



UNDERSTANDING ASSET CONCEPT
FOR ISLAMIC BANKING AND FINANCE
PRODUCT DEVELOPMENT

Umar Mohammed Idris



IIUM PRESS
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA



**UNDERSTANDING ASSET CONCEPT FOR
ISLAMIC BANKING AND FINANCE PRODUCT
DEVELOPMENT**

Umar Muhammed Idris



IIUM Press

Published by:
IIUM Press
International Islamic University Malaysia

First Edition, 2011
©IIUM Press, IIUM

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without any prior written permission of the publisher.

Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Umar Mohammed Idris: Understanding Assets Concepts for Islamic
Banking and Finance Product Development
Bibliography p.
Includes Index

ISBN: 978-967-418-060-7

Member of Majlis Penerbitan Ilmiah Malaysia – MAPIM
(Malaysian Scholarly Publishing Council)

Printed by :
IIUM PRINTING SDN. BHD.
No. 1, Jalan Industri Batu Caves 1/3
Taman Perindustrian Batu Caves
Batu Caves Centre Point
68100 Batu Caves
Selangor Darul Ehsan

Contents

Acknowledgment

Foreword

Part I: The Concept of Wealth, Development, Characteristics & Types

1. Chapter One: The Concept of Wealth 5
Umar Mohammed Idris & Aznan Hasan
2. Chapter Two: Wealth and Its Relationships with Other Terms 19
Umar Mohammed Idris & Azman mohd Noor
3. Chapter Three: Classification of Wealth in Islamic Financial System 31
Umar Mohammed Idris & Aznan Hasan

Part II: Position of Money Market in Islamic Jurisprudence

4. Chapter Four: The Position of Money Market 50
Umar Mohammed Idris & Aznan Hasan
5. Chapter Five: Functions of Financial Market 69
Umar Mohammed Idris & Aznan Hasan
6. Chapter Six: Islamic Financial Market, Its Characteristics and Importance in the Islamic Financial Engineering 79
Umar Mohammed Idris & Azman mohd Noor

Part III: Asset as a Key Element in the Development of Financial Products

7. Chapter Seven: Asset as a Key Elements in Development of Financial Products <i>Umar Mohammed Idris & Aznan Hasan</i>	85
8. Chapter Eight: The Concept of Assets for the Islamic Financial Institutions <i>Umar Mohammed Idris & Aznan Hasan</i>	103
9. Chapter Nine: The Suitability of Assets and Criteria for the Development of Financial Products <i>Umar Mohammed Idris & Aznan Hasan</i>	113
References	131
Glossary of Terms	138

Chapter Five

Umar Mohammed Idris & Aznan Hasan

Functions of Financial Markets

5.1 Introduction

The functions of financial market can be grouped into two basic functions: savings and employment. These two basic functions have a number of other sub-functions which will lead the financial market to play an important economic and financial roles in financial engineering, which is evident in the economic activities in the market with all players such as government, individual, and institutional bodies . The following is a brief overview of these functions:¹

5.2 Basic Economic Functions of Financial Markets

Firstly, it generates savings: The financial market functions generally as savings institution through its two main channels. These are the primary market and secondary market. One of their major functions is to mediate between the individuals' savings and development projects.

Since commercial banks are the most important channels of financial intermediation between individuals as it has the ability to receive deposits from the public and lend in short and medium term to meet the borrowers' needs. However, they cannot provide longer-term financing loans to meet the needs of governments, institutions, and investment companies. Thus, the existence of financial markets becomes necessary which can provide long-term financial loans to the governments, institutions, and investment companies. Therefore, from this point it shows the importance of the stock market as a financial instrument that perform together with all its institutions