisher: Bloomsbury Qatar Foundation Journals

ISBN 978-9927-118-21-0

Promoting access to financial services has been recognized as a sustainable means of addressing poverty alleviation and enhancing inclusive economic development. There are a number of areas where the effectiveness of microfinance can be improved. First, the services may be made consistent with religious beliefs and hence relevant for use by those who are excluded from the conventional services. Second, due to high cost factors and inability of governments to offer subsidies, the rate on micro-lending has been exorbitantly high. There is a potential role for the Islamic social finance institutions such as *Qard* (interest-free loans), forbearance, *Zakāh* (obligatory religious charity), *Awqāf* (voluntary and organized religious charity), and *Ṣadaqāt* (unorganized and voluntary religious charity). If these institutions can be organized through policy recognition and support, microfinance and the required services can be provided at affordable and sustainable cost. The volume 1 brings together eight papers on these themes.

Volume 2:

Islamic Economics: Theory Policy and Social Justice

Edited by Salman Syed Ali, pages 199 + xiv, 21x29.7 cm

Publisher: Bloomsbury Qatar Foundation Journals

ISBN 978-9927-118-22-7

Islamic economics and finance holds great potential and appeal for achievement of economic growth with social justice. Particularly, in the present time when countries across the world are growing but their financial and economic progress has been uneven and achieved at the cost of moral and social decline. Moreover, the repercussions of the moral, social, economic and financial rise and fall of regions is no longer isolated but can be felt globally. In this scenario, the need for developing inclusive and sustainable Islamic economic and financial systems become much more important. The early opinion building as well as the later technical literature on the subject of Islamic economics has greatly contributed to the promotion of this line of inquiry. However, Islamic economics has not yet achieved a level to become a discipline that is able to create a paradigm shift in the way of thinking and policymaking. The need is therefore not only to develop the theory but also to link the theory with policymaking. This transition would also require yardsticks and measuring devices to gauge the social, economic, and financial progress defined in congruence with Islam. The volume 2 focuses on: (i) further articulation of the fundamental concepts and methods of Islamic economics, (ii) analysis of the workings of fiscal and monetary policies in Islamic context, and (iii) measurement and analysis of socio-economic development. The fifteen papers collected in this volume attempt to cover the three aspects mentioned above.

Volume 3:

Islamic Banking and Finance – Essays on Corporate Finance, Efficiency, and Product Development

Edited by Wijdan Tariq, pages 188 + xv, 21x29.7 cm

Publisher: Bloomsbury Qatar Foundation Journals

ISBN 978-9927-118-23-4

As the Islamic banking industry continues to grow at impressive rates, researchers have pondered on fundamental questions relating to whether Islamic banks and Islamic capital markets are unique from an economic standpoint. Performance of Islamic banks as well as that of the capital markets are often

compared with their conventional counterparts on various measures such as efficiency and profitability. Similarly, researchers are curious to explore whether operating in a dual banking system affects the type of Islamic banks that exist in the economy and the kind of products that they offer. In light of the recent LIBOR scandals, as well as the dearth of hedging instruments and the debates surrounding benchmarking of Islamic products, the product development in Islamic banking remains an important area. With this perspective the third volume brings together thirteen papers on: 1. Islamic Capital Markets and Corporate Finance, 2. Islamic Banking – Efficiency, Profitability and International Perspectives, and 3. Product Development in Islamic Finance.

Volume 4:

Ethics, Governance, and Regulation in Islamic Finance

Edited by Karim Ginena, pages 151 + xiii, 21x29.7 cm

Publisher: Bloomsbury Qatar Foundation Journals

ISBN 978-9927-118-24-1

The Islamic finance industry has grown at an increasing rate over the past two decades. During this period, issues of ethics, governance, and regulation have defied the sector, and they continue to challenge many jurisdictions across the globe. Weakness observed in these important domains has direct implications on overall financial stability, development of the Islamic financial industry, and the perception of current and prospective consumers. It is, therefore, essential for the industry to maintain its ethical nature and not sever this bond for the sake of a quick profit that is devoid of value.

Closely related to this are matters of governance that have been brought to prominence as a result of scandals that have resulted in the failure of international financial institutions and other corporations. The Islamic financial industry can afford to shun these experiences, learn from them, and work toward strengthening their governance practices. Finally, regulation is vital for healthy growth of the industry. Without the involvement of regulatory authorities, much of the efforts expounded at the institutional level are contained within limited organizational boundaries and yet the risks emerge on the macro level. This volume titled *Ethics, Governance, and Regulation in Islamic Finance* is an attempt to highlight these important inter-related topics. It consists of 13 papers that focus on these dimensions.

Volume 5:

Financial Stability and Risk Management in Islamic Finance

Edited by Salman Syed Ali and Hylmun Izhar, pages 148 + xvi, 21x29.7 cm

Publisher: Bloomsbury Qatar Foundation Journals

ISBN 978-9927-118-20-3

The perpetual changing international economic and political landscape has undoubtedly brought about opportunities and challenges for the Islamic financial services industry. Despite the fact that Islamic financial institutions have demonstrated resilience, particularly during the 2008 global financial crisis, the true test will be the way the Islamic financial services industry responds to the continuous changes in the landscape aforementioned. As the size of Islamic financial sector increases and helps the economy to grow, it also poses new challenges to global supervisory authorities and to Islamic banks in managing risks, particularly related to maintaining operational soundness of Islamic financial institutions. Two very crucial areas yet to be developed in an integrated manner are financial stability and risk management. In this respect, this volume brings together nine papers to fill the intellectual gap in such areas, particularly from the perspective of theoretical, empirical and policy oriented focus.

ABSTRACTS OF ARTICLES PUBLISHED IN
DIRASAT IQTISADIAH ISLAMIAH
IN VOL. 22 No. 1

*نحو نظرية للخطر في الاقتصاد الإسلامي

د. عبد الكريم أحمد قندوز

ملخص الدراسة

(Published in *Dirasat Iqtisadiyah Islamiah* Vol. 22 No.1)

يعتبر البحث عن نظرية للخطر في الاقتصاد الإسلامي تقدّم تفسيراً علمياً ومنطقياً وشرعياً للمخاطرة المشروعة والمخاطرة الممنوعة وتمكّن الاقتصاد الإسلامي من مواكبة التطور الذي عرفته الأدبيات الغربية في مجال الخطر أمراً في غاية الأهمية. ومن أهم خطوات بناء تلك النظرية تحرير معنى الخطر في الاقتصاد الإسلامي. ورغم أن الفقهاء لم يفرّدوا للخطر تعريفاً مستقلاً اكتفاء بالمعنى اللغوي أو لدخوله تحت غيره من المصطلحات المقاربة، كالغرر والجهالة والرهان والمجازفة وغيرها مما يفيد معاني قريبة من معنى الخطر، إلا أنهم أصلوا بالتفصيل لمعنى الغرر الذي هو أقرب المفاهيم لمعنى الخطر بمفهومه المعاصر. وقد تبين لنا من البحث في معاني المعاملات الخطرة التي حرمتها الشريعة أنها لا تخرج عن واحدة من المعاملات التالية: المعاملة الغررية (سواء كان الغرر متعلقاً بالمعاملة أو كان محلاً لها)، والمعاملة التي لا تتعادل فيها التزامات

* تم تمويل هذا البحث من قبل برنامج المنح البحثية في كرسي سابلر لدراسات الأسواق المالية الإسلامية بجامعة الإمام محمد بن سعود الإسلامية في المملكة العربية السعودية.

الطرفين. ويتحدد هذا التقابل في الالتزامات من خلال قاعدة (الغنم بالغرم)، والمعاملة التي خرجت عن قاعدتي (الخراج بالضمان) و(النهي عن ربح ما لم يضمن). وأي خطر خرج عن هذه الأنواع الثلاثة يمكن اعتباره خطرا مقبولا، ويستحق عائدا مشروعا.

وبالاستناد إلى مفهوم المخاطرة باعتبارها من عوامل الإنتاج التابعة، وإلى أنواع المعاملات الخطرة المحرمة، فإن نظرية الخطر في الاقتصاد الإسلامي تهدف لتحديد الطرف المستحق لعائد هذا العامل التابع وتبرير استحقاقه له تبريرا اقتصاديا وشرعيا، من خلال مجموعة من المداخل التي تكمل بعضها، وهي: مدخل (استحقاق الربح بالعمل والمال والمخاطرة) ومدخل (توازن الحقوق والالتزامات) ومدخل (الضمان) ومدخل (نظرية الغرر).

الكلمات الدالة: الاقتصاد الإسلامي، المعاملات المالية الإسلامية، الخطر، الغرر، الجهالة، عدم التأكد، الضمان، نظرية الخطر، الغنم بالغرم.

About The Concept of Risk in Islamic Economics

ABDULKARIM AHMED GANDUZ

Abstract

Searching for a theory of risk in Islamic Economics is considered as a key element for any future authentic development of Islamic tools, techniques and strategies for hedging and risk management. The main aim of Theory of Risk in Islamic Economics is to provide a legal, scientific and logical explanation of whether risk is acceptable or not in Islamic financial transactions.

The Theory considers Risk as one of production factors, and for that reason, some risks are rewarded. In fact, there are four approaches of the theory, and every approach supports the others: (Profit is merited by

Work, Capital and Risk Bearing) approach, (Rights and Obligation Parity) approach, (Guarantee (ḍamān)) approach and (Gharar Theory) approach.

Keywords: Islamic Economics, Islamic Financial Transactions, Risk, *Gharar*, *Jahāla* Uncertainty, Risk Theory.

أهمية المعيار الأخلاقي في التمويل الإسلامي دراسة نظرية

*أزهري عثمان إبراهيم عامر

ملخص

الإسلام دين شمولي متكامل، في العبادات والمعاملات، ولكن بعضنا يعتقد أنه ليست له علاقة بالمعاملات والأموال، فنعاني من خلل عظيم في هذا الجانب؛ ومن ذلك الخلل الذي يظهر في غياب الأخلاق الفاضلة؛ في التعاملات المالية، عند كثير من الناس- إلا من رحم الله تعالى - وعدم إدراك هؤلاء؛ لخطورة التنازل، أو التغاضي، عن المعايير الأخلاقية، في معاملاتهم ومدايناتهم، وفي ضوء انتشار المصرفية الإسلامية، ووجود برامج للتمويل الإسلامي؛ نعاني كثيراً من المخاطر التي تسبب في غالبها وجود هذا الخلل الأخلاقي. وكان من الضروري بحث هذه المشكلة، والسعي لإظهار أهمية الأخلاق، لأنها تعكس مدى تمسك المسلم بدينه وقيمه. وتتناول هذه الورقة؛ معنى المعايير وأهميتها، وتعريف الأخلاق وأهميتها، ومصدرها وأنواعها، والفرق بين تعظيم الأرباح، وخدمة المجتمع والتعاطف مع الآخرين؛ والسعي لحل مشكلاتهم، عبر آلية التمويل الإسلامي. وتبين الورقة أن محاربة الفقر والجوع، التزام أخلاقي نحو

* رئيس قسم الاقتصاد الإسلامي المساعد بكلية جبرة العلمية بالخرطوم.

المجتمع، وتبين كذلك أهمية الإيثار والتكافل والسماحة، كما تبين أنواع الأخلاق السيئة وآثارها، وتبين أيضاً كيفية اكتساب الأخلاق الفاضلة، والمحافظة عليها، وخطورة غيابها، وارتباط التمويل الإسلامي بالأخلاق، وبيان أنه لا اقتصاد بلا أخلاق، ولا تمويل بلا أخلاق. كذلك تبين القيم الأخلاقية في التمويل الإسلامي؛ كالوفاء بشروط التمويل، وبناء الثقة، والصدق والبيان في تنفيذ التمويل، وأن اختيار نوع المشروع، وتحديد أولويات التمويل، والاهتمام بالبعد الاجتماعي للمشروعات، يخضع للقيم الأخلاقية. وتبين الورقة كذلك أثر المعيار الأخلاقي؛ وجوداً وعدمًا، على التمويل الإسلامي. وتتكون هذه الورقة من مقدمة وثلاثة مباحث، أولها مبحث عن تعريف وبيان المعيار الأخلاقي، والمبحث الثاني عن ارتباط التمويل الإسلامي بالأخلاق، والمبحث الثالث عن أثر المعيار الأخلاقي؛ وجوداً وعدمًا، على التمويل الإسلامي، والخاتمة، وفيها النتائج والتوصيات، وبالله التوفيق.

Importance of Moral Standard in Islamic Finance: Teaching and Thoughts

AZHARI USMAN IBRAHIM AMIR

Abstract

This paper deals with the importance of ethical standards in Islamic Financing Programmes, defining (standards and ethics), the types of ethics, it's sources and importance, showing the difference between profit's maximization and serving society and solving it's problems through the Islamic Financing Programmes.

This paper shows the strong relationship between ethics, religion, economics, and financing. The Islamic financing is connected with good ethics, and there will be no perfect economy or financing without good ethics, such as being loyal, faithful and clear while carrying out financing.

Also choosing the type of the projects which will be financed, and identifying priorities, as well as caring of the social objectives of the projects should be based on the ethical values.

The paper also shows the impact of presence and absence of ethical standards on the Islamic financing.

The paper consists of introduction and three chapters, the first is the definition of "standards and ethics", the second is about the relationship between Islamic financing and ethics, and the third is about the effect of the presence and absence of ethical standards on Islamic financing, and the conclusion includes the results and recommendations.

أداء الصناديق المتداولة في الأسهم المتوافقة مع الشريعة: دراسة مقارنة

سهى بن علي العيافي*

ملخص

ركز البحث على تقييم أداء الصناديق المتداولة الإسلامية، مقارنة بنظيراتها المتداولة التقليدية (المقارنة الأولى)، ثم بنظيراتها الإسلامية غير المتداولة (المقارنة الثانية)، خلال المدة من يناير 2008م إلى يونيو 2014م، التي شملت في بدايتها الأزمة المالية العالمية الأخيرة (2008-2009م). وبيّنت نتائج البحث في المقارنتين أن أداء الصناديق المتداولة الإسلامية أقل من أداء السوق، ولكن أعلى من أداء نظيراتها المتداولة التقليدية والإسلامية غير المتداولة، وبمخاطرة أقل خلال فترة الدراسة

* بحثٌ ممول من برنامج دعم طلاب الدراسات العليا في كرسي سابك لدراسة الأسواق المالية الإسلامية، جامعة الإمام

محمد بن سعود الإسلامية، الرياض، المملكة العربية السعودية.

* مدير ثروات ومحلل مالي معتمد - الأكاديمية الدولية لإدارة الأعمال والإدارة المالية.

كاملة، في حين حققت الصناديق المتداولة الإسلامية متوسط عائد أعلى خلال فترة ما بعد الأزمة من السوق ونظيرتها. وتقدم هذا الدراسة نتائج جديدة حول مقارنة أداء الصناديق المتداولة الإسلامية، تمثل في معظمها دليلاً إضافياً يدعم ما توصلت إليه أغلب الدراسات السابقة التي رفضت فرضية تماثل أداء صناديق الاستثمار الإسلامية مع نظيرتها التقليدية.

Instruments of Investment Funds in Shariah Compliant Shares: Comparative Study

SAHI BIN ALI ALAYAFI

Abstract

This research focused on the comparison of the performance of Islamic exchange traded funds (ETFs) partly with their conventional counterparts and partly with their Islamic non-traded counterparts. The analysis covered the period from January 2008 to June 2014, which witnessed the recent global financial crisis (2008-2009). The results of the two comparisons showed that the performance of Islamic ETFs was lower than that of the market, but higher than that of both their conventional and Islamic non-traded counterparts. Furthermore, the results suggest that Islamic ETFs were less risky during the entire study period compared to their counterparts, and have also realized the highest average Return than their counterparts during the period following the market crisis. To the best of our knowledge, these results are new in the sense that they provide evidence in contrast to the evidence provided for the hypothesis that Islamic ETFs are not different in their performance from their conventional counterparts.

CUMULATIVE INDEX OF PAPERS

**CUMULATIVE INDEX OF PAPERS PUBLISHED IN
PREVIOUS ISSUES OF *ISLAMIC ECONOMIC STUDIES***

**Vol. 1, No. 1, Rajab 1414H
(December 1993)**

Articles

Towards an Islamic Stock Market, 1-20.

Mohamed Ali Al-Qari

Financial Intermediation in the Framework
of Shari'ah, 21-35.

Hussein Hamed Hassan

Islamic Banking in Sudan's Rural Sector,
37-55.

Mohamed Uthman Khaleefa

Discussion Papers

Potential Islamic Certificates for Resource
Mobilization, 57-69.

Mohamed El-Hennawi

Agenda for a New Strategy of Equity
Financing by the Islamic Development
Bank, 71-88.

D. M. Qureshi

**Vol. 2, No. 1, Rajab 1415H
(December 1994)**

Articles

Islamic Banking: State of the Art, 1-33.

Ziauddin Ahmad

Comparative Economics of Some Islamic
Financing Techniques, 35-68.

M. Fahim Khan

Discussion Papers

Progress of Islamic Banking: The
Aspirations and the Realities, 71-80.

Sami Hasan Homoud

Concept of Time in Islamic Economics,
81-102.

Ridha Saadallah

Development of Islamic Financial
Instruments, 103-115.

Rodney Wilson

**Vol. 1, No. 2, Muharram 1415H
(June 1994)**

Articles

Is Equity-Financed Budget Deficit Stable
in an Interest Free Economy?, 1-14.

*M. Aynul Hasan and Ahmed Naeem
Siddiqui*

Contemporary Practices of Islamic
Financing Techniques, 15-52.

Ausaf Ahmad

Discussion Papers

Financing & Investment in *Awqaf* Projects: A
Non-technical Introduction, 55-62.

Mohammad Anas Zarqa

Limitation on the Use of *Zakah* Funds in
Financing Socioeconomic Infrastructure,
63-78.

Shawki Ismail Shehata

Al-Muqaradah Bonds as the Basis of
Profit-Sharing, 79-102.

Walid Khayrullah

**Vol. 2, No. 2, Muharram 1416H
(June 1995)**

Articles

Growth of Public Expenditure and
Bureaucracy in Kuwait, 1-14.

Fuad Abdullah Al-Omar

Fiscal Reform in Muslim Countries with
Special Reference to Pakistan, 15-34.

Munawar Iqbal

Resource Mobilization for Government
Expenditures through Islamic Modes of
Contract: The Case of Iran, 35-58.

Iraj Toutounchian

Discussion Papers

An Overview of Public Borrowing in Early
Islamic History, 61-78.

Muhammad Nejatullah Siddiqi

Public Sector Resource Mobilization in
Islam, 79-107.

Mahmoud A. Gulaid

**Vol. 3, No. 1, Rajab 1416H
(December 1995)**

Articles

Islamic Securities in Muslim Countries' Stock Markets and an Assessment of the Need for an Islamic Secondary Market, 1-37.

Abdul Rahman Yousri Ahmed

Demand for and Supply of Mark-up and PLS Funds in Islamic Banking: Some Alternative Explanations, 39-77.

Tariqullah Khan

Towards an Islamic Stock Exchange in a Transitional Stage, 79-112.

Ahmad Abdel Fattah El-Ashkar

Discussion Papers

The Interest Rate and the Islamic Banking, 115-122.

H. Shajari and M Kamalzadeh

The New Role of the Muslim Business University Students in the Development of Entrepreneurship and Small and Medium Industries in Malaysia, 123-134.

Saad Al-Harran

**Vol. 4, No. 1, Rajab 1417H
(December 1996)**

Articles

Monetary Management in an Islamic Economy, 1-34.

Muhammad Umer Chapra

Cost of Capital and Investment in a Non-interest Economy, 35-46.

Abbas Mirakhor

Discussion Paper

Competition and Other External Determinants of the Profitability of Islamic Banks, 49-64.

Sudin Haron

**Vol. 3, No. 2, Muharram 1417H
(June 1996)**

Article

Rules for Beneficial Privatization: Practical Implications of Economic Analysis, 1-32.

William J. Baumol

Discussion Papers

Privatization in the Gulf Cooperation Council (GCC) Countries: The Need and the Process, 35-56.

Fuad Abdullah Al-Omar

Towards an Islamic Approach for Environmental Balance, 57-77.

Muhammad Ramzan Akhtar

**Vol. 4, No. 2, Muharram 1418H
(May 1997)**

Article

The Dimensions of an Islamic Economic Model, 1-24.

Syed Nawab Haider Naqvi

Discussion Papers

Indirect Instruments of Monetary Control in an Islamic Financial System, 27-65.

Nurun N. Choudhry and Abbas Mirakhor
Istisna' Financing of Infrastructure Projects, 67-74.

Muhammad Anas Zarqa

The Use of Assets *Ijara* Bonds for Bridging the Budget Gap, 75-92.

Monzer Kahf

**Vol. 5, Nos.1 & 2, Rajab 1418H & Muharram 1419H
(November 1997 & April 1998)**

Article

The Survival of Islamic Banking: A Micro-evolutionary Perspective, 1-19.

Mahmoud A. El-Gamal

Discussion Papers

Performance Auditing for Islamic Banks, 23-55.

Muhammad Akram Khan

Capital Adequacy Norms for Islamic Financial Institutions, 37-55.

Mohammed Obaidullah

**Vol. 6, No. 2, Muharram 1420H
(May 1999)**

Article

Risk and Profitability Measures in Islamic Banks: The Case of Two Sudanese Banks, 1-24.

Abdel-Hamid M. Bashir

Discussion Paper

The Design of Instruments for Government Finance in an Islamic Economy, 27-43.

Nadeemul Haque and Abbas Mirakhor

**Vol. 8, No. 1, Rajab 1421H
(October 2000)**

Article

Elimination of Poverty: Challenges and Islamic Strategies, 1-16.

Ismail Siragedlin

Discussion Paper

Globalization of Financial Markets and Islamic Financial Institutions, 19-67.

M. Ali Khan

**Vol. 6, No. 1, Rajab 1419H
(November 1998)**

Articles

The Malaysian Economic Experience and Its Relevance for the OIC Member Countries, 1-42.

Mohamed Ariff

Awqaf in History and Its Implications for Modern Islamic Economies, 43-70.

Murat Cizakca

Discussion Paper

Financial Engineering with Islamic Options, 73-103.

Mohammed Obaidullah

Vol. 7, Nos. 1 & 2, Rajab 1420H & Muharram 1421H (Oct. '99 & Apr. '2000)

Article

Islamic Quasi Equity (Debt) Instruments and the Challenges of Balance Sheet Hedging: An Exploratory Analysis, 1-32.

Tariqullah Khan

Discussion Papers

Challenges and Opportunities for Islamic Banking and Finance in the West: The UK Experience, 35-59.

Rodney Wilson

Towards an Objective Measure of *Gharar* in Exchange, 61-102.

Sami Al-Suwailem

**Vol. 8, No. 2, Muharram 1422H
(April 2000)**

Articles

Islamic and Conventional Banking in the Nineties: A Comparative Study, 1-27.

Munawar Iqbal

An Economic Explication of the Prohibition of *Gharar* in Classical Islamic Jurisprudence, 29-58.

Mahmoud A. El-Gamal

Discussion Paper

Interest and the Modern Economy, 61-74.

Arshad Zaman and Asad Zaman

**Vol. 9, No. 1, Rajab 1422H
(September 2001)**

Article

Islamic Economic Thought and the New
Global Economy, 1-16.

M.Umer Chapra

Discussion Paper

Financial Globalization and Islamic
Financial Institutions: The Topics
Revisited, 19-38.

Masudul Alam Choudhury

**Vol. 10, No. 1, Rajab 1423H
(September 2002)**

Article

Financing Build, Operate and Transfer
(BOT) Projects: The Case of Islamic
Instruments, 1-36.

Tariqullah Khan

Discussion Paper

Islam and Development Revisited with
Evidences from Malaysia, 39-74.

Ataul Huq Pramanik

**Vol. 11, No. 1, Rajab 1424H
(September 2003)**

Articles

Dividend Signaling Hypothesis and Short-
term Asset Concentration of Islamic
Interest Free Banking, 1-30.

M. Kabir Hassan

Determinants of Profitability in Islamic
Banks: Some Evidence from the Middle
East, 31-57.

Abdel-Hameed M. Bashir

**Vol. 9, No. 2, Muharram 1423H
(March 2002)**

Article

The 1997-98 Financial Crisis in Malaysia:
Causes, Response and Results, 1-16.

Zubair Hasan

Discussion Paper

Financing Microenterprises: An Analytical
Study of Islamic Microfinance Institutions,
27-64.

Habib Ahmed

**Vol. 10, No. 2, Muharram 1424H
(March 2003)**

Article

Credit Risk in Islamic Banking and
Finance

Mohamed Ali Elgari, 1-25.

Discussion Papers

Zakah Accounting and Auditing: Principles
and Experience in Pakistan, 29-43.

Muhammad Akram Khan

The 1997-98 Financial Crisis in Malaysia:
Causes, Response and Results –
A Rejoinder, 45-53.

Zubair Hasan

**Vol. 11, No. 2, Muharram 1425H
(March 2004)**

Articles

Remedy for Banking Crises: What
Chicago and Islam have in common, 1-22.

*Valeriano F .García,Vvicente Fretes Cibils
and Rodolfo Maino*

Stakeholders Model of Governance in
Islamic Economic System, 41-63.

Zamir Iqbal and Abbas Mirakhor

**Vol. 12, No. 1, Rajab 1425H
(August 2004)**

Articles

Efficiency in Islamic Banking: An Empirical Analysis of Eighteen Banks, 1-19.

Donsyah Yudistira

Ethical Investment: Empirical Evidence from FTSE Islamic Index, 21-40.

Khalid Hussein

**Vol. 13, No. 2, Muharram 1427H
(February 2006)**

Articles

Islamic Banking and Finance in Theory and Practice: A Survey of State of the Art, 1-48.

Mohammad Nejatullah Siddiqi

The X-Efficiency in Islamic Banks, 49-77.

M. Kabir Hassan

Islamic Law, Adaptability and Financial Development, 79-101.

Habib Ahmed

Vol. 15, No. 1, Rajab 1428H (July 2007)

Articles

Theory of the Firm: An Islamic Perspective, 1-30.

Toseef Azid, Mehmet Asutay and Umar Burki

On Corporate Social Responsibility of Islamic Financial Institutions, 31-46

Sayd Farook

Sharī'ah Compliant Equity Investments: An Assessment of Current Screening Norms, 47-76

M. H. Khatkhatay and Shariq Nisar

**Vol. 12, No. 2, and Vol. 13, No. 1,
Muharram and Rajab 1426H
(February & August 2005)**

Articles

The Case for Universal Banking as a Component of Islamic Banking, 1-65.

Mabid Ali Al-Jarhi

Impact of Ethical Screening on Investment Performance: The Case of The Dow Jones Islamic Index, 69-97.

Abul Hassan, Antonios Antoniou, and

D Krishna Paudyal

Vol. 14, No. 1 & 2

(Aug. 2006 & Jan. 2007)

Articles

Financial Distress and Bank Failure: Lessons from Ihlal Finans Turkey, 1-52.

Salman Syed Ali

The Efficiency of Islamic Banking Industry: A Non-Parametric Analysis with Non-Discretionary Input Variable, 53-87.

Fadzlan Sufian

**Vol. 15, No. 2, Muharram 1429H
(January, 2008)**

Articles

Sukuk Market: Innovations and Challenges

Muhammad Al-Bashir Muhammad Al-Amine

Cost, Revenue and Profit Efficiency of Islamic Vs. Conventional Banks:

International Evidence Using Data

Envelopment Analysis

Mohammed Khaled I. Bader, Shamsheer

Mohamad, Mohamed Ariff and Taufiq

Hassan

Vol. 16, No.1 & 2, Rajab, 1429H & Muharram 1430H (August 2008 & January 2009)

Articles

Ethics and Economics: An Islamic Perspective, 1-21

M. Umer Chapra

Madaris Education and Human Capital Development with Special Reference to Pakistan, 23-53

Mohammad Ayub

Islamic Finance – Undergraduate Education, 55-78

Sayyid Tahir

Islamic Finance Education at the Graduate Level: Current State and Challenges, 79-104

Zubair Hasan

Vol. 17, No. 2, Muharram 1431H (January 2010)

Articles

Faith-Based Ethical Investing: The Case of Dow Jones Islamic Index, 1-32.

M. Kabir Hassan and Eric Girard

Islamic Finance in Europe: The Regulatory Challenge, 33-54

Ahmed Belouafi and Abderrazak Belabes

Contemporary Islamic Financing Modes: Between Contract Technicalities and Sharī'ah Objectives, 55-75

Abdulazeem Abozaid

Vol. 17, No.1 Rajab, 1430H (2009)

Articles

Sharī'ah Position on Ensuring the Presence of Capital in Joint Equity Based Financing, 7-20

Muhammad Abdurrahman Sadique

The Impact of Demographic Variables on Libyan Retail Consumers' Attitudes Towards Islamic Methods of Finance, 21-34

Alsadek Hesain A. Gait

A Sharī'ah Compliance Review on Investment Linked *takāful* in Malaysia, 35-50

Azman Mohd Noor

Vol. 18, No. 1 & 2, Rajab, 1431H & Muharram 1432H (June 2010 & January, 2011)

Articles

Solvency of *Takaful* Fund: A Case of Subordinated *Qard*, 1-16

Abdussalam Ismail Onagun

The Process of Sharī'ah Assurance in the Product Offering: Some Important Notes for Indonesian and Malaysian Islamic Banking Practice, 17-43

Agus Triyanta and Rusni Hassan

The Effect of Market Power on Stability and Performance of Islamic and Conventional Banks, 45-81

Ali Mirzaei

Vol. 19, No.1, Rajab 1432H (June 2011)

Articles

Certain Legal and Administrative Measures for the Revival and Better Management of *Awqāf*, 1-32

Syed Khalid Rashid

Profit Sharing Investment Accounts-- Measurement and Control of Displaced Commercial Risk (DCR) in Islamic Finance, 33-50

V Sundararajan

Risk Management Assessment Systems: An Application to Islamic Banks, 51-70
Habib Ahmed

Vol. 20, No.1, Rajab 1433H (June 2012)

Articles

Islamic Banking in the Middle-East and North-Africa (MENA) Region, 1-44

Salman Syed Ali

Measuring Operational Risk Exposures in Islamic Banking: A Proposed Measurement Approach, 45-86

Hylmun Izhar

Leverage Risk, Financial Crisis and Stock Returns: A Comparison among Islamic Conventional and Socially Responsible Stocks, 87-143

Vaishnavi Bhatt and Jahangir Sultan

Vol. 19, No.2, Muharram 1433H

(December 2011)

Articles

Role of Finance in Achieving *Maqāṣid* Al-Sharī'ah, 1-18

Abdul Rahman Yousri Ahmad

Comprehensive Human Development: Realities and Aspirations, 19-49

Siddig Abdulmageed Salih

Decision Making Tools for Resource Allocation based on *Maqāṣid* Al-Sharī'ah, 51-68

Moussa Larbani & Mustafa Mohammed

Introducing an Islamic Human Development Index (I-HDI) to Measure Development in OIC Countries, 69-95

MB Hendrie Anto

Vol. 20, No.2, Muharram 1434H

(December 2012)

Articles

Targeting and Socio-Economic Impact of Microfinance: A Case Study of Pakistan, 1-28

Nasim Shah Shirazi

Dual Banking and Financial Contagion, 29-54

Mahmoud Sami Nabi

The Role of Islamic Finance in Enhancing Financial Inclusion in Organization of Islamic Cooperation (OIC) Countries, 55-120

Mahmoud Mohieldin, Zamir Iqbal, Ahmed Rostom & Xiaochen Fu

Vol. 21, No.1, Rajab 1434H (June 2013)

Articles

Redefining Islamic Economics as a New Economic Paradigm, 1-34

Necati Aydin

Why is Growth of Islamic Microfinance

Lower than its Conventional Counterparts in Indonesia?, 35-62

Dian Masyita & Habib Ahmed

State of Liquidity Management in Islamic Financial Institutions, 63-98

Salman Syed Ali

Vol. 22, No.1, Rajab 1435H (May 2014)

Articles

Understanding Development in an Islamic Framework, 1-36

Hossein Askari, Zamir Iqbal, Nouredine Krichene & Abbas Mirakhor

Islamic Finance in the United Kingdom: Factors Behind its Development and Growth, 37-78

Ahmed Belouafi & Abdelkader Chachi

Integrating Zakat and Waqf into the Poverty Reduction Strategy of the IDB Member Countries, 79-108

Nasim Shah Shirazi

An Attempt to Develop Sharī'ah

Compliant Liquidity Management

Instruments for the Financier of Last Resort: The Case of Qatar, 109-138

Monzer Kahf & Cherin R Hamadi

Vol. 21, No.2, Muharram 1435H

(November 2013)

Articles

Fiscal and Monetary Policies in Islamic Economics: Contours of an Institutional Framework, 1-22

Sayyid Tahir

Are Islamic Banks Sufficiently

Diversified? An Empirical Analysis of

Eight Islamic Banks in Malaysia, 23-54

M Ali Chatti, Sandrine Kablan and Ouidad Yousfi

Trade and Human Development in OIC Countries: A Panel Data Analysis, 55-70

Zarinah Hamid and Ruzita Mohd Amin

Economic and Financial Crises in

Fifteenth-Century Egypt: Lessons from the History, 71-94

Abdul Azim Islahi

Efficiency Measure of Insurance v/s

Takāful Firms Using DEA Approach: A Case of Pakistan, 139-158

Attiquzzafar Khan & Uzma Noreen

An Empirical Study of Islamic Equity as a Better Alternative during Crisis Using Multivariate GARCH DCC, 159-184

Syed Aun Rizvi & Shaista Arshad

Public Sector Funding and Debt Management: A Case for GDP-Linked *Shukūk*, 185-216

Abdou DIAW, Obiyathulla Ismath Bacha & Ahcene Lahsasna

Portfolio Determination of A Zero-Interest Financial System Entity, 217-232

Shafī A. Khaled & A. Wahhab Khandker

Vol. 22, No.2, Muharram 1436 (Nov 2014)

Articles

Maqāṣid al-Sharī'ah: Are We Measuring The Immeasurable? 1-32

Rafi Amir-Ud-Din

Non-Monetary Poverty Measurement in Malaysia: A *Maqāṣid al-Sharī'ah* Approach, 33-46

Mohamed Saladin Abdul Rasool & Ariffin Mohd Salleh

A Structural Model for Human Development, Does *Maqāṣid al-Sharī'ah* Matter! 47-64

Medhi Mili

Socio-Economic Philosophy of Conventional and Islamic Economics: Articulating Hayat-e-Tayyaba Index (HTI) on the Basis of *Maqāṣid al-Sharī'ah*, 65-98

Muhammad Mubashir Mukhtar, et al

Islamic Wealth Management and the Pursuit of Positive-Sum Solutions, 99-124

Mohammad Omar Farooq

Vol. 23, No.2, Muharram 1437 (Nov 2015)

Articles

“The Genesis of Islamic Economics” Revisited, 1-28

Abdul Azim Islahi

Instability of Interest Bearing Debt Finance and the Islamic Finance Alternative, 29-84

Mughees Shaukat & Datuk Othman Alhabshi

Risk Sharing and Shared Prosperity in Islamic Finance, 85-115

Nabil Maghrebi & Abbas Mirakhor

Vol. 23, No.1, Rajab 1436 (May 2015)
Articles

Tradable Inventory Certificates: A Proposed New Liquidity Instrument, 1-32
Monzer Kahf & Mahah Mujeeb Khan

Product Development and *Maqāṣid* in Islamic Finance: Towards a Balanced Methodology, 33-72

Muhammad Al-Bashir Al-Amine

Assessing Socio-Economic Development based on *Maqāṣid al-Sharī'ah* Principles: Normative Frameworks, Methods and Implementation in Indonesia, 73-100
Rahmatina Kasri & Habib Ahmed

Enhancing Intra-Trade in OIC Member Countries Through T-SDRs, 101-124
M S Nabi, Rami A Kafī, Imed Drine & Sami Al-Suwailem

PUBLICATIONS OF IRTI

LIST OF PUBLICATIONS OF THE ISLAMIC RESEARCH AND TRAINING INSTITUTE

Seminar Proceedings		
<input type="checkbox"/>	LECTURES ON ISLAMIC ECONOMICS (1992) , pp.473 <i>Ausaf Ahmad and Kazem Awan</i> (eds) An overview of the current state of Islamic Economics is presented in this book.	Price \$ 20.00
<input type="checkbox"/>	THE ORGANIZATION AND MANAGEMENT OF THE PILGRIMS MANAGEMENT AND FUND BOARD OF MALAYSIA (1987) , pp.111 The book presents the functions, activities and operations of Tabung Haji, a unique institution in the world, catering to the needs of Malaysian Muslims performing Hajj.	Price \$ 10.00
<input type="checkbox"/>	INTERNATIONAL ECONOMIC RELATIONS FROM ISLAMIC PERSPECTIVE (1992) , pp.286 <i>M. A. Mannan, Monzer Kahf and Ausaf Ahmad</i> (eds) An analytical framework is given in the book to work out basic principles, policies and prospects of international economic relations from an Islamic perspective.	Price \$ 10.00
<input type="checkbox"/>	MANAGEMENT OF ZAKĀH IN MODERN MUSLIM SOCIETY (1989) , pp.236 <i>I. A. Imtiaz, M. A. Mannan, M. A. Niaz and A. H. Deria</i> (eds) The book analyses how <i>Zakāh</i> could be managed in a modern Muslim society.	Price \$ 20.00
<input type="checkbox"/>	DEVELOPING A SYSTEM OF FINANCIAL INSTRUMENTS (1990) , pp.284 <i>Muhammad Ariff and M.A. Mannan</i> (eds) It gives an insight into the ways and means of floating viable Islamic financial instruments in order to pave the way for mobilization of financial resources.	Price \$ 20.00
<input type="checkbox"/>	MANAGEMENT AND DEVELOPMENT OF AWQĀF PROPERTIES (1987) , pp.161 <i>Hasmet Basar</i> (ed.) An overview of the state of administration of Awqāf properties in OIC member countries.	Price \$ 10.00
<input type="checkbox"/>	EXTERNAL DEBT MANAGEMENT (1994) , pp.742 <i>Makhdoum H. Chaudhri</i> (ed.) It examines the role of external borrowing in development. It also suggests how to improve the quality of information on external debt and how to evaluate the organizational procedures for debt management.	Price \$ 20.00
<input type="checkbox"/>	REPORT OF THE MEETING OF EXPERTS ON ISLAMIC MANAGEMENT CENTER (1995) , pp.188 <i>Syed Abdul Hamid Al Junid and Syed Aziz Anwar</i> (eds) The book discusses the programs of the Islamic Management Centre of the International Islamic University, Malaysia.	Price \$ 10.00

- | | | |
|---|--|----------------|
| □ | <p>INSTITUTIONAL FRAMEWORK OF ZAKĀH: DIMENSION AND IMPLICATIONS (1995), pp.510
 <i>Ahmed El-Ashker and Sirajul Haque</i> (eds)
 It studies the institutional systems of <i>Zakāh</i> and their socioeconomic and organizational dimensions.</p> | Price \$ 20.00 |
| □ | <p>COUNTER TRADE: POLICIES AND PRACTICES IN OIC MEMBER COUNTRIES (1995), pp.252
 <i>M. Fahim Khan</i> (ed.)
 It studies theories and practices regarding countertrade and examines the role of its different forms in international trade in the first part of 1980's with special reference to OIC member countries.</p> | Price \$ 20.00 |
| □ | <p>ISLAMIC FINANCIAL INSTITUTIONS (1995), pp.176
 <i>M. Fahim Khan</i> (ed.)
 The study explains the concept of Islamic banking, the way to establish an Islamic bank, and operational experiences of Islamic banks and Islamic financial instruments.</p> | Price \$ 20.00 |
| □ | <p>THE IMPACT OF THE SINGLE EUROPEAN MARKET ON OIC MEMBER COUNTRIES (1995), pp.410
 <i>M. A. Mannan and Badre Eldine Allali</i> (eds)
 The study seeks to analyse the possible effects of the Single European Market and to identify possible economic and social impact upon the OIC member countries</p> | Price \$ 20.00 |
| □ | <p>FINANCING DEVELOPMENT IN ISLAM (1996), pp.624
 <i>M.A. Mannan</i> (ed.)
 It discusses various Islamic strategies for financing development and mobilization of resources through Islamic financial instruments.</p> | Price \$ 30.00 |
| □ | <p>ISLAMIC BANKING MODES FOR HOUSE BUILDING FINANCING (1995), pp.286
 <i>Mahmoud Ahmad Mahdi</i> (ed.)
 It discusses issues, - both <i>Fiqhi</i> and economic, concerning house building financing and the <i>Shari'ah</i> sanctioned instruments that may be used for the purpose.</p> | Price \$ 20.00 |
| □ | <p>ISLAMIC FINANCIAL INSTRUMENTS FOR PUBLIC SECTOR RESOURCE MOBILIZATION (1997), pp.414
 <i>Ausaf Ahmad and Tariqullah Khan</i> (eds)
 This book focuses on designing such financial instruments that have potential of use by the governments of Islamic countries for mobilizing financial resources for the public sector to meet the development outlays for accomplishing the economic growth and social progress.</p> | Price \$ 10.00 |
| □ | <p>LESSONS IN ISLAMIC ECONOMICS (1998), pp.757 (two volumes)
 <i>Monzer Kahf</i> (ed.)
 It presents a broad overview of the issues of Islamic economics.</p> | Price \$ 35.00 |
| □ | <p>ISLAMIC FINANCIAL ARCHITECTURE: RISK MANAGEMENT AND FINANCIAL STABILITY (2006), pp.561
 <i>Tariqullah Khan and Dadang Muljawan</i>
 Financial architecture refers to a broad set of financial infrastructures that are essential for establishing and sustaining sound financial institutions and markets. The volume covers themes that constitute financial architecture needed for financial stability.</p> | Price \$ 25.00 |

- ☐ **ISLAMIC BANKING AND FINANCE: FUNDAMENTALS AND CONTEMPORARY ISSUES (2006)**, pp. 306 **Price \$ 10.00**
Salman Syed Ali and Ausaf Ahmad
 The seminar proceedings consist of papers dealing with theoretical and practical issues in Islamic banking.
- ☐ **ADVANCES IN ISLAMIC ECONOMICS AND FINANCE, (2007)**, Vol. 1, pp. 532. **Price \$ 35.00**
Munawar Iqbal, Salman Syed Ali and Dadang Muljawan (ed).,
 Islamic economics and finance are probably the two fields that have provided important new ideas and applications in the recent past than any of the other social sciences. The present book provides current thinking and recent developments in these two fields. The academics and practitioners in economics and finance will find the book useful and stimulating.
- ☐ **ISLAMIC CAPITAL MARKETS: PRODUCTS, REGULATION & DEVELOPMENT, (2008)**, pp.451. **Price \$ 25.00**
Salman Syed Ali (ed.),
 This book brings together studies that analyze the issues in product innovation, regulation and current practices in the context of Islamic capital markets. It is done with a view to further develop these markets and shape them for enhancing their contribution in economic and social development. The book covers *ṣukūk*, derivative products and stocks in Part-I, market development issues in Part-II, and comparative development of these markets across various countries in Part-III.
- ☐ **ISLAMIC FINANCE FOR MICRO AND MEDIUM ENTERPRISES, (1432, 2011)**, pp 264 **Price \$ 35.00**
Mohammed Obaidullah & Hajah Salma Haji Abdul Latiff
 This book is the outcome of First International Conference on “Inclusive Islamic Financial Sector Development: Enhancing Islamic Financial Services for Micro and Medium Sized Enterprises” organized by Islamic Research and Training Institute of the Islamic Development Bank and the Centre for Islamic Banking, Finance and Management of Universiti Brunei Darussalam. The papers included in this volume seek to deal with major issues of theoretical and practical significance and provide useful insights from experiences of real-life experiments in Sharī’ah -compliant MME finance.

Research Papers

- ☐ **ECONOMIC COOPERATION AND INTEGRATION AMONG ISLAMIC COUNTRIES: INTERNATIONAL FRAMEWORK AND ECONOMIC PROBLEMS (1987)**, pp.163 **Price \$ 10.00**
Volker Nienhaus
 A model of self-reliant system of trade relations based on a set of rules and incentives to produce a balanced structure of the intra-group trade to prevent the polarization and concentration of costs and benefits of integration.

- | | | |
|---|--|----------------|
| □ | <p>PROSPECTS FOR COOPERATION THROUGH TRADE AMONG OIC MEMBER COUNTRIES (A COMMODITY ANALYSIS) (1985), pp.100
 <i>Kazim R. Awan</i>
 The paper is an attempt to specify particular commodities in which intra OIC member country trade could be increased.</p> | Price \$ 10.00 |
| □ | <p>EFFECTS OF ISLAMIC LAWS AND INSTITUTIONS ON LAND TENURE WITH SPECIAL REFERENCE TO SOME MUSLIM COUNTRIES (1990), pp.59
 <i>Mahmoud A. Gulaid</i>
 The book traces distributive and proprietary functions of the Islamic law of inheritance and assesses the effects of this law on the structure of land ownership and on the tenure modalities in some Muslim countries.</p> | Price \$ 10.00 |
| □ | <p>THE ECONOMIC IMPACT OF TEMPORARY MANPOWER MIGRATION IN SELECTED OIC MEMBER COUNTRIES (BANGLADESH, PAKISTAN AND TURKEY) (1987), pp.90
 <i>Emin Carikci</i>
 The book explains the economic impact of the International labor migration and reviews recent trends in temporary labor migration.</p> | Price \$ 10.00 |
| □ | <p>THE THEORY OF ECONOMIC INTEGRATION AND ITS RELEVANCE TO OIC MEMBER COUNTRIES (1987), pp.82
 <i>Kadir D. Satioglu</i>
 It presents concepts, principles and theories of regional economic integration and points out their relevance for OIC member countries.</p> | Price \$ 10.00 |
| □ | <p>ECONOMIC COOPERATION AMONG THE MEMBERS OF THE LEAGUE OF ARAB STATES (1985), pp.110
 <i>Mahmoud A. Gulaid</i>
 It attempts to assess the magnitude of inter Arab trade and capital flows and to find out achievements and problems in these areas.</p> | Price \$ 10.00 |
| □ | <p>CEREAL DEFICIT MANAGEMENT IN SOMALIA WITH POLICY IMPLICATIONS FOR REGIONAL COOPERATION (1991), pp.62
 <i>Mahmoud A. Gulaid</i>
 The study assesses cereal food supply and demand conditions characteristic of Somalia.</p> | Price \$ 10.00 |
| □ | <p>COMPARATIVE ECONOMICS OF SOME ISLAMIC FINANCING TECHNIQUES (1992), pp.48
 <i>M. Fahim Khan</i>
 It is an attempt to present some economic dimensions of the major Islamic financing techniques in a comparative perspective.</p> | Price \$ 10.00 |
| □ | <p>CONTEMPORARY PRACTICES OF ISLAMIC FINANCING TECHNIQUES (1993), pp.75
 <i>Ausaf Ahmad</i>
 It describes Islamic financing techniques used by various Islamic banks and explores differences, if any, in the use of these techniques by the banks.</p> | Price \$ 10.00 |

- | | | |
|---|--|----------------|
| ☐ | <p>UNDERSTANDING ISLAMIC FINANCE: A STUDY OF THE SECURITIES MARKET IN AN ISLAMIC FRAMEWORK (1992),
pp.115
<i>M. A. Mannan</i></p> <p>It presents a case for the Islamic Securities Market to serve as a basis for an effective policy prescription.</p> | Price \$ 10.00 |
| ☐ | <p>PRINCIPLES OF ISLAMIC FINANCING (A SURVEY) (1992), pp.46
<i>Monzer Kahf and Tariqullah Khan</i></p> <p>It surveys the historical evolution of Islamic principles of financing.</p> | Price \$ 10.00 |
| ☐ | <p>HUMAN RESOURCE MOBILIZATION THROUGH THE PROFIT-LOSS SHARING BASED FINANCIAL SYSTEM (1992), pp.64
<i>M. Fahim Khan</i></p> <p>It emphasizes that Islamic financial system has a more powerful built-in model of human resource mobilization than the existing conventional models.</p> | Price \$ 10.00 |
| ☐ | <p>PROFIT VERSUS BANK INTEREST IN ECONOMIC ANALYSIS AND ISLAMIC LAW (1994), pp.61
<i>Abdel Hamid El-Ghazali</i></p> <p>In the book a comparison is made between interest and profit as a mechanism for the management of contemporary economic activity from economic and <i>Shari'ah</i> perspectives.</p> | Price \$ 10.00 |
| ☐ | <p>MAN IS THE BASIS OF THE ISLAMIC STRATEGY FOR ECONOMIC DEVELOPMENT (1994), pp.64
<i>Abdel Hamid El-Ghazali</i></p> <p>It focuses on the place of Man as the basis of development strategy within the Islamic economic system.</p> | Price \$ 10.00 |
| ☐ | <p>LAND OWNERSHIP IN ISLAM (1992), pp.46
<i>Mahmoud A. Gulaid</i></p> <p>It surveys major issues in land ownership in Islam. It also seeks to define and establish rules for governing land and land-use in Islam.</p> | Price \$ 10.00 |
| ☐ | <p>PROFIT-LOSS SHARING MODEL FOR EXTERNAL FINANCING (1994), pp.59
<i>Boualem Bendjilali</i></p> <p>It is an attempt to construct a model for a small open economy with external financing. It spells out the conditions to attract foreign partners to investment in projects instead of investing in the international capital market.</p> | Price \$ 10.00 |
| ☐ | <p>ON THE DEMAND FOR CONSUMER CREDIT: AN ISLAMIC SETTING (1995), pp.52
<i>Boualem Bendjilali</i></p> <p>The study derives the demand function for consumer credit, using the <i>Murābahah</i> mode. A simple econometric model is built to estimate the demand for credit in an Islamic setting.</p> | Price \$ 10.00 |
| ☐ | <p>REDEEMABLE ISLAMIC FINANCIAL INSTRUMENTS AND CAPITAL PARTICIPATION IN ENTERPRISES (1995), pp.72
<i>Tariqullah Khan</i></p> <p>The paper argues that a redeemable financial instrument is capable of presenting a comprehensive financing mechanism and that it ensures growth through self-financing.</p> | Price \$ 10.00 |

- | | | |
|---|--|----------------|
| □ | <p>ISLAMIC FUTURES AND THEIR MARKETS WITH SPECIAL REFERENCE TO THEIR ROLE IN DEVELOPING RURAL FINANCE MARKET (1995), pp.80</p> <p><i>M. Fahim Khan</i></p> <p>The study addresses (a) what is un-Islamic about contemporary futures trading (b) can these markets be restructured according to Islamic principles and (c) would it be beneficial if it is restructured.</p> | Price \$ 10.00 |
| □ | <p>ECONOMICS OF SMALL BUSINESS IN ISLAM (1995), pp.68</p> <p><i>Mohammad Mohsin</i></p> <p>The paper concentrates upon the possible uses of Islamic financial techniques in the small business sector.</p> | Price \$ 10.00 |
| □ | <p>PAKISTAN FEDERAL <i>SHARĪ'AH</i> COURT JUDGEMENT ON INTEREST (<i>RIBĀ</i>) (1995), pp.464</p> <p><i>Khurshid Ahmad</i> (ed.)</p> <p>The book presents a translation of the Pakistan Federal Sharī'ah Court's judgement on interest.</p> | Price \$ 15.00 |
| □ | <p>READINGS IN PUBLIC FINANCE IN ISLAM (1995), pp.572</p> <p><i>Mohammad A. Gulaid and Mohamed Aden Abdullah</i> (eds)</p> <p>This is an attempt to present contribution of Islam to fiscal and monetary economics in a self contained document</p> | Price \$ 15.00 |
| □ | <p>A SURVEY OF THE INSTITUTION OF ZAKĀH: ISSUES, THEORIES AND ADMINISTRATION (1994), pp.71</p> <p><i>Abul Hasan Sadeq</i></p> <p>It examines the major <i>Fiqhī</i> issues of <i>Zakāh</i>. A review of the administrative issues related to <i>Zakāh</i> implementation in the contemporary period is also made.</p> | Price \$ 10.00 |
| □ | <p><i>SHARĪ'AH</i> ECONOMIC AND ACCOUNTING FRAMEWORK OF <i>BAY' AL-SALAM</i> IN THE LIGHT OF CONTEMPORARY APPLICATION (1995), pp.130</p> <p><i>Mohammad Abdul Halim Umar</i></p> <p>The author compares the <i>salam</i> contract and other similar contracts like <i>bay' al ajal</i>, <i>al istiṣnā'</i>, <i>bay'al istijrār</i> with other financing techniques.</p> | Price \$ 10.00 |
| □ | <p>ECONOMICS OF DIMINSHING <i>MUSHĀRAKAH</i> (1995), pp.104</p> <p><i>Boualem Bendjilali and Tariqullah Khan</i></p> <p>The paper discusses the nature of <i>Mushārah</i> and <i>Muḍārabah</i> contracts. It introduces the diminishing <i>Mushārah</i> contract and describes its needs and application.</p> | Price \$ 10.00 |
| □ | <p>PRACTICES AND PERFORMANCE OF <i>MUḌĀRABAH</i> COMPANIES (A CASE STUDY OF PAKISTAN'S EXPERIENCE) (1996), pp.143</p> <p><i>Tariqullah Khan</i></p> <p>The paper studies institutional framework, evolution and profile of <i>Muḍārabah</i> companies in Pakistan and compares performance of some of these companies with that of other companies.</p> | Price \$ 10.00 |

- **FINANCING AGRICULTURE THROUGH ISLAMIC MODES AND INSTRUMENTS: PRACTICAL SCENARIOS AND APPLICABILITY (1995), pp.93**

Mahmoud A. Gulaid

The paper examines the functional and operational activities done during production and marketing of agricultural commodities, contemporary modes that banks use to finance them and assesses the possibility of financing them through Islamic instruments.

Price \$ 10.00
- **DROUGHT IN AFRICA: POLICY ISSUES AND IMPLICATIONS FOR DEVELOPMENT (1995), pp.86**

Mahmoud A. Gulaid

It covers the policy issues having direct bearing upon the development needs of contemporary rural Sub-Sahara Africa within the framework of socio-economic conditions of the rural household.

Price \$ 10.00
- **PROJECT APPRAISAL: A COMPARATIVE SURVEY OF SELECTED CONVENTIONAL AND ISLAMIC ECONOMICS LITERATURE (1995), pp.62**

Kazim Raza Awan

It attempts to answer two basic questions: (1) What are the areas of conflict, if any between conventional project appraisal methodology and generally accepted injunctions of Islamic finance and (2) Given that there are significant differences on how should Islamic financiers deal with them.

Price \$ 10.00
- **STRUCTURAL ADJUSTMENT AND ISLAMIC VOLUNTARY SECTOR WITH SPECIAL REFERENCE TO AWQAF IN BANGLADESH (1995), pp.113**

M.A. Mannan

The paper argues that both informal and Islamic voluntary sector can be monetized and can contribute towards mobilizing the savings and investment in an Islamic economy.

Price \$ 10.00
- **ISLAMIC FINANCIAL INSTRUMENTS (TO MANAGE SHORT-TERM EXCESS LIQUIDITY (1997), pp.100**

Osman Babikir Ahmed

The present paper formally discussed the practices of Islamic Financial Institutions and the evaluation of Islamic Financial Instruments and markets.

Price \$ 10.00
- **INSTRUMENTS OF MEETING BUDGET DEFICIT IN ISLAMIC ECONOMY (1997), pp.86**

Monzer Kahf

The present research sheds new lights on instruments for public resources mobilization that are based on Islamic principles of financing, rather than on principles of taxation

Price \$ 10.00
- **ASSESSMENTS OF THE PRACTICE OF ISLAMIC FINANCIAL INSTRUMENTS (1996), pp.78**

Boualam Bendjilali

The present research analyzing the Islamic Financial Instruments used by two important units of IDB and IRTI. The study analyzes the performance of the IDB Unit Investment Fund by investigating the existing patterns in the selection of the projects for funding.

Price \$ 10.00

- | | | |
|---|---|----------------|
| □ | <p>INTEREST-FREE ALTERNATIVES FOR EXTERNAL RESOURCE MOBILIZATION (1997), pp.95</p> <p><i>Tariqullah Khan</i></p> <p>This study, discusses some alternatives for the existing interest based external resource mobilization of Pakistan.</p> | Price \$ 10.00 |
| □ | <p>TOWARDS AN ISLAMIC FINANCIAL MARKET (1997), pp.81</p> <p><i>Ausaf Ahmad</i></p> <p>This paper effort to intrude the concepts Islamic Banking and Finance in Malaysia within overall framework of an Islamic Financial Market.</p> | Price \$ 10.00 |
| □ | <p>ISLAMIC SOCIOECONOMIC INSTITUTIONS AND MOBILIZATION OF RESOURCES WITH SPECIAL REFERENCE TO HAJJ MANAGE-MENT OF MALAYSIA (1996), pp.103</p> <p><i>Mohammad Abdul Mannan</i></p> <p>The thrust of this study is on mobilizing and utilizing financial resources in the light of Malaysian Tabung Haji experience. It is an excellent example of how a specialized financial institution can work successfully in accordance with the Islamic principle.</p> | Price \$ 10.00 |
| □ | <p>STRATEGIES TO DEVELOP WAQF ADMINISTRATION IN INDIA (1998), pp.189</p> <p><i>Hasanuddin Ahmed and Ahmadullah Khan</i></p> <p>This book discusses some proposed strategies for development of <i>waqf</i> administration in India and the attempts to spell out prospects and constraints for development of <i>Awqāf</i> properties in this country.</p> | Price \$ 10.00 |
| □ | <p>FINANCING TRADE IN AN ISLAMIC ECONOMY (1998), pp.70</p> <p><i>Ridha Saadallah</i></p> <p>The paper examines the issue of trade financing in an Islamic framework. It blends juristic arguments with economic analysis.</p> | Price \$ 10.00 |
| □ | <p>STRUCTURE OF DEPOSITS IN SELECTED ISLAMIC BANKS (1998), pp.143</p> <p><i>Ausaf Ahmad</i></p> <p>It examines the deposits management in Islamic banks with implications for deposit mobilization.</p> | Price \$ 10.00 |
| □ | <p>AN INTRA-TRADE ECONOMETRIC MODEL FOR OIC MEMBER COUNTRIES: A CROSS COUNTRY ANALYSIS (2000), pp.45</p> <p><i>Boualem Bendjilali</i></p> <p>The empirical findings indicate the factors affecting the inter-OIC member countries' trade. The study draws some important conclusions for trade policymakers.</p> | Price \$ 10.00 |
| □ | <p>EXCHANGE RATE STABILITY: THEORY AND POLICIES FROM AN ISLAMIC PERSPECTIVE (2001), pp.50</p> <p><i>Habib Ahmed</i></p> <p>This research discusses the exchange rate determination and stability from an Islamic perspective and it presents a monetarist model of exchange rate determination.</p> | Price \$ 10.00 |
| □ | <p>CHALLENGES FACING ISLAMIC BANKING (1998), pp.95</p> <p><i>Munawar Iqbal, Ausaf Ahmad and Tariqullah Kahn</i></p> <p>This paper tackles stock of developments in Islamic Banking over the past two decades and identifies the challenges facing it.</p> | Price \$ 10.00 |

- | | | |
|---|--|------------------------------|
| ❑ | <p>FISCAL REFORMS IN MUSLIM COUNTRIES (1993), pp.39
 <i>Munawar Iqbal</i>
 This paper studies the fiscal problems facing many of the Muslim countries using the experience of Pakistan. It tries to identify the causes of fiscal problems and makes an attempt to suggest some remedial measures.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>INCENTIVE CONSIDERATION IN MODES OF FINANCIAL FLOWS AMONG OIC MEMBER COUNTRIES (1993), pp.65
 <i>Tariqullah Khan</i>
 The paper deals with some aspects of incentives inherent in different modes of finance and which determine financial flows, particularly in the context of the OIC member countries.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>ZAKĀH MANAGEMENT IN SOME MUSLIM SOCIETIES (1993), pp.54
 <i>Monzer Kahf</i>
 The paper focuses on the contemporary Zakāh management in four Muslim countries with observation on the performance of Zakāh management.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>INSTRUMENTS OF REGULATION AND CONTROL OF ISLAMIC BANKS BY THE CENTRAL BANKS (1993), pp.48
 <i>Ausaf Ahmad</i>
 The paper examines the practices of Central Banks, especially in the regulation and control aspects of Islamic Banks.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>REGULATION AND SUPERVISION OF ISLAMIC BANKS (2000), pp.101
 <i>M. Umer Chapra and Tariqullah Khan</i>
 The paper discusses primarily the crucial question of how to apply the international regulatory standards to Islamic Banks.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>AN ESTIMATION OF LEVELS OF DEVELOPMENT (A COMPARATIVE STUDY ON IDB MEMBERS OF OIC – 1995) (2000), pp.29
 <i>Morteza Gharehbaghian</i>
 The paper tries to find out the extent and comparative level of development in IDB member countries.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>ENGINEERING GOODS INDUSTRY FOR MEMBER COUNTRIES: CO-OPERATION POLICIES TO ENHANCE PRODUCTION AND TRADE (2001), pp. 69
 <i>Boualam Bindjilali</i>
 The paper presents a statistical analysis of the industry for the member countries and the prospects of economic cooperation in this area.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>ISLAMIC BANKING: ANSWERS TO SOME FREQUENTLY ASKED QUESTIONS (2001), pp. 76
 <i>Mabid Ali Al-Jarhi and Munawar Iqbal</i>
 The study presents answers to a number of frequently asked questions about Islamic banking.</p> | <p>Price \$ 10.00</p> |
| ❑ | <p>RISK MANAGEMENT: AN ANALYSIS OF ISSUES IN ISLAMIC FINANCIAL INDUSTRY (2001), pp.185
 <i>Tariqullah Khan and Habib Ahmed</i>
 The work presents an analysis of issues concerning risk management in the Islamic financial industry.</p> | <p>Price \$ 10.00</p> |

- | | | |
|---|--|----------------|
| □ | <p>EXCHANGE RATE STABILITY: THEORY AND POLICIES FROM AN ISLAMIC PERSPECTIVE (2001), pp. 50</p> <p><i>Habib Ahmed</i></p> <p>The paper discusses and analyzes the phenomenon of exchange rate stability in an Islamic perspective.</p> | Price \$ 10.00 |
| □ | <p>ISLAMIC EQUITY FUNDS: THE MODE OF RESOURCE MOBILIZATION AND PLACEMENT (2001), pp.65</p> <p><i>Osman Babikir Ahmed</i></p> <p>The study discusses Islamic Equity Funds as the Mode of Resource Mobilization and Placement.</p> | Price \$ 10.00 |
| □ | <p>CORPORATE GOVERNANCE IN ISLAMIC FINANCIAL INSTITUTIONS (2002), pp.165</p> <p><i>M. Umer Chapra and Habib Ahmed</i></p> <p>The subject of corporate governance in Islamic financial institutions is discussed in the paper.</p> | Price \$ 10.00 |
| □ | <p>A MICROECONOMIC MODEL OF AN ISLAMIC BANK (2002), pp. 40</p> <p><i>Habib Ahmed</i></p> <p>The paper develops a microeconomic model of an Islamic bank and discusses its stability conditions.</p> | Price \$ 10.00 |
| □ | <p>THEORETICAL FOUNDATIONS OF ISLAMIC ECONOMICS (2002), pp.192</p> <p><i>Habib Ahmed</i></p> <p>This seminar proceeding includes the papers on the subject presented to an IRTI research seminar.</p> | Price \$ 10.00 |
| □ | <p>ON THE EXPERIENCE OF ISLAMIC AGRICULTURAL FINANCE IN SUDAN: CHALLENGES AND SUSTAINABILITY (2003), pp.74</p> <p><i>Adam B. Elhiraika</i></p> <p>This is a case study of the experience of agricultural finance in Sudan and its economic sustainability.</p> | Price \$ 10.00 |
| □ | <p>RIBĀ BANK INTEREST AND THE RATIONALE OF ITS PROHIBITION (2004), pp.162</p> <p><i>M. Nejatullah Siddiqi</i></p> <p>The study discusses the rationale of the prohibition of <i>Ribā</i> (interest) in Islam and presents the alternative system that has evolved.</p> | Price \$ 10.00 |
| □ | <p>ON THE DESIGN AND EFFECTS OF MONETARY POLICY IN AN ISLAMIC FRAMEWORK: THE EXPERIENCE OF SUDAN (2004), pp.54</p> <p><i>Adam B. Elhiraika</i></p> <p>This is a case study of monetary policy as applied during the last two decades in Sudan with an analysis of the strengths and weaknesses of the experience.</p> | Price \$ 10.00 |

- | | | |
|---|---|----------------|
| □ | <p>FINANCING PUBLIC EXPENDITURE: AN ISLAMIC PERSPECTIVE (2004), pp. 114
 <i>Munawar Iqbal and Tariqullah Khan</i>
 The occasional paper addresses the challenge of financing public expenditure in Muslim countries, provides an Islamic perspective on the subject and discusses the potential of the alternatives available to alleviate the problem.</p> | Price \$ 10.00 |
| □ | <p>ROLE OF ZAKĀH AND AWQĀF IN POVERTY ALLEVIATION (2004), pp. 150
 <i>Habib Ahmed</i>
 The occasional paper studies the role of <i>Zakāt</i> and <i>Awqāf</i> in mitigating poverty in Muslim communities. The study addresses the issue by studying the institutional set-up and mechanisms of using <i>Zakāt</i> and <i>Awqāf</i> for poverty alleviation. It discusses how these institutions can be implemented successfully to achieve the results in contemporary times using theoretical arguments and empirical support.</p> | Price \$ 10.00 |
| □ | <p>OPERATIONAL STRUCTURE FOR ISLAMIC EQUITY FINANCE: LESSONS FROM VENTURE CAPITAL (Research Paper No. 69), (2005), pp.39
 <i>Habib Ahmed</i>
 The paper examines various risks in equity and debt modes of financing and discusses the appropriate institutional model that can mitigate these risks.</p> | Price \$ 10.00 |
| □ | <p>ISLAMIC CAPITAL MARKET PRODUCTS DEVELOPMENTS AND CHALLENGES (Occasional Paper No. 9), (2005), pp.93
 <i>Salman Syed Ali</i>
 The paper will serve to increase the understanding in developments and challenges of the new products for Islamic financial markets. The ideas explored in it will help expand the size and depth of these markets.</p> | Price \$ 10.00 |
| □ | <p>HEDGING IN ISLAMIC FINANCE (Occasional Paper No.10), (2006), pp.150
 <i>Sami Al-Suwailem</i>
 The book outlines an Islamic approach to hedging, with detailed discussions of derivatives, <i>gharar</i> and financial engineering. It accordingly suggests several instruments for hedging that are consistent with Shari'ah principles.</p> | Price \$ 10.00 |
| □ | <p>ISSUES IN ISLAMIC CORPORATE FINANCE: CAPITAL STRUCTURE IN FIRMS (Research No.70), (2007), pp. 39
 <i>Habib Ahmed</i>
 The research presents some issues concerning capital structure of firms under Islamic finance.</p> | Price \$ 10.00 |

- ☐ **ROLE OF MICROFINANCE IN POVERTY ALLEVIATION: LESSONS FROM EXPERIENCES IN SELECTED IDB MEMBER COUNTRIES (Occasional Paper)**, (2008), pp.73 **Price \$ 10.00**
Mohammed Obaidullah
 The book proposes a two-pronged strategy to poverty alleviation through micro-enterprise development based on the dichotomy between livelihood and growth enterprises. With a focus on provision of Sharī'ah-compliant financial services for micro-enterprises, it reviews thematic issues and draws valuable lessons in the light of case studies from three IsDB member countries – Bangladesh, Indonesia, and Turkey.
- ☐ **ISLAMIC ECONOMICS IN A COMPLEX WORLD: AN EXTRAPOLATION OF AGENT-BASED SIMULATION**, (2008), pp. 149 **Price \$ 15.00**
Sami Ibrahim al-Suwailem
 This research paper (book/occasional paper) discusses the possible use of recent advances in complexity theory and agent-based simulation for research in Islamic economics and finance
- ☐ **ISLAMIC MICROFINANCE DEVELOPMENT: INITIATIVES AND CHALLENGES (Dialogue Paper No. 2)**, (2008), pp. 81. **Price \$ 10.00**
Mohammed Obaidullah and Tariqullah Khan
 This paper highlights the importance of microfinance as a tool to fight poverty. It presents the “best practices” models of microfinance and the consensus principles of microfinance industry.
- ☐ **THE ISLAMIC VISION OF DEVELOPMENT IN THE LIGHT OF MAQĀSID AL-SHARĪ'AH**, (1429H, 2008), pp.65 **Price \$ 15.00**
M. Umer Chapra
 This paper asserts that comprehensive vision of human well-being cannot be realised by just a rise in income and wealth through development that is necessary for the fulfilment of basic needs or by the realization of equitable distribution of income and wealth. It is also necessary to satisfy spiritual as well as non-material needs, not only to ensure true well-being but also to sustain economic development over the longer term.
- ☐ **THE NATURE AND IMPORTANCE OF SOCIAL RESPONSIBILITY OF ISLAMIC BANKS**, (1431H, 2010), pp. 460 **Price \$ 15.00**
Mohammed Saleh Ayyash
 This book attempts to analyse the essential aspects of social responsibility of Islamic Banks and the means to achieving them. Apart from encapsulating the Sharī'ah formulation of the social responsibility and its relation to the objectives of Sharī'ah, the book also addresses the linkage between social responsibility and the economic and social development of Muslim communities. Furthermore, it demonstrates the impact of the nature of social and developmental role which should be undertaken by Islamic banks, not only for achieving socio-economic development but also for making the earth inhabitable and prosperous.

- **ISLAMIC BANKING STRUCTURES: IMPLICATIONS FOR RISK AND FINANCIAL STABILITY, (1432, 2011), pp 50**

Abd Elrahman Elzahi Saaid Ali

The results of this research are expected to be valuable to the management of Islamic banks and to those who are engaged in the fields of Islamic banking and finance.

Price \$ 10.00
- **HANDBOOK OF ISLAMIC ECONOMICS, Vol. 1, Exploring the Essence of Islamic Economics, (1432, 2011), pp.348**

Habib Ahmed & Muhammad Sirajul Hoque

This “Handbook of Islamic Economics” is part of the project to make important writings on Islamic economics accessible by organizing them according to various themes and making them available in one place. The first volume of this Handbook subtitled “Exploring the Essence of Islamic Economics” collects together the eighteen important articles contributed by the pioneers of the subject and presents them under four broad themes: (i) Nature and Significance of Islamic Economics, (ii) History and Methodology, (iii) Sharī‘ah and *Fiqh* Foundations, (iv) Islamic Economic System.

Price \$ 35.0
- **BUILD OPERATE AND TRANSFER (BOT) METHOD OF FINANCING FROM SHARĪ‘AH PERSPECTIVE, (1433, 2012), pp.115**

Ahmed Al-Islambouli

Literature on BOT techniques from Sharī‘ah perspectives are few and far between. This book surveys and reviews the previous studies as well as experiences of BOT financing by individuals and institutions and concludes with a Sharī‘ah opinion. It finds BOT to be a combination of *Istiṣnā’* and other contracts. The BOT would be a valid method after appropriate modifications

Price \$ 15.00
- **CHALLENGES OF AFFORDABLE HOUSING FINANCE IN IDB MEMBER COUNTRIES USING ISLAMIC MODES (1433, 2012), pp.266**

Nasim Shah Shirazi, Muhammad Zulkhibri Salman Syed Ali & SHAPE Financial Corp.

The focus of this book is on financial products and infrastructure innovation for housing finance. It quantifies the demand for housing in IDB member countries, estimates the financial gap, and evaluates the current Islamic house financing models and practices in the IDB member countries and elsewhere in the world. It also identifies niche areas where intervention by the IDB Group can promote development of housing sector to meet the housing needs in its member countries.

Price \$ 20.00

Lectures

- | | | |
|--------------------------|---|------------------------------|
| <input type="checkbox"/> | <p>THE MONETARY CONDITIONS OF AN ECONOMY OF MARKETS: FROM THE TEACHINGS OF THE PAST TO THE REFORMS OF TOMORROW (1993), pp.64</p> <p><i>Maurice Allais</i></p> <p>This lecture by the nobel laureate covers five major areas: (1) potential instability of the world monetary, banking and financial system, (2) monetary aspects of an economy of markets, (3) general principles to reform monetary and financial structures, (4)review of main objections raised against the proposed reforms and (5) a rationale for suggested reforms.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>THE ECONOMICS OF PARTICIPATION (1995), pp.116</p> <p><i>Dmenico Mario Nuti</i></p> <p>A case is made that the participatory enterprise economy can transfer dependent laborers into full entrepreneurs through changes in power sharing, profit sharing and job tenure arrangements.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>TABUNG HAJI AS AN ISLAMIC FINANCIAL INSTITUTION: THE MOBILIZATION OF INVESTMENT RESOURCES IN AN ISLAMIC WAY AND THE MANAGEMENT OF HAJJ (1995), pp.44</p> <p>It provides history and objectives of Tabung Haji of Malaysia, outlines saving and investment procedures of the Fund and gives an account of its services to <i>hajjis</i>.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>ISLAMIC BANKING: STATE OF THE ART (1994), pp.55</p> <p><i>Ziauddin Ahmad</i></p> <p>The paper reviews and assesses the present state of the art in Islamic banking both in its theoretical and practical aspects.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>ROLE OF ISLAMIC BANKS IN DEVELOPMENT (1995), pp.54</p> <p><i>Ahmad Mohamed Ali</i></p> <p>The paper analyses the concept of development from an Islamic perspective, highlighting the role of Islamic banks in achieving the same.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>JURISPRUDENCE OF MAŞLAĤAH AND ITS CONTEMPORARY APPLICATIONS (1994), pp.88</p> <p><i>Hussein Hamid Hassan</i></p> <p>The paper discusses the Islamic view as well as applications of <i>Fiqh al Maşlahah</i> in the field of economic and finance.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>AL GHARAR (IN CONTRACTS AND ITS EFFECT ON CONTEMPORARY TRANSACTIONS) (1997), pp.79</p> <p><i>Siddiq Al Dareer</i></p> <p>This study presents the Islamic Sharī'ah viewpoint regarding <i>gharar</i> and its implications on contracts, particularly in connection with sale contracts and other economic and financial transactions.</p> | <p>Price \$ 10.00</p> |
| <input type="checkbox"/> | <p>ISTIHSAN (JURISTIC PREFERENCE) AND ITS APPLICATION TO CONTEMPORARY ISSUES (1997), pp.148</p> <p><i>Mohammad Hashim Kamali</i></p> <p>The lecture deals with an important subject. It is a common knowledge that Qur'an and <i>Sunnah</i> are the primary sources of Islamic jurisprudence. It presents a cross section of Islamic legal issues, which are of vital importance to Islamic countries.</p> | <p>Price \$ 10.00</p> |

- | | | |
|---|---|-----------------------|
| ❑ | ECONOMIC COOPERATION FOR REGIONAL STABILITY (1996),
pp.34
<i>Bacharuddin Jusuf Habibie</i>
The paper highlights significance and implications of economic cooperation for regional stability in the context of Asian countries. Given the importance of economic cooperation between the developing countries in general and Islamic countries in particular. | Price \$ 10.00 |
| ❑ | WHAT IS ISLAMIC ECONOMICS? (1996), pp.73
<i>Mohammad Umer Chapra</i>
This lecture deals with an important subject. It explained both the subject matter of Islamic economics as well as its methodology in his usual mastering fashion. | Price \$ 10.00 |
| ❑ | DEVELOPMENT OF ISLAMIC BANKING ACTIVITY: PROBLEMS AND PROSPECTS (1998), pp.24
<i>Saleh Kamel</i>
This lecture explores the origin of Islamic banks and explains their problems and prospects which have attracted the attention of scholars. | Price \$ 10.00 |
| ❑ | AL-QIYAS (ANALOGY) AND ITS MODERN APPLICATIONS (1999),
pp.132
<i>Muhammad Al-Mukhtar Al-Salami</i>
The paper presents the juridical theory of <i>Qiyās</i> and its applications to contemporary issues. | Price \$ 10.00 |
| ❑ | MUDĀRABAH AND THE PAKISTAN PERSPECTIVE (2000), pp.46
<i>Justice (Retd.) Tanzilur Rahman</i>
The lecture deals with <i>Mudārabah</i> characteristics and its applications in accordance with Shari‘ah and the Pakistan perspective. | Price \$ 10.00 |
| ❑ | SUSTAINABLE DEVELOPMENT IN THE MUSLIM COUNTRIES (2003), pp.104
<i>Monzer Kahf</i>
IDB Prize Lectures analyses the concept of sustainable development from an Islamic perspective and surveys the state of development in Muslim countries. | Price \$ 10.00 |

Others

- | | | |
|---|---|-----------------------|
| ❑ | TRADE PROMOTION ORGANIZATIONS IN OIC MEMBER COUNTRIES (1994), pp.40
A directory of trade promotion organizations. A reference for those interested in trade promotion in OIC member states. | Price \$ 10.00 |
| ❑ | A BIBLIOGRAPHY OF ISLAMIC ECONOMICS (1993), pp.840
A very significant bibliography of Islamic economics organized according to (1) Call Number Index, (2) Descriptor Index, (3) Subject Term Index for Call Numbers, (4) Author Index (5) Corporate Author Index. | Price \$ 20.00 |
| ❑ | PETROCHEMICAL INDUSTRY IN OIC MEMBER COUNTRIES (1994), pp.89
Useful and up-to-date information on Petrochemical Industry in OIC member States are brought together in this study to promote trade among them in this area. | Price \$ 10.00 |

- | | | |
|--------------------------|---|-----------------------|
| <input type="checkbox"/> | FERTILIZER INDUSTRY AND TRADE IN OIC MEMBER COUNTRIES (1995) , pp.603
It serves as a useful and up-to-date guide to fertilizer industry, technology and trade in OIC member countries. | Price \$ 20.00 |
| <input type="checkbox"/> | CEMENT INDUSTRY IN OIC MEMEBR COUTNIRES – (SECOND EDITION) (1993) , pp.560
It is a guide to the Cement industry in the OIC member countries to promote trade among them in the area of cement and to enhance the quality and productivity of cement. | Price \$ 20.00 |
| <input type="checkbox"/> | FINANCIAL DEVELOPMENT IN ARAB COUNTRIES (BOOK OF READINGS, No.4) (2005) , pp.298
This book of readings provides fruitful policy recommendations on various financial development issues in the Arab World such as operational efficiency and service quality in banking. It also examines different aspects related to stock markets development such as efficiency, volatility, hedging, and returns | Price \$ 20.00 |

Actes de Séminaires

- | | | |
|--------------------------|--|----------------------|
| <input type="checkbox"/> | L'ORGANISATION ET LE FONCTIONNEMENT DU CONSEIL MALAIS DE DIRECTION DES PELERINS ET DU FONDS DU PELERINAGE (1987) , 109 pages
Comme institution consacrée à l'organisation du pèlerinage, TABUNG HAJI (Conseil de Direction des Pèlerins) a servi comme modèle type à cette journée d'étude. | Prix \$ 10.00 |
| <input type="checkbox"/> | L'ADMINISTRATION PUBLIQUE DANS UN CONTEXTE ISLAMIQUE (1995) , 150 pages
<i>Yassine Essid and Tahar Mimm, (éd.)</i>
Outre l'histoire de l'administration en Islam, cet ouvrage traite de nombreux aspects tant théoriques que pratiques de l'administration d'un point de vue islamique et qui touchent à l'actualité du monde islamique. | Prix \$ 10.00 |
| <input type="checkbox"/> | LA ZAKĀT: ASPECTS JURIDIQUES, ECONOMIQUES ET SOCIAUX (1995) , 248 pages
<i>Boualem Bendjilali and Mohamed Alami (éd.)</i>
Actes de séminaire sur LA ZAKĀT dont l'objectif est d'ouvrir de nouvelles voies à la réflexion et de faire connaître les concepts, la méthodologie et les principes de base de la collecte et de la répartition de la Zakāt. | Prix \$ 20.00 |
| <input type="checkbox"/> | DEVELOPPEMENT D'UN SYSTEME D'INSTRUMENTS FINANCIERS ISLAMIQUES (1995) , 328 pages
<i>Mohamed Ariff and M.A. Mannan (éd.)</i>
Actes de séminaire dont l'objectif principal était d'identifier les voies et moyens pour l'émission d'instruments financiers islamiques viables qui pourraient préparer le terrain à une mobilisation efficace des ressources financières dans les pays membres de la BID. | Prix \$ 20.00 |
| <input type="checkbox"/> | INTRODUCTION AUX TECHNIQUES ISLAMIQUES DE FINANCEMENT (1997) , 210 pages
Actes de séminaire dont l'objectif principal était d'offrir aux cadres supérieurs des pays francophones membres de la BID une introduction d'ordre théorique et pratique sur les modes de financement islamiques utilisés par les banques et les institutions financières islamiques. | Prix \$ 20.00 |

- | | | |
|---|--|----------------------|
| ❑ | CONFERENCES EN ECONOMIE ISLAMIQUE (1996) , 555 pages
<i>Ausaf Ahmed and Kazim Awan</i>
Actes de séminaire dont l'objectif principal est de servir comme outil de base pour les étudiants et aux enseignants en économie islamique. | Prix \$ 20.00 |
| ❑ | LE DEVELOPPEMENT DURABLE, (1997) , 256 pages
<i>Taher Memmi (éd.)</i>
Actes d'un séminaire sur le développement durable qui présente, entre autres, la stratégie en cette matière de quelques pays membres de la BID. | Prix \$ 20.00 |
| ❑ | PROMOTION ET FINANCEMENT DES MICRO-ENTREPRISES (1997) , 187 pages
<i>Taher Memmi (éd.)</i>
Actes de séminaire sur la promotion et financement des micro-entreprises qui peuvent être utiles à tous ceux, décideurs, hommes et femmes du terrain, soucieux de faire de la micro-entreprise un outil efficace et durable de lutte contre la pauvreté. | Prix \$ 10.00 |
| ❑ | LA ZAKÂT ET LE WAQF : ASPECTS HISTORIQUES, JURIDIQUES, INSTITUTIONNELS ET ECONOMIQUES (1998) , 387 pages
<i>Boualem Bendjilali (éd.)</i>
Actes de séminaire qui visent à faciliter l'accès des lecteurs francophones à la littérature sur l'économie islamique en général et la Zakât et le Waqf en particulier. | Prix \$ 20.00 |
| ❑ | LES MODES DE FINANACEMENT ISLAMIQUES (1993) , 48 pages
<i>Boualem Bendjilali (éd.)</i>
Rapport d'un séminaire sur les modes de financement islamiques tenu en Mauritanie en 1413H (1992). | Prix \$ 10.00 |
| ❑ | LES SCIENCES DE LA CHARI'A POUR LES ECONOMISTES: LES SOURCES DU FIQH, SES PRINCIPES ET SES THEORIES; LE FIQH DES TRANSACTIONS FINANCIERES ET DES SOCIETES; ET SON APPLICATION CONTEMPORAINE (2001) , 572 pages
<i>Boualem Bendjilali (éd.)</i>
Actes de séminaire sur les sciences de la Chari'a pour les économistes dont l'objectif principal est de servir comme outil de base aux chercheurs, étudiants et enseignants en économie islamique sur les sources du <i>Fiqh</i> . | Prix \$ 25.00 |

Recherches

- | | | |
|---|--|----------------------|
| ❑ | LA COOPERATION ECONOMIQUE ENTRE LES PAYS DU MAGHREB (1985) , 138 pages
<i>Ridha Saadallah</i>
Cet ouvrage traite de nombreux thèmes dont les ressources naturelles et humaines au Maghreb, le potentiel de coopération agricole et industrielle au Maghreb, etc. | Prix \$ 10.00 |
| ❑ | PROFITS ET INTERETS BANCAIRES ENTRE L'ANALYSE ECONOMIQUE ET LA CHARI'A (1994) , 150 pages
<i>Abdelhamid El-Ghazali</i>
Cet opuscule traite de l'intérêt bancaire face au profit en tant que mécanismes de gestion de l'activité économique. Une analyse de deux points de vue différents, celui de l'économie conventionnelle et celui de la Chari'a. | Prix \$ 10.00 |

- | | | |
|--------------------------|--|-----------------------------|
| <input type="checkbox"/> | <p>LA MOUDHARABA SELON LA CHAR'I'A ET SES APPLICATIONS CONTEMPORAINES (1994), 83 pages
 <i>Hassan El-Amin</i>
 Cette étude traite de nombreux aspects pratiques: légal, économique et bancaire.</p> | <p>Prix \$ 10.00</p> |
| <input type="checkbox"/> | <p>JOUALA ET ISTISNA,
 <i>Analyse juridique et économique (1994)</i> , 65 pages
 <i>Chaouki Ahmed Donia</i>
 L'intérêt de cette recherche réside dans le fait qu'elle aborde un nouveau domaine d'application des transactions économiques islamiques se basant sur deux contrats, à savoir "La Jouala et L'Istisna".</p> | <p>Prix \$ 10.00</p> |
| <input type="checkbox"/> | <p>LA PROPRIETE FONCIERE EN ISLAM (1994) (Enquête), 52 pages
 <i>Mahmoud A. Guilaïd</i>
 Le but de cette étude est d'examiner les questions les plus importantes concernant le droit de propriété foncière en Islam.</p> | <p>Prix \$ 10.00</p> |
| <input type="checkbox"/> | <p>LES RELATIONS COMMERCIALES ENTRE LE CONSEIL DE COOPERATION DU GOLFE ET LA COMMUNAUTE EUROPEENNE (1995), 152 pages,
 Du Passé Récent au Lendemain de 1992
 <i>Ridha Mohamed Saadallah</i>
 Cette étude procède à une analyse minutieuse des statistiques passées, des échanges commerciaux entre les pays du CCG et ceux de la Communauté Européenne en vue de dégager les tendances profondes et les caractéristiques structurelles du commerce Euro-Golfe.</p> | <p>Prix \$ 10.00</p> |
| <input type="checkbox"/> | <p>ERADICATION DE LA PAUVRETE ET DEVELOPPMENT DANS UNE PERSPECTIVE ISLAMIQUE (1995), 180 pages
 <i>Abdelhamid Brahimi</i>
 Cette recherche, divisée en deux parties, traite dans la première des facteurs internes et externes de blocage et de l'impasse. La seconde est consacrée à la conception et à la mise en oeuvre de politiques économiques dans une perspective islamique.</p> | <p>Prix \$ 10.00</p> |
| <input type="checkbox"/> | <p>JUGEMENT DU TRIBUNAL FEDERALISLAMIQUE DU PAKISTAN RELATIF A L'INTERET (RIBĀ) (1995), 478 pages
 Ce document constitue un outil de travail et une référence indispensables à tous ceux, parmi les décideurs politiques et chercheurs dans les pays membres de la Banque, qui sont désireux de voir se développer l'alternative d'un système financier exempt d'intérêt.</p> | <p>Prix \$ 25.00</p> |

Eminents Spécialistes

- | | | |
|--------------------------|--|-----------------------------|
| <input type="checkbox"/> | <p>LES CONDITIONS MONETAIRES D'UNE ECONOMIE DE MARCHES DES ENSEIGNEMENTS DU PASSE AUX REFORMES DE DEMAIN (1993), 64 pages
 <i>Maurice Allais (Prix Nobel d'Economie - 1988)</i>
 L'auteur, dans son examen, critique du système monétaire international, appelle à des réformes tant économiques que morales.</p> | <p>Prix \$ 10.00</p> |
|--------------------------|--|-----------------------------|

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | <p>JURISPRUDENCE DE LA MAŞLAHAH ET SES APPLICATIONS CONTEMPORAINES (1995), 92 pages</p> <p><i>Hussein Hamed Hassan</i></p> <p>L'étude, présente le point de vue islamique se rapportant à la question de l'intérêt public, son lien avec la législation, ses conditions et ses dimensions juridiques; avec un certain nombre d'applications contemporaines.</p> | Prix \$ 10.00 |
| <input type="checkbox"/> | <p>JURISPRUDENCE DE LA NECESSITE (FIQH DE LA DHARURA) ET SON APPLICATION DANS LA VIE CONTEMPORAINE : PERSPECTIVE ET PORTEE (1996), 259 pages</p> <p><i>Abd al-Wahab I. Abu Sulayman</i></p> <p>Cette recherche sur le <i>Fiqh de la Darūrah</i> aborde le point de vue de la Chari'a islamique par rapport à la notion de <i>Darūrah</i> (nécessité), ses conditions et ses perspectives juridiques.</p> | Prix \$ 20.00 |
| <input type="checkbox"/> | <p>COOPERATION ECONOMIQUE POUR UNE STABILITE REGIONALE (1996), 37 pages</p> <p><i>Bacharuddin Jusuf Habibie</i></p> <p>Cet ouvrage porte sur l'importance coopération économique entre les pays en développement en général et entre les pays islamiques en particulier.</p> | Prix \$ 10.00 |
| <input type="checkbox"/> | <p>LE QIYAS ET SES APPLICATIONS CONTEMPORAINES (1996), 139 pages</p> <p><i>Mohamed Mokhtar Sellami</i></p> <p>Uni conférence qui traite de l'une des sources de la jurisprudence, reconnue dans la science des fondements du droit sous le nom d'analogie (Qiyās) et reconnue par l'ensemble des écoles juridiques comme preuve légale et méthode d'extraction des jugements.</p> | Prix \$ 10.00 |

Prix de la BID

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | <p>LE SYSTEME BANCAIRE ISLAMIQUE : LE BILAN, (1996), 65 pages</p> <p><i>Ziauddin Ahmed</i></p> <p>Le but de ce papier est d'examiner et d'évaluer la situation actuelle dans le domaine des banques islamiques aussi bien du point de vue théorique que pratique.</p> | Prix \$ 10.00 |
| <input type="checkbox"/> | <p>QU'EST-CE QUE L'ÉCONOMIE ISLAMIQUE? (1996), 81 pages</p> <p><i>Mohammad Umer Chapra</i></p> <p>Conférence donnée par Dr. Chapra lauréat du Prix de l'économie islamique 1409H (1989) sur : l'économie conventionnelle et l'économie islamique.</p> | Prix \$ 10.00 |
| <input type="checkbox"/> | <p>EVOLUTION DES ACTIVITES BANCAIRES ISLAMIQUES: PROBLEMES ET PERSPECTIVES (1998), 30 pages</p> <p><i>Saleh Kamel</i></p> <p>Conférence donnée par Cheikh Saleh Kamel lauréat du Prix de la BID en système bancaire islamique pour l'année 1416H (1995/96). Elle constitue une grande contribution à la compréhension de l'économie et du système bancaire islamiques et à leur évolution.</p> | Prix \$ 10.00 |
-

Traductions

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | VERS UN SYSTÈME MONÉTAIRE JUSTE, (1997) , 352 pages
<i>Mohammad Umer Chapra</i>
Ce livre développe avec habileté la logique islamique de la prohibition du <i>Ribā</i> , et démontre avec rigueur la viabilité et la supériorité du système de financement basé sur la participation au capital. | Prix \$ 20.00 |
|--------------------------|---|----------------------|
-

Documents occasionnels

- | | | |
|--------------------------|--|----------------------|
| <input type="checkbox"/> | DEFIS AU SYSTEME BANCAIRE ISLAMIQUE, (1998) , 90 pages
<i>Munawar Iqbal, Ausaf Ahmad et Tariquallah Khan</i>
Le but de ce document occasionnel est que les théoriciens et praticiens dans le domaine bancaire islamique doivent explorer les voies et moyens permettant au système bancaire islamique de soutenir son rythme de progrès au moment où il entre dans le 21ème siècle. | Prix \$ 10.00 |
|--------------------------|--|----------------------|

TRANSLITERATION TABLE

Arabic Consonants

- Initial, unexpressed medial and final:

ء '	د d	ض ḍ	ك k
ب b	ذ dh	ط ṭ	ل l
ت t	ر r	ظ ṣ	م m
ث th	ز z	ع ʿ	ن n
ج j	س s	غ gh	ه h
ح ḥ	ش sh	ف f	و w
خ kh	ص ṣ	ق q	ي y

- Vowels, diphthongs, etc.

Short	ا a	ي i	و u
Long	أ ā	ي ī	و ū
Diphthongs	أ aw	أ ay	

Notes To Contributors

1. The papers submitted to *IES* should make some noticeable contribution to Islamic economics, either theoretical or applied, or discuss an economic issue from an Islamic perspective.
2. Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere.
3. Since *IES* sends all papers for review, electronic copies should be submitted in MS word format in a form suitable for sending anonymously to the reviewers. Authors should give their official and e-mail addresses and telephone/fax numbers at which they can be contacted.
4. All papers must include an abstract of no more than 150 words. It is strongly advised that the length of the article should not exceed 6000 words.
5. All papers should have an introductory section in which the objectives and methodology of the article are explained and a final section, which summarizes the main points, discussed and the conclusions reached.
6. Manuscripts should be typed double-spaced, on one side of the paper only. References, tables and graphs should be on separate pages.
7. Detailed derivations of the main mathematical results reported in the text should be submitted separately. These will not be published.
8. References should be listed at the end of the text in the following style:
9. Articles: Al-Qari, Mohamed Ali (1993), "Towards an Islamic Stock Market", *Islamic Economic Studies*, Vol. 1, No. 1; Books: Khan, A. R. (1993), *Financial Intermediation*, New York: Springer Publishers. Page references to works referred to in the text should take the following form: Al-Qari (1993:17). Citations within the text should follow Harvard APA style.
10. The verses of the Qur'ān quoted should carry *surah* number and *ayah* number as (3:20).
11. Complete reference to the source of aḥādīth quoted should be given.
12. Contributions may be sent in English, Arabic or French and should be addressed to the Editor, *Islamic Economic Studies*, on the following

E-mail: ejournal@isdb.org (for English language articles)

ajournal@isdb.org (for Arabic language articles)

fjournal@isdb.org (for French language articles)

Our postal address is: Islamic Research & Training Institute (IRTI), 8111 King Khalid St. Al Nuzlah Al Yamaniah Dist. Unit No. 1, Jeddah 22332-2444, Kingdom of Saudi Arabia