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EMERGING ISSUES IN ISLAMIC BANKING & FINANCE: CHALLENGES AND SOLUTIONS

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The impressive global development over the last two decades of Islamic banking and finance is taking much response all over the world, which has reached the stage of its particular economic success. This success is also providing to be a door for Middle Eastern petrodollar and Islamic banking investments into all great developing, emerging and developed markets. The Islamic banking and financial services industry showed a rapid growth during the last 10 years, having accomplished a milestone reaching a value of more than $2 trillion by 2015.

There are more than 1.5 billion Muslims all over the world, and it is estimated that right around one of every four individuals on the planet rehearses Islam. Moreover, there are wide Muslim populaces on every main landmass. Without a doubt, Islam influences culture and social orders all over the world; yet, Islamic financial frameworks as monetary events are moderately represented worldwide. There is an open door for monetary and economic frameworks in the light of Islamic standards to grow Islamic impact to better exemplify the convictions and estimations of financial constituents. Definitely, there has been some reestablished enthusiasm for encouraging the development of Islamic monetary frameworks. In the course of recent decades, the Islamic bank industry has developed fundamentally, and Islamic monetary organizations, for example, insurance agencies, conventional banks and mutual assets, now involve a more considerable offer of worldwide economic resources. Furthermore, some portion of the interest charged for Islamic financial aspects comes from the relative soundness of the Islamic financial framework outlined amid the current worldwide financial crisis. While the major financial crisis in Europe and USA were crippled during financial crisis, the Islamic financial framework remained moderately less influenced. The way that Islam empowers strength and denies the utilization of unsafe financial instruments is a fundamental motivation behind why Islamic banks remained generally unscathed amid the money related crisis, and expanded financial framework dependability exemplifying an extra preferred standpoint that might be consolidated into standard financial aspects.

Even after remarkable growth, understanding and research of Islamic banking and finance is still in its embryonic stage, with latest work comparing conventional and Islamic banks providing contradictory evidence in term of risk, stability and superior efficiency. Shariah compliant financial products (for instance Islamic mutual assets) have been explored previously during the financial crisis of 2008-2010 concentrating on return/risk highlights and contrast with conventional ones with blended outcomes. We have comparative investigations contrasting Islamic and regular stock prices performance, yet the current writing is not consistent with the conclusions and modification in Islamic directories influencing global performance. Most freshly, studies have started to survey sukuk qualities, the share trading system response to their issuance and their co-developments with Shariah and ordinary stocks, however slight is thought about their execution, return/risk outline and their association with regular bonds. At long last, there are no research contrasting Islamic and regular stock trade structures, productivity and governance and next to known about takaful or the part/effect of Shariah members in Islamic financial organizations.

Subsequently, in this issue, we have acknowledged unique studies that examine new points, for example, takaful, Islamic stock exchanges, sukuk and Islamic mutual assets. We are additionally inspired by Islamic banking studies, however just in the event that they give new points of view on opportunities/risk or highlight original administrative issues that are not yet very much done by past researches. Along with this the concentration after recognizing the existing Islamic finance situation, in general we will likewise acknowledge all the studies on the Islamic business condition. Worldwide business specialists criticize the unspeakable "lack of interest in studying how religious cultures enhance or retard the globalization of economic activity… in light of the apparent religious fervor in many parts of the global economy" (Lewer and Van nook Berg, 2007:765). This special issue will discourse this enquiry from an Islamic point of view. Test points may incorporate yet are not constrained to the next: Islamic contrasts in the administration of associations and working environment; financial ethics and the part of Islam in molding business rehearses; the relationship of Islam to moral or socially-capable venture and Islam's part in making energy and conflict.

The first paper in this issue is on "determinants of implementation of accounting standards for Islamic financial institutions in Iraq: a conceptual framework" written by Ahmed Maqsad Mohammed and examines how Islamic financial institutions performed during the time of Iraqi crisis and world started looking at Islamic financial system. However, the Islamic banking and finance system in comparison to the traditional financial system is a newly developed system and facing certain challenges on its way to becoming as leading financial system. It is concluded that institutional setting, accounting need, and Islamic accounting education are important determinants of implementation of accounting standards for Islamic financial institutions in Iraq.

The second paper is written by Elhachemi Hacine Gherbi which discusses those "factors that become a hindrance to the establishment and development of the sharia compliance for Islamic banking and finance in Algeria". The results confirmed the existence of the technical, social and legal obstacles as main factors that hamper the success of the establishment of the Islamic banking in Algeria.

The following article is written by Lukman A. Olorogun. This study focuses on "compatibility between Islamic insurance theory and its current models of operation" in which the authors examine how articulated is the system of Islamic insurance in terms of its theory and business models. This is essential for the insurance industry to combat external threats and challenges. The results show that Islamic insurance's system is in total fragmentation as there is no compatibility between Islamic insurance's theory and business models.

The next interesting article is written by Muhammad Salman Shabbir, Mohd Noor Mohd Shariff, Rabia Salman, Muhammad Shukri Bin Bakar and Sadaf Hafeez on "Corporate Social Responsibility and Customer Loyalty in Islamic Banks of Pakistan: A Mediating Role of Brand Image". They examine the missing links between corporate governance and the corporate image to influence customer loyalty in the context of Islamic banks in Pakistan. The results illustrate that CSR has a significant impact on Customer Loyalty and Brand Image which plays an important role of a mediator. The study finds an important role of brand image to intensify the effect of corporate social responsibility on customer loyalty. The authors recommend that Islamic banks should incorporate CSR in business policy to enhance customer loyalty by portraying positive image of bank.

The fifth paper in this issue is written by Elhachemi Hacine Gherbi which focus on "Islamic banking development regarding size and activity leading to financial crisis: Case of Sudan". Empirical analysis is used to determine Sudan's Islamic banking development impacts that describes the causality relationship and identifies its size and activities over the period of 1990Q1 to 2010Q4. Short and long-run estimations have been identified through the Auto Regressive Distributed Lag ARDL model. Results confirm that in the long run, Islamic banking activity development hurts the crisis. On the other side, the size of Islamic banking has positive effects on the crisis to the estimation for the long run and short run. This study recommends that Islamic banking plays a very vital role in promoting growth and reducing negative effects from international and internal economic and financial crises.

The next paper of this special issue is focusing on "optimal general Islamic insurance rating model: a focus group validation" written by Lukman A. Olorogun. The current practice in Islamic insurance is a theoretical division of returns and an uneven and unstandardized distribution between participants and investors. In order to validate reliability and feasibility of the proposed model, a focus group discussion was conducted to ascertain its relevance in the Islamic insurance industry. The results of this study suggest that this newly developed model is the first of its kind and may be capable of bringing Islamic insurance one step ahead.

The seventh paper is written by Irwan Shah Zainal Abidin & Muhammad Haseeb focusing on "Malaysia – GCC Bilateral Trade, Macroeconomic Indicators and Islamic Finance Linkages: A Gravity Model Approach". The study examines the effect of macroeconomic markers and Islamic banks on the respective exchange amongst Gulf Cooperation Council (GCC) nations and Malaysia. The results show the impact and irregular impact factors like per capita GDP, number of Islamic banks and zakat accumulation have positive relationship on the reciprocal exchange among Malaysia and GCC nations. In addition, the study recommends that social contrasts and absence of capital have been the real issues for Malaysian representatives in working with the GCC locale. In any case, with the extension of Islamic fund the reciprocal exchange amongst Malaysia and GCC nations can be expanded.

The next paper is titled as "An Analysis of the Literature on Islamic Bank Risk-Taking" written by Salihu Liman Mairafi, Sallahuddin Hassan and Shamsul Bahrain Mohamed Arshad. The paper discusses different scholars' findings and highlight areas of concerns. Recent studies focus on risk-taking behaviour with emphasis on area of governance, ownership structures, and performance. The paper also examines issues that are important to Islamic banking risk-taking behaviour and discover areas for future research.

The ninth paper is written by Sany Sanuri Mohd Mokhtar, Mohsin Altaf & Noor Hasmini Abd Ghani highlighting the "Employee brand equity and brand empowerment in Islamic banking: mediating role of brand psychological ownership". They examine the mediating role of brand psychological ownership (BPO) in the association between brand empowerment (BEm) and employee brand equity (EBE) of the employees of Islamic banks. Results of the study reveal that the direct connection of BEm with EBE is non-supportive. On the other hand, the indirect connection of BEm with EBE through BPO is supportive in Islamic banking.

The next paper is written by Muhammad Saleem Ashraf, Mohd. Shahril Bin Ahmad Razimi and Che Azlan Taib. They discuss the Productivity change in the efficiency of the insurance and takaful industry of Pakistan. This study uses the Malmquist Productivity Index (MPI) synchronized with the input-oriented Data Envelopment Approach to evaluate the productivity change for the insurance and takaful industry. The results have shown that overall insurance industry in Pakistan enjoyed an increase in the total factor productivity during the above mentioned period. Change in factor productivity for the takaful companies was also found better than that of insurance firms.

The eleventh paper is on the topic of Patronage factors of Islamic Banking system in Pakistan written by Muhammad Farhan Basheer, Aref Abdullah Ahmad and Saira Ghulam Hussan. This paper examines the patronage factors of Islamic banking system in Pakistan. Results of this study indicate that the products and services of Islamic banking have a decent scope in the banking sector of Pakistan. The authors affirm taht profit-sharing principle is the only principle that can replace the element of interest in the Islamic banking system.

The paper is written by Mohammed Ilyas on the topic of Islamic Work ethics and corporate social responsibilities in business organizations: Issues and Challenges. This current study debates that CSR applications in modern business organizations should follow Islamic principles and that all types of businesses should apply CSR activities to promote their connections with their clients, workers and all their stakeholders. The study delivers cases of shariah compliant CSR events and enlightens problems and defies that Islamic organizations have to face in the positive operation of CSR practices.

The paper number thirteen is written by Ahmed Maqsad Mohammad on the topic of Determinants of implementation of accounting standards for Islamic financial institutions in Iraq: a conceptual framework". The paper gives conceptual model of antecedents in the implementation of accounting standards for Islamic financial institutions in Iraq. The discussion suggests that accounting standards and compliances with the existing accounting reporting standards known as IFRS is practically impossible as the nature of Islamic products is different, so it required a separate accounting standard. In connection, they found that institutional setting, accounting need, and Islamic accounting education are important determinants of implementation of accounting standards for Islamic financial institutions in Iraq.

The fourteenth paper is on the topic of Technical, pure technical and scale efficiency: a non-parametric approach of Pakistan's insurance and takaful industry" by Muhammad Saleem Ashraf, Mohd. Shahril Bin Ahmed Razimi and Che Azlan Taib. They use Data envelopment approach (DEA) to estimate the efficiencies. The results indicate a low level of overall efficiency. The main source of inefficiency has been found the scale efficiency in nature, rather than technical and pure technical efficiency. Most of the firms perform with increasing return to scale which reflects that there is a room to increase their efficiency and scope to attain the optimal level of output.

The paper is on the topic of "Sukuk as a financial asset: A Review" is written by Mohammad Sawkat Hossain, Md. Hamid Uddin and Sarkar Humayun Kabir. The paper discusses the phenomena about growth of global sukuk market. The academic research on sukuk is yet at infancy stage, particularly because scholars do not deeply look at this remarkable financial innovation. The study is based on systematic review which concludes the meta-analysis and identifies several thematic areas on sukuk, such as: (i) sukuk characteristics, (ii) sukuk and convention bonds, (iii) sukuk valuations, (iv) sukuk roles in corporate capital structure, and (v) key challenges in sukuk market.

The sixteenth paper is written by Hafezali Iqbal Hussain, Sharullizuannizam Salehuddin, Mohd. Farid Shamsudin, Zalina Zainudin, Milad Abdelnabi Saleem, Fekri Ali Shawti and Fakarudin Kamarudin. The paper investigates the “impact of Shari'ah compliance on debt maturity structure” by grouping companies based on compliance status as governed by the Securities Commission of Malaysia over the sample period of 2007 to 2016. The results indicate that Shari'ah compliant firms tend to have longer debt maturity structure indicating that the nature of compliance determines the maturity structure of companies in Malaysia.

The seventeen paper is written on the topic of “Z-score application for Jordanian Islamic Banks”. Yazan Radwan Qasim, Norhazlina Ibrahim and Moawiah Awad Al-Ghizzawi are the authors of this paper. They use the Z-Score Altman model to investigate trend performance and predict bankruptcy among three Islamic banks in Jordan for the period of 2010-2016. The results of the Z-score model show that the Jordan Dubai Islamic Bank (JDIB), Jordan Islamic Bank for Finance and Investment (JIBFI), and International Islamic Arabic Banks (IIAB) record safe zones in the period of study except for JDIB and IIAB which records a Grey zone in 2010, 2011, and 2012 and 2010, 2011, 2012, and 2013, respectively.

The second last paper is written on the topic of “The role of Islamic Sukuk Bonds in Providing Government Investment Needs” by George Nasser Shawaqfeh. The study discusses the focus on Islamic Sukuk bonds by both Islamic and non-Islamic government. There are strong indicators of expansionary tendencies in the Islamic Issuance Market (IIM), where the IIM has increased significantly, but the author argues that this requires an integrated legislative framework that has a compliance with legitimacy (Shariah) rules and regulations specially when there is a large demand for Islamic Sukuk after the global financial crisis.

The last paper of this issue is written by Muhammad Salman Shabbir, Jasim Mohammed Kareem, Yousif Aftan Abdullah and Rabia Salman on the topic of “the mediating role of Islamic banking on the relationship between business simulations games and entrepreneurial inclinations”. The results suggest that Islamic Banking has a significant and positive impact on business simulations and inclinations. The study recommends a greater involvement of business simulations activities in order to increase the inclinations of a person to be entrepreneur, which in turn, will provide the base for flourishing entrepreneurial activity in the society.