Index

Abderrezak, Farid, 305 Abduh, Muhammad, 19 Abdullah, Fikriyah, 316, 318 Abrogation theory (naskh), 40 Absolutism, 148 Academic involvement, 30 Accomodation(s) for employees, 215 Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 53, 193, 270, 294, 334, 338 clarification, 170, 183, 184 standards, 130, 271, 273, 278n9, 279n10, 279n16, 297, 298 sukuk standard, 165-166 Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Classification, 183, 184 Accounting standards rating, 297-298 Acquiring interests (hissas), 177 Adalah, 71 Adjustable rent, 288 Adjusted Jensen, 305 Adjusted Jensen alpha, 304 Adjusted Sharpe, 304 Administrative expense of lending, 355 Advance payment, 52 Adverse selection problems, 235 Afghan, Jamal Al-din, 19 Afghanistan, 23, 359-363, 360 Afghanistan Reconstruction Trust Fund, 359 Agricultural financing, 52 Ahmad, Khurshid, 4, 216 Ahmed, Habib, 233, 304 Akhirah (hereafter), 32 Al Rifai, Tariq, 13 A'la Mawdudi, Sayyid Abul, 20 Al-Ahkam, Majallat, 270 Al-Baraka Group, 304 Alchemy: Science of the Cosmos, Science of the Soul (Burkhardt), 76 Al-Faruqi, Ismail, 33n8 Algaoud, Latifa M., 10 Alhenawi, Y., 305

Ali, A., 220 Al-jism al-tabi' (natural body), 87 Al-jism al-ta'limi (mathematical body), 87 Allah (God), 203 Allen, George, 81 Al-Mawardi, Abul Hasan, 20 Al-Qasim, Ubayd, 20 Al-Risala, 41 Al-Sadr, Muhammad Baquir, 20 Aluminum, 129 Amanah Ikhtin Malaysia (AIM), 237 An Introduction to Islamic Finance Theory and Practice (Askari, Igbal and Mirakhor), 12 Analysis of variance (ANOVA), 304 Analytical tools, 76 Anderson, Benedict, 64, 66, 67 Appadurai, Arjun, 65, 66-67 Appian, Kwame Anthony, 68 Applications and best practices, 14–15 Arab Spring, 264–265 Arab-focused conventional portfolio, 316 Arabia, 257, 258 Arabian Gulf region, 54 Arbitrage, 288, 289 Arbouna, 273 Arbun, 341, 342, 343 and call options, 342-344 Argumentation, 109 ASA, 240 Asbab al-nazul, 40 Ashraf, Ali, 14, 246, 248, 251 Asian Drama (Myrdal), 29 Askari, H., 12 Asnaf (categories of needy), 152 Asset allocation, 306 Asset classes, 166 Asset securitization, 184n4 Asset-backed transactions, 265 Assets under management, 2 Asymmetric information problems, 232 Atomism, 86 Australia, 195, 249 Auto-focus portfolios, 314-316

Index

Automated teller machine (ATM), 325-326 Beta, 311 Beximco, 57 Awqaf, 14, 249 kinds of, 229 Bifurcation, 97n50, 97n51 legal conditions of, 229 Big banks, 259 management weakness, 230-231 Bilateral repos (IS), 138 Binding precedent, 44 nationalization of management, 231 The Black Swan (Taleb), 26 as tool for Islam and poverty eradication, 228-229 Bloomberg Law Report, 216, 217 as tool for poverty alleviation, 229-230 Bodie, Zvi, 312 Bolivia, 353 Awqaf funds, 238 Avat, 42 Bottom-line-cash-in-the-bank criteria, 159 BRAC, 240 Ayub, M., 12 Azmi, I. A. G, ., 219 Bretton Woods Act, 65 Bull period, 314, 318 Back-rent, 288 Bullish trends, 304 Bahrain, 137, 167, 195, 230 Burkhardt, Titus, 76 Bahrain Financial Exchange, 126 Bursa Suq Al Sila' Platform, 126 Business Murabaha Agreement, 360 Bahrain Monetary Agency, 129 Bai al-dayn (debt rating), 133 Business purchasing, 51 Bai al-inah, 136 Bai bithamon ajil. See Murabaha Cagamas bonds, 290 Call option contract, 341 Bai-muajjal, 358 Bai-salam, 358 Call options, 338 Bakan, Joel, 68 Calvinist religious practices, 4 Balz, Kalian, 276 Canada, 211 Bancherius (merchant institutions), 7 Capital credit, 328 BancoSol, 353, 354 Capital flows, 262 Bangladesh, 195, 224, 230, 248, 251 Capital gains, 193, 194 Bank accounts, 355 Capital investment, 2, 238 Bank credit vs. financial markets, 10 Capital Markets Authority, 201 Capital migration, 64 Bank Negara Malaysia sukuk, 131 Bank notices, 111 Capitalism, 26, 31, 71, 148 Bank Rakyat, 353, 354 western interpretation of, 149 Banking architects, 107 Capitalist (market-oriented) system, 22 Banking reform, 6 Carhart model, 305 Banking selection, 263 Casualty and risk of loss, 57 Bankruptcy, 57 Catholic culture, 218 Bankruptcy legislation, 58 Catholic thinkers, 76 Bankruptcy remote vehicles, 329 Cayman Islands law, 268, 271, 272 Banks vs. credit unions, 361 Central bank, 124, 138 Basel 2, 125 Central Bank Musharakah Certificates Basel 3, 140 (CMCs), 132 Bay al-inah, 133 Central Bank of Sudan, 132-133 Bay muajjal, 51 Central Bank of Turkey, 134 Bay salam, 52 Change patterns, 25 Bay'-mu'ajjal (deferred sale), 234 Chapra, Umer, 4, 334 Bayyinat, 106 Charging interest on loans, 8 BBA (Bai Bithaman Ajil), 246, 252n12 Charity, 152 Bear market, 305 perpetual, 226 Bear period, 314, 318 recommended transfers, 226 Bearish trends, 304 Chartered Institute of Management Accountants (CIMA), 30 Beneficial ownership, 155 Bennett, Lynn, 232 Choudbury, Masudul Alam, 25-28, 34n20 Bentham, Jeremy, 83 Circular lease structure, 278n5 Benthamism, 78 Circular triangle, 268-272

INDEX 371

Trim: $7in \times 10in$

Circumstances of revelation, 40 Contractual agreement, 204 Citigroup, 200 Conventional amortizing loans, 285 Clash of Civilizations (Huntington), 68 Conventional banking, interest-based Classical economics, 75 transactions, 113 Coase theorem, 89 Conventional banks Codified law, 44 vs. Islamic banking, 108 Coefficient of variation, 305 vs. Islamic banks, 1 Collateral, 245, 246 Conventional debt, 324 group-based financing as substitute, 251 Conventional economics, 22, 23, 24 Collateralized debt obligations (CDOs), 334 Conventional finance vs. IBF Collateralized loans, 135-136 about, 8-9 Collateralized structure, 138 business ethics, 10-11 Collective fatwa, 115-116 credit and risk, 9-10 Colonialism, 65 Conventional forward contracts, 336 Commissioned manufacturer, 52 Conventional indexes vs. shariah-compliant Commodity murabahah, 138, 346, 347 indexes, 195-201 about, 126-128 Conventional indices, 309 benefits of, 127 Conventional insurance, 50, 357 liquidity risk management, 126-128 Conventional interest-rate swaps, 345 Conventional leasing, 53 shortcomings of, 127-128 Commodity trades, 48 Conventional leverage, 328 Conventional loens vs. Islamic finance Common law, 44 Communist/socialist (central-planning transactions, 287 Conventional microfinance, 354 oriented) system, 22 Community, 70 weakness of, 231 Company size, 192 Conventional microfinance and Islamic Comparamos, 355 microfinance, 231-233 Conventional microfinance institutions Compensation, 141 and gender, 220-221 (MFIs), 246 Conventional microfinance products needs basis, 220 Compliance determination, 325-326 microcredit, 354-355 Compliant funds, 194 microinsurance, 356 Compliant investors, 326 microsavings, 355-356 Compulsory transfer Conventional options, 339 Sadat al-fitr, 226 Conventional wealth management, zagat, 226 Conditional CAPM, 303 Cooperation (ta'awun), 6, 204 Corporate Social Responsibility (CSR) policy, Conflicting forces, 85 Conflicting motivations, 207–208 Consensus (ijma), 40, 41 Corporate social responsibility ratings Constitutive relationship, 69 about, 299-300 financing modes, 299-302 Consultative Group to Assist the Poor (CGAP), 248, 354, 355 identity and corporate image, 301 Consumerism, 90 transparency and disclosures, 301-302 Consumption purposes Corporate strategies, 215 loan fund for, 235 The Corporation: The Pathological Pursuit of microcredit for, 235 Profit and Power (Bakan), 68 Contemporary economics, 21 Cosmopolitanism, 68 Contemporary Islamic finance, 39 Cost of borrowing, 246 Cost-plus markup, 52 Continuity axiom, 82, 84, 95n40 Contract combination, 273-274 Cost-plus sale trade transaction, 284 Contract form, 51 Cost-plus-profit basis, 252n12 Contract formation, 39 Counterparty risks, 129, 338 Contracts (ijtma al-uqud), 273-274 Counters without interest, 113 unilateral amendments, 111 Creative financing, 291

Index

Credit, 10 definitions of, 9 without collateral, 240 Credit crisis, 261 Credit default swaps (CDS), 334-335 Credit rating vs. Shari'a Quality Ratings (SQR), 293 Credit rationing, 233, 235 Credit risk, 289 Credit sale, 284, 358 Credit unions, 217, 361 vs. banks, 361 Credit-linked securities, 332 Crisis and liquidity risk management, 121-123 Crisis periods, 304 Cross-border liquid market, 124 "Crucial Problems for Modern Living" (Burkhardt), 76 Crude palm oil contracts, 128 Cultural and religious issues in management, Culture, globalization and, 68 Currency exchange, 333, 336 Customer banking education, 263

Daily net asset values (NAVs), 307, 309

Dalpour, S., 218 Daman, 33, 277 Damanah criteria, 155 Damon, 277 Dar al-Ulum, 106 Darurah (necessity), 190 De Roover, Raymond, 3 Debt, 47, 58

Debt financing, 9 Debt for debt sales, 336 Debt level limits, 261 Debt market, 166

Debt ratio, 198

Debt transactions, 290

vs. equity transactions, 287 vs. real estate transactions, 291

Debt trap, 233

Debt-based market, 277

Debt/market capitalization, 191–192 Debt-to-market-capitalization ratio, 198 Declining balance musharakah, 189

Deduction policy, 301 Default, 175, 245 Default interest, 329 Default loans, 329 Default rates, 240 Default risk, 261

traditional microfinance, 240

Defaulting, 354

Deferment, 337

Delinquent loans, 360-361

DeLorenzo, Shaykh Yusuf Talal, 104

Democracy, 148

Deprived Families Economic Empowerment

Program (DEEP), 249

Derivatives, 331

Derivatives instruments analysis arbun and call options, 342-344 forward contract, 335-338 option scope and concept, 338-342

Deterritorialization, 66 Deutsche Bank, 249 Dhumale, R., 247

Diaspora, 71

Difference impact, 207-210 Differentiation strategies, 215

Diligence, 324-325

Diminishing musharakah, 283, 286, 289

transactions, 286, 288 Direct strategies, 224 Discrimination, 217

Diversity management, 217 Dividend in come, 193

Dividend purification, 198–199

Divine Law, 90

DNH Group and Faisal Islands Islamic Bank, 196

Domestic markets, 262–263

Dow Jones Citigroup Sukuk Index, 200

Dow Jones fatwa, 325 Dow Jones Global Index, 199 Dow Jones Indexes, 196, 198, 200 Dow Jones Islamic Indexes, 198

Dow Jones Islamic Market (DIJM) index, 154, 195, 196, 199

Dow Jones Islamic Market Turkey Index, 201 Dow Jones Islamic Market World Indexes, 199

Dress code, 216, 301 Dual legal framework, 12 Dual regulatory systems, 39, 56 Dual-banking system, 260 Dubai, United Arab Emirates, 7

Dubai International Financial Center (DIFC

Investment LLC), 58 Dubai Islamic Bank (DIB), 6, 257 Dubai World, 57 Dubai World Tribunal, 58

Due diligence, 57 Dutch law, 271

Early payment, 285 Easements, 339

Economic behavior, and religious beliefs, 5

Economic development, 6

Economic enterprise, 5 Financescape, 65 **Economics** Financial crisis period, 314, 318, 332 Islamization of, 28 Financial management framework normative vs. positive discourse in, 27 fund management principles, 238-239 subfields of, 24 fund sources, 239-240 Edgeworth, 79 conclusion, 240-241 Effective cause ('illa), 42, 43, 48 Financial markets vs. bank credit, 10 Egypt, 7, 230, 264 Financial performance, 288–289 El-Ansary, Waleed, 12 Financial structures, 14 Elfakhani, S., 304 Financial transactions, 51 Financing **Empirical results** auto-focus portfolios, 314–316 equity-based, 110-111 internationally focused portfolios, 316 modes of, 234-235 locally focused portfolios, 312-314 Financing models, 287 Employee compensation, 14 Financing modes, 283–287, 299–302 Employee law, 216 Finnis, John, 80 The End of History and the Last Man Figh (Shariah literature), 20, 39, 44, 276 (Fukuyama), 68 Figh Academies, 54, 55, 334, 338 Energy trading, 333 Fiqh almua'malat (Islamic jurisprudence), 294 Entrepreneurship in developed countries, 232 Fiqhi murabaha vs. mwabaha, 109 Equity, 154 5 percent rule, 192 Equity financing, 9 Fixed leg, 346 Equity investing, 189 Fixed-income in truments, 306 Flexible Citizenship: The Cultural Logics of Equity partnership, 9 Equity transactions vs. debt transactions, 287 Transnationality (Ong), 66 Equity-based transactions, 300 Flight of capital, 127 Equity-side rules, 185n5 Floating leg, 346 Forbidden gains, 112 Ernst & Young, 196 Estate planning, 158 Forbidden products, 45 Ethical alternative, 260 Forbidden revenue, 191 Ethical finance, 260 Forced charity as penalty, 110 Ethical investment, 210-211 Forced labor, 220 Ethical principles, 205 Foreign aid, 232 Ethnoscapes, 65 Foreign direct investment (FDI), 259, 260, 262 Europe, 258-260, 328 Foreign exchange (FX) risk, 345 Islamic microfinance institutions (IMFIs) in, Foreign Investment in Real Estate Property 249-250 Tax Act, 330 European Social Survey, 218 Foreign-exchange swaps, 347 Exchange contracts, (Muawadat), 234 Formalist revolution, 23 Exchange traded funds (ETFs), 201 Forward contract, 335-338 Existing Islamic Banking (Town), 104, 105 Forward ijara (lease-based) contracts, 269 **Experts** Forward lease, 269 Forward sale, 52 God-consciousness of, 112 of Islamic shariah, 112 Forwards, 335 External index, 290 Foundation for International Community Assistance (FINCA), 359, 361 Falcom Saudi Equity ETF, 201 45 percent rule, 192 Fama and Fama three factor model, 305 France, 195, 217, 259, 263 Family Awqaf, 229 Free market organization, 147-148 Free markets, 148, 149 Family bank, 249 Farooq, 12 Free trade, 45 Fatwa (legal opinion), 13, 54, 113, 115, 165 Friedman, Milton, 91n3 Favoritism, 218 Friedman, Rose, 91n3 Federal Deposit Insurance Corporation Friedman, Thomas, 63, 68 (FDIC), 56 FTSE All World Index, 196

374 Index

FTSE Shariah Global Equity Index Series, 197 Government Musharakah Certificates Fukuvama, Francis, 68 (GMCs), 132 Fund management principles, 238-239 Government-directed approach, 258 Fund portfolios, 318 Grameen Bank, 240, 246, 249, 251, 353, 359 Fund sources, 233-235, 239-240 Grammatical analysis, 40 Funding programs, 360 Grape wine vs. date wine, 42 Funds, locally focused, 318 Great Depression, 23, 26 Fungible goods, 128 Great Gap perspective, 20 Futures, 335 Greed, 75, 85, 90, 95n41, 147, 148, 150, 151, 209 Green wave, 209 Galdfarb, Robert, 92n18 Gambling (maysir). See Maysir (gambling) Greller, M., 221 General partnership, 52 Griffin, James, 79 Geographical focused funds, 307, 318 Griffith, William, 92n18 Georgescu-Roegen, Nicholas, 78, 81, 92n13, Group defaulters, 251 93n22, 93n24, 93n26 Group ijtihad, 55 Gharar (speculation/uncertainty), 1, 31, 45, Group lending, 245 49, 150, 204, 273–274, 306, 343 Group lending systems, 353 Ghias, Shoiab, 13 Group-based financing, as collateral Giddens, Anthony, 69 substitute, 251 Group-based microfinance, 354 Glass-Steagal Act, 66 Global consciousness, 63, 72 Guenon, Rene, 76, 93n23 Global conventions and standards, 55 Gulf Arabs, 258 Gulf capital, 260 Global flows, 72 ethnoscapes, 66-67 Gulf Cooperation Council (GCC), 258 financescapes, 65-67 Gulf Cooperation Council (GCC) countries, global consciousness, 67-69 261, 262 Gulf Cooperation Council (GCC) Islamic theories of, 63 Globalization Global Index, 311 Gulf Corporation Council (GCC), 171, 172, culture and, 68 destructive force of, 64 173, 198, 305 Gulf Corporation Council (GCC) countries, meaning of, 63 social science theories of, 64 Globalization and Islamic finance about, 63 Habil, Abdurrahman, 277 global flows, 64-67 Hadith, 40, 41, 48, 130, 339 globalization problems, 69-72 examples, 46 globalization theories, 64 Hajjah, 190 conclusion, 63 Halal (permissible), 190, 191 Globalization problems Hanafi, 337 self and community, 70-71 Hanafi jurists, 269 self and divinity, 71-72 Hanafis, 48, 340 self and identity, 69-70 Hanbali, 48 Hanbali jurists, 269, 270 Globalized Islam (Roy), 66 God-consciousness of experts, 112 Hanbalis, 337 Gold for gold Hadith, 48-49 Hannerz, Ulf, 68 Governance problems, 252n13 Happiness, 83-84, 94n34 Governing law provisions, 57 Haqq, Z., 245 Government changes, for incremental Haram (forbidden) items, 1, 111, 150, 155, 190, investment, 262 324 Government Investment Issue (GII), 133 Harvard Law School, 30 Hashim, J., 218, 219, 220 Government issues, 167 Hassan, Kabir, 14, 246, 248, 251 Government motivation and approaches

Hassan, M. Kabir, 304, 305

Hausman, Daniel, 82, 83, 89, 94n34, 96n42

Hassan, Taufiq, 304, 318

domestic markets, 262-263

retail Islamic finance, 263

inward investment, 260-262

IWBT796-Hunt-Ahmed

INDEX 375

Trim: $7in \times 10in$

Hayat, Raphie, 304, 318 Identity and corporate image, 301 Health insurance, 356 Ideoscape, 65 Ignorance zone, 245 Hedging, 154, 335, 344 Hedging, speculation, gambling, 344-345 IIFCs, 363 Hedging aspect, of options, 338 IIFM, 137 Hedging instruments, 345 Ijara (lease-based) activity, 53, 56, 57, 107, 113, Hedging opportunity, 304 166, 175, 234, 270, 271, 275, 276 Hedging risk techniques, 124 contracts, 247, 269, 356 Hedonimeter, 79 described, 174 Hedonism, 78-79 vs. murabaha transaction, 288 Henry, Clement M., 11 for purchase finance, 110 Here-and-now paradigm, 149 refinancing with, 288 Here-and-now-and-me paradigm, 149 strategy, 109 Heuristic analytical device, 92n15 structures, 169, 170, 172, 173, 176, 326, 328, High-leverage ratios, 196 High-net worth individuals (HNWI), 151 transactions, 285, 286, 287, 288, 289, 291, 327, High-net worth investors, 258 328, 358 Ijara wa oqtina (rent to own) transaction, Hijab, 219 Hikam, 275 Hikmah, 281n40, 282n44 Ijarah financing, 249 Ijarah structure, 326-329 History Ijarah sukuk, 130 of Islamic economic thought, 12 of Muslims civilization, 29 Ijarah wa iqtina, 235 Ijima (consensus), 184n1 Hiyal, 52 Hoarding, 162n26 Ijtihad (suive), 40, 44, 71 Hobson, John A., 93n26 'Ilal, 2.75 Hodgson, Geoffrey, 97–98n53 Illan, 281n40, 282n44 Hoepner, Andreas G. F., 305, 319n9 MFI, 357 Hoffman, L., 218 Immorality, 8 Impermissible legal strategy (hilah), 273, Home financing, 51, 56, 283, 291 Home ownership finance, 186n21 281n35 Homo economicus, 27, 78 Impurity, 325 Homo islamicus, 27 Income and unacceptable practices, 193 HSBC Saudi Arabia Limited, 307 Income distribution, 225 Human behavior, 43 Inconsistent preferences, 82 Human resource management, 14 Indemnity, 328 functions, 215-216 Index design and development Human rights, 149 India, 355 Indian Muslims, 4 Hume, David, 91n1 Huq, Ziaul, 21 Indices, 13 Huquq mujarradah (abstract rights), Indirect interest, 271 344 Indirect interest charges, 306 Hylomorphism, 87 Indirect strategies, 223-224 Hypothesis and data Individual rights, 148, 149 empirical results, 312-314 Indonesia, 216, 224, 262, 353 hypothesis development, 306-307 Inflation, 190 methodology, 309-312 Information, 306 Saudi mutual fund data, 307-309 Information ratio, 305 conclusion, 316, 318-319 Infrastructure institutions, 140 Inheritable assets, 340 'Ibadat, 43, 219 Inheritance, 158–159 IBF (Islamic Banking and Finance), 3, 8 Inheritance law (faraid), 158 Ibn al-Qayyim, 337, 339 Injustice exploitation, 273 Ibn Khaldun, 20, 25, 29, 34n19 Innovations, 13-14 Ibn Rushd, 269 An Inquiry into the Nature and Causes of the Ibn Taymiyyah, 339 Wealth of Nations (Smith), 28

Index

Insolvency, 57 Invalid interpretation, 112 Institutional developments, 21 Investment agency, 131-132 Institutional involvements, 30 Investment agency arrangement, 181 Insurance companies (Takaful), 1, 70 Investment funds, 155 Insurance industry, 206-207, 208 Investment goal classifications, 307 Integration, 87 Investment risk, 10 Intellectuals, 108 Investment screening, 258 Intention (niyyah), 47 Investments, 154 Interbank money market, 123 low rate of return, 232-233 Investor risk, 289 Interest. See Riba (interest/usury) Interest alignment, 324 Inward investment, 260-262 Interest avoidance, 265 Iqbal, Z., 12 Interest based stratagems, 107 Iran, 230 Interest charges, 2 Iranian model, 265 Interest rate clocks, 285 Iraq, 230 Interest rate imputation, 285 Ireland, 201 Interest rate risk, 345 Ishan (kindness to others), 153 Interest rates, 45, 246, 284-285, 342 Islam and Mammon (Kuran), 3 charging fixed, 232 Islam and poverty eradication, 224–231 on microcredit loans, 355 Awqaf, 228-229 poverty alleviation, 235 Awqaf management weakness, 230-231 and short-term loans, 232 Islamic tools for, 226 poverty alieviation strategies, 224-226 Interest-bearing debt finance, 9 Interest-free accounts, 257 Zagat as tool for, 226-228 Interest-Free Banking, Banuri Town, 104 Zagat management weakness, 230 Interest-free lending, 9 Islam and the Modern Economy and Interest-free loans, 234 Commerce (Uthmani), 103 Internal auditing, 252n14 slamic acquisition structure, 268 Islamic asset managers, 150 Internal control, 252n14 Internal measurement, 196 Islamic Bank Bangladesh (IBBL), 358 Internal Shari'a Control (ISC) rating, 296 -293 Islamic Bank Bangladesh Ltd. and the Rural Development Scheme, 358-359 International business manager, 319 International Centre for Research in Islamic Islamic Bank of Britain (IBB), 258 Economics, 21 Islamic Bank of Thailand, 249 Islamic bankers, 107-108 International economic law, 58 International Islamic Financial Market (IIFM), Islamic banking 125, 136, 333 vs. conventional banks, 108 International Islamic Liquidity Management fatwa (legal opinion) on, 13 (IILM) Corporation, 158 formation of, 6 International Islamic Management improvement vs. alternative, 71 Corporation (IILM), 125 validity of, 13 International marketing, 14 Islamic banking, 261 Islamic banks, 1, 70, 258 International microloan organizations (IMOs), Islamic Development Bank, 264 International Monetary Fund (IMF), 65, 123, savings products with, 357 Islamic bonds, 290 International organizations, 359 Islamic business ethics, 154 International Shariah Board on Zakat (ISBOZ), Islamic capital markets, 165, 166, 184 228, 251 Islamic certificates of deposit (ICDs), 134 International standards, 56 Islamic doctrine, 5 International Swap and Derivative Islamic economic literature, 27 Association (ISDA), 333 Islamic economic theory, 3, 6 Introduction to the Principles of Morals and framework of, 4 Legislation (Bentham), 83 origins of, 1 Invalid agency, 109 Islamic economic thought, history of, 12

INDEX 377

Trim: $7in \times 10in$

Islamic economic values, 5-6 Islamic finance transactions, 57 Islamic economics vs. conventional loans, 287 vs. Islamic finance, 31 Islamic finance worldwide conditions literature of, 23-24 Arab Spring, 264–265 Islamic economists, 24 conclusion, 265 Islamic equity funds (IEFs), 304, 305 Europe, 258-260 Islamic ETFs, 201 government motivation and approaches, Islamic finance, 24-25, 30-31, 257 260-263 alternatives, 262 history, 257-258 Islamic financial industry, 54 basic rules of, 44-45 closing transactions, 57 Islamic financial institutions (IFIs), 11, 70, 141, and community, 71 158, 217, 332 vs. conventional finance, 45 Islamic Financial Service Board (IFSB), 125, cultural origin, 12 dual regulatory systems, 55-56 Islamic financial system, 7 enforceability of contracts, 57-58 Islamic financing, 6 as ethical alternative, 260 Islamic financing modes, 235 Islamic financing transactions, tax status of, freedom of contract, 50-51 gharar (speculation) prohibition, 49-50 growth of, 265 Islamic funds, 258, 364 hubs, 261 Islamic Human Resources Management and identity, 70 Practices (LIRMP) vs. Islamic economics, 31 about, 215-216 Islamic finance products, 51–53 conclusion, 221 Islamic Framework of, 39-61 role of religion in post-9/11 environment, Islamic jurisprudence, 43 217 Islamic law interpretation, 54–55 tole of religion in SHRM, 216-217 Islamic law sources, 40–43 vs. Strategic Human Resources Islamic law theory, 39-40 Management (SHRM), 221 Islamic indexes, 30, 150, 154, 196, 199, 201, 309 Islamicity of, 55 key elements of, 265 Islamic interbank market and reciprocal loans, legal systems, 44 134-135 and morality, 72 Islamic Interbank Money Market, 133 property, trade and financial ethics, 45-47 Islamic investment opportunities, 23 regulatory environment, 56 Islamic law (Shari'a), 1, 2, 70 retail market for, 259 sources of, 3, 40-43, 43 riba (interest) prohibition, 47-49 Islamic legal theory, 39, 39-40, 44 risk and derivatives in, 331-352 Islamic legal thought, 12 social and economic development, 53-54 Islamic MFIs, 234-235 Islamic Finance in a Nutshell (Kettell), 12 Islamic microfinance, 14, 15, 233-235 Islamic finance in world economy about, 353-354 about, 1-2 Afghanistan, 359–363 case studies, 358-364 contemporary industry, 7 conventional finance vs. IBF, 8-11 conclusion, 364 history of, 3-6 vs. conventional microfinance, 233-235 Islamic banking origins, 6-7 conventional microfinance products, studies regarding, 7-8 Islamic finance industry, 2, 44, 56 Islamic Bank Bangladesh Ltd. and the Rural Islamic finance, risk and derivatives in Development Scheme, 358-359 basic features of, 333-335 microcredit, 356-357 derivatives instruments analysis, 335-344 microsavings and micro-takaful, 357 modes of financing, 234-235 hedging, speculation, gambling, 344–345 risk management, 332-333 product offerings, 356-357 Shariah-compliant swaps, 345-348 Sanduq, 363-364 conclusion, 348 sources of funds, 233-235

378 Index

Islamic microfinance (Continued) Islamic Research and Training Institute (IRTI), Svria, 363-364 and traditional Islamic funds, 240 Islamic revivalism, 19, 30 Islamic microfinance business model, 247 Islamic science and neoclassical economic Islamic microfinance institutions (IMFIs), 241, theory 247, 356 about, 75-77 conclusion, 251 conclusion, 90-91 in Europe, 250-251 Islamic alternative, 78-84 European practices and potential, 249-250 Islamic critique of economics, 84-90 models, 246-247 neoclassical theory, 77-78 pilot project, 241 psychological hedonism, 78-84 three-stage model, 251 quantum enigma, 84-90 Islamic microfinance integration with zagat traditional objectives of human work, and awqaf about, 235-236 Islamic Sharia benchmarks, 239 financial management framework, 238-240 Islamic sukuk, 258 organization framework and operating Islamic sukuk instruments, 265 procedure, 236-238 Islamic thought, spiritual roots of, 12 Islamic microfinance model in poverty Islamic transactions, 8 alleviation, 245-253 Islamic wealth management about, 245-247 conclusion, 159-160 existing global practices, 248-249 described, 149-150 literature review, 247-248 elements of, 151-159 Islamic microfinance programs, in paradi, n. difference, 147-149 Afghanistan, 360 redistribution and community building, Islamic Microfinance Services Providers 151-153 (IMSPs), 249 vealth creation, 153–159 Islamic microfinance structures, 364 slamic work ethics, and loyalty, 220 Islamic microfinancing institutions (IMFIs) Islamicity of products or financial structures, 233 54 Islamization, 33n8 Islamic mortgages conclusion, 291-292 of economics, 28 financial performance, 288-289 of economy, 21 financing modes, 283-287 Isnad (chain of transmission), 41 investor risk, 289 Israelsen, Craig L., 310 mode selection, 287-288 Istihsan (juristic preference), 43 pricing risk, 289-291 Istisna (construction contract), 52, 166, 169 Islamic movements, 19 Istisna (construction contract) financing, 292n2 Islamic mutual funds hypothesis and data, 306-309 performance, 303-321 Jama, 135 previous literature on, 304-306 Japan, 262 Islamic negotiable instruments (INI), 137 Jastrow, Robert, 87 Islamic poverty alleviation model, 223–243 Jensen, Michael C., 304 conventional microfinance and Islamic Joint purchase, 286 microfinance, 231-233 Joint venture agreement, 52 Islam and poverty eradication, 224-231 Joint venture matters, 329 Islamic microfinance integration, 235-240 Joint venture partners, 326, 329 Islamic practices, 11 Joint ventures, 177, 189, 328, 357 Islamic principles, 258 wholly owned, 324 Islamic private equity funds (Qard Hasan), Joint-stock companies, 189 155 Jordan, 230 Islamic profit-rate swap, 345–346 Junaidah, H., 216, 220 Islamic REITS, 157 The Juridical Rebuttal against Justice Muhammad Islamic repurchase agreement (repo), 135-139 Taqi (Taqi) (Shaykh), 103

INDEX 379

Jurisprudence, 109 Last will and testament (wasiyah), 158 Juristic disagreement Late payment fees, 106 about, 103-106 Later-and-us paradigm, 149 allocation of profit, 111–112 Laws, 216. See also Shariah argument, style, and scope, 104-106 Lease, 286 banks corporate personality, 112 duration of, 328 banks interest-based elements, 112-113 ijara (lease-based), 178 benchmarking rent to market interest rate, Lease (ijara), 186n18 110 Lease agreement, 271 Lease assets, 270-272 diminishing partnership, 112 equity-based deposits, 110-111 Lease participants, 268–269 fatwa (legal opinion), 113-115, 115 Lease payments, 285 forced charity as penalty, 110 Leased assets, 271 glossary, 116 Legal categories, 43 intellectuals, 108 Legal purposes, (magasid), 267 Islamic bankers, 107-108 Legal stratagem (hilah), 272-273 jurisprudence principles, 109 Lender of last resort, 140 Muhammad Taqi Uthmaani, 108 Lending, 47, 291 murabaha agency, 109-110 administrative expense of, 355 murabaha and ijara, 109 Leverage, 326 murabaha vs. fighi muragaha, 109 in compliant manner, 330 purchase finance ijara, 110 Lewis, Mervyn K., 10 response from Pakistan, 115-116 Lexicographic approach, 82, 88, 93n19, 93n22, security deposits, 110 94n28 service fees, 111 Lexicographic functions, 81 state bank regulations, 111 Liability, 179 translation note, 106 Libya, 230, 264 Limited liability, 112 translation of fatwa, 115 Limited liability companies, 162n29 unilateral amendments, 111 Limited partnership arrangement, 52 Juristic law, 44 Linguistic analysis, 40 Kalimah, 5 Liquid assets, 140 Kane, Alex, 312 Liquidated damages, 341 Liquidity, 190, 291, 338 Karim, Nimrah, 233 Kazakstan, 262 defined, 121 Keeble, Brian, 77 Liquidity management, 138, 140, 158 Kettell, Brian, 12 products for, 132 Keynesian ideas, 23 Liquidity Management Center in Bahrain, Keynesian revolution, 26 125 Liquidity risk, 289, 290 Khadijah, 7 causes of, 123-124 Khamr (grape wine), 42 Khan, Mawlana Salimullah, 103 management of, 122 Liquidity risk management Khan, Mohsin, 24, 29, 94n28 Khir, Abdul, 273 about, 121 Khiyar al-shart (stipulation right), 340, commodity murabahah, 126-128 conclusion, 141 Know-your-customer (KYC) policy, 299 and the crisis, 121-123 Kobeisy, A., 216 current solution, 124-125 Krahnke, K., 218 investment agency and, 131-132 Kräsussl, Roman, 304, 318 Islamic interbank market and reciprocal Kroessiry, M, M., 359 loans, 134-135 Kuala Lumpur Syariah Index (KLSI), 305 Islamic repurchase agreement (repo), Kuran, Timur, 3, 4, 5, 71 135-139 Kuwait, 220, 230 Malaysian Islamic interbank money market, Kuwait Finance House (KFH), 11, 257 133-134

JWBT796-IND Printer: Courier Westford November 15, 2012 14:52 Trim: $7in \times 10in$

> Index 380

Liquidity risk management (Continued)

musharakah certificates as money market

instrument, 132-133

regulators' concerns, 139-141

salam securities as money market

instrument, 128-130

short-term harah as money market

instrument, 130-131

Liquid-to-asset ratio, 124

Loan controls, 361

Loan fund for consumption purposes, 235

Loan sizes, 363

Loans, 284

Locally focused portfolios, 312-314

London Interbank Offered Rate (LIBOR),

60n33

London Metals Exchange, 126

Low cost strategies, 215

Loyalty, and Islamic work ethics, 220

Luxembourg, 201, 258, 262

Luxembourg MFIs, 249-250

Macrocosmic phenomena, 25

Macrocosmic theory, 44

Mainstream economics, 23. See also

Conventional economics

Majils (contractual sessions), 274

Mal, 150

Malaysia, 7, 21, 54, 136, 137, 167, 171, 172, 173,

195, 196, 224, 230, 237, 248, 257, 258, 261,

262, 263, 290, 334

Malaysian Islamic interbank money market,

133-134

Maliki, 48, 337

Malikis, 336, 339

Malis (contractual session), 274

Malpractice prevention 225-226

Managed fees, 52

Management problems, 252n13

Manfaa, 174

Maqasid (broader objectives), 31, 43

Maqasid al-Islam, 31, 32

Maqasid al-Shari'ah, 275-276

Maqasid ash-Shariah, 31

Marcus, Alan, 312

Margin maintenance, 138

Margin trading, 306

Marginal composition, 93n27

Marginal utility, 93n24

Marginally poor, 240

Market activity, 259

Market capitalization, 192, 198

Market exchange, 75

Market imperfections, 98n56

Market Murabaha Group, 360

Market risks (beta), 129, 311

Market size, 210-211, 213n30

Markup as interest payments, 56

Martin, William, 14

Marx, Karl, 68

Maslaha (rulings), 42, 43

Maslahah, 344

Master Collateralized Muabaha Agreement

(MCMA), 139

Master landlord (mu'jir), 325, 328, 330

Master lease, 327, 329

Master tenant, 328, 329

Mawdudi, Mawlana, 4, 5

Maysir (gambling), 1, 31, 49, 150, 204, 306, 344,

Mazuy model, 305

MBS, 136

McMillen, Michael, 13

Media technologies, 66

Mediascape, 65

Mental state account, 83

Merdad, Hesham, 305

Mexico, 355

Mezzanine tebt, 330

Micro Emerprise Investment Scheme (MEIS),

Microbusinesses, 231

Microcosmic system, 44

Microcredit, 354-355, 356-357

for consumption purposes, 235

Microcredit institutions (MFIs), 232

Microcredit loans, 355

Microfinance, 7, 231

Microfinance Investment Support Facility for

Afghanistan (MISFA), 359

Microfinance options, 53

Microinsurance, 356

Micro-lending, 54

Microsavings, 355–356

Microsavings and micro-takaful, 357

Micro-takaful, 356, 357

Middle East, 195, 196

Mill, James, 78

Mill, John Stuart, 85, 86

Mirakhor, A., 12, 24

Mirowski, Philip, 85, 96n42 Mission and vision, 236

Mithli (fungible goods), 128

Mode selection, 287-288

Modern economies, 23

tool kit, 24

Modern Islamic finance transactions, 50

Modified Sharpe ratio, 310, 311

Modigliani and Modigliani (MM) measure,

304, 305, 311

INDEX 381

Moghul, Umar, 326 market, 124 Mohamad, Shamsher, 304, 318 vs. musharaka transaction, 288 Mohammed, Prophet, 7 strategy, 109 Mokhtar, M., 305 structures, 168, 169, 170, 172, 173 Mollah, Sabur, 14 transactions, 56, 57, 166, 284, 285, 286, 287, Money market instruments 289, 290, 291 musharakah certificates, 132-133 Murabaha debt, 285, 288, 290 salam securities, 128-130 Murabaha financing, 249 short-term harah, 130-131 Murabaha mode, 238 Mono-utility approach, 88, 94n28 Murabaha model, 364 Murabaha products, 360, 364 Mono-utility functions, 79, 82, 83, 85, 86, 88, 90, 92n18, 96n42 Murabaha Sukuk, 156 Mono-utility relation, 94n30 Murabaha-based lines of credit, 363 Murabaha-based products, 345 Monthly net asset values (NAVs), 309 Moody's, 332 Murawwaja Islami Baynkari, 115 Moral hazard predicament, 208 Murdoch, J., 245 Morality, apathy to, 209 Musharaka, 52, 177, 178 Morningstar, 196 joint ventures, 166 Musharaka financing, 249 Morocco, 216 Musharaka transaction, 286, 287 Mortgage losses, 289 Mortgage tax, 288 vs. murabaha transaction, 288 MSCI Barra, 199 Musharakah (equity partnership), 235, 246 MSCI Emerging Markets India, 196 structures, 152, 169, 170, 172, 177-180, 357, MSCI Islamic Index Series, 197 Mu'amalat, 43 transactions, 189, 291 Mubadalatul arbaah, 345 Musharakah-mudaraba-murabaha triad, 168, Mudaraba (limited partnerships), 52, 53, 108, 170 181, 204, 235, 246, 357, 358, 361 Musharakah certificates, 132–133 as money market instrument, 132-133 joint ventures, 166 products, 248 Musharakah certificates as money market instrument, 132-133 service fees in accounts, 111 structures, 168 Musharakah contracts, 247 Mudaraba contracts, 247 Musharakah products, 364 Mudaraba Interbank Investment (MII), 133 Muslim countries, 230 "Muslim Economic Thinking" (Ahmad), 21 Mudaraba mode, 239, 240 Mudaraba model, 238 Muslim-minority countries, 263 Mudaraba PLS loans, 251 Muslims Mudaraba/musharaka contracts, 356 history of civilization, 29 Mudarib (manager/developer), 181 immigrant population, 263 Muhammad, N. M., 305 in India, 4 Muhammad, Prophet, 29, 32, 40, 41, 203, 221, North America markets, 211 Mutawalli, Awqaf manager, 230 Muhammad Al-Bashir Muhammad Mutual funds, 14 Al-Amine, 13 described, 189 Multi-utility relation, 82, 90 Shari'a-compliant, 13 Mutual loans, 135 Muqaddimah, 20 Muzara'ah, 235 Muqasah (set-off), 347 Murabaha (cost plus markup), 51, 52, 107, 113, My money = my money concept, 151125, 234, 246, 267, 268, 283, 347, 358, 361 My money concept, 153 agency in, 109 Myrdal, Gunnar, 29 balloon payment, 290 Nakheel, 58 concept, 252n12 contracts, 247, 346, 356 Naqvi, Syed Haider, 80, 92n18 vs. fiqhi murabaha, 109 Nasr, Seyyed Hossein, 76, 78, 86, 88 vs. ijara (lease-based) transaction, 288 Nassar, Ahmad Muhammad Mahmud, 269

Index

Trim: $7in \times 10in$

382

National Commercial Bank, 304 Necessity (daruna), 43 Needs category, 152 Neoclassical economic theory, and Islamic science, 75-101 Neoclassical economics, 23, 75, 86 analytical tools, 88 Nepotism, 218 Net asset values (NAVs) daily, 307, 309 monthly, 309 weekly, 305 Net lease, 327 Neutral choices, 84 New classical macroeconomics, 26 Newton, 97n49 NGOs (nongovernment organizations), 236 Awgaf contributions, 239 credit delivery model, 237 credit for microbusinesses, 240 credit officers, 238 groups, 237-238 key functions, 236 locality and population selection, 237 mission of, 236 objectives, 236 organization structure, 238 pilot program selection, 237-238 sources of funds, 239 use of funds, 240 Niche strategies, 215 Nobel Memorial Prize, 26 Noncompliant tenant, 326 Non-interest-based indices, 288 Non-risk-adjusted returns, 309-310, 318 Normative biases, 29 Normative vs. positive discourse, in economics, 27 North America, Muslim markets in, 211 Novak, Michael, 95n40 Nyazee, Imran Ahsan Khan, 276 Obaidullah, M., 246

Office of the Comptroller of Currency (OCC), 56
Offshore structures about, 267 circular triangle, 268–272 conclusion, 277–278 contract combination, 273–274 economics, 276–277 lease assets, 270–272 lease participants, 268–269

Off balance sheet solution, 290

Occupancy leases, 330

leases, 269-270 legal structure and stratagem, 272-273 maqasid al-Shari'ah, 275-276 pricing, 274-275 reflections, 272-277 OIC Fiqh Academy Fatwa, 154, 161n10 Oil, 333 Oman, 219, 265 Onboarding, 218-219 Ong, Athwa, 66 Operating partner, 329 Operator (wakeel), 204 Opinion letters, 57 Option rights, as property rights, 343 Option scope and concept, 338-342 Option types, 338 Options, 335 hedging aspect of, 338 pricing factors, 343 Organization, 236 Organization of Islamic States (OIS), 6 Organization of Oil Producing Countries (OPEC), 333 Ownership, 6 definitions of, 283 of home, 288 ming, 287 Wnership control, 225 Pakistan, 21, 23, 195, 230 Parking garages, 330 Participation banking, 259, 260, 265 Participatory modes, 23 Particularism, 218 Partnership agreement, 286 Partnership structures, 52 Partnership transactions, 286 Partnerships (Shirakat), 52, 181, 189, 234

Participatory modes, 23
Particularism, 218
Partnership agreement, 286
Partnership structures, 52
Partnership transactions, 286
Partnerships (Shirakat), 52, 181, 189, 234
diminishing, 106
Performance management, 220
Performance management review, 220
Performance measures, 305
Permanent Research Committee, 334
Philanthropic Awqaf, 229
Philosophical ethics, 82
Pilot projects, 358
Policy Paper on Poverty Reduction (Islamic Development Bank), 249
Political developments, 6
Political thermometer, 79
The Politics of Islamic Finance (Henry and

Political thermometer, 79

The Politics of Islamic Finance (Henry an Wilson), 11

Pool of funds, 228

Population growth, 64

INDEX 383

Trim: $7in \times 10in$

Portfolio screening, 306 Property rights, 339-340 Positive measures, 240 option rights as, 343 Property transfer, 287 Povertv about, 223-224 Pudelko, M., 218 antipoverty programs, 223-224 Purchasing on credit, 59n21 definitions of, 223 Purification, 198–199 Islamic definition, 224 Put options, 338, 342 nongraduation from, 233 Poverty alleviation, 249 Qadi (religious judge), 39-40 strategies, 224-226 Qard al-hasan, 245, 356, 357, 363 tools of, 240 Oard al-hassanh, 234 Poverty density, 223 Qard hasan, 151, 152, 155, 234, 252n16 Poverty reduction, 236 Qard hassan, 300, 301 Poverty trap, 231 Qard loans, 357, 359 PPP (Private Public Partnership), 258 Qard-el-hasana, 248 Prayer breaks, 219 Qatar, 171, 172 Prayer place, 301 Qivas, 42 The Quantum Enigma: Finding the Hidden Key Preferential equity returns, 329 Preferred stock, 329 (Smith), 86, 87 Quantum paradox, 84, 86 Premodern period, 20 Preventive measures, 240-241 Quard Hasan, 249(Price differentials, 342, 343 Quard-e-Hasar Joan, 251 Quarterly Revie v Group, 198 Pricing, 274-275 Qur'an, 20, 27, 32, 40 Pricing mechanism, 288 Pricing risk, 289, 289-291 Qur'anic examples, 45–46 Primary markets, 165 Qur'anc references, 47 Principal, 235 Qui'anic verses, 46-47 Qurar-e-hasana, 251 Private equity growth, 155 Private equity structuring, 258 Private ownership, 148 Rabb ul-mal (capital provider), 181 Private ownership of property, 45 Rahman, Fazlur, 233 Private property, 31, 147 Rammal, Hussein Guizar, 305, 319n9 Product differentiator, 207 Rating agencies, 57, 122 Product offerings, 356-357 Rating methodology, 294-297 Profit, 189 Rational expectation school, 26 Profit allocation, in shirka and mudaraba, Rational intellect (ijtihad), 41, 42 Real business cycle, 26 Profit and loss based transaction, 288 Real estate investment, 157 Profit and loss share nature, 287 Real estate transactions, vs. debt transactions, Profit and loss sharing instruments, 124 Profit and loss sharing (PLS), 23, 45, 51 Real property, 271 Real-estate portfolios, 258 model, 52, 54 requirement, 56 Reality, 28 Profit and risk, 59n18 levels of, 89 Profit distribution, policy, 301 Reciprocal loans, 135, 141 Recommended transfers, charity, 226 Profit motive, 7 Profit sharing, 283 Recourse carve-out events, 328 Profit-rate swaps, 333, 345 Recruitment selection, 218 Prohibited industries, 265 Refinancing, 289 Project-level debt, 325 with ijara, 288 Prolegomena (Ibn Khaldun), 20 Reflexive project, 69 Property (haqq mali), 47, 340 Regulations, convergence and harmonization, chain of title to, 56 125 under consideration, 323-324 Regulators, 55 ownership in financing transaction, 56 Regulators' concerns, 139-141

JWBT796-Hunt-Ahmed Printer: Courier Westford November 15, 2012 14:52 Trim: $7in \times 10in$

Index

The Reign of Quantity and the Signs of the Times on security deposits, 325 (Guernon), 93n23 stratagem for, 110 Relationships, 67-68 types of, 47-48 Relative risk-adjusted performance measure, Riba-based institutions, 1 Ribawi, 275 Religion and culture, 217 Ribawi transaction, 290 Religion role Rice, G., 217 in post-9/11 environment, 217 Rida, Rashid, 19 of Sharia Law, 217 Right to cancel, 341 in SHRM, 216-217 Risk issues, 331 Risk management, 332-333, 338, 339, 344 Religion role in post-9/11 environment compensation, 220-221 Risk pricing, 289 onboarding, 218-219 Risk sharing, 45, 261 performance management, 220 Risk tolerance, of customers and investors, 284 recruitment selection, 218 Risk-free proxy, 307 Sharia Law role, 217 Risk-return portfolio, 304 SHRM model, 217-218 Risks training/development, 219-220 and derivatives in Islamic finance, 331-352 Religious Awqaf, 229 of loss, 284 Religious beliefs property, 286 and economic behavior, 5 of recourse carve-out events, 328 nonconformance with, 233 types of, 289 Risky lending 261 Religious diversity, 216 Robertson, Robert, 67 Religious economic laws, 75 Religious economic theory, 75 Rollins, G., 218 Religiously diverse work force, 219 Rotating Credit and Savings Association Religiousness, 112 (RoSCA), 353–354 Rent, 106 kousseau, D., 221 benchmarking by market interest rate, 110 Roy, Oliver, 66 RUFCOD, 361, 363 vs. interest, 285 Rent control, 285 Rural Community Development Project, 363 Rental activities, 157-158 Rural Development Scheme (RDS), 358, 359 Rent-based transaction, 290 Ruskin, John, 85, 86, 93n23, 96n43, 96n44, Rent-to-own concept, 53, 285 Repatronization, 260 Russell Jadwa Index, 197 Repayment rates, 359, 364 Repentance, 114 S&P 500, 196 Repurchase agreement (repo), 135 S&P Shariah Indexes, 197 Reserve currencies, 125 Sadaqah (voluntary charity/alms), 151, 152, Retail banks, 258 Retail Islamic finance, 263 Sadat al-fitr (compulsory transfer), 226 Sadeq, Abdulhasan M., 229 Retail markets, 259 Revenue-indexed bonds (GES), 134 Salaf, 270 Salam, 166, 269, 270 Reverse arbun, 342, 343 Reverse murabahah, 346 defined, 128 Reverse-commodity murabahah, 346, 347 Salam contract, 269, 336 Revivalist ethos, 23 Salam securities as money market instrument Rezec, Michael, 305, 319n9 about, 128-129 Riba (interest/usury), 1, 4, 10, 13, 31, salam sukuk, 129-130 33-34n17, 45, 138, 150, 155, 157, 217, 225, Salam structures, 170 232, 235, 273–274, 284, 306, 343 Salam sukuk and Bahraini experience, 129 definition, 9 vs. profit (ribh), 110 salam securities as money market prohibition of, 24 instrument, 129-130 vs. rent, 285 structure of, 129-130

INDEX 385

Trim: $7in \times 10in$

Sale and lease back concept, 131 Share capital, 238 Sale and repurchase agreements, 306 Share trading (khiyar al-shart), 343 Sale of debt, 123 Shareholders, 206 Sale of pure rights, 343 Shari'a, 293 Sale-and-purchase agreement, 175 Shari'a quality rating Sale-back, 53 about, 293-294 Sale-repurchase strategy, 109 accounting standards, 297-298 Samuelson, Paul, 23, 34n21 conclusion, 302 Sanduq, 363-364 corporate social responsibility ratings, 299-302 Sapcanin, A., 247 Saudi Arabia, 167, 173, 195, 201, 216, 230, 303, Internal Shari'a Control (ISC), 296-297 304, 333 methodology, 294-297 Saudi Arabia mutual funds, 318 Shari'a Supervisory Board (SSB), 294-296 Saudi Interbank Offering Rate (SIBOR), 307 training and human resources, 298 Saudi Islamic mutual funds, 318 zakat (charitable giving) policy, 299 Saudi mutual fund data, 307-309 Shari'a Quality Ratings (SQR), 294, 300, 302 Saudi Stock Exchange (Tadawal), 307 vs. credit rating, 293 Savings, 355-356 Shari'a supervisory board, 194 Shari'a-compliant mortgage financing, 56 Savings products, with Islamic banks, 357 Scapes, 65 Shariah, 263, 319n1, 324 Scholar consensus, 71 basic principles of, 324 Shariah advisers, 325, 326 Scholte, Jan Aart, 63, 66 Shariah compliance, 209 Schools, 39 Shariah implementation, 21 Schools of religious law, 336 Schroedinger, Erwin, 97n49 Shariah law, 303, 306, 318 Schumacher, E. F., 76, 77, 90, 91–92n11, 91n8, Sharian scholars, 30 93n23 Shariah structure, 168 Schumpeter, Joseph, 20 Snariah Supervisory Boards, 197 Schuon, Frithjof, 76, 86, 95n37 Shariah Supervisory Boards (SSB), 293, Screening, 197 294-296 Screening clients, policy, 301 Shariah-compliancy subcategories, 307 Secondary markets, 130, 139, 165, 166, 290 Shariah-compliant assets, 264 291 Shariah-compliant ETF, 201 Secondary principles, 43 Shariah-compliant finance, 261 Secondary Sukuk market, 157 Shariah-compliant financing, 283 Secularism, 263 Shariah-compliant fund assets, 303 Secured debt, 326, 328, 329 Shariah-compliant funds, 258 Securities Commission of Malaysia, 193 Shariah-compliant indexes, 195, 196 Securitization, 125, 165, 184n4, 290-291 about, 195 vs. conventional indexes, 195-201 Security deposits, 110 interest on, 325 future outlook and trends, 201 index design and development, 196-199 Self-identity, 69 Sell and buy back agreements (SBBA), 137 performance comparison, 199–200 Sequential functions, 81 Shariah-compliant indexes performance vs. Service fees in accounts, 111 performance conventional indexes, Shabrawy, A., 249 196-200 Shafi, 41, 42, 48 Shariah-compliant indexes vs. conventional Shafi'i jurists, 269, 270 indexes, 195-201 Shafis, 340 Shariah-compliant methods, 264 Shakil, Mansoor, 276 Shariah-compliant mutual funds, 189-194 Shamil Bank, 57 conclusion, 194 general need, 190-191 Shamil Bank of Bahrain EC v. Beximco Pharmaceuticals Ltd., 56 musharakah vs. mudaraba, 189-190 Shar'a scholars, 54 purification, 193-194 Share, 191 stakeholder vs. shareholder, 191-193

Index

Shariah-compliant real estate investment in Spiritually neutral economics, 75 United States Stagflation, 26 Stamp duty. See Transfer taxes compliance determination, 325-326 conclusion, 330 Standard & Poor's, 332-333 diligence, 324-325 Standard deviation, 305, 310, 311 financing matters, 329-330 State bank regulations, 111 Ijarah structure, 326-329 State responsibility, 226 joint venture matters, 329 Stock, 191 property under consideration, 323-324 Stock screening, 191 tax structuring, 330 Stoicism, 91n2 third party financing, 323-326 Strategic Human Resources Management Shariah-compliant swaps, 345-348 (SHRM), 215 Shariah-prohibited elements, 306 vs. Islamic Human Resources Mangement Sharia's Standard Board (SSB), 2 Practices (IHRMP), 221 Sharpe, William, 304, 305 Subprime crisis, 155-156 Sharpe ratio, 305, 310, 311 Substance-over-form approach, 270, 328 Shawamreh, Cynthia, 12 Substitution, 93n24 Shaykh, Habibullah, 103 Successive leases, 280n27 Shi'i scholars, 59n9 Sudan, 206, 230 Shirka, 108 Sukuk (Islamic bonds), 53, 123, 134, 155, 183, Shirka and mudaraba, profit allocation in, 111 Short-selling, 154, 261 definitions of, 166 Short-term government bills, 129 hissas, 179 industry, 167-168 Short-term harah, 130-131 Short-term Islamic bonds, 131 pre 11/2008, 166–167 Short-term loans and interest rates, 232 standardization of, 139-140 SHRM model, 217-218 Sukuk al hara, 174–177 Shuf'ah (pre-emption right), 340, 343 Sukuk al wakala, 172 Shweder, Richard A., 69 Sukuk al-ijarah, 166, 170, 174, 176, 184 Siddiqui, Farrukh, 14 Sukuk al-mudaraba, 180-182 Siddiqui, Muhammad N., 5, 21, 29, 277 Sukuk al-musharakah, 170, 177 Simple risk-adjusted performance, 316, 318 Sukuk and Islamic capital markets Simple risk-adjusted performance measures, about, 165-166 310-312 clarification, 183 Singapore, 196 conclusion, 183-184 Single factor model, 305 described, 184n4 Six Day War, 6 musharakah structures, 177-180 SKS Finance, 355 post 11/2008, 172-173 Small is Beautiful (Schumacher), 91n8 shariah structure, 168 Smith, Adam, 22, 28-29, 77, 91n2, 97n50, sukuk, 166-168 97n51, 97n52 sukuk al hara, 174-177 Smith, Kristen, 11 sukuk al-mudaraba, 180-182 Smith, Wolfgang, 76, 77, 79, 86-87 Sukuk issuances, 173 Social collateral, 353 Sukuk market (Islamic bond equivalents), 200 Social justice, 5, 6, 246 Sukuk markets, 171 and equity, 235 Sukuk offering, 290 Social sanctions, 245 Sukuk structures, 13, 174, 177 Socialism, 22, 31 Sukuk-al wakala, 184 South Africa, 196 Sulh (reconciliation), 340 Sovereign risk, 129 Sunnah, 341 Speculation, 277, 306 Sunni legal thought, 40 level of, 344 Surfing the green wave concept, 209, 212n15 Spiritual leader, 116 Survival of the fittest, 97-98n53, 148 Spiritual needs, 81 Swaps, 335 Spiritual values, 79 Synthetic murabaha, 52

INDEX 387

Syria, 363-364 Transfer taxes, 260, 268, 270, 287, 288 Systematic risk (beta), 305 Transparency, 122 Systemic risk, 311 Transparency and disclosures, 301–302 Treasury products, 128 Tabreed Financing Corporation, 53 Treaty shopping, 330 Tadawal Stock Exchange, 201 Treynor, Jack, 304, 305 Tadawul All Share Index, 312 Treynor ratio, 311 Tagt, Muhammed, 103 Tripp, Charles, 32n2 Tahawut (netting), 125 Trusts, 155 Trustworthiness, 112 Takaful (Shari'a-compliant insurance), 14, 50, Truth, 79 157, 247, 327 about, 203-206 Tunisia, 264 beneficial feature of, 205 Turkey, 7, 201, 265 conclusion, 211-212 Turkish model, 265 difference impact, 207-210 Tying arrangements, 273 as ethical investment, 210-211 insurance industry today, 206-207 UCITS (undertakings for collective models, 204-205, 251 investments in transferable securities), pool, 357 Uddin, Hamid, 14 Taleb, Nassim Nicholas, 26 Talfiq, 44 Udovitch, Abraham L. Ulama, 21 Tawakkul (complete reliance), 203 Tawarrug, 276-277, 347 Umma, 66 UN Development Program (UNDP) Europe Tawhid (unity), 5 Tawhidi paradigm, 25, 27, 28 (MEM) Division, 363 Taxes, 262. See also Transfer taxes Unacceptable practices and income, 193 status of Islamic financing transactions, 288 Understanding Islamic Finance (Ayub), 12 structuring, 330 Onilateral promises, 347 treatment, 328 Un-Islamic banking vs. conventional banking, Taylor, Charles, 69 113 Tazkiyah al-mal (purification of wealth), 151 United Arab Emirates, 58, 167, 171, 172, 173, 195, 220 Technocscape, 65 10 percent rule, 192 United Arab Emirates Central Bank, 134 Tenant (musta'jir), 328 United Kingdom, 195, 262 Tenor of issuances, 130, 131, 127, 168–171, 345 United States, 196, 217, 262, 263, 267, 328 Thailand, 224 Islamic financing in, 268 Theory of choice, 80 United States Department of Treasury, 56 Third party financing, 323–326 United States Equal Opportunity Commission Third-party leverage, 323 (EEOC), 217 33 percent rule, 192 Unity of method, 76, 89, 95n41, 96n47 Thompson Reuters Islamic Interbank Universal paradigm, 25 Benchmark Rate, 285 Universalism, 218 Time-value of money, 284 Unlawful hila, 277 Title transfer, 287 U.S. tax law, 330 Total reward management, 220 U.S. Wall Street Journal Prime Rate, 285 Total risk, 310, 311, 314, 316 USAID, 360, 361 Town, Banuri, 105 USAID ARIES program, 361 Toxic assets, 122 Usufruct (manfaa), 53, 166, 174 Trade, 48 Usul-i-fiqh (Sunni legal thought), 40 Training and human resources rating, 298 Usury (riba). See Riba (interest/usury) Training/development, 219–220 Uthmaani, Muhammad Taqi, 40, 103, 104, 105, 108, 116 Transaction costs, 287 Transaction legitimacy, 284 Uthman, Muhammad Taqi, 40 Uthmani, Muhammad Taqi, 103, 104, 105, 108, Transfer price, 176

116

Transfer price payment, 175

Utility, 92n16 Utility theory, 81

Venture capital, 155, 357

Venture capital firms, 1

Visibility of religious practitioners, 216

Vocational training, 237

Volatility, 310

Voluntary transactions, 88

Wa'ad contract, 346, 347, 348

Wadiah, 361

Wadiah-based deposit, 357

Wakala agency, 166

Wakala issuances, 173

Wakala structure, 172

Wakalah (contract), 131-132, 172

advantages of, 132 Wakalah model, 246

Wakala/mudarabah, 204

Waqf (charitable endowment), 151, 153, 204,

249. See also Awaqf

funds, 251

War refugees, 250

Warde, Ibrahim, 6, 51

Warranties, 56

Weakness, of conventional microfinance and

Islamic microfinance, 231

Wealth, 159

transfer of, 151

Wealth management

aspects of, 150

risk of, 13

tools, 14

Weber, Max, 4

Weekly net asset values (NAVs), 305

Welfare, 83, 84

theory of, 88

Western concepts, 148

Western interpretation, of capitalism, 149

Wholesale Islamic banks, 258

Widows, 158, 162n42

Willingness to accept (WTA), 80, 88, 89,

Willingness to pay (WTP), 80, 88, 93n20

Index

Wills, 158

Wilson, R., 11, 246

Women

as Bangladesh MFI clients, 248

as bank clients, 358

focus of credit to, 233

participation in entrepreneurship, 232

widows, 158, 162n42

Women's Murabaha Group, 360

Working capital, 239, 240

Working capital financing, 235

Working capital investment, 238

Workouts, 289

World Bank, 65, 359

World Council of Credit Unions (WOCCU),

359, 361

World Council of Credit Unions (WOCCU)

IIFCs, 361, 363

The World Is Flat (Friedman), 68

Wouters, Paul, 13

Yemen, 219, 230, 248

Young scholars, 105

Yunus, Muhammad, 354

Yusuf, Abu, 20

Zagat/zakah (charitable giving), 14, 45, 150,

246, 247, 249

(compulsory transfer), 226, 241

administrative cost of, 227

as alternative source of funding, 228

fitra, 152

Fund, 252n16

funds, 238

management weakness, 230

Nisab of, 228

policy, 299, 301

poor borrowers use of, 241

priority use of, 227-228

scope of, 228

as tool for Islam and poverty eradication,

226-228

trust of management of, 230

Zawya, 319n4

Zayan Takaful, 209, 211