Investment Risk In Islamic Banking Journal

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Case Studies in Islamic Banking and Finance
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Risk Analysis for Islamic Banks

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Islamic Banking John Wiley & Sons
Islamic finance is emerging as a rapidly growing part of the financial sector in the Islamic world and is not restricted to Islamic countries, but is spreading wherever there is a sizable Muslim community. According to some estimates, more than 250 financial institutions in over 45 countries practice some form of Islamic finance, and the industry has been growing at a rate of more than 15 percent annually for the past several years. The market's current annual turnover is estimated to be $70 billion, compared with a mere $5 billion in 1985, and is projected to hit the $100 billion mark by the turn of the century. Since the emergence of Islamic banks in the early 1970s, considerable research has been conducted, mainly focusing on the viability, design and operations of a deposit-accepting financial institution, which operates primarily on the basis of profit and loss partnerships rather than interest. This publication provides a comprehensive overview of topics related to the assessment, analysis, and management of various types of risks in the field of Islamic banking. It is an attempt to provide a high-level framework (aimed at non-specialist executives) attuned to the current realities of changing economies and Islamic financial markets. This approach emphasizes the accountability of key players in the corporate governance process in relation to the management of different dimensions of Islamic financial risk.
How to Manage Risk and Improve Profitability IntroBooks
An integrated risk-management framework for Islamic banks. This guide shows students and professions how to identify, measure and mitigate risk in Sharia'h-compliant banks. Using simulated Islamic bank financial statements, it demonstrates the integrated risk management process, and investigates how risk regulatory insights have implications for banking policy.The global financial crisis of 2008 has increased the need for risk management in Islamic banks. However, the process is complicated: Islamic banks worldwide provide diverse financial facilities and services under one roof yet lack a uniform risk map and a structured risk management framework.
Case Studies in Islamic Banking and Finance John Wiley & Sons
The recent turbulence in the global financial markets has drawn attention to an alternative system of financial intermediation: Islamic banking and finance, which has so far remained on the sidelines of the unrest. Islamic Finance in a Nutshell is a quick and easy guide to understanding the fundamentals of Islamic Finance and how the Islamic Financial markets work. Designed as a quick read for practitioners needing to pick up the basics of the industry, it will enable readers to understand the differences Islamic and Western finance. Starting with the rise of Islamic finance, the book highlights the key areas which practitioners need to grasp to understand the marketplace including financial statement analysis, Sharia'a law, making money in the absence of interest and regulation. The book also provides readers with a basic guide to Arab terminology and a guide to the top financial institutions within the Islamic markets. This is an ideal guide for anyone with an interest in how these financial markets work, but who do not want to be bogged down in complex and unnecessary terminology.
Mapping the Risks and Risk Management Practices in Islamic Banking John Wiley & Sons
This paper aims at developing a better understanding of Islamic banking (IB) and providing policy recommendations to enhance the supervision of Islamic banks (IBs). It points out and discusses similarities and differences of IBs with conventional banks (CBs) and reviews whether the IBs are more stable than CBs. Given the risks faced by IBs, the paper concludes that they need a legal, corporate and regulatory framework as much as CB does. The paper also argues that it is important to ensure operational independence of the supervisory agency, which has to be supported by adequate resources, a sound legal framework, a well designed governance structure, and robust accountability practices.
Forming the Future for Shari'a-compliant Investment Strategies Springer
The Handbook of Islamic Banking comprises 25 studies by leading international experts on Islamic banking and finance specially commissioned to analyse the various debates and the current state of play in the field. From its origins thirty years ago, Islamic banking has expanded rapidly to become a distinctive and fast growing segment of the international banking and capital markets. Despite this expansion, Islamic banking still remains poorly understood in many parts of the Muslim world and continues to be a mystery in much of the West. This comprehensive Handbook provides a succinct analysis of the workings of Islamic banking and finance, accessible to a wide range of readers. At the same time, it seeks to bring the current research agenda and the main issues on Islamic banking before a wider audience. Islamic banking offers, as an alternative to conventional interest-based financing methods, a wide variety of financial instruments and investment vehicles based on profit-and-loss sharing arrangements. These are all explored in detail along with other subjects such as governance and risk management, securities and investment, structured financing, accounting and regulation, economic development and globalization. M. Kabir Hassan, Mervyn Lewis and the other contributors have created an authoritative and original reference work, which will contribute to a wider understanding of Islamic banking as well as provoking further discussion and research. It will be invaluable to all scholars, researchers and policymakers with an interest in this subject.
Islamic Banking and Finance World Scientific
Islamic finance is founded on principles that constitute the guidelines governing any Islamic economic or financial dealings. Innovative financial engineering today constitutes one of the most critical needs of Islamic financial institutions. It represents the forces that will drive Islamic finance toward continuous growth and efficiency. The structuring of new financing and Shariah-complaint instruments plays an important role in the enhancement of Islamic financial markets, and Islamic risk management practices, combining basic Shariah-complaint financial instruments within Shariah structures to precise identified needs. The financial engineering process in Islamic finance is a process that is very sensitive and complex. It requires multidisciplinary considerations, involving deep knowledge of finance, economy, Shariah law and commercial law. Divergence of opinions among different Shariah scholars and boards, as well as the absence or lack of effectiveness of a central regulatory body, is perceived as an obstacle to the growth of investment confidence in

Islamic finance. Hence, innovation, along with greater uniformity, is essential to make Islamic finance an international financial system and to attract a greater number of customers. This book addresses the main issues of concern within Islamic banking, namely the development of conceptual framework, the viability of interest-free banking, and the assessment of its performance and future. In a world where conventional interest-based finance is the dominant framework, Islamic banking faces many challenges that must be addressed. This book discusses these issues and challenges and will be of great interest to both researchers and practitioners. It analyses the past experiences of Islamic banks worldwide, and provides an objective assessment of their successes and failures.

Islamic Finance in a Nutshell Edinburgh University Press

This book, Introduction to Islamic Banking and Finance: An Economic Analysis, covers the basic principles of Islamic economics and finance. It discusses both the theory of Islamic economics and finance as well as the applications in the design of instruments of finance as well as Islamic financial institutions. The book enables its readers to gain an understanding of the structures and operations of Islamic banking, Islamic capital market investments, risk management, and taxation for Islamic banking contracts.The book sets forth the following objectives:

Financial Risk Management for Islamic Banking and Finance BRILL

It is a well-known fact that conventional commercial banks provide financial intermediation services on the basis of interest rates on assets and liabilities. However, since interest is prohibited in Islam, Islamic banks have developed several other modes through which savings are mobilized and passed on to entrepreneurs, none of which involve interest. Islamic Banking and Finance discusses Islamic financial theory and practice, and focuses on the opportunities offered by Islamic finance as an alternative method of financial intermediation. Key features of profit-sharing (as opposed to debt-based) contracts are highlighted, and the ways in which they can facilitate improved efficiency and stability of a financial system are explored. The authors illustrate that in addition to some 200 Islamic banks operating in Muslim as well as non-Muslim countries, some of the biggest multinational banks are now offering Islamic financial products. This book will fascinate students, researchers and academics with a special interest in comparative banking, middle-eastern studies and international finance, and will also appeal to practitioners of banking and finance.

The Core Principles for Islamic Finance Regulations and Assessment Methodology GRIN Verlag

Mirroring the expansion of wealth in the Middle East and Asia and a surge in Islamic self-identity, Islamic banking practices have either become the law of the land or coexist and compete with Western practices in at least six countries. A growing number of institutions and mutual funds (akin to Western ''socially responsible'' funds) have established Islamic investment and other practices to cater to this burgeoning market. Because of its prevalence, practitioners in every banking-related area must familiarize themselves with current Islamic finance practices in order to do business with Muslim clients and to engage in cross-border financing. Injunctions from the "Qur'an and the sayings of Prophet Muhammed have generated a web of interrelated norms which prohibit Islamic financiers from engaging in transactions that involve interest "(riba) and speculation "(gharar). "Islamic Law and Finance describes the dynamic set of Islamically-sanctioned ways financiers can transacat business.

<u>New Perspectives on Profit Sharing and Risk</u> Cambridge Scholars Publishing

"This book covers all Islamic derivatives and structured products including state of the art Islamic short-selling methods used by hedge funds and gives a comprehensive overview of current Islamic capital markets. It takes a practical approach addressing practical issues in risk management and investing for both Islamic and non-Islamic readers"--Provided by publisher.

An Overview of Islamic Finance Edward Elgar Publishing

The first book to offer comprehensive coverage of Islamic finance and banking and its applications to the rest of the world, now fully revised and updated The ongoing international financial crisis has reignited debate over the development of a risk-sharing financial system, such as that required in Shariah Law. An Introduction to Islamic Finance: Theory and Practice, Second Edition highlights the core principles of risk sharing in Islam, arguing that a risk-sharing financial system is exactly what we need to promote greater financial stability. Providing comprehensive coverage of the fundamental theory behind Islamic finance and banking, according to the core concepts of Shariah law, authors Zamir Iqbal and Abbas Mirakhor clearly explain the distinct features of an Islamic financial system and how it compares with traditional financial models. Addressing the myriad important developments that have taken place in recent years, this second edition looks to the future, addressing emerging issues sure to influence future developments in Islamic finance. Explores the unique features of an Islamic financial system, how they compare to more traditional financial systems, and how they could improve them Discusses all the most recent developments and emerging issues in Islamic finance Updated with the latest developments, trends, innovations, and statistics, this new edition features additional chapters on the financial crisis, globalization, non-bank financial institutions, and recent developments in Takaful (Islamic insurance) The first edition of An Introduction to Islamic Finance established the book as the market leader, and this newly revised and updated second edition incorporates the most recent developments in this booming financial sector, including financial stability, globalization, and non-banking financial institutions.

Modern Islamic Banking Edward Elgar Pub

Master's Thesis from the year 2010 in the subject Business economics - Investment and Finance, grade: 1,7, Maastricht University (School of Business and Economics), course: -, language: English, abstract: 1.1 General Introduction to the Topic Islamic finance is on the march. The underlying logic is simple: All investments and services are consistent with the principles of Islamic law, called Shari'ah, which literally means 'a clear path to be followed and observed' (Hourani, 2004a). This clear path is followed only if profit does not stem from interest (riba), speculation (gharrar) or sectors that are considered sinful according to the Qur'an (haraam), namely everything that involves alcohol, tobacco, entertainment, gambling or pork, just to name a few. The high potential of Islamic finance is clear for three reasons. The first reason relates to the emergence of a new consumer type, as there is increased demand for a Shari'ah-compliant way of investing that stems from increased globalization. The middle class from emerging markets rose from one third to 56 percent between the 1990s and 2006 (The Economist, 2009). Many Muslim countries can be found in the list of emerging markets, such as Egypt, Pakistan and Indonesia. With the Muslim population of the world exceeding 1.5 billion people (about 21 percent of the world population) and due to the fact that it is the fastest growing religion, it becomes clear why the general conditions for Islamic finance are so favourable (Central Intelligence Agency, 2009). The second reason relates to the global trend for sustainable investment; the fact that Islamic finance is an ethical way of investing which does not invest in harmful businesses and instead donates purified gains to charity is becoming more and more attractive among non-Muslim investors as well (Global Finance, 2007). The Shari'ah aspect makes Islamic financial products an alternative to socially responsible investments (Khan, 2009). The last reason is a matter of trust; in the face of the financial crisis that began shattering the world in 2007, many investors lost confidence in the traditional banks and their practices (Reuters, 2008; CNN, 2009). Today even the Holy See states that 'the ethic principles on which Islamic finance is based may bring banks closer to their clients and to the spirit which should mark every financial service' (Bloomberg, 2009). According to recent estimates, IFIs could increase their assets under management from roundabout $700 billion to over $1.6 trillion in 2012 (Reuters, 2009). WICHTIG: Sämtliche Recherchetätigkeiten wurden bei in den Vereinigten Arabischen Emiraten ansässigen islamischen Banken vor Ort durchgeführt.

Sukuk - Structuring, Pricing and Risk Management John Wiley & Sons

Islamic finance is a growing part of the global financial sector. The risks faced by Islamic banks are real, and how well they mitigate them will determine their future. This book answers questions regarding how Islamic Financial Institutions should focus on their risk management practices and the necessary solutions and policy implementation tactics. It also analyses the risk mitigation techniques Islamic institutions are putting to use, looking at different Islamic banks from across the world to investigate their strategies and solutions. Among the topics discussed here are the implementation and outcomes of Basel III, practical enterprise risk management practices, liquidity risk management, and the success story of the global takaful industry.

Governance Risk Management and Financial Product Development in Islamic Financial Institutions World Bank Publications

The past several years have seen an extraordinary growth in the practice of Islamic banking and finance which has now been renowned as a practical alternative and positively it will be the only financial system needed to get out from the financial crisis, with the expectation that it will play an increasingly more important role in the years to come; as such, the appeal of this type of finance stems mainly from its underlying fundamental concept of justice as well as from the sharing of risk and prohibition of interest. The Islamic financial system is rooted in the rules and norms of Islam and the prohibition of interest is the primary sources of Shariah, i.e. the Holy Qur'an and Sunnah, strongly condemn Riba in Islam and the aspiration of Muslims to see this prohibition practically implemented in their economic reality have led to the establishment of a number of Islamic financial institutions throughout the world. These financial institutions include Islamic commercial and investment banks, mutual insurance companies, and leasing companies. Handbook on Intermediate Islamic Finance attempts to look into the reasons why Islamic finance has not spread at a larger scale. The Islamic banks are facing also the return risk rate due to the use of interest rate to define the rate of return on investment accounts and financing rate. This is coming from the fact that the Islamic banks cannot lead the market for the moment mainly because of its small size compared with the conventional system. Therefore the Islamic banks are obligated to follow the market interest rate changes. This book aims to fill the gap of the current literature by showing the need to conduct further research on the derivation of Shariah risk and its potential in determining capital requirements in Islamic financial institutions.With analytical and forward-looking approach, this book will fascinate students, researchers and academics with a special interest in comparative banking, middle-eastern studies and international finance, and will also appeal to practitioners of banking and finance.

Resilience and Stability in the Present System Risk Management for Islamic BanksRecent Developments from Asia and the Middle East

Gain insight into the unique risk management challenges within the Islamic banking system Risk Management for Islamic Banks: Recent Developments from Asia and the Middle East analyzes risk management strategies in Islamic banking, presented from the perspectives of different banking institutions. Using comprehensive global case studies, the book details the risks involving various banking institutions in Indonesia, Malaysia, UAE, Bahrain, Pakistan, and Saudi Arabia, pointing out the different management strategies that arise as a result of Islamic banking practices. Readers gain insight into risk management as a comprehensive system, and a process of interlinked continuous cycles that integrate into every business activity within Islamic banks. The unique processes inherent in Islamic banking bring about complex risks not experienced by traditional banks. From Shariah compliance, to equity participation contracts, to complicated sale contracts, Islamic banks face unique market risks. Risk Management for Islamic Banks covers the creation of an appropriate risk management environment, as well as a stage-based implementation strategy that includes risk identification, measurement, mitigation, monitoring, controlling, and reporting. The book begins with a discussion of the philosophy of risk management, then delves deeper into the issue with topics like: Risk management as an integrated system The history, framework, and process of risk management in Islamic banking Financing, operational, investment, and market risk Shariah compliance and associated risk The book also discusses the future potential and challenges of Islamic banking, and outlines the risk management pathway. As an examination of the wisdom, knowledge, and ideal practice of Islamic banking, Risk Management for Islamic Banks contains valuable insights for those active in the Islamic market.

Handbook of Islamic Banking Edward Elgar Publishing

Resilience and Stability A Socio-Economic Response in South East Asia (A M Venardos); Brunei: A Niche Money Market for Offshore Islamic Finance (K A Khairuddin); Legal and Regulatory Issues Concerning Islamic Finances Development in Malaysia (N N Thani & M M Hussain); Making Sense of the Fast-Growing Islamic Finance Market (T Maeda); Islamic Banks: Resilience & Stability Not Immune from Crisis (S Akhtar)); USA and Southeast Asia: Islamic Banking and Finance Development Opportunities (M Kuo); The Risk Profile of Mudaraba and Its Accounting Treatment (H S Latiff); Current Developments of Islamic Banking in Indonesia (H Hamzah); Islamic Trusts for Wealth Management (A Z Hj Abdul Rashid & K A Jamil); Islamic Capital Markets: A Growing Area for Investment (M Mahlknecht); Legal and Regulatory Changes to Promote the Development of Islamic Banking and Finance in Singapore (A Selvam); Lessons from the Pakistani Model (B Rasul); Islamic Structured Products: Issues and Challenges (A Bin Hasan); and other papers.

Risk and Regulation of Islamic Banking GRIN Verlag

Research Paper (postgraduate) from the year 2015 in the subject Business economics - Investment and Finance, grade: 18, University of St Andrews (School of Management), course: Alternative

Investments, language: English, abstract: The following industry and market analysis is primarily based on the most recent Islamic Financial Services Industry Stability Report (2014) provided by the Islamic Financial Services Board. The total amount of assets in the Islamic financial industry was approximately $1.8 trillion by the end of 2013. The Islamic financial industry includes 4 major subcategories, Islamic banking, Sukuk (Islamic capital markets), Takaful (Islamic insurance) and Islamic Microfinance. By far the largest subcategory is Islamic banking with an estimate of 80% of all assets. The remaining 20% split up to Sukuk $245.3 billion, Islamic funds $68.9 billion and Takaful $18.3 billion. The Islamic financial industry is still very small in comparison to the traditional industry, however it is one of the fastest growing sectors with an Compound Annual Growth Rate (CAGR) of 17,04% between the years of 2009 and 2013. The growth in the Islamic banking industry was, on average, 20% after the recovery of the global financial crisis in 2009. Most of the assets are concentrated in Islamic countries like Gulf Cooperation Council and Malaysia. Beside these major players, other countries in the Middle East or North Africa showed a rapid growth or entered the market. Further growth, mentioned by Iqbal and Tsubota (2006), is also expected because of the increasing demand of Sharia compliant investments and financing due to the growth of “oiladollars” and the immigration of Muslim people all over the world. The specialty of the regulatory framework for Islamic investments is that they all have to be Shariah confirm. The main principals for Islamic investments are (AlaSuwailem,'2006): • It is not allowed to invest money only for the sole purpose of profit. • The concept of interest (Riba) is not allowed • It is only allowed to invest in companies, which are Shariah confirm (alcohol, weapons, pornography, gambling, etc. are prohibited by the Shariah) • Gambling as itself is not allowed • No high uncertainty/risk (Gharar) can be taken • And the risk must always be shared between the lender and the borrower One of the important differences between conventional finance and Islamic finance, as far as risk is concerned, is that in Islamic finance the risk must be split between borrower and lender and very high risk investments like short selling and high leverage is not allowed.

Products and Strategies Cambridge Scholars Publishing

Islamic finance has started to grow in international finance across the globe, with some concentration in few countries. Nearly 20 percent annual growth of Islamic finance in recent years seems to point to its resilience and broad appeal, partly owing to principles that govern Islamic financial activities, including equity, participation, and ownership. In theory, Islamic finance is resilient to shocks because of its emphasis on risk sharing, limits on excessive risk taking, and strong link to real activities. Empirical evidence on the stability of Islamic banks, however, is so far mixed. While these banks face similar risks as conventional banks do, they are also exposed to idiosyncratic risks, necessitating a tailoring of current risk management practices. The macroeconomic policy implications of the rapid expansion of Islamic finance are far reaching and need careful considerations.

Islamic Finance and Economic Development John Wiley & Sons

Financial institutions are increasingly providing Islamic financial contracts in global markets. As a result of this market growth there is a high demand to understand how to assess and manage the risks arising from applying Islamic financial products and services. Credit, operational, market and liquidity risks together with the risk of non compliance with the Shariah law are becoming very hot issues for financial institutions. This book presents a common framework on how to efficiently manage the risks faced.

An Introduction to Islamic Finance World Scientific

Diploma Thesis from the year 2008 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: Sehr gut, University of Vienna (Universitat Wien), course: Macro Economics and Finance, 74 entries in the bibliography, language: English, abstract: The literature discusses Islamic investment funds and hedge funds as isolated issues. At present not much work is known, comparing these two very prominent alternative investment forms. This thesis attempts to fill this gap by providing a first insight into both and also tries to answer the following question: Can Islamic investment funds catch up with hedge funds? For this, the thesis compares Islamic investment funds and hedge funds on the basis of different factors, trying to answer three sub questions: o What are the advantages and disadvantages of each? o Are there differences and/or similarities between the two? o How can an investment portfolio including both be balanced? As will be seen throughout the thesis, Islamic investment funds provide a handfull of advantages over hedge funds, even enabling the former to outperform the latter. Hedge funds rely mainly on gaining advantage through market inefficiencies, hedging the market risk through short-term opportunities. This construction puts the fund manager into a high risk position with high profit potential. Despite investment restrictions under Islamic law, a fund manager is not prohibited from facilitating hedge funds by these restrictions. The main difference is that Islamic investments offer more risk control by cooperative arrangements. This characteristic enables an investor to cover the risk of hedge funds by investing in Islamic investment funds. Nevertheless, such differences raise the issue of whether it is sensible to invest solely in Islamic investment funds or hedge funds. [...]

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