



**GLOBAL FORUM ON
ISLAMIC FINANCE**

NEW REALITIES, NEW CHALLENGES

MARCH 11-13, 2013

Pearl Continental Hotel, Lahore

Programme & Abstract Book



ORGANIZED BY
COMSATS Institute of
Information Technology

LANCASTER
UNIVERSITY



www.ciitlahore.edu.pk/gfif

Programme & Abstract Book

Global Forum on Islamic Finance (GFIF)

March 11-13, 2013

Pearl Continental Hotel, Lahore - Pakistan

Online Programme & Abstract Book

<http://www.ciitlahore.edu.pk/gfif/Program.html>

**Department of Management Sciences,
COMSATS Institute of Information Technology
M. A. Jinnah Building Defence Road, Off Raiwind Road, Lahore - Pakistan**
E-Mail: islamicfinance@ciitlahore.edu.pk
Tel: +92 (42) 111-001-007 Ext. 859
Fax: +92 (42) 99203100

Programme & Abstract Book
Global Forum on Islamic Finance (GFIF)

Copyright@ 2013 by COMSATS Institute of Information Technology (CIIT),
Lahore-Pakistan

Programme & Abstract Book designed and compiled by: Mr. Tariq Hameed Alvi
(thalvi@ciitlahore.edu.pk) and Farhan Ahmad (fahmad@ciitlahore.edu.pk),
Lecturers, Department of Management Sciences, CIIT, Lahore.

CONTENTS

EXECUTIVE COMMITTEE	V
ADVISORY COMMITTEE	V
GLOBAL FORUM ON ISLAMIC FINANCE (GFIF) COMMITTEES	VI
MESSAGE BY RECTOR CIIT	IX
MESSAGE BY DR. STEVE BRADLEY, PRO VICE CHANCELLOR LANCASTER UNIVERSITY, UK ..	X
MESSAGE BY DIRECTOR	XI
MESSAGE BY GFIF CONVENER / HEAD DEPARTMENT OF MANAGEMENT SCIENCES	XII
GFIF PROGRAMME	1
MONDAY 11TH MARCH	8
TECHNICAL SESSION I- ISLAMIC BANKING AND FINANCE: REGULATORY LANDSCAPE	8
<i>Keynote- Islamic Finance Regulation: Response to Basel III</i>	8
<i>Cost efficiency in Pakistani banking system</i>	9
<i>Setting up Islamic banks in non-Muslim countries using Islamic finance principles: myths and challenges</i>	9
<i>Improving Islamic Finance Perception and Acceptability</i>	10
TECHNICAL SESSION II- ISLAMIC FINANCIAL PRODUCTS: INNOVATION, ISSUES AND CHALLENGES	11
<i>Keynote- Moral Responsibility in Finance: A Qur'anic Perspective</i>	11
<i>Role of Islamic Social Financial Institutions in Poverty Alleviation</i>	11
<i>Role of Islamic Fiscal System to generate self employment and economic development</i>	13
<i>A survival Analysis of Islamic bank failure risk</i>	14
<i>Determinants of Deposits in Conventional and Islamic Banking: An Empirical Study</i>	14
<i>Marketing- A Challenge Not Met</i>	15
<i>What Develops Customer Perception towards Islamic Banking in Pakistan?</i>	16
SESSION III- ISLAMIC FINANCE, BUSINESS ETHICS AND PRACTICAL REALITIES	18
<i>Keynote- Ethical Standards in Islamic Finance: Moving beyond Prohibitions to the Ethical differentials</i>	18
<i>Economic Substance or Legal Form: An Evaluation of Islamic Finance Practice</i>	19
<i>Implications of Akhuwat Methodology on poverty alleviation: an empirical investigation of Islamic Microfinance in Pakistan</i>	19
<i>Risk Analysis of Sukuk and Conventional Bonds in Pakistan</i>	20
TUESDAY 12TH MARCH	22
TECHNICAL SESSION IV- ROLE AND EFFECTIVENESS OF SHARIA BOARDS	22
<i>Keynote- Implementation of Sharia governance in Islamic banking: the role of Sharia Supervisory Committee</i>	22
<i>Shariah requirements for developing Islamic Capital Market</i>	23
<i>Role of Sharia board in conflict resolution in Islamic banking system</i>	23
<i>How to Fulfill the Demanding Need of Shariah Talent/Scholar to Facilitate Islamic Banking Industry</i>	24
<i>Regulating Islamic Capital Market: Examining Sukuk Transactions</i>	24
<i>Strengthening of Shariah Board: Issues and Suggestions</i>	26
TECHNICAL SESSION V- ISLAMIC FINANCE AND SOCIO-ECONOMIC DEVELOPMENT	26
<i>Keynote- Financial Reform from Islamic Finance Point of View</i>	28
<i>Akhuwat Model</i>	28
<i>Islamic Economics: a plea for Islamic Capitalism</i>	29
<i>An Analysis of Islamic Banks' Performance as Social Enterprises</i>	29
<i>Standardization of Islamic Market Indices</i>	29
<i>Capitalism, Financial Crisis and Islamic Economics</i>	30
<i>Islamic finance and its impact at gross root level to alleviate poverty</i>	31
TECHNICAL SESSION VI- ISLAMIC CAPITAL MARKETS: INVESTMENT PERSPECTIVE	32
<i>Keynote- Relevance of Islamic Finance in Post-Financial Crisis Environment</i>	32

<i>Time-Weighted Debt Units (A suggested Islamic Scheme to Manage Liquidity Risk)</i>	32
<i>Islamic Banking-Practices and Challenges</i>	34
<i>The Potential Role of Bai’s Salam for the Agriculture Sector and the Islamic Banking Industry in Pakistan</i>	34
<i>An Empirical Survey of Attitudes and Perceptions of Researchers and Professionals about Islamic Micro Finance in Pakistan</i>	35
TECHNICAL SESSION VII- TAKAFUL: INNOVATIONS AND SOLUTION	36
<i>Keynote- Islamic Finance Education in Australia: A case of La Trobe University</i>	36
<i>Role of Islamic Development Bank in Islamic Financial Sector Development and Financial Inclusion</i>	37
<i>Takaful and Poverty: A Journalistic Review</i>	39
<i>Musharaka Financing in Pakistan: Related Issues and Future Challenges</i>	39
<i>Takaful Industry: Today & Tomorrow</i>	40
WEDNESDAY 13TH MARCH	42
INTERNATIONAL CONGRESS OF GFIF	42
PANEL DISCUSSION I- ISLAMIC FINANCE: REALITIES AND CHALLENGES	42
PANEL DISCUSSION II- ISLAMIC FINANCE SOLUTION FOR INDUSTRIAL AND ECONOMIC DEVELOPMENT	42

Executive Committee

Dr. S. M. Junaid Zaidi

Dr. M. A. Bodla

Advisory Committee

Dr. Qaisar Abbas

Dr. Talat Afza

Dr. Zulfiqar Shah

Dr. Amna Yousaf

Dr. Abdus Sattar Abbasi

Mufti Dr. Hafiz Khaliq-ur-Rehman

Mr. Hamad Rasool Bhullar

Mr. Akmal Hanuk

Dr. Hafiz Zahid Mahmood

Global Forum on Islamic Finance (GFIF) Committees

GFIF Secretariat

Convener: Dr. Abdus Sattar Abbasi
Coordinator: Dr. Yahya Rashid
In charge GFIF Secretariat: Ms. Zainab Akram
Secretary GFIF: Ms. Naseem Habib
Member: Jahangir Ahmad

GFIF Reviewers Committee

Prof. Dr. Talat Afza	Convener/Reviewer
Dr. Mr. Imran Haider Naqvi	Member/ Secretary
Dr. Abdus Sattar Abbasi	Member/ Reviewer
Dr. Waheed Akhtar	Member/ Reviewer
Dr. Hafiz Zahid Mahmood	Member/ Reviewer
Dr. Ahmad Kaleem	Member/ Reviewer

GFIF Proof Reading, Drafting and Format Control Committee

Dr. Filza Waseem	Convener/Team Leader
Ms. Shazia Aziz	Member
Ms. Fatima Javed	Member
Ms. Rosemarry Noel	Member/Secretary

GFIF Industrial Liaison Committee

Dr. M. Imran Haider Naqvi	Convener/Team Leader
Mr. Sami Ullah	Member
Ms. Naseem Habib	Member/Secretary

GFIF Finance Committee

Mr. Muhammad Amir Rashid	Convener/Team Leader
Mr. Sajid Nazir	Deputy Team Leader
Mr. Uzair Farooq	Member
Mr. Khuram Shahzad	Member/Secretary

GFIF Purchase Committee

Mr. Amir Rashid	Convener/Team Leader
Mr. Tariq Hameed Alvi	Member
Mr. Ali Raza	Member
Mr. Muhammad Bashir	Member
Mr. Nasir Rauf	Member

GFIF IT Committee

Dr. Faisal Tehseen Shah	Convener/Team Leader
Mr. Muhammad Irfan	Member
Mr. Waqas Rafi Babar	Member/Secretary

GFIF Advertisement and Marketing Committee

Ms. Iram Tanvir	Convener/Team Leader
Mr. Fahad Asghar Cheema	Member
Mr. Umar Farooq	Member/Secretary
Mr. Shahzad Ghafoor	Member

GFIF Registration Committee

Syed Nauman Ahmad	Convener/Team Leader
Mr. Shomail Sarwar	Member
Ms. Maaida Hussain Hashmi	Member/Secretary
+ Set of Students	

GFIF Publication & Printing Committee

Mr. Tariq Hameed Alvi	Convener/Team Leader
Mr. Farhan Ahmad	Member
Mr. Kashif Luqman	Member

Food Committee

Mr. Nayyer Butt	Convener/Team Leader
Mr. Zaryab Sheikh	Member
Mr. Fahad Javed	Secretary

Accommodation Committee

Mr. Rao M. Atif	Convener/Team Leader
Mr. Shahid Latif	Member
Mr. Tahir Mushtaq	Secretary

Welcome & Reception Committee

Dr. Abdul Haque	Convener/Team Leader
Mr. Ammad Rashid	Member
Mr. Imran Ali	Member
Ms. Fakhr un Nisa	Member
Ms. Tahira Umair	Secretary

Transport Committee

Mr. Khurram Shahzad	Convener/Team Leader
Mr. Affan Ahmed Khan	Secretary

Excursion Committee

Mr. Shakeel Aslam	Convener/Team Leader
Ms. Shomail Sarwar	Secretary

Stage and Venue Management Committee

Dr. Asma Imran	Convener/Team Leader
Mr. Mohsin ul Mulk	Member
Ms. Shomaila Anwar	Member
Mr. Abid Sharif	Member
Mr. Fahmeed Idrees	Member

Mr. Naveed Chohan Member
Ms. Hina Amir Secretary

Sessions Management Committee

Dr. Ahmad Nawaz Convener/Team Leader
Ms. Naila Yousaf Member
Ms. Sadia Umar Member
Ms. Shafaq Rana Secretary

Academic Liaison

Dr. Ahmad Kaleem Convener/Team Leader
Dr. Faisal Tahseen Shah Member
Mr. M. Shahbaz Secretary

Media Committee

Dr. Muhammad Khan Convener/Team Leader
Mr. Basharat Naeem Member
Ms. Binish Nauman Member
Mr. Wasiq Qadeer Member
Ms. Sehar Munir Secretary

Hall Discipline Committee

Mr. Abdul Farooq Convener/Team Leader
Mr. Rashid Waheed Qureshi Member
Mr. Ata ur Rehman Member
Mr. Farhan Ahmed Member
Mr. Fahad Cheema Secretary

Focal Person

Dr. Zehra Waheed will be the focal person for International Invited Speakers and Dignitaries.

Message by Rector CIIT

As indicated by the forum name “Global Forum on Islamic Finance: New Realities, New Challenges”, the aim is to address contemporary challenges in the global finance context. It particularly seeks to tackle several recurrent and significant questions regarding Islamic Finance. It is hoped that through this forum awareness regarding Islamic Finance concepts and practices, and obstacles faced in their implementation will be created, thereby leading to their meaningful and pragmatic solutions.



The international flavor of this forum enhances its range and its appeal; it ensures that the best minds and the latest innovation in research is shared, hence leading to an extremely fruitful interaction and stimulating exchange of ideas. The melting pot provided by this forum will thus assist industry players to innovate the next generation of Islamic Finance solutions to meet the increasingly complex needs of the modern financial sector and enable a more globally harmonious footprint for Islamic Financial Institutions.

“Global Forum on Islamic Finance: New Realities, New Challenges”, thus provides an invaluable opportunity to pause and reflect on the prevalent issues and perspectives on Islamic Finance and the current global financial market. I welcome you all to share this moment of reflection and welcome your contributions in it for the betterment of our future generations. I would also like to extend my gratitude to the organizers of this conference and laud their efforts for making this event possible.

Dr. Syed Muhammad Junaid Zaidi (S.I.)
Rector COMSATS Institute of Information Technology – Pakistan.
rector@comsats.edu.pk

Message by Dr. Steve Bradley, Pro Vice Chancellor Lancaster

University, UK

At a time when the existing capitalist economic system is showing signs of distress it is incumbent upon politicians, policymakers and academics to explore the strengths of alternative banking and financial systems. The Islamic financial system has earned the attention of international financial institutions across the globe. Even within the western world, certain financial institutions are renowned for being practitioners of Islamic finance.



It gives me great pleasure in acknowledging that our partner - COMSATS Institute of Information Technology (CIIT) - has taken a very important step in sharing the strengths of the Islamic finance by organizing the Global Forum on Islamic Finance (GFIF), 2013. GFIF is an international forum aimed at assembling researchers and practitioners at one event to review the very real challenges in the field and propose possible solutions which politicians and policymakers can consider. GFIF targets leading stakeholders identifying how Islamic financial system could improve the world economy. It facilitates critical analyses of the contemporary developments in Islamic finance and their impact on the global economic landscape. It is also commendable that CIIT should seek to establish a Center of Excellence for Research and Development in Islamic Finance, and consequently through GFIF will become an annual event.

I congratulate Dr. Junaid Zaidi, Rector CIIT, Dr. Mahmood Ahmad Bodla, Director CIIT Lahore and all their team for organizing this magnificent event.

It is worth mentioning that Lancaster University and CIIT have established an undergraduate Dual Degree Programme which is proving to be a success in Lahore, Pakistan. Most recently both partners have also initiated a Split-site PhD programme for CIIT staff development. The GFIF initiative of CIIT further enhances our partnership with a new phase of mutual collaboration. Lancaster University shall continue to support CIIT with respect for GFIF and subsequent development of the center of Islamic finance.

Professor Steve Bradley
Pro Vice-Chancellor (International)
Lancaster University, UK.

Message by Director

The first ever Global Forum on Islamic Finance (GFIF) organized by CIIT Lahore provides a unique platform for world's leading scholars, researchers and bankers to share their valuable thoughts and discuss the emerging realities and challenges in developing and practicing Islamic Finance models, instruments and processes. I believe this is an exciting opportunity for all of us present here to share our research and thoughts on a topic that is particularly pertinent as it is gaining currency in the modern banking world.



I am confident that our meaningful exchange of ideas and research will act as a stimulus to extend and promote more research regarding alignment of banking practices with Islamic financial concepts and to discover affinity between contemporary banking and envisioned Islamic banking practices. I also hope that through the auspices of this forum, an intellectual network of management practitioners, financial experts Islamic finance scholars and researchers will be linked together to establish a center of excellence on permanent basis where continuous research on emerging issues of Islamic Finance shall be undertaken. This center will thus be a hub for sharing new research, fresh ideas and innovation for management researchers, academicians and practitioners. I wish may Allah Almighty bless us all to undertake this gigantic task and endow us with success to alleviate poverty and economic miseries of the mankind through well research ideas of Islamic modes of financing.

With profound gratitude,

Dr. Mahmood Ahmad Bodla

**Director, COMSATS Institute of Information Technology,
Lahore.**

director@ciitlahore.edu.pk

Message by GFIF Convener / Head Department of Management Sciences

First and the foremost I express my utmost gratitude to ALLAH (SWT) who enabled us to arrange Global Forum on Islamic Finance (GFIF), 2013. Working together is the source of inspiration and satisfaction, same happened during the course of last eight months in the Department of Management Science CIIT Lahore, where every member of the team extended generous cooperation and assistance while organizing GFIF. It is indeed my pleasure to thank them all for their tireless commitment to make this mega event a real success.



Concentration of wealth being major outcome of contemporary financial management system is challenging the global intellect to suggest solutions to pressing problems causing disparity among different segments of society. Today interest based financial system is one of the most important reasons of widening the gap between the rich and the poor thereby causing unrest in every field of life. Therefore it is the responsibility of learned society, such as the one under this roof, to explore and establish alternative models of financial management to reduce miseries of common man of this planet.

There is renewed interest of scholars to discover potential of Islamic finance on a global scale to resolve difficulties emerged from contemporary financial system. With phenomenal growth over the years Islamic financial institutions around the globe are trying to keep pace with the growing demand for Shari'a compliant products and services.

There is a growing need of research in the field of Islamic banking and finance. This is the right time to promote Islamic finance all around the globe. COMSATS Institute of Information Technology rightly sensed this need and decided to provide a platform of GFIF to global researchers to bring forward their findings and recommendations to help the society to come out of the clutches of interest based financial and banking institutions.

It has been a tremendous experience and privilege to be a part of the CIIT community, and I am hopeful that we all will be enlightened by the wisdom shared at the GFIF. All this would have not been possible without the help, cooperation and patronage of the entire organizing committee, Rector CIIT Dr. S. M. Junaid Zaidi (SI) and Director CIIT – Lahore Dr. Mahmood Ahmad Bodla. My heartiest congratulations to each and every person involved in GFIF for playing his/her role in staging this mega-International Conference.

Dr. Abdus Sattar Abbasi

Convener GFIF & HOD Department of Management Sciences
drabdussattar@ciitlahore.edu.pk

GFIF Programme

Global Forum on Islamic Finance

March 11-13, 2013

Pearl Continental Hotel, Lahore

Programme

Monday - 11th March 2013

Opening

09:00	Registration
10:00	Guests to be seated
10:10	Recitation from al-Qur'an
10:15	Conference Overview Dr. Yahya Rashid Coordinator, Global Forum on Islamic Finance
10:25	Welcome Address Dr. S. M. Junaid Zaidi Rector, COMSATS Institute of Information Technology, Pakistan
10:35	Lancaster Perspective Dr. David Simm Lancaster University, United Kingdom
10:45	Keynote Address Mr. Akhlaq Ahmad Tarar Secretary, Ministry of Science and Technology, Government of Pakistan
11:00	COMSATS Perspective Dr. Imtinan Elahi Qureshi Executive Director, Commission on Science and Technology for Sustainable Development in the South, Pakistan
11:15	Opening Address Mr. Kazi Abdul Muktedir Deputy Governor, State Bank of Pakistan
11:20	Vote of Thanks Prof. Dr. Mahmood Ahmed Bodla Director, COMSATS Institute of Information Technology, Lahore, Pakistan

- 11:25 **Coffee / Tea Break**
- Technical Session I Islamic Banking and Finance: Regulatory Landscape**
Session Chair Mr. Iqbal Panjwani
Executive Director, Security and Exchange Commission of Pakistan
- 11:40 **Keynote- Islamic Finance Regulation: Response to Basel III**
Prof. Dr. Volker Nienhaus
Germany
- 12:05 Cost Efficiency in Pakistani Banking System
Dr. Kent Matthews
Cardiff University, United Kingdom
- 12:30 Setting up Islamic Banks in Non-Muslim Countries using Islamic Finance Principles: Myths and Challenges
Mr. Waheed Qaiser
President, Maxim Corporate Finance LLP, United Kingdom
- 12:45 Improving Islamic Finance Perception and Acceptability
Mr. Saleem Ullah
Director, Islamic Banking Department, State Bank of Pakistan
- 13:00 **Prayer and Lunch Break**
- Technical Session II Islamic Financial Products: Innovation, Issues and Challenges**
Session Chair Mr. Saleem Ullah
Director, Islamic Banking Department, State Bank of Pakistan
- 14:00 **Keynote- Moral Responsibility in Finance: A Qur'anic Perspective**
Dr. Alberto BRUGNONI
ASSAIF, Italy
- 14:25 Role of Islamic Social Financial Institutions in Poverty Alleviation
Dr. Nasim Shirazi
Islamic Research Training Institute, Islamic Development Bank, Saudi Arabia
- 14:45 Role of Islamic Fiscal System to Generate Self Employment and Economic Development
1. Dr. Mohammad Shezad Iqbal
University of Faisalabad, Pakistan

2. Dr. Vaqar Ahmad
Sustainable Development Policy Institute, Islamabad,
Pakistan

- 15:00 A Survival Analysis of Islamic Bank Failure Risk
Dr. Vasileios Pappas
Lancaster University, United Kingdom
- 15:15 Determinants of Deposits in Conventional and Islamic
Banking: An Empirical Study
Ms. Benish Akhtar and Dr. Waheed Akhtar
COMSATS Institute of Information and Technology, Lahore,
Pakistan
- 15:30 Marketing- A Challenge Not Met
Mr. Pervez Said
Former Director, Islamic Banking Department, State Bank
of Pakistan
- 15:45 **Coffee / Tea Break**
- Technical Session III Islamic Finance, Business Ethics and Practical
Realities**
- Session Chair** Dr. Kabir Hassan
University of New Orleans, USA
- 16:00 **Keynote- Ethical Standards in Islamic Finance: Moving
beyond Prohibitions to the Ethical Differentials**
Mr. Akmal Hanuk
CEO, Islamic Banking and Finance Center (IBFC), United
Kingdom
- 16:25 Economic Substance or Legal Form: An Evaluation of
Islamic Finance Practice
Mr. Muhammad Hanif, FCMA
National University of Computer & Emerging Sciences,
Islamabad, Pakistan
- 16:40 Implication of Akhuwat Methodology on Poverty Alleviation
Dr. Hafiz Zahid Mehmood and Ms. Mehreen Fatima
COMSATS Institute of Information Technology, Lahore,
Pakistan
- 16:55 Risk Analysis of Sukuk and Conventional Bonds in Pakistan
Adeel Nasir, Umar Farooq, Zahid Yonus, Asim Shahzad,
Rabia Asif
COMSATS Institute of Information Technology, Islamabad,
Pakistan

Tuesday - 12th March 2013

- Technical Session IV Role and Effectiveness of Sharia Boards**
Session Chair Dr. Zamir Iqbal
World Bank
- 09:00 **Keynote- Implementation of Sharia Governance in Islamic Banking: the Role of Sharia Supervisory Committee**
Mr. Samir Alamad
Islamic Bank of Britain, United Kingdom
- 09:25 Shariah Requirements for Developing Islamic Capital Market
Mufti Irshad
Sharia Advisor, Bank Islami, Pakistan
- 09:40 Role of Sharia Boards in Conflict Resolution in Islamic Banking System
Dr. Zubair Usmani
Muslim Commercial Bank, Pakistan
- 10:00 How to Fulfill the Demanding Need of Shariah Talent/Scholar to Facilitate Islamic Banking Industry
Qazi Abdul Samad
Shariah Advisor, The Bank of Khyber, Pakistan
- 10:15 Regulating Islamic Capital Markets: Examining Sukuk Transactions
Dr. Kabir Hassan
University of New Orleans, USA
- 10:30 Strengthening of Shariah Boards: Issues and Suggestions
Dr. Fazlur Rahman
Shariah Advisor, Bank Islami, Pakistan
- 10:45 **Coffee / Tea Break**
- Technical Session V Islamic Finance and Socio-Economic Development**
Session Chair Dr. Ishrat Hussain
Director, Institute of Business Administration, Karachi, Pakistan
Former Governor, State Bank of Pakistan
- 11:00 **Keynote- Financial Reforms from Islamic Finance Point of View**
Dr. Monzer Kahf
Hamad bin Khalifa University, Qatar

- 11:25 Akhuwat Model
Dr. Amjad Saqib
CEO, Akhuwat Foundation, Pakistan
- 11:45 Islamic Economics: A Plea for Islamic Capitalism
Mr. Zahid Siddique
FAST School of Management, Islamabad, Pakistan
- 12:00 An Analysis of Islamic Banks' Performance as Social Enterprises
Dr. Wafica Ali Ghoul
Lebanese International University, Lebanon
- 12:15 Standardization of Islamic Market Indices
Syed Anees Haider Zaidi, Ijaz Hussain Shah, Rana Umair Ashraf, Shahid Ghauri
COMSATS Institute of Information and Technology, Vehari, Pakistan
- 12:30 Capitalism, Financial Crisis and Islamic Economics
Dr. Abul Hassan
Gloucestershire University, United Kingdom
- 12:45 Islamic Finance and its Impact at Gross Root Level to Alleviate Poverty
Dr. Ishaq Bhatti
La Trobe University, Australia
- 13:00 **Prayer and Lunch Break**

Technical Session VI Islamic Capital Markets: Investment Perspective

- Session Chair** Dr. Monzer Kahf
Hamad bin Khalifa University, Qatar
- 14:00 **Keynote- Relevance of Islamic Finance in Post-Financial Crisis Environment**
Dr. Zamir Iqbal
World Bank
- 14:25 Time-Weighted Debt Units (A suggested Islamic Scheme to Manage Liquidity Risk)
Dr. Ahmed Al Ajlouni
Qassim University, Kingdom of Saudi Arabia
- 14:40 Islamic Banking: Practices and Challenges
Mr. Hamad Rasool Bhullar

Head – Advisory, Research and Trainings, AlHuda-CIBE,
Pakistan

14:55 The Potential Role of Bai’s Salam for the Agriculture Sector
and the Islamic Banking Industry in Pakistan
1. Dr. Sameen Masood
University of the Punjab, Pakistan
2. Dr. Muhammad Ali Qamar
COMSATS Institute of Information Technology, Lahore,
Pakistan

15:10 An Empirical Survey of Attitudes and Perceptions of
Researchers and Professionals about Islamic Microfinance
in Pakistan
Dr. Qaiser Abbas, Ms. Sabeen Khurram, Dr. Asher Khan
COMSATS Institute of Information Technology, Islamabad,
Pakistan

15:45 **Coffee / Tea Break**

Technical Session VII Takaful: Innovations and Solution

Session Chair Prof. Dr. Kent Matthews
Cardiff University, United Kingdom

16:00 **Keynote- Islamic Finance Education in Australia: A Case of La
Trobe University**
Dr. Ishaq Bhatti
La Trobe University, Australia

16:20 Role of Islamic Development Bank in Islamic Financial
Sector Development and Financial Inclusion
Mr. Haseeb Ullah Siddiqui
IFSB, Islamic Development Bank, Saudi Arabia

16:40 Takaful and Poverty: A Journalistic Review
Ms. Iqra Abdullah, Dr. Yahya Rashid
COMSATS Institute of Information Technology, Lahore,
Pakistan

16:55 Musharaka Financing in Pakistan: Related Issues and
Future Challenges
Mr. Ali Raza and Dr. Waheed Akhter
COMSATS Institute of Information Technology, Lahore,
Pakistan

17:10 Takaful Industry: Today and Tomorrow
Mr. Tariq Saeed Chaudhry
Regional Manager, Pak-Qatar Family Takaful Limited,
Pakistan

Wednesday 13th March 2013

International Congress of GFIF

09:00	Guests to be seated
09:15	Arrival of Chief Guest Dr. Ishrat Hussain Director, Institute of Business Administration, Karachi, Pakistan Former Governor, State Bank of Pakistan
09:20	Recitation from al-Qur'an
09:25	Panel Discussion I
Topic	Islamic Finance: Realities and Challenges
Moderator	Prof. Dr. David Simm Lancaster University, United Kingdom
Panelists:	Dr. Zamir Iqbal (World Bank) Prof. Dr. Kent Matthews (Cardiff University, UK) Prof. Dr. Monzer Kahf (Hamad bin Khalifa University, Qatar) Mr. Akmal Hanuk (CEO, Islamic Banking and Finance Centre, UK)
	Questions and Answers
10:45	Address by the Chief Guest- Dr. Ishrat Hussain
11:00	Coffee / Tea Break
11:15	Panel Discussion II
Topic	Islamic Finance Solution for Industrial and Economic
Development	
Moderator	Prof. Dr. Kent Matthews Cardiff University, United Kingdom
Panelists:	Dr. Volker Nienhaus (Germany) Dr. Kabir Hassan (University of New Orleans, USA) Dr. Alberto BRUGNONI (Chief Executive Officer, ASSAIF, Italy)
	Mr. Waheed Qaiser (President, Maxim Corporate Finance LLP, UK)
	Questions and Answers
12:15	Distribution of Awards and Certificates
13:00	Lunch

Monday 11th March

Technical Session I- Islamic Banking and Finance: Regulatory Landscape

Session Chair: Mr. Zafar Abdullah

Commissioner, Security and Exchange Commission of Pakistan

Keynote- Islamic Finance Regulation: Response to Basel III

Prof. Dr. Volker Nienhaus

Germany

volker.nienhaus@gmx.net

Speaker Profile

Volker Nienhaus (born 1951) received his doctorate in economics (1979) and his post-doctorate (1985) from the University of Bochum. He was full professor of economics at the German universities of Trier (1989-1990) and Bochum (1990-2004) where he also was director of the Institute of Development Research and Development Policy and vice rector for structure, planning and finance from 2000 to 2003. He was president of the University of Marburg from 2004 to 2010. He holds an honorary professorship of the University of Bochum. He became a Visiting Professor at the ICMA Centre, Henley Business School, University of Reading (UK) in 2010. In addition, he was Visiting Scholar at the University of Malaya under the Securities Commission Malaysia Islamic Capital Market Programme (2010/11) and Visiting Professor at the Faculty of Islamic Studies of Qatar Foundation, Doha (2011). He served as a member of several academic advisory committees and boards, including the Academic Advisory Council of the German Federal Ministry of Economic Co-operation and Development in Bonn (1998-2008), the Academic Advisory Board of the Federal Agency for Civic Education in Bonn (2002-2010), and the Governing Council of the International Centre for Education in Islamic Finance (INCEIF) in Kuala Lumpur (since 2006) where he also became adjunct professor in 2012. He also is a consultant to the Islamic Financial Services Board in Kuala Lumpur. He has published books and essays of Islamic economics and finance since the 1980s.

Abstract

In most jurisdictions, Islamic banking co-exists with conventional banking in a mixed financial system. Islamic banking is regulated either in a separate set of laws and directives or within one overall regulatory regime. But in any case, specificities of Islamic finance are factored in, and the general tendency of regulation is towards the revised standards of the Basel Committee on Banking Supervision ("Basel III"). The Islamic Financial Services Board (IFSB) has published since 2005 a number of standards and guiding notes to reconcile the regulatory regime for Islamic finance with the global conventional regulatory standards. The changes after the financial crisis of 2008-09 affect in particular the regulatory minimum capital and liquidity provisions. The IFSB is dealing

with issues of Basel III in its post-crisis standards and most comprehensively in a recent exposure draft on a revised capital adequacy standard for Islamic banks. Prior to this document, the industry had already commented on the new requirements, and particular attention was paid to the required quantity and quality of the minimum regulatory capital as well as to the newly introduced leverage ratio. One issue is whether or how Islamic banks can meet these requirements in different jurisdictions, and another issue is how the adjustments of conventional banks may change the competitive landscape between Islamic and conventional finance.

Cost efficiency in Pakistani banking system

Dr. Kent Matthews

Cardiff University, UK

MatthewsK@cardiff.ac.uk

Abstract

Purpose - Islamic Microfinance is an emerging mod of financing to the poor to reduce their poverty and uplift their socioeconomic conditions. It is a shift from conventional interest based micro-financing to Riba free loaning. It has its several distinguished mods and Akhuwat Foundation has opted one of them i.e. Qarz e Hassan and declared it as Akhuwat Methodology (AM). The current study has been devised to observe the implications of AM on the poverty status of the households who borrowed from Farz Foundation.

Design/methodology/approach - Pre and post project approach was employed to observe the impacts of Microfinance. Purposive sampling was undertaken to avoid randomized error. Structured questionnaires were developed and conducted using self-administered face to face interview method from the clients. Foster, Greer and Thorbecke poverty measures were rendered to observe the impact of Islamic microfinance on the lives of poor.

Findings - Results have exhibited positive impacts of Islamic microfinance catered by Akhuwat Foundation on the lives of the poor after taking loan.

Research limitations/implications - As we have taken only Akhuwat's clients as our respondents therefore results cannot be generalized.

Practical implications - This study shows that Islamic microfinance is a better solution to the situation of poverty and therefore should be supported by governments.

Originality/value - This study is a contribution in the literature as there is no empirical study about the impact casted by the Islamic microfinance activities of Akhuwat.

Setting up Islamic banks in non-Muslim countries using Islamic finance principles: myths and challenges

Waheed Qaiser

Speaker Profile

Waheed Qaiser is the President & Vice Chairman of Maxim Corporate Finance LLP and Chairman Gain Crescent Capital, Indonesia. He is a renowned conventional and Islamic banker and highly respected expert in investment banking, corporate finance and business management. Waheed has been a banking start-up professional, a business leader, a management trainer in banking and he has extensive banking turn-around experience.

Waheed has held executive management positions in global banks such as Citibank, UBS, HSBC, IIBU and Islamic Bank of Britain spanning over two decades. He has had a diversified career for a number of years at in senior roles around the world. His banking experience spans over areas such as: operations, branch & regional management, risk, credit, business development, relationship management, consumer banking, private banking, asset & wealth management solutions.

In 2003, Waheed helped set up the Islamic bank of Britain where, as the lead-founder, he played a key front-end role in setting up the bank. Waheed is also in the process of setting up another Islamic bank in Europe as a founder, CEO and Chairman of that bank.

Waheed's other achievements include: being a founding member Bank of England working party that helped slash the double stamp duty for Islamic mortgages in the UK, a founding member of UK technical group for Islamic finance qualifications at Chartered Institute for Securities and Investments. He has co-authored a book on Islamic banking published by Euro-money. Waheed has had significant media exposure and appeared in a lot of the Global Print and TV media.

Key Points

Islamic banks must develop the concept of Musharakah (participating in profit & loss) and Mudaraba, and use it more aggressively

- Adopt new financing policies to encourage development and support for the small scale traders
- Develop the Islamic liquidity management and Islamic money market
- Must improve its services to be competitive with the best in the market
- Must arrange the "Train The Trainers programs" for scholars, bankers, businessmen and professionals
- Long Term

Improving Islamic Finance Perception and Acceptability

Mr. Saleem Ullah

Director, Islamic Banking Department, State Bank of Pakistan

saleem.ullah@sbp.org.pk

Abstract

Despite reasonably fast paced expansion of Islamic finance during the last decade, the public at large doesn't have a good idea of its distinction over conventional finance and many are skeptic about its Shariah conformity. The position is attributable to low awareness and understanding of Islamic finance amongst the public and focus of Islamic Banks to offer products having more or less similar risk profiles and economic results as those of conventional banks. The improvement in perception is critically important for sustaining the growth momentum in the long run. It would require intensifying the awareness efforts by the industry as a whole, capacity building of Islamic banks' field force, significant improvement in product profiles, industry wide initiatives for Research and Development to develop innovative Shariah based solutions to meet the diverse financing needs of the economy, and last but not the least an objective dialogue between the Shariah Scholars to develop a consensus Islamic finance paradigm.

Technical Session II- Islamic Financial Products: Innovation, Issues and Challenges

Session Chair: Mr. Saleem Ullah

Director, Islamic Banking Department, State Bank of Pakistan

Keynote- Moral Responsibility in Finance: A Qur'anic Perspective

Mr. Alberto BRUGNONI

Chairman, ASSAIF, Milan, Italy

Speaker Profile

Alberto Brugnani, a former director with Merrill Lynch Bank, is an independent consultant on Islamic finance focusing on the development of Shariah-compliant products and capacity building. His unique professional background combines the Islamic, conventional and ethical finance sectors. His practice focuses on the creation of wealth through the full implementation of the 'social capital' and 'territorial added value' concepts. An innovative use of the financial mechanisms and structures applied to ethical monies allows the emergence of new forms of governance that take into account the social, cultural and economic inclusion of all parts of society.

Role of Islamic Social Financial Institutions in Poverty Alleviation

Dr. Nasim Shirazi

Senior Economist Islamic Research and Training Institute (IRTI), Islamic Development Bank,
Saudi Arabia

nasimss@isdb.org

Speaker Profile

Dr. Nasim Shah Shirazi is Senior Economist at Islamic Research and Training Institute (IRTI), Islamic Development Bank. His areas of interest are Development Economics, Public Finance and Islamic Economics. The focus of his research has been on Development Economics, Public Finance and Islamic Economics. He has number of publications to his credit, including research articles in the national and international journals, books and research reports.

Before joining IRTI, IDB, he has been all along working as a University teacher and researcher over a period of last 31 years. He served International Islamic University, Islamabad holding different positions including Dean School of Economics, Director Research, International Institute of Islamic Economics (IIIE), Director General (IIIE), Dean Student Affairs IIUI. He has worked for Allama Iqbal Open University, Islamabad, International Islamic University Malaysia and Suleyman Demirel University, Almaty, Kazakhstan. He also served Pakistan Poverty Alleviation Fund in a consultative capacity.

Abstract

Islamic Social Financial Institutions (ISFIs), including faith based microfinance institutions, cooperatives and institutions based on zakat and awqaf are the sub-sector of the overall Islamic financial sector. In the past, especially the institutions of zakat and awqaf were used very successfully for the rehabilitation and welfare of the poor. Unfortunately these institutions have been neglected by the Muslims countries and consequently housing many poor. Few Islamic countries (Yemen, Saudi Arabia, Malaysia, Libya, Pakistan and Sudan) have introduced the system of Zakat, which, however, is not practiced to in its true spirit. Other countries have not introduced this system and it is considered as a private affair. Same is true for the institution of wqafs. These institutions have great potential to alleviate poverty. However, these need to be revived , organized with proper planning , implemented to in their true spirit and integrated into the pro-poor expenditures.

Similarly, faith based microfinance institutions are working in some countries for poverty alleviation and the social welfare of the society. Some are very successful in providing the required services to the poor segment of the society. However, these are constrained by the limited financial resources and therefore have limited outreach. Hence, an effective strategy is needed for development of microfinance, which would require concerted efforts by all stakeholders such as the poor, the cooperatives/ NGOs, the Islamic banks, the awqaf / zakah funds, the apex bodies, IDB as well as the government agencies, such as, Ministries of Finance, Cooperation, the Monetary Authority and the Capital Market Authority. Institutions would be successful if they adopt and follow good practices. For this purpose research institutions may study the best practices and disseminate to other institutions and countries. Fortunately, Islamic Research and Training Institute (IRTI) has initiated preparing an Islamic social Finance Report of ISFIs targeting the south Asia and South East Asia for the current year and same will be repeated in the subsequent years for the other regions of the World. This will enable the institutions to follow the best practices for their optimal operations for the welfare of the poor segment of the society.

Role of Islamic Fiscal System to generate self employment and economic development

Mohammad Shezad Iqbal

University of Faisalabad

Shahzad.iqbaal@gmail.com

Dr. Vaqar Ahmad

Sustainable Development Policy Institute

vahmed@gmail.com

Abstract

A) Purpose

Traditionally development is described as an annual increase in Gross Domestic Product (GDP)/Gross National Product (GNP) or per capita GDP/GNP occurring over time. But according to modern economic perspective of development, it is provision of basic needs with self esteem, sustenance and freedom from servitude to an individual. Islamic fiscal system (Zakat) facilitates to achieve the economic development goals. The purpose of this research is to look into the solution for sustainable development through Islamic fiscal system while using Islamic modes of finance.

B) Methodology

The research was conducted by using primary data and secondary data. A detailed literature survey on development, Islamic Fiscal system and Islamic Modes of finance was conducted. On the basis of that we conducted unstructured interviews with Islamic Scholars. Then we designed the models and send them to some more Islamic Scholars. On the basis of their suggestions, we finalize the models.

C) Findings

These models can be helpful to reduce the poverty through generating self employment opportunities. Zakat is a permanent source of income for needy people, moreover it is obligation of every Muslim to pay Zakat as soon as he becomes able to pay. So the three values of development i.e sustenance, self esteem and freedom from servitude can be achieved using these models.

D) Practical implications

Zakat is more reliable and continuous source derived from the Islamic fiscal system. Since it is the obligation of a Muslim to earn his livelihood, it would be desirable to give preference even in Zakat disbursements to objective of enabling the poor to stand on their own feet. Zakat should become a permanent income supplement of only those who cannot enable to earn enough through their own effort. This requirement, implemented in a socioeconomic environment which encourages SMEs should make a valuable contribution to the expansion of self-employment opportunities and to the reduction of poverty and inequality.

E) Originality/value:
More than 90% original

Keyword: Employment, Islamic Fiscal system, Per capita GDP

A survival Analysis of Islamic bank failure risk

Dr. Vasileios Pappas and Dr. Marwan Izzeldin

Department of Economics

Lancaster University Management School

Lancaster University LA1 4YX, UK

v.pappas@lancaster.ac.uk

Ana-Maria Fuentes

Cass Business School, City University London, UK

Abstract

This paper compares failure risk of Islamic and conventional commercial banks using survival-time models that avoid the need for a bank stability proxy such as the conventional z-score. The analysis is based on 421 banks from 20 countries observed between 1995 and 2010. Both the unconditional Kaplan-Meier estimator of the survival function and the Cox Proportional Hazards model, that conditions on accounting and macroeconomic indicators, suggest that Islamic banks have lower failure risk than conventional banks. We find significant differences between these bank types in the sensitivity of failure risk to various factors including leverage and capitalization ratios, net interest, cost to income, banking sector concentration and inflation. One implication of our findings relates to the effective design of Early Warning Systems of failure and regulatory frameworks for each bank type.

JEL Classification: C41; G21; G20.

Keywords: Islamic banking; Failure risk; Survival analysis; Financial intermediation.

Determinants of Deposits in Conventional and Islamic Banking: An Empirical Study

Beenish Akhtar

MS Scholar, Department of Management Sciences, COMSATS Institute of Information Technology, Lahore, Pakistan.

Dr. Waheed Akhter

Assistant Professor, Department of Management Sciences, COMSATS Institute of Information Technology, Lahore, Pakistan.

Abstract

The major objective of this study is the empirical examination of the impact of selected macroeconomic variables (base lending rate, consumer price index, gross domestic product, money supply, Karachi stock exchange composite index, KIBOR and profit rate of Islamic banks) on the level of deposits of both conventional and Islamic banks in Pakistan. Six years quarterly data i.e. 2006 to 2011 has been obtained and both short-run and long-run relationship among these variables has been examined by utilizing advanced time series techniques of econometrics. These techniques consist of bounds testing approach of ARDL, to find co-integration and error correction framework. By applying advanced econometric technique, it was revealed that variables such as interest rate of conventional banks, profit rate of Islamic banks, consumer price index, money supply and base lending rate impact differently on both conventional and Islamic bank deposits. These results support the hypothesis of permanent-income in case of Islamic banks. Therefore, at any particular time when the economy is growing and there come an increase in the base lending rate, profit rate and money supply, the deposits of Islamic banks will also continue to increase. Depositors of both conventional and Islamic banks are sensitive to the returns received on the deposits. Any boost in interest rates increases the deposits of conventional banks and decreases the deposits of Islamic banks and vice-versa . Finally, results show that an important element to attract the depositors towards the Islamic banks is religious factor.

Key Words: Deposits, Conventional Banks, Islamic Banks, Pakistan

Marketing- A Challenge Not Met

Pervez Said

Ex Director, IBD, State Bank of Paksitan

Speaker profile

Dubbed as the architect of Islamic Banking industry in Pakistan, Mr. Said has had extensive experience and exposure to all aspects of Islamic banking. He is recognized as a subject matter expert on Islamic Banking and has global recognition as well. He has rich business experience working for various multi-nationals, both in non-banking and banking sector. In non-banking sector he has worked for Johnson & Johnson in the US and as the Managing Director for Johnson & Johnson Pakistan. He has also worked for Reckitt & Colman, Unilever and Exxon Chemicals. He started his banking career with Citibank Pakistan as Marketing Director in conventional banking where he launched various innovative retail banking branded products. He left conventional banking for reasons of conviction and moved over to Islamic banking. In Islamic Banking he has worked with Citibank, Standard Chartered Bank (SCB) and MashreqBank in the UAE. Thereafter he took the role of a Regulator for Islamic banking industry with the State Bank of Pakistan. He established the Islamic banking Department

at the State Bank of Pakistan and served as the Director of this department in addition to serving as an Advisor to the Governor of the State Bank of Pakistan. In his capacity as Advisor to the Governor he worked under three successive Governors. He played a key role in establishing Islamic Banking in Pakistan that is currently growing at a rate faster than any other country in the world. He was also the Secretary and a member of the Shariah Board of the State Bank of Pakistan, the central Shariah Board for the country. He represented SBP on the Board of IIFM (International Islamic Financial Markets, Bahrain) and technical committee of IFSB (Islamic Financial Services Board, Malaysia). Subsequent to his role in SBP he took over a failing Islamic Bank, Dawood Islamic Bank Ltd, turned it around into a profit making entity in less than two years and re-launched it as Burj Bank. He now heads a startup in the energy sector but would like to share his exposure and experience with those interested in taking Islamic banking to the next level in Pakistan.

Abstract

Islamic Banking has come a long way in Pakistan and has added a very impressive 1% market share year on year for the last 10 years. I believe no other market, anywhere in the world, has shown such an impressive performance. All the basic issues now stand resolved. SBP has a vibrant Regulatory Framework, second to none, in place, which has proved itself in the last 10 years. The Shariah scholars have successfully addressed the concerns in the area of Shariah. The Islamic Commercial Banks have come up with an impressive range of products. They have worked out all the operational issues and are now well conversant with the risk management of Islamic transactions. These banks have proved beyond any doubt that Islamic banking is not only a growing business but it is financially rewarding as well. Therefore now is the time we get back to the future. Islamic banking is now ready to move to the next level. One of the key ingredients in taking Islamic banking to the next level is marketing. Up till now marketing has mostly been restricted to advertising and promotion and some basic consumer research but marketing is much more than that. We need to revisit the basic product concept and redefine our proposition to make it appealing to a larger base. I believe this can be achieved only if we redefine our product and rebrand Islamic Banking away from the religious platform.

What Develops Customer Perception towards Islamic Banking in Pakistan?

Farah Riaz

Lecturer, Management Sciences Department, COMSATS Wah Campus

Tel: +92-51-9314382-3

farahsheikh@ciitwah.edu.pk

Muhammad Umar Farooq

Lecturer, Management Sciences Department, COMSATS Lahore Campus

Tel: +92-42-111-001-007

umarfarooq@ciitlahore.edu.pk

Abstract

Purpose – The purpose of this paper is to empirically examine the key aspects that might determine the customers' perception of existing customers' of Islamic banking. Key aspects like religious compliance, product & service quality, confidentiality, reliability, cost effectiveness, accessibility and responsiveness are considered in this regard. The study will further investigate the impact of these aspects on the level of satisfaction of customers of Islamic banking in Pakistan.

Design/methodology/approach – This study will be carried out on primary data collection through the self-administered questionnaires involving a proposed sample of at least 500 respondents from Punjab. After this, the collected data would be analyzed by using statistical tools and techniques. In this regard, the first step is to check the reliability statistics using Cronbach Alpha. After this, in order to explore the attributes of customers' perception towards Islamic banking, an exploratory factor analysis will be carried out to select grouping of variables under the common premise, taking all attributes of customers' perception into account. A total of six constructs will be constructed as a result of this. Finally, the regression analysis will be conducted to examine the impact of customers' perception on customers' satisfaction.

Expected Findings – The expected findings of our study are based on the concluding remarks drawn from the detailed review of literature. Therefore, this study will be a hope to analyze the key aspects of customers' perception, based on religious compliance, product and service quality, confidentiality, reliability, cost effectiveness, accessibility and feedback of the customers. These factors are expected to have great role in improving customers' level of satisfaction towards the Islamic banking in Pakistan. As an assumption, we can state that Pakistani customers themselves may develop a better perception of banking behavior of Islamic Banks that will ultimately drive a better understanding towards their level of satisfaction.

Practical implications – This study will have a number of empirical implications for bankers, researchers, policy makers etc. Most of the existing customers from Islamic banks as well as from conventional banks will be able to analyze the key attributes that may drive them towards the products and services offered by existing Islamic banks in Pakistan. It will be also helpful for the existing Islamic banks in improving their quality products and services, bring innovations and increasing their target customers.

Originality/value – This paper will be a good addition to the existing body of literature, as very few studies have been conducted on key aspects of customer's perception towards Islamic banking in Pakistan.

Keywords: Banking, Banks, Consumer behaviour, Islam, Malaysia, Social responsibility Technical

Session III- Islamic Finance, Business Ethics and Practical Realities

Session Chair: Dr. Kabir Hassan

University of New Orleans, USA

Keynote- Ethical Standards in Islamic Finance: Moving beyond Prohibitions to the Ethical differentials

Akmal Hanuk

Chief Executive, Islamic Banking & Finance Centre (IBFC), UK

akmal@ibfc.eu

Speaker Profile

Akmal Hanuk is Founder & CEO of IBFC-UK, Islamic Banking and Finance Centre. He is the member of UKTI committee in Islamic Finance, Trustee and treasure of Muslim council of Wales, chair and independent member of The Standards and Ethics Committee- Cardiff Country Council, member of study of Islam in UK school of Religious and Theological Studies, co founder and executive director of EBSP Leadership, Equality and diversity Training Center and member of Cardiff School of Management.

Abstract

Morality and Economics are inseparable in Islam. Justice is one of the key values of Islam underpinning every aspect of daily lives and transactions (Muamalat). The current global crisis, the deterioration in the values and moral standards of individuals and societies has opened up new debate and discourse for reflecting on the Moral and Ethical standards as practiced by the society in general, and the financial sector in particular. This paper stresses the need to rediscover the moral and ideological roots of Islam, and adoption of the moral and ethical standards set by the Creator in the Quran, and exemplified by the His Prophet Mohammad SAW throughout his life (Sunnah). It emphasizes the need to implement the sound ethical principles in our economic behavior creating a difference.

The past decade has seen an exponential growth in Islamic Finance sector industry globally, especially in the Muslim countries. Hundreds of new financial institutions are now offering various different products and services which are 'Sharia'a compliant' or 'Sharia'a based'. All claim to adhere to the prohibitions demanded by the Divine law (Sharia'a).

The key factor to identify one form of economic or social system as distinct from another is by identifying the differences in the moral values and concepts. The standards and ethics of Islam have to be visibly demonstrated in every aspect of the Islamic Finance and must remain the key differential between its conventional counterparts. The purpose of this research (working) paper is an attempt to respond to the aforementioned questions and highlight the Islamic

Values, Standards and Ethics in Business and Finance. It also highlights Ethics, Accountability & Responsibility as the core fundamental elements of Islamic Finance to achieve better standards of corporate governance, corporate social responsibility and socially responsible investments.

The paper concludes that for the Islamic Finance industry to grow and sustain itself, it must have the right moral foundations and values to build upon. The moral framework of these standards is to be based upon the Divine laws and principles, and maintained at all costs. Failure to adhere to these laws will no doubt destroy the moral fabric of the industry as a whole and particularly the functionalities of the business and financial sector. In the words of the historian Will Durant, "There is no significant example in history, before our time, of a society successfully maintaining moral life without the aid of religion".

Economic Substance or Legal Form: An Evaluation of Islamic Finance Practice

Muhammad Hanif

Assistant Professor, FCMA, National University of Computer & Emerging Sciences, Islamabad

Abstract

Islamic banking, based on principles of Islam, was started in last quarter of twentieth century and got momentum in first decade of twenty first century. By the end of December 2011, Global volume of assets, under Islamic financial system, have reached to US \$ 1,289 Billion. This study is conducted to examine legal form as well as economic substance of contracts used by Islamic financial industry. Five most widely used contracts including Murabaha, Ijarah, Diminishing Musharaka, Skuk and deposits, were selected to test against the theory of Islamic financial system. It is found in the process that legally contracts are in line with theory, however economic substance is not very different from conventional counter parts. Through application of alternative calculation measures and proper training of human resources, Islamic financial Institutions can shift economic substance of contracts in line with theory of Islamic finance.

Implications of Akhuwat Methodology on poverty alleviation: an empirical investigation of Islamic Microfinance in Pakistan

Dr. Hafiz Zahid Mehmood

Mehreen Fatima

COMSATS Institute of Information Technology, Lahore

drhafizzahid@ciitlahore.edu.pk

Abstract

Purpose - Islamic Microfinance is an emerging mod of financing to the poor to reduce their poverty and uplift their socioeconomic conditions. It is a shift from conventional interest based micro-financing to Riba free loaning. It has its several distinguished mods and Akhuwat Foundation has opted one of them i.e. Qarz e Hassan and declared it as Akhuwat Methodology (AM). The current study has been devised to observe the implications of AM on the poverty status of the households who borrowed from Farz Foundation.

Design/methodology/approach – Pre and post project approach was employed to observe the impacts of Microfinance. Purposive sampling was undertaken to avoid randomized error. Structured questionnaires were developed and conducted using self-administered face to face interview method from the clients. Foster, Greer and Thorbecke poverty measures were rendered to observe the impact of Islamic microfinance on the lives of poor.

Findings – Results have exhibited positive impacts of Islamic microfinance catered by Akhuwat Foundation on the lives of the poor after taking loan.

Research limitations/implications – As we have taken only Akhuwat’s clients as our respondents therefore results cannot be generalized.

Practical implications – This study shows that Islamic microfinance is a better solution to the situation of poverty and therefore should be supported by governments.

Originality/value – This study is a contribution in the literature as there is no empirical study about the impact casted by the Islamic microfinance activities of Akhuwat.

Risk Analysis of Sukuk and Conventional Bonds in Pakistan

Adeel Nasir

PHD Scholar

COMSATS Institute of Information Technology

adeelnasir486@yahoo.com

+923134137970

Umar Farooq

Lecturer

LAHORE LEADS UNIVERSITY

PHD Scholar

COMSATS Institute of Information and Technology

Zahid Yonus

Lecturer

GC University Lahore

PHD Scholar

COMSATS Institute of Information and Technology

Asim Shahzad
PHD Scholar
COMSATS Institute of Information and Technology

Rabia Asif
Lecturer
LAHORE College for Women
PHD Scholar
COMSATS Institute of Information and Technology

Abstract

1. Purpose of Study

This study is about the Risk analysis of Sukuk and conventional bonds in Pakistan. Many studies have been done on the structure of Sukuk and many studies elaborate, whether Sukuk structures are compliant with Sheria'h or not. This study provides the empirical evidence with the help of Value at Risk (VaR) approach to see whether Sukuk are empirically different from conventional bonds. Researcher main objective is to see, whether Sukuk can outperform conventional bonds in Pakistani market and how much risk an investor would take, when entering into Sukuk market.

2. Design, methodology, approach

This study takes inferences from sample of 15 Sukuk issues and 30 TFCs issues in Pakistan and use Value at Risk (VaR) method to calculate risk on returns of selected samples. Delta normal approach is used to calculate risk. Value at Risk measures the maximum loss of the security for certain period of time at some confidence level. Two portfolios are formed separately with equal investment of Rs. 3 million to see the maximum loss investor would have on the investment of 3 million in both portfolios of Sukuk and conventional bonds separately.

3. Originality/ Value

Risk analysis and comparison of Sukuk with conventional bonds in Pakistan introduces new dimension in long term Islamic finance research study. No research from this point has been done in Pakistan.

4. Findings

Empirically risk of Sukuk and conventional bonds are quite similar but Sukuk, as results show, are less risky than TFCs. VaR is less for Sukuk portfolio and more for TFCs portfolio. Sukuk represent more stable investment as they are less risky. Sukuk stability may be the results of illiquidity in the market as they traded lesser than TFCs. Correlation among securities of both portfolios are somehow similar. But correlation among Sukuk securities is lesser, which give them diversification benefits.

Tuesday 12th March

Technical Session IV- Role and Effectiveness of Sharia Boards

Session Chair: Dr. Zamir Iqbal
World Bank

**Keynote- Implementation of Sharia governance in Islamic banking:
the role of Sharia Supervisory Committee**

Samir Alamad

Senior Manager, Sharia Compliance and Product Development, Islamic Bank of Britain, UK
Samir.Alamad@islamic-bank.com

Speaker Profile

Samir has a vast and extensive knowledge of Sharia Law and Islamic finance; he is well experienced in its applications in Islamic banking and finance with a total of 15 years experience. Samir is a member of the Accounting and Auditing Organisation for Islamic Financial Institutions and he is a Certified Sharia Advisor and Auditor (CSAA) by AAOIFI. He works currently at Islamic Bank of Britain PLC as the Senior Manager heading the Sharia Compliance and Product Development department in the bank.

From an academic perspective, he is currently undertaking a doctoral research degree at Aston University, UK, in Islamic financial engineering. He has obtained an MA in Islamic Banking Finance and Management from Loughborough University. He holds a Post-Graduate Diploma (Distinction) and BA (Distinction) in Islamic Studies and Islamic Commercial Law from leading universities in Damascus.

He advises several Islamic financial institutions and has also worked with the International Federation of Red Cross and Red Crescent Societies (IFRC) on various projects for 5 years. He also develops and structures Sharia compliant financial products and undertakes regular Sharia compliance audits and monitoring. Samir is an Associate Adviser, Sharia Consultant and a Member of the Sharia Panel of the Islamic Banking and Finance Centre UK. He is currently advising the British Government on developing an alternative finance product for students in the UK.

Abstract

Although Islamic banking is considered new to the UK, there is already a well-developed Islamic financial structure and governance framework. The UK financial regulator applies equal legal treatment for conventional and Islamic finance.

The Financial Services Authority (FSA) mentions that the FSA needs to clarify the role of Sharia board in the Islamic Financial Institutions (IFIs) (Briault, 2007).

The major concern of the FSA is whether the Sharia board has an executive role in the IFIs. As long as it does not have such an executive role, there will be no significant issue from the FSA's perspective.

The practices of the existing Islamic banks (IBs) in the UK show that the Sharia governance is managed by the individual IBs and they are free to adopt their own Sharia governance without having to be part of any national or other higher level Sharia board.

The HM Treasury clearly mentions that the UK government does not intend to follow the Sharia governance approach of other jurisdictions since the UK authorities are secular bodies and not religious regulators.

Shariah requirements for developing Islamic Capital Market

Mufti Irshad Ahmad Aijaz
Shariah Advisor, BankIslami Pakistan Limited
irshad.ahmad@bankislami.com.pk

Abstract

The capital market is an important part of financial system. After emergence of Islamic financial system the capital market has been a focus point of the player of financial markets. Debt based capital market instruments have been replaced with Islamic instruments while Shari'ah screening criteria has been introduced by Islamic mutual funds to make equity based Shari'ah compliant instruments available in Islamic financial industry. Although the capital market is almost functional in most Islamic financial systems the world over however need is still there to develop Shari'ah framework for Islamic capital market which explains basic guidelines for instruments, trading laws, brokerage rules, Shari'ah compliance of prudential requirements and Shari'ah guidelines of many other procedural steps. In this presentation some suggestions have been presented for developing a framework for Islamic capital market, investment strategies, procedural requirements and other details pertains to trading, clearing and settlement systems of capital market.

Role of Sharia board in conflict resolution in Islamic banking system

Dr. Zubair Usmani
Muslim Commercial Bank of Pakistan
zubair.usmani@mcb.com.pk

Speaker Profile

Mufti Muhammad Zubair Usmani completed his Doctorate in Islamic Finance from Karachi University. He is also the Fazel Takhassus (specialist of Islamic Fiqh and Fatawa) from Jamia Darul Uloom Karachi and is also a research scholar and teacher. Besides being the Shari'ah Advisor, Muslim Commercial Bank; he is also the member Transformation Commission Sub-committee, State Bank of Pakistan; Islamization of Economic Committee Chamber of Commerce, Karachi;

Implementation of Supreme Court Judgment on Riba Committee, Institute of Chartered Accountant of Pakistan and governing body Al-Markaz-ul-Islami, Dhaka, Bangladesh.

Key Points

- Role of Shari'ah Advisor in Developing the Shari'ah Compliant Product.
- Basis of Shari'ah Approval.
- Basis of Shari'ah Approval (At a Glance)
- Steps Required in Setting up the Shari'ah Board.
- Minimum Qualification and Experience of Shari'ah Advisor.
- Nature of Ongoing Relationship with a Shari'ah Board/Advisor.
- The Impact of Shari'ah Law across various Regions.
- Role of Shari'ah Advisor to supervise Shari'ah Compliance Mechanism in Islamic Banking Institutions (IBIs).

How to Fulfill the Demanding Need of Shariah Talent/Scholar to Facilitate Islamic Banking Industry

Qazi Abdul Samad

Shariah Advisor, The Bank of Khyber, Pakistan

gazisamad@yahoo.com

Key Points

- Don't wait for others. Start your own job today. In a nutshell it can be;
 - Read Books on Islamic Finance
 - Try to understand Quran and Sunnah
 - Try to implement in your own Life
 - Try to work out solutions of problems in the light of Quran and Sunnah
 - Be ready to sacrifice Time, Money, Status, etc for the cause of Islamization

Regulating Islamic Capital Market: Examining Sukuk Transactions

Dr. Kabir Hassan

Professor of Finance, Department of Economics and Finance

University of New Orleans, New Orleans

Speaker Profile

Dr. M. Kabir Hassan is a financial economist with consulting, research and teaching experiences in development finance, money and capital markets, Islamic finance, corporate finance, investments, monetary economics, macroeconomics and international trade and finance. He provided consulting services to the World Bank (WB), International Monetary Fund (IMF), Islamic Development Bank (IDB), African Development Bank (AfDB), USAID, Government of Bangladesh, Organization of Islamic Conferences (OIC), Federal Reserve Bank, USA, and many corporations, private organizations and universities around the world. Dr. Hassan received his BA in Economics and

Mathematics from Gustavus Adolphus College, Minnesota, USA, and M.A. in Economics and Ph.D. in Finance from the University of Nebraska-Lincoln, USA respectively. He is now a tenured Full Professor in the Department of Economics and Finance at the University of New Orleans, Louisiana, USA. He has 135 papers published in refereed academic journals to his credit. Dr. Hassan has published in the Journal of Banking and Finance, Pacific Basin Finance Journal, Journal of Financial Services Research, Financial Review, Quarterly Review of Economics and Finance, Journal of Business, Finance and Accounting, Journal of Economics and Finance, Global Finance Journal, World Development, Thunderbird International Business Review, African Development Review, Islamic Economic Studies, Review of Islamic Economics, Journal of King Abdul Aziz University and Journal of Developmental Entrepreneurship.

Dr. Hassan supervised 27 doctoral theses, and many of his students are now well placed in the academia, government and private sectors. He is editor of The Global Journal of Finance and Economics and Journal of Islamic Economics, Banking and Finance, International Journal of Islamic and Middle Eastern Finance and Management, and Co-Editor of Journal of Economic Cooperation and Development. Dr. Hassan has edited and published many books along with articles in refereed academic journals. Dr. Hassan is co-editor (with M.K. Lewis) of Handbook of Islamic Banking and Islamic Finance, The International Library of Critical Writings in Economics (Edward Elgar, 2007), and co-editor (with Michael Mahlknecht) Islamic Capital Market: Products and Strategies (John Wiley and Sons, 2011). He is co-author Islamic Entrepreneurship (Routledge UK, 2010). Dr. Hassan is currently working on a textbook development project on Islamic Finance to be published by Pearson in 2013. Dr. Hassan has recently been commissioned by Oxford University Press to bring out an edited volume on Islam and the Economy. A frequent traveller, Dr. Hassan gives lectures and workshops in the US and abroad, and has presented over 257 research papers at professional conferences and has delivered 91 invited papers/seminars.

Abstract

The crystallization of the Islamic capital markets in the last decade has led to increased acceptance of Islamic finance products in the global market. However, a fundamental question that lies on the intersection of law and Islamic capital market that has far-reaching impact on market practices is the extent to which the governing law clause in a typical Sukuk prospectus protects the interest of the parties and meets the ends of justice. An analogous clause within the governing law provision is the dispute resolution clause, which either makes or mars the whole transaction depending on how it is structured. The paper argues that as part of Islamic finance documentation involved in the process of structuring a Sukuk transaction, one important thing the parties must get right from the beginning is the governing law clause. With the increasing provision of English law as the governing law, a question that readily comes to one's mind is whether it is possible to have an alternative governing law while retaining the choice of jurisdiction clause. In order to create a regulatory environment that is conducive to the prevailing trends in the modern world, this study critically ploughs through the governing law clauses of 10 selected Sukuk prospectuses

and makes interesting findings regarding the attitude of draftsmen and their clients. A preliminary finding of this study is the paradigm shift to arbitration as an alternative or precondition to litigation in some of the Sukuk prospectuses reviewed. Since there are regional and international arbitral institutions set up exclusively for Islamic finance disputes, it may be more appropriate to resolve any dispute arising from a Sukuk transaction under Shari'ah-compliant rules and supervised by experts in Islamic law. The interviews conducted for this research with 10 prominent Shari'ah scholars who have been involved in the certification of Sukuk structures proves this hypothesis and the qualitative data are consistent with it, albeit with some dissenting views.

Keywords: Islamic finance, Islamic capital market, sukuk, governing law clause, choice of law, dispute resolution

Strengthening of Shariah Board: Issues and Suggestions

Dr. Fazlur Rahman

Shariah Advisor, BankIslami Pakistan Limited

Abstract

The role of Shari'ah boards is pivotal in development of Islamic financial system. Their contribution in strategies, policies and procedures of Islamic products and instruments is significant. The fast growth of Islamic financial industry require broad based Shari'ah supervision, governance and control. There is need to move towards Shari'ah governance from Shari'ah compliance only. Shari'ah audit and Shari'ah compliance mechanisms, investment policy making, innovative product development, mass awareness creation and further research from practical angles are some of the targets which should be focused by the industry. This presentation will discuss how strengthening of Shari'ah boards, equipping them with proper staff, their access to information and their involvement in practical implementation of policies can help in developing Shari'ah governance system. It will also shed light on role of Shari'ah boards which should be more than advisory nature. Also, combined efforts of multiple boards on important and crucial issues can provide solution to issues pending for long time. An autonomous body of scholars is a requirement of time which will strengthen the Shari'ah boards.

Technical Session V- Islamic Finance and Socio-Economic Development

Session Chair: Dr. Ishrat Husain

Director, Institute of Business Administration, Karachi, Pakistan
Former Governor, State Bank of Pakistan

Dr. Ishrat Husain Profile

Ishrat Husain joined the elite Civil Service of Pakistan in 1964 and served in the field in Sindh and then East Pakistan (now Bangladesh) and also held mid-level policy making positions in the Finance, Planning and Development Departments before moving to Washington in 1979 to join the World Bank. He became the

Bank's Resident Representative to Nigeria in 1983. On his return to headquarters, he headed the Bank's Debt and International Finance Division. He was promoted as Chief Economist for Africa between 1991-94 and later as Chief Economist for East Asia and Pacific Region. He became the Bank's Director Poverty and Social Department and In 1997 he was named the Country Director for Central Asian Republics.

Ishrat Husain was appointed the Governor of Pakistan's Central Bank in December 1999. During the next six years, he implemented a major program of restructuring of the Central Bank and steered the reforms of the banking sector. As a member of the economic management team of the Government, he played a key role in the impressive economic turnaround of Pakistan. In recognition of his meritorious services he was conferred the prestigious award of "Hilal-e-Imtiaz" by the President of Pakistan in 2003. The Banker Magazine of London declared him as the Central Bank Governor of the year for Asia in 2005. He received the Asian Banker Lifetime achievement award in 2006.

He was appointed the Chairman, National Commission for Government Reforms in May, 2006 with the status of Federal Minister and held that position for two years reporting directly to the President and Prime Minister of Pakistan. The Commission produced a two volume report on governance reforms in Pakistan. In March 2008, he took over the charge of the office of the Dean and Director, IBA, Karachi – the oldest graduate business school in Asia. During 2005-06 he was appointed by the Board of IMF as a member of a three person panel to evaluate the IEO and was also a member of the Mahathir Commission 2020 vision for the Islamic Development Bank (IDB). He also advised the IDB for creating its poverty reduction fund. He is currently a member of Middle East Advisory Group of the IMF and the Regional Advisory Group of the UNDP. He is currently the Chairman World Economic Forum Global Advisory Council on Pakistan.

During 2009-10 he was appointed by the Government of Pakistan to chair the Pay and Pension Commission and in that capacity he submitted a report on the Compensation and benefits reform for public servants. Since 2011 he is serving as an independent Director on the Board of Benazir Income Support Programme (BISP)-- the largest Social safety net and conditional cash transfer program targeted at the poor households of Pakistan.

Mr. Husain has maintained an active scholarly interest in development issues. He has authored 12 books and monographs and contributed more than two dozen articles in refereed journals and 15 chapters in books. His book "Pakistan: The Economy of the Elitist State" published by Oxford University Press in 1999 is widely read in Pakistan and outside. He is regularly invited as a speaker to international conferences and seminars and has attended more than 100 such events all over the world since his retirement as the Governor. He is the Distinguished National Professor of Economics and Public Policy and serves on the Boards of several research institutes, philanthropic and cultural organizations.

Ishrat Husain obtained Master's degree in Development Economics from Williams College and Doctorate in Economics from Boston University in 1978. He is a graduate of Executive Development program jointly sponsored by Harvard, Stanford and INSEAD.

Keynote- Financial Reform from Islamic Finance Point of View

Monzer Kahf

Hamad bin Khalifa University, Qatar

mkahf@qfis.edu.qa

Akhuwat Model

Dr. Amjad Saqib

CEO, AKHUWAT, Pakistan

Speaker Profile

Dr. Muhammad Amjad Saqib, a prominent social worker, volunteer and development professional, graduated from King Edward Medical College Lahore and completed Master's degree in Public Administration (MPA) and Hubert H. Humphrey Fellowship, from the American University, Washington D.C., USA. He joined civil service of Pakistan (DMG) in 1985. In 1998, he joined Punjab Rural Support Programme (PRSP), as General Manager and remained with this organization for seven years. He resigned from civil service in 2003. Since then, besides rendering philanthropic and social services, he has been providing consultancy services to Asian Development Bank, International Labour Organization, UNICEF, World Bank, and Canadian International Development Agency. His areas of expertise include poverty alleviation, microfinance, social mobilization and education management.

He is author of four books and is well known columnist and has been writing for daily Jinnah, Pakistan, Jang and Nawa-i-Waqt. He has attended many national and international conferences and represented Pakistan at different forums. In recognition of his literary achievements, Government of the Punjab awarded him Khush Hal Khan Khattak Literary award in 1993. He is regular guest speaker at Civil Services Academy (CSA), National Institute of Public Administration (NIPA), Lahore University of Management Sciences (LUMS) and many other professional forums. He has been among the visiting faculty at Kinnaird College Lahore, Institute of Leadership and Management (ILM) and University of the Punjab.

Dr. Saqib is founder of Akhuwat, first ever interest free microfinance programme. This programme operates from mosques and churches and has opened new vistas in the domain of social mobilization and poverty alleviation. This is the largest individual based lending programme in the country and is referred to in many international universities as a unique and innovative model in microfinance. He is Akhuwat's Executive Director and main driving force since its inception in year 2001. President of Pakistan bestowed on him "Sitara-a-Imtiaz", a coveted civil award on 23 March, 2010.

Islamic Economics: a plea for Islamic Capitalism

Muhammad Zahid Siddique
FAST School of Management
National University-FAST
Islamabad

Abstract

The discipline of Islamic economics emerged making a claim of providing a viable alternative to the then prevailing social orders; namely capitalism and socialism. However, both ideological as well as empirical development of this discipline has made it clear that it seeks its foundation in liberal capitalist economic discourse; i.e. neoclassical economics and market order. The paper elaborates this inherent link between the two on the basis of authentic literature produced by Islamic economics scholars. Finally, we conclude that since Islamic economics is merely a foot-note of neoclassical economics, hence it not only fails to provide an alternative to it but also seeks to subordinate Islamic world to the global capitalist order.

Key words: Liberal capitalism, Islamic economics, neoclassical economics, natural law philosophy

An Analysis of Islamic Banks' Performance as Social Enterprises

Dr. Wafica Ali Ghoul
Lebanese International University, Lebanon
duwgool60@hotmail.com

Abstract

This paper examines the level of success of Islamic banks as social enterprises. The current global financial crisis has highlighted the fact that financial institutions, particularly in the west, have been the antithesis of a social enterprise. With many homeowners being forced out of their homes through foreclosure, the risk-sharing feature of Islamic mortgages came into the spotlight. Islamic banks have been capturing a larger market share since the crisis, and are reputed to be more stable than their conventional counterparts. We explore the performance of Islamic banks on other fronts, such as helping in poverty alleviation and socially responsible behavior.

Keywords: Islamic Banks, Social Enterprises, Corporate Social Responsibility Disclosure, Poverty Alleviation, Qard Hassan, Waqf, Zakat, Hajj

Standardization of Islamic Market Indices

Syed Anees Haider Zaidi, Ijaz Hussain Shah, Rana Umair Ashraf, Shahid Ghauri
COMSATS Institute of Information and Technology, Vehari, Pakistan
aneeshaider@ciitvehari.edu.pk

Abstract

A Shariah Board of Islamic Market approves any company as being Islamic Shariah-compliant based on certain criteria. Different Islamic market indices use their own criteria for selecting the company. Every Islamic market index has its own rules and regulations in Shariah Board. Sometimes these rules are contradictory with each other for example if KMI 30 Islamic index is not selecting one particular company due to higher debt ratio but Dow Jones Islamic market index select that company because that company meets the criteria of the Dow Jones Islamic market index. The purpose of this paper is to bring the attention of Muslim world towards uniformity of Shariah Principles. The paper also presents different opinions of experts towards standardization. Selection criteria of four different Islamic Market Indices compared. Some points are common while others are different. We recommend that central banks of different countries must design a uniform criterion of selection of companies for Islamic Market Index. There must be an International Organization like AAOIFI that can make and implement the standards through the regulators of different markets.

Key Words: Shariah Advisory Board, Islamic Market Index, Standardization

Capitalism, Financial Crisis and Islamic Economics

Dr. Abul Hassan
Gloucestershire University, UK
abulhassan03@yahoo.co.uk

Abstract

The global economy has entered what appears to be very serious financial crisis for the reason other than force majeure. The credit crisis has infiltrated every aspect of the global financial system. While the current focus has to be on preventing a repeat of the Great Depression, efforts must also be made to understand why the crisis came about in the first place. The purpose of this paper is to examine the recent financial crisis in general and sub-prime mortgage market meltdown from a theoretical and practical perspective. It also focuses on various factors that have contributed to the crisis. A combination of unethical need, greed, perverse incentives, inadequate risk controls, lax regulation and oversight caused a bubble in the sub-prime mortgage market which has inevitably burst. Other determinants were also at play, particularly the systemic incoherence among the international trading, faulty financial and monetary systems, not to mention the failure to reform the global financial architecture. The free market ideologues are finding more and more difficult to defend Capitalism. Based on the information from secondary sources, the paper argues that if the economic crisis continues, the demands for alternatives are certain to grow. The paper analyses that Islamic economics seeks to establish a broad-based economic well-being with full employment and optimum rate of economic growth. It will bring socio-economic justice and equitable distribution of income and wealth. Proponents of Islamic banking and finance industry have predicted that the Islamic financial system may have a remedy and this fast-growing industry can come forward to solve the financial crisis. While the relatively small

size of the Islamic finance industry may make this unrealistic at the moment, there exists an unprecedented opportunity to present the details of the Islamic economic system as well as the solutions Islamic finance has for some of the current problems.

Islamic finance and its impact at gross root level to alleviate poverty

Dr. Ishaq Bhatti
Department of Finance La Trobe Business School,
La Trobe University, Melbourne, Australia

Speaker Profile

M. Ishaq Bhatti is Associate Professor and the founding director of Islamic Banking and Finance Programme at Latrobe University (LTU); the first ever in Australasian region. Previously, he has taught at Monash, Griffith, International Islamic University, University of Alberta and visited Rider, Magberg, Hitotsubahi, Auckland and Middle Eastern Universities. He is an author of more than 75 articles, 3 books and a member of the editorial board of various journals. His major areas of research, scholarship and teaching are in Quantitative finance, Islamic finance, Applied Econometrics and Statistics. He is a winner of the national ALTC award 2010, LTU award 2010 and postgraduate teaching award 2009. He was a member of the team who won AusTrade project, Victorian Dept of Education ESL financial modelling project 2007 and Australian Research Council Discovery Grant jointly with Suren Basov.

Abstract

This paper addresses twin issues in the area of IF. Firstly, is IF the only tool to alleviate poverty from its gross root level due to its interest free products; Zakat, Qard Hassan, ICG and Waqf mechanism and also assets backed PLS and non-PLS contracts structure. Secondly, it argues that IF as a tool can build bridges among various communities of the poorer to alleviate poverty in all the multifaith communities. Special emphasis is placed on applied method of circular causation in simulating the objective criterion of uniformity in human society's wellbeing. Finally, it presents a case of a Qard Hassan-Australia, to achieve this harmony and wellbeing among multi faith divided communities of Australians. The paper begins with a story of an Ansar; one of the companion of the prophet of Allah (PBUH) begging for food due to poverty and then relate it to the real economic growth which make the beggar- Ansar (poorer of the poorer) a trader and an employer in the state of Medina. Then a model of Qard Hassan Australia is presented, as part of nation-wide structure to see how it can be linked and accredited with Akhuwat of Pakistan, Al-Rajhi of Saudi Arabia, Albughshan group. Finally it presents a wider model at OIC countries level to see if it's viable for IDB to structure QH-poverty alleviator model. An Application of Tauhid model is demonstrated to establish a methodological structure and the applied method of circular causation in simulating the objective criterion of human wellbeing.

Keyword: Islamic Finance, Poverty, harmony, interest free finance, Tauhidi Model

Technical Session VI- Islamic Capital Markets: Investment Perspective

Session Chair: Dr. Monzer Kahf

Hamad bin Khalifa University, Qatar

Keynote- Relevance of Islamic Finance in Post-Financial Crisis Environment

Dr. Zamir Iqbal

World Bank

ziqbal@worldbank.org

Speaker Profile

Dr. Iqbal earned his Ph.D. in international finance from the George Washington University. He has extensive research experience in the area of Islamic finance. He has published articles in reputed academic journals and has presented papers at international conferences. His areas of interest are financial engineering, risk management, and corporate governance in Islamic finance. He is co-author of several books on Islamic finance including “An Introduction to Islamic Finance: Theory and Practice,” “Risk Analysis for Islamic Banks,” and more recently, “Risk-Sharing in Finance: Islamic Finance Perspective.”

Key Points

- Relevance of Financial Crisis
- Promise of Islamic Finance
- Key Challenges – How to realize the potential

Time-Weighted Debt Units (A suggested Islamic Scheme to Manage Liquidity Risk)

Dr. Ahmed Al-Ajlouni

College of Business and Economics, Qassim University,

Kingdom of Saudi Arabia

ajlouni69@hotmail.com

Speaker Profile

Dr Ahmed Taha Al Ajlouni is Assistant Professor in finance program at Qassim University. He won top 100 Educators 2012 award. He is an author of more than 13 articles and 2 Books and also member of Islamic international Foundation for Economic and Finance. His major areas of research are Islamic Finance & Banking, Financial Globalization.

Abstract

Liquidity is one of the most critical issues that to be considered by the financial management of the business firms in order to meet its financial obligations. It is more vital for banks because of the liquid nature of its assets and liabilities, along with the fact that the confidence in the bank and degree of risk depends heavily on liquidity as an indicator of its wellbeing. Islamic banks look at the liquidity issue from the same side as the traditional banks.

Islamic Banks (IBs) suffered from the problem of not benefiting from the lender - of- last resort (LLR) that Central Banks (CBs) offer to traditional banks because IBs can't borrow from the CBs at interest.

The experience of IFIs regarding the establishment of Islamic money markets didn't show a tangible success instead of the early studies done by some scholars.

Instead of the rich experience of some countries in creating new money market instruments or configuration of the interest – based ones according to Islamic Shariah;

the designs of these instruments have many limitations in terms of their tradability and flexibility, restricting their use for open market operations by central banks .

The current paper suggests a new and different money market instrument (scheme) that is based on the idea of Al Qardh El Hasan (interest-free loan); called Time Weighted Debt Units (TWDUs). This instrument doesn't promise any revenue for the supplier and no charge for the lender.

The purpose of calculating the TWDUs is to find the equivalent amount of money that can be borrowed by the lender in the future for a maturity differs from the first credit; it is a swap between an amount of credit for a particular period of time and another amount for another period.

TWDUs is presumed to help IBs and other IFIs to add more flexibility in liquidity management whether in procuring short – term funds to meet urgent liquidity requirements; or avoiding the case of hoarding surplus funds in the short term. In addition, the suggested instrument will not be exclusive to IBs or IFIs; it can be developed to be used in later stage by them as a mean of overdraft between IBs and their clients. Moreover, beside its viability to help in liquidity management for other firms in business sector (non-financial) or government agencies in liquidity management, TWDUs looks for Islamic financial theory as an alternative to the traditional financial theory that is based on interest. Moreover, TWDUs is expected to play an important role in monetary policy in a totally Islamic banking system or even in a mixed one (Islamic and Capitalistic).

Key Words: Islamic Banks, Islamic Financial Institutions, Liquidity Management, Islamic Financial Engineer

Islamic Banking-Practices and Challenges

Hamad Rasool Bhullar

Head – Advisory, Research and Trainings, AlHuda-CIBE, Pakistan

Abstract

Islamic Banking has grown up considerably over the last decade or so although it started off almost 38 years ago, with the setting up of Islamic Development Bank in 1975. The total global assets of this system have now gone beyond \$1,500 billion which in itself is a healthy sign of strength in the system. In spite of a very strong and difficult competition from conventional banking system, Islamic Financial Institutions have survived the most difficult time in this growth process. Rather during and after the Global Financial Crisis of recent times, even the researchers and professionals in Banking and finance from West have taken Islamic Banking seriously. The largest hubs of dealings have remained concentrated in Malaysia and the Middle East, including Iran, Saudi Arabia, UAE, Kuwait, Bahrain and Qatar, but Pakistan UK and Oman have entered into the market though late but have become strong posts in the developments over the last decade. Although it was hit by a global Financial Crisis during 2008-09 but started showing signs of revival again in 2010 and now has adopted its pace and momentum.

However, over the last 10 years or so it has attracted some criticism, and this criticism has come from within and not from the competition or Conventional Banking system, which calls for addressing it at the right time, in order to find out its causes and then to suggest the corrective actions. As I believe that the criticism is a healthy sign even if it comes from within it will enable Islamic Banking to make itself more compatible and competitive.

This paper is a humble effort towards fulfilling this goal, for which a special survey is being conducted and the findings thereof will be brought to the surface and shared with all the stakeholders for the common good.

The Potential Role of Bai's Salam for the Agriculture Sector and the Islamic Banking Industry in Pakistan

Dr. Sameen Masood

University of the Punjab, Lahore

Dr. Muhammad Ali Qamar

COMSATS Institute of Information Technology, Lahore

Abstract

The Islamic financial industry has experienced whelming growth over the past decade and is emerging as the solution of many socio-economic crises globally. Pakistan stands no exception where the Islamic banking and finance sector have expanded significantly and is serving an increasing number of clientele.

However, the potential of the majority of the population engaged in the agriculture sector has not much been catered by the formal financial services of the Islamic Banking Industry in Pakistan. Bai-Salam, a forward sale contract, appositely meets the credit needs of the agricultural workforce in Pakistan who constitutes the largest share of the labor force in the country. The core purpose of this paper is to highlight the potential of Bai' Salam which can be maneuvered not only for the socio-economic development of the much deserved agricultural labor force of the country but also for the expansion and growth of the Islamic Banking Institutions in Pakistan. The analysis explicates that the agriculture sector cannot sustain, growth aside, without credit facilities and in order to meet their needs, the farmers are heavily relying on informal credit sources which are not only expensive but also exploitative. The formal credit sources for the agriculture community are also present. However, due to structural barriers in the form of political pressures and corruption do not allow credit to flow to the grass root level. This leaves a huge gap for the Islamic banking industry to fill in. This paper highlights that dissemination of Bai' Salam to the agriculture masses will solve much of the credit issues of the agricultural community along with expanding the Islamic banking sector. In addition to these it will contribute significantly to the socio-economic development of the country as agriculture constitutes one of the largest yet declining sectors of the economy.

Key Words: Bia Salam, Agriculture Credit, Development of Agriculture Sector

An Empirical Survey of Attitudes and Perceptions of Researchers and Professionals about Islamic Micro Finance in Pakistan

Dr. Qaisar Abbas

Professor, Department of Management Sciences
COMSATS Institute of Information Technology, Islamabad
qaisar@comsats.edu.pk

Ms. Sabeen Khurram Khan

Assistant Professor/ Research Fellow, Department of Management Sciences,
COMSATS Institute of Information Technology, Islamabad
skhan@comsats.edu.pk

Ms. Humaira Kousar

Lecturer, Department of Management Sciences,
COMSATS Institute of Information Technology, Islamabad
humairakousar@comsats.edu.pk

Dr. Azhar Khan

Assistant Professor, Department of Management Sciences,
COMSATS Institute of Information Technology, Islamabad
azhar_khan@comsats.edu.pk

Abstract

Purpose: to investigate researchers/ and corporate officials perceptions and awareness level about Islamic micro finance practices in Pakistan. The researchers aim to explore current situation of Islamic micro finance according to perception of individuals directly related to it. Paper also discussed the issues in potential promotion and barriers in development of Islamic microfinance in Pakistan.

Design/Methodology/Approach: primary data is collected through questionnaires from researchers and professionals of different universities and financial institutions. Descriptive statistics is used to analyze data

Findings: Findings of the study showed that majority of the researchers, corporate officials and academicians are unaware of Islamic microfinance. But majority of the respondents take Islamic Micro Finance different from their counterpart. They also regard it as an interest free system. They also perceive Islamic micro finance characterized by ethical norms.

Practical implications: This study will helpful for other institutions and banks realizing the significance of this business will get encouragement to enter this sector with more innovative products and better standard practices.

Technical Session VII- Takaful: Innovations and Solution

Session Chair: Prof. Dr. Kent Matthews

Cardiff University, United Kingdom

Keynote- Islamic Finance Education in Australia: A case of La Trobe University

Dr. Ishaq Bhatti

Department of Finance La Trobe Business School,
La Trobe University, Melbourne, Australia

Speaker Profile

M. Ishaq Bhatti is Associate Professor and the founding director of Islamic Banking and Finance Programme at Latrobe University (LTU); the first ever in Australasian region. Previously, he has taught at Monash, Griffith, International Islamic University, University of Alberta and visited Rider, Magberg, Hitotsubahi, Auckland and Middle Eastern Universities. He is an author of more than 75 articles, 3 books and a member of the editorial board of various journals. His major areas of research, scholarship and teaching are in Quantitative finance, Islamic finance, Applied Econometrics and Statistics. He is a winner of the national ALTC award 2010, LTU award 2010 and postgraduate teaching award 2009. He was a member of the team who won AusTrade project, Victorian Dept of Education ESL financial modelling project 2007 and Australian Research Council Discovery Grant jointly with Suren Basov.

Abstract

The main objective of this paper is to demonstrate training requirement for the Islamic Finance (IF) industry in Australasian region. It proposes the structure of the curriculum which can build bridges between multi-cultural, multi-lingual and multi-faith communities based on sound understanding of finance and Shariah in the western democratic societies where Muslims are in minorities. It presents a case study of La Trobe University's pioneering Master of Islamic Banking and Finance (MIBF) degree structure and an online six week's e-learning short course on Islamic Finance Professional Development (IFPD) jointly with Ethica Institute in UAE. The IF courses are then linked with various components of the professional bodies, like Masters' in professional accounting (MPA), financial analysis (MFA), and MBA (restricted to electives only), CFA, GARP and then extension to PhD level education in IF. The paper addresses various aspects of IF education such as the significance of knowledge, curriculum design, procedures in acquiring support from within the University academic community, challenges in marketing the course and the needed research backing. It also reviews some illustrating statistics to support the need for the course in Australasian region and highlight statistical finding of our MIBF alumni who are working to establish Qard Hassan –no interest loan and Zakat Australia. The paper closes with final remarks and recommendations to industry and policy makers.

Role of Islamic Development Bank in Islamic Financial Sector Development and Financial Inclusion

Mr. Haseeb Ullah Siddiqui
Islamic Development Bank

Speaker Profile

Mr. Haseeb Ullah Siddiqui is serving as Division Manager, Financial Sector Development & Inclusion, Islamic Financial Services Department, at Islamic Development Bank, since 2010.

He has over eighteen years of multi-disciplinary experience in corporate banking & credit, project finance, and business advisory with leading global companies like American Express Bank, Riyadh Bank, and Ernst & Young.

At IDB, Mr. Siddiqui is currently responsible for developing the enabling environment for Islamic financial sector in IDB member countries; providing technical assistance for regulatory and institutional reforms; contributing to the development of Islamic financial architecture; and enhancing financial inclusion and improving access to Islamic finance for the poor by establishing or strengthening Islamic microfinance institutions and regulations.

He represents IDB on the boards of Amana Bank Limited, the first Islamic bank in Sri Lanka, and Jaiz Bank, Nigeria. He is also on the board of the International Islamic Financial Market (IIFM), and is a member of the Technical Committee of the Islamic Financial Services Board (IFSB).

Prior to joining IDB in 2010, Mr. Siddiqui was associated with Ernst & Young Bahrain's award-winning Islamic Financial Services Group, advising Islamic retail/wholesale banks, funds, and private equity. Working with clients at the board level, he assisted public and private sector in developing business strategy, business planning, capital raising and establishing organizations.

Mr. Siddiqui also advised government clients on policy and development. He was Acting CEO of The Waqf Fund, at the Central Bank of Bahrain from 2007-2010, on secondment from Ernst & Young, charged with developing the Islamic financial sector in Bahrain.

Prior to consulting, he spent 9 years in corporate banking and project finance, with American Express Bank in Pakistan and Riyadh Bank in Saudi Arabia, providing syndicated financing to oil & gas, petrochemical, water & power & agriculture sectors.

He holds an MBA degree (Finance) from University of Missouri at Kansas City, and a Bachelor's degree in Business Administration (Marketing & Economics) from Kansas State University.

Abstract

The development of Islamic Financial Services Industry (IFSI) is firmly anchored in the IDB's Vision, which considers development of IFSI as one of the key priority areas and a key strategic thrust. To achieve this goal, IDB assists member countries (MCs) in building the required, comprehensive enabling environment. This involves diagnostic needs-assessment through interactions with the central banks, regulatory authorities, Infrastructure Institutions, and industry participants. It aims to provide technical assistance in developing the necessary legal, regulatory, supervisory, and institutional and Shariah frameworks.

In addition, IDB actively supports Islamic Infrastructure Institutions and contributes to the development of Islamic financial architecture. IDB strengthens these institutions, such as IFSB, AAOIFI, IIFM, IIRA, IICRA, and CIBAFI, and contributes to their objectives by contributing to the development of Islamic Financial architecture and standards and promoting adoption of the standards in MCs.

Furthermore, IDB's strives to improve access to Islamic finance for the poor and enhance financial inclusion by developing Islamic microfinance sector. In essence, it aims to directly build the Islamic microfinance by providing support to build and strengthen Islamic microfinance institutions, improving the capacity of the institutions, strengthening the regulatory frameworks, and building the capacity of the regulators.

In the context of developing Awqaf as a unique tool within Islamic finance social safety nets, IDB develops Awqaf properties in MCs & non-MCs into profit generating assets, and develops the enabling environment. Furthermore,

through the IDB-managed Awqaf Properties Investment Fund (“APIF”), in which IDB acts as Mudarib.

Finally, IDB is an active provider of equity capital for Islamic financial institutions such as banks and Takaful companies, along with strategic and technical partners.

Takaful and Poverty: A Journalistic Review

Iqra Abdullah

MS-Scholar, COMSATS Institute of Information Technology (CIIT), Lahore, Pakistan.

iqra-abdullah@hotmail.com

Dr. Yahya Rashid

Assistant Professor, COMSATS Institute of Information Technology (CIIT), Lahore, Pakistan.

dryahyarashid@ciitlahore.edu.pk

Muhammad Asim Faheem

Lecturer, University of Central Punjab, Lahore, Pakistan

asimfaheem@msn.com

Abstract

Takaful is an insurance system that follows the Shariah’s rules and regulations. As far as the term Takaful is concerned it is derived from the Arabic word Kafala, that means mutual trust and protecting each other’s right. In Takaful, a group of people, following a particular scheme, financially supports the catastrophic losses that are faced by an individual, who is policy holder of that particular scheme. In all over the world, these losses, caused due to uncertainties are financed by the Conventional Insurance companies. But majority of Islamic Scholars have prohibited the Conventional Insurance in Islam due to three reasons that are role of Uncertainty, Interest and Gambling. So Muslims are biased in utilizing the traditional insurance companies’ services. There are few evidences show that through the Takaful System Poverty and deprivation among the Muslim societies can be countered. But unfortunately Takaful services are nearly unavailable to the Muslims Poor Population due to insecurities on the products, lack of knowledge of Takaful products, affordability issues etc. Few experts have suggested the solution of these issues in the cooperative structure scheme and micro-takaful products. So this study is investigating whether Takaful has the potential to reduce poverty or not? What are the obstacles and challenges, Takaful is facing to cater poverty? How Micro Takaful Products can be helpful in poverty reduction?

Key words: Takaful, Conventional Insurance, Poverty, Deprivation.

***Musharaka* Financing in Pakistan: Related Issues and Future Challenges**

Mr. Ali Raza

Assistant Treasurer, COMSATS Institute of Information Technology, Lahore, Pakistan

Dr. Waheed Akhter
Assistant Professor, Department of Management Sciences,
COMSATS Institute of Information Technology, Lahore, Pakistan
drwaheed@ciitlahore.edu.pk

Abstract

Purpose: The purpose of this paper is to discuss various dimensions related to Realization of Musharakah Financing and highlight different issues and challenges in the implementation of Musharakah Financing in Pakistan.

Design/Methodology/Approach: The primary data was collected through 220 structured questionnaires. The study was conducted to inquire about the challenges and issues in the implementation of Musharakah financing in Pakistan. The officials of the IFIs who have involvement and experience in the investment in Islamic financial products were the targeted audience from whom the data is collected. Top 05 banks selected for the data collection, represents more than 80% of the total population.

Findings: The Systematic Problems, Operational Problems, Risk and awareness are the major issues to implement Musharakah financing in Pakistan. Under operational problems “lack of close supervision”, “Increase in the Burden of Work”, “Profit manipulation”, Lack of Trust” and Dominance of Conventional Banking” have been explored. The systematic problems “Do not Show True Profit”, Weaker Auditing System “New Product”, “Necessary action by SBP”, “Penalty Problems” have been elaborated. The Awareness “Proper Training”, “Knowledge of MF”, “Return Proportion”, “No Difference in IFB and CB” have been brought out under notice. The Risk factor was helpful to identify “Uncertain Return”, “Takaful” , “ Different Portfolios” and Business Secretes.

Originality/Value: The current study is an attempt to assess the current enterprise atmosphere in Pakistan to apply interest free mode of financing. The outcomes of this research could be helpful for IFI, AAOIFI, IDB and SBP to make an appropriate strategic planning for implementation of Musharakah financing for all above said stake holders.

Limitations of the Study

Interest free banking is in the initial stage so the existing financial institutions are not using the equity participation method (Musharakah) of financing due to embedded high risk with it. The last issue faced is that the less research oriented culture in Pakistan. Due to this the banks personnel were reluctant to provide information regarding implementation of Musharakah based products.

Keywords: Musharakah Financing, Realization, Islamic Financial Institutions, Profit and Loss Sharing, Asset Backed Financing, Conventional Banking.

Takaful Industry: Today & Tomorrow

Mr. Tariq Saeed Chaudhry

Abstract

The birth of Takaful came in 1979 in Sudan from where it first spread to Middle East, then to Asian-Pacific countries, and later scattered to different parts of the Western World. It was only in 2005, after the introduction of Takaful Rules by the Securities and Exchange Commission of Pakistan that Takaful formally arrived in Pakistan.

Takaful industry is expanding in all directions, even in a country like Pakistan where the insurance industry has always found it difficult to leave an imprint on the GDP. For more than a decade before 2005, there were no new entrants in the Life insurance sector and very few new players came into General insurance. However, since 2005, dedicated Takaful operators have launched their operations in Pakistan, which is a clear indication of the level of trust and confidence of investors.

Lack of general awareness and education amongst the masses about the use and benefit of insurance, let alone Takaful, is the biggest impediment in the growth of insurance industry in Pakistan. This is further aggravated by the lack of qualified human resources, lack of training culture, misconceptions, stereotypes, undeveloped alternative distribution channels, and a constricted investment universe.

To ensure that high expectations are met, challenges are overcome and opportunities are tapped, Takaful operators have to play their roles tactfully and above all, in unity. Incorporation of state-of-the-art technology, product innovation and service efficiency are all integral variables of the Takaful equation, with calculated initiatives being the first step towards progress.

The presentation focuses on introduction about Takaful, Global & Regional Takaful Potential, Global Progress of Takaful, Regional Penetration and Potential of Takaful in Pakistan.

Wednesday 13th March

International Congress of GFIF

Panel Discussion I- Islamic Finance: Realities and Challenges

Moderator: Prof. Dr. David Simm
Lancaster University, United Kingdom

Panelists:

- Dr. Zamir Iqbal (World Bank)
- Prof. Dr. Kent Matthews (Cardiff University, UK)
- Prof. Dr. Monzer Kahf (Hamad bin Khalifa University, Qatar)
- Mr. Akmal Hanuk (CEO, Islamic Banking and Finance Centre, UK)

Questions and Answers

Panel Discussion II- Islamic Finance Solution for Industrial and Economic Development

Moderator: Prof. Dr. Kent Matthews
Cardiff University, United Kingdom

Panelists:

- Dr. Volker Nienhaus (Germany)
- Dr. Kabir Hassan (University of New Orleans USA)
- Mr. Alberto BRUGNONI (Chief Executive Officer, ASSAIF, Italy)
- Mr. Waheed Qaiser (President Maxim Corporate Finance LLP, UK)