Editorial

In the Name of Allah, Most Gracious, Most Merciful. The development of the Islamic finance market over the years has not been without its challenges, whether on the political, legal, Sharīʿah or commercial fronts. Notwithstanding these challenges, the Islamic finance market has continued to push forward, with a step up in activity from different players around the globe. In the process, the industry has become more innovative in its approach and in expanding its coverage to include new types of financing and new markets.

One way for the industry to create more social impact and contribute towards sustainable development goals is to associate itself with green and socially responsible initiatives. One of the latest developments in this respect is the issuance of the world's first sovereign green *ṣukūk* by Indonesia in February 2018. This issuance was for an amount of US$1.25bn made under the Republic's Green Bond and Green Sukuk Framework. While Indonesia has a thriving Islamic banking industry, its *ṣukūk* sector has been slower to take off, especially on the corporate side. In a move to spur corporate players and concurrently support environmentally friendly initiatives, the Indonesian Government announced this green issuance. Its proceeds will be used to finance projects such as renewable energy, green tourism and waste management.

On the same topic, we note an announcement by Islamic Relief Worldwide (IRW) of its plans to issue humanitarian *ṣukūk* to achieve social good. Humanitarian crises arising from armed conflicts or climate change disasters pose a challenge for humanitarian funding. IRW's initiative marks an affirmation of a theme in the discussions at the World Humanitarian Summit 2016 where the role of Islamic social finance was prominently featured. *Ṣukūk* was mentioned there as an example of a supporting tool for mobilizing financial resources for humanitarian needs.

On the front of new markets opening up for Islamic finance operations, a few examples can be cited. First, the Republic of Mali has joined its African peers in issuing a sovereign *ṣukūk*. Recent African sovereign *ṣukūk* issuers have been Togo, Senegal and Ivory Coast. Mali's inaugural issuance in February 2018 was for an amount of CFA francs 150bn. It forms part of the government's public securities programme totalling CFA francs 547bn to support infrastructural development within the country. Second, a number of self-help groups in the Indian state of Kerala have started offering interest-free financing. This occurred despite the fact that Islamic finance has yet to receive regulatory approval from the Reserve Bank of India. Third, after one Algerian state-owned bank introduced an Islamic finance product at the end of 2017, two more are expected to roll out Islamic finance solutions by June 2018. These developments provide concrete glimpses of the expansion of the Islamic finance industry in serving the global community.

This June 2018 issue of *ISRA International Journal of Islamic Finance* recognizes the evolution of various segments of the Islamic finance market and presents an interesting array of reads from authors of various backgrounds and nationalities.

ISRA International Journal of Islamic Finance
Vol. 10 No. 1, 2018
pp. 2-5
Emerald Publishing Limited
0128-1976
DOI 10.1108/IJIF-06-2018-058

The first article, "Academic sociology: the alarming rise in predatory publishing and its consequences for Islamic economics and finance", by Zubair Hasan, discusses an issue that has been plaguing both natural and social sciences. It focuses on its recent impingement upon Islamic economics and finance. Predatory publishing is defined as "an exploitative open-access publishing business model that involves charging publication fees to authors without providing the editorial and publishing services associated with legitimate journals" (Wikipedia). The author examines the causes of proliferation of predatory publishing, how it works, its impact on Islamic economics and ways to address the problem. Within Islamic economics research, the author questions the increasing use of econometric modelling and mathematics to facilitate publication in foreign journals. He concludes that the "merit test for research articles must be the extent they promote the Islamic viewpoint and the number of people in the academic world who read and benefit from them".

The second article, "A qualitative inquiry into the cash *waqf* model as a source of financing for micro enterprises", by Mohamed Asmy Bin Mohd Thas Thaker, examines aspects of *waqf* (Islamic endowment) and micro enterprises in the Malaysian context. It first explains the *modus operandi* of the Integrated Cash *Waqf* Micro Enterprise Investment (ICWME-I) model that has been proposed in the literature as a means to improve micro enterprises' financial access. It then explores the suitability and prospects of the model by conducting semi-structured interviews with various experts engaged in the areas of *waqf* and Islamic finance. The findings of the study reveal positive responses from the interviewees. They perceived the model as a prospective alternative to traditional financial institutions to provide improved financing facilities to micro enterprises.

The third article, "Centralization of corporate governance framework for Islamic financial institutions: is it a worthy cause?", by Abd Hakim Abd Razak, provides a literature review on the two main Sharīʿah governance systems that prevail in the Islamic finance industry: centralized and decentralized Sharīʿah board structures. The article first discusses the institution of *ḥisbah* (market surveillance) as a practice to ensure that Sharīʿah principles are applied in all aspects of the community's affairs. It then links the concept of *ḥisbah* to the Sharīʿah governance system put in place in the Islamic finance industry to ensure the Sharīʿah compliance of IFIs' operations. The author further raises the concern about the diversity of Sharīʿah opinions in Islamic banking that it may cause confusion among customers and the public about the actual Sharīʿah-compliance status of an Islamic financial product or service. The article finally examines the advantages and disadvantages of the centralized and decentralized models of Sharīʿah governance.

The fourth article, "Financing agricultural activities in Afghanistan: a proposed *salam*-based crowdfunding structure", by Buerhan Saiti, Muhibullah Afghan and Nazrul Hazizi Noordin, merges two concepts – *salam* (forward sale) and crowdfunding – to propose a model to fund the agricultural sector in Afghanistan. The article first examines the practice of *salam* financing by the Bank of Khartoum in Sudan to provide financing to farmers. It particularly delves into the risk mitigation approach adopted by the bank to protect farmers and the bank in the case of marked fluctuation in commodity prices. It then explores the potential of applying the classical *salam* model within a crowdfunding structure to propose a financing model to fund agricultural activities in Afghanistan.

The fifth article, "Understanding the *mushārakah mutanāqiṣah* of Koperasi Pembiayaan Syariah Angkasa (KOPSYA)", by Norbaizurah Abdul Jabar, Razli Ramli and Sazali Abidin, studies the application of *mushārakah mutanāqiṣah* (diminishing partnership) financing by KOPSYA, an Islamic cooperative based in Malaysia. The article offers a practitioner's perspective on challenges commonly faced in the implementation of *mushārakah mutanāqiṣah* financing and how KOPSYA addresses these issues to benefit both the cooperative and its members. The authors sought the views of the Chief Executive Officer of KOPSYA to have a better understanding of the workings of *mushārakah mutanāqiṣah* financing as practiced by the cooperative.

ISRA International Journal of Islamic Finance also publishes five short articles which offer an interesting mix of contributions from academics and researchers. A summary of these articles is provided below:

- "Towards establishing an Islamic retail bank in a Muslim-minority country: prospects and challenges in Mauritius", by Najmul Hussein Rassool. This article provides an overview on the development of Islamic banking and finance in this small island nation and elaborates on likely challenges. These include a lack of Sharīʿah-compliant liquidity instruments; lack of qualified Sharīʿah scholars conversant with the practice of Islamic banking and finance; untested enforceability of Islamic contracts in court; and strong competition from well-established conventional banks.
- "Sale with the temporary exclusion of usufruct: a critical examination of its use in financing home purchases", by Abdulbari Mashal, Amer Hajal, Om Kalthoum Majoul and Mir Riaz Ansary. This article analyses a rare form of sale which transfers ownership of the asset to the buyer but allows the owner to retain ownership of the usufruct for a specified period. This type of sale with the temporary exclusion of usufruct is used by the American Finance House LARIBA for asset financing such as home purchases. The article examines the legal status of this type of sale, its application by American Finance House LARIBA and its operational risks and challenges.
- "Islamic Financial Services Act (IFSA) 2013 and the Sharīʿah-compliance requirement of the Islamic finance industry in Malaysia", by Mohamad Akram Laldin and Hafas Furqani. This article traces the evolution of the Sharīʿah governance framework that Islamic financial institutions in Malaysia must adhere to. It describes the dynamic development of regulation and guidelines on Sharīʿah governance from the Islamic Banking Act (IBA) 1983 to the latest law, IFSA 2013. The progressive development of the Sharīʿah governance framework has adapted to changing market conditions and the growing scale and complexity of Islamic financial business to ensure that IFIs effectively implement Sharīʿah governance.
- "Framework for financial hardship indebtedness management in abandoned housing projects in Malaysia", by Said Adekunle Mikail, Noor Suhaida Kasri, Saba Radwan Elatrash and Abideen Adeyemi Adewale. This article studies the factors leading to the problem of abandoned housing projects in Malaysia and the issues affecting Islamic banks and their customers in such cases. It aims to propose a guiding framework to manage financial hardship indebtedness based on three key Sharīʿah principles, namely, justice, public interest and removal of hardship.
- "The effect of Islamic sacred months on stock prices in Iran and Iraq Stock Exchanges", by Faisal Abduleh Salman Irag Al-Najaf, Mahdi Salehi and Hind Shafeeq Nimr Al-Maliki. The issue of calendar anomalies – i.e. the effect of special days and months of a year on different aspects of stock markets – is a well-researched subject. This article deliberates on this issue within the context of two Islamic markets, those of Iran and Iraq.

We would like to call the attention of authors, reviewers and readers to the "Emerald Literati Awards". Emerald Publishing organizes these every year to reward the outstanding contributions of authors and reviewers for scholarly research published in its journals the previous year. This award recognizes the efforts of authors in contributing towards high-quality publications and the contributions of reviewers towards the peer-review process. As *ISRA International Journal of Islamic Finance* is published in collaboration with Emerald Publishing, we also nominate our authors and reviewers for their outstanding contributions. Through this process, we hope to promote excellence at the level of our authors and reviewers.

As always, we thank the contributors of this issue of the Journal and wish our readers an enlightening read.

Allah (SWT) is the Bestower of success, and He knows best.

Ashraf Md. Hashim
ISRA, Kuala Lumpur, Malaysia