

Islamic Banking & Finance 2014 Conference Programme

LANCASTER
UNIVERSITY

Management
School



Durham
University
Business School



Aston Business School

23rd - 24th June 2014

Ashton Memorial, Lancaster

Monday 23rd June 2014

08.30 — 09.30

Conference Registration and Distribution of Material

09.30 — 09.50

Welcoming Talk

Professor Sue Cox

Dean of Lancaster University Management School

09.50 — 10.40

Keynote Speech

Professor Thorsten Beck

10.40 — 11.00

Welcoming Talk

Professor Omneya Abdelsalam

Session M1: Banking

Session Chair: Hasan, Iftekhhar

Do Islamic Banks Live Free and Die Young? (ID 254)

Pappas, Vasileios; Ongena, Steven; Izzeldin, Marwan; Fuertes, Ana-Maria

Finance-Growth Nexus and Dual Banking System: Relative Importance of Islamic Banks. (ID 252)

Abedifar, Pejman; Hasan, Iftekhhar; Tarazi, Amine

Session P1: Asymmetric Information

Session Chair: Tariq, Wijdan

Asymmetric Information and Islamic Financial Contracts: Theoretical Discussion. (ID 219)

Benamraoui, Abdelhafid

Gharar and Mispricing of Equity Warrants. Malaysian Evidence. (ID 182)

Haron, Razali

Effects of Asymmetric Information on Syndicate Structure in the Syndicated Islamic Financing Market: Empirical Evidence. (ID 200)

Tariq, Wijdan

Session P2: Financial Development

Session Chair: Jusoh, Hashim

Financial Development and Economic Growth: Does Islamic Bank Financing Contribute to Economic Growth: The Malaysian Case. (ID 133)

Ben Amar, Amine; Hachicha, Nejib

On the Absorption of Financial Services in an Islamic Environment. (ID 228)

Mertzanis, Charilaos

Evaluation of Monetary Policy: - Evidence of the Role of Money from Malaysia. (ID 214)

Ouatik el Alaoui, AbdelKader; Jusoh, Hashim; Krichene, Noureddine; Ismail, Abdul Ghafar

Session P3: Risk

Session Chair: Alswaidan, Mohammed

Market Discipline in Banking Islamic vs. Conventional Banks. (ID 166)

AlAbbad, Amal Essa

Risk Management in Islamic Trade Finance. (ID 113)

Gundogdu, Ahmet Suayb

Risk Sharing in Islamic Finance: Recent Trends and Development. (ID 126)

Mohammadden, Sadiq; Alswaidan, Mohammed; Daynes, Arief; Pasgas, Paraskevas

Lecture Theatre 3

Lecture Theatre 6

Lecture Theatre 9

Lecture Theatre 10

List of Abstracts

Monday, 23rd June, 2014

Session M1: Financial Development

Time: 11.30-13.00

Location: LUMS Lecture Theatre 3

Do Islamic Banks Live Free and Die Young? (ID 254)

Pappas, Vasileios; Ongena, Steven; Izzeldin, Marwan; Fuertes, Ana-Maria

Are Islamic banks inherently more stable than conventional banks? This question is addressed by comparing estimates of (un)conditional hazard rates for the two types of banks. For this purpose, we employ duration models that take into account both the occurrence of and the time-to-failure of 421 banks in 20 countries in the period 1995 - 2010. We find that Islamic banks have a significantly lower risk of failure both unconditionally and conditionally on time-varying bank characteristics, market structure and macroeconomic conditions. The enhanced survival rates of Islamic banks are more strongly tied than those of conventional peers to their own liquidity position, leverage, banking sector concentration and macroeconomic conditions. The design and implementation of early warning systems of bank failure should therefore recognize the distinct risk profiles of the two bank types.

Finance-Growth Nexus and Dual Banking System: Relative Importance of Islamic Banks. (ID 252)

Abedifar, Pejman; Hasin, Iftekhar; Tarazi, Amine

This paper investigates whether the coexistence of Islamic banks alongside conventional banks has any significant influence on the quantitative and qualitative development of the banking system and economic welfare. In other words, it inquires the impact of the presence Islamic banks - alongside conventional banks - financial development (access to finance e.g., saving mobilization and growth of private credit), economic growth (gross national index and new business formation), income inequality (GINI index and poverty alleviation). It also explores the possible impact of Islamic banking presence on the performance of conventional banks (credit risk, cost efficiency and profitability).

Session P1: Asymmetric Information

Time: 11.30-13.00

Location: LUMS Lecture Theatre 6

Asymmetric Information and Islamic Financial Contracts: Theoretical Discussion. (ID 219)

Benamraoui, Abdelhafid

The issue of asymmetric information and its direct effect on conventional financial contracts is widely investigated in the finance literature. However, limited attention has been paid to the impact of asymmetric information on Islamic based financial contracts. Therefore, this research paper aims to shed light on the relevance of asymmetric information to the two main Islamic financial contracts, Murabaha and Musharaka. The article also discusses the issue of gharar and the main theories that can be applied to deal with asymmetric information in an Islamic finance context. The analysis presented in this research paper suggests that Islamic financial contracts are subject to different level of asymmetric information including the element of gharar at both the ex-ante and ex-post stages of the lending process. The paper draws on theoretical discussions to provide solutions to the adverse selection and moral hazard related problems.

Gharar and Mispricing of Equity Warrants. Malaysian Evidence. (ID 182)

Haron, Razali

The use of derivatives as risk management instrument has accelerated rapidly where financial instruments like option, forward, future and swaps have been widely used to manage risks. Despite its extensive usage, the use of derivatives as risk management receives differing arguments among the Muslim scholars. Focusing on the use of option contract, despite its economic benefits of hedging activities they are also used for speculative purposes that contravene with the maqasid al Shariah. Options are also objected to because of the payment of a premium, and conditional options are not allowed in currency exchanges. Options are also accused of containing the element of gharar which is prohibited in fiqh muamalat. Therefore, the objective of

List of Abstracts

this study is to investigate the existence of one of the prohibited elements which is gharar in one of the financial innovations in derivatives family which is equity warrants contract since most Islamic scholars reject the conventional warrants on the basis of gharar and that warrants are transacted for speculative gains. This study examined the existence of gharar element in equity warrants pricing especially in the case of mispricing by employing the Black Scholes Option Pricing Model (BSOPM) on 73 equity warrants listed on Bursa Malaysia for the period of 2006-2012.

Effects of Asymmetric Information on Syndicate Structure in the Syndicated Islamic Financing Market: Empirical Evidence. (ID 200)

Tariq, Wijdan

The syndicated Islamic finance market is a significant source of corporate borrowing; the volume of Islamic syndications during the years 2002-2013 is estimated to be over \$200 billion, as compared to the popular sukuk market which saw issuances of over \$600 billion during the same period. While extensive research has been done on information asymmetry in conventional syndicated financing deals, its Islamic counterpart has hardly been the subject of any empirical analysis. This is surprising given the growth of this market. More importantly, even though the role of information asymmetry in Islamic financing arrangements is widely acknowledged, there is little existing evidence that shows how Islamic banks manage information problems in financial transactions and to what extent information frictions affect their financing arrangements. The aim of this paper therefore is to apply the theory of financial intermediation from an economics of imperfect information perspective to empirically analyse this growing segment of the international financial markets.

Session P2: Financial Development

Time: 11.30-13.00

Location: LUMS Lecture Theatre 9

Financial Development and Economic Growth: Does Islamic Bank Financing contribute to Economic Growth: The Malaysian Case. (ID 133)

Ben Amar, Amine; Hachicha, Nejib

Does Islamic Finance influence growth? The aim of this paper is to investigate empirically the impact of the Islamic Bank Financing on Malaysia's economic growth over the period 2000Q1-2011Q4. The hypotheses addressed in this study are discussed within the framework of Demirgüç-Kunt & Levine/Chapra approach and the analysis of the Islamic Banking system. A neoclassical production function augmented by some indicators of the Islamic bank financing has been the theoretical framework of our empirical investigations. In the short-run, the estimation of an Error-Correction Model of the GDP in Malaysia has shown that the various indicators of Islamic financing growth elasticity are estimated to be around 0.35. In the long-run, this elasticity varies between 0.14 and 0.20.

On the Absorption of Financial Services in an Islamic Environment. (ID 228)

Mertzanis, Churiluos

The paper will discuss policy issues regarding the marketing of and access to financial services in an Islamic environment. It will discuss the type of financial services, the globalization trends of financial services and the challenges thereby posed, the marketing issues that are important in the financial services business area, the elements of a successful financial services access policy, and the role of financial regulation. More specifically the paper will analyze the full range of financial services (banking, investments, insurance), and distinguish them between those oriented to consumers, those internal to financial institutions and those related to sales and promotion. It will then consider international developments (deregulation, technology, homogeneity of market reaction, competition, conglomeration etc.) that have resulted in the global expansion of both financial services and customer needs. It will analyze efforts of intermediaries to market financial services as well as the directions for marketing effort, including the use of advisory groups and committees and the associated encounters with consumer groups. It will outline the stages of an effort to effectively market and promote financial services in major financial centers, by discussing issues of communication, networking, management, pricing, strategy and technology. Then, it will discuss the role of financial regulators, the Government and other participants groups. It will discuss the current trends and transforming objectives of financial regulation and expound whether and how regulation can actually aid the marketing of financial services in different socioeconomic environment, through market integrity. Finally, it will discuss the various Islamic financial

Monday, 23 June 2014

08.30-09.30 Welcome Reception and Early Registration
 09.30-09.50 Welcome (Sue Cox) *Lecture Theatre 1*
 09.50-10.40 Keynote Presentation: "Title TBC" (Professor Thorsten Beck) *Lecture Theatre 1*
 10.40-11.00 Welcome (Professor Omneya Abdelsalam) *Lecture Theatre 1*

11.00-11.30 Tea & Coffee Break

11.30-13.00 Academic Sessions

M 1	P 1	P 2	P 3
Banking	Asymmetric Information	Financial Development	Risk
LT3	LT6	LT9	LT10

13.00-14.00 Lunch Break

14.00-15.30 Academic Sessions

M 2	P 4	P 5	P 6
Sukuk & Student Loans	Islamic Funds I	Banking & Finance	Conceptual I
LT3	LT6	LT9	LT10

15.30-16.00 Tea & Coffee Break

16.00-17.30 Academic Sessions

M 3	P 7	P 8	P 9
Financial Risk & Stability I	Microfinance	Islamic Equity Indices I	Regulation
LT3	LT6	LT9	LT10

19.00 Conference Gala Dinner / Lancaster House Hotel

Tuesday, 24 June 2014

09.30-11.00 Academic Sessions

M 4	P 10	P 11	P 12
Islamic Equity Indices II	Financial Crisis	Accounting Quality & SSB	SME Financing
LT3	LT6	LT9	LT10

11.00-11.30 Tea & Coffee Break

11.30-13.00 Academic Sessions

M 5	P 13	P 14	P 15
Behavioral Finance I	Sukuk	Performance of banks	Islamic Premium
LT3	LT6	LT9	LT10

13.00-14.00 Lunch Break / Best Paper Award

14.00-15.30 Academic Sessions

M 6	P 16	P 17	P 18
Efficiency of Banks	Conceptual II	Behavioural Finance II	Financial Risk & Stability II
LT3	LT6	LT9	LT10

15.30-16.00 Tea & Coffee

16.00-17.30 Academic Sessions

M 7	P 19	P 20	P 21
	Islamic Equity Indices III	Islamic Funds II	Miscellaneous
LT3	LT6	LT9	LT10

17.30 End of Conference