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Articles

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.

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C. Conduct policy dialogue with member countries.
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The Institute is located at the headquarters of the Islamic Development Bank in Jeddah, Saudi Arabia.

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Beyond Good Practices and Standards: An Islamic Framework of Sustainable Business Practices for Corporate Organisation

ABDULGAFAR OLAWALE FAHM•

Abstract

The aim of this paper is to explore why, how and when a business organisation may choose to go beyond good business practices and standards. In writing this article, the researcher sought to engage with modern secular insights about sustainable business practices for corporate organisations and to be in critical dialogue with those insights. The study addresses the questions of how can corporations develop into responsible moral agents and what effective framework can be used for sustainable business practices within an Islamic setting? It proposes to incorporate Islamic ethical principles such as ikhlāṣ (sincerity), 'ilm (knowledge), ḥikmah (wisdom), hilm (forbearance) and rifq (gentleness), sabr (patience), tawaadu' (humility), qudwah (good example), husnul-Istimaa' (good listening), shajaa'ah (courage), karam (generosity) into corporate business practices. This study is an effort to bring religion into our economic lives, which invariably means bringing religious ethics into what is supposed to be free of such values.

"Corporate governance is one of the most important failures behind the present financial crisis." de Larosière Group (2009)

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1. Introduction

Since the publication of *The Social Responsibility of Business is to Increase its Profits* (Milton, 1970), business; economics; and management scholars have grappled with the idea of the aim of businesses and whether it solely should be based on profits. This concern led to the discussion on the social responsibilities of corporate organisations to their investors, employees, customers, and other individuals. It has also raised the question of, how corporate organizations (more precisely the managers of corporate organizations) conceive business and their responsibilities. This is important because the manner in which a corporate organization understands business and responsibilities will determine how they deal with their local host communities, the attention they give to their employees, their product safety, and other similar matters.

Over the last few decades, millions of individual business investors and stakeholders who have experienced significant reductions in the values of their investment portfolios can confirm the tremendous importance of trustworthy behavior. Financial markets lost much ground as a direct result of misleading statements and fraudulent accounting statements by analysts employed by highly respected investment corporate organizations. Instances like these have helped to teach a hard but important lesson: that a solid moral/ religio-spiritual foundation is necessary to our well-being as individuals and as a broader community with strong economic and moral interconnections. As a result, the climate of business seems to be open, once again, to discussion and action concerning moral matters. However, issues such as short-term expectations and global competition have also made it difficult for business managers to actually incorporate good and ethical behavior in the marketplace (Rae & Wong, 2009).

Numerous studies of the impact of Islamic business practices on corporate governance as well as society (e.g., Grais & Pellegrini, 2006; Baydoun & Willett, 2000; Chapra & Ahmed, 2002; Safieddine, 2009 tend to focus on the financial aspect. Another group of studies on Islam and business presents a general outlook of Islam on business (see for example Gambling & Karim, 1991; Ahmad, 1995; Beekun, 1996; Rice, 1999; Hasanuzzaman, 2003; Ahmed, 2008). Only a relative handful of studies (e.g., Lewis, 2005; Sourial, 2004; Shaikh, 1988) have examined the implication for Islamic business practices on corporate organizations, environment and society as a whole.

Insufficient information on the corporate and societal implications of Islamic business practices and standards is indeed a cause for concern because it is the sort of moral and ethical dimension required for resolving stifling crisis currently plaguing corporate business world which invariably affects the society through creating social imbalance and injustice (Rice, 1999).

This paper dilates on the Islamic dimension to sustainable business practices for corporate organizations. The study shall, therefore, proceed as follows: describe the issues at stake when business and mangement scholars talk about good business practices and standards, identify the attributes necessary for the sustainability of corporate organizations, discuss in detail specific challenges corporate organizations are currently facing and how the Islamic Framework can help to mitigate the challenges.

2. Good Practices and Standards in Business from a Capitalists Perspective

In this section, we address how economist and business management scholars have explained what good business practices and standards are and should be for corporate organizations. Some scholars support the idea that the role and purpose of the corporation in society is to primarily seek to maximize profit for its shareholders while there are scholars who also maintain that beyond profit maximization for shareholders, corporations have the responsibility to serve other constituents and hold up broader social goals, even when these pursuits may sometimes reduce financial gain.

Milton (1970) argues that the primary duty of a corporation is to increase shareholders' wealth. He states that when managers of corporations act in what we might call a socially responsible manner that in one way or the other resulted in reduction of profits, they violate their trustee duties to the owners of the enterprise. This theory is now known as the Shareholder Wealth Model or Custodian of Wealth Model of social responsibility.

The role of corporate organizations in business has changed over the years. Corporate organizations do not only have to focus on profit, but also on social responsiveness (Robbins, 1996). French (1979) for instance, regards a corporation as a moral person, which invariably means it can be held accountable for what it does or does not do. Sheppard (1994) in following the line of thought of French discusses corporate character and the moral impetus directors of corporations should play in the moral upliftment of their corporate precinct. He states that if directors are found wanting in "develop[ing] a culture open to moral discussion they should be held responsible" (p. 151).

Furthermore, Lantos (2001) examines corporate social responsibility within four broad components, namely: economic, legal, altruistic and ethical responsibilities. He notes different roles corporate organizations play in business circle, ranging from profit making to community service. However, the main focus of Lantos's paper is the confusion that is generated when ethical, altruistic and strategic forms of corporate social responsibility are lumped together. It is important to note that in the area of altruistic corporate social responsibility he supports Milton (1970) that that should not be seen as a legitimate role of business. Lantos however, emphasis the importance of ethical duties and responsibilities of corporate organizations which he connects to what he calls "strategic CSR". This he believes is not only good for businesses, but also societies.

Similarly, Bénabou & Tirole (2010) in their article juxtaposes the individual and corporate organization in identifying a better alternative to persistent market and distributive failures within the business sector. Their argument is based on psychology and economics of prosocial behavior which they note often mirrors a mesh of altruism, material incentives, and social or self esteem concerns. They observe that society's expectation of corporate organizations can be divided broadly into three; "the adoption of a more long-term perspective, the delegated exercise of philanthropy on behalf of the stakeholders, and insider-initiated corporate philanthropy" (p. 19).

Sikka (2010) on the other hand, describes corporations' insincerity to their social responsibility. He examines the issue of organized tax avoidance by companies which has the tendency of negatively affecting a large number of stakeholders. Sikka calls for a closer look at corporate organizations' culture and practices which he portrays as having "gaps between corporate talk, decisions and action, or what may be characterized as organized hypocrisy" (p. 153). The effect of this "hypocrisy" is not however limited to just the society but also threatens the sustainability of the corporation. He emphasizes how corporations make promises of ethical and moral conduct, but found themselves in irresponsible situations. This is a contradiction in words and deeds which unavoidably often lead to negative outcomes. This shows that a comprehensive approach is required to tackle the challenges faced by corporate organizations. The solution lies in putting in place an effective framework for a sustainable business practice.

Against the above backdrop, idea of corporate organization focusing basically on increasing profits, provide stockholders with high returns on their investments, obey the law, and avoid deceptive business practices which I have termed in this paper 'the good business practices and standards' must be transcended. This is also supported by the Islamic business module raised in this paper. What in practical terms does it mean for a corporate organization to conduct business within an Islamic framework of sustainable business practices? All these and much more will be discussed in this paper.

3. The Islamic Framework for Good Practices and Standards in Business

One of the fundamental issues when discussing Islamic perspective to good practices and standards in business is *Tawhid* (oneness of God). *Tawhid* is the source of all Islamic ethical principles and framework (Mohammed, 2013; Naqvi, 1981). Oneness or Tawhid also implies the liberation and reclamation of man's fundamental freedom from all human (man-made) and superhuman subjugations before his responsibility regarding Allah can be genuine and positive (Siddiqi, 1979). It is this responsibility, and its accompanying mission, which makes an uplifting state of mind towards the world of nature since man requires adequate assets to satisfy that mission and to remain by that dedication. The way in which man uses the assets around him ought to mirror his adherence to *Tawhid*. He is viewed as a disappointment on the off chance that he does not fulfill his main goal or abuses his assets which are all God-given.

The way to the business rationality of Islam lies in a man's association with God, His universe and His people. In the same way as other revealed religions is the ethical appeal to people to surrender themselves to the will of God. Islam goes past this admonishment and shows that all life is basically a unity since it likewise gives a practical approach to various aspects of human life in accordance to God's will. There ought to be oneness of thoughts and activities in a man's existence and consciousness (Asad, 1993). Therefore, Islam is just a program of life in line with the "laws of nature" declared by God. A clear connection between people is therefore recommended. This is the relationship of fellowship or sisterhood and fairness (Abu-Sulayman, 1976).

In conceiving the idea of an Islamic framework for sustainable business practices emphasis are placed on the noble qualities that Islam expects in humans such as; *ikhlāṣ* (sincerity), *'ilm* (knowledge), *ḥikmah* (wisdom), *hilm* (forberance) and *rifq* (gentleness), *sabr* (patience), *tawaadu'* (humility), *qudwah* (good example), *husnul-Istimaa'* (good listening), *shajaa'ah* (courage), *karam* (generosity). These qualities are originally the qualities expected from one who calls people to what is good and forbids that which is evil or bad as listed by Jusoh (2014). In order for such callers to be successful in their endeavor they are expected to imbibe these qualities. This paper highlight these qualities to bear on the sustainable business practices since business are also engaged in a form of 'calling' i.e. they want more people to buy or use their product and for the businesses to grow and be sustainable. Hence, a corporate organization - by virtue of its vested interest and responsibility towards shareholders, customers, employees, suppliers, neighbors, regulatory bodies, and society at large - is required or expected to have the qualities mentioned above.

In addition, what is regarded as the Islamic framework in this paper alludes to French's (1979) postulation that corporation is a moral person. According to him, corporations have internal decision making structure, rules and policies which qualify them for moral agent status. These controls make them beings with intention having same responsibilities and rights as persons. French argues that a moral person is "the referent of any proper name or description that can be a non-eliminatable subject" of the second type. The first type being when someone or thing did something. The second type is along the line of accountability or having a responsibility to act or having a liability to answer. This implies the presence of some sort of authority or relationship tying them to the act over the other person. In other words, in placing corporations under this scheme, one must attribute their actions to the corporations themselves and not to the people that comprise them such as the execs, directors and CEOs. Besides, if we attribute the actions to the people that comprise the corporation then we cannot distinguish logically between the corporation and a mob (he refers to the mob as "an aggregate collectivity with no identity over and above that of the sum of the identities of its component membership"). The main question French attempts to answer in his essay are: Do corporations really cause events to happen through their employees, or do the employees actually cause the events? Does the corporation have a reason for its actions (like a person would)? These questions were answered through what is called Corporate Internal Decision (CID) concept and its managerial influence on its corporation employees. This led to the conclusion that a corporate structure is greater than the influences of its executives or directors since a corporation's aims go beyond the personal gains of its executives.

It is pertinent at this point to state clearly that although there is a general consensus among different societies and cultures about certain fundamental moral values. However, as a result of the knowledge from both sacred and expected sources, the Islamic ethical system substantially differs from those of others. One distinctive feature of morality from the Islamic point of view is its acknowledgment of eternal religious standards. In addition, the idea of a personal and moral autonomy is regarded as usurping God's own position as the judge of good and evil. It also cuts an individual off from the community of faith. In other words, goodness is not just an individual matter in Islam, the society is also has a duty to publicly uphold moral behaviour and religious practice (Halstead, 2007). Moral advancement is, therefore, an effort towards the realization of these values, as opposed to a promise of an ethical universe determined rationalistically amongst individual and society. It is on the above basis that Islam prescribes a unified code of behavior – both individually and collectively, this code is equally applicable to corporations adhering to Islamic business precepts.

Now let us look at the qualities that a corporate organization must imbibe as a moral person:

Ikhlāṣ (Sincerity)

This is quality of being honest in expressing true or deep feelings. It is the ability to express strong feelings on good ideas that can benefit lots of people or in this case lots of stakeholders. This is needed in transactions of corporate organizations. It is to engage in business or trade that is lawful and aiming for good. Sincerity in Islam is linked to *Iman* (faith) and *Iman* as a lot to do with belief in Allah as well as acting upon what He enjoins and avoiding all He forbids. A sincere organization will not be too engrossed with care for its own particular needs but its concentration will also be centered towards achieving the common goals of the public and society. Lack of sincerity, from Islamic perspective, leads to acts or actions that are half-hearted, selfish and greedy. For instance, the Qur'ān says ". . . give full measure when you measure, and weigh with a balance that is true. . ." (17:35). This shows that Islam promotes the need to trade but not just trading only for trading sake it must also go along with certain level of sincerity of purpose.

'Ilm (knowledge)

It is the ability to distinguish what is good from what is bad and the understanding of the environment one is dealing with. This is another way in which a corporate organisation can sustain its business. From Islamic point of view, knowledge is important to Muslims because they have to seriously guard their behavior, words and thoughts. Islam also instruct its adherents to observe certain norms and moral codes in all their affairs. Fulfilling these norms and moral codes requires knowledge. This requirement is also an important requirement for a sustainable business for corporate organisation since the organisation must know what good product are available and how good their product is or can be and how to improve upon it to make it better. To extend this point further, for corporate organisations, it is necessary that they possess the knowledge of what is good and bad of their products and services as well as the differences between their different products, and it is necessary to know the situation they are appropriate to be used in order to guide those they will sell to or serve. This can also be linked to knowledge of the environment of the neighborhood the business serves. This will invariably lead to fair dealings in the social and public affairs within the community.

Ḥikmah (Wisdom)

It is the ability to say and do the right thing in the right way at the right time to the right person. It involves having a good sense of accumulated learning. The ability to make sensible decisions and judgements based on knowledge and experience. This can be described as right and balanced way of dealing with issues that affects the corporation. This idea can also be glined from the Prophet who is reported to have said "Leave what makes you doubt for things that do not make you doubt" (Tirmidhi, no. 2442). This has to do with soundness of decision, the excellence of mind, the rightness of opinion and the awareness of the subtle actions that can distrupt the organization if not dealt with appropriately. This can also be extended to the manner a corporate organization go about marketing and advertising its product and services. Corporate organizations must strive towards certainty based on wisdom.

Hilm (Forberance) and Rifq (Gentleness)

This involves ability to refrain from actions that have negative consequences even when one has the legal right to act. It is also has to do with not responding to provocation. From the Islamic perspective, these concepts can be seen in the Prophet's statement that "May Allah's mercy be on him who is lenient in his buying, selling and in demanding back his money (or debts)" (Bukhari, no. 1934). This is needed by a corporate organization, especially when faced with opposition from defaulting customers. The Qur'ān in highlighting the importance of the quality says to Prophet Muhammad (and by implication to all Muslims): "It is part of the Mercy of Allah that thou dost deal gently with them. Wert thou severe or harsh-hearted, they would have broken away from thee, so pass over (their faults)" (Suratul Imran 3: 159). Since no corporation will like to loss its customers or people involved in sustaining the company, this quality is highly required. A corporate organisation can not succeed without imbibing the culture of forberance and gentleness. In addition, Prophet Muhammad was reported to have said: Indeed gentleness does not enter into anything except it beautifies it, nor is it removed from anything except that it makes it ugly (Reported by Imam Muslim).

Sabr (Patience)

This is the capacity to wait or endure delays or provocations. It involves the capacity to persevere when faced with difficult situation. The Qur'ān says: "Be sure we shall test you with something of fear and hunger, some loss in goods or lives or the fruits (of your toil), but give glad tidings to those who patiently persevere" (Suratul Baqarah 2: 155). A business organization can not be sustained if there is no quality of patience when dealing with challenges. It also stated in the Qur'ān that "On no soul doth Allah place a burden greater than it can bear. It gets every good that it earns, and it suffers every ill that it earns" (Suratul Baqarah 2: 286). This quality is invaluable especially in a situation when there is need to wait for more information before a decision is made. Patience is required of those who wants to get as many people as possible to their sides. This is a quality required as a caller and this by extension can also benefit a corporate organization. This is because in doing business a corporation realises that there are quite a number of people that needs tremendous amount of proves in order for them to be convinced. This type of people, in a manner of speaking, will test the patience of the corporate organisation. A corporation that has imbibed the quality of patience will be able to maintain its ground and be willing to wait and keep trying in patience.

Tawaadu' (Humility)

This is the capacity to be modest and respectful in ones dealing. It encompasses the capacity to be persuasive and positive at the same time. A corporate organization that show elements of arrogance in its dealing can not be sustained in the long run. The Prophet is reported to have said "Allah has placed them (workers) under you. Those are your brothers. So, if anyone of you has someone under him, he should feed him out of what he himself eats, clothe him like what he himself puts on, and if that be the case, let him not put so much burden that he is not able to bear, then lend your help to him" (Bukhari, no. 2359). This is because no one will be interested in a corporate that tends to force itself or its views or way on others. It is also a way of building unique relationship between the organization and the consumers of their products and services. It helps to prevent the organization from behaving in a harmful way toward those they deal with.

Qudwah (Good example)

This is the ability to be a representative of virtue and having the typical features of all that is good. It concerns the capacity to be in words and deeds a model to be copied. The idea of showing good example is also encourage in Islam. A corporate organization that wants its business to be sustainable must at all times show good example for others to follow. This good example will go a long way in making those having dealings with the organisation to be loyal and dedicated. It must be willing to be a model for the people they serve and working towards all that bring good to them. The Qur'ān chastise those who do not show good example thus: O you who believe! Why say ye that which ye do not? Grievously hateful is it in the sight of Allah that ye say that which ye do not (*Suratul Saff* 61: 2-3).

Husnul- Istimaa' (Good listening)

This encompasses the capacity to have good reception and been comfortable in discussions. It means the ability to show sensitivity to others points of view. It concerns the ability to accurately understand what is been said and willingness to ask for clarification when the message in not understood. Good listening is a very pertinent quality that a corporate organization requires. In order for the organization to grow and be sustainable, it must be attentive to the needs and feelings as well as the complaints of shareholders, employees, neighbors, suppliers and all stakeholders in general. This is a major way in which the organization can better improve itself and best serve the community. This is because without understanding what the stakeholders want the corporation can not be sustainable. From the Islamic perspective, the idea of listening can be glined from a report that Prophet Muhammad (may peace be upon him) asked 'Abdullah b. Mas'ud to recite to him (the Qur'ān). He said: Should I recite it to you while it has been sent down or revealed to you? He (the Holy Prophet) said: I love to hear it from someone else. So he ('Abdullah b. Mas'ud) recited to him (from the beginning of Surat al Nisa' up to the verse:" How shall then it be when We bring from every people a witness and bring you as a witness against them?" He (the Holy Prophet) wept (on listening to it) (Sahih Muslim).

Shajaa'ah (Courage)

It is the ability to face difficulty, uncertainty and danger. It also concern the ability to endure pain without being overwhelmed by fear or change the course of a chosen decision. This is a quality that is encouraged in Islam, for instance, the Prophet was repoted to have said: "The seller and the buyer have the right to keep or return the goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities (of the goods), then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost" (Bukhari, no: 1937). From this hadith, we can deduce the importance of courage in business transactions. Courage is also required in following through a decision that is right and might be a bit uncomfortable or might lead to loss of profit. It is needed in order to achieve at times long term goal. Courage is the strength that the corporation must show internally and externally to be sustainable. A corporation can through this quality create a supportive (in the sense of willing to struggle, coach, advise and encourage) climate that inspires others to excellence.

Karam (Generosity)

Generosity is the willingness to give money, help or even give time to a noble cause. It also concerns the capacity to even-handed, showing no favoritism or bias against stakeholders. From an Islamic point of view, this concept can be deduced from the statement of the Prophet that “I will be foe to three persons on the Day of Judgement one of them being the one who does not give him his due when he employs a person who has accomplished his duty” (Bukhari, no. 2109). The Prophet also said: “The wages of the labourers must be paid to him before the sweat dries upon his body” (Ibn Majah, no. 2434). From these two statements of the Prophet we can infer that generousity can mean the ability and willingness to distribute rewards and recognition to stakeholders or team members. A corporate organization that does not have element of generosity in its dealing can not sustain itself. Generosity helps the organization to move and place its products and serves not just in the hands of the consumers but in their hearts. It helps an organisation to move away from qualities that can annihilate it such as cupidity, greed, shamelessness, impurity, extravagance, miserliness, ostentation, tendency to defame others or even competitors, preoccupation with useless endeavours, flattery, rejoicing in others misfortune and despising the poor.

3. Incorporating Islamic Framework for Sustainable Business into Practices of Corporate Organization

Askari, Iqbal, Krichene, & Mirakhor (2010) and Iqbal & Mirakhor (2011) in their discussion on the corporate governance mention reasons for recurrent financial crisis that we often experience in our contemporary time. Some of the reasons highlighted are: failure of market discipline, short-sighted approach, breach of trust, failure of board oversight, failure of risk controls, and deteriorating business ethics and values. They assert that “even the International Corporate Governance Network (ICGN) has argued that although corporate governance failures did not cause the financial crisis, they certainly aggravated it” (p. 344). Some of the corporate governance failures and how Islamic framework for sustainable business practices can help will be discussed below:

1. Failure of Market Discipline: The financial crisis is said to have dealt a great blow to the widely held position that the invisible hand of the market would invariably make market players resolve conflicts through market discipline. This has been used to support the claim that there is no need to regulate the market. However, the realization that not only is the financial market information imperfect and deficient but that the market is been manipulated by market players for their personal interests. From the Islamic framework for sustainable business practice, concepts such as *Ḥikmah* and *Shajaa'ah* can best tackle this. Since what is needed is a robust enforcement plan that can help bring appropriate disciple and proper regulation of the market.
2. Short-sighted Approach: This has to do with the fact that corporate organization are only interested in maximizing their share value. This has often led to failure to see the long term effect of some dealings (de Larosière et al., 2009). In addition, Shareholders' are also known to pressurize management to dish out higher dividends for investors. This invariably lead to a situation whereby to exceed expected quarterly earnings is standard for many corporate organization. This can be countered from Islamic sustainability framework with the idea of *Tawaadu'* and *Sabr*. These are qualities needed when faced with challenges that are beyond ones control. However, it does not mean one has to be lethargic. But that the corporation realizes the situation it has found itself and willing to go about resolving it carefully and cautiously.
3. Breach of Trust: The financial crisis that is currently been experienced has affected the level of trust business executives, directors and CEOs of corporate organizations. This can be remedied with *Ḥikmah* (Wisdom), *Shajaa'ah*, and *Hilm* (Forberance). These are ways in which trust can be nurtured. An organization that show willingness to discern through *ḥikmah* and courage what is wrong in its activities which has affected the trust that stakeholders have in the organization will go a long way in achieving its business objectives. Corporate organizations must make stakeholders feel comfortable in addressing issues that boils down to trust and more importantly show sensitivity to stakeholders' points of view. Same also goes for forberance. Corporations organization need to understand that life is not an eternal bed of roses. There are bound to be knotty patches such as financial losses or even betrayal, but this does not give room for cutting corners thereby giving room to loss of the trust of those they (corporations) deal with. *Ḥikmah* (Wisdom), *Shajaa'ah* (Courage), and *Hilm* (Forberance) are ways in which people's hearts can be

opened and trust can be strengthened. It can also lead to more good will for the organization, so that what needs to be done gets done quickly and effectively.

4. Failure of Board Oversight: This has to do with inability of some board members of corporate organizations to make appropriate policy and do a follow up. It is a situation in which board members do not simple do their job. This has even led to debates on the huge money being paid to some board members and whether they really worth such outrageous allowances. At times, failure of board oversight is a result of lack of timely intervention in some matters that needed to be prioritize. They have also been criticized for being too complacent and unable to prevent collapses. There are also issues of failure on strategy and oversight, misaligned or perverse incentives, empire building, conflicts of interest, weaknesses in internal controls, incompetence and fraud. The Islamic approach to solving this is the concept of *Qudwah* (Good example) and *'Ilm* (Knowledge). Corporate organization should show exemplary character in their dealings. This can be done through being persuasive and positive and can it also counter the issue of board oversight. In showing good example and knowledge through a persuasive and positive outlook, corporations can sell their ideas and product effectively. In otherwords, by making their positions known in a well organized, clear and compelling manner; corporations and by extension board members of corporation will be respected as well as inspire enthusiasm among employees and other stakeholders.
5. Failure of Risk Controls: This is a situation in which little control is shown in safeguarding against excessive risk. Even when signs of trouble appears, senior managements are known to have judged it to be of little importance, apart from that, the information used in organizations can also play a major role in this. From the Islamic point of view of sustainable business practices the problem of risk control can best be tackled with the concept of *Ḥikmah* (Wisdom). This can be seen as the outstanding ability to anticipate potential problems and developing effective measures to correct them. The concept of wisdom as referred to in this paper is believed will lead to an effective risk control measure for corporate organization. This is in the sense that excessive risks can be checked immediately it is noticed and resolved before they become a serious issue.
6. Deteriorating Business Ethics and Values: This is a result of a decline in moral and ethical values in corporate organization. The management of these companies seem to be more interested in circumventing regulatory provisions and looking for allowances in the law rather than looking for what is the most appropriate thing to do. This is also a result of increasing love to show off personal empire rather than showing moral and ethical business leadership. A

counter measure to this is a combination of all the ethical precept highlighted on the Islamic framework; *Ikhlāṣ* (sincerity), *'Ilm* (knowledge), *Ḥikmah* (wisdom), *Hilm* (forberance) and *Rifq* (gentleness), *Sabr* (patience), *Tawaadu'* (humility), *Qudwah* (good example), *Husnul-Istimaa'* (good listening), *Shajaa'ah* (courage), *Karam* (generosity). This is due to the seriousness of deterioration of business ethics and values. It does not only affect the corporation, but also various strata of the society. That is why the ethical values to solve it must touch both the external and the internal part of the problem. A combination of all these ethical precept will lead to a suituation where all important decisions are taken carefully and methodically. The corporation will base decisions on relevant facts and input with consideration of long and short-range factors. The sensitivity of the organization to the impact of its decisions on other sections and on the organization as a whole will also be heightened. When the corporate organization decisions affect others, the corporation will solicit input and make effort to reduce any negative affects. This will invariably lead to wide acceptance and support for organization. Above all, the corporation will show clearly its understanding of its mission and the values by which it operates and that it is aware of how its mission and values is linked to the advancement of the society. The commitment and dedication of the corporation to these values will make it an excellent role model for those seeking to understand the values and how they impact day-to-day runnings and sustainability of the business organization.

7. Misaligned and Faulty Remuneration System: Remuneration and incentive systems have played a key role in influencing the financial institutions' sensitivity to shocks and in developing unsustainable balance sheet positions. Where there is disparity and asymmetry in the levels of remuneration that is awarded, it often affect the financial health of firms. This problem can best be resolved through the concept of *Karam* (generosity) and *Ikhlāṣ* (sincerity). These two concepts from the Islamic point of view have embedded in them the understanding and need for social justice and welfare. To this end, corporation organizations will do well when this understanding of social justice and welfare are ingrained in their system of remuneration. In other words, the inappropriate disparity in renumeration "is morally obscene, economically unjust, socially intolerable" and will ultimately lead to crisis. That is why through the concept of generosity and sincerity in remuneration corporate organization will also be seen as showing high moral and ethical conduct.

4. Conclusion

This paper examines the centrality of strong ethical values in building a sustainable business enterprise through an Islamic outlook. The paper scrutinizes what is often regarded as good business practices and draws on Islamic qualities of a caller – who calls to what is good and forbid what is evil - to move beyond it in an effort to understand how deep, engaging and socially rich Islamic practices to business are when it steps into the corporate world. This paper also reveals how bringing this Islamic approach as highlighted in this paper requires enormous will and dedication on corporate organizations.

To be precise, the message here is that improving the ethical climate of business from the Islamic tradition has much to contribute to sustainability of business. Although the corporate world may not be seen as Islamic and may not be willing to accept ethical concepts garbed in a faith-based language, many of the ethical constructs highlighted in this paper can also be conveyed in language that appeals to the broader marketplace. The goal is to encourage instilling values that are based soundly on the Islamic faith in corporate organization.

It must be emphasised that the aim is not to condemn profit-making but the narrow pursuit of profit should be avoided. Profit-making should be within a framework of what is right and balanced. As in all human pursuit, self-interest is a natural motivating force but self-interest has to be linked to the overall concept of good and justice. Reward for effort and suffering for failure in effort provide the best framework for human society and the economy. Islam acknowledges it and accepts it as a first principle for economic and social effort. But Islam also lays down a moral framework for effort, spelling out values and disvalues, what is desirable and what is reprehensible from a moral, spiritual, and social perspective. This is a way of slowly constructing an operational framework that is beyond good business practices and standard but also based on ethics, justice, and morality.

This study concludes that in order to have a sustainable business all sort of exploits or injustices are to be avoided by corporate organization. An Islamic framework for sustainable business practices for corporate organization encompass the interests of all stakeholders and management of corporations for the promotion of social justice and the avoidance of practices that involves greed, voracity, insatiability, self-indulgence, selfishness and rapacious abuse of resources. It encourages a strong commitment to all stakeholders of corporations and transparency by board management in decision-making. Such a structure is important to the sustainability of any corporate organization.

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Macro and Micro-level Indicators of *Maqāṣid* al- Sharī'ah in Socio-Economic Development Policy and its Governing Framework

HAZIK MOHAMED[•]

Abstract

This paper sets macro-level and micro-level operational indicators for socio-economic development through a Maqāṣid al- Sharī'ah *framework. It also sets forth six broad recommendations and nine specific initiatives within a four-dimensional framework for institutional governance, particularly for socio-economic development policy.*

A lattice of multidimensional indicators and multipronged initiatives are proposed to address the multifaceted dimensions of institutional governance and the various transmission channels that influence socio-economic policy.

While empirical studies have demonstrated the importance of institutions and ethics in socio-economic development, the pressing issue remains how deep Maqāṣid al- Sharī'ah *understanding in human decision-making can be developed to influence behaviors that are efficient, inclusive, moral, and trustworthy that leads to peace, prosperity and progress. This paper attempts to address this concern.*

Keywords: Applied governance, operational indicators, performance measures
JEL Classifications: Viewpoint, conceptual paper
KAUJIE Classifications:

1. Introduction

The *Maqāṣid* al- Sharī'ah framework is basically the structure that govern choice within the basis of permissibility set forth by the Qur'ān and *Sunnah*. Modifying human behavior requires sagacious understanding of how people make choices.

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There are inconsistencies between how Muslims behave in real-life situations measured against what Islam prescribes to them as rules of conduct, and how people behave according to real-life situations as opposed to socio-economic theory. Standard economics assumes that people are perfectly informed (know all of the alternatives) and that they act on the basis of pure logical calculus. However, human actions are also influenced by a certain belief system (learned or unlearned) that determines what incentive structure is fair and just. For Muslims, the rules of prescribed conduct to attain maximum reward (hence utility) has been defined in broad terms (through the Qur'ān and *Sunnah*) but the extent of the expected outcomes may be limited due to the non-compliance with these rules — knowingly or unknowingly.

Measuring institutional performance requires clear understanding of social norms, like the accepted behaviors of a particular society, and social rules of conduct according to the Qur'ān and *Sunnah*. Broad improvements can happen through optimizing rules that govern institutions. Furthermore, underperforming institutions do not just disappear the way undesirable genetic traits disappear in evolutionary species. They do not simply fade away but instead need to be removed or modified. A multi-dimensional framework points to new tools for achieving development objectives, as well as new means of increasing the effectiveness of existing interventions. It provides more entry points for policy and new tools that practitioners can draw on in their efforts to reduce, for instance, disparate poverty and increase shared prosperity. The framework shows how impediments to people's ability to process information and the ways societies shape mindsets can be sources of development disadvantage but also can be changed. Adherence to the prescribed rules of behavior (religious or regulatory) and the regard for the Rule of Law regardless of religiosity ensures a social order that results in an organized, cohesive, just and prosperous social system.

The interaction of institutions and individuals is more complicated than is often recognized; yet the potential for temporary interventions and changes in institutions to alter long-standing patterns is greater than has been recognized. Many government institutions can benefit from applying insights from academic research in Islamic economics and *Maqāṣid* al- Sharī'ah to public policy and social reform. Given the limited application of *Maqāṣid* al- Sharī'ah in socio-economic policy, there will be more discussions upon more findings in the near future. Undoubtedly, Islamic principles can be applied as institutional rules and has great contribution to managing behaviors.

This paper establishes macro-level and micro-level operational indicators for socio-economic development through a *Maqāṣid* al- Sharīʻah framework. It also sets forth six broad recommendations and nine specific initiatives within a four-dimensional framework for institutional governance through a socio-economic approach, particularly for the Islamic financial institutions. The four-dimensional framework comprises dimensions of principles and core values, implementation of prescribed & proscribed behaviors, strict enforcement of regulations, installing institutional incentives, as well as managing perceptions and reputation through enhancing transparency, openness of practices and reinforcing self-regulating behaviors. The lattice of multidimensional indicators and multipronged initiatives that is mutually reinforcing is proposed in section 7 (and summarized in Table 3) considering the multifaceted dimensions of institutional governance and the various possible transmission channels by which the *Maqāṣid* al- Sharīʻah framework can influence socio-economic policy. Section 2 discusses the *Maqāṣid* al- Sharīʻah framework and its evolution through the history of Islam, and how it provides a better more realistic measure of socio-economic performance. Sections 3 & 4 describe and lists the dimensions as well as the operational indicators of macro-level and micro-level indicators for *Maqāṣid* al- Sharīʻah framework. Section 5 differentiates between a rule-based and principle-based system in designing a well-functioning model for socio-economic development in its implementation and Section 6 details its governance. Finally, section 5 lists socio-economic approach applications and some beneficial findings related to the financial world.

2. *Maqāṣid* al- Sharīʻah and Measures of Institutional Strength

In our opinion, the objectives of the Sharīʿah could be summarized as the set of divine laws that when followed will maximize the utility of mankind on Earth whilst also maximizing rewards for them in the Hereafter. Most of the writings and conceptualizations of *Maqāṣid* al-Sharīʿah during the classical and contemporary period have always emphasized on the preservation of certain essentials to allow for growth and development of human well-being. Al-Ghazali, for instance, formulated that, "*The objective of the* Sharīʿah *is to develop the wellbeing of all mankind, through safeguarding their faith (*din*), their intellect (ʻāql), their human self (*nafs*), their progeny (*nas'l*) and their wealth (māl)*". Ibn Taymiyyah believed that "*Islamic law came to realize and enhance human well-being, and to minimize and neutralize sources of harm and corruption ...*". Ahmad al-Raysuni (2006) suggest that the fundamentals of Islamic jurisprudence are definitive in nature and beyond dispute. He quotes Al-Shatibi "*The Muslim community — and, indeed, all religions — are in agreement that the Law was established to preserve the five essentials, namely, religion, human life, progeny, material wealth and the human faculty of reasoning.*"

With that, an effective set of balanced metrics has to be designed. This would enable for the necessary growth and performance measurements that will now include all the dimensions based on the *Maqāṣid al*-Sharīʿah which includes social responsibility and ecological sustainability, on top of the pursuit of self-interest. In terms of socio-economic progress indicators like shared prosperity and financial inclusion, it is a means to capture the progress in a more holistic terms, besides merely measuring productivity and output where the current dominant standard metric of economic performance is GDP. A report by leading economists, *Mis-measuring Our Lives: Why GDP Doesn't Add Up* (Stiglitz *et al*, 2010), concluded that too much focus on GDP could send policy makers in the wrong direction — for example, expanding their financial industries and ignoring more basic things such as access to education or health. They concluded that if nations had the wrong metrics, they will strive for the wrong things. The *Maqāṣid al*-Sharīʿah framework will provide a better way to reflect socio-economic reality, and its operating indicators will be the new metrics to measure performance towards creation of a Socio-Economic Development Index tying the *Maqāṣid al*-Sharīʿah with observables.

Currently there seems to be no widely acceptable measure of multidimensional socio-economic development. Indeed, debates are still on-going on the use a single-composite multidimensional development index (such as the MPI) or a multiple composite development indices (such as health development index or education development index). One view argues that a single-composite index is powerful in directing attentions of policy makers regarding socio-economic conditions of nations (e.g. Alkire and Santos, 2011). However, others argue that a single-composite index cannot give sufficient information for policy makers to direct their resources and solve the dimensional socio-economic problems (e.g. Ravallion, 2011). While both methods have their strengths and weaknesses, it appears that the most suitable method for aggregating such measure is determined by the objective and purpose of constructing such index, and the problem and issues that it is trying to address.

Our previous game-theoretic investigations into compliance to prescribed behaviors (Mohamed et al, 2017) have shown that the aggregate macro-behaviors may be different from micro-behaviors. Also, further analyses found that outcomes from individual nations are the result of the strength of institutions and civil service that govern and regulate the behaviors of the society, and this in turn, is attributed to the enforcement levels of such institutions in regulating behaviors. For instance, a country that performs poorly at the macro-level (e.g. on the Islamicity Index) can perform well at the micro-level where good individual behaviors are coerced to unethical aims through morally charged concepts like loyalty, trust, and duty to an unjust ruler or corrupt CEO. As such, we wish to propose operational indicators for both macro-level as well as micro-level for the *Maqāṣid* al- Sharī'ah framework. In relation to the technical model, it is argued that a simple linear model with equal weight amongst the dimensions/indicators is preferable than the others. This is particularly due to its simplicity and ease of calculation. Perhaps once the framework with its operational indices are in order, we can explore more sophisticated weightage assignment in the future.

3. Macro-level Indicators for *Maqāṣid* al- Sharī'ah Framework

The macro-level dimensions of this framework encompass the broad scope of governance that appear as institutional policies that shape the overall desired outcome of the political entity that drives the vision and decisions of the nation. This can be broadly categorized as socio-economics, governance, human/political rights and international relations. Its operational indicators under each dimension attempts to encapsulate every aspect of that dimension. For instance, in the Socio-Economic dimension, its operational indicators cover economic opportunity, freedom, justice and prosperity, access to education and healthcare, job creation, property rights and sanctity of contracts, corruption prevention, poverty levels, provision of aid and basic human needs, taxation and social welfare systems.

Some well-known examples of macro-level issues that can arise out of, for example, poorly-defined and policed property rights are over farming and overfishing. Free-riding (e.g. tax evasion) results from imperfect information, and environmental pollution and global warming seems to be a combination of macro-level tragedy of commons and free-rider problems where nations, not individuals, act to pursue their own national self-interest. Furthermore, weakly enforced property rights can also result in the tragedy of the commons; e.g. the poorly-policed territorial waters of Somalia resulting in overfishing and piracy. On the property rights, economist Hernando de Soto daringly claimed that: "*not only are stable, secure and well-defined property rights incidental to growth, but they are necessary for it*". Likewise, Acemoglu and Johnson (2005) discovered that among these institutions, well-defined and enforced property rights are most important in shaping long-run economic growth and thus prosperity. Additionally, the breakdown of trust and cooperation as well as the failure of institutions to govern effectively can be seen as one of the critical causes of market failures and can result in global crises.

Table-1
Macro-level Dimensions and its Operational Indicators of the *Maqāṣid* al- Sharī'ah Framework for Socio-Economic Development

Dimension (Macro-level)	**Operational Indicator**
Socio-Economics:	1. Adherence to Islamic Finance Principles (rule-compliance to Qur'ān and Sunnah and risk-sharing) 2. Economic Justice 3. Economic Prosperity 4. Economic Opportunity and Economic Freedom 5. Equal access to Education and Healthcare 6. Job Creation and Equal Access to Employment 7. Property Rights and Sanctity of Contracts 8. Prevention of Corruption 9. Poverty levels, Provision of Aid and basic Human needs 10. Taxation and Social Welfare 11. Supportive Financial System
Governance:	1. Legal Integrity 2. Management Index a. Government Management b. Management of Natural and Depletable Resources 3. Government Governance 4. Perceptions of the Government 5. Voice and Accountability Indicator 6. Political Stability and Absence of Violence Indicator 7. Government Effectiveness Indicator 8. Regulatory Quality Indicator 9. Rule of Law Indicator 10. Control of Corruption Indicator
Human / Political Rights:	1. Human Development 2. Civil and Political Rights 3. Women's Rights 4. Global Democracy 5. Perceptions of Well-Being
International Relations:	1. Globalization a. Economic Globalization Indicator b. Social Globalization Indicator c. Political Globalization Indicator 2. Militarization Index

From the social justice standpoint, the framework has to include Islamic finance principles that is essentially rule-compliance to the Qur'ānic rules and operationalized in the *Sunnah* within a supportive socio-economic system, and the implementation of risk-sharing, including mitigating known and projected risks by adopting a shared risk approach as opposed to the transfer of risks, as well as consideration for sustainable development for future generations.

4. Micro-level Indicators for *Maqāṣid* al- Sharīʻah Framework

The micro-level indicators involve measures with regards to the availability and access of specific rights and needs pertaining to the individual which are split into five dimensions:

1. Economy: The access and ability to earn income and sustain a living including resources to be better skilled.
2. Education: The access and availability of education and resources to become more knowledgeable and better informed.
3. Faith: The adherence to the tenets of the religion and provision of accessibility to practice one's religion
4. Health: The ability, access and availability to meet basic needs and become (physically) healthy.
5. Social: The incentives for marriages and births, the ease to manage and support a family that is Islamic and well-functioning in society

5. Rule-based versus Principle-based Systems

To design a well-functioning regime for socio-economic governance, the desired behavior needs to be defined within the context of the overall moral conditions present and management reform approaches. To begin, we can pick two conditions to illustrate what needs to be differentiated at different moral conditions, e.g. high and low levels of deception :

- High levels of deception imply a greater need for rules-based management, with controls and restrictions, than low levels of deception. High deception situations imply low ethical standards and a high tolerance for wrongdoing. It is not sensible, when people are actively doing the wrong things to reform the system by moving into results-based organization with the decentralization of authority through discretion, and empowerment. Empowering ethically bankrupt people (or institutions) simply leads to corruption more quickly. The appropriate strategy to improve ethics in such situations is strict compliance to rules, with the enforcement of harsh penalties associated with morally-corrupt practices.

– Low levels of deception imply the possibility of using integrity or principle-based management. Where financial sector employees are highly motivated to perform to the best of their abilities, integrity or values-based management is more likely to succeed. Where finance professionals are not motivated or trying to escape responsibility, either by staying passive (not necessarily engaging in deception) or by actively engaging in wrongdoing, such an approach will likely fail.

Table-2
Micro-level Dimensions and its Operational Indicators of the *Maqāṣid* al- Sharī‘ah Framework for Socio-Economic Development

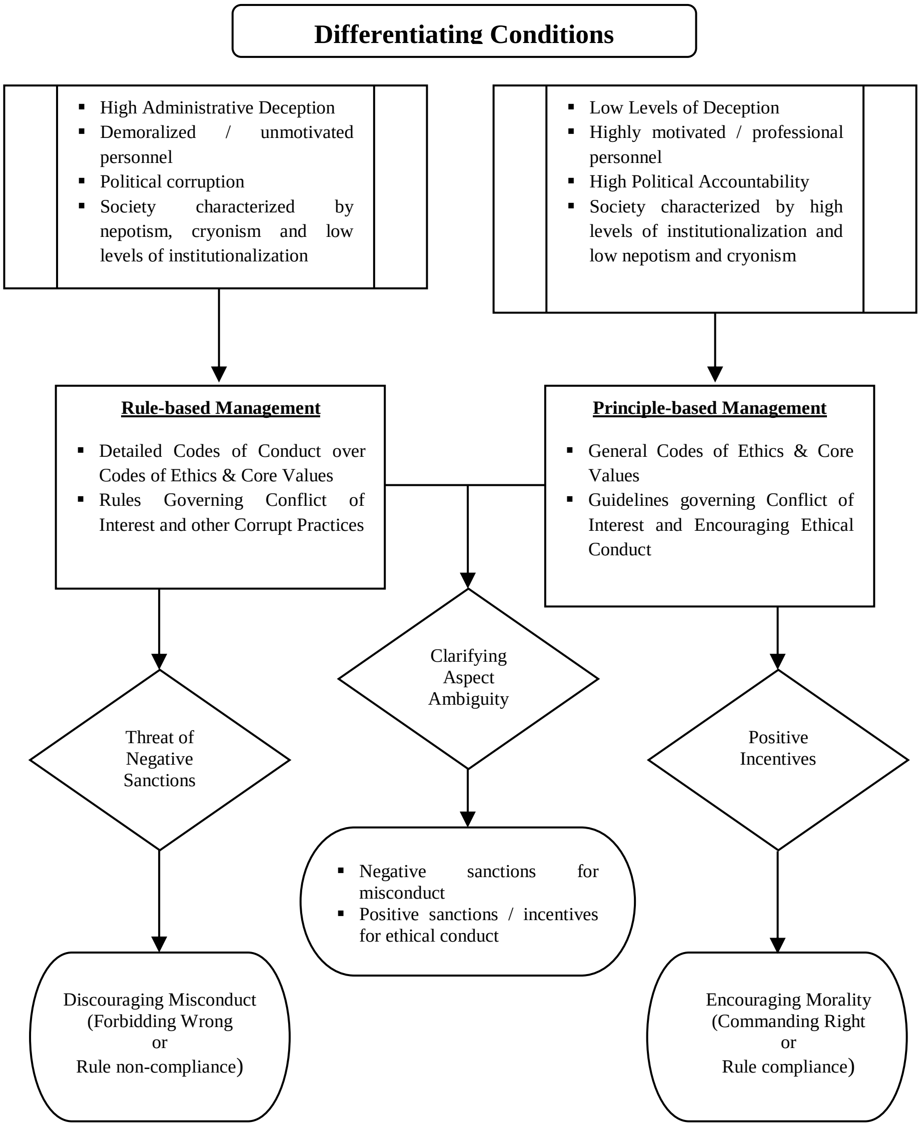
Dimension (Micro-level)	**Operational Indicator**
Economy:	1. Skill
	2. Employability
	3. Income level
	4. Purchasing power
	5. Savings
Education:	1. Access to school
	2. School attendance
	3. Basic knowledge from schooling
	4. Academic/school achievement
Faith:	1. Prayers
	2. Fasting
	3. Islamic/Qur’ānic studies
	4. Zakāt
	5. *Hajj* (The Pilgrimage)
Health:	1. Consumption
	2. Access to healthcare
	3. Awareness of health
	4. Frequency of sickness
Social:	1. Birth-rate
	2. Charity (*ṣadaqah*)
	3. Cooperation
	4. Marriage
	5. Trust and Respect
	6. Participation in community/social activities

The *Maqāṣid* al- Sharī‘ah framework is a principle-based system and the Sharīʿah provides the foundational rules for its followers as it is directed to mankind. These rules were interpreted and put into practice[1] by the Prophet Mohammad ﷺ in the first Muslim community in Medina. The Prophet Mohammad ﷺ developed the first Islamic state in Medina through the adherence to these rules that turned into laws, statutes and regulations accepted and abided by all within the community, including non-Muslims. Under his guidance, the Medinan community flourished with fairness and justice as its hallmark.

Today, in many of our Muslim communities throughout the world, we see the opposite. These can be attributed to the extremities and imbalances in the standards and precedence that have been misrepresented and misused, knowingly or unwittingly. Perhaps this may be the phenomenon that the esteemed Companion 'Abdullah ibn Mas'ud (r.a.) was cautioning when he said," ... *However, an age is coming in which scholars of jurisprudence will be few, while those who recite and memorize the* Qur'ān *will be many. The words of the* Qur'ān *will be committed to memory while the limits it sets will be lost. Many will be those who ask, but few will be those who have answers to give. Their sermons will be lengthy and their prayers brief, while they show preference for their whims and desires over the virtuous actions they might perform.*" Indeed, there is an inflated emphasis on mastering forms and utterances, while meanings which they were meant to deliver and the basis for rulings have gone astray. As such, it is imperative to redirect priorities, rebuild the original Muslim system of standards and values through the *Maqāṣid* al- Sharīʻah framework in order to restore fairness and justice to its proper place in the modern era.

[1] This practice is the literal process of defining broad principles to make it clearly distinguishable, measurable, and understandable in terms of empirical observations for the extended use in the economic, political and social institutions.

Figure-1
Summary of the Elements and Conditions for the Rules-based and Principle-Based Systems



6. Key Aspects for a Socio-economic Governance Framework

Although social problems are more than an accumulation of individual woes, they will not be solved through an accumulation of individual solutions. We must include social solutions that take into account how our economic systems really work. This means taking into account our own individual behaviors as measured against the rules of behaviors clearly spelt out in the divine revelation of the Qur'ān and the exemplary actions of the *Sunnah*.

6.1 First Aspect: Broad Principles and Core Values

For corporate development and internal structural reform, broad principles and subsequently the core values of the institution need to be defined and implemented. The major problem for implementing effective 'principles' and 'core values' remains that they will not be of much value if individuals lack the competence to recognize a socio-economic problem for what it is, or if they do not know what values their organization (institution) expects of them. Some may not even consider it to be their responsibility to take a stand for integrity and morality. Here we undertake two tasks; the first primes the individual to act according to the 'principles' and 'core values' of the institution. The second is to create a buy-in such that the individual behaves according to a Code. These can be done not only through monetary incentives but through social inclusion and identity — associating with ethics and morality or success and status. For example, the 'Code of Ethics' is best regarded as a general statement of 'core values' which define the professional role of the financial institution.

(I). Implement Prescribed & Proscribed Behaviors

However, in the example above, the 'Code of Ethics' define 'principles' and 'core values' but are vague on how these principles can be applied in particular situations. By contrast, a set of 'Codes of Conduct' outlines particular principles of conduct expected in a range of practical situations, representing a specific organization's interpretation of the core values or principles which are seen as significant to its work. The implementation of these prescribed and proscribed behaviors will be sustained and preserved by the next key aspect of corporate development and internal structural reform.

6.2 Second Aspect: Strict Enforcement of Regulations

Acemoglu and Robinson (2012) argue in *Why Nations Fail*, that the main difference between rich and poor countries is their man-made political and economic institutions, not their culture or geography. The book's compelling narrative shows that nations prosper when they enforce and uphold inclusive and pro-growth institutions, and they fail when their institutions benefit the interests of a narrow elite instead of creating economic benefits and political power that are widely shared.

But too often, poorly run institutions and excessive regulation force workers and businesses into the shadow or underground economy where legal goods and services are produced but are deliberately concealed from the authorities to avoid unnecessary taxes, labor standards, or other confining legal requirements. IMF (Singh et al., 2012) research confirms that businesses faced with onerous regulation, inconsistent legal enforcement, and deception have an incentive to hide their activities from the 'watchmen'.

(I). Enforce Mechanisms of Trust, Honesty and Cooperation

From a game-theoretic perspective, in the world under personal exchange conditions, it pays to work together with the other players when you have recurring transactions with them, and there are small number of players. In this scenario, you also know a lot about the other players. When there are no more dealings (or one-off transactions), you will defect, or when the number of players increases to large numbers and you begin to be unfamiliar with the other players. It took the human race many centuries to gradually evolve institutions that made possible impersonal trade — the evolution of the current conventional economic system. The ability to conduct personal exchanges is part of our social psyche, but impersonal trade requires that we essentially alter the way we transact. In the modern world today, there are formal institutions that place rules and mechanisms to enforce contracts across time, space and jurisdictions. Impersonal exchange requires mechanisms for ensuring honesty and cooperation without familiarity, personal links and complete information. In order to successfully do this, we are required to understand the structure of the existing corporate system and the way local establishments work. Only then we are able to change the social rules, unspoken customs, and policing means to ensure effectiveness.

6.3 Third Aspect: Install Institutional Incentives

Real people are fallible, but because real people make mistakes systematically, it is a very useful primer for *Maqāṣid* al- Sharī'ah framework to affect decisions by presenting choices that would allow people to make choices that are beneficial to themselves. The predictability of human irrationality (Ariely, 2008) is good news because awareness of our vulnerabilities is a starting point for improving our business, professional, personal and institutional decision making. According to a research report as much as 80 per cent of the factors influencing behavior do not result from knowledge or awareness. Rather it has to do with automatic and unconscious influences on our behavior such as the impact of social norms, emotions and incentives. Instead of trying to change people's minds it argues that one should focus on the environment within which we make our decisions.

However, not everybody will embrace the popularity of incentivizing strategies. But the successful Islamic institution will be the one that cleverly balances between values that are related to people's pursuit of personal status, wealth and success (self-enhancement) and values that are concerned with the well being of others, such as equality and protecting the environment (self–transcendence). Several researchers have found that when engaging one set of values this has a spillover effect on related values whereas those in opposition are weakened. For instance, people who are reminded of generosity have been found to be more likely to support pro-environmental policies than those reminded of financial success and status (Thøgersen, 1999; Spence et al., 2014). To achieve radical socio-economic change, we need to balance people's self interest and actively engage values that are related to sustainability. In Islamic economics, the two motivations are balanced; one that drives our own interests (that profits and does not wastes, etc.) and one that motivates the collective benefit for all. This should be pursued in tandem to draw contributions from all levels of society.

(I). Encourage People to Do the Right Things

Because people do not always act rationally and according to their self-interest, this explains, for example, the infamous gap between attitudes and behavior, or between what people say and what people actually do. Targeting the conditions that shape people's automatic responses can therefore help people make decisions that are better for themselves, society and the environment. These tools can be used as institutional incentives, to gently push or remind shareholders and stakeholders alike (of a society or any institution) to the right direction which benefits themselves as well as their community as a whole.

(II). Overcome Cognitive Obstacles That Inhibit Action

The cognitive barriers related to decision-making are inherent and persistent barriers that prevent people from making beneficial and efficient choices and behaviors. Decades of research confirming these biases paint a bleak picture of the difficulty of overcoming hard-wired patterns (Thaler and Sunstein, 2008). However, knowing that people act in predictably irrational ways, we can structure choices in several creative ways to avoid predictable hazards in decision making. There is great promise to craft decision-making milieu in ways that pilot choices more sensibly. Based on such choice construction, we propose some examples that can be utilized as tools to overcome the pitfalls of decision biases :

a. The Power of Defaults

An excellent example of the power of defaults was conducted by Eric Johnson and Daniel Goldstein in their investigation of organ donation behavior (2003). Using the difference when opt-in organ donation policies to opt-out policies in European Union countries from those that enrolled all citizens by default, the authors revealed a tremendous difference by how defaults determined outcomes. Those countries with opt-in policies, i.e. that required people to take additional steps to opt-in, had low donor consent rates of 4.25-27.5%, while countries with opt-out policies, i.e. that by default had people opted-in and required people to take additional steps in order to opt-out, had effective consent rates of 85.9% to 99.98% (Johnson and Goldstein 2003). This clearly illustrates that people tend to stick to default options.

b. Desirable Action

In the modern society, people are bombarded with messages that try to influence them in different ways, which we then unconsciously filter out 'unrelated' information and select what is relevant for us at that point. Generally, we are drawn to messages that are easy to understand, that correlates with our values and beliefs and that are presented to us in an attractive way. Furthermore, we are significantly more likely to react to a message when given to us at the right time or framed as a 'call to action'. A box which collects donations (where a clear transparent box is situated in a prominent area) illustrates the power of using a visual and easy to understand reminder of how little contributions can collectively amount to significance. It becomes more obvious, and even more so when other communities (schools, *masjids*, malls), even in other countries, also adopt the same charitable projects with the same transparent boxes.

6.4 Fourth Aspect: Manage Perceptions and Reputation

The consequence of the 2008 global financial crisis and its echoes in the real economy, have made a company's reputation matter more now than it has in decades. The perception that some companies, particularly in the financial services, have violated their trust with consumers, shareholders, regulators, and taxpayers, and this has negatively spilled over to other businesses too. In a March 2009 McKinsey Quarterly survey of senior executives around the world, 85 and 72 percent of them, respectively, said that public trust in business and commitment to free markets had deteriorated. The growing importance of web-based participatory media (like social media, blogs, online news outlets allowing comments and views, etc.), the increasing significance of non-governmental organizations (NGOs) and other third parties, and declining trust in advertising have also altered the reputational environment. Collectively, these factors are advancing broader, rapid examination of companies in addressing reputational challenges. Aside from having a solid crisis management plan, it will be concrete actions that build strong reputations — not stories that one spins.

In the financial institutions, finance professionals are expected to maintain and strengthen the public's trust and confidence in finance, by representing the highest values of professional behavior and aptitude by upholding the company's core values at all times. The speed and access available via social media to the public can be a liability or resource to finance professionals depending on their decisions and behaviors.

(I). Enhance Transparency and Openness of Practices

Openness and transparency are key ingredients to build accountability and trust, which are necessary for the functioning of financial institutions and market economies. Openness is one of the key values that guide the OECD vision for a stronger, cleaner, fairer world. The issue of ethical conduct of financial employees received a great deal of focus from international, regional and national organizations, interested in promoting the performance of the financial sector (Ashour, 2004). A consensus has developed world-wide over the importance of reforming financial sector institutions to strengthen integrity, transparency and accountability and to prevent and combat deception. Such transformations are critical to safeguarding economic resources, strengthening financial sector performance, and fortifying the government’s role in coordinating basic services and development.

Within corporations, organizational leaders can create a culture of trust and openness through mechanisms in improvement efforts, open discussion in decision-making, honest feedback policy, and ensuring all organizational procedures are applied equitably across all levels so as to increase fairness and transparency. On an individual level, it is important for leaders to note that people want to know their values, beliefs and what motivates their decisions and actions.

Also, transparency involves voluntary information declaration and dissemination. Leaders who share information willingly within the organization build confidence and trustworthiness with their employees and advocates. In the absence of information, people will make up their own version of the truth. This leads to gossip, rumors, and misinformation which results in people questioning leadership decisions and losing focus on the mission at hand. Typically, when people are given high levels of trust with resources and responsibility to make profitable business decisions, they are more often than not obliged to act dutifully in carrying out the task.

(II). Reinforce Self-regulating Behaviors

Businesses usually self-regulate so that they can reduce risks for their customers, foster public trust, and fight any negative public perceptions. Business associations also harmonizes existing laws by enforcing supporting rules to govern the behavior of deviant firms within their group. Industries have chosen self-regulation in response to both the absence of government regulation and the threat of excessive government regulation. For example, corporate social responsibility (CSR) programs are a great example of self-regulatory programs that forms a means for the organization to engage the financial or other organizations (charitable or otherwise) directly to accumulate social capital and fortify its reputation in the community.

In the governance arena, self-regulation is much sought after, as adding more regulations to comply to increases transaction costs and may suffocate smooth operations and future innovations. This, although a comprehensive review to improve the regulatory system is warranted. Policymakers should bear in mind that self-regulation through cooperative steps is an important tool for governing rapidly changing businesses in the information economy. For example, multi-lateral agreements between the content industry, internet service providers and user-generated content sites have been used to help reduce online piracy. To combat privacy issues, government agencies and other government stakeholders would likely better serve consumers by working cooperatively with existing self-regulatory organizations (SROs) to create robust self-regulatory programs that foster innovation while protecting individual privacy.

From an individual standpoint, the self-regulatory rules specified in the Meta-framework and in the Archetypal Model (Mirakhor and Askari, 2010) are given so that humans can achieve the fullest potential individually and collectively. According to them, the degree of rule-compliance determines the quality of the individual and collective progress. Rule-compliance brings self-development, which, in turn, leads to the cognition of the oneness of humanity as a manifestation of the Oneness of its Creator. And where self-regulation has limits, the divine prescribed rules need to be implemented institutionally.

7. Socio-economic Applications and Findings

By seeking to understand how personal, social, and environmental factors shape human behavior, socio-economic research helps to reveal why individuals do not always act as one would expect or as they themselves intended to, and sometimes not even in the way that might be best for their welfare. Years of experiments conducted by academics and practitioners have identified common socio-economic biases many people face. This deeper understanding of some of the most commonly observed socio-economic biases in emerging and developing markets also helps to identify and test new ways to improve economic behaviors and decision-making, often through relatively small changes in financial product design, localized implementation or over-arching regulations. Datta and Mullainathan (2012) demonstrate cases where a series of minor modifications of channel factors had substantial impact on the effectiveness of economic and social development programs and interventions. The following sections highlight the actual implementation of programs and initiatives grounded in socio-economic applications in three areas.

Application I. Financial Contracts and Risk-sharing

Imperfect information about economic variables prevents lenders and borrowers, for instance in a real estate transaction, from achieving the optimal benefit. Under the traditional financing arrangement, borrowers build little equity in the early years of a contract, and therefore, have little incentive to protect (i.e., not forfeit) the asset when faced with financial shortfalls. Lenders are also not insured for such borrower behavior (i.e., foreclosure) and are faced with unexpected losses. These losses, cost of foreclosure and attenuated costs, negatively impact both the lender and the market. Under the risk-sharing model (of *musyarakah muntanaqisah* or diminishing partnership), the lender shares ownership of the property asset and buys insurance against future downturns by offering renegotiated mortgage installment rates; buyers accumulate greater equity sooner than interest-based conventional contracts. This makes the asset relatively more valuable, and therefore the buyer is more likely to engage in positive behavior to prevent forfeiture of the asset. This is an optimal risk allocation that is not achieved in the traditional real estate financing market. The optimal risk allocation agreement reduces ruthless behaviors and lessens the economic loss in the real estate market during periods of economic downturn and financial shortfalls. Such concept of risk-sharing looks into the long-term effects of, not only in the real estate industry, but towards its impact to the whole economy. As evident in Islamic banks, these financial institutions as well as investors must forfeit short-term speculative gratification for long-term stability. This is more congruent to the Islamic vision of healthy, resilient and sustainable economy, where members of society focus on their benefit in lieu of the benefit to society.

Application II. Financial Products, Disclosure and Innovation

Socio-economic experiments to test the possible impact of cognitive biases on decisions pertaining to investments in structured products reveal that, to varying degrees socio-economic biases affect investors (Ofir and Weiner, 2012). As a modern alternative for household investment, structured products contribute to the completeness of financial markets by enhancing alternatives open to investors. The structured products offer the investors a menu of investment alternatives from the traditional financial assets they know. In demonstrating the impact of these socio-economic biases on investors, Ofir and Weiner's results support the idea of specific regulation for structured products to improve investor protection. The proposed regulation can vary and can be shaped in different forms as sale prohibition to unprofessional investors or as different levels of mandatory disclosure.

By focusing on common traits and patterns, socio-economically informed policies can subtly change discrete aspects of current market practices in ways that can change the behavior of many market actors in similar ways, often at a very low overall cost. For example, simple wording changes to (the amount and process for redemption) made a rebate more salient in an offer mailed to customers of a U.K. insurance provider. This resulted in an increased uptake of the rebate offer by these customers (Adams and Hunt, 2013).

The idea that a complex and enormous economic institution such as a securities market might be based on a widespread belief in others' trustworthiness may come as surprising. The investors may not necessarily trust individual securities professionals and corporate insiders to be honest and dependable, but they at least trust "the system". As a result, they are willing to buy trillions of dollars of securities even when not quite sure what they are buying or from whom they are buying. Of course, experienced lawmakers and business people, as well as experienced scam artists such as Madoff, are well aware that trust is a persuasive force in investor behavior.

Much experimental evidence regarding attention shows that people also make decisions automatically based on heuristics, or mental short-cuts, instead of deliberately considering all available information, which often takes up a lot of time. Further, people pay attention to some kinds of information more than others. The evidence on limited computational ability implies that investors will have difficulty making optimal choices when information requires complex processing, such as aggregating risks across investments or time (Lipe, 1998). The implication for investment advisors is that information should be presented in a set up that simplifies best possible choices. For example, individual investments could be combined into portfolios instead of presented separately (Hirshleifer and Teoh, 2003). Horizon specific return projections could be made instead of presenting annual return information (Klos et al., 2005). An advisor could ask for the investor's preferences across efficient portfolio choices instead of expecting investors to build efficient portfolios by themselves (Ibbotson et al., 2007). These observations suggest, for example, that appropriately designed and communicated lifetime funds may improve investor choices.

To make financial advice as effective as possible in helping investors with the asset allocation problem, it should incorporate known pertinent information (e.g., average asset returns, variances and correlations) as well as consideration for how investors use information in making decisions and how information can be best packaged to meet the needs, preferences and biases of investors (McDonald and Rietz, 2010). While experimental economics and socio-economic finance provide some insights, much research still remains to be done to complement quantitative research and innovation in this area.

Application III. Management and Corporate Responsibility

In most companies, only one or a few people make decisions involving millions (even billions) of dollars. Thus, their biases can have a direct impact on corporate behavior that may not be susceptible to arbitrage corrections. Therefore, socio-economic finance is likely to be just as, if not more, important to corporate finance than it is to investments and markets. Shefrin (2007) states that "like agency costs, socio-economic phenomena also cause managers to take actions that are detrimental to the interests of shareholders". Knowledgeable managers can avoid these mistakes in financing, capital budgeting, dividend policy, corporate governance, initial public offerings, and mergers and acquisitions decisions to add value to the firm.

A budding literature in financial economics focuses on managers' personality traits such as optimism and overconfidence that are two well-documented biases in the psychology literature on judgment under uncertainty (Stein, 1996; Baker, Ruback and Wurgler, 2007; Hackbarth, 2008). Decision-makers who are excessively optimistic and overconfident tend to predict favorable future events as more likely than they actually are, and also tend to believe that they have more precise knowledge about future events than they actually have. Optimistic managers also tend overestimate the firm's expected earnings (value) and overconfident managers tend to underestimate the riskiness of the firm's expected earnings (value).

In principle, a firm's decision to invest in a new project should be made according to whether the project increases the wealth of the firm's shareholders. For example, the net present value (NPV) rule specifies an objective process by which firms can assess the value that new capital investments are expected to create. Because the estimation of a project's future cash flows and the rate at which they should be discounted is still a relatively subjective process, the socio-economic traits of managers still affect this process. In fact, research shows that professionals from many fields exhibit overconfidence in their judgments and their ability to control risk, including investment bankers (Stael von Holstein, 1972), engineers (Kidd, 1970), entrepreneurs (Cooper, Woo and Dunkelberg, 1988), lawyers (Wagenaar and Keren, 1986), negotiators (Neale and Bazerman, 1990) and managers (Russo and Schoemaker, 1992).

Milgram (1974) suggests human nature includes reflexive loyalty to authority, wherein people recast themselves as agents rather than autonomous decision makers. By this virtue, subordinates and boards tend to support CEOs advancing risky strategies, a socio-economic grounded agency problem of excessive loyalty inflicts economic costs. Its moral implication lets people behave in overtly unethical ways, yet justifies their behavior in terms of morally charged concepts like loyalty, trust, and duty, this type of obedience is resolute. Thus, managers and directors justify acquiescence to corporate fraud as loyalty, trust, and duty to a powerful CEO. But if the core values of socio-economic (including financial) organizations are structured around ethics and Islamic tenets, this loyalty and duty transcends to the Almighty and supersedes corporate leaders who may use their position to induce unethical behaviors. Such socio-economic governance reforms reaches out to distant authorities, dissenting peers, and rival authorities and reinitiate values that are consistent with subjects' rational reasoning.

Table-3
Summary of Recommendations and Implementation Initiatives

Key Aspects	Broad Recommendations	Specific Initiatives
A. Principles and Core Values	1. Implement Prescribed & Proscribed Behaviors.	a. Adopt and implement well-recognized ethical principles, core values of integrity and developmental goals that govern institutional activities. b. Make public declaration or corporate pledge to advocate those values and principles that institutions and firms support.
B. Strict Enforcement of Regulations	2. Enforce Mechanisms of Trust, Honesty and Cooperation.	a. Adopt innovation to tackle the challenges to impersonal exchange in a highly globalized environment, especially in financial institutions. b. Impersonal exchange requires mechanisms for ensuring honesty and cooperation without familiarity, personal links and complete information, e.g. frequent audits, or implementing the blockchain in fintech.
C. Install Institutional Incentives	3. Encourage People to Do the Right Things 4. Overcome Cognitive Obstacles That Inhibit Action.	a. Use people's default tendencies that inhibit action to produce effective policy outcomes. b. Create community network comprising various stakeholders to facilitate coordination and cooperation in desirable actions.
D. Manage Perceptions and Reputation	5. Enhance Transparency and Openness of Practices 6. Reinforce Self-regulating Behaviors.	a. Develop regular and reliable performance indices of public institutions, private firms and reputational intermediaries to serve as a self-monitoring measure. b. Create an environment that enhances responsible behavior and ensures accountability by creating incentives for compliance and clear deterrents for non-compliance regardless of stature, office or position. c. Include experienced and respected people with strong and trustworthy reputations onto the advisory roles, directorship and boards of corporations to improve transparency and navigate stressful situations.

8. Concluding Remarks

Comprehension of human decision-making is at the foundation of the socio-economic approach, in which corporate policy is designed to modify the choice architecture of individual employees. In other words, interventions are designed to modify the context in which a decision takes place without changing the constraints faced and thus retaining freedom of choice. This is the philosophy of “libertarian paternalism” — by not affecting the options available in the choice set it can be deemed to be libertarian, while it is paternalistic in the sense of trying to induce 'better' choices (Thaler & Sunstein, 2008). It works with the psychological biases that socio-economic scholars have identified in their critiques of rational choice.

As much as good intentions follow these policy recommendations, there are views that seem to look at socio-economic interventions as making assumption that real world thinking and behaviors are irrational and mistaken. Like all regulations involving human beings, there is no easy solution. Islamic rules or any form of governance policy intervention will impose a criterion against someone's will (to balance individual and collective benefits) and any true democratic governance requires transparency from the ruling system in terms of the values selected in deciding and designing an intervention; and at least an evidence based justification of choice. Disclosed prompts by 'incentives' is arguably better than covert manipulation by those designing environmental and contextual cues.

One suggestion would be to replace the strategies involved (in cases where interventions have been viewed as political manipulation) with a slightly different and 'better' approach — self knowledge. Once aware of these mental processes, people can then do what they will. It may be a subtle but important difference. The first approach nudges people toward a pre-chosen goal; the second informs people about the workings of their own minds, so they can better align their goals to the corporate goals which are necessarily aligned to the Sharīʿah. This would improve the quality of the outputs, imbibe morally upright behaviors, and better manage expectations and inform decisions through better socio-economic governance.

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What's In It for Me? Profiling Opportunity Seeking Customers in Malaysian Islamic Banking Sector

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Abstract

This paper aims at analyzing the preferences of Malaysian bank customers with a focus on identifying characteristics of the opportunity seekers, those who only consider the economic benefit of the product offered. We also look at the determinants of consumers preferences for financial products used for resource mobilization, and for financing of business start-ups. Starting from an innovative methodology of identifying opportunity seekers as clients with inconsistency in their preferences, we apply asymptotic statistical methods for estimation, comparison of binomial proportions and with multinomial discrete choice on a survey of 1858 retail consumers. We find that although Muslims are more likely to choose Islamic banks, they are also the most likely customers to be economic value seekers. In addition, our findings support that the growth of Islamic banks in Malaysia is conditional on their ability to attract high-income earners.

Keywords: Islamic Finance, Opportunity seekers, Consumer preferences, Malaysia
JEL Classification: D14, G21, G23
KAUJIE Classification: H22, I0, P1

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1. Introduction

Just like their conventional counterparts, Islamic banks are financial intermediaries that mobilize resources from depositors and investors, and facilitate the smooth functioning of the economy by channeling these resources to facilitate the production and distribution of goods and services. Unlike conventional banks though, Islamic banks are subject to additional constraints, as they are prohibited from charging and receiving *Ribā* (commonly translated as interest or usury); from engaging in excessively risky transaction and transactions tainted by asymmetric information (*Gharar*), and from investing in other activities prohibited by Islamic law (The Sharīʿah).

The Islamic finance market has seen tremendous expansion in the last four decades, particularly in the Middle East, South and South East Asia, Africa, etc. with double-digit growth, and an asset base estimated at around $2 trillion from a global industry perspective (the Economist, 2014). Islamic banking is the dominant component of the industry, accounting for 80% of the assets. Except in Iran and Sudan where the entire financial system is deemed Sharīʿah compliant, the market share of Islamic banks in most countries is small, below 35%.

Malaysia provides an interesting case study as it is home to the second largest market in terms of total assets behind Iran, but the market share of Islamic banks is just at 21% albeit sustained efforts by the government authorities to support the Islamic financial services industry. That points to the need for a better understanding of consumers' behavior regarding Islamic banking products in order to enhance their market penetration.

The motivations of customers adopting Islamic banks over conventional banks have been scrutinized in the literature. One major finding is that faith is not the overarching factor, with customers valuing other factors such as cost and service quality. Today, given the increased sophistication of Islamic banks, customers and their improved knowledge of the various products, Islamic banks have to be more customer oriented in order to retain, and attract Muslim as well as non-Muslim customers. A better understanding of consumers' preferences and of the determinant factors in their preferences regarding key resource mobilization, and key financing instruments would go a long way in boosting market penetration.

The theoretical motivation of this paper can be found in the microeconomic theory of consumer behavior. Unlike in many papers in the literature, this research does distinguish between preferences and choices. Indeed consumers' choices are a reflection of their preferences, but also of their constraints. Identification problems in untangling the two are overcome only thanks to additional assumptions on the costs of the alternatives (See Arrow, 1959, Varian (1982, 1983) on the axioms of the nonparametric revealed preferences approach). Decisions on whether to patronize Islamic or conventional banks are no exception in the challenges in untangling preferences and constraints.

The centrality of the consumers' constraints in identifying opportunity seekers is rendered more important by the existence of the adaptive mechanisms, in particular the rule of *darurah* a state of necessity on account of which one may omit doing something required by law or may do something illegal (The Oxford Dictionary of Islam).

In this paper, we attempt to identify opportunity seekers, and the determinants of consumers' preferences regarding key bank funding sources, and the most dominant mode of finance.

This paper is organized as follows: Section 2 provides a survey of the literature in relation to our research focus. Section 3 addresses the research hypotheses. The methodology and results are presented in section 4. Section 5 concludes the paper.

2. Literature

The literature on the motivations of Islamic bank customers is vast, and covers different eras of the industry as well as country-specific case studies. There are conflicting findings on religion being the driving factor of adoption of Islamic banks by consumers. Using exploratory factor analysis, a study by the State Bank of Pakistan in 2014 concludes that religious factors explain for 23 percent of the demand for Islamic banking, while consumer satisfaction accounts for 39 percent[1]. Erol and El Bdour (1989) find in Jordan that religious factors are not the overarching factor in explaining customers' choice of Islamic banks over conventional banks. Other factors come into play, particularly peer group effects, customer service, availability of credit with favorable terms, etc. They find that 91% of their survey respondents believe that people are not choosing Islamic banks for religious reasons. Haron et al. (1994) support these results. They found that, in Malaysia, there is no difference in the factors that Muslims, and non-Muslims perceive as relevant in the selection of banks.

[1] State Bank of Pakistan (2014)

The opposite is found in other places in the literature. There is evidence that the preference for Islamic banking attributes in Malaysia is a combination of the quality of services and convenience, but more importantly that consumers opting for Islamic banks was mainly due to the religious motivations (Echchabi and Nafiu, 2012). The same finding that the critical role is faith is found in Bahrain (Metawa and Almossawi, 1998).

The above illustrative references, although far from comprehensive, show that the conflicting findings are in large part the consequence of methodological problems. Erol and El Bdour use a sample of only 12% female, and their study was about respondents' perceptions of others' motives rather than their own. Echchabi and Nafiu use a self-administered questionnaire distributed to 500 Islamic banks' customers in Malaysia. Data collected from customers of Islamic banks solely when estimating the effects on the overall population of bank customers is an example of truncated data, and is a source of model misspecification and biased estimates (See Greene 2003). The same issue arises in Metawa and Almossawi (1998) which surveyed customers of two leading Islamic banks to conclude that religion is the most important factor in their choice.

Islamic banking customers are becoming more aware and more sophisticated. Given the increased competition among Islamic banks, in particular in Malaysia, Islamic banks have now understood that they do not need to rely on religious factors as a strategy in attracting customers, and should focus more on provision of quality, efficient services and product and services innovations. To internalize this important aspect and to avoid the methodological pitfalls mentioned above, our study uses a combination of Islamic as well as conventional bank customers, and attempts to untangle preferences and constraints. To our knowledge there has not been a major research aiming at identifying opportunity seekers among customers, and testing hypotheses on that important population. This research attempts to fill that gap.

3. Methodology

Our first research objective is to identify the customers who choose to patronize Islamic banks only for the economic benefits of its business proposition. We refer to them as opportunity seekers, or value seekers. Four types of products are selected for our analysis:

1- Current Accounts: This generic term is used in the survey and refer to demand deposits for conventional banks. For Islamic banks, they are similar to demand deposits, and are in the Islamic contractual forms of *wadīʻah* or *amānah*[2], meaning that Islamic banks act as keepers, trustees of the depositors' funds and agree to return them on demand, and in full to the depositors. The Islamic bank only plays a safekeeping role unless given permission to invest in its regular activities. In this case, the amount is treated as an interest free loan to the Islamic bank, which is nevertheless responsible to return the full amount upon request, regardless of whether the Islamic bank makes profits or losses. It is therefore an important resource mobilization tool for Islamic banks as well as conventional banks. We postulate that preferences regarding where to open this type of account is reflection of the customers' values.

2- Savings accounts: They are remunerated accounts for both Islamic and conventional banks. In Islamic banks, savings accounts are in the form of Profits Sharing Investment Accounts (PSIA), that provide returns based on profit and loss sharing, a Sharīʿah compliant means of earning returns on capital. Customers' preferences regarding savings accounts therefore reflect their values.

3- Personal loan: Islamic banks are allowed to provide loans to their customers without interest (benevolent loan or *qarḍ ḥasan*). However, they can generate income by financing commercial and investment activities for a profit. On the other hand, conventional banks are allowed to provide loan to their customers for interest.

4- Start-up business financing: This type of financing takes mainly the form of *Muḍārabah* or *Mushārakah*, two forms of joint ventures. In *Muḍārabah*, the bank provides all the funds and the entrepreneur contributes his or her expertise, and has entire control on the management of the project. In *Mushārakah*, both parties contribute to the capital, but the bank is allowed to participate in the management of the project.

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[2] Islamic banks are not automatically allowed to use funds deposited on the basis of *Wadīʻah* (trust) to fund their activities. They can however charge a fee for providing safekeeping services. Two enhanced versions of *wadīʻah* are currently used by Islamic banks: safekeeping with guarantee of funds (*wadīʻah yad damanah*), and safekeeping with trust (*wadīʻah yad amānah*), with guarantee of funds only under bank negligence. The banks can use these funds to finance commercial activities. With expressed permission from the depositors which Islamic banks request, the funds can be used to fund the bank's activities, but they are not required to share profits, nor are they allowed to transfer losses to the holders of these accounts. Finally, Islamic banks are allowed to offer gifts to these customers, either in the forms of in-kind gifts or in monetary form to attract these funds, which could provide them with comparative advantages as their conventional counterparts do not reward current account holders.

Opportunity seeking customers are defined as the ones with inconsistency in their preferences regarding these four instruments. For example, if a customer's preferences are a mix of Islamic financial products, and conventional products among these 4 types, he or she is considered an opportunity seeker. Otherwise, he or she is strongly for Islamic finance or against. This methodology does not imply that all the final choices of the customers will be all Islamic or conventional, as the final choices of consumer incorporate their constraints. In an economic environment with tolerance under necessity, it is inconsistency of preferences, rather than inconsistency of choices that identifies opportunity or value seekers.

The second step is to test the prevalence of opportunity among Muslims and non-Muslims. In particular, we test the null hypothesis that non-Muslims are more opportunity seekers than Muslims. That approach is conservative, and it is statistically more appropriate as a rejection of that hypothesis would support a stronger conclusion compared to the alternative that there is no evidence to reject the hypothesis that Muslims are more likely to be value seekers.

The main objectives of this research are the following:

1: Are non-Muslims more value seekers than Muslims towards IB industry?
2a: What are the factors that influence preferences for Current Accounts?
2b: What are the factors that influence preferences for Savings Accounts?
2c: What are the factors that influence preferences for Personal Loans?
2d: What are the factors that influence preferences for Startup Business Financing?

To address the research objectives of this paper, we use a combination of t-tests, logistic and multinomial logistic regressions. In order to test the first hypothesis, the first step is the identification of the value seekers using the methodology of the consistency of preferences discussed above. The second step is a comparison of their proportion for Muslims and non-Muslims using a t-test to test the null hypothesis of the equality of these proportions.

Let P_1 and P_2 be the true proportion of value-seekers among non-Muslims and Muslims respectively. We test the null hypothesis $H_0: P_1 = P_2$ against the alternative $H_A: P_1 < P_2$. Our sample statistics noted N_1 and p_1 for the number and proportion of value-seekers in the non-Muslim sample, and N_2 and p_2 for the Muslim sample are used to compute the statistic $t = \frac{p_1 - p_2}{\sigma_{\bar{p}}}$ $where\ \sigma_{\bar{p}} = \sqrt{\frac{p_1(1-p_1)}{N1} + \frac{p_2(1-p_2)}{N2}}$, which, under regularity conditions, follows a student's distribution that is approximated using a normal distribution given our large sample size.

To identify the factors that explain consumers preferences for Islamic banking products (Current Accounts, Savings accounts, Personal loans, and Business Startup Funding), we first use Multinomial logistic on the three outcomes (Conventional, Windows, and Stand-alone IB), and logistic on the Conventional vs IB merging windows and stand-alone IB. The models are estimated with independent variables representing demographic variables of religion, age, gender, income and education.

4. Data

The data used in this paper are from the Consumer Survey for the 2015 Malaysia Islamic Finance Country Report (IFCR 2015) by the Islamic Research and Training Institute (IRTI) in partnership with CIBAFI and Thomson Reuters released in June 2015. The survey population consisted of 1858 individuals in Malaysia (see table 1 for descriptive statistics on the respondents). Data were collected for 915 males and 875 females, with 73.67% of them being Muslims, and 26.33% non-Muslims.

The structure of the Malaysian population is slightly different from our sample in terms of religious composition while the gender distribution of our sample is consistent with the population structure. Government estimates place the proportion of Muslims in the country at 61%, which points to an overrepresentation of Muslims in our sample. However, the 2014 government estimate of the population Male to Female ratio is 1.03, which is comparable to our sample's 1.04. as of 2014. On the age structure of our sample, Malaysia population ratio of 25-54 to 55-64 is 5.42 (2014 estimates) compared to our sample's corresponding ratio of 21.25, which indicates an oversampling of the population of young and middle age. Despite these limitations, our findings are still informative as we are only interested in the adult population and their preferences relative to banking activities, and the trajectory of the banking industry.

5. Findings

The survey data were tabulated, and respondents were classified as value-seekers or non-value-seekers depending on the consistency of their preferences regarding current accounts, savings accounts, personal loans, and business startup financing. The results and subsequent hypothesis testing regarding the prevalence of opportunity seeking motives are presented in table 2. We find that 7.12% of non-Muslims (Coded 0) in our sample are value-seekers compared to 11.16% of Muslims (coded 1). Overall, 10.15% of our sample are found to be value-seekers.

Table-1
Demographic and socio-economic characteristics of respondents

Variables	Groups	Frequency	Percent
Age	Less than 18 years old	3	0.16
	18-24 years old	407	21.94
	25-34 years old	688	37.09
	35-44 years old	472	25.44
	45-54 years old	201	10.84
	55-64 years old	64	3.45
	65-74 years old	17	0.92
	75 years or older	3	0.16
	Total	1855	100
Gender	Female	875	48.88
	Male	915	51.12
	Total	1790	100
Religious affiliation	Muslim	1,304	73.42
	Bahai	2	0.12
	Buddhist	173	9.74
	Christian	150	8.45
	Hindu	105	5.91
	sikhism	3	0.18
	taoism	1	0.06
	Punjabi	1	0.06
	Unaffiliated	16	0.9
	Prefer not to disclose	21	1.18
	Total	1,776	100
Education (highest grade or school or college completed)	No schooling completed	23	1.29
	Primary school	33	1.85
	Secondary school	299	16.8
	High school Diploma	394	22.13
	Professional degree	69	3.88
	Undergraduate	492	27.64
	Master’s degree	403	22.64
	Doctorate degree	34	1.91
	Prefer not to disclose	33	1.85
	Total	1,780	100
Income (Ringgit per month)	1,000 and below	159	9.02
	1,001–4,000	663	37.61
	4,001 – 7,000	474	26.89
	7,001 and above	176	9.98
	Prefer not to disclose	291	16.51
	Total	1,763	100

Source: Calculations of authors from the Consumer Survey for the 2015 Malaysia Islamic Finance Country Report (IFCR 2015)

Table-2
Results of Test of Comparisons of Proportions of Value-Seekers Between Two Groups (Muslims and Non-Muslims)

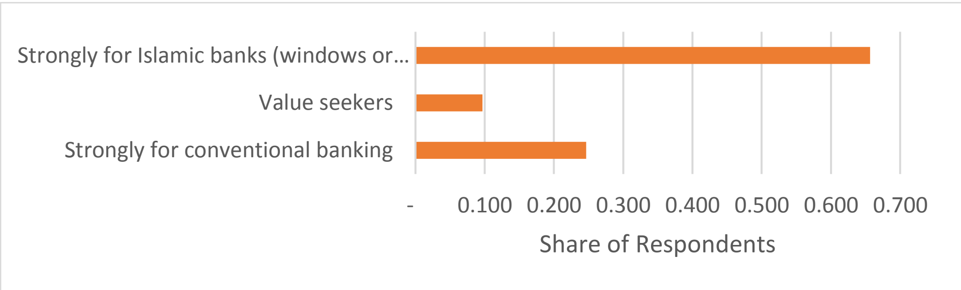
	Muslims			Non-Muslims			
	N	P	SE	N	P	SE	t-test
Value Seekers =1 if respondent is classified as value-seeker, 0 otherwise.	1093	.1116	.0095	365	.0712	.0134	-2.21 *

* P <.05

Note: N=number of observations, P=sample proportion, SE=Standard Errors
The difference is the proportion for non-Muslims minus the proportion for Muslims.

Our results indicate a rejection of the hypothesis of equality of proportions against the alternative that Muslims are more likely to be value-seekers than non-Muslims at 5%. Although non-Muslims can be expected to be value-seekers as they are not motivated by Sharīʿah compliance, our findings shows that Muslims are actually more likely to consider the decision of patronage as an economic decision. But the results are also in contradiction with common belief in the Islamic banking industry that value seekers are a large portion of IB clientele (see figure-1). Given the oversampling of the Muslim population, these results indicate that value-seekers are no more than 10% of the clientele population.

Figure-1
Classification of Respondents by Preferences



The overall fit of the model is good for all four models as the likelihood ratio tests support that both models would be better at predicting preferences than a generic model with only a constant (prediction based on the average proportions). Below, we summarize the key findings of each model.

Current account: The results are presented in Table-3, and indicate that customers are indifferent between stand-alone Islamic banks and Islamic windows. None of the variables can help predict preference for one over the other. A simple logit model is therefore estimated, as it yields more efficient estimators. When it comes to conventional versus Islamic bank though, we find that religion, age, income and education are significant predictors of customers' preferences on current accounts. Using the logit model, or the expended multinomial logistic model, the results are consistent and show that the likelihood of preferences tilting towards Islamic banks increases with age, education, for Muslims compared to non-Muslims, but it decreases with income.

Table-3
Multinomial Logistic /Logit Model for Preferences regarding Current/Checking Account?

Survey question: What type of bank do you use/ would use mostly for the following products and services (Current/Checking Account)? (Please tick the appropriate choices)

1- Conventional (non-Islamic)
2- Conventional (via Islamic window)
3- Stand-alone Sharīʿah-compliant (Islamic)

Variables	Conventional vs Stand-alone IB	Islamic Windows vs Stand-alone IB	Conventional vs Islamic (Windows or stand-alone
Age	-.026	.003	-.028
	(-2.46)	(.4)	(-2.89)
Income	.0001	-.00005	.0001
	(2.45)	(-1.42)	(3.38)
Muslim	-2.498	.163	-2.579
	(-11.21)	(0.66)	(-13.47)
Male	-.211	-.256	-.087
	(-1.05)	(-1.48)	(-.47)
Education 1 (Secondary school)	.254	.72	-.201
	(.39)	(1.18)	(-.36)
Education 2 (High School Diploma)	-.505	.059	-.538
	(-.80)	(.10)	(-.99)
Education 3 (Undergraduate or professional degree)	-1.585 (-2.60)	-.669 (-1.18)	-1.289 (-2.45)
Education 4 (Master's degree or doctorate)	-1.035 (-1.64)	-.070 (-.12)	-.997 (-1.83)
Constant	2.872	.276	2.032
	(3.86)	.41)	(3.12)
Reference category: Stand-alone Islamic bank Number of observations: 870 Likelihood Ratio Chi Sq. (16): 281.10 Prob > chi2=0.0000 Log likelihood: -808.48408 Pseudo-R sq: .1481			# of observations: 870 Likelihood Ratio Chi Sq. (8): 242.50 Prob > chi2=0.0000 Log likelihood: -391.18437 Pseudo-R sq: .2366

Savings accounts: The results for preferences regarding savings accounts are reported in Table-4. We find that income, education and gender do not help in predicting customers preferences between Islamic and conventional regarding savings accounts. However faith plays a significant role as Muslims are highly more likely to prefer Islamic windows or stand-alone over conventional banks.

Table-4
Multinomial Logistic /Logit Model for Preferences regarding Savings Account

Survey question: What type of bank do you use/ would use mostly for the following products and services (Savings Account)? (Please tick the appropriate choices)

1- Conventional (non-Islamic)
2- Conventional (via Islamic window)
3- Stand-alone Sharīʿah-compliant (Islamic)

Variables	Conventional vs Stand-alone IB	Islamic Windows vs Stand-alone IB	Conventional vs Islamic (Windows or stand-alone
Age	-.018	.009	-.023
	(-2.21)	(1.48)	(-3.10)
Income	.00005 (1.37)	-.00004	.0006
		(-1.39)	(2.12)
Muslim	-2.447	.231	-2.558
	(-13.65)	(1.15)	(-16.56)
Male	-.292	-.136	-0.225
	(-1.83)	(-1.05)	(-1.54)
Educ1 (Secondary school)	.332	.486	0.052
	(.67)	(1.12)	(.12)
Educ2 (High School Diploma)	-.411	-.058	-.384
	(-.85)	(.13)	(-.89)
Educ3 (Undergraduate or professional degree)	-1.113	-.335	-.967
	(-2.33)	(-0.79)	(-2.27)
Educ4 (Master's degree or doctorate)	-.714	.141	-.786
	(-1.46)	(.33)	(-1.80)
Constant	2.444	-.272	1.889
	(4.23)	(-.53)	(3.66)
Reference category: Stand-alone Islamic bank Number of observations: 1352 Likelihood Ratio Chi Sq. (16): 377.79 Prob > chi2=0.0000 Log likelihood: -1280.87 Pseudo-R sq: .1285			Number of observations: 1352 Likelihood Ratio Chi Sq. (8): 347.92 Prob > chi2=0.0000 Log likelihood: -605.46 Pseudo-R sq: .2232

Personal loans: The results for this model (Table-5) indicate that faith is main driver of preferences, as Muslims are more likely to prefer Islamic banks (stand-alone and windows) over conventional than non-Muslims. Gender also appears to matter with men more likely to prefer stand-alone Islamic banks to both windows and conventional banks. Finally, the variable income has a mixed effect, as it is not significant in differentiating conventional from stand-alone Islamic banks, but points to higher income leaning toward the latter when compared to windows.

Table-5
Multinomial Logistic /Logit Model for Preferences regarding Personal Loans

Survey question: What type of bank do you use/ would use mostly for the following products and services (Personal Loans)? (Please tick the appropriate choices)

1- Conventional (non-Islamic)
2- Conventional (via Islamic window)
3- Stand-alone Sharīʿah-compliant (Islamic)

Variables	Conventional vs Stand-alone IB	Islamic Windows vs Stand-alone IB
Age	.009	.030
	(.83)	(3.54)
Income	-.00002	-.00007
	(-.42)	(-2.00)
Muslim	-2.397	-.076
	(-10.31)	(-.32)
Male	-.414	-.289
	(-2.03)	(-1.82)
Educ1 (Secondary school)	1.044	.787
	(1.51)	(1.33)
Educ2 (High School Diploma)	.524	.460
	(.78)	(.80)
Educ3 (Undergraduate or professional degree)	-.887	-.338
	(-1.35)	(-0.61)
Educ4 (Master's degree or doctorate)	-.230	.285
	(-.34)	(.51)
Constant	1.259	-.694
	(1.60)	(-1.04)
Reference category: Stand-alone Islamic bank		
Number of observations: 893		
Likelihood Ratio Chi Sq. (16): 228.37		
Prob > chi2=0.0000		
Log likelihood: -841.54		
Pseudo-R sq: .1195		

Startup business financing: Table-6 summarizes the findings for the determinants of preferences regarding institutions for financing startup businesses. They are consistent with results on other financial products as the likelihood of preference of Islamic banks or windows increase with age, and decreases with income. Still preferences of Muslims are strongly for Islamic banks or windows. Gender and education do not appear to influence preferences when controlling for income levels.

Table-6
Multinomial Logistic Model for Preference regarding Startup Business Financing

Survey question: What type of bank do you use/ would use mostly for the following products and services (Startup business financing)? (Please tick the appropriate choices)

1- Conventional (non-Islamic)
2- Conventional (via Islamic window)
3- Stand-alone Sharīʿah-compliant (Islamic)

Variables	Conventional vs Stand-alone IB	Islamic Windows Vs Stand-alone IB	Conventional vs Islamic (Windows or stand-alone)
Age	.012	0.034	-.007
	(.71)	(2.58)	(-.49)
Income	.0001	-.00003	.0001
	(2.16)	(.50)	(2.19)
Muslim	-3.029	-.092	-2.986
	(-7.35)	(-.20)	(-9.14)
Male	-.220	-.103	-.168
	(-.63)	(-.37)	(-.53)
Educ1: (Secondary school)	-.651	.335	-.837
	(-.72)	(.43)	(-1.06)
Educ2: (High School Diploma)	-.198	.461	-.447
	(-.23)	(.60)	(-.60)
Educ3: (Under graduate or professional degree)	-1.380 (-1.65)	-.311 (-0.42)	-1.208 (-1.65)
Educ4: (Master's degree or doctorate)	-1.089 (-1.28)	-.416 (-.56)	-.866 (-1.16)
Constant	1.817	-.987	1.658
	(1.70)	(-1.03)	(1.77)
Reference category: Stand-alone Islamic bank Number of observations: 335 Likelihood Ratio Chi Sq. (16): 133.55 Prob > chi2=0.0000 Log likelihood: -299.31 Pseudo-R sq: .1824			# of observations: 335 Likelihood Ratio Chi Sq. (8): 119.72 Prob > chi2=0.0000 Log likelihood: -139.90 Pseudo-R sq: .2996

6. Conclusion

Understanding customers' preferences is essential in profiling users of banking products based on motives. Identifying opportunity seekers helps better targeting marketing campaigns and design products characteristics to satisfy consumers' needs. Our paper finds that opportunity seekers are not the dominant market segment, representing no more than 10% of the clientele population. We also find that Muslims are more likely to be opportunity seekers than non-Muslims. We looked at the potential of demographic and socio-economic variables such as age, education, religion, gender and income, in explaining consumers preferences between Conventional Banking and Stand-alone Islamic banks regarding key financial products. Our findings indicate that older people and Muslims are more likely to prefer Stand-alone or Islamic banking windows but that higher income earners are more likely to prefer conventional equivalents. Overall, our models did not find significant differences in consumers' preferences of Windows vs Stand-alone Islamic banks.

Although there are signs of optimism for the future of Islamic Banking in Malaysia, our results point to avenues that Islamic banks could explore in order to increase their market share. In particular, promotion efforts targeting high-income earners as on average they are currently more likely to prefer conventional banks; Muslim customers are more value-seeking than non-Muslim customers, indicating that more efforts could be made to market Islamic banking products as a good value proposition, not simply as the Sharīʿah compliant alternative to conventional banking; customers need to be better educated on the merits of IB products.

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BOOK REVIEW

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Book Review

Fundamentals of Islamic Economics and Finance

Authors: Hafiz Muhammad Yasin & Atiq-uz-Zafar Khan
Jeddah: IRTI. 2016. 556pp

Reviewed by: Muhammad Akram Khan

Islamic economics and finance is a nascent discipline. Since 1976 when the First Conference on Islamic Economics was held under the auspices of King Abdelaziz University at Makkah, it is merely four decades that serious efforts to transform Islamic economic teachings into a social science started. Since then a lot of progress has been made as is evident from the literature produced, conferences, workshops and seminars held, journals issued, and teaching of Islamic economics in various educational institutions around the globe. However, teachers and scholars always felt lack of standard teaching material, particularly, a text book, of Islamic economics which they could use for coaching purposes. The present book is a welcome effort. The authors have done a yeoman’s job in producing this high-quality work.

The book consists of 18 chapters. The authors have included learning objectives, review questions and further readings in each chapter which have enhanced value of this work. Besides, the book is profusely illustrated with pictures, images, figures, graphics, tables, charts and boxes. These aids have made the book extremely easy to read. In each chapter, the authors present the content relating to conventional economics and then add the Islamic perspective to give a proper context to the Islamic position. The authors have, like all writers of text books, utilized the Islamic economic material which is generally accepted and have avoided discussion of controversial or minority points of view. Thus, they have presented a mainstream position of Islam on various economic issues. It is a remarkable effort and I shall like to congratulate the authors on this excellent work.

Having said that, I shall like to point out a few things which could enhance the value of this work further. The authors should have made it clear somewhere that the present effort consists mainly of Islamic economic teachings and not Islamic economic theory. Economic theory is based on hypotheses, which make predictions under stated conditions and assumptions, and can be validated or falsified by empirical evidence or on rational basis. In absence of an ideal Islamic economy, the hypotheses of Islamic economics cannot be tested and transformed into a theory. That work has yet to start. The students should know about this limitation of the present work.

The authors think that although conventional economics claims to be a positive science, yet it has conceded ground to normative methodology. This is evident, the authors think, from the fact that the economists act as advisors and make suggestions for economic policy. Economics as a science has also adopted such subjects as economic development, poverty eradication, full employment, etc. as its research agenda. The authors need to appreciate that the economic theory is still a positive science. However, economists use the knowledge of economics for making policy suggestions. This is so about all knowledge, including physical sciences. That does not make these sciences normative. Arguing that Islamic economics is a normative science (as well as positive science) is confusing the issue. In our analysis, if we include the "should be" statements as our assumptions, we shall have to assume that all persons are following the ethical standards included in our assumptions at the maximum level. Obviously, such an assumption is unrealistic. I would suggest that the authors discard this stance and try to develop Islamic economics as a positive science. It would only enhance the prestige and value of this discipline and will not defeat the objective of the authors: transforming the present societies into Islamic societies.

The authors, while presenting the Islamic economic teachings, have religiously followed the orthodox position on various issues, although the present-day scenario has changed substantially. For example, on question of *nisāb* for *zakāh*, they have supported the mainstream religious position that the *nisāb* should be in terms of sliver. This is followed in Pakistan these days. But let us see what it means. For example, the Islamic scholars determined in June 2017 that the *nisāb* for *zakāh* in Pakistan is Rs 38600. This amount can buy only a gold ring of 5 grams. Now this amount, in Pakistani currency is so small, that there will hardly be a person who does not have this much wealth. If that is so, everybody would be liable to pay *zakāh*. Who would receive it? The authors should have taken a more enlightened approach of relating Islamic economic teachings to the present situation.

Similarly, the authors have not rigorously developed the theory of interest. For example, in case of time value of money, they say that Islam supports it without facing questions arising from this stance. If Islam supports time value of money in *murābaḥah*, why it negates it loans? If we accept time value of money how can we reject interest rate, which is justified on this very basis? How shall we appraise projects in absence of interest rate that is used for discounting values in cost-benefit analysis? In case of *murābaḥah*, if we accept higher price for credit sales as compared to cash sales, how can we condemn interest? What about discounting of bills? How to make credit cards acceptable? What to do about education finance and government borrowing? Similar questions arise from the prohibition of *ribā*. The authors should have discussed these issues. It would only expand the horizon of students' minds and encourage them think freely. These are only examples of what the authors could do better.

The authors have added several tables and annexes of data. In most cases, the data are old and dated. A book being published in 2016, and containing data of early years of 21st century or even 1990s does not give a good impression. I wish the authors had updated the tables before the book went to press. The book does not have an index for proper names and places. Even the subject index is quite sketchy. For such a voluminous book, a comprehensive index of names, places and subjects with sufficient details would be a great help to readers and researchers.

It seems that the authors have written this book for Muslim students only. Had they used a writing style which is comprehensible to non-Muslims as well, the utility of the book could increase. At least, they could add a glossary of terms.

The above criticism is not to discourage or discredit the good effort made by the authors. They deserve all the credit for producing this highly readable book. I salute their effort.

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CUMULATIVE INDEX OF PAPERS

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Munawar Iqbal and *Tariqullah Khan*
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.

☐ **ROLE OF ZAKĀH AND AWQĀF IN POVERTY ALLEVIATION (2004),** pp. 150 **Price $ 10.00**
Habib Ahmed
The occasional paper studies the role of *Zakāt* and *Awqāf* in mitigating poverty in Muslim communities. The study addresses the issue by studying the institutional set-up and mechanisms of using *Zakāt* and *Awqāf* 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.

☐ **OPERATIONAL STRUCTURE FOR ISLAMIC EQUITY FINANCE: LESSONS FROM VENTURE CAPITAL (Research Paper No. 69), (2005),** pp.39 **Price $ 10.00**
Habib Ahmed
The paper examines various risks in equity and debt modes of financing and discusses the appropriate institutional model that can mitigate theses risks.

☐ **ISLAMIC CAPITAL MARKET PRODUCTS DEVELOPMENTS AND CHALLENGES (Occasional Paper No. 9**), **(2005),** pp.93 **Price $ 10.00**
Salman Syed Ali
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.

☐ **HEDGING IN ISLAMIC FINANCE (Occasional Paper No.10), (2006)**, pp.150 **Price $ 10.00**
Sami Al-Suwailem
The book outlines an Islamic approach to hedging, with detailed discussions of derivatives, *gharar* and financial engineering. It accordingly suggests several instruments for hedging that are consistent with Sharī'ah principles.

☐ **ISSUES IN ISLAMIC CORPORATE FINANCE: CAPITAL STRUCTURE IN FIRMS (Research No.70),** (2007), pp. 39 **Price $ 10.00**
Habib Ahmed
The research presents some issues concerning capital structure of firms under Islamic finance.

☐ **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 Sharīʻah-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 *MAQASID* AL-SHARĪʻAH**, (**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 Sharīʻah formulation of the social responsibility and its relation to the objectives of Sharīʻah, 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 **Price $ 10.00**
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.

☐ **HANDBOOK OF ISLAMIC ECONOMICS, Vol. 1, Exploring the Essence of Islamic Economics, (1432, 2011),** pp.348 **Price $ 35.0**
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) Sharīʻah and *Fiqh* Foundations, (iv) Islamic Economic System.

☐ **BUILD OPERATE AND TRANSFER (BOT) METHOD OF FINANCING FROM SHARĪʻAH PERSPECTIVE, (1433, 2012),** pp.115 **Price $ 15.00**
Ahmed Al-Islambouli
Literature on BOT techniques from Shariah 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 Sharīʻah opinion. It finds BOT to be a combination of *Istiṣnāʻ* and other contracts. The BOT would be a valid method after appropriate modifications

☐ **CHALLENGES OF AFFORDABLE HOUSING FINANCE IN IDB MEMBER COUNTRIES USING ISLAMIC MODES (1433, 2012),** pp.266 **Price $ 20.00**
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.

Lectures

- ☐ **THE MONETARY CONDITIONS OF AN ECONOMY OF MARKETS: FROM THE TEACHINGS OF THE PAST TO THE REFORMS OF TOMORROW (1993),** pp.64 — **Price $ 10.00**
  Maurice Allais
  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.
- ☐ **THE ECONOMICS OF PARTICIPATION (1995),** pp.116 — **Price $ 10.00**
  Dmenico Mario Nuti
  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.
- ☐ **TABUNG HAJI AS AN ISLAMIC FINANCIAL INSTITUTION: THE MOBILIZATION OF INVESTMENT RESOURCES IN AN ISLAMIC WAY AND THE MANAGEMENT OF HAJJ (1995),** pp.44 — **Price $ 10.00**
  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 *hajjis*.
- ☐ **ISLAMIC BANKING: STATE OF THE ART (1994),** pp.55 — **Price $ 10.00**
  Ziauddin Ahmad
  The paper reviews and assesses the present state of the art in Islamic banking both in its theoretical and practical aspects.
- ☐ **ROLE OF ISLAMIC BANKS IN DEVELOPMENT (1995),** pp.54 — **Price $ 10.00**
  Ahmad Mohamed Ali
  The paper analyses the concept of development from an Islamic perspective, highlighting the role of Islamic banks in achieving the same.
- ☐ **JURISPRUDENCE OF *MAṢLAḤAH* AND ITS CONTEMPORARY APPLICATIONS (1994),** pp.88 — **Price $ 10.00**
  Hussein Hamid Hassan
  The paper discusses the Islamic view as well as applications of *Fiqh al Maṣlaḥah* in the field of economic and finance.
- ☐ ***AL GHARAR* (IN CONTRACTS AND ITS EFFECT ON CONTEMPORARY TRANSACTIONS) (1997),** pp.79 — **Price $ 10.00**
  Siddiq Al Dareer
  This study presents the Islamic Sharīʿah viewpoint regarding *gharar* and its implications on contracts, particularly in connection with sale contracts and other economic and financial transactions.
- ☐ ***ISTIHSAN* (JURISTIC PREFERENCE) AND ITS APPLICATION TO CONTEMPORARY ISSUES (1997),** pp.148 — **Price $ 10.00**
  Mohammad Hashim Kamali
  The lecture deals with an important subject. It is a common knowledge that Qur’an and *Sunnah* are the primary sources of Islamic jurisprudence. It presents a cross section of Islamic legal issues, which are of vital importance to Islamic countries.

☐ **ECONOMIC COOPERATION FOR REGIONAL STABILITY (1996),** pp.34 — **Price $ 10.00**
Bacharuddin Jusuf Habibie
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.

☐ **WHAT IS ISLAMIC ECONOMICS? (1996),** pp.73 — **Price $ 10.00**
Mohammad Umer Chapra
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.

☐ **DEVELOPMENT OF ISLAMIC BANKING ACTIVITY: PROBLEMS AND PROSPECTS (1998),** pp.24 — **Price $ 10.00**
Saleh Kamel
This lecture explores the origin of Islamic banks and explains their problems and prospects which have attracted the attention of scholars.

☐ ***AL-QIYAS* (ANALOGY) AND ITS MODERN APPLICATIONS (1999)**, pp.132 — **Price $ 10.00**
Muhammad Al-Mukhtar Al-Salami
The paper presents the juridical theory of *Qiyas* and its applications to contemporary issues.

☐ ***MUḌĀRABAH* AND THE PAKISTAN PERSPECTIVE (2000),** pp.46 — **Price $ 10.00**
Justice (Retd.) Tanzilur Rahman
The lecture deals with *Muḍārabah* characteristics and its applications in accordance with Sharīʿah and the Pakistan perspective.

☐ **SUSTAINABLE DEVELOPMENT IN THE MUSLIM COUNTRIES (2003),** pp.104 — **Price $ 10.00**
Monzer Kahf
IDB Prize Lectures analyses the concept of sustainable development from an Islamic perspective and surveys the state of development in Muslim countries.

Others

☐ **TRADE PROMOTION ORGANIZATIONS IN OIC MEMBER COUNTRIES (1994),** pp.40 — **Price $ 10.00**
A directory of trade promotion organizations. A reference for those interested in trade promotion in OIC member states.

☐ **A BIBLIOGRAPHY OF ISLAMIC ECONOMICS (1993),** pp.840 — **Price $ 20.00**
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.

☐ **PETROCHEMICAL INDUSTRY IN OIC MEMBER COUNTRIES (1994),** pp.89 — **Price $ 10.00**
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.

☐ **FERTILIZER INDUSTRY AND TRADE IN OIC MEMBER COUNTRIES (1995),** pp.603 — **Price $ 20.00**
It serves as a useful and up-to-date guide to fertilizer industry, technology and trade in OIC member countries.

☐ **CEMENT INDUSTRY IN OIC MEMEBR COUTNIRES – (SECOND EDITION) (1993),** pp.560 — **Price $ 20.00**
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.

☐ **FINANCIAL DEVELOPMENT IN ARAB COUNTRIES (BOOK OF READINGS, No.4) (2005)**, pp.298 — **Price $ 20.00**
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

Actes de Séminaires

☐ **L'ORGANISATION ET LE FONCTIONNEMENT DU CONSEIL MALAIS DE DIRECTION DES PELERINS ET DU FONDS DU PELERINAGE (1987),** 109 pages — **Prix $ 10.00**
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.

☐ **L'ADMINISTRATION PUBLIQUE DANS UN CONTEXTE ISLAMIQUE (1995),** 150 pages — **Prix $ 10.00**
Yassine Essid and *Tahar Mimm, (éd.)*
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.

☐ **LA ZAKĀT: ASPECTS JURIDIQUES, ECONOMIQUES ET SOCIAUX (1995),** 248 pages — **Prix $ 20.00**
Boualem Bendjilali and *Mohamed Alami (éd.)*
Actes de séminaire sur LA ZAKĀT dont l'objectif est d' ouvrir de nouvelles voies à la reflexion et de faire connaître les concepts, la méthodologie et les principes de base de la collecte et de la répartition de la Zakāt.

☐ **DEVELOPPEMENT D'UN SYSTEME D'INSTRUMENTS FINANCIERS ISLAMIQUES (1995),** 328 pages — **Prix $ 20.00**
Mohamed Ariff and *M.A. Mannan* (éd.)
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.

☐ **INTRODUCTION AUX TECHNIQUES ISLAMIQUES DE FINANCEMENT (1997),** 210 pages — **Prix $ 20.00**
Actes de séminaire don't 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.

☐ **CONFERENCES EN ECONOMIE ISLAMIQUE (1996),** 555 pages **Prix $ 20.00**
Ausaf Ahmed and *Kazim Awan*
Actes de séminaire dont l'objectif principal est de servir comme outil de base pour les étudiants et aux enseignants en économie islamique.

☐ **LE DEVELOPPEMENT DURABLE, (1997),** 256 pages **Prix $ 20.00**
Taher Memmi (éd.)
Actes d'un séminaire sur le développement durable qui présente, entre autres, la stratégie en cette matière de quelques pays membres de la BID.

☐ **PROMOTION ET FINANCEMENT DES MICRO-ENTREPRISES (1997),** 187 pages **Prix $ 10.00**
Taher Memmi (éd.)
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.

☐ **LA ZAKĀT ET LE WAQF : ASPECTS HISTORIQUES, JURIDIQUES, INSTITUTIONNELS ET ECONOMIQUES (1998),** 387 pages **Prix $ 20.00**
Boualem Bendjilali (éd.)
Actes de séminaire qui visent à faciliter l'accès des lecteurs francophones à la littérature sur l'économie islamique en général et la Zakāt et le Waqf en particulier.

☐ **LES MODES DE FINANACEMENT ISLAMIQUES (1993),** 48 pages **Prix $ 10.00**
Boualem Bendjlali (éd.)
Rapport d'un séminaire sur les modes de financement islamiques tenu en Mauritanie en 1413H (1992).

☐ **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 **Prix $ 25.00**
Boualem Bendjilali (éd.)
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 *Fiqh.*

Recherches

☐ **LA COOPERATION ECONOMIQUE ENTRE LES PAYS DU MAGHREB (1985),** 138 pages **Prix $ 10.00**
Ridha Saadallah
Cet ouvrage traite de nombreux thèmes dont les ressources naturelles et humaines au Maghreb, le potentiel de coopération agricole et industrielle au Maghreb, etc.

☐ **PROFITS ET INTERETS BANCAIRES ENTRE L'ANALYSE ECONOMIQUE ET LA CHARI'A (1994),** 150 pages **Prix $ 10.00**
Abdelhamid El-Ghazali
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.

☐ **LA MOUDHARABA SELON LA CHARI'A ET SES APPLICATIONS CONTEMPORAINES (1994),** 83 pages — **Prix $ 10.00**
Hassan El-Amin
Cette étude traite de nombreux aspects pratiques: légal, économique et bancaire.

☐ ***JOUALA* ET *ISTISNA,*** — **Prix $ 10.00**
***Analyse juridique et économique* (1994) ,** 65 pages
Chaouki Ahmed Donia
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".

☐ **LA PROPRIETE FONCIERE EN ISLAM (1994) *(Enquête),*** 52 pages — **Prix $ 10.00**
Mahmoud A. Guilaid
Le but de cette étude est d'examiner les questions les plus importantes concernant le droit de propriété foncière en Islam.

☐ **LES RELATIONS COMMERCIALES ENTRE LE CONSEIL DE COOPERATION DU GOLFE ET LA COMMUNAUTE EUROPEENNE (1995),** 152 pages, — **Prix $ 10.00**
Du Passé Récent au Lendemain de 1992
Ridha Mohamed Saadallah
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.

☐ **ERADICATION DE LA PAUVRETE ET DEVELOPPMENT DANS UNE PERSPECTIVE ISLAMIQUE (1995),** 180 pages — **Prix $ 10.00**
Abdelhamid Brahimi
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.

☐ **JUGEMENT DU TRIBUNAL FEDERALISLAMIQUE DU PAKISTAN RELATIF A L'INTERET *(RIBA)* (1995),** 478 pages — **Prix $ 25.00**
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.

Eminents Spécialistes

☐ **LES CONDITIONS MONETAIRES D'UNE ECONOMIE DE MARCHES DES ENSEIGNEMENTS DU PASSE AUX REFORMES DE DEMAIN (1993),** 64 pages — **Prix $ 10.00**
Maurice Allais (Prix Nobel d'Economie - 1988)
L'auteur, dans son examen, critique du système monétaire international, appelle à des réformes tant économiques que morales.

☐ **JURISPRUDENCE DE LA *MAṢLAḤAH* ET SES APPLICATIONS CONTEMPORAINES (1995),** 92 pages **Prix $ 10.00**
Hussein Hamed Hassan
L'étude, présente le point de vue islamique se rapportant à la question de l'intérêt publique, son lien avec la législation, ses conditions et ses dimensions juridiques; avec un certain nombre d'applications contemporaines.

☐ **JURISPRUDENCE DE LA NECESSITE (*FIQH* DE LA *DHARURA*) ET SON APPLICATION DANS LA VIE CONTEMPORAINE : PERSPECTIVE ET PORTEE (1996),** 259 pages **Prix $ 20.00**
Abd al-Wahab I. Abu Sulayman
Cette recherche sur le *Fiqh de la Ḍarūrah* aborde le point de vue de la Chari'a islamique par rapport à la notion de *Ḍarūrah* (nécessité), ses conditions et ses perspectives juridiques.

☐ **COOPERATION ECONOMIQUE POUR UNE STABILITE REGIONALE (1996),** 37 pages **Prix $ 10.00**
Bacharuddin Jusuf Habibie
Cet ouvrage porte sur l'importance coopération économique entre les pays en développement en général et entre les pays islamiques en particulier.

☐ **LE QIYAS ET SES APPLICATIONS CONTEMPORAINES (1996),** 139 pages **Prix $ 10.00**
Mohamed Mokhtar Sellami
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 (Qiyâs) et reconnue par l'ensemble des écoles juridiques comme preuve légale et méthode d'extraction des jugements.

Prix de la BID

☐ **LE SYSTEME BANCAIRE ISLAMIQUE : LE BILAN, (1996),** 65 pages **Prix $ 10.00**
Ziauddin Ahmed
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.

☐ **QU'EST-CE QUE L'ÉCONOMIE ISLAMIQUE? (1996),** 81 pages **Prix $ 10.00**
Mohammad Umer Chapra
Conférence donnée par Dr. Chapra lauréat du Prix de l'économique islamique 1409H (1989) sur : l'économie conventionnelle et l'économie islamique.

☐ **EVOLUTION DES ACTIVITES BANCAIRES ISLAMIQUES: PROBLEMES ET PERSPECTIVES (1998),** 30 pages **Prix $ 10.00**
Saleh Kamel
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.

Traductions

☐ **VERS UN SYSTÈME MONÉTAIRE JUSTE, (1997),** 352 pages — **Prix $ 20.00**

Mohammad Umer Chapra

Ce livre développe avec habilité la logique islamique de la prohibition du *Riba*, et démontre avec rigueur la viabilité et la supériorité du système de financement basé sur la participation au capital.

Documents occasionnels

☐ **DEFIS AU SYSTEME BANCAIRE ISLAMIQUE, (1998),** 90 pages — **Prix $ 10.00**

Munawar Iqbal, Ausaf Ahmad et Tariquallah Khan

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.

TRANSLITERATION TABLE

Arabic Consonants

- Initial, unexpressed medial and final:

ء	’	د	d	ض	d	ك	k
ب	b	ذ	dh	ط	t	ل	l
ت	t	ر	r	ظ	z	م	m
ث	th	ز	z	ع	[	ن	n
ج	j	س	s	غ	gh	هـ	h
ح	h	ش	sh	ف	f	و	w
خ	kh	ص	s	ق	q	ي	y

- Vowels, diphthongs, etc.

Short	ـَ	a	ـِ	i	ـُ	u
Long	أ	a	ي	i	و	u
Diphthongs	ؤ	aw	ئ	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.
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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

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