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Islamic Finance

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Abstract

The concept of Islamic banking finance is characterized as a banking concept that complies with divine law in true spirit and as financial methods that do so under the Shari'ah. Every Islamic financial activity must adhere to Profit and Loss Sharing Principle, Charity (Zakaat), Prohibition of interest (Riba), gambling (Maysir), investing in forbidden (Haraam) activites and informational asymmetry (Gharar) in order to be deemed Shari'ah compliant. The Debt-financing principles (Murabaha and Ijarah), Profit-and-loss-sharing-financing principles (Mudarabah, Musharakah) and services principles (Wadilah, Wakalah) has made Islamic financial system a better alternative than traditional financing system. Also, Sukuk (a capital market instrument) further strengthen the Islamic financial system thus making it more stable from its counterpart. Due to these aspects, the said system is widespread word-wide and has become worthy financing and investment alternative in some developed countries like United Kingdom, France, Germany and Italy. The incorporation of this system with the advanced Information technologies i.e., blockchain technology can create endless possibilities of this system's progress thereby reducing or eliminating all the risks which are being an obstacle in current times.

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List of Acronyms

AAOIFI: Accounting and Auditing Organization for Islamic Financial Institutions

DIB: Dubai Islamic Bank

ECB: European Central Bank

ESG: Environmental, Social and Governance

ETF: Exchange Traded Funds

GCC: Gulf Cooperation Council

ICM: Islamic Capital Market

IFSB: Islamic Financial Services Board

IMF: International Monetary Fund

OIC: Organization of Islamic Cooperation

PLS: Profit-and-Loss Sharing

PFC Pilgrims Fund Corporation

IsDB Islamic Development Bank

CHAPTER-1

Introduction to Islamic Finance

1.1 Definition and Overview of Islamic Finance

Islamic finance is the establishment of financial type of services as per with Islamic law, principles, and standards. Shari'ah expressly prohibits receiving and paying "riba" (interest), "gharar" (extreme uncertainty), "maysir", rapid sales, and financing of actions deemed harmful to society.

Islamic finance's underlying philosophy is built on the values of fairness, and the avoidance of exploitation, as well as the promotion of ethical and moral values. The charging of interest (riba), which is considered usurious and exploitative in Islamic finance, is prohibited, and instead focuses on (PLS) arrangements. This states that financial institutions own the underlying assets and share in the profits or losses generated by these assets.

Investment in businesses considered harmful to society, such as gambling, alcohol, and tobacco, is also prohibited under Islamic finance. It also encourages investment in socially responsible businesses like Murabaha (cost plus financing), Ijara (lease financing), Musharaka (joint venture), and Sukuk (Islamic bonds). are some common financial instruments used in Islamic finance. [1]

In recent years, Islamic finance has grown rapidly, with an increasing number of conventional financial institutions offering Islamic finance products and services and dedicated Islamic financial institutions expanding their operations globally. Islamic finance is now a multibillion-dollar industry that serves a diverse range of customers. In addition to the principles outlined above, this is also based on the concept of risk-sharing. This means that the financier and the customer share the risks associated with a transaction, rather than the financier bearing all the risk and charging interest to compensate for it. Islamic banking and finance also places a strong emphasis on transparency and disclosure. Financial institutions are required to provide full disclosure of all information related to a transaction, including the terms and conditions, pricing, and underlying assets.

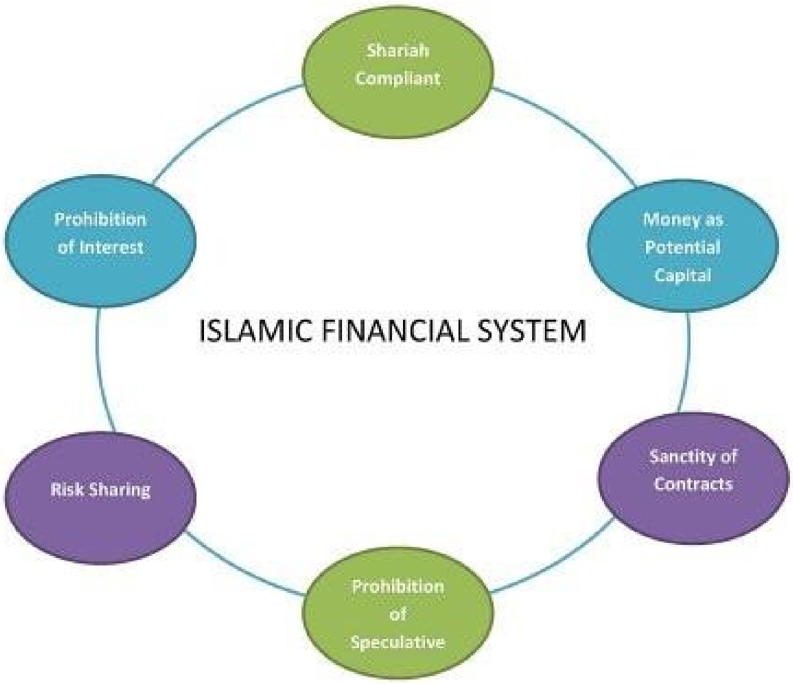

Figura 1 Islamic Financial System

1.2 The Islamic Model

The Islamic economic model is distinguished by its foundation which is Shari'ah, Islam's Divine Law.in its metaphysical and pragmatic form, with the Qur'an, Sunnah, and Hadith as primary sources and that outlines guidelines for different features of Muslim lifespan, Faith, politics, economics, banking and finance, commercial activities, & law are all examples.

The Holy Book of Islam is known as the Qur'an, and it contains the word that Allah revealed to the Prophet Muhammad between 610 and 632 AD, the year of Muhammad's demise, through the Angel Gabriel. The term "sunnah," which is an Arabic word that meaning "well-known route," refers to the Prophet Mohammed's customs or well-known practices, which serve as a fundamental source of guidance. Another important source utilized to support the Sunnah is hadith. The context and school of thought under consideration decide how much the sunnah is derived from or distinguished from hadith. [2]

“Fiqh”, Islamic jurisprudence, plays a central role in the analysis of religious sources by allowing an suitable explanation of the holy will. It is understanding of the Shari'ah's practical rules and regulations, due to the holy Law, religion has a deep impact in Muslims' daily lives, and as a result, economic behavior is governed by religious principles and cannot be divorced from them. These concepts are accepted as economic dogmas, which implies that certain activities are not permitted. For instance, Monopoly, exploitation, and betting are all outlawed. [3]

As a result, in this context, Islamic financial institutions function in line with the tenets that support the Islamic economic system, offering financial services and goods in line with the principle of human benefit outlined in Shari'ah. These factors have made it morally unacceptable for Muslims everywhere to use conventional financial tools that do not fully uphold Islamic moral values. When Islamic finance gained popularity in the 1970s, this scenario changed. The Shariah is based upon some instruments, which demonstrate the difference between permitted and not prohibited, Islamic Finance started to offer an alternative notion to the old banking system at that point. An Islamic bank is a financial organization that adheres to Shari'ah laws, and financial operations that referred as Shari'ah-based financing. [4] [5] [6]

Islamic finance before 1980 was centred on fairly straightforward financial exchanges that were primarily based on mutual confidence between the parties. One of these agreement is known as hawala, which is the transfer of money without moving any money. The establishment of the Islamic Development Bank (IDB), whose main goal was to "promote the economic development and social progress of Muslim communities in conformity with the principles of Sharia," marked a significant shift in the backdrop in 1970. The very first groundbreaking step towards aiming to integrate business financial activity with morally-based religious precepts was the founding of the Islamic Development Bank. [7] [8]

1.3 Shari’ah Rules and Restrictions of Finance

The fundamental tenet of the Islamic economic and financial system is that money could not be used as a tool for obtaining more money or as a means of exchange. All other theological factors that affect how the Islamic financial system operates originate from this characteristic.

As aforementioned, Shari'ah principles are classified into two types: ibadah and muamalat. which focuses with economic operations, actions are classified as haram, which means banned, and halal, which means legal. Furthermore, muamalat explains zakat, which is the actual obligation that a person who is Muslim and can has the good means of earning should contribute to charity. We'll see that further in this chapter.

1.3.1 Riba

Arabic phrase "Restriction of Riba," which is typically translated as "excess" or "increase" but is more frequently interpreted as "usury" in Islamic economic contexts, is explained in the Qur'an. This phrase refers to any extra cash a debtor owes their creditor in addition to the loan's original amount as payment for repayment. The two types of riba are riba al-naseeyah and riba al-fadl. [9] This refers to a surcharge or excessive payment in the exchange of goods, which, according to the Sunna, is obliged to repay with the same items and with the exact Quantity. The latter mentions the interest rate that was agreed upon when the loan was approved. According to Islamic law, making money from money without hard work is forbidden. [10] Thus, gaining profits through a true productive context, where actual growth creates profit, is the only Shari'ah-based option. The anticipation of undeserved payment, susceptible of extending into the realm of monetary speculation, is a banned procedure in

Islamic law. The ban is due to negative equity and distributive justice consequences. Islam promotes social fairness by requiring both sides of a business deal to share profits and losses. The procedure of wealth acquisition must be representational of production, which Riba does not care about. Therefore, in Islamic law, the residual return of money is prohibited. [11]

1.3.2 Gharar

Certainty and the lack of danger or risk are vital aspects of the Islamic finance system. Gharar, is not specifically defined by the Holy book of Quran or Sunnah like Riba. The most important aspects of the Islamic framework is that no economic transaction or contract should be unknown. This technique indicates that concerned parties are motivated to gain "complete knowledge" of the object's counter values before signing a contract, to the greatest extent feasible. As a result, in the Islamic financial system, a positive outcome must not depend on fate only. Other effect of the Restriction of Gharar is that the individuals who would have been more susceptible under a traditional version because they were less educated are now protected under Islamic finance. [12]

Despite the need of avoiding asymmetry of information, whereas Riba is strictly prohibited, a limited amount of Gharar is permissible, but it is strictly restricted in the cases where there is a full doubt. A little Gharar is authorized where the agreement is philanthropic, the uncertainty and risk is limited, or the transaction serves a purpose which is for the sake of public. As a result, all contracts which have to occur in future and in which the object is not present are invalid until the date of delivery is established.

As an author writes in his publication, about Gharar in the context of Islamic Finance are:

- Guiding a customer to acquire stocks of a firm that is subject to a takeover offer, with the expectation that its share price would rise.
- Purchasing a real estate item whose price will be determined later.
- When the contract's subject matter or parameters are uncertain.

- Payment deferred under a contract for an indeterminate amount of time

1.3.3 Maysir

Profiting through speculating and gambling is both prohibited under Shari'ah law. Maysir and Gharar have numerous characteristics. In truth, there is knowledge disparity and moral hazard at the heart of speculation and gambling. As a general rule, actions containing lack of information and an extra risk and unpredictability are forbidden with complete conformity with the restriction of Gharar.

However, even if the Maysir contains some aspects of Gharar, still it is completely banned like Riba. The reason of this total prohibition may be found in societal grounds, since gambling is seen to lead to men's downfall. This feeling The Qur'an expresses this sentiment well:

"O' you who truly believe wine, gambling, idolatrous stones, divination arrows are unclean works of Satan. Avoid them for you to thrive. In truth, with wine and gambling, Satan wants to sow enmity and hatred among you and move you away from the memory of Allah and from prayer " [13]

Shariah is open to explanation concerning Maysir in terms of distinguishing between illegal and lawful business speculation, this restriction might influence even the usage of the equity instrument. in certain circumstances, distinguishing between the two can be challenging. For example, it is typically acceptable to make a stock investment in a firm, but it may be prohibited depending on the length of the transaction and the purpose for the gain. So it is better to call the investment of equity as "grey region"

1.3.4 Restriction of Investment in Prohibited Activities

Muslim are restricted on investing and profiting from activities that are not permitted by the Shariah law. According to the concept of Islamic holy Law, any unethical business output would produce enormous social difficulties, ranging from the development of iniquity to the destruction of the human spirit. As a result, it is not possible to invest in activities such as brewery, alcohol, pornography, or pig products, but any operation that provides a profit to an investor must be halal.

As a result of this rigid interpretation, Muslims are unable to invest in a wide spectrum of world's renowned firms. As a result, in recent years, numerous religious scholars have concluded that it is possible for Muslims to put money in some activities that are not completely Shariah based under certain requirements in order to increase their possibility of making an investment in foreign business activities without breaching Islamic Law. Some of these requirements include that the main commercial activity must be permitted by the shariah that potential revenue from banned things must be a very tiny fraction of total revenue, and that the company must have a low debt.

1.3.5 Zakat

The Arabic term Zakat is described as "charity," but the actual explanation of Zakaat is the donation of a portion of one's income to the needy. Zakat has a cleansing effect According to the Qur'an

"Take alms on their goods to purify and cleanse them." [14]

From a social perspective, the role of Zakat is quite important. The presence of this contribution allows for the avoidance of the concentration of financial surplus in the custody of some individuals. With this notion, the donation itself may be regarded as the beneficial weapon, for the one who is donating as he is cleansing his sins and ego at the same time and setting the example for other to participate in this humanitarian activity.

As a result, in the Islamic environment, where social justice and solidarity are regarded the rule of civilian society, the Zakat is a feature of essential importance for the peaceful development of society. This process knows as "purification" of the assets stops small fraction of the rich from accumulating the wealth of society which helps in the the growth of social animosity by the community's weak members.

1.4 The Interpretation of Shari'ah Principles

Islamic countries have four separate Sunni school of thought and a variety of jurisdictional interpretations and their implementation. It imposes a danger to the growth of Islamic finance, thus beginning in the 1990s, the major Islamic financial institutions established a number of international organizations with the goal of acting as a "standard-setter". There are two primary organizations in the field:

• The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI): headquartered in Bahrain, this organization's goal is to develop and interpret standards for accounting and auditing practices in Islamic financial institutions. [15]

• The Islamic Financial Services Board (IFSB): located in Malaysia, this institution's role is to provide framework improvements and helping the Islamic financial institutions operating in the financial areas like insurance and banking. [16]

Along with them, the "Shari'ah Supervisory Board," a council which helps in the cooperate matters which every Islamic financial institution should have, plays a significant part in the Islamic financial system. Its purpose is to guarantee that the firm's actions, as well as the contracts, goods, services, and operations stated, offered, and constructed, are religiously compliant and adhere on the recommendations provided by worldwide trend setters. "Shari'ah Supervisory Board" is made up of faqih and ulama, specialists who remain independent when they consult financial professionals, and have four major functions. [17]

- To provide Shari'ah compliance certification for the company's products.
- To Control operations over the company's adherence to religious regulations.

- To Conduct auditing operations.
- To provide management with guidance

Another crucial function of the Islamic advisory board is to advise Islamic marketplaces on the complying of some goods and their service by collaborating with certain other finance institutions to design a financial world in accordance to Islamic requirements. The main aims of these exercises are to have AAOIFI, IFSB, as well as some Central Banks certify the legality of a new financial instrument, resulting in formal standards.

CHAPTER-2

Understanding of Islamic Finance

2.1 Historical Development of Islamic Finance

The surge in popularity of Islamic finance across global financial markets is attributed to its remarkable growth over the years. Islamic banking, which dates back to the 1960s in Egypt, started with the Mit-Ghamr Islamic Saving Associations (MGISA), providing Muslims with a Shari'ah-compliant investment option for their savings. The success of this initiative was evident as the number of deposits increased by over 100% annually in the first three years. The Pilgrims Fund Corporation (PFC) was later established to facilitate the gradual saving and investment of Malaysian Muslims in Shari'ah-compliant instruments for their pilgrimage expenditures, with eight million account holders and over $12 billion in deposits by 2012. Islamic banking officially began in the late 1970s with a few small institutions, but its growth has been steady over the last two decades, with total assets reaching almost $2 trillion by the end of 2014. A significant milestone in the growth of Islamic banking was the establishment of the Islamic Development Bank (IsDB) in 1975, coinciding with the founding of the first major Islamic commercial bank, the Dubai Islamic Bank in the United Arab Emirates. The success of Dubai Islamic Bank led to the establishment of other similar banks, such as Faisal Islamic Bank (Sudan) and Kuwait Finance House (Kuwait) in 1977. In Pakistan, efforts were made in the late 1970s to make the financial system compliant with Shari'ah principles, and bank finance was introduced through Islamic instruments in 1980. Likewise, Iran enacted a new banking law in August 1983 to replace conventional banking with interest-free banking, and banks were given three years to comply with the new law. Sudan also began aligning its banking system with Shari'ah principles in 1984. [18]

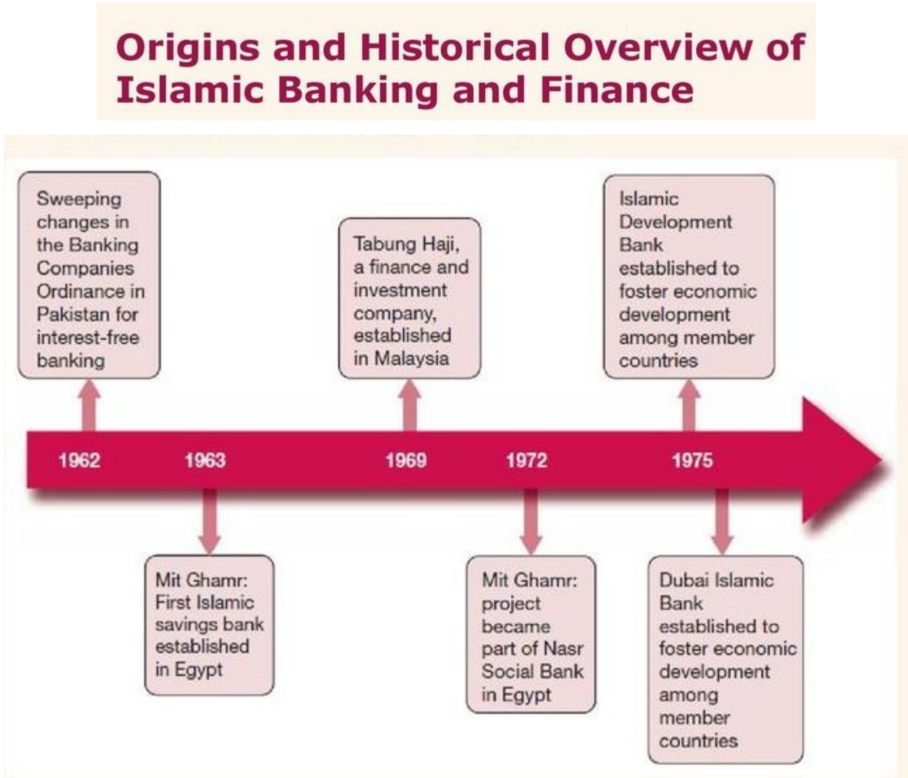

Figura 2 History of Islamic Finance

2.2 Islamic Financial Instruments

According to the Global Monetary Fund, Islamic halal investment products are agreement-based and belong to three basic categories:

• Financing in the Form of Debt

• Financing linked to profit-and-loss sharing

• service providers

Late in this chapter, the principal contracts that fall under these classifications will be addressed. The second section of this chapter will describe and analyze the significance of the Islamic financial market and their products equities, Islamic mutual funds, sukkuk and Islamic trusts.

Basic agreements, designed to do simple purchase and sell operations rather funding the activities in accordance with Shariah, they are included in these categories and serve as the foundation for more complicated transactions. This is characteristic in the financial services and insurance markets.

2.2.1 Financing in the Form of Debt

Murabaha, Istina, Salam, and Ijarah are the most significant agreements in this category. Although these agreements appear to have certain characteristics with western interest-based agreements, they are based on an entirely distinct framework. In truth, their common characteristics, such as mark up finance, making them Shariah based commodity products, but they can never be treated as alternatives for commodities based on interest or tool. It is vital to recognize things based on Shari'ah principles, the purpose is fundamental for each contract, product and action done, which is a limitation for every Muslim.

2.2.1.1 Murhaba

Murabaha is a halal financial strategy that involves a transaction plus markup. It is one of the most extensively utilized short-term financing tools in Islamic finance. This agreement's mechanism is based on the classic concept of buy finance. When a buyer requires financial support to acquire a product, the financer, generally a bank, purchase the items from the company or the one who is manufacturing it and then resale the product to buyer at the actual price in addition to an agreed mark-up and it depends on the type of product, trading volume, and client's credit. The product is provided instantly, and payment can be postponed. One distinguishing feature of those instruments which are typically Islamic is the vendor who notifies the purchaser and inform him about price of getting the specific goods, and their profit which is bargained between them.

In this structure, the financier performs not just a funding role but also assumes transactional risk.

In reality, he is at danger of retaining possession of the product which has to trade and if the buyer cancels the transaction or product is not up to the satisfaction mark . Murabaha contracts, with operational standpoint, can serve as a the substitute finance for mortgage and can help in buying people their first house.

Figura 3 Murabaha Process Flow

Murabaha must have the following characteristics to comply with Shariah, [19]

- The good should be available at the moment of sale.
- The bank must own the commodity at the time of sale.
- The pricing must be acknowledged and announced to the client in advance.
- The schedule of payment and shipment of the product must be defined.

2.2.1.2 <u>Salam and Istina</u>

Salam and Istina are the economic mechanisms which are exceptions to the Islamic concept of Gharar, or the restriction to the lack of knowledge before signing the contract. Starting with Salam, it is a legal agreement in which the money for the product is paid ahead of time at the end of the agreement whereas the delivery of purchased goods occurs at future period determined. The profit for the financier is the difference here between contracted cost and actual price of the same goods, as in western forward and futures contracts. Because Salam and futures use the same delivery method. Nevertheless, the significant difference in both is that a Salam type of contract requires the amount of the certain product has to be paid ahead of time at the completion of the transaction, whereas a future contract does not.

Salam also follows to Shariah standards. In Islamic law salam contract can be done only for the things and money can't be a subject to it. Second, this is not feasible to transfer a contract which is Salam to another entity in order to gain from the market movement, rather, the parties can only reach a deal if at least one of them has to experience a significant loss. There is a more significant component of Salam that the product can be put on sale early if there is a specific quantity and quality parameters which are agreed upon by the parties. [20]

Moreover, this tool is typically employed in the raw resources market, rather than transactions in the property selling because the good should have to be physical at the moment of the contract.

Figura 4 Process Flow of Salam

2.2.1.3 <u>Ijarah</u>

Ijarah means "renting things," is a contract associated with the notion of "west" leasing. This contract type can be comparable to an "operational lease" in its most basic sense. In reality, it is based on the separation of possession from ownership. The user agrees to make a monthly lease payment to the financer, who is responsible for the asset's management because he has the ownership. The total value of the lease payments equals the item's purchase in addition to a mark-up imposed which is the compensation of the risk associated with asset's possession. [21] The client pays rent in addition to a monthly allowance to take a piece of the asset, lowering the bank's possessed shares and making, customer the only owner of the asset. In order to confront with Shari'ah principles, both Ijarah typologies must meet several conditions:

- The asset must have a prolonged productivity life.
- As Gharar is prohibited, any guess should be prevented by agreeing on the payments of the lease at the time of the signing of contract.
- In the restriction of the Riba, any payment that exceeds the principal amount is prohibited, unless this portion is used for Zakat.

2.2.2 Financing linked to (PLS)

The concept of (PLS) aims to promote fairness and social justice by prohibiting usury and interest in Islamic finance. Under the PLS, the proft on financial assets is evaluated at the end of the period. While the lender has the right to be rewarded, the remuneration must be commensurate with all the risk taken, which are not fully assessed before as in traditional financing arrangements. The Shariah states that only taking a risk justifies a certain good economic growth, and for this reason, in case of default, the lender will receive a fixed return. This principle leads to a system where profits and losses are shared, and risks are distributed proportionally to the capital provided, resulting in a fixed profit-sharing ratio but an uncertain rate of return.

In Islamic financing, the Profit and loss concept is based on two financial products, namely Mudarabah and Musharakah, which are particularly significant for encouraging entrepreneurship. Many experts suggest that PLS financing can be an effective way to produce and support certain groups of entrepreneurs in some developing nations, especially Islamic nations. This is because PLS finance:

- distributes the danger of a project between an entrepreneur and the lender, which encourages entrepreneurship activities.

- does not need a collateral, making the possibility of fund projects based solely on their finance visibility..

In contrast, debt based financing put pressure of the danger on the entrepreneur and exposes them to greater uncertainty. [22]

2.2.2.1 Mudarabah

Mudarabah represents a financial agreement which shares similarities with the PLS principle, in which the financier provides funds while the beneficiary contributes labor and skills for profit-sharing and loss-bearing. Essentially, Mudarabah functions as a limited partnership, with two parties involved: the financier, also called Rabb al-mal, who invests the funds, and the entrepreneur or labor partner, known as Mudarib, who applies their knowledge and expertise to generate a profitable return on the investment. The profits from this venture are distributed between the two parties based on a pre-agreed ratio at the time of signing the contract. However, the financier is responsible for any losses incurred, and cannot intervene in the operational management unless there is clear proof of the violation of the signed contract between them. [23]

Apart from the fundamental principle that risks and benefits should be shared between the parties, there are two additional rules that Mudarabah transactions must follow: profit distribution must be proportionate and not a fixed amount. Unlike traditional financing, Mudarabah does not require entrepreneurs to sustain the whole amount of loss. Due to these conditions, Mudarabah has been considered as the risky financing.

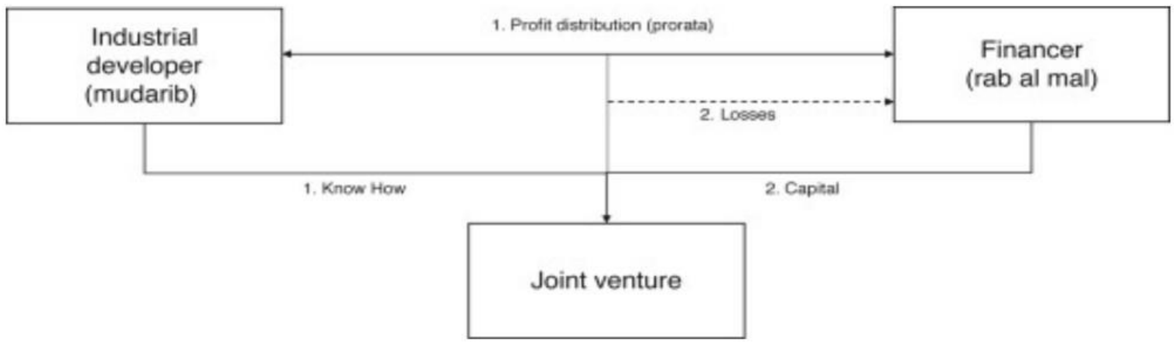

Figure 5 The Concept of Mudarabah

2.2.2.2 Musharakah

The definition of musharakah is "pure profit and loss sharing." The Musharakah agreement can be thought of as an investment more like equity at least two or more than two parties put their capital on risk with the intention of performing the activity.

The entrepreneur or industrial developer and the financier, as shown in the picture below, each contribute to the operation's capital in a manner similar to west’s “Joint Venture" also knows as "Project financing". According to Islamic law, the portion of the investment is agreed in advance, and also the distribution of the profit and loss sharing.

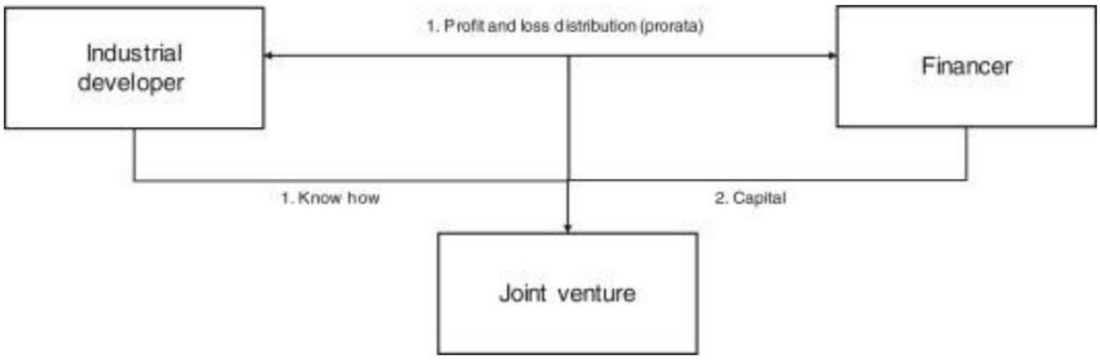

Figura 6 The Concept of Muskarakah

- The fundamental feature of this contract is that losses are allocated in line with the parties' share investments while profits from this partnership are distributed in accordance with an agreement. The Musharakah is the Islamic finance mechanism that most closely complies with the profit- and loss-sharing requirements of Shari'ah law since it is viewed as an equal participation contract. Another significant benefit of the Musharakah contract is that the financier who provides the funds may participate to the investment not only with cash but also with his own labour, by leasing machines and equipment, or directly with commodities provided in kind. In accordance with the reason for the collaboration, mussharaka can be divided into two categories: [24]
- Sharikah al milk: a joint-ownership partnership.
- Sharikah al uqud: a contractual relationship-based partnership.

Islamic Stock Market

Islamic finance naturally gravitates towards the stock exchange market. The stocks market can be the best environment to apply the risky notions which are shared. Nonetheless, Islamic financial institutions are permitted to use the stock market making assurance that there is no speculation involved and the participants' business aims are halal. The latter is crucial for Islamic investment funds, which must choose their portfolios according to incredibly exact rules. A further obstacle that widens the chasm between Islamic finance and conventional finance is the restriction of Gharar and Maysir. because the impact of these limitations have on instrumental derivative like futures, forwards, and options.

Making an investment of equity in Islamic finance requires adhering to specific rules. The person who wants to invest must screen the industries by touring it in order to identify businesses that Shariah permits him to invest in (halal businesses), then develop a financial screening to find halal businesses that adhere to the permitted level of financial ratios. Starting with the principles previously discussed, this process must be completed by the investor.

2.2.3 Islamic Mutual Funds

Similar to Islamic ETFs, Islamic mutual funds are investment funds that are structured to comply with Shariah principles. They invest in a portfolio of Shariah-compliant stocks, bonds, or other assets, and are managed by professional fund managers. A Mudarabah contract is used to implement Islamic mutual funds, in which investor contribute capital and trust the management of the Mudarib. The Islamic investors who want to invest without adhering to Shariah standards and western investors who are concerned about the excessive output of the finance markets may find that Islamic mutual funds investment as the good solution. Islamic mutual funds actually are more stable since they forbid uncertainty, which has the close effect of keeping them closely tied to the "real economy." This instrument was developed in the 1980s in response to a Saudi Commercial Bank proposal that aimed to provide everyone access to investing, not just affluent or institutional investors. However, Islamic regulated stock markets have yet to achieve a level of growth that permits investors to diversify appropriately. This was mostly due to banks' low capitalization and the lack of a strong interbank market. Respect for Shari'ah principles is another aspect that has affected the creation of Islamic Funds. First, Islamic Fund managers are limited in their capacity to utilize better knowledge or winning markets, such as through the use of leverage.

Another key component of Islamic mutual Funds are that the companies in the record must comply to Shariah rules, which discards certain industries and firms. All halal operations that are approved to be included in the record are thus recognized from the "Shari'ah board's" oversight. As a result, investing in activities that violate Koranic values, such as cigarettes, pornography, pork, and alcohol, is strictly prohibited. The prohibition of Riba, on the other hand, constitutes the most difficult constraint to obey since it not only prohibits the investment in west's banks because they apply Riba, but it also restricts investment in halal systems based on riba model.

Some parties, rather than constantly consulting Shari'ah boards, use Islamic indexes to determine whether company activities are viable for investment. Dow Jones Islamic and the FTSE Global Islamic are the most prominent Islamic indexes. These two indices, which are made up of securities endorsed by the Islamic boards and have global geographic acceptability, were developed as a result of the development of the Islamic Capital Market (ICM), the first purely Islamic capital market index in the world, at the Kuala Lumpur Stock Exchange in Malaysia. Also, it is crucial to use Islamic indices like the Dow Jones Islamic Market Index, the MSCI Global Islamic Indices, and the Standard & Poor's Shari'ah Indices. The selection of Stocks for such indices has been a lengthy, difficult procedure which aside from identifying halal firms, is distinguished by three major processes that define the previously stated financial indices. [25]

- The company's D/E ratio must be at least 33%. The rationale for this is because Shari'ah prohibits debt unless it is a minority stake in the firm financed by this Riba-based method.

$$\text{Debt Equity} \leq 33\%$$

- The total revenue from non-operating interest activities received by the firm at least 9% of total income.

$$\text{Non} - \text{Operating Interest Income Total Income} \leq 9\%$$

- Company should have an account receivable to total ratio of asset must be at least 47%.

$$\text{Account Receivable Total Asset} \leq 47\%$$

Other than mutual funds, there are Islamic Exchange Traded Funds (ETFs), which are listed on exchanges and have as their investing objective passive management replication of the Shariah compliant index which is used as a benchmark. Islamic ETFs do not need a Shari'ah Supervision Board because they only invest in Islamic indices that have already passed financial and industrial screening to identify companies in which to invest.

2.2.4 Sukuk

Sukuk are financial instruments that are commonly used in Islamic finance. Sukuk can be thought of as Islamic equivalent of bonds, which provide investors with a return on their investment. The key difference between sukuk and traditional bonds is that sukuk are structured to comply with Islamic law, which prohibits interest-based transactions, or riba.

In a sukuk transaction, an investor purchases a certificate that represents a share of ownership in an underlying asset, such as real estate or a business. The investor then receives a portion of the income generated by the asset as a return on their investment. The sukuk certificate represents a tangible, underlying asset rather than a promise to repay a loan with interest, which is the case with traditional bonds.

Sukuk can be structured in a variety of ways, including as asset-based, asset-backed, or project-based sukuk. Sukuk have become increasingly popular in Islamic finance as a way for investors to generate returns while complying with Islamic law. [26]

There is an essential distinction between "Asset-Backed Sukuk" and "Asset-based sukuk “on the contract that characterizes underlying assets. [27]

Tabella 1 Types of Sukuk

	Asset-Based sukuk	Asset-Backed sukuk
Ownership	Sukuk investors only gain benefit ownership of the asset, not actual ownership.	Complete legal possession transferring of the underlying asset
Revenue source for the Sukuk holder	The prime source of payment is generally the cash flow of the issuer.	prime basis of payment is the income from the underlying Sukuk assets
Funding cost	Market driven, depending on the start.	Capital driven, depending on the strength of the asset cash flow.
Sukuk Default	Possibility of default, Sukuk are structured to replicate Asset Backed Securities.	Cannot default because there is not debt structure.

The worldwide known Sukuk market has grown rapidly in recent years, particularly in 2019. Indeed, as indicated in the graph below, its total outstanding volume increased from 175 billion dollars in 2011 to 495 billion dollars 2019, As MIFC states.

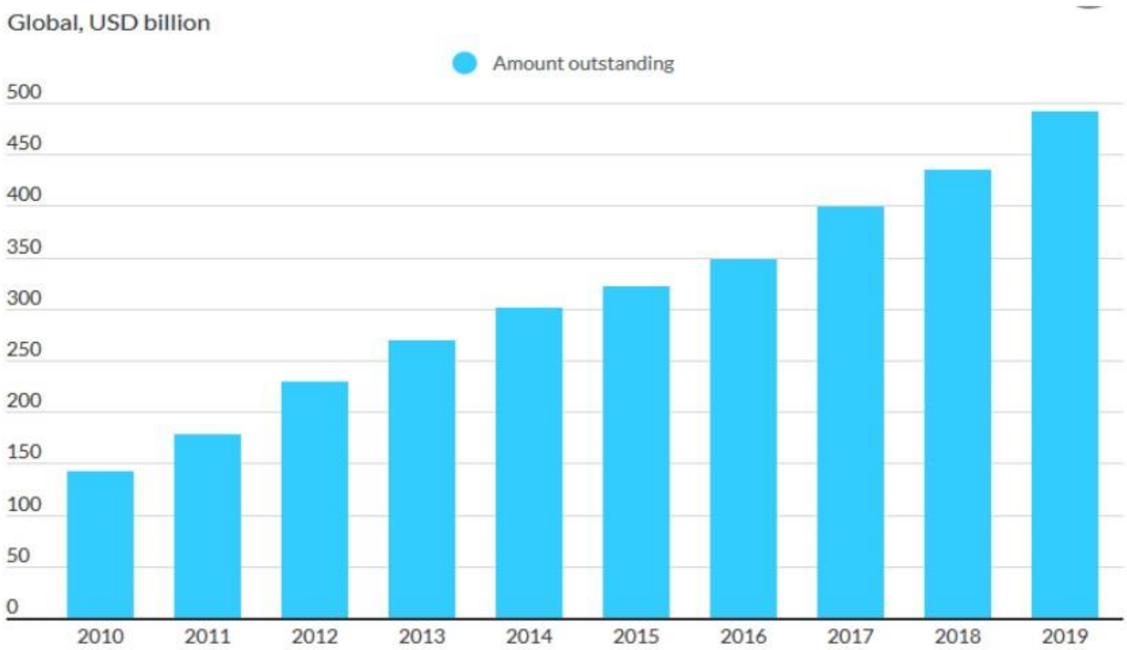

Figure 7 Sukuk Growth (MIFC Estimates)

CHAPTER-3

Implementation of Islamic Finance

After having a detailed understanding of principles of Islamic finance, in this section there would be a discussion on implementation of this financial system in the world. Before diving into this, it is essential to first understand the difference between the Islamic finance and the conventional banking system.

3.1 Comparison between Islamic finance and the conventional banking

To compare the two financial systems, following factors would be considered:

3.1.1 Profitability and Effectiveness

Islamic banks' efficiency is equivalent to that of regular banks. Many believe that, considering differences in business strategies between traditional banks and the effectiveness of both banking systems did not significantly differ throughout the recent global recession. The narrative, however, seems to have changed as a result of the financial crisis. Recent studies show that Islamic banks' profitability suffered more during the crisis than did conventional banks' because of poorer risk management strategies and the real economy's exposure to the financial crisis.

Although worldwide research shows that Islamic banks' charge and income efficiency are increasing, Islamic banks in industrialized nations appear to be more effective than those in developing countries. This might be explained in part by these countries' deep-rooted regulatory frameworks, more developed human resources, and superior risk management techniques.

3.1.2 Risk analysis

Islamic banking has been growing in popularity globally, with studies indicating that it has become increasingly cost-efficient and profitable in recent years. However, it appears that Islamic banks in developed countries are more efficient than those in underdeveloped countries. This can be partly attributed to the well-established legal frameworks, better-developed human resources, and stronger risk management procedures in these nations. Despite this progress, Islamic banks face several challenges that threaten their adherence to Shari'ah principles, their ability to conduct cross-border transactions, and their profitability.

The possibility for legal ambiguity in the area of cross-border Islamic financial operations is one of the major problems that Islamic banks must overcome. This is a result of practical differences between different countries, which result in a variety of acceptable financial products, as well as the views of religious experts over whether or not specific financial arrangements comply with Shari'ah. Islamic funding is consequently subject to high judicial risk, and clients may file a claim in either Shari'ah courts—which render judgements on a case-by-case basis—or in regular courts.

The commercial pressure to pay competitive rates of return that are higher than the yields on the assets being funded is another difficulty. As a result, shareholders may have to forfeit all or part of their profit-sharing rights in order to lower the danger of money withdrawal from Islamic banks, which puts them at risk of failing to follow Shari'ah standards. Due to this rate of return risk sensitivity brought on by unanticipated changes in rates of return, only Islamic banks are exposed to displaced commercial risk.

Additionally, when Islamic banks participate in musharakah and mudârabah partnerships as lenders of funds and share in the commercial risk of the activity being financed, equity risk is created. These risks make investments riskier than murabaha and ijara, such as profit-sharing investment accounts (PSIA), declining musharakah, mudârabah, salam, and istisna.

Islamic banks employ a range of prudential reserves to reduce risks, and the purpose is to smooth gains for owners of investment accounts. These reserves are not included in equity capital, and instead, a percentage of gross income is put aside before the bank's profit share is subtracted. The bank can then finance IRR, which is used to offset future investment losses of account holders. A percentage of the revenue to the bank before taxes is used to finance fiduciary risk reserves (FRR), which are significantly less common and less well-liked than PER and IRR.

In contrast to conventional banking, where a single set of global standards aids agents in identifying hazards related to the bank's operations, Islamic financial institutions sometimes struggle to provide globally recognized Islamic instruments to their clients. Harmonizing disparities in the Shari'ah compliance of various instruments will lessen uncertainty and promote industrial growth, even if it may be difficult to standardize various interpretations of some religious issues among jurisdictions and Shari'ah experts. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) have offered certain Shari'ah criteria and governance recommendations in this spirit.

3.1.3 Comaprison between conventional bonds and sukuk bonds

More Shari'ah compliance requirements would be advantageous for Islamic financial institutions. In contrast to conventional banking, where agents are helped by a single set of worldwide standards to detect risks associated to the bank's operations, Islamic financial institutions can struggle to provide their customers Islamic instruments that are widely accepted across the world. Even if it could be challenging to harmonize diverse interpretations of some religious concerns among jurisdictions and Shari'ah experts, reducing variances in the Shari'ah compliance of various instruments will minimize uncertainty and encourage industrial progress. The market value of the asset or project being financed should thus affect sukuk pricing in addition to the issuer's creditworthiness. Furthermore, unlike bondholders, investors in sukuk may be held accountable for costs associated with assets. Furthermore, although a bondholder must file a lawsuit to get ownership of assets when a borrower defaults, sukuk arrangements call for this transfer of ownership to happen automatically.

Sukuk are a special class of assets that share traits with both bonds and equities. standard financial The instruments used in capital markets to raise money include debt (bonds) and equity (shares of stock). Governments and businesses offer Sukuk, Shari'ah-compliant investment certificates, to finance their activities. Sukuk are Islamic bonds that include three payments: a final bullet payment at maturity, a steady stream of income during the certificate's life, and a maturity date. Sukuk and stock shares are equivalent to one another because neither of them offers a guarantee of a return and both represent ownership claims. Equity shares represent ownership claims on the entire company and have no maturity date, whereas sukuk are tied to a particular asset, service, or project for a predetermined period of time. A review of more than 11,000 conventional bonds and sukuk bonds found that the average issue amount and maturity are greater for sukuk than for conventional bonds.

3.2 Islamic Finance in the European continent

Europe has long been the region in the west with the biggest concentration of Islamic financial institutions and customers. There has been an increase in interest in Islamic financial products in Europe, especially among non-Muslims, as a result of the conviction that Shari'ah-compliant products give advantageous results both ethically and real-economy development and growth. The main countries in the advancement of Islamic finance are the Luxembourg, United Kingdom, and Germany. Italy and France are moving slowly but significant strides in the advancement of the domestic Islamic financial markets, which represent two potential future growth areas for this industry.

The contrast between Islamic financial instruments and traditional financial institutions is significant. Indeed, Islamic banking has been at the center of numerous recent European studies, including those conducted by the European Commission and the European Central Bank, which emphasized both the obstacles and potential presented by the Shari'ah-compliant financial system. First, scientific research comparing the hazards of Islamic finance to those of the traditional financial system has found that Islamic finance is less than half as dangerous as conventional financing. Other topics studied include Islamic institutions' efficiency and profitability, as well as their stability and resilience.

Due to the beneficial fiscal policy, the Muslim investor got attracted to **Luxembourg**. Luxembourg has over time also grown to be a significant market for Islamic financing. In reality, the first Sukuk to be issued in Europe took place on the Luxembourg Stock Exchange in 2002. Since that time, 16 Sukuk have been released throughout the nation. Following that, this country was the first in the continent of Europe to give the permission to the insurance firm working on the Islamic principles , issue a Sovereign Sukuk in euros, and have the Central Bank of Luxembourg become a member of the IFSB. [28]

Despite the high number of Islamic immigrants, the Islamic finance did not grow in **Germany** until the twenty-first century. In actuality, Statistisches Bundesamt (Destatis), the Federal Statistical Office of Germany, reports that by 2016 end, there were 4.95 million Muslims in Germany, or 6.2% of country's total population. Most of these Muslims are from Turkey, a nation that has been noted for a largely secular culture derived from Ataturk's teachings, and as a result, the populace had never shown a significant need for financial goods that adhere to Shari'ah. This propensity evolved when the in order to gain power, the AKP (Adalet ve Kalknma Partisi) used a "religious agenda." When Luxembourg began serving as the foundation for many Islamic funds in Europe, German financial institutions began to provide these products. This was back in the 1990s. This is why Land Saxony-Anhalt had issued the first ever sovereign Sukuk in the European currency in 2004; it was a €100 million Ijarah typed Sukuk that was completely purchased by investors in 2009 .60% of the issuing had been purchased by investors from Bahrain and the UAE, and the leftover 40% by European investors, primarily the German investors or people. Germany has the potential to overtake all other European nations as the center of Islamic financial development. The large Muslim population and the real banking sector deficit in Germany are its two greatest advantages and might increase the usage of Islamic financial products, particularly for retail banking. Additionally, the ECB claims that Islamic finance might serve as Germany's trade vehicle with Islamic partner nations like Turkey, which has been developing its Islamic finance sector recently. [28] [29]

Despite the relatively low level of interest in this topic, **French** financial authorities have maintained a very open approach towards Islamic financing from the beginning of this century. The Paris financial services-led organization Paris Europlace, which aims to develop and promote Paris as an international financial hub and established the Islamic Banking Commission in 2007 as the first action a French authority took to support the growth of Islamic finance. Even now France is in the early stages of the development of Islamic finance; as a result, the French regulatory authorities, following the lead of the pioneering Luxembourg, have taken a number of measures with the main aim of the promotion of the Islamic finance in nation , in order to make it more profitable option. Recently, France has emerged as one of the preferred travel locations for Islamic Funds. Additionally, there has been an increase in demand for Islamic finance retail services in France. French users responded favorably to this service, making it the start of bright future prospects. Given France's close ties to its erstwhile Islamic colonial allies and the country's sizable Islamic population, the future of Islamic banking in France seems to be fairly bright.

Despite a very uncertain environment and a murky legal framework, the Italian issue has gained relevance recently. In reality, there are already a number of Sharia-compliant financial realities in **Italy** that appear capable of fostering the growth of the Islamic market in a tangible and urgent manner with potential ramifications even at the European level. Despite the fact that there were 1,4 million

Muslims in Italy in 2017 (over 2.3%), and a good amount of Italian businesses had close ties to GCC nations, Islamic finance was viewed as merely a "academic topic" until the beginning of the last decade. At present, the Italian financial market is the only major European market without specialized Shariah based instruments. The potential explanations for the "slow approach" to the Islamic banking might be only that the majority of Muslims in Italy are first-generation immigrants, which is a very different situation from France, Germany, and especially the United Kingdom. In Milan, the institutions began drafting legislation throughout the previous decade in an effort to take advantage of the opportunities provided by Islamic finance. Since 2009, the Islamic Finance Forum has been conducted annually due to the intense interest that has grown in the nation. However, the securities markets are unquestionably the key area where Islamic finance is now notably progressed in the Italian setting. In fact, the Dow Jones Islamic Market Index now includes 11 Italian businesses, including Salvatore Ferragamo, Tod's, Luxottica, Moncler, Parmalat, Recordati, and Diasorin. The resolution of the Italian financial system's regulatory challenges will be crucial to the future of Islamic banking in Italy. This will be of utmost importance since it will not only improve the availability of liquidity in the economy, which would lower the cost of capital for businesses, but also the growth of Islamic finance is a path to attract more investment opportunities. [28] [30] [26]

CHAPTER-4

Islamic Finance and Modern World

In today's moder era blockchain has attracted the whole world towards itself because it promotes transparency, efficiency improvements, and cost savings. It gives answers to the problems that many businesses are having. It enhances international trade by increasing corporate productivity and profitability. In this chapter we will see how Islamic finance can go along the moder world tools in order to excel more and create more feasibility for the world.

4.1 Blockchain and Islamic Finance

The blockchain technology's revolutionary singularity is the trustworthiness and dependability of information conveyance. Users may be confident that the system will thwart any malicious attempts thanks to its self-regulating peer-to-peer protocols. The decentralization of this technology, which may transform the world in a disruptive way, is another important aspect. This characteristic is similar to what the Internet and mobile devices can achieve. Since there is no longer a middleman, the danger of a security breach instantly decreases. The rise of cryptocurrencies like Bitcoin led to the popularity of blockchain. This is only one of technology's features. Blockchain permits contracts and applications but not money. Wide-ranging applications in the social, economic, health, artistic, etc., spheres of society are made possible by this. Instantaneous payments in digital money and more intricate financial contracts are both made feasible by this technology. Any kind of cash, financial contract, or tangible or intangible item may be exchanged using a system like the blockchain. Additionally, the blockchain may be utilized as a registry and inventory system for the recording, tracking, monitoring, and trading of all assets in addition to transactions. A blockchain is analogous to a massive spreadsheet or ledger that may be used to record all assets and to conduct global financial transactions involving any type of asset held by any party anywhere in the globe. The blockchain may therefore be used for any type of asset registration, inventory, and trade, including those related to all aspects of banking, economics, and money as well as tangible and intangible assets. [31]

Blockchain is sometimes compared to a genealogical tree by writers. However, they make it clear that genealogy is insufficient to describe all of the elements of the technology at the same time. For data security and to dissuade hackers, blockchain heavily utilizes encryption and hashes. The fundamental ideas of blockchain include ledger, cryptography, peer-to-peer networks, and bitcoin. [32]

Hash functions are the encryption algorithms used in bitcoin mining. Data of any size can be mapped to data of a fixed size using a hash function. Hash values or just hashes are the terms used to describe the results of a hash function. A cryptographic hash function makes it simple to check if certain input data corresponds to a particular hash value. The opposite, when the input data is unknown, is very impossible since it necessitates deciphering the input plaintext from a hash result. Hashing is a one-way procedure, in other words. Another noteworthy characteristic of a hashing algorithm is that even a small modification to the input plaintext will provide a completely different hash value. This feature is advantageous for data security since it makes each small alteration to the original data made by a hacker into a clearly different hash. Blockchain is a highly dependable piece of technology because of this. Three blockchain generations (categories) exist:

- Blockchain 1.0 - cryptocurrencies
- Blockchain 2.0 - smart contracts
- Blockchain 3.0 – applications

Blockchain 1.0 promotes the decentralized management of money and payments. More broadly, Blockchain 2.0 promotes the decentralization of markets. From the establishment of a unit of value to every time it is transferred or divided, it is concerned with the transfer of many different kinds of assets utilizing the blockchain.

The data exchanged across the blockchain, whether it be in Bitcoin or another currency, is not kept in a folder. The transactions are entered into a ledger, which verifies and approves each transaction using the power of a sizable peer-to-peer network. There is no central database to be compromised because the activities are conducted on computers donated by volunteers throughout the world. The security, decentralization, and effectiveness of the blockchain are ensured by this distribution method, public appearance (since it is on the network, anybody can observe it), and the aforementioned encryption

We should draw attention to the comparatively low number of transactions per second in the context of efficiency. However, this is the price to be paid for striking a balance between scalability, security, and decentralization. An ethical and socially conscious form of funding is islamic finance. Is there a connection between blockchain technology and Islamic finance? The solution is not clear-cut. The answer to the aforementioned question should be no if we consider Bitcoin or any other cryptocurrency. On this subject, the Islamic scholars have not yet reached a consensus. If we take into account the asset-based concepts of Islamic finance, it seems likely that cryptocurrency is prohibited under Sharia. However, the potential of blockchain technology to support start-up projects on a peer-to-peer basis should be the main point of attention in this situation. Decentralization, security, and scalability of the platform provide value and promote entrepreneurship. [33]

4.1.2 Use of Blockchain in Zakaat

Good Implementation of blockchain could be observed in Zakaat administration. One of the key tenets of the Islamic economics is zakat, which also serves as the fundamental tenet governing the allocation of social goods. To combat poverty and social injustice, it uses both voluntary (in the form of alms) and mandatory techniques. Here, traditional, secular economies deviate from them in that social welfare is addressed by a macroeconomic strategy that is administered by the government and funded by the collection of population taxes. The Islamic approach to taxation policy entails removing social policy management from the purview of the executive branch. We come to the conclusion that blockchain technology may be successfully implemented in zakat practice as a result of the lack of governmental restriction in relation to decentralization in the technology.

Muslims already have obligations related to cryptocurrencies. 2.5% of liquid assets kept for at least a full year are used to determine the amount of zakat; these assets include cash, silver, gold, savings, investments, rental source of income, company goods and profits, shares, bonds and stocks.Muslims must be cautious to include the cryptocurrency assets they own in the calculation for the zakat obligation because liquid assets like Bitcoin are allowed, and they must also keep check and balance of how much cryptocurrency they've held for a full year because assets held for less than a year need not be included in this calculations. Block chain could be helpful in administering the Zakaat, starting from storing the data in blockchain database of what assets a person own to the information of people who are poor and deserve this aid without the involvement of government or any other third party. [34]

4.1.3 Integration of block chain in Islamic Financial System

Using smart contracts is one technique to integrate blockchain into Islamic financial transactions. Smart contracts are a sophisticated collection of computer programs containing parts intended to mechanize the implementation and settlement of commercial agreements. They are automated contracts that automatically carry out an agreement's terms when certain prerequisites are met. Once two or more parties have agreed to every clause in the contract, they cryptographically sign it and publish it on a distributed ledger. The software automatically initiates the necessary action when one of the conditions mentioned in the code is satisfied. An implemented smart contract on a distributed ledger might increase the efficiency and economy of contractual interactions without any intervention from humans, perhaps with less chances for error, misunderstanding, and delay.

We would contrast them to the aforementioned intelligent contracts while adhering to the fundamentals of Islamic finance. There is a dependable and trustworthy possibility for crowdfunding in the event of mudarabah or musharakah contracts. Crowd-funding is typically used to finance startups, small and medium-sized businesses, growth initiatives, and capital raising. Additionally, it is used to finance many kinds of works, original concepts, and creative endeavors, including movies, charitable endeavors like food drives, and others. It is founded on the idea of social solidarity in support of a concept or project, as well as the equitable distribution and efficient use of financial resources. This is consistent with the fundamentals of Islamic finance, which, if used wisely, is seen to represent a revolution in the way that Muslims finance their societies. Blockchain technology could be able to help a mudarib who, for example, requires money for his new or existing business.

Sukuk can be included into smart sukuk contracts as the main contemporary method of raising capital for infrastructure projects and business expansion in Islamic financing. In order to promote efficiency, transparency, and cost-cutting, the smart sukuk structure uses blockchain. It also enables small and medium-sized firms, social impact initiatives, organizations, and associations to issue their own sukuk employing the new technology.

4.2 Challenges and Opportunities of FinTech

Information security, regulatory concerns, and pressure on margins are the main issues or problems brought on by the FinTech revolution. FinTech's future may be described as a dark cloud with a bright spot. Neglecting the regulatory component may result in lost possibilities for FinTech investments. IFIs and IT companies may be looking to regulators for guidance on how to invest in fintech.

As the FinTech regulatory landscape is currently in its infancy, it is crucial that regulators, IFIs, and FinTech partners have in-depth conversations and participate in ongoing collaboration in order to foster confidence in the emerging FinTech ecosystem. In the meanwhile, authorities find it difficult to create a universally applicable regulatory framework because to the wide range of FinTech and its many business models. As a result, in the current early stage of regulatory development, detailed discussions, regular meetings, and interaction between regulators, IFIs, and FinTech partners are highly critical and required for creating a clear and trustworthy environment.

The majority of FinTech businesses operate under an asset-light, digital-focused business model, giving them an advantage over conventional IFIs in terms of size and pricing. They can hire or outsource the cloud for operational infrastructures; they are not required to own information technology themselves. These new market actors therefore pose a threat to the sector by seizing commercial opportunities and empowering rivals by making their services available to them. [35]

CHAPTER-5

Conclusion

This thesis aimed to organize a worldwide overview of Islamic finance, starting with its theological foundations and moving on to its financial characteristics. It was discovered that, independent of the accomplishment or disaster of Islamic Finance Institutes and the Islamic Finance sector in the future, the Islamic Finance System has grown to be one of the most significant economic philosophies of the contemporary period. Due to its superior stability, mostly as a result of the Sukuk concept, as opposed to traditional banking, which exhibits volatility during difficult economic times, this system has shown to be a viable choice for non-Islamic investors looking to invest.

The Islamic financial system along with its all components and principles is a relatively stable substitute of conventional financial system. The adaptation of this system by foreign countries which were previously discussed has posed the possibility of endorsing this system worldwide, hence creating a fairer and less volatile financial world. Islamic finance turns out to have a stronger connection to the actual economy than conventional finance because of the strong ethical and religious foundation it is built upon.

Also, with the advancement of information technology including the development of block-chain technology, the Islamic finance seems to adhere to this new modern world. All in all, it is quite evident that fintech and Islamic finance have a close link, which encourages Islamic financial institutions to participate in the sector. Fintech could benefit Islamic financial institutions by assisting them in implementing Maqasid rulings within their operations. Some of the common goals for both fintech and Islamic finance include transparency, social benefit-focused investment, safeguarding human wealth and the environment, protecting human factor, and minimizing friction in terms of money, labor, and time. The findings of this literature study make the connection between these two fields evident, urging Islamic financial institutions to participate in fintech to more successfully pursue their objectives. Blockchain technology are adaptable enough to be used with any other financial tool, which will open up the fintech industry to new ideas. Blockchain disruption also benefits Islamic finance; both banks and non-bank institutions greatly profit from it. The efficiency and speed that Islamic banking requires may be reached by these technologies considerably more quickly than traditional fintech, according to research on Islamic finance that is more focused than ever on blockchain and other DLT-based technologies. Islamic fintech has enormous potential, primarily because it is simpler to integrate new technologies into Islamic finance since Shariah and fintech principles align. Additionally, the potential for Islamic fintech might be further increased by combining the movement in trust toward Islamic finance with fintech prospects. One of the key objectives of Shariah is to provide convenience and transparency in business processes. A really Islamic company should be open, effective, and protective of its customers' money. In today's challenging markets, maintaining a firm' Shariah compliance while keeping it competitive is more challenging.

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