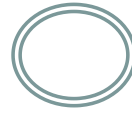


بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Research perspectives in Islamic Banking and Finance



EXPLORING THE POTENTIAL RESEARCH AREAS
IN ISLAMIC FINANCE AND BANKING

Irshad Ahmad Aijaz | Chairman, Shariah Supervisory Board | BankIslami Pakistan Limited
<irshad786@gmail.com>

Contents

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- Introduction to basics of Islamic banking and finance;
 - Concept of Banking / Financial Intermediation;
 - Islamic Banking and Finance in a view;
- Phases of banking and Islamic banking in Pakistan;
- Research requirements for current phase;
- Potential areas of research;

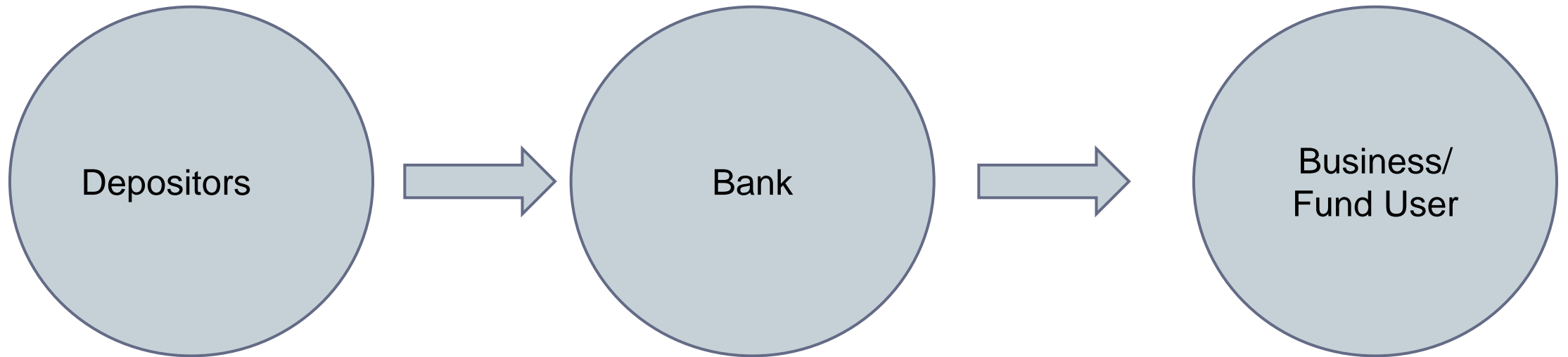
What is Islamic banking?

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- What Is the concept of Banking/ Financial Intermediation?
- What is the basis of Conventional bank?
- What is the basis of Islamic Banks?

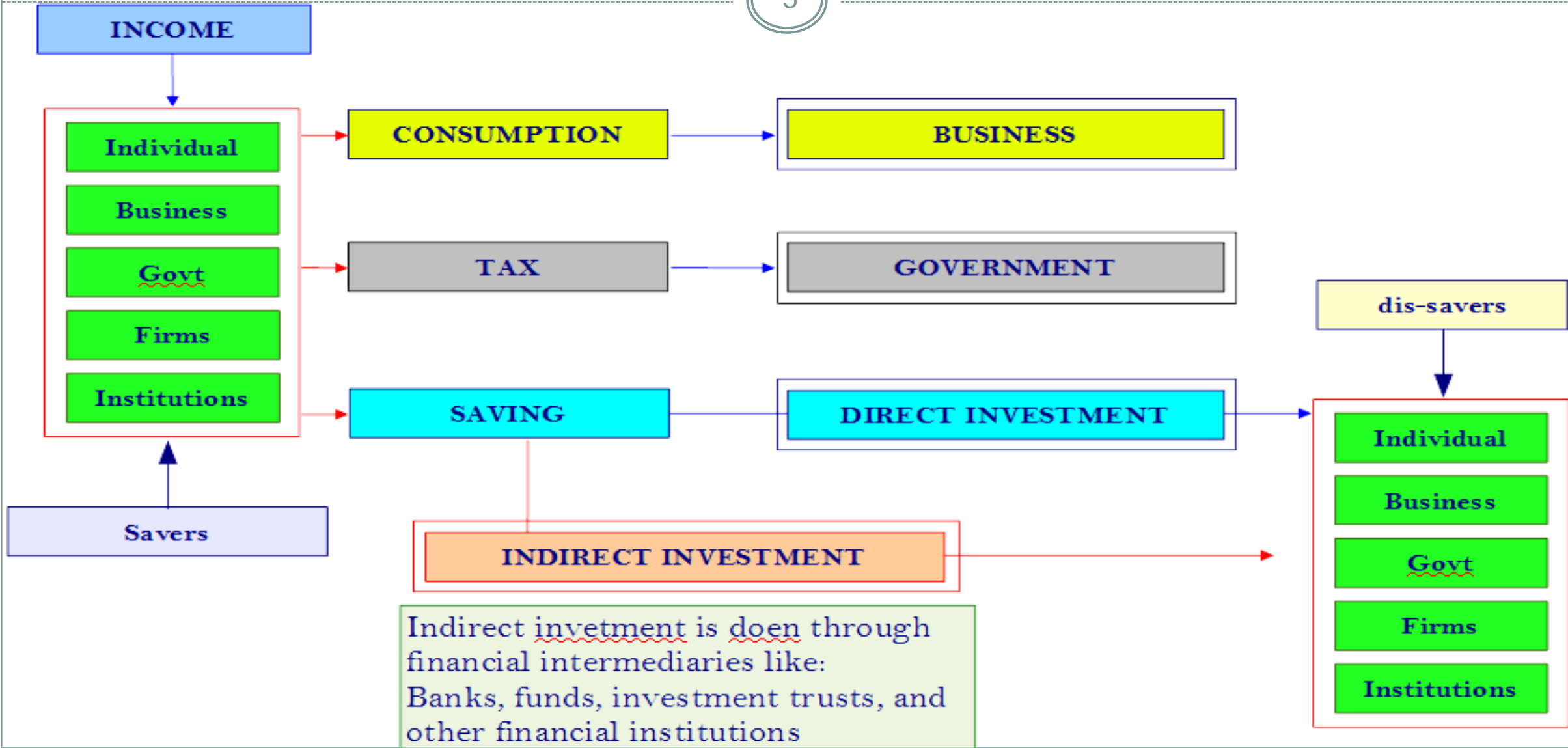
Financial Intermediation

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Financial architecture

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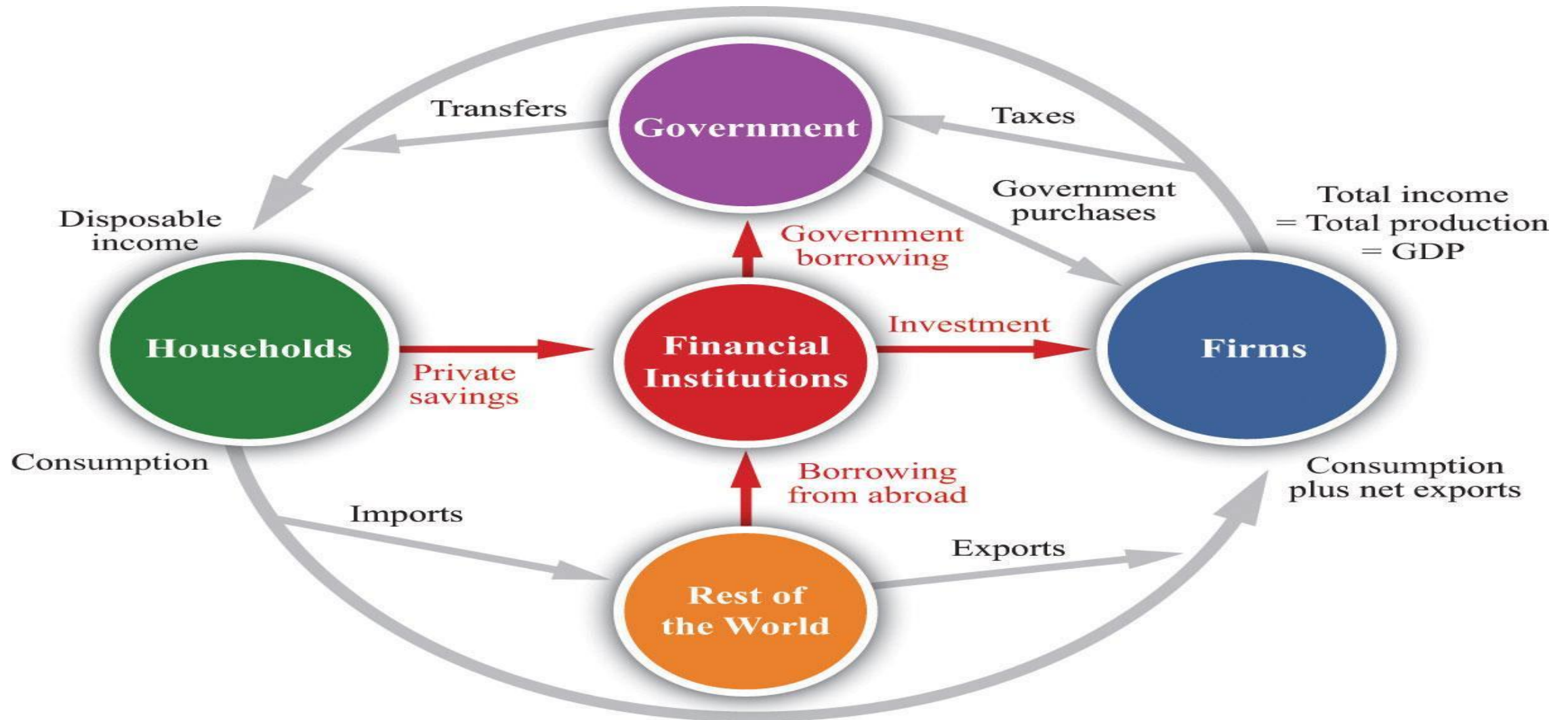
Functions of Bank

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- Financial Intermediation:
- Accepting Deposits
- Giving Finance
- Other services: Safe Custody, Agency and Advisory etc.

Contemporary Banking/Financial intermediation

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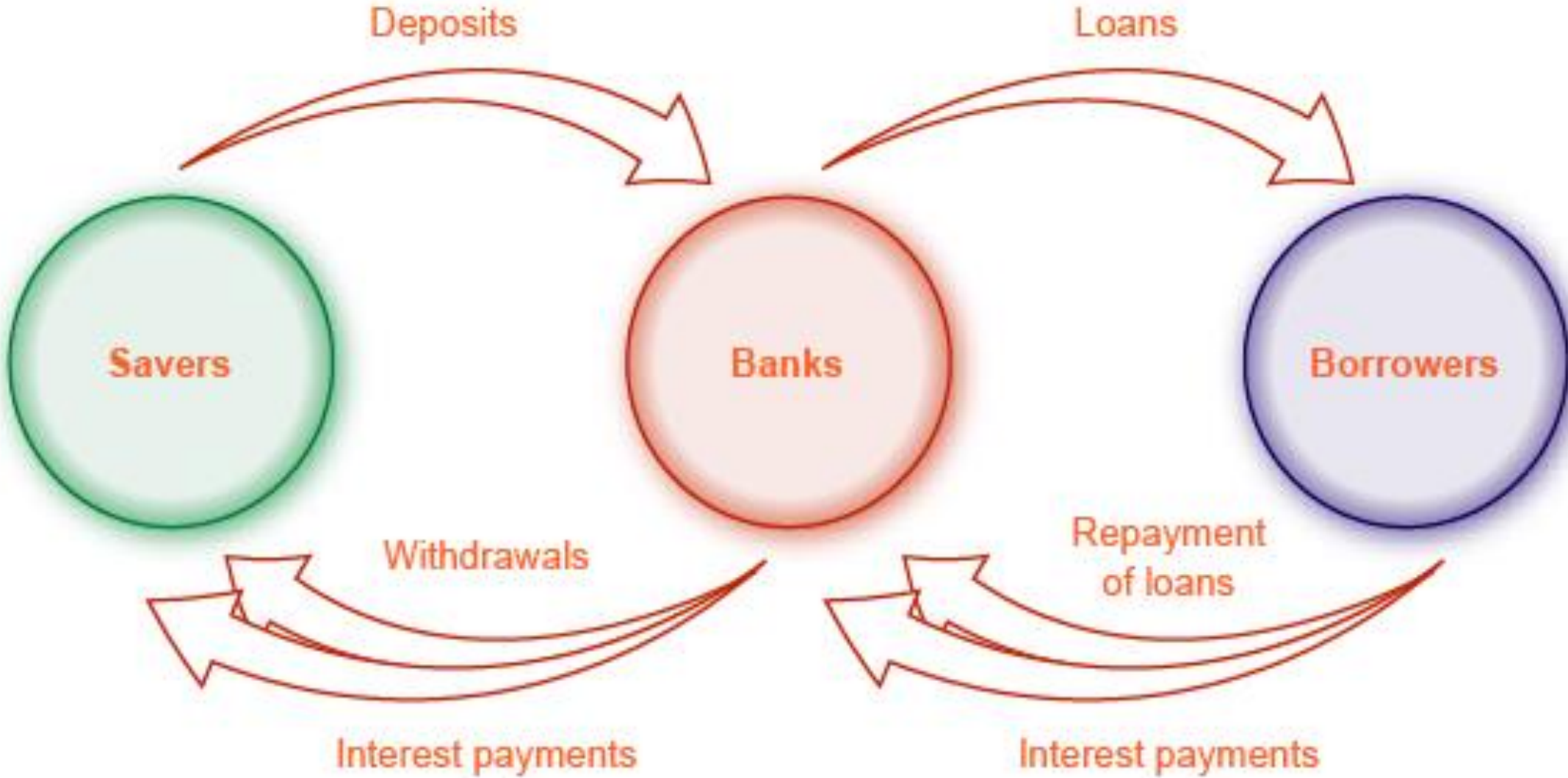


Importance of Financial Intermediation

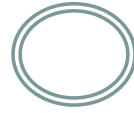
8

- Financial intermediation can improve economic efficiency in different ways by:
- Aggregating small savings for profitable investments
- facilitating transactions;
- facilitating portfolio creation;
- easing household liquidity constraints;
- spreading risks over time; and
- reducing the problem of asymmetric(Incomplete) information.

Conventional Banking / Financial Intermediation

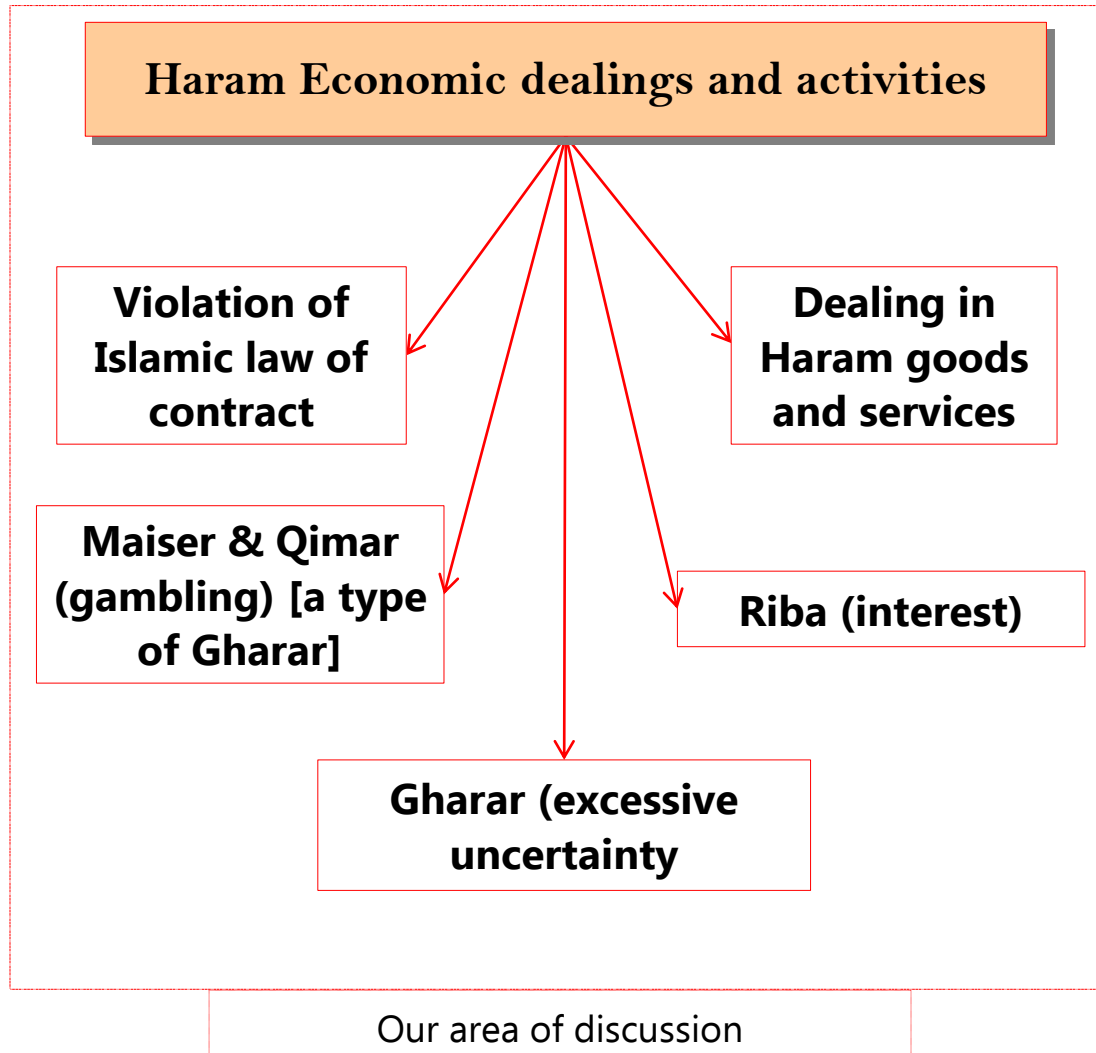
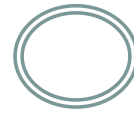


Prohibition in Islamic financial system

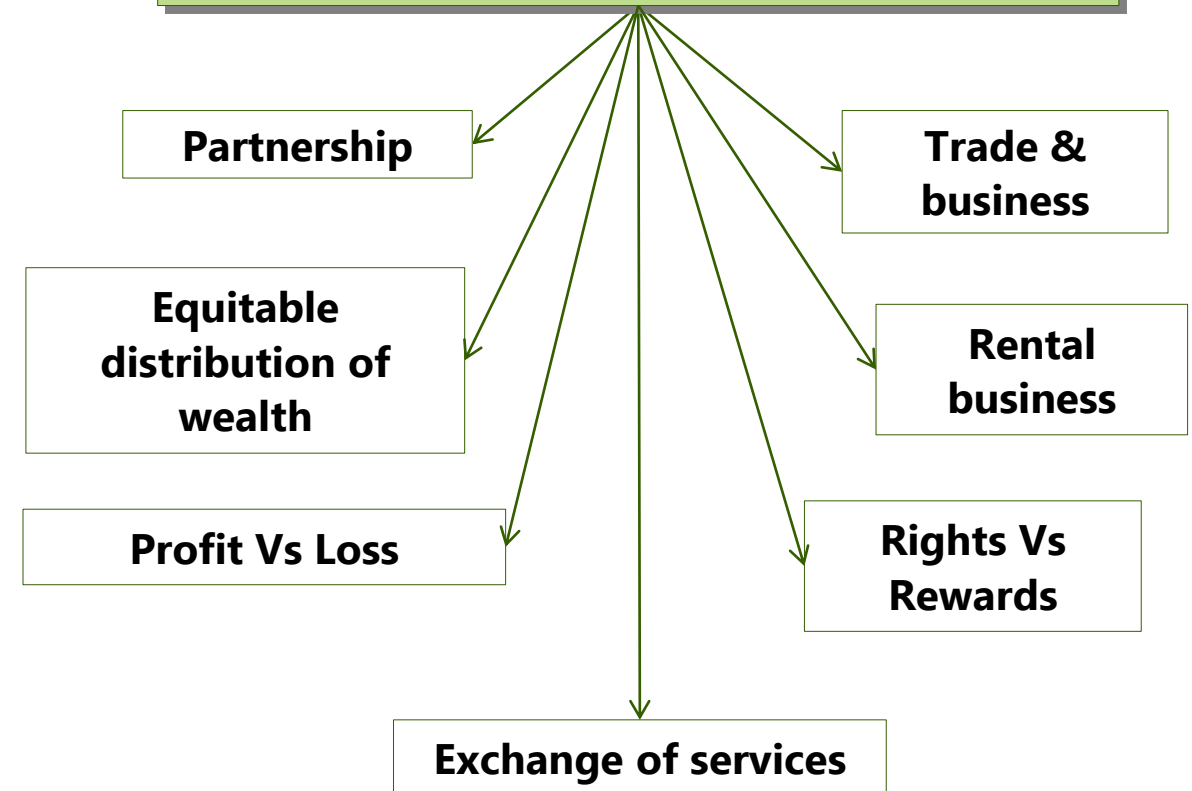


- Islamic economic guidelines are of two types:
 - Prohibitive guidelines:
 - ✦ The guidelines that provide guidance on prohibited economic activities, action and contract in Islam;
 - Prohibition of interest is an example of it;
 - Permissive guidelines:
 - ✦ The guidelines that explain preferable and permissible economic activities, actions and contracts in Islam;
 - Preference of equitable wealth distribution and permissibility of trade are examples of this type;
- Our area of discussion will be limited to the first type of these guidelines;

Prohibition & Permission in Islamic financial system

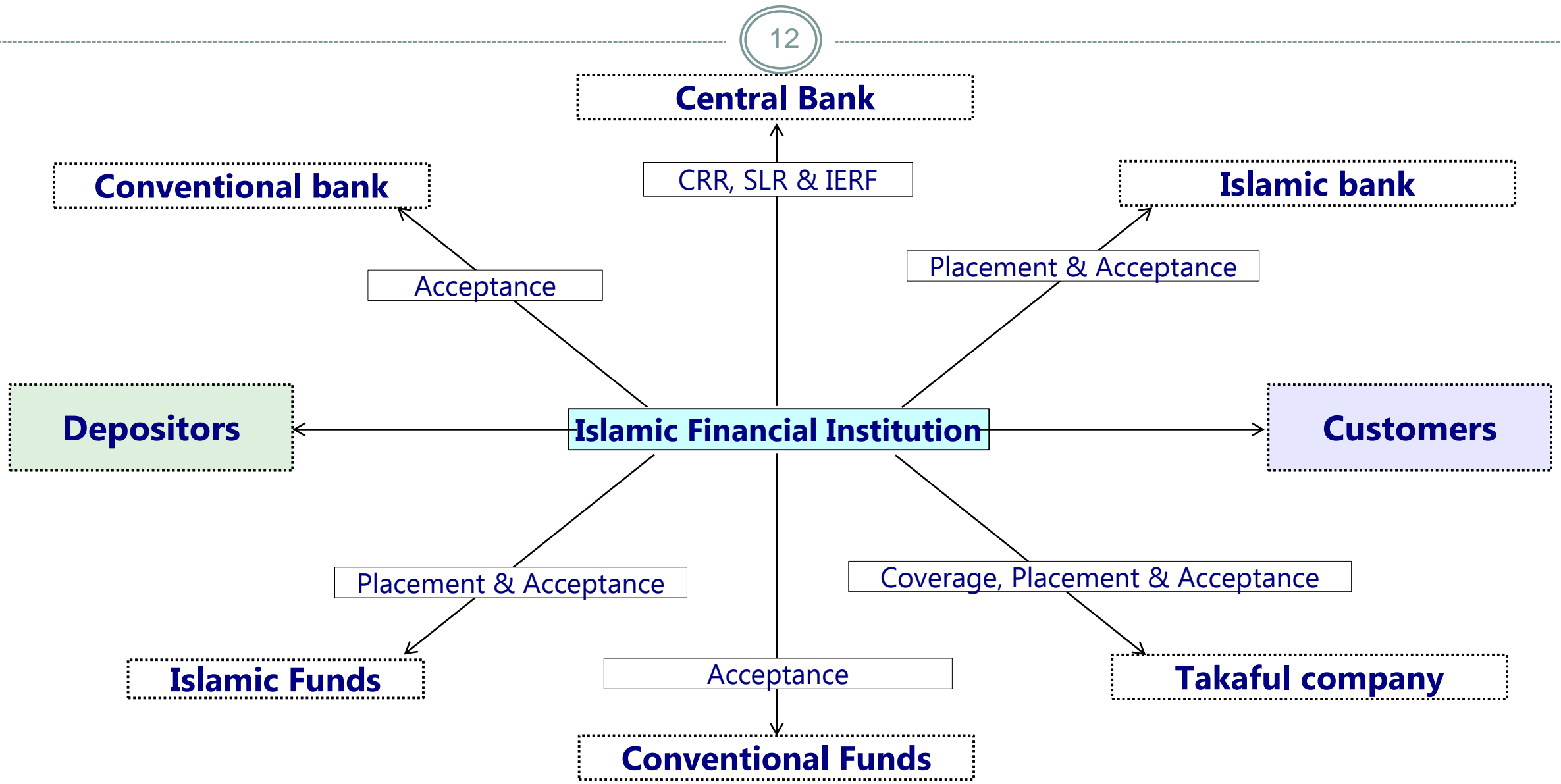


Preferable & Permissible Economic dealings and activities



Stack holders of an Islamic financial institution

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Suggested Topics

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- **Premium for additional risks taken by Islamic banks:**
 - Islamic banking and financial institutions are bearing / liable to bear extra risks, which are compulsory according to Islamic Laws (eg. Goods risk in case of trade and Rent based earnings, Capital loss or Profit up down risk in partnership based earnings)
 - Conventional banking and financial institutions are not liable to bear these type of risks.
 - Possible Research Question(s):
 - ✦ Why and why not IBFIs should charge Risk premium when they are bearing extra risk?

Suggested Topics

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- ✦ How IBFIs can charge this risk premium?
- ✦ Is there can be develop any beta or calculation model which should be acceptable to all stack holders?
- ✦ Can IBFIs market, this extra risk as differentiation strategy? (Difference of Islamic and Conventional IBFIS)

Suggested Topics

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- **Independent benchmarks for Islamic financial market:**
 - What are the difficulties in launching of Islamic banking and finance separate Benchmark
 - What will be the alternative?
 - Will Conventional benchmark will be considered at the time of Islamic benchmarking or not?
 - If yes, so how “purposed system” will be differentiated with others?
 - If not, so how market cash flow (Arbitrage) will be calculated?
 - Is the Industry based financial Intermediation, the solution?
 - What are other possibilities, barriers and solutions of this important problem?

Other Areas of Research

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- **Economic Policies for Islamic Finance**
 - Islamic Finance for Economic Development
 - Fiscal and Monetary Policy and IFIs
 - IFIs and Objectives of Economic Policies like Inflation, Economic Growth and Employment
- **Comparison of Economic Systems**
 - Conceptual Differences(Concept of Opportunity Cost)
 - Credit Crisis and IFIs(Stability of IF)

Other Areas of Research

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- **Evolution of Islamic Finance**
 - Country level development
 - Potentialities and forecast
- **Governance framework of Islamic Finance**
 - Corporate governance
 - Impact of ~Shariah board

Areas of Research

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- Islamic Finance impact on Employment
 - HR issues
 - Frictional unemployment(Skill Gap)
- Islamic Financial Institutions and International Trade
 - IE and Free trade
 - IF and Exchange rates theories
 - Export and Import

Areas of Research

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- **Market Analysis**
 - Demand and Supply of IFIs
- **Demographic Analysis of Society toward Islamic Finance**
 - Youth/Gender basis
- **Performance analysis**
 - Measuring the productivity of Islamic banking
 - Mutual Funds and other IFIs
 - Performance in industrial lending Measuring the performance of Islamic Banks

Areas of Research

20

- Product performance
- Profitability
- Service quality
- **Policies analysis of IFIs**
 - Customer relationship,
 - Marketing,
 - Investment Policies of IFIs

Areas of Research

21

- Political/Governmental aspects
 - Legal Frame work
- Risk Management/Analysis
 - Comparison
 - Innovative structures to overcome risk
 - Operational Risk
 - Product Risks

Areas of Research

22

- **Social Aspects of Islamic Finance**
 - Islamic banking and poverty alleviation
 - Society behavior towards Islamic Finance
 - Corporate Social Governance
 - Corporate social responsibility Corporate Social Responsibility of Islamic Banks
- **Standardization of practices**
 - Accounting
 - Cost/Benefit Analysis

Questions?