An Open Access Journal
ISSN: 10683844

Multicultural Education

Research Article

Homepage: www.MC-caddogap.com

ISLAMIC CAPITALISM: AN APPROACHING TRUTH OR AN EXPECTANT PANORAMA FOR ISLAMIC FINANCE – A CASE OF PAKISTAN AND MALAYSIA

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A B S T R A C T

The investigation of future capitalism in the wake of Islam is rather complicated. The difference of interests and difference of opinions between secular scholars and fiqh scholars can stymie the progress of innovation. Nevertheless, a harmony between their intellectual views can prove to be a boon for encouraging Islamic financial elements. This paper scrutinizes an alternative capitalist structure as one of the basic and fundamental key elements for Islamic finance. In this study, interview-based multi case-study method is used, which is based on qualitative approach. This study concludes that Islam promotes the concept of risk sharing in trading and other financial activities, which may lead to lessen the burden on an individual. However, external factors are playing major roles in both of the countries as conventional system is very strong around the globe.

A R T I C L E I N F O

Keywords:
future capitalism, wake of Islam, secular scholars and fiqh scholars, fundamental key elements of Islamic finance, alternative capitalist structure.

Article History:
Received: 25th Dec 2021
Accepted: 2nd Jan 2022
Published:

1. INTRODUCTION

The amalgamation of religion with an economic system instigates “forces against the change”, these forces emerge when religion is threatened by external forces. This in return tenders’ deterioration of economy and economists (Manne, 1965). In the same way, Islamic finance has been coerced by external and western forces to indulge in western mode of capitalism. So, this paper is an outright assertion that Islamic finance cannot operationalize under western mode of capitalism. Therefore, Islamic capitalism should be adopted. If it is supported by the right system then it will burgeon to its pinnacle.

2. WESTERN CAPITALISM VS ISLAMIC CAPITALISM

A system that works felicitously in one geographical area perhaps can be a debacle in another. Western capitalism has no sovereign or religious roots. It simply means that it is a hodgepodge of capitalism and secularism. The models of capitalism have auspiciously been implemented in western cultures; however, they are unviable for Islamic societies.

Since western capitalism fizzles out in Islamic societies, thus we need to discriminate between Western and Islamic capitalism. It is desideratum for western models of capitalism to have an unsupervised authority over private ownership. This does not have to impeach their freedom. Conversely, Islamic concepts of capitalism entertains private ownership and free enterprise, nevertheless, there is an errant imposition of sovereign power which questions their operations (Watkins, 2020). The economy, social life and politics need to be structured as an aftermath of Islamic principles. As a matter of fact, the innermost values, the apt of social justice, gender and human equality are the chief determinants of Islamic capitalism.

Despite of Islamic capitalism, a lot of low developing countries (LDC) have seen western economies burgeoning their economic and political systems through convention economies and capitalism. So, they emulate the same paradigms in their own economy regardless of its inimitability. Consequently, they become over dependent on western nations. For example, the economy of Kingdom of Saudi Arabia is dependent upon western economy (Commins, 2020) which hobbles its potential to stay propitious. Therefore, this is an errant manifestation that in Muslim countries the implementation of western paradigms of capitalism and conventional economies is unviable.

Since, it is a failure in Muslim countries, within the framework of western world capitalism, come problems as well. The 2007 financial crises were merely due to the western world capitalism (Żuk & Toporowski, 2020). Apart from that poverty, sexism, racism, inequality, incessant crime rate are all inefficacies of western capitalism. This is engendered by people who have a myopic view towards the success of their self-interest and a materialistic society; without having to consider the interest of stakeholders in terms of society, environment etc. Therefore, to extenuate this state of affairs, multinationals come up with slogans like corporate social responsibility, green-environment and fidelity to diversity. This is prejudiced and unjust quick fixes for the discrepancies that economies come up with.

Therefore, applying the above-mentioned paradigms in an Islamic society is in vehement opposition of Islamic principles. In order to make an Islamic economy successful the apt implementation of Islamic principles should be exhorted (Bananuka, Katamba, Nalukenge, Kabuye, & Sendawula, 2020). Muslim countries chalked up a notion of Islamization which was a total fiasco for them because they were intrinsically dependent upon western debt. For instance, Pakistan was a part of Islamization but failed to follow Islamic principles because of encumbrance of IMF and World Bank's debt (Awan & Qasim, 2020). So, the creation of concordance between social, political and Islamic principles would make Muslim societies better off with their economies. This certainly will assist them outsmart western economies as well.

As mentioned earlier the differences, these two terms, Islamic capitalism and western capitalism, are contiguous to each other as well. Because Islamic finance and capitalism do not work in isolation. The need of upgrading Islamic finance would certainly help it to create a better economy. Islamic countries where western and conventional modes of economies are running would not prove lucrative due to lack of Islamic principles. Nonetheless, it is also not a rule of thumb that implementation of Islamization would prove to be the best for the economy. The embryonic Islamic finance can work under Islamization to eschew the idiosyncratic environment of western economies.

Islamic Capitalism- Why it works?

Capitalism has been a great historic force for the last six centuries (Ahmad, 2004). Capital has been recognized from the time when the commencement of Islamic philosophy (Labib, 1969). According to the Holy Quran E Pak, the idea of capital seems in linking with trade, business, and the prohibited exercise of loaning for profit—usury (Surah Al-baqarah). After the 9/11 incident, the Islamic institutions were seen as a funding source of terrorist's attacks. This incident made the entire Islamic system impeachable in the eyes of western nations. And this eventually hobbled the progress and success of Islamic system, Islamic finance and Islamic capitalism (Bilgin, Danisman, Demir, & Tarazi, 2020). After a decade, although the western pressure and stereotypes about Islam were mitigated but the leaders and politicians still had prejudices about Islamic framework. This obstructed the propitiousness of Islamic system. The integration of Shariah helps the system to work properly, reason being Shariah provides a code of conduct. For instance, UAE and Kuwait's legal systems are entirely dependent and based upon Shariah. The modern Islamic countries like Egypt and Yemen also have their code of conduct based upon Shariah. After a decade of 9/11 incident, the ascending of Islamic finance was palpable (Shahid, Khan, & Munir, 2020). There still exists a disjunction between Shariah code of conduct and western commercial transactions in the Arab countries. They seem rather nonplused by these two discreet systems.

So, to clear the above conundrum, the amalgamation of Mejelle with Hanafi Madhab as put forth by KSA would clear the gap in-between Islamic and western economic and legal systems. Due to the restrictions after 9/11 attacks in New York and London, the money that was invested in western world by Muslim investor started being invested in the home countries. Thus, it became a propelling force to fuel the success of Islamic finance. Usually, financial systems in Muslim countries were based on secular and conventional methods but due to the gap created by the wrath of western world towards Islam, it created an opportunity for Islamic finance to enter the market. The failures of western ideology and politics had placed Islamic finance to take the helm of economy.

So, the driving force of Islamic finance was in the light of Quran and Hadith. This is how capitalism was suggested to be adopted. Quran and Hadith have inculcated capitalism and are so not in an opposition of this concept. Quran is rather a support system for capitalism and avows that private property, free enterprise are a part of an economy (Dreher, 2020). Quranic principles opine that Zakat, which is a fundamental pillar of Islam, should be distributed thoroughly among mendicants, this enlightens the concept of considering and mollycoddling the entire society with the profit or money that a business receives. Western capitalism chants the slogans like "corporate social responsibility" to encourage companies to coddle the society (de Bakker, Matten, Spence, & Wickert, 2020). However, this creates better goodwill of the company and increases profits. This is certainly oxymoron within the context of axiology. On the contrary, Quran, Hadith and Islamic capitalism abets an individual, inherently and intrinsically, to have an onus of elimination of poverty, crime, illiteracy and all other odds that exist in a society. This idea is totally antithetical to the concepts of self-interest because it invokes to care for the interests of others.

Conclusively, the collaboration of Shariah with legal system becomes consequential for the success of Islamic finance and Islamic capitalism. The costs of individual transactions that are approved by Islamic scholars are rather inefficient. Therefore, this is desideratum to create linkages between Shariah and legal systems. When Islamic capitalism becomes a partial element of paradigms of Islamic finance then standard documents put forth would eventually lower down the individual (ulma approved) transaction costs. The difference of opinions can be prolifically resolved only by juxtaposing the legal systems, the standards and then amalgamating them altogether to make a unified whole. If multitude of countries starts off with this method of economic systems, then it will turn out to be lucrative for them in the long-run.

Once the countries achieve the collaboration of standards and legal systems then sustaining them should also be an objective. This is the only way Islamic finance can progress through the gaps of western world. Finding the similarities between Islamic principles and western codes of conduct would better help the Islamic nations to stay streets ahead of their competitors.

From Pre-historic to Modernist

Two of the most renowned terms come into being: 1) Traditionalists 2) Modernists. Traditionalists have a blinkered view point that the determinants of all the rules and laws are made from principles of Islam (Gordon & Steele, 2005). Modernists on the contrary have a different point of view. For instance they incorporate Ijtihad, Qiyas, Ijma and Istihsan while making decisions. To broach this idea of concern, scholars usually communicate on these delicate matters. According to traditionalists the implementation of Islamic rules literally, not metaphorically and figuratively gives them a myopic point of view. The vision is further broadened by modernists. According to Hasan (2020), Islam asserts to poise the risk of transactions between parties. This leads towards restricted outlook in Islam for instance; interest, speculation and uncertainty are completely Haram (Stroope, 2011). These restrictions have not been a part of Islamic order in Islamic based societies, therefore, this ultimately led towards scrutinizing Qiyas, Ijtihad, and Istihsan. The economy boosted by oil was significantly related to Islamic finance which was indicative to the creation of halal instruments in the market. This hence was a boom for IF.

Ijtihad and IF

The role of ijtihad in Islam is underscored by modernists because it addresses the issues that cannot be conscientiously explained from the origin of Islam. Traditionalists somehow once again behave as ‘’resistance to change’’ with the concept of Ijtihad. As a matter of fact, the penetration of globalization in the entire world has led secular and Shariah scholars to come together through Joint Corporation in order to make novel advancements in Islamic Finance. Joint Corporation is usually summoned because religious scholars cannot deal with finances all on their own and secular scholars cannot deal with religious issues alone. Therefore, to get into the meticulousness of Quran and Sunnah, Ijtihad is required. It can also be enlightened through Shariah. This simply shows that a world of Islamic societies cannot work without being adaptable and pragmatic (Guhin, 2020).

In the same way, the objectives of Shariah are also cardinal to the implementation of Islamic finance (Najwa, Ramly, & Haron, 2020). It acts as a driving force for the scholars to assimilate the differences between allowed and disallowed contents of Islam within the parameters of Ijtihad and Qiyas. A layman perhaps wonders that Islam is a complete code of life then why does Ijtihad needs to be injected into the society? To retort, there are three chief plausibility’s that helps a society to have a bird’s eye view and which allows the departure from classical point of view. 1) Public interest 2) Necessity 3) departure from tradition. Conclusively, despite being ijtihad is in its incipient stages, these arguments make ijtihad as a fundamental need for Islamic finance success (Shaharuddin, 2020).

Despite the forces against change, the above three departure points helped scholars make two multinational institutes which depict the light of Ijtihad amalgamated with IF. 1) AAOIFI, accounting and auditing organization for Islamic financial institutions 2) IFSB, Islamic finance services board. These two institutions were made under the light of Shariah, Quran and Sunnah and Ijtihad.

The difference of opinions of scholars across borders can inhibit the progress of IF, nevertheless, the medley of the works of scholars will bring standardization in Islamic financial products. When these principles are transcribed then it will be easy for everyone to use them.

Islamic Financial Instruments- A case for or against Ijtihad

Many of the Islamic financial products have their own drawbacks. For instance, Although Islam emphasizes profit-loss sharing yet, Murabahah emulates the debt contracts within conventional banks. It is underscored by Jedidia (2020) as an instrument that deprives itself off Islamic principles and it deviates from the classical point of views of Islam. In the same way Murabahah and Tawarruq are based on the notion of mark-up principle and hence it is seen with more incredulousness (Ahmad, Zahir, Usman, Muneeza, & Mustapha, 2020). In this state of affairs, Organization of Islamic conference (OIC) comes into play and goads that it should be supplanted by profit and loss sharing instead of mark-ups. Sheikh Muhammad writes in his book ‘’Murabahah and Ijarah’’

‘’The Shari'ah scholars have allowed their use for financing purposes only in those spheres where musharakah cannot work and that, too, with certain conditions. This allowance should not be taken as a permanent rule for all sorts of transactions and the entire operations of Islamic banks should not revolve around it’’

Another Islamic product Tawarruq has its own sense of cynicism. Although, it is highly adapted by Maliki and Hanbli schools of Islamic jurisprudence, it was lambasted by AAOIFI and Islamic Fiqh Academy. Other products like Sukuk are also objurgated by the scholars because they do legally make the official holders as its owners. Thus, to make it a successful product, AAOIFI called it off and made amendments in it by urging Sukuk holders to get ownership to help it consider a tangible asset (Piotrowski, 2020).

All these Islamic financial products are considered as mimics of conventional products but this is not considered in the same way by modernists. Modernists consider these steps as highly lucrative for Islamic financial industry and they consider it rather constructive rather than adapting or extending the conventional products. To achieve the objectives of Shariah, it is paramount to sustain to unprecedented product innovation and development rather than mere adaptation/extension of conventional products (Poon, Chow, Ewers, & Ramli, 2020). Although, this perhaps sound beneficial in the short term but for the longer period of time it will fizzle out.

“Fair and square” the above paragraph mentioned the innovation of products; however debt cannot be out rightly obliterated from the society. This simply manifests that Islamization as adapted by Sudan and Iran couldn’t achieve efficacy because of debt utilization. As a conclusion, to inject Islamic products in a society and the concepts of Islamization, ijtihad is of paramount degree.

In the same way, other problems also arise while using Islamic finance as a core of transactions. For instance, sorting the squabbles out between the parties that are arbitrating is a challenging task for IF. To implement this several institutions have already been made for instance, Kuala Lumpur Regional Center of Arbitration deals with the arbitration based upon Islamic principles. This is mainly done by keeping under consideration an Islamic scholar who has an adroitness in dealing with arbitration. Another ''Feud-solving'' institution was developed named as "the international Islamic center for reconciliation and commercial arbitration" the main objective of this institution is to resolve the parties and third parties involved in commercial and financial collieshangie under.

Despite having these institutions, there still exist reservations about other IF products. For instance, refinancing that emerged as a consequence of Dubai crisis, needed utter attention of ijtihad for the creation of innovation and product development (Ibrahim, 2020). Turns out, it is the core foundation of Islamic banking. So, IF needs to identify the areas where it can develop unprecedented products so it doesn't have to face conundrum of being said that the products are an extension of convention banks. The Islamic instruments need to provide better results if not greatest. An Islamic product Takaful, has its own reservations, it hasn't been felicitously developed by the scholars under the light of ijtihad. It emphasizes insurance which is a sheer sin in Islam. All the points are indicative to the concept that ijtihad plays a key role in the progression of IF.

3. CHALLENGES TO ISLAMIC CAPITALISM

Islamic capitalism is susceptible to colossal amount of challenges globally and internationally (Watkins, 2020). For instance, it simply cannot comply with Basel III overnight so Islamic products are not accepted on a global scale. Basel III is inherently made for conventional banks rather than Islamic, so it creates a contradiction for the success of IF (Ahmed, 2020).

In the same way, risks of liquidity management are one of the other biggest challenges faced by Islamic capitalism. Basel III has its own drafts and documentations of compliance. Banks that fail to comply with these drafts failed to get acknowledge by Basel III. Therefore, in order to ameliorate the situation IFSB, decided to create a draft that would set standards for liquidity management. These drafts would follow the rules as per Basel III.

Other challenges posit that International Monterey Fund, World Trade Organization impose their own principles on conventional banks which are not in direct compliance with Islamic laws. This creates havoc in economic crises. For instance, Indonesia and Malaysia are an epitome of problems faced by economies in 1997 economic crises. This was engendered merely because these countries were following western regulations of economic measures. Indonesia had to show its concordance with IMF regulations whereas Malaysia rowed vehemently for its foreign ownership and economical rights in enterprises (Mohamad, Sifat, Thaker, & Noor, 2020). All these challenges postulate a greater challenge for Islamic finance success.

In the same context as mentioned above, when all the Islamic banks would merge together to provide competence to global banking system then there would be no or less resistance to market Islamic financial products. Conversely, Islamic banks can also merge with conventional banks however; conventional banks are low on the scale of morality. The main causes of financial causes were due to these banks being low on morality. Thus, deteriorating the entire economic systems. On the other hand, Islamic banking system has to take into account political, social, cultural, environmental and other aspects of a society (Hadi & Muwazir, 2020). Modernists should be connoisseur about not taking the regulations too far as in out of the Islamic circle of principles.

Not only these, there are multitude of other challenges that IF and Islamic capitalism faces for instance, to create a concordance between economic system and religious system is perplexed. These two concepts are totally different from each other. If the harmony is not created between them, then it makes scholars to be obstinate in their opinions which hinder the implementation and auspiciousness of IF. So, involvement of stakeholders is necessary while bringing a change in Islamic financial system (Sori, Mohamad, Eskandar, & Rasid, 2020).

But this hasn't been the case. It was rather assumed that the proliferation of IF throughout the world would have standardized rules under the light of International Association of Islamic Banks (IAIB) but every country started implementing it by their own way. This is the only vivid reason that explains the distinguished decision making of Malaysian scholars from Middle Eastern scholars.

Although implementation of Shariah would resolve the above problems because they do not change cross-borders yet this hasn't been the case. It has not been empirically substantiated that Shariah principles would be successful in financial crises. However, since Shariah deals without debt based contracts, therefore, we can conclude that Shariah based principles are efficient in financial crises (Farid, Tashfeen, Rashid, & Naeem, 2020). In the same way, the failure of Islamization merely happens because of dependence of economies on western paradigms. So, this generates another challenges for Islamic capitalism: “Would it yield the same economic problems as of conventional paradigms?” The answer is yes, if it merely emulates the conventional products without having to consider innovation and product development then it would create economic ills just like western models.

These challenges can be tackled through proper resource allocation in IF. For instance, Zakat, Waqf, Sadaqah helps in bring together the resources for mendicants and indigents. This creates a greater sense of onus of social welfare and hence diminishing the challenges.

Although resource allocation might be an answer but “being a practitioner and auditor” once and for all is hazardous to the company. Because in this way, the scholars who are culpable for creating products are also creating compliance checks. Furthermore, there are no institutions that acknowledge the Shariah scholars which stymie financial independence and development. Last but not least, the monopoly of information within the hands of Shariah scholars is deterioration in the market for IF. The information is supposed to be diffused down the hierarchy to stakeholders to better understand the implementation of unprecedented ideas.

4. MALAYSIA’S SUCCESS STORY

The Malaysian model has been propitious in implementing Islamic finance and Islamic capitalism (Harkati, Alhabshi, & Kassim, 2020). It helps abets its bankers and scholars to become leaders and follow ijtihad. This is a boon towards innovation and new product development ideas. The establishment of Malaysian International Islamic Financial Structure (MIFC) has a main objective to promote Malaysian Islamic finance all over the globe. It juxtaposes conventional paradigms and Islamic/Shariah paradigms altogether and acts as a catalyst for the innovation of financial products. For this model to be successful, system played its part. The underpinning of government has bolstered the progression of IF. In the same way, they have also developed Islamic securities and Islamic Malaysia index. The erstwhile are bought and purchased in secondary market while the latter has assisted 45 stocks that comply with Shariah based principles.

5. METHODOLOGY

In this study, qualitative approach has used to get detailed responses from the respondents. It was assured that neither was any material providing prior to the partakers and nor was any assessment shared regarding likely ripostes. Moreover, interview-based multi-case study method (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) used, in which facts composed via semi-structured discussions, to get full evidences and statistics regarding the Islamic Capitalism. Many cases offer the chance to classify forms and core affairs by the close inspection of themes and proof. The case study decorum (Haddock-Millar, Sanyal, & Müller-Camen, 2016) set in Table 1.

The leading queries of the discussions grounded on the theme of the study – discern regarding Islamic Capitalism – and the Realistic-optimism of Islamic Finance for financial institutions. This study able to reconnoiter diverse angles that were situation specific, allowing a proportional analysis of tactics to the practice of Islamic Capitalism towards enhancing the growth of Islamic Finance.

For this study, the Islamic financial advisors and experts from Pakistan and Malaysia were the population for this study. Semi-structured discussions steered to extract thoroughgoing information. Furthermore, for this study, almost 17 interviews were arranged – 11 were face-to-face and 6 were through open ended scale from top executives and experts of the market (Table 2) - but, merely 12 plaintiffs gave comprehensive and sound responses as per the prerequisite of the study.

Table 1. Case study protocol.

Steps of the Case Study
1. To identify the focus of the research and scope of the study
2. Identification of distinct prosperities to turn out to be ‘multiple cases’
3. Auxiliary development of the questions for research

4. To identify the right instruments for the research and protocols of the study, having qualitative data collecting methods such as semi-structured discussions and focus groups

5. To identify the 'apposite' contributors: a vertical and horizontal slice of the case studies with experience of environmental and human resource management/development initiatives

6. Period of data collection – Pakistan – April 2021

7. Analysis of the data: within case at single subsidiary level - Pakistan

8. Advancement of predominant themes - Pakistan

9. Period of data collection – Malaysia – April 2021

10. Analysis of the data: within case at single subsidiary level - Malaysia

11. Advancement of predominant themes – Malaysia

12. Cross-case analysis – Pakistan and Malaysia

13. Comparison of literature: identification of resemblances and variances

14. Reaching closure: literature and data inundation attained

15. Dissemination: article development

Table 2. Respondents of the Discussions.

Job role	**Pakistan**	**Malaysia**
Category		
Islamic Economist	3	2
Islamic Investment Expert	2	1
Executive of Stock's Regulatory body	4	2
Shariah Advisors on Business Decisions	2	1
Total participants	**11**	**6**

Job roles in Table 2 shows that all of the contributors have an inordinate information regarding shariah based investment and trading techniques and procedures, and general ups and down of the market.

The main discussion queries taken from the prevailing literature in the areas of Islamic economics, Islamic investment and Islamic stocks. The discussion queries are provided in Table 3.

The discussions initiated with a comprehensive conversation of: the Islamic trading tactics in the market, the life shaping decisions of the Muslim investors, investors and entrepreneurs' psychosomatic insights, sensitivity of the financial market, and risk-taking tendency of individuals in the market. The discussions then stimulated into the specific areas recognized in the literature, together with the use of shariah based concepts toward investment and trading. The one-to-one discussions sustained among 25 and 40 minutes and up to 45 minutes for each individual.

Table 3. Discussion protocol and queries.

Discussion protocol

Present the interrogator(s) and contestant(s)

Plan the process for research

Outline the determination of the research, together with goals and objectives

Discourse the possible outcomes of the research, moral issues and obtain consent

Sketch structure of the interview/focus group

Themes of the study and explicit queries

Economist's point of views on existing conditions

1. What are the main controlling factors behind the Islamic economics?
2. May you please share the numerous effects of conventional factors on the economic condition of the country?
3. To how much extent, individual's approaches inclined by the policies of the government?

The life-shaping decisions of the Muslims investors

1. Do you think that shariah based investment decisions are life-shaping decisions of the Muslim investors?
2. Why shariah based investment is good in Pakistan/Malaysia?

Investor's psychological perceptions

1. May you please outline two or three utmost significant spiritual acuities of the Muslim investors and entrepreneurs at the time of investment decisions?
2. To how much extent, individual in the market may agree that they will do shariah based investment and trading decisions.
3. What role do you play in order to convince individuals for shariah based investment and trading decisions?
4. What are the impacts of your role?

Sensitivity of the financial market

1. How sensitive is the financial market of Pakistan/Malaysia?
2. Which level of efficiency (weak, semi-strong & strong) may exist in the financial market of Pakistan/Malaysia?

Risk-taking propensity of investors

1. Do you think that majority of individuals are not interested in Islamic Capitalism? If "Yes", then how you may encourage them towards Islamic Capitalism?
2. Conventional individuals may take either high risk or low risk. What do you think?

About you

1. What kind of concepts are vital for you at the time of taking investment and trading decision in the financial market?
2. What do you perceive as the main levers to do rational shariah based investment?

6. FINDINGS

Common

Nearly, all of the plaintiffs admitted that:

There is a strong relationship exist among Islamization and Islamic Economic System and process of economic policy. The Islamization program is comprehensive and directed at all components of the socioeconomic structure of Pakistani and Malaysian societies and the purpose or the mission was to achieve the objective of transferring the Westernized society, based on a dependent economy into an economically developed Islamic society.

Most of the experts discuss and analyze the process of economic policy by explaining the scope and intensity from where it was originally begun.

As IF is emerging and with the accretion of its assets, it involves with western and international capital models and with international financial system. Therefore, its derivatives become increasingly dependent upon existing structures. Another cost and challenge IF faces is there is an exiguity of international standards and frameworks that are reluctant to show compliance with IF laws. To make it more vivid, its complicated for IF to proffer a manifestation that it can be used as an alternative to global financial economies and global financial systems. It is usually engendered because IF is an outright fiasco when it has to deal with the outcomes of social and financial activities and when it has to oversee the financial strategies.

Islam is indicative of purifying the haram investments. Nobody has ever lucubrated about performance of Islamic funds in terms of purification. The market is solely dependent upon gains without purification. So, the market needs meticulous research on the cost of purification. Through results we can discern that purification has a negative impact on portfolio performance. These results are in near propinquity to Socially Responsible Investing (SRI). SRI is in staunch opposition, curtailing investment in industries like tobacco, alcohol, gaming, pornography and weapons. This proffers seminal contributions to Islamic finance and socially responsible investing in terms of:

1) Purification costs have been reckoned by using data from S & P 500 index. Impure or Haram data is eradicated and a benchmark portfolio is considered to identify the purification costs in terms of Sharia.

2) The companies that are loath to follow Sharia based stock screens are eliminated. The consequences depict that risk and return from Islamic portfolio are not statistically significant from that of the S & P 500 index.

3) A punctilious evaluation is conducted based on empiricism for the three purification methods I.e. Dividend, Investment and comprehensive methods.

SRI is tantamount to faith-based investing. Some of the research embodies that SRI funds have low performance while other research comprises that they have a better performance than conventional funds. Conversely there is no statistically significant corroboration that affords that the performance of SRI funds are different from conventional. As ordered by the Quran, impure elements like riba are disallowed. Through arrant agreement with the sharia principles, the investment of Muslims perhaps eliminates some of the important opportunities. Therefore, some of the Muslim scholars argue through ijtihad to allow variations from commensurate compliance of sharia laws. This will help with the growth of Sharia principled industry. Some studies suggest that Islamic portfolios do not perform better than the conventional ones due to lack of diversification, less leverage provided by Sharia screening. The main idea of the problem indicates that there is no method to reckon the amount that has to be purified. Despite the fact, Accounting and Auditing Organization for Islamic Financial Institutions boons one method of purification, this method is void of specificity and consistency. Therefore, concluding that the three purification methods, as mentioned earlier, have significant negative impact on risk adjusted portfolio gains.

Pakistan

First off, Islam foils higher amounts of risk taking, deals with the businesses that have illegitimate models that do not comply with the regulations of Islam. This is a major result of difference in risks of conventional and Islamic banks. Secondly, Shariah Supervisory Board (SSB) has no effect on liquidity, operational, credit or insolvency risk. Thirdly, with concentrated shareholdings, the owners can have influence the monitoring of the managers; on the contrary, they may also influence the managers to take higher amounts of risks for their personal gain. Fourthly, as mentioned earlier, due to unmatched and non-comparable sample, there exists sample selection bias. This is debased by the investigating the Islamic banks risk through matched and comparable samples. Fifth, this extends on six geographical locations, this helps to have an epiphany of how Islamic banks creates differences in risk-taking (Safiullah & Shamsuddin, 2018).

The liquidity risk of Islamic banks is higher than the conventional banks because Islam narrows down the limitations of morphing illiquid assets to liquid, and Islamic banks cannot have access to interest as well. When considering credit risk and insolvency risk, there exists a difference between conventional and Islamic banks. Islamic banks may face higher credit risk because of profit and loss sharing process and they may also mitigate it by dissuading default behavior and by abetting loyalty. When operational risk is assessed then Islamic banks are higher on the scale of this risk than conventional banks because whether or not the banks use profit or less sharing there still exists higher operational risk. Furthermore, lack of following Shariah based systematic decisions also precludes the operational risk controlling methods and Shariah supervisory board (SSB) size has inverse proportion with risks of the banks. This mainly occurs because higher the board size higher will be the implementation of inverse knowledge and higher will be the mitigation of manager's aggressive financing techniques. This leads us to SSB qualifications. This notifies that higher the academic qualifications lower will be the risk. Directors with PhD have effective decision making and manager's monitoring methods. Additionally, higher the goodwill and positive image of SSB lower is the risk associated with banks.

Islamic finance takes its derivatives from Quran, Sharia and Sunnah. To splice ethical and moralities in economies and markets of different countries, IF is used. And to create a broader approach, IF helps to conjoin the concepts and principles of Quran and Sunnah with momentous elements of economies to create a unified whole (Rethel, 2011). So, the proliferation and infusion of IF was originated from Egypt in 1963 when, it started off a bank Met Ghamir. In the meantime, Pakistan, Iran and Sudan entangled themselves with the origination of IF on a national scale. They faced sketchy opportunities to integrate themselves with international economies. Therefore, in order to expand IF, it was desideratum to develop financial institutions specifically in those countries that had enhanced level of amalgamation with international economies.

Malaysia

Islamic Corporate finance has not been lucubrated profoundly. Agency discrepancy appears in a compounded manner when Islamic laws are taken into account. As a matter of fact, this agency problem can be redressed by the help of dividend payouts, because this lowers down the free cash flows which is corollary to the reduction of management using or wasting resources for their personal gain. We are well aware due to the inciting data that Indonesia's stock market's performance is flabbergasting because it's skyrocketed by 19.99% in 2017. Nevertheless, Indonesia exhibit lack of transparency and investors are not under the umbrella of protective measures. This exacerbates agency problems (Imamah, Lin, Handayani, S& Hung, 2019). So, measuring aggregated effect of Shariah laws in dividend payout policy by the comparison of different companies in Indonesia avows those Islamic laws do influence dividend policies.

However, external environment plays a consequential role in measuring dividend policies. On the other hand, Shariah-rules following companies that has internal shareholders and ownership have higher dividend payouts. Furthermore, Institutional owners in Shariah compliant firms (SCF) influence low dividend payout ratio when the firm's growth is high, conversely, they enforce high dividend payouts when the growth is lower. Non-Shariah compliant firm's (NSCF) as shown by the sobriquet do not have to abide by the laws of Shariah.

Moreover, Islamic banks are committed to sharing the wealth by means of gains and losses. This is a boon to the well-being of a society. These banks are more concerned with social responsibility than do conventional banks. Conventional banks are usually based on profit and wealth garnering. The chief objective of Islamic banks is to adopt and permeate a concept of "Moral economy" to inculcate the socially responsible investment and environmental protection in their models (Mallin, Farag, & Ow-Yong, 2014). There has to be an optimal balance between dividend payouts to shareholders and socially responsible activities. Islamic banks are loath to disclose their social activities, however under the light of Accounting and Auditing Organization for Islamic Financial Institutions, they have been provided with disclosing and reporting standards of disclosing their CSR activities.

7. CONCLUSION

As we can eventually decipher the fact that global financial order has developed itself in irresolute time frames. Thus, in this state of affairs, Islamic financial thought could emerge in the wake of equity, risk sharing and growth of the economy. It can potentially provide a lucrative start off for the international global finance.

Despite all the challenges Islamic Finance comes up with, it is still a vast domain that can be implemented successfully through Islamic countries. The collaborative endeavors of all the Muslim countries would create an appreciable force for its implementation. The ideology has to be dependent upon risk of loss and profit. As long as the individual behaviors in terms of cognitions, perceptions, affect are not changed, the large scale level IF cannot take place. The Shariah principles should be taken into account while making any decisions related to IF for instance, corporate banking, fund management etc. All of the mentioned above is only possible if Islamic Finance take the bull by the horn with the help of government support. Therefore, it will be a race against time if Islamic finance emerges without Shariah and Ijtihad. Both of them are the fundamentals for creating its infrastructure.

Contemporarily, it gives a reference of Islamic financial institutions and its role in designing the systems and formulations of Pakistan and Malaysia.

The focus issue is to control the impact of ongoing ideological struggle and factional conflicts on the main two issues the first one is the nationalization of foreign trade and the second is the land reform. It is by far the most comprehensive data on the post-revolutionary economic changes in Iran, but there is an acute lack of theoretical analysis of the data.

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