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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
Garden of Knowledge and Virtue

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IIUM INSTITUTE OF ISLAMIC BANKING AND FINANCE (IIiBF)

JULY 07-08, 2021

ICiFIL2021

INTERNATIONAL CONFERENCE ON
ISLAMIC FINANCIAL LITERACY

"ENHANCING THE WELLBEING OF SOCIETY,
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ABSTRACTS BOOK

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THEME: ISLAMIC FINANCIAL LITERACY

Measuring Financial Knowledge Among Muslim Women: The Case of Indonesia and Malaysia

Aulia Arifatu Diniyya, Salina Kassim, Saidatolakma Mohd Yunus

Abstract: Financial literacy is taking an important role to support the development of women empowerment. To determine the action for financial education for women, the level of financial literacy among women is needed to be observed. The purpose of this study is to measure the level of financial knowledge among Muslim women. This study observes Muslim women in Indonesia and Malaysia. A quantitative method of study is employed by distributing questionnaire that consists of Islamic financial knowledge and general financial knowledge questions. As the sample of this study focuses on women in Indonesia and Malaysia, the findings of this study could not be generalised to other Muslim women in other countries. The research found that Muslim women in Indonesia and Malaysia have a moderate level of Islamic and general financial knowledge. Several areas of weaknesses found in this study are; the understanding of the role of parties in mudharabah contract, knowledge about zakat, and the simple time value of money calculation. These three areas of weaknesses could be emphasized in the financial education program.

How Middle-Low Income Moslem Group Financially Reacts in Pandemic Crisis

Nurlaili, Putri Swastika

Abstract: The purpose of this study is to determine what factors constituting financial behavior of middle-low income group living in the Sub-urbs area in Indonesia during a pandemic. This paper employs Structural Equation Modeling Partial Least Square (SEM-PLS), with a selection of 150 respondents that meets the criteria, based on: jobs, income, and house location. The findings indicate that Islamic financial literacy, locus of control, and attitudes affect positively and significantly to financial behavior of this segment. While attitude serves the highest factor, it is pertinent to emphasize the findings that Islamic financial literacy shows the lowest value than other variables. This situation has a real implication, essentially for policymakers and religious scholars, to create a continuous program targeting improvements on Islamic financial literacy in general with aiming on building a responsible financial behavior for Middle Low Income Moslem Groups particularly during this crisis.

Conceptualizing and Operationalizing Islamic Financial Literacy: A Multidimensional Framework

Farah Amalina Md Nawj, Muhammad Ridhwan Ab. Aziz, Syahidawati Shahwan

Abstract: Islamic financial literacy is a requirement for Muslim financial well-being. Despite its significance, vulnerabilities in personal financial management among Muslims have been recognized. This predicament not only causes financial hardship for individuals, but it also has a negative impact on the growth of the Islamic finance industry. In order to identify the current state of Islamic financial literacy among Muslims and subsequently formulate the control measures, a clear definition of Islamic financial literacy must first be developed. In fact, the empirical research in this area has been hampered by the lack of a validated measurement model, necessitating a precise definition and accurate measurement of Islamic financial literacy. The objective of this study is to scrutinize the concept of financial literacy from Islamic standpoint prior proposing a standard measurement. Underpinned by the Theory of Planned Behaviour (TPB), Islamic financial literacy is perceived as a developmental process that comprises Islamic financial knowledge as input, financial attitudes as throughput, and financial behaviors as output. Content analysis is used to explain these dimensions of Islamic financial literacy. These three primary dimensions are further operationalized through twelve sub-dimensions. This review of the definition and measurement of Islamic financial literacy is initiated in order to highlight existing shortcomings and facilitate researchers in developing structured, widely accepted Islamic financial literacy instruments.

The Islamic Financial Literacy of Millennial Business Students in Bandung City
Faza Fariha Zhafira

Abstract: Indonesia is known as a country that was once ranked first with the largest Muslim population in the world. Ironically, based on the National Survey of Financial Literacy and Inclusion (SNLIK) that was conducted by the Financial Services Authority (OJK) in 2019, the result shows that the Islamic financial literacy index in Indonesia is 8.93%. Seeing that the financial literacy index number is generally low, it means that we can conclude the millennial financial literacy rate is lower. However, to find out which part of the Islamic financial literacy knowledge that must be improved by the millennial student, the researcher must conduct a survey about Islamic financial literacy and measure the depth of knowledge understanding and decide which is the least mastered Islamic finance knowledge from millennial students for further improvements. The method that is used in this study is questionnaire and filled by 359 millennial business students in Bandung City and measured using likert scale (1-4). The variables used in this research to measure the Islamic financial literacy are Islamic finance principle and Islamic finance method and the results were analyzed using descriptive statistics that were processed with SPSS to determine which knowledge of Islamic financial literacy tends to be less understood. The findings are categorized into four levels of understanding; not understand at all, understand a little, quite understand, and completely understand. The result of the research can have positive implications for the interested parties by offering datas about what comprehensive knowledge or materials about Islamic financial literacy that are needed to be improved and hopefully can effectively optimize the opportunity to increase the Islamic financial literacy index in Indonesia by designing a better education materials about Islamic finance.

A Study of Factors Influencing Muslim's Preference towards Conventional Banks and Their Understanding of Ribā's Concept in West Sumbawa
Ahlis Fatoni, Mega T.R. Luik

Abstract: This study aims to explore Muslim's preferences in selecting a bank and theirs understanding of ribā. Primary data collected from the Muslims in West Sumbawa was analysed using exploratory factor analysis by SPSS. It is found that Muslims in West Sumbawa has knowledge about ribā. However, Muslim customers still are attracted to conventional bank because of its facility, variety of products, and its media marketing. Regarding the misconception of ribā, level of education has relation in five conceptions in prohibiting of ribā. Religion variable also has significant relation in prohibiting ribā, while the occupation variable resulted the allowance of ribā as long as it is not excessive. The results suggest that as Muslim majority, the education of ribā should be taken by the Muslim organizations and or government, while Islamic bank should do more attractive marketing and open new branch to attract Muslim customers.

Achieving the SDGs in Shariah Audit by the Islamic Banks in Indonesia
Ferdi Zanuaz Azan, Nur Harena Redzuan

Abstract: The Islamic banking industry in Indonesia has received a great demand from stakeholders with the rise of the assurance and accountability of the business. Further measurements are needed to be taken through comprehensive Shariah audit for the transaction process and the execution of contracts. The implementation of Shariah audit resulted to the best performance and reputation of Islamic bank itself, and ultimately contribute to the economic growth and achieve the Sustainable Development Goals' (SDGs) statute. This study examines the Shariah audit perception and practice in Indonesia Islamic banks. The study also explores the implication of Shariah audit in Indonesia Islamic banks toward SDGs achievement. The study adopts a qualitative research method with structured interview. From the findings, the results indicate that auditing practice in Islamic bank has some differences with auditing in conventional bank due to some distinguish feature that possessed by Islamic bank. In addition, lack of proper Shariah auditing framework in Islamic bank, while a clear provision from Financial Services Authority of Indonesia (OJK) is only on Islamic banks' products and operation with no detail guideline on how to conduct the Shariah auditing. In conclusion, a proper Shariah audit practice in Islamic banks should give notable impact to the SDGs achievement. There should be improvement in implementing Shariah audit practice. The Islamic bank should focus on improving the Shariah audit framework and human resource since there are two major issues found from this study.

Islamic Financial Literacy: A Conceptual Framework and Proposed Definition

Pg Md Hasnol Alwee Pg Hj Md Salleh, Mohd Hairul Azrin Hj Besar

Abstract: From a personal finance perspective, contemporary Muslims should consider two aspects in their relationship with money. On one hand, there is a need to understand, appreciate and adhere to Islamic principles such as the prohibition of riba, and the payment of zakat for those who fulfill the conditions. On the other hand, the world of contemporary finance is increasingly inundated with complex financial products at a time where governments are pushing individuals to take responsibility of their own financial situations. The latter has led to the growth of financial literacy in the past few decades to enhance financial well-being. For Muslims, Islamic financial literacy had also developed in recent years though there are arguably different context or definitions of Islamic financial literacy. In this paper, a definition of Islamic financial literacy is proposed, using a framework that incorporates the concepts of vicegerency and al-falah where the individual is concerned, integrated with the impetus towards socio-economic justice and the maqasid al-shari'ah. It is hoped that the proposed definition and its implications provides researchers and practitioners a way to contextualize what is or should be covered under Islamic financial literacy. The paper also advocates through the proposed definition an enhanced focus in order for Islamic financial literacy to play a wider role beyond reaping the benefits onto the individual Muslim, but also onto the wider Islamic community or ummah.

Regulatory Issues, Challenges, and prospect for Participation Banks in Turkey: a Qualitative Study

Rusni Hasan, Zulfahmi, Kamola Bayram

Abstract: This paper aims to investigate Islamic Banks Experts' views and experiences pertaining the regulatory issues, challenges, and prospects of Participation (Islamic) Banks in Turkey. This paper argues that the current progress of participation banks development in Turkey is not commensurate with its huge potential. The majority Muslim population, legacy of strong Islamic law and the strategic location of the country have failed to serve as catalyst to boost market share of Islamic banks in this country. This study uses qualitative methods to form a deeper understanding of Participation Banks' Experts perception and experience on Islamic banks history and development in Turkey. Semi-structured interviews were conducted with nine scholars, regulators and practitioners who have knowledges or working experiences in Islamic financial institutions in Turkey. This study used phenomenological techniques for its data analysis.

The finding shows that the aspects of participatory banks in Turkey are derived from strengths, opportunities, weakness, and threats factors. Sharia board is the main strength of this study, while inadequate competitive product is the main weakness. In the future, government support stands as the first priority from opportunity aspect. Islamic bank in Turkey also needs to aware on the absence of separate law as the main priority of threats aspect. Another finding shows that separated law and regulation is the main strategies of the study. Concomitantly, the study suggests separated law and regulation as the main strategy to enhance participation banks in Turkey. This study could serve as reference point for the regulator in formulating appropriate policy strategies to increase market share of participatory banks in Turkey.

Influence of Ta'awun in Project Management and Funding through Financial Literacy in Sustaining Community Vegetables Gardens

Suhaimi Mhd Sarif, Yusof Ismail, Dolhadi Zainudin

Abstract: Ta'awun is mutual cooperation among members who share common objectives and outcomes. Ta'awun has an influence in sustaining project management and funding of community projects. Financial literacy of ta'awun approach in funding and project management is practical for community vegetable gardens. This study obtained the views of the five groups who were involved in community vegetable garden projects through conversational interview with note-taking about the influence of ta'awun in funding and project management of community vegetables garden projects. The qualitative conversational interview follows the convention of interview procedures and protocols with adherence to research ethics. The study uses thematic analysis on the results of the interviews. The informants argued that the foundation for ta'awun is solidarity among members through financial literacy in the funding and project management for community projects. The influence of ta'awun (mutual cooperation) in this study is driven by the preferences and structure of the groups. Most of the groups are driven by structured-based ta'awun instead of uniqueness ta'awun. Ta'awun with structure is on gradual development basis. Nevertheless, the uniqueness-based ta'awun could be incorporated into both gradual and drastic basis in sustaining community vegetable gardens through financial literacy for project management and funding. The future research should use qualitative case study method with several communities with vegetable garden projects to deeply explore the influence of ta'awun in financial literacy of project management and funding.

The Theory of Product Innovation and its Application in Islamic Banking

Mohamad Syafiqe Abdul Rahim

Abstract: The success of banking institution depends on continuous innovation and improvement of the product offering to increase profitability and marketability. Product innovation is also one of the important aspects for Islamic banking institution, but it requires attention in observing Shariah requirements. This article will analyze the principles of innovation and development and its application in Islamic banking product. The analysis is based on qualitative research approach where reference will be made to primary and secondary sources gathered through library research. The discussion will study several literatures on the concept of product innovation and analyze the applicable Shariah principles in the aspect of innovation of Islamic banking product. From the study, it is concluded that the general concept of product innovation in conventional banking can be applied in the context of Islamic banking. This is because Islamic banking is still within the framework of banking which is also subject to similar commercial aspects but with the requirement to uphold Shariah principles. Product innovation in Islamic banking involves the role of creativity and the concept of reform in Shariah as well as the approach in the construction of Shariah ruling. Therefore, continuous product innovation is significant for Islamic banking institution to remain competitive with other financial institutions in the industry.

To Save or to Invest? Determinants of Financial Decisions among Salaried Workers

Nor Izzati Mohd Aziz, Salina Kassim

Abstract: Savings and investment are the key indicators of steady economic growth. While savings is a form of setting a portion of income for future benefits, at the same time, it can also be accumulated as an investment. The pattern of investment an individual difference according to demographics and behavior of investors. Relating to this, attitude and behavior gives a significant influence on individuals to choose financial products wisely. The existing empirical evidences suggested that the willingness to choose financial products are depending on various factors. This paper examines the factors that contribute to the salaried workers' preferences toward savings and investment decision. Data were collected through distributing questionnaires to salaried people. Variables included namely risk and return, savings and investment objectives, affordability and awareness. This study will identify factors influencing salaried workers' decision to either saving the money as bank deposit or to invest for future needs.

THEME: MICROFINANCE

Informal Insurance Arrangements in Ethiopia - A Literature Review

Howlet Ahmed Beshir, Syed Musa Alhabshi, Habeebullah Zakariyah

Abstract: Various researchers laid their focuses on informal financial sector and believe that it is a strong weapon to achieve financial inclusion among low income households. Apart from social networking, the informal financial sector will likely continue to be important in developing countries as well as among immigrants in developed countries in terms of financial access. Among the informal financial mechanisms, informal insurance arrangements are popular in developing countries whose beneficiaries include mainly low income households. Their prevalence is due to the non-availability of formal institutions or; although available, the restrictions imposed in these people owing to different factors. This article presents the general overview of informal insurance arrangements; mainly the Ethiopian Iddir (ዕድር) and addresses the gap in the existing literature.

Efficiency Comparison between Conventional and Islamic Microfinance: Empirical Evidence from Grameen Bank and Akhuwat Microfinance using Data Envelopment Analysis

Youssef Andrif, Ahijj Abdelhafid, Ibadurrehman Patel, Kenneh Mussa VS, Abdul Majed, Nur Harena Redzuan

Abstract: Efficiency in operations is one of the major contributing factors in ensuring the sustainability of a microfinance institution (MFI). This study attempts to make a comparison between the efficiency of a conventional MFI and that of an Islamic MFI with the aim of identifying lessons to be learned from the best practices of the institutions. In order to achieve this objective, two MFIs are selected, namely Grameen Bank in Bangladesh – representing conventional MFI, while Akhuwat Microfinance in Pakistan – representing Islamic microfinance. The study uses the quantitative research approach by adopting the Data Envelopment Analysis (DEA) on data covering the period from 2010 to 2019. The DEA is the most commonly used non-parametric approach, being adopted in this study to investigate the efficiency of both MFIs. In the DEA technique, efficiency is measured by the Malmquist index. The Malmquist efficiency measures are decomposed into two components: efficiency change and technical change index. Efficiency change is further decomposed into pure efficiency and scale efficiency. To measure their efficiencies, selected input-output data required for the assessment were extracted from annual reports published by both establishments. Through the comparative study, the findings are expected to highlight the best practices to be adopted by the MFIs in ensuring the efficiency of their institutions. This paper is limited in its scope to applying the Grameen Bank and Akhuwat Pakistan and the challenges they face in terms of operating effectively in a society that still lacks the necessary skills and training to adapt to this emerging MFI.

THEME: ISLAMIC SOCIAL FINANCE

To Strengthen the Economy, Knowing Waqf in Life

Rehah binti Ismail, Harlina binti Ismail

Abstract: Waqf disbursement done correctly can be significant source of revenue for the society. While it has traditionally been active in producing sustainable income and decreasing poverty levels in Muslim countries, it has been marginalised as a mere charity. Waqf development is ingrained in Muslim culture and involves people from all walks of life. It has also added to man's service in a variety of development areas. Waqf has played a declining position, raising a range of questions about what factors contributed to waqf's earlier growth and what factors contributed to its later decline. Knowing waqf is preferable to never knowing it. In Muslim communities, the waqf plays a critical role. If a waqf is created, it cannot be given as a gift, inherited, or sold. It is Allah's property, and the waqf property is unaffected. As for the methodology, the information was gathered from the articles, research papers and various secondary data for this study. The document analyses literature on creating waqf and charitable activities. The paper investigates whether Muslims can revive the practise of waqf if they have good governments that can regulate the waqf in Muslim society. Thus, to strengthen the economy in life, it is better to know the important of waqf in the society.

Poverty Alleviation in Nigeria: The Role of Islamic Social Finance Instruments in The Redistribution of Wealth

Adnan Opeyemi Salaudeen, Saheed Abdullahi Busari

Abstract: Nigeria is a West African country with abundant resources and natural resources. A member of the Organization of The Petroleum Exporting Countries (OPEC). According to the World Bank statistics, Nigeria's poverty rate is alarming as it is ranked next after India. Despite the numerous natural resources in Nigeria, poor economic management and governance are considered the factors responsible for the current standard of living in the country. This paper aims to examine the potential opportunities and challenges in employing the Islamic social instrument (Zakat, Waqf & Sukuk) in wealth distribution to alleviate poverty in Nigeria. This research will use secondary data obtained through a library search to explicate the challenges of redistribution wealth in Nigeria and the role of Islamic social financing in the eradication of poverty. It will adopt a descriptive analysis approach to the roles and potential contributions of the existing Islamic social finance platforms towards sustainable redistribution of wealth in Nigeria. The study proposed to explicate the socio-economic potentials in Nigeria's multi-ethnic, cultural, and religious society. It will show how the public and private institutions can explore the opportunities and address the challenges of redistribution of wealth and eradicating poverty through Islamic social financing (Zakat, Waqf & Sukuk) in Nigeria. This paper focuses on how the redistribution of wealth through Islamic social finance instruments (Zakat, Waqf & Sukuk) can enhance poverty alleviation in Nigeria. This paper is novel in its approach to unveiling data about the potential contributions of the Islamic social finance institutions in Nigeria towards redistribution of wealth and eradicating poverty.

Determinants of Zakat Compliance Among Muslim Individuals: A Systematic Literature Review

Syadiyah Abdul Shukor

Abstract: Zakat, also known as almsgiving, is the fourth pillar of Islam. Extensive literature has reported different factors in influencing zakat compliance. This study aims to identify, review and synthesize the determinants of zakat compliance among Muslim individuals. The present paper carried out a systematic literature review (SLR) of the related literature. The inclusion criteria were: i) publication date between 2000 and 2020, ii) being an empirical study, iii) written in English, and iv) published in the Scopus or Google Scholar database. Following Preferred Reporting Items for Systematic Reviews and Meta-analyses (PRISMA) procedures, 12 eligible empirical studies were included. The review suggests that compliance to pay zakat is determined by 1) psychological factors, 2), environmental factors, 3) organisational factors and 4) socio-demographic factors. This study contributes to the literature by consolidating studies on the factors determining zakat compliance among Muslim individuals and offers some implications for practitioners on implementing appropriate strategies to increase zakat collection.

Role of Islamic Social Finance in Reducing Households' Over-Indebtedness in Malaysia

Mohamed Hamza Ghaouri, Salina Kassim

Abstract: Credit market research generally focuses on business loans, while households are generally viewed as providers of funds rather than debtors. However, the household credit market transfers resources from households in temporary surplus to those in temporary deficit. Generally, young people are burdened with student loans during their studies and after graduation. Once they started working, their needs for transportation and independent housing increases, leading to more loan commitments and increasing the possibility of over-indebtedness. Some households have accumulated too much debt as they are unaware of the consequences of their own financial choices, while others have been forced into debt due to unfortunate life events. According to the literature, an excessive level of indebtedness leads households to fall into poverty. Hence, this study aims to highlight the severity of household over-indebtedness in Malaysia and to propose a model based on a crowdfunding platform combining Cash-waqf and Qard Hasan to reduce this phenomenon. This study adopts a qualitative research approach, by undertaking a meta-analysis of comprehensive secondary data obtained from reports of the relevant agency, namely the Credit Counseling and Debt Management Agency (AKPK) and literature. Several recommendations and suggestions have been put forward in efforts to raise awareness among households and encourage Islamic social finance actors to include this social issue in their development programs.

Building Energy Equalization in Post-Pandemic Era: Potential Role of Islamic Social Finance

Dina Fitrisia Septiarini, Asep Maulana, Mar'atus Sholikhah

Abstract: Purpose - This paper tries to elaborate the potential and role of islamic social finance in equity, preparedness, resilience and energy recovery in the post-pandemic era which is integrated with SDGs no 7.

Design/methodology/approach - This study is a descriptive exploratory study that aims to explore the concept of using Islamic social financial instruments in equalization energy in the post-pandemic era. This research will create a conceptual framework for Islamic social finance to address the challenges of the equalization of energy. The concept of utilizing islamic social instruments will integrate the roles of international institutions to participate in the collection, distribution and monitoring of equity and energy security throughout the world.

Findings - The results of the study show that voluntary islamic social finance have the potential and also able to help improve people's welfare in a country through energy distribution, especially in the post-pandemic period.

Research limitations/implications - The limitations of this research lie in the concept because it is preliminary research for the concept. On the other hand, the results of this study can be used as direction for future researchers and can also be used by the government to formulate policies.

Originality - This paper is likely the first paper exploring the role of islamic social finance in equity, preparedness, resilience and energy recovery in the post-pandemic era which is integrated with SDGs number 7.

Zakah Management of Islamic Banks: Data Envelopment Analysis

Rofiul Wahyudi, Allselia Riski Azhari

Abstract: Poverty in Indonesia continues to experience a significant increase in numbers. Philanthropic instruments in the sharia economy such as zakat are one of the solutions to improve Indonesia's economy which is slumping. Islamic banks are also financial institutions that are tasked with managing social funds both zakat, infaq and alms. The purpose of this study is to analyze the level of efficiency of zakat management in the Islamic bank-based Zakat Management Organization (OPZ) through intermediation and asset approaches. Using secondary data on financial reports for the period 2016-2017 on two samples of OPZ Islamic Banks through the Warwick Win DEA software application. The results of this study indicate an efficient value in both samples. These findings indicate that the performance of zakat management in Islamic banks is quite good.

The Prospect of Zakatul-Fitr in the Development of Community Bonds
Umar Muhammad Aljazira, Shamsuddeen A. Radda, Haruna Abdullahi Dangani

Abstract: Zakatul-Fitr refers to measurable charity which is distributed to the less fortunate at the end of the fast of Ramadan. It serves as one of the most viable Islamic economic instruments that help in wiping the tears of needy in Eidul-Fitr day. However, it illustrates the keen feeling of Islam towards the have nots in a quest to harmonise and put the members of all Muslim communities under one single umbrella sharing the feelings of one another. Zakatul-fitr is binding on every financially capacitated Muslim irrespective of his gender, age, physical status and whether a slave or a freeman. The required amount for zakatul-fitr is same for every Muslim regardless of his economic status or earning income. The minimum amount is one Sa' which is four Mudds and a mudd precisely in modern volume measurement is, 0.75l or 750ml that means a Sa' is three litres (750ml weighted 400 grams i.e. 400g x 4 = 1.6kg) of staple food e.g. dates, grains, barley, raisins, cheese, wheat etc. 1.6kg of staple food can sufficiently feed 10 persons per meal. Zakatul-fitr is no doubt a social intervention; that if it could be rendered at its stipulated time it would yield a positive impact in developing the community bond. This paper tends to identify potentialities of zakatul-Fitr in achieving the communal challenge of food security and proffer recommendations for way out. The paper will use content analysis to review related literatures from secondary data such as books, manuscripts, journals and articles.

Effectiveness of Using E-Commerce in Supporting Zakat Adoption of The Laz Al-Azhar Case Study
Taufiqur Rohman, Rachma Indrarini

Abstract: Indonesia is a country with the largest Muslim population in the world. In 2020 the total population of Muslims reached 87, 18 percent. One of the pillars of Islam is zakat, but according to research by BAZNAS, the Bogor Agricultural Institute (IPB) and the Islamic Development Bank (IDB) (2015), Indonesia has the potential for zakat of 217 trillion rupiah, but in 2007 BAZNAS reported that zakat absorbed was only Rp. 450 billion and increased in 2013 to Rp. 2.73 trillion or only about 1% compared to the national zakat potential. One LAZ that collaborates with e-commerce to collect zakat is LAZ Al-Azhar. This research aims to determine whether the zakat payment feature in e-commerce is effective in the LAZ Al-Azhar case study. This research is a qualitative research and uses phenomenological methods based on events from society. In this study, the technique of taking the subject in this study used purposive sampling and data collection techniques in the form of interviews, and triangulation of data sources was used as data validity. The results of this study state that the zakat payment feature in e-commerce in the LAZ Al-Azhar case study is effective. Even though it is considered effective, there are still many things that need to be improved, such as educating the public regarding this feature so that the distribution of zakat through e-commerce will be maximized.

Effectiveness of Zakat Community Development Program: An Empirical Evidence from West Sumatera
Vima Tista Putriana

Abstract: This research aims at assessing the effectiveness of zakat community development program – community-based development program funded mainly through zakat - undertaken at Tanah Datar District, West Sumatera. The program was intended to establish a center for superior goat breeding in the district which was expected to enhance the quality of life of the program beneficiaries (recipients of zakat) and to transform them to become zakat payers. The program was designed as four years program which was started in 2016 and ended by 2020. The research was designed as a case study research involving in-depth interviews, observations, and documentary analysis as data collection methods. The time spent for conducting the case study research was two years (2019-2020). The findings of the study showed that the program can be categorised as ineffective program due to some reasons. First of all, the program had been introduced as a top-down approach. The program attempted to create a totally new community – breeder community – in the selected village while the local residents do not have qualities required to become a good breeders. The program could have been a successful one if the program focus on developing the existing local economy potency. Next, the zakat board of Tanah Datar District did not have institutional capacity to implement the program. The implementation had been relied on the assistance from a research center in North Sumatera Province. Once the support was withdrawn, Zakat Board of Tanah Datar could not do much with the program. Finally, the program has been lacked of stakeholders' support and lacked of transparency and accountability.

The Impact of Infaq Fisabilillah Program for Vulnerables Under Tafarkin Tsira Islamic Centre Azare, Bauchi State Nigeria

Adamu Abubakar Muhammad, Ibrahim Dahiru Idriss

Abstract: Purpose: The current COVID-19 pandemic crisis has already affected almost each and every one mostly vulnerable and less privilege people across the world either directly or indirectly. The focus of modern highly advanced Islamic social finance institutions has now shifted their attention from long term poverty alleviation to short term ones which leads to economic consequences among vulnerable in the society. The problems of the pandemic resulted shortage of food availability among individuals of the society more especially the house holds which causes the high demand of food supply and its distribution to the poor individuals in the society as a form of INFAQ fisabilillah as one of the most important tool of fighting and reducing the menace of hunger among vulnerable during the critical situation of COVID-19 pandemic.

Methodology Approach: The present study explores the possibility of INFAQ fisabilillah as one of Islamic social method to be used as financing method to fight the adverse impact of COVID-19 pandemic on vulnerable in the society more especially during the holy month of Ramadan. It provides the first aid and early solution to high rate of hunger challenges among the vulnerable. The qualitative approach which include review of related literatures and interview with relevant bodies on vulnerability have been adopted in the study.

Findings: The findings of the study reveal that INFAQ fisabilillah program as an Islamic social finance have immense potential to fight hunger and minor health cases in any pandemic situation in respect of location, era, people or religion. INFAQ fisabilillah, if properly collected, well managed and accurately distributed can help to fight the adverse effect of COVID-19 pandemic on individuals in the study area.

Practical Implications: To be used as an effective way to support poor individuals during and after the period COVID-19 pandemic in Azare Community of Bauchi State Nigeria.

Originality: To our knowledge, there is no study on INFAQ fisabilillah program as an Islamic social finance tool to counter the adverse effect of hunger on vulnerable during and after the period of COVID-19 pandemic in Azare Community Bauchi state Nigeria. The study will contribute massively to the existing literature on INFAQ generally and will help the government, religious organizations, schools, Islamic Centers and civil societies in fighting the economic impact/crisis during and after COVID-19 pandemic on vulnerable in Azare Community of Bauchi state, Nigeria and the global research field.

Intention to Contribute in Cash Waqf to Assist Microentrepreneurs: Applying Theory Planned Behaviour

Dzuljastri Abdul Razak

Abstract: The COVID-19 pandemic has affected the Micro entrepreneurs financial position due to the mandatory lockdown that restrict face to face business. This situation has made them to be vulnerable because of drop in daily sales and shortage in cash flow. Cash waqf is unique instrument in that the donor can use cash to contribute to the society needs. It differs from traditional waqf practices that uses property. The purpose of this study is investigate whether cash waqf can be a mean to assist the Microentrepreneurs. This is carried out by the analysis of Theory of Planned Behavior (TPB) that demonstrate the relation between attitude, subjective norm and perceived behavioural intention and the intention to use. A survey method will be used to measure the validity TPB. This result of study will contribute to new body of knowledge. In addition, it will also benefit the regulators to assess the usage of Cash Waqf for Micro entrepreneurs.

Waqf Management for Poverty Alleviation in Bangladesh Towards Achieving Sustainable Development Goals

Mohammad Habibullah, Salina Hj Kassim, Ashurov Sharofiddin

Abstract: Bangladesh has huge amount of waqf assets which can play very important role to alleviate poverty in Bangladesh and to achieve sustainable development goals. The objective of this research is to discover the waqf sectors and opportunity in Bangladesh that can alleviate the poverty with proper utilization and management of these waqf assets by changing the attitude towards waqf system which can bring result in achieving sustainable development goals of Bangladesh. The qualitative method is applied in this study to evaluate the fundamental concept of waqf from the primary and secondary sources of knowledge in Islam which shows the model of socio-economic system to alleviate poverty in achieving sustainable development goals (SDGs) in Bangladesh and to identify the challenges of governing the waqf properties accordingly. Thus, this study aims to examine the challenges of governing the waqf and different ways of waqf management to reduce poverty and achieving sustainable development goals in Bangladesh by creating more employment, educating the poor and facilitating them towards entrepreneurship.

Zakat Collection through Salary Deduction for Employees in Selangor – A Preliminary Study

Mohamad Zaidy Darapar, Razali Haron

Abstract: This study has the objective to improve a method of zakat collection in Selangor through salary deduction by improving a calculation in salary system that will calculate the zakat income first before calculating income tax. Specifically, the objectives of this study are to increase zakat collection in future in Selangor, to suggest the improvement of calculation on zakat on income in the salary system, and to suggest the deduction of income zakat before income tax (MTD or PCB) in salary system. This is to overcome the shortage or deficit in future or at least to balance up between collection and distribution of zakat by improving the zakat collection in Selangor through salary deduction before income tax charged.

Social Impact Measurement of Waqf: Case Study of Waqf Organisation in Karnataka, India

Mohammed Meeran Jasir Mohtesham, Syed Marwan

Abstract: Social Impact Measurement (SIM) is a procedure that measures and verifies the social impact of an activity. Furthermore, Waqf is believed to perform in accordance with the Maqasid al-Shariah and its role in achieving the Sustainable Development Goals (SDGs) is strongly stressed upon by the global leaders. However, there has been a lack of empirical evidence which could verify this claim and measure the contribution of Waqf to the Maqasid al-Shariah and SDGs, particularly in the context of India. The existing literature about the Waqf in India mostly discusses the administrative issues in the Waqf. The study, therefore, aims to explore the current SIM mechanisms employed by the Waqf in Karnataka, India. The identification of the current mechanism will serve as a preliminary step and help Waqf administrators to efficiently develop the SIM framework for Waqf in Karnataka. Moreover, it will also draw out possible mechanisms that can be leveraged by the Waqf administrators in the development of SIM for Waqf in Karnataka and reduce the work and expense of Waqf organisations. The organisations from the state of Karnataka were chosen because their reports were publicly accessible and related experts were easily available. Using content analysis and thematic analysis method, the study found that, despite the contributions of Waqf towards the achievement of several Maqasid al-Shariah and SDGs in Karnataka, there has been a failure to systemically measure and report them to the relevant stakeholders.

A Systematic Literature Review on Zakat

Nurul 'Iffah binti M A Zaaba, Rusni Hassan

Abstract: Although zakat is an extremely studied topic, a systematic, comprehensive, and diverse review in the domain of zakat is missing. This paper attempts to conduct a systematic review on the current status of zakat literature, taking Malaysia as a case study. The article searched on the Scopus database and identified sixty-three related studies. However, only thirty-one studies throughout 2009-2020 met the criteria set for this study. This study looked at several variables which include research type, research approach, and subject area. The outcome of this article is to provide direction for future studies.

THEME: FINANCIAL INCLUSION

Does Mobile Payment Promote Financial Inclusion Among Palestinians Women: A Quantitative Approach Through Structural Equation Modeling

Mousa Ajouz, Faeyz M.J. Abuamria

Abstract: In an attempt at validating the notion of whether women access to financial services through mobile payment enhances their empowerment necessitated this study. Mainly, it focuses on the extent which the usage of mobile payment can contribute to financial inclusion in the context of Palestinian women, which seems to be sparse and lacking in literature. A quantitative approach was employed using 147 questionnaires designed based on the theory of planned behavior and reflective model for measuring financial inclusion. The research found that with successive increases in mobile payment usage, the financial inclusion moved further to increase. Precisely, the growth of mobile payment usage by 1 percent can improve the financial inclusion of women by 0.449 percent. By increasing women's financial inclusion, women's economic empowerment could be effectively and positively improved which boosts productivity, increases economic diversification and income equality in addition to other positive development outcomes.

Potential Solutions to Financing Problems Among the Poor: Case of Baitul Maal wa Tamwil in Indonesia.

Mukhtar Arif Siraj, Aditya Hadid Riyadi, Abdukadir Abdullahi Sheik, Abdukadir, Abdihakim Jama, Nur Harena Redzuan

Abstract: Currently, many people, especially those in the poor category, do not have access to most of the financial services, especially from the banking institutions. For example, in Indonesia, currently there are approximately 91.3 million Indonesians who are still untouched by financial or banking services (Bank Indonesia, 2020). In view of the difficulties to access financing to undertake their economic activities, the poor has been economically unproductive and remained in the cycle of poverty. In this regard there is a need for non-bank financial institutions play a role in reaching people who are still unbanked. There are several models of non-bank financial institutions that can be used to solve this problem. Indonesia as a country with the largest Muslim population in the world has a very well-known non-bank Islamic financial institution, namely Baitul Maal wa Tamwil (BMT). With a business model that focuses on the lower middle-class economy and the MSME sector, it is hoped that BMT will be able to solve the problem of access to financial services for the poor. This study aims to determine the issues and challenges of BMT in providing financial service solutions to the poor in Indonesia. In addition, this study provides alternative solutions to the problems faced by BMT in their efforts to improve financial inclusion in Indonesia. In methodology, the study uses qualitative methods based on literature reviews from journals, research and secondary data. It is hoped that this study would provide enriching inputs in the development of Islamic microfinance industry in Indonesia as well as in other countries.

The Role of Islamic Banks in Financial Inclusion Evidence from Saudi Arabia

Abdirahman Abdillahi Farah, Ashurov Sharofiddin

Abstract: The eight goal of the United Nations Sustainable Development Goals 2030 includes Promote sustained, sustainable, and inclusive economic growth. The study aims to analyze the role of Islamic banks in promoting financial inclusion in Saudi Arabia, by examining the role of Islamic banks in enhancing financial inclusion opportunities. The study uses qualitative research methods developed through document analysis. The study is not done to identify relationships and testing hypotheses, it is rather an attempt to explore the role of Islamic banks in financial inclusion in Saudi Arabia, to gain more comprehension and analyze the data collected so enabling a conclusion to be made. The study found that Islamic financial services have a pivotal and important role of promoting opportunities access to financial inclusion in Saudi Arabia. Being provides a solution for groups that have refrained from dealing with the traditional banking sector for various considerations, for example, designing Sharia-compliant financial products and services will attract a segment of society that wants to obtain these services and products. In addition to the adoption of partnership contracts and risk sharing, it is a viable and effective alternative to conventional loan.

Exploring the Role of the Banking Industry in Promoting the Betterment of Financial Inclusion in Tajikistan

Ashurov Sharofiddin, Razali Haron, Syed Musa Bin Syed Jaafar Alhabshi, Khurshed Mirakilev

Abstract: The banking industry in Tajikistan has shown gradual growth in enhancing the financial intermediary since its independence in the early 90th. Despite making significant progress in all core banking areas relating to financial activities, there are concerns that the banking industry in Tajikistan has not been able to include a vast segment of the population, especially the deprived segments of the society, into the fold of basic banking services. Therefore, this study aims to explore the role of the banking industry in the betterment of financial inclusion in Tajikistan from 2010 till. To achieve the objective, this study adopted a case study design using secondary data like an official report from international institutions such as World Bank, IMF, due to being an independent and more accurate document, and the local banking industry with document analysis tools and techniques. The result of the study showed that the banking industry has not played its role in promoting financial inclusion due to many reasons such as instability of the banking industry as there is many banks have been closed down since the last decades, increasing the distrust of the population on the banking industry, high transaction costs, poor production and services, corruption, lack of transparency with clients among others. Hence, this study recommends the banking industry and central bank on top of them to take serious action for the betterment of financial inclusion which will affect the financial stability and growth in the country. Furthermore, to support the financial inclusion agenda institutionally by creating a separate unit at the National Bank of Tajikistan in charge of inclusion issues of all public and private stakeholders dealing with financial inclusion issues.

Mitigating Asymmetric Information to Enhance MSME Islamic Financial Inclusion by Islamic Banks in Indonesia

Adi Saifurrahman, Salina Kassim

Abstract: Asymmetric information represents the lack of information among the financial institutions about their clients, which would negatively affect the institution's assessment and credit decision. This problem will have a detrimental impact on the financing behaviour of the financial service providers (FSPs), particularly for the Micro, Small and Medium-sized Enterprise (MSME) customers, which are perceived as riskier compared to the large enterprise segment. Credit rationing and high interest rates become the primary measures imposed by the FSPs in response to the asymmetric information problem. Similarly, in the context of the Islamic banking industry in Indonesia, information asymmetry problem influence the banks' financing cost and adversely affects their level of Non-Performing Financing (NPF). The primary objective of this paper is to explore and analyse the credit risk assessment procedures administered by the Indonesian Islamic banks to address the issue of asymmetric information of their MSME clients. The result of this study implies that the Islamic banks in Indonesia have their own unique approaches and strategies in assessing the credit risk and have several similarities in performing their evaluation procedures for the MSME. Despite seemingly adequate approaches and measures taken by the Islamic banks to eliminate the asymmetric information problem, the study identifies several gaps and provides recommendations to address these gaps accordingly by proposing several mitigating techniques to address the issues. The ability to incorporate these recommendations could potentially improve financial inclusion for the MSME sector by reducing transaction cost and reducing credit rationing, thus increasing financing disbursement to this promising segment.

Challenges and Prospects of Digital Banking in Enhancing Financial Inclusion in Bangladesh

Meflah Mohamed Abdelkader, Saihou Ceesay, Muhumed Abdikarim Ahmed, Aboubacar El Hadj, Fazlurahman Safi, Salina Kassim

Abstract: Financial inclusion (FI), a global concern of this decade, has been accepted by the global development agencies, governments, and policymakers as one of the pre-eminent ways to eradicate worldwide poverty and reduce income inequality. Authorities are looking for possible ways to include the unbanked in the mainstream finance, or at least, improving financial access for them. Bangladesh, one of the major Muslim countries in the world, is still struggling to bring one-fourth of its total population under formal financial chain. Digital banking has become the heart of the banking sector, while banking industry is the heart of every robust economy. Digital banking helps the banking sector improve the efficiency and effectiveness of services offered to customers especially to the unbanked and underserved, and enhances business processes, managerial decision making, and workgroup collaborations, which strengthens their competitive positions. On the backdrop of these issues, focusing on Bangladesh, this paper aims to achieve three research objectives, namely (i) analyze the trends of digitalization and development of digital banking products; (ii) explore the contribution of Islamic financial sector in improving FI; and (iii) identify challenges with regards to ensuring reliable services in the banking industry in recent times. The nature of the current study is qualitative approach as articles are reviewed that are related to the subject matter of this research, deducing some relevant points to support our work. Also, documents and reports of Bangladesh Digital Banking industry are accessed to explore their prospects and challenges in enhancing financial inclusion. Secondary data collection was used throughout to compile this report linked to FI programs in reaching the unbanked in Bangladesh. This study hopes to contribute towards providing inputs on ways to improve financial access to the poor through digital banking in Bangladesh in particular, and in other countries.

THEME: TAKAFUL & RETAKAFUL

The Commercialization of Takaful Insurance in Morocco: An Exploratory Study

Mustapha ZIKY, Moulay Omar ESSARDI, Anas limam, Yasser Himmahou

Abstract: The establishment of participatory banks in Morocco has been limited due to the absence of other participatory financial system components, such as sharia-compliant capital market and "Takaful insurance". This has encouraged the monetary authorities and regulators of this market to develop the necessary legal framework. This has led to the adoption of Law 59-13, amending and supplementing Law 17-99 on the insurance code, and introducing Takaful insurance. As a result, the Moroccan insurance companies are now preparing their files to get access to the Takaful market. Our study aims to identify the factors that determine the choice of commercialization "Takaful insurance" by these companies and what visions they have for the future of this insurance in Morocco. This study has a dual purpose, the first is to identify the main factors that motivate Moroccan insurance companies to adopt Takaful insurance. The second is to determine the perception of insurance companies regarding the future potential of "Takaful insurance" in Morocco. Our research is exploratory in nature. It uses inductive logic with a qualitative approach to investigation.

Consumers' Perception of Distribution Channel for the Malaysian Microtakaful Scheme: An Exploratory Study

Wahidah Shari

Abstract: Purpose – This paper presents a quantitative investigation of consumers' preferences regarding the distribution channels for subscription, contribution payment and compensation claims of microtakaful scheme in Malaysia.

Design/methodology/approach – Consumers' preferences were explored through questionnaires distributed among the B40 group in five zones; northern, central, eastern, southern, and Sabah and Sarawak. This study also conducted a focus group discussion (FGD) among 330 respondents.

Findings – Empirical findings from cross-tabulation analysis revealed that takaful company is the preferred distribution channel to purchase protection plans and make compensation claims. However, online platform is the favored channel to make contribution payments. Further investigation through FGD suggested that the selection of channel for subscription, contribution payment and compensation claim is influenced by consumer trust, cost-effectiveness, and simplicity in procedure.

Research limitations/implications – Limitation is pertaining to the only cross-tabulation analysis used in explaining the choice of distribution channel for microtakaful among B40 group. Thus, advance analysis is required to strengthen the findings.

Practical implications – Findings of this study would help marketers and practitioners to formulate strategies to promote their microtakaful protection to enhance subscription among the low-income population.

Originality/value – Empirical findings offer academic contributions to the existing body of knowledge on microtakaful area as the primary data collected will eventually allow future researchers to explicate the contribution of the current study to understand the important of distribution channel for microtakaful from the perspective of subscribers and potential subscribers.

An Assessment on the Model of Shariah Audit Function: The Case of Malaysian Takaful Industry
Noor Aimi Mohamad Puad

Abstract: The positive development of Islamic financial system nowadays leads to growth of the product and services offered by Islamic financial institutions. Over the time, Islamic financial institutions may have overlooked certain aspects that could affect the shariah-compliance of the product and services. This scenario calls for a systematic check-and-balance functions within the institution. Shariah auditor being one of the components of shariah governance plays an important role of ensuring the effectiveness of internal control system for shariah compliance. Prior research reveals that the standard shariah audit framework has not been developed yet; thus the present practice is carried out by the internal institutional would not be standardized and thus, open for the room of improvement. The aim of this study is to assess the model of shariah audit function adopted by Malaysian Takaful Operator. To this end, semi-structured interviews were conducted involving selected Shariah auditors for every Takaful Operators in Malaysia. Recognizing the model adapted can help in understanding further the execution of the Shariah audit process. At the same time, the commitment of these Takaful Operators can be observed in providing one of the Shariah compliance functions as required in the Shariah Governance Framework. The study discovered that none of Takaful Operators in Malaysia have specific departments or unit for Shariah audit function. This study may provide relevant guidelines especially for policymaker in developing a standardized specific framework for shariah audit.

Customer Satisfaction Versus the Increasing Cost within the Takaful Industry
Sumaira Siddiky

Abstract: Takaful is a shariah-compliant risk management solution for individuals as well as businesses. Although it has great growth potential, it is experiencing slow progress due to strong contenders like traditional insurance companies and insurtech companies. This industry faces challenges to obtain a competitive advantage in the market for higher operating costs and a lack of customer satisfaction. As such, this paper attempts to propose cost-efficient ways to attract new customers and attain customer satisfaction for the takaful operators. This is a qualitative paper where secondary sources such as journal articles, news, blogs, reports, policy documents and books on the subject matter have been studied to derive conclusions. The outcome from this study shows that the Takaful Operators who wish to obtain customer satisfaction containing the operating costs to become a successful disruptor in the market may take advantage of its unique selling point (e.g. religious and spiritual attributes of takaful). The proposed steps to integrate "Spiritual Intelligence" and "Emotional Intelligence" within the organisational culture as well as achieving "Technological Advancement in Stages" could assist them in gaining the desired success. The findings of this study will help takaful operators improve the operations and service quality to attract the untapped customer base. This analysis will empower operators to be resourceful (perform their best with limited resources) and positively contribute to customer satisfaction. It will also be an add-on to the knowledge in the takaful service industry.

Concept Paper: Critical Success Factors for Penetration of Family Takaful In Malaysia
Nur Aqilah Zainordin, Engku Rabiah Adawiah Bt Engku Ali

Abstract: This paper aims to examine the critical success factors for penetration of family takaful in Malaysia using extended unified theory of acceptance and use of technology model (UTAUT2). At the same time, the history of the development of the takaful industry in the context of Malaysia has also been examined. One of the concerns for takaful operators is the untapped takaful market and lower market share than conventional insurance counterparts. In identifying factors influencing takaful participation, the UTAUT2 model incorporated certain factors that are likely to influence intentions towards takaful participation. The model proposes that individual factors such as performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, price value, and habit impact takaful participation. The methodology used as a comprehensive review of UTAUT2 literature is undertaken, with a particular focus on contribution to penetration for family takaful.

Potentials of Microtakaful in Addressing Socio-Economic Challenges of Vulnerable Groups during COVID-19 Pandemic Crisis

Siti Maisarah Az Zahara binti Mahwadi, Nur Arina binti Azlan, Puteri Hanie Shahirah binti Noorhelme, Anis Nasyietah binti Ahmad Zifruddin, Salina Kassim

Abstract: The COVID-19 pandemic has affected the daily lives of the majority of the population in the world. All economic sectors are struggling to cope with the challenges and difficulties resulting from the pandemic, especially those being categorised as the vulnerable segments of the society such as the low-income households and non-wage micro-entrepreneurs. These vulnerable groups are at higher risk of not being able to earn income and protect their livelihood especially during an unprecedented economic crisis. Consequently, a well-designed social safety-net program such as a micro-takaful program for the vulnerable segment of the society has a bright potential to address the socio-economic issues faced by this group. This study explores the potential of micro-takaful in addressing the socio-economic challenges faced by the vulnerable groups that are adversely affected by the pandemic. Adopting the qualitative research methodology by reviewing the relevant literature in this area, the study focuses on analysing a number of micro-takaful initiatives that have been implemented in several countries throughout the past years. The study finds that previous micro-takaful initiatives have mostly adopted a sector-targeted approach such as micro-takaful programs for the SMEs and agriculture sectors, which are the main sectors involving the economic activities of the vulnerable groups. Furthermore, several of the micro-takaful initiatives have been integrating Islamic social finance instruments, thus contributing further to social impact objectives. This highlights potential roles of micro-takaful in protecting the interests of micro small entrepreneurs and agriculture workers during the pandemic, as well as achieving the objectives of ISF including poverty reduction. The study shed light on the effective mechanisms to design microtakaful initiatives that have the potential to contribute towards mitigating the risk and providing the protection to the vulnerable groups during economic downturn due to the pandemic crisis of COVID-19.

Predicting the Factors Influencing the Adoption of TakaTech In Malaysia

Haneffa Muchlis Gazali, Syahiru Shafiai, Md Mahmudul Haque, Norazidah Shamsudin, Syarah Syahira Mohd Yusoff

Abstract: The digital ecosystem and advancement in the Internet of Things (IoT) is reshaping the landscape of the takaful and insurance industry. The application of technology known as InsurTech in the insurance industry has become a game-changer for the conventional insurance counterpart. When the industry players and market are ready for this new digital transformation, what remains unclear is consumers' acceptance towards Takaful Technology (TakaTech). This study aims to predict the factors that influencing the adoption of TakaTech in Malaysia. This conceptual paper discusses potential factors of TakaTech adoption like perceived risk, relative advantage, usability and service. Additionally, this paper also addressed the fintech literacy among the takaful players and their ability to adopt TakaTech in the industry. The findings of this study are essential for the policymaker and the market player to revamp their marketing strategies. With the enhancement of understanding about the benefit of TakaTech subscription, the takaful companies could promote and sell their products more effectively to increase their market share and expand their business. Being subjected to conceptual paper, this study is unable to verify the relationship between the mentioned variables. In order to develop a complete picture of TakaTech, additional studies will be needed by incorporating more variables and establishing empirical evidence on the relationship among the proposed variables in the study. TakaTech study has yet to be profoundly explored in the previous study. This study could contribute to the field of consumer behaviour and Takaful industry.

The Need for a Framework on the Optimization of Solvency Margin in Family Takaful and Life Insurance Institutions in Malaysia

Musliza Musa, Syed Musa Alhabshi, Razali Haron

Abstract: This paper discusses the proposed research framework of a study on the efficiency of Family Takaful operators and life insurers in Malaysia. It will elaborate on the proposed research framework and methodology of the study. Relevant literatures reviewed for the ramework have been identified as important for the study area. It justifies the importance of the framework where it enables the researcher to hypothesize as well as to test the relationship between the inputs and outputs involved in order to expand the understanding of the related research area of study. The inputs proposed to be used in this study are fees and commission expenses, underwriting risk and operating leverage, whilst the outputs proposed for this study are solvency margin and net profit margin. The method proposed to be used is the DEA – BCC (VRS) using the value-added (production approach).

THEME: ISLAMIC FINANCIAL PLANNING

Determinants of Intention to Comply with Islamic Financial Planning: An Exploratory Study

Auni Zulfaka, Salina Kassim

Abstract: Financial planning provides guidance to a person in making major financial decisions such as spending, borrowing and investing. It enables one to comprehend how each financial decision affects other aspects of one's finances. For the past few years, numerous studies attempted to explore public awareness about the importance of financial planning. Realizing that Islamic banking and finance has become a force to be reckoned with in the global economic scenario and play an essential role in a Muslim's financial needs, this study aims to explore the intention to comply with Islamic financial planning among Muslims, by taking a group of Muslim educators in Melaka as target respondents. A quantitative study was initially performed among the educators to identify factors influencing their intention to comply with Islamic financial planning. Through a rigorous review of the existing literature, the factors being identified as the determinants of intention to comply with Islamic financial planning are religious norms, level of Islamic financial literacy, attitude on Islamic financial product and services, and financial behaviour. As a profession that can be a key contributor to the development of society, the findings of the study have important implications for the Islamic financial institutions in Malaysia so that they are made aware of these issues and able to be ready to support the mandate given by the regulators to effectively frame the wealth management industry and become the significant Islamic wealth management centre serving the region. As a result, it is crucial to look into extensive information regarding the awareness on Islamic financial planning so that some persistent efforts can be done in giving the existing financial planning product and services that complies to Syariah would benefit both individuals and the market in the longer term.

Are the Financial Institutions in Aceh Province Ready to Welcome the Implementation of Sharia Financial Institutions Qanun?

Azka Amalia Jihad

Abstract: This study aims to examine the readiness of Financial Institutions in Aceh to welcome the enactment of Aceh's Qanun Number 11 of 2018 concerning Islamic Financial Institutions. The Qanun concerning Sharia Financial Institutions is a statutory regulation that regulates the activities of financial institutions in the context of actualizing a just and prosperous Acehese economy within the framework of Islamic Law. This particular Qanun was promulgated on January 4, 2019. A maximum of three years after the Qanun was promulgated, all financial institutions in Aceh must operate their operational activities based on sharia principles. This indicates that on January 4, 2022, all Financial Institutions in Aceh should become Financial Institutions that carry out their operational activities with sharia principles. This research investigates the condition of financial institutions in Aceh Province, the opportunities and challenges of financial institutions in Aceh to implement their operational activities in accordance with sharia principles, and the readiness of financial institutions in Aceh in welcoming the enactment of Aceh's Qanun Number 11 of 2018 concerning Syari'ah Financial Institutions. The findings show that financial institutions in Aceh have opportunities and challenges in preparing themselves to welcome the implementation of this Islamic Financial Institution Qanun. Moreover, it can be concluded that the Financial institutions in Aceh have actively moved and are ready to welcome the enactment of the Qanun. This is marked by the conversion of several conventional banks in Aceh Province, including Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), and Bank Central Asia (BCA).

THEME: FINTECH AND ISLAMIC FINANCE

Modelling the Barriers to Islamic Financial Technology in Indonesia Scenario: An Ism Approach

Erika Takidah, Salina Hj Kassim

Abstract: Financial technology, a phenomenal innovation, widely embraces and changing the future of financial industries and the economy. Likewise, the development of Islamic finance was directly affected by this development of fintech, so that Islamic financial technology service providers emerged. Therefore, the purpose of this paper is to identify the barriers generating to Islamic financial technology. The paper explores resistance among Islamic fintech providers who already have developed infrastructure in payment and peer-to-peer lending services. Interpretive structural modelling (ISM) with cross-impact matrix multiplication applied to classification (MICMAC) approach is used to investigate the interrelationships among the barriers to Islamic fintech development. Although proven to be a remarkable innovation in Islamic finance, Islamic financial technology has still not been adopted by all Muslim customer, and hence, has not met all the expectations of the Islamic Finance sector. The outcome shows that digital financial illiteracy and security assurance are the most critical barriers. These two are working as the root cause and demand strong attention on the part of the Islamic financial sector, which is working towards the inclusion of Muslim customers in Islamic finance. These findings may help the Indonesian financial sector, particularly in Islamic finance, identify the crucial points that affect fintech in Indonesia the most.

The Acceptance of Digital Finance (DiFi) Among Muslim Consumers in Eastern Sabah

Haneffa Muchlis Gazali, Junisa Jumadi

Abstract: Digital Finance (DiFi) is a promising way of promoting inclusive finance. The internet of things plays a significant role in promoting advancement in the financial industry, especially digital finance. There are many benefits digital finance could offer, such as greater financial inclusion, expansion of financial services, affordability, security and convenience. Although there is an increasing number of digital finance adoption in recent years, the acceptance has not been impressive in rural areas. Many consumers in rural areas still seriously suffer from digital finance exclusion. The purpose of this study is to explore and understand the Muslim consumers' intention to use digital finance by extending the Technology Acceptance Model (TAM) with Perceived Credibility and Subjective Norm. A secondary methodology is used for this study through the library research by reviewing the concepts of digital finance adoption. This conceptual paper provides an understanding of the acceptance of DiFi among Muslim consumers in Eastern Sabah. The conceptual model of this study could contribute to researchers keen on investigating the adoption of digital finance relating to the rural population. The factors presented in this study is limited. Future research should consider more measures of digital finance adoption. This paper is one of the very few attempts that examined the acceptance of digital finance among Muslim consumers in Eastern Sabah.

**The Influence of Server Based Electronic Money Used for Transaction Tools on Making Cashless Society Movement
Among Millennials in Surabaya**

Riska Widya Abiba, Mila Bistiana, Ghea Agita, Vira Oktaviani

Abstract: The increasing development of financial technology has led to change in the payment instrument in society, for example, the use of cash to electronic money (e-money) in a daily transaction. One of the users of e-money is Millennials. Millennials are the main actor of technological sophistication in which they will be treated to various convenience and practicality in making a transaction in their economic activity. Therefore, it is possible to increase the use of e-money in a transaction. If there is an increment in the use of e-money, it can indicate the new creation of a social phenomenon in society namely a cashless society. A cashless society consists of people who tend to be minimal in using cash and they are more likely to use electronic payment in a transaction. This research aims to determine the effect of the independent variable use of electronic money (e-money) on the dependent variable of the cashless society movement in the Millennials in Surabaya. The method used in this research is quantitative by using a likert scale measuring instrument and a simple linear regression analysis technique in software named SPSS 24. The result shows that the variable use of electronic money has a positive and significant effect on the cashless society movement.

Digital Currency in the Perspective of Muslim Scholars: A Review
In Am Nabila Mohd Hashim

Abstract: This main concern of this study is the digital currency in Malaysia, in which a particular focus is given to Shari'ah compliance practice. The issue of Shari'ah compliance has often been an unresolved topic discussed not only by Islamic scholars, but also by the practitioners. In addition, an in-depth research on digital currency from both conventional and Islamic perspectives has yet to be finalized. Thus, this study has the following aims to examine the opinion of scholars regarding digital currency in Islamic Mua'malat. In order to achieve these goals, this study employs analysing documents, books, and relevant government policies. The finding from this research concluded that there exist two opinions with regard to the permissibility of digital currency from the Islamic perspective. However, the study is inclined towards the permissibility of digital currency by employing certain conditions.

THEME: ISLAMIC ECONOMICS FOR SUSTAINABLE DEVELOPMENT

Shifting of Green to Blue Economy and Sustainable Development: An Islamic Discourse *Othman Altwijry*

Abstract: Green economy focuses on reducing the environmental risk in a given consumption-production link, i.e., achieving sustainable development that improves as well as maintains the environment. The emergence of ecology scarcity of land resources is forcing the world economies to explore and exploit maritime resources without destroying their environmental sustainability and demonstrate the shift from green economy to the blue economy. Blue economy's prime objective is also to increase economic growth, standard of living and social inclusion without disturbing the environmental balance. World Bank Group and United Nations (2017) describe blue economy as: The "blue economy" concept seeks to promote economic growth, social inclusion, and the preservation or improvement of livelihoods while at the same time ensuring environmental sustainability of the oceans and coastal areas. However in the literature of Islamic Economics and Islamic finance still we have not a significant efforts. If we will review the conventional literature, we can realize that blue economy has the same objective as we have in the green economy, reducing the CO₂, reducing the global temperature and developing the new technologies for protection the environment. In the literature related to marine biology, it has been observed that maritime resources are highly supportive for the growth of economy as well as for the sustainability of the environment. Particularly the role of the great Whales and the role of smallest creature Phytoplankton is very important in reducing the CO₂ which producing at least 50% oxygen in the atmosphere. Keeping the above in view we are trying to explore that what is the teaching of Islamic Shari'ah in the above context. How can we improve the Islamic economies by following the teaching of Qur'an and Sunnah. This study will be organized in the following way: After introduction section 1 will explain the sustainable development and its goals, section 2 will explain that how it environment will be more sustainable if we are moving from green economy to blue economy, section 3 will discuss the same in the light of Islamic teachings and under the guidance of Islamic Shari'ah. Section 4 will discuss that how Islamic financial institution and other supplementary institution can play their role in developing the concept of blue economy.

Macroeconomic Analysis On Indonesia Green Sukuk: Co-Integration and Vector Error Correction Mechanism (VECM) Model Approach *Muhammad Jais, Azman Mohd Noor*

Abstract: The performance of Indonesia Islamic green bonds or green Sukuk can be influenced by many factors such as internal and external. External variables will be used in this study, namely macroeconomic influenced. This study aims tried to analyze the long and short-term influence of macroeconomic variables such as inflation, BI rate (benchmark interest rate), exchange rate, and stock price exchange on the performance of Indonesia green bonds and green Sukuk for the periods from 2018 to 2020. This quantitative study applied the method of the co-integration approach of Vector Error Correction Mechanism (VECM) to examine the short-term and long-term impacts among macroeconomic variables through EVIEWS software. The authors carried out a long-term correlation analysis on these variables using the co-integration test. The Vector Error Correction Model (VECM) was used in the analysis because the results of the stationary test obtained stationary data at first difference and have long-term co-integration. The results showed that the macroeconomics variables are based on the empirical findings that the inflation rate, exchange rate, and stock exchange have a co-integration in the short-term and long run with the green Sukuk performance. It is different from the Bank Indonesia rate variables of co-integration in the long-term period to green Sukuk performance. The investors should pay attention to the exchange rate and stock exchange movements because both variables have short and long-term effects on green Sukuk. Hence, the investors also need to pay attention to changes in the inflation because it influences green Sukuk return in the long run.

Industrial Revolution 4.0 and Multidisciplinary Integration: Towards Biotechnology Enhancement and Socio-Economic Development

Khairiah Razali, Razali Haron

Abstract: Technology and innovation are among the most prominent causes of industrial development. The emergence of biotechnology, in particular, has led to the industrial revolution and urbanization that permanently changed global society and the standards of living. Nonetheless, little is being discussed on the influence of the 21st-century revolution (Industrial Revolution 4.0) on the advancement of biotechnology. Following the objective of the fourth Industrial Revolution, integrating the physical, digital, and biological disciplines is a promising platform towards the future of biotechnology. However, for such an effect to take place, biotechnology demands a strong multidisciplinary integration that bridges the gap between science and socioeconomic education. The lack of connection between multiple disciplines stunted the growth of biotechnology, which, in turn, wasted the potential to develop valuable biology-driven technologies and industrial-scale products. Here, we discuss the emergence of the Industrial Revolution 4.0 and its role in realizing the relationship played by science, economics, and social science towards the advancement of biotechnology. Understanding the importance of multidisciplinary integration in enhancing biotechnology will maximize the chances of economic development, society enrichment, and environmental protection.

Achieving Sustainability Through Social Impact Measurement: A Proposed Model for Islamic Financial Institutions
Syed Marwan

Abstract: Sustainability is an oft mentioned word mainly used in strategic plans of organisations or institutions. This paper explores what it means to be sustainable, especially in the context of Islamic Financial Institutions (IFIs). In doing so, the paper proposes social impact measurement as a tool for IFIs to consider in their sustainability journey. The paper is qualitative, whereby a critical review of literature is undertaken to explore the issues related to sustainability and the social impact of IFIs. The analysis of the study finds that sustainability is usually included as a pertinent objective of an organisation. However, many organisations, including IFIs, may not know whether they have achieved a sufficient level of sustainability, especially from the societal perspective. This may be due to a lack of understanding of their current sustainability level as there are no tools in place to measure their current position. Therefore, the study proposes that social impact measurement tools can be integrated throughout the practices, conduct, and offerings of IFIs to address these issues and ultimately assist IFIs in achieving sustainability.

THEME: FISCAL AND MONETARY POLICY IN RESPONSE TO COVID-19

Achieving Financial Stability of Islamic Banks Through Bespoke Enterprise Risk Management Framework (ERMF)
Sani Suleiman Dalhatu

Abstract: The aim of this study is to discuss how financial system stability of Islamic Banks (IBs) can be achieved through a tailored Enterprise Risk Management Framework (ERMF). It proffers the five fundamental building blocks of developing a robust ERMF tailored to suit the unique business model of IBs that recognizes their unique risks and risk management operations in order to ensure safer and more stable IBs and promote overall financial system stability. Qualitative research method was used through critical in-depth content analysis of documented literature to generate deep insights, further supported with a structured five-pillar guide to developing a bespoke ERMF for IBs.

THEME: ISLAMIC BANKING PRODUCTS AND SERVICES FOR THE FAMILY WELLBEING

Issues & Challenges Faced by Islamic Financial Institutions in Canada
Samia Benaziez, Rusni Hassan

Abstract: Despite the fact that Canada is a major and important host for Muslim individuals, that it has a long history welcoming Muslims and that it generally respects minority rights, religions and cultures, Islamic Finance is still at its infancy stage in the country. This paper aims at studying the reasons of this stagnant stage including the issues and challenges behind these reasons. After a thorough study done with managers of Islamic Financial Institutions in Canada, different issues and challenges emerged. These are connected in some cases and independent in others with the major ones being Government inertia towards Islamic Finance, Muslim community inertia towards asking for their rights as well as the failure of some Islamic Financial Institutions.

THEME: ISLAMIC WEALTH MANAGEMENT

Impact of Islamic Financial Literacy on Financial Retirement Planning Intention Amongst Indonesian Muslim Student in a Malaysian University
Zahra Nabila Kurnia, Syed Musa Alhabshi, Nur Harena Redzuan

Abstract: Longer investment horizon period will benefit the youth in actualizing their financial wellbeing in their post-employment period. It is important to identify the younger generation's intentions, who are represented by university students, regarding their financial retirement planning in the near future. Besides, an expected longer employment life span of young Muslims should be equipped by an adequate level of Islamic financial literacy to create accurate Shariah compliant financial decisions, including their retirement interests. Therefore, this study aims to measure the Islamic Financial Literacy (IFL) among Indonesian Muslim students in International Islamic University Malaysia (IIUM). The study also examines the impact of IFL and several demographic factors which are gender, age, marital status, and education level toward the intention of having voluntary Shariah retirement saving. The data were collected from 150 undergraduate and postgraduate students. Using the ordinal logistic regression method, the results of the study reveal that IFL positively affects the intention of having voluntary Shariah retirement saving. The impact of the demographic factors on the intention have been found as insignificant. Correspondingly, this study will assist the policymakers, industry players, and financial educators in developing policies related to Shariah retirement savings products, making commercial decisions, and developing strategies to enhance people's awareness of Islamic retirement planning. Furthermore, it will enrich the academic literature and for further research, specifically concerning Islamic retirement planning among youth, which lacks empirical studies.

THEME: OTHER TOPICS RELATED TO ISLAMIC FINANCE

Religiosity and Demand for Insurance : An Empirical Study of Indonesian Family Life Survey *Lola Fitria Sari, Syafruddin Karimi, Endrizal Ridwan, Mohammad Fany Alfarisi*

Abstract: Religiosity has become an important concern in research in various fields of economics and business. Its main concentration lies in studying how religiosity influences the individual decision-making process for a product, whether in the form of a good or service. Several studies have documented that religiosity has a positive relationship with risk aversion. The data in this study are secondary data which are sourced from the IFLS "Indonesia Family Life Survey" IFLS-5 data throughout 2014. Processed using the STATA 13.0 program. The results of the study show that insurance as an institution that is trusted to transfer risk becomes an attractive alternative to be offered to the public, but at the same time, the principle of religion and increasing religiosity has raised concerns that become a factor inhibiting demand for insurance. It is deemed necessary to reform insurance based on sharia principles so that it can be accepted by the public and can contribute to the growth of the insurance business in Indonesia.

Legal & Regulatory Framework for the Introduction of Islamic Retail-Banking Products in Canadian Banks *Samia Benaziez*

Abstract: Islamic finance has made its first steps in Canada; however, there is still a lack of Islamic financial products in the country. The Muslim community still struggles nowadays in finding retail-banking products that do not contravene their religion. In fact, there are some Islamic financial institutions in Canada; however, these face many challenges as to the legal and regulatory framework of the financial system. The literature has proven that for the success of Islamic finance it has to start from the Canadian banks that have full support from the government and a well established and powerful presence in the country; in the current legal and regulatory framework of the Canadian banking system represents an obstacle as to the offering of Islamic retail-banking products in Canadian banks. This research deeply delved in the study of the Canadian legal and regulatory framework and found that there are various amendments to be made in this framework for the offering of Islamic retail-banking products in Canada, the most important ones being in the Bank Act as well as some other amendments.

The Impact of The COVID 19 Pandemic on the Islamic Finance Industry *Sara Cherqaoui*

Abstract: COVID 19 was an event that disrupted the whole world. It disrupted the trade, work, and day-to-day life of people. The COVID 19 pandemic also hit the overall financial market. This effect was seen in the volatility in the Islamic indices. This study aims to investigate the Islamic financial industry reaction to the COVID 19 global pandemic. This paper will also highlight legal and economic measures taken by Islamic finance governance to overcome the challenges imposed by the pandemic and look at how investors have dealt with it. In terms of findings, the study's outcome will be used to evaluate the effectiveness and efficiency of the Islamic financial industry during the pandemic, as research has established a strong link between Islamic finance and market stability. In the subsequent years, the Islamic finance industry could be one of the vital sectors that will contribute to financial inclusion and, more broadly, to the financial stability and development of the overall financial sector.

Islamic Fiscal Policy and Macroeconomic Stability: A Review of Some Muslim Economies

Shehu Usman Rani Aliyu, Aminu Adamu Isah, Zainab Muhammad Bashir

Abstract: The paper is an attempt to assess the performance of some selected Muslims economies in the context of Islamic fiscal policy and macroeconomics stability. The aim of this paper is to review the concept of Muslim economies, Islamic fiscal policy and its tools as well as Microeconomic stability. It also to examine the application of Islamic fiscal policy tools such as taxation, expenditure and public debt to reduce macroeconomics disturbances like inflation, unemployment, poverty, to achieve sustainable growth and development. The methodology of the paper is trend analysis of some economic indices of the selected Muslim countries and conclusion derived thereon. Finally recommendations are put forward.

Duty of Islamic Banks on Shariah Compliance: Comparison Between IFSA 2013, FSA 2013, DFIA 2002, And LIFSSA 2010

Rusni Hassan, Ieman Huda Binti Adnan, Adam Noh Bin Adnan

Abstract: Malaysia has developed a comprehensive Islamic banking and finance ecosystem including legal and regulatory frameworks. For almost 40 years the Islamic banking and finance sector has generated a vibrant business environment for Islamic banks and other Islamic financial institutions. One significant regulatory aspect is the legal requirement on Shariah compliance where the Islamic banks are required to observe that their operations, business, and activities are consistent with the principles of Shariah at all times. There are four (4) types of Islamic banks offering Islamic banking services in Malaysia that are Islamic banks, Islamic window operations, development financial institutions, and lastly, international business and financial services. Each of these banks is governed by different Acts that are the Islamic Financial Services Act 2013; Financial Services Act 2013; Development Financial institutions Act 2002 and Labuan Islamic Financial Services and Securities Act 2010 respectively. One common provision in these Acts is the requirement on Shariah compliance. This paper examines the Shariah compliance duty of these banks as required by the law governing each of them. The comparative analysis is made on the provisions in the respective Acts. The findings on the gap in the legal provisions will be highlighted followed by the recommendations for improvement.

Analyzing the Similarities and Differences between BNM Resolutions and AAOIFI Standards in Murabahah Contract

Abdul Hai, Rusni Hassan

Abstract: The Islamic banking sector has acknowledged rapid development, remarkably in Middle east and Southeast Asia. Nevertheless, after five decades of establishment, both provinces have diverged over Shariah rulings. The latter is assumed to have adopted a more flexible and lenient approach as compared to the former. Hence, to compare and analyze the Murabahah standards of both regions, to find the similarities and differences amongst the Shariah standards of both institutions the study aims to examine the Shariah resolutions of BNM and AAOIFI on Murabahah contract. To accomplish the study's objectives, a qualitative methodology was adopted, which comprises library research and document analysis. Throughout the discussion the study has analyzed the similarities and differences between the standard of BNM and AAOIFI on Murabahah contract and recommended the process of harmonization amongst the rulings of both regulatory bodies. The most significant finding of the research is that both regulatory bodies' standards have more similarities than differences. Hence, this indicates that the standards of BNM and AAOIFI on Murabahah contract can be harmonized with each other. Further, the research will help to introduce proper and universal Shariah compliant banking practices, boost the cross-border investment, and consequently lead to economies of scale.

The Financial Jurisprudential Terminology a study of its Terminology, Characteristics and Development Stages
Abdulmajid Obaid Hasan Saleh, Fahd Al-Shaghdari

Abstract: The revolution that the modern era witnessed in communications, transportation, finance and business had an impact on the idiomatic openness that required the jurists of the era to exert a double effort in controlling and maintaining the terminology of Sharia, absorbing terms coming from various fields, and placing them in the appropriate place. The financial jurisprudential term has gone through many factors that led to its expansion, Many of the terms came from various civilizations and different fields such as the stock exchange, the check, and the bill of exchange have settled, and many of the interests that have become extinct and are no longer used, such as the muzabana, the mukhabarah, and the sale of the rope of the rope, and there are legal terms that no longer exist, such as the tribute, Fay' and Kharaj. There are also terms associated with cultures and intellectual approaches such as monopoly as part of capitalist thought which is based on market control, and land nationalization (feudalism) is part of communist thought which is based on land expropriation and expropriation of private property. This research comes to identify the process of transformation, influence, and to clarify the state of displacement and the confusion between jurisprudence and legal terms. To achieve the mentioned purpose, the researcher used the descriptive analytical approach, which is appropriate, especially in terminological studies that relate to the analysis of the term, concept and relationship.

Sufferings in Silence: Violence Against Female Workers in the Ready-made Garment Industry in Bangladesh: A Qualitative Exploration.

Tahmina Bari Rini, Mohammad Habibullah, Ashurov Sharofiddin

Abstract: In spite of the improved wellbeing of the instant piece of clothing industry in Bangladesh since 2013, other working environment wellbeing and security issues in the instant piece of clothing industry proceed particularly savagery towards female specialists. This article inspects this viciousness just as the accepted practices and mentalities of key partners supporting it. Information was gathered in four instant pieces of clothing processing plants in Bangladesh through inside and out interviews, center gathering conversations with female specialists, and key-witness interviews with various partners, alongside manufacturing plant perceptions. Discoveries were dissected specifically. Female specialists portrayed the individual experience of viciousness in the work environment: physical and obnoxious attack, steady pressing factor, other individual limitations, and retaining of pay. They didn't submit questions about the dread of losing their positions. Bosses portrayed the ladies as 'defiant,' 'uncooperative' and 'reluctant' to work and saw their conduct as adequate. Different partners disregarded these issues. At last, this investigation proposes how the discoveries urge activity to forestall savagery in the working environment to address the arising word-related medical conditions in Bangladesh.

Shariah Audit Challenges in Malaysian Islamic Financial Institutions

Mohd Shahid, Ahmad Khaliq, Rusni Hassan

Abstract: Shari'ah audit, a monitoring tool for ensuring Shari'ah compliance, is an important component in the operations of Islamic financial institutions. However, this study aims to discuss Shariah's audit framework and explore the potential challenges involved in the Shariah audit. The study employed 40 practitioners from several Islamic financial institutions engaged in the audit services of Shari'ah through a purposive sampling procedure. The data was generated using a questionnaire tool. The data have been analysed with descriptive statistical tools including frequency, percentage, averages and standard differences because of the descriptive character of the study. The study findings demonstrate that the awareness of the Shariah audit is satisfactory, since most of them have learned about the Shari'ah audit by way of a job training programme, which enabled them to say what Shari'ah audit practise should be. Likewise, the findings indicate that the practice has a lack of an independent audit report, an independent audit framework for the Shari'ah audit as well as inadequate competent Shari'ah auditors. In addition, the findings show that Shari'ah's audit has a strong potential in the near future to become a marketable career. Eventually, the results suggest that Shari'ah auditor should be integrated into the accounting of higher learning institutions; a comprehensive Shari'ah audit framework and standards; a new regulatory/professional body with a mandate to supervise Islamic Financial Institutions; and a professional certification in the Shari'ah audit. The study is hopeful to contribute to the development of the desired auditing practices for Shari'ah audit in Malaysia.

Indonesia Green Sukuk: Performance Analysis, Impacts and Challenges to Reduce Climate Change

Muhammad Jais, Azman Mohd Noor

Abstract: Currently, green Sukuk is highly demanded (oversubscribed) by investors as it promotes green sustainable activities which give a good image for investors as well as the public. It supports the financing of the green sustainable activities, impacts climate change in terms of preserving the environment and sustainability of green activities, and supports climate change issues. This current research tried to analyze the microeconomic (internal) variables such as price of issuance, nominal value (size), returns (yields to maturity - YTM), coupon rate, and date to maturity on the performance of Indonesia green Sukuk and green bonds for the period from 2018 to 2020 as well as impacts and challenges to combat climate change. This quantitative research applied the method of multiple regression analysis models to assess the microeconomic variables through SPSS software. The results showed that the performance of Indonesia green Sukuk is highly correlated with the price of issuance, yield to maturity (YTM), coupon rate, and maturity date. Nevertheless, the nominal value is uncorrelated with the performance of Indonesia green Sukuk. On the other hand, investors prefer a green Sukuk with a high volatility, increase the price, and YTM positive trend. Unfortunately, the climate change issues may be ignored by the investors as they exclusively based on a profit motive. Hence, the issues of green quality to the investors would be an interesting topic to be discussed further.

The Application of Hybrid Contracts in Islamic Banking Products in Malaysia: A Shariah View

Saidatolakma Mohd Yunus, Nur Farhah Mahadi

Abstract: This study aims to analyse the application of hybrid contracts in Islamic Banking products in Malaysia and highlights the Shari'ah principles for its implementation. It finds bay' bithaman ajil (BBA combined with Bay 'inah) and tawarruq are controversial hybrid contracts since they are deemed a ruse to impose interest when the buying and selling transactions are initially organized. Other hybrid contracts are less controversial, such as musharakah mutanāqishah and murābahah to the purchase orderer (MPO). To apply the contracts some Shari'ah principles are observed namely: permissible and independent contract, the combination must not include contradicting commitments, and should not be utilized as a ruse to commit ribā. The result of this study benefits particularly the Islamic banking and finance institutions in developing products, and generally, the Muslim community in increasing the level of confidence to deal with the institutions.

Financial Resilience and Financial Literacy: Challenges and Lessons Beyond The COVID-19 Crisis

Nur Farhah Mahadi

Abstract: The COVID-19 outbreak and the containment measures imposed by governments around the world have taken tolls on the households and businesses around the world. Drawing on academic and policy literature, this paper focused around addressing challenges and issues of women owner small/micro business entrepreneurs' needs for financial education as a means to improve both in financial well-being and in economic opportunities in the aftermath of COVID-19 pandemic. The paper intends to address the following issues: First, identify challenges of women owner small/micro business entrepreneurs' needs for financial education. Second, to explore how financial education can support financial resilience in the areas of long-term saving and Takaful/insurance. Third, to find how financial education can be developed to reduce the negative consequences of limited resilience on mental health, and how it can be designed to help overcome the stigma of talking about financial problems. Research framework have developed quantitative tools, principal indicators and proxies, to measure resilience to support adaptation decision making. Research framework have developed quantitative tools, principal indicators and proxies, to measure resilience to support adaptation decision making. The research framework emphasizes short-term coping and long-term adapting strategies across multiple spatial scales. It discusses how financial education could be applied to deal with risks and enhance resilience and sustainably improving the women-owned MSMEs condition.

The External Environment as Driving to Organizational Change Under Internal Environment's Adaptation: "Empirical Evidence From Commercial Banks' Adoption of Islamic Financial Transactions In Libya"

Salwa Abdel Gader Khalleefah Bin Idrees, Syed Musa Alhabshi, Ashurov Sharofiddin, Anwar Hasan Abdullah Othman

Abstract: This paper aims to highlight the Libyan commercial banks' adoption of Islamic financial transactions to achieve a real value for stakeholders will be related to their internal environment's adaptation. Accordingly, a questionnaire was designed and distributed to 14 commercial banks in Libya. As well as, structural equation modelling (SEM) has employed for testing study hypotheses. In the context of hypothesized modelling, the conceptual framework has portrayed the concept constructs of employed variables of the study, to be Libyan commercial banks' adoption of financial transactions as dependent variable. While external environment as a driving to organizational change is independent variable. And the adaptation of the commercial banks' internal environment as an intermediate variable. The measurement model Confirmatory Factor Analysis (CFA) has been applied to inference on the relation between measures of constructs and indicators, the results showed that the estimations of maximum likelihood (ML) were satisfactory. While, the results of (SEM) showed that commercial banks' adoption of Islamic financial transactions is more related to their capability adapting their internal environment than it related to achieve an economic and social value of stakeholder.

ABSTRACT PAPERS IN ARABIC

Mudarabah as Practiced by Nur Islamic Window and Its sufficiency for a need of Minority Muslims in Sri Lanka: A Maqasid Approach

Mohamed Bishrul Rifath, Mohamed Akbar Kareem

الملخص: تتطّلع المصرفية الإسلامية لأن تصبح قوة ذات تأثير كبير على مستوى اقتصاد الدول بتوفيرها منتجات تتطور بشكل ملاحظ في البلاد الإسلامية بصورة عامة، وفي بلاد الأقليات المسلمة بصورة خاصة وذلك باعتبارها طوق نجاة للمسلمين من احتكار البنوك التقليدية على المعاملات المالية. يهدف هذا البحث إلى توضيح المضاربة المعمول بها في نافذة النور الإسلامية ومدى كفايتها لحاجة الأقلية المسلمة في سريلانكا في ضوء مقاصد الشريعة.

واشتمل البحث على ثلاثة مباحث؛ تناول المبحث الأول نبذة تعريفية بالصيرفة الإسلامية والنوافذ الإسلامية في سريلانكا، وأما المبحث الثاني، فهو يُحاول بحث عقد المضاربة المعمول بها في نافذة النور الإسلامية، والمبحث الثالث يوضح مدى كفايتها لحاجة الأقلية المسلمة في سريلانكا في ضوء مقاصد الشريعة في التمويل.

يعتمد البحث المنهج الاستقرائي في تتبع المادة العلمية من مصادرها ومراجعتها المناسبة، والمنهج التحليلي في الشرح والاستدلال والمناقشة. توصل البحث إلى تحقيق جملة من النتائج، أهمها:

أولاً: المضاربة كصيغة مصرفية في نافذة النور لاتزال في حاجة إلى تطوير في آلياتها في ضوء ماتعرفه تجارب النوافذ في دول أخرى.

ثانياً: المضاربة كمنتج مصرفي في نافذة النور لا يحقق الاحتياجات التنموية في أبعادها المقاصدية: الاجتماعية و الصحية والتعليمية والأسرية للأقلية المسلمة في مجالات مقاصد الشريعة.

ثالثاً: على النافذة أن تعمل بما يحقق كسب ثقة المسلمين أكثر سواء من حيث رفع الكفاءة في التدقيق الشرعي خصوصاً والحوكمة الشرعية بشكل عام.

Social Investment Funds as One of the Islamic Investment Tools and A Requirement of Development

Osamah Hashem, Azman bin Mohd Noor

الملخص: تهدف الدراسة إلى إبراز الدور الاجتماعي الذي يمكن أن تلعبه صناديق الاستثمار الإسلامية، وتفنيد النظرة التقليدية حول هذه الصناعة، من كونها مؤسسات مالية بسيطة إلى مؤسسات تسعى لخدمة المجتمعات ورفاهيتها والمساهمة الفاعلة في تنميتها، وأن هناك ثمة طرق وأساليب ممكنة في سبيل تعزيز الدور الاجتماعي لصناديق الاستثمار الإسلامية، كما تسعى الدراسة إلى إبراز بعض الخصائص التي تتميز بها صناديق الاستثمار الاجتماعية، فهي مع تعظيمها للربحية التجارية، تسعى لتنمية المجتمعات الإسلامية، كونها أداة من أدوات الاستثمار الإسلامي، تخضع لجميع مبادئه وأحكامه ومقاصده، وقد توصلت الدراسة إلى عدة نتائج من أهمها: أن صناديق الاستثمار الاجتماعية يمكن أن تستهدف السوقين الأولية والثانوية، ولا تقتصر عملياتها على الثانوية وحسب، كما أنها تخضع في مبادئها وعملياتها لمقاصد الاستثمار الإسلامي، وتعد من أكثر الأدوات الاستثمارية امتثالاً للمسؤولية الاجتماعية، كما توصلت إلى بعض الصناديق الاجتماعية المبتكرة التي يمكن أن تولد أكبر نفع للأفراد والمجتمعات، وقد اقترحت الدراسة بعض الصناديق الاجتماعية، وكلها تخدم قطاعين من أهم القطاعات التنموية المجتمعية، وهما القطاع الخدمي والقطاع الإنتاجي. ولأن الدور التنموي لا يكتمل إلا بالتقييم الناجح الذي يهدف لتعزيز الأداء وتعظيم الأثر، فقد اقترحت الدراسة بعض المعايير التي يمكن أن تساهم في قياس وتقييم الأداء التنموي والأثر الاجتماعي لتلك الصناديق.

Addressing the Omani Budget Deficit through Shariah (Legitimate) Tools during the Oil Crisis and Coronavirus *Said Rashid Al Salmani*

الملخص : تعاني الدول النفطية منذ منتصف 2014 من أزمة مالية خانقة. وعمان باعتبارها مصدر صغير للنفط في الشرق الأوسط بدت عليها آثار هذه الأزمة بشكل واضح، لكن جائحة كورونا ضاعفت الأزمة المالية وجعلت الحكومة العمانية أمام ضغوط كبيرة لسد العجز في الميزانية العامة. ولقد أشارت بعض التقارير الاقتصادية إلى أن السلطنة بلغ مستوى الدين فيها مستوى قياسي في عام 2020 بما يعادل 80% من الناتج المحلي، وكذلك فإن العجز في الميزانية لم يقل عن 20% خلال السنوات الخمس الماضية. وقد قامت عمان بمحاولات عديدة لانتشال اقتصادها من مصيدة الديون الخارجية، ووضعت خطط عملية لذلك، واستعانت بأدوات مالية عديدة لتمويل العجز سواء كانت أدوات تقليدية أو إسلامية، لكن الملاحظ أن نسبة الأدوات الإسلامية للتقليدية بسيطة جداً، وكذلك فإن الأدوات الإسلامية المستخدمة محدودة جداً في الصكوك الإسلامية. ونحن في هذا البحث سنسعى لتحليل الوضع المالي للسلطنة وتحديد دور المالية الإسلامية المستخدم حالياً مع وضع المقترحات لأدوات إسلامية أخرى نرى أنها تساعد في تخفيف الوضع المالي السيء.

The Role of Financial Derivatives in Risk Management in Islamic Financial Institutions *Ghifary Duyufur Rohman, Ashurov Sharofiddin*

الملخص: تطور المعاملات في المؤسسات المالية يؤدي إلى زيادة الاحتياجات في العقود الجديدة المتنوعة. وأن تطوير المعاملات تخلق مخاطر جديدة التي يجب إدارتها بأدوات جديدة أيضاً، مثل المشتقات المالية. فتناقش هذه الدراسة استخدام المشتقات المالية في السوق، خاصة كأداة التحوط لإدارة المخاطر، وكيفية استخدامها في المؤسسات المالية الإسلامية. بعد استخدام المنهج التحليلي بمطالعة الكتب والأبحاث المتعلقة بالمشتقات المالية والنظر إلى تطبيقاتها المعاصرة من المنظور الإسلامي، خلصت هذه الدراسة إلى أن المعاملات المشتقة واستخداماتها في الأسواق التقليدية لا يزال لديها العديد من المشاكل الشرعية مثل الربا والغرر والميسر. وتستخدم المؤسسات المالية الإسلامية المشتقات المالية الإسلامية القائمة على العقود الإسلامية توافق الشريعة كالوعد والمواعدة والمراوحة، وتستخدمها لإدارة المخاطر وليس للمضاربة الربحية. والمشتقات المالية الإسلامية كمنتج للهندسة المالية أن يمكن أن تتطور لتفعيل استخدامها في المستقبل.

The Legality of Investing in Educational Programs, As Well As Financial Gain and Expenditure Limits *Hakim, Ebrahim Abdul Jabbār Al Shāmīrī*

الملخص: تعتبر المؤسسات العلمية والمشاريع التعليمية من أهم المصادر لكسب المال في العصر الحاضر، وأكثر المشاريع انتشاراً في المعمورة، فالشركات الكبرى تستثمر في بناء الجامعات وتشيد المعاهد، وتأسيس المدارس، وطبع المصاحف، ونشر الكتب العلمية، والمجلات المحكمة، والنشرات الثقافية، وبناء المراكز التوعوية والتأهيلية، وتقوم بتسويقها والعمل على نشرها وشهرتها بطرق ووسائل شرعية وغير شرعية رغبة في الأرباح التي تحققها هذه المؤسسات التعليمية. ونحن نهدف من هذا البحث إلى إبراز الجانب الشرعي من الأموال المكتسبة من هذه المؤسسات، ومشروعية الإنفاق عليها، كما نهدف إلى بيان التجاوزات التي قد تحدث من بعض المؤسسات العلمية لتحقيق الربح، وبيان حكم الوسائل المستخدمة، والدعايات المعتمدة عليها في الترويج، وحكم الإفراط في الأرباح والجشع التي تتسم بها بعض المؤسسات العلمية وبعدها عن الأخلاق والقيم النبيلة. وتبرز أهمية البحث من خلال أهمية المحاور العلمية والمعرفية، ومكانتها في التشريع الإسلامي، واعتماد الباحث على مناهج عدة لتحقيق الأهداف، أبرزها الاستقراء والتحليل والاستنتاج، ويتوقع الباحث أن يتوصل إلى مشروعية الكسب المالي من خلال الاستثمار في المشاريع التعليمية، والإنفاق عليها، بضوابط شرعية وقيم إسلامية ثابتة.

Mudarabah in Afghanistan Banks: A Fiqhi study Qanet Abdul Bari

الملخص: المضاربة طريقة تمويل أفضل ونموذجي في تمويل المشاريع التجارية والصناعية الهامة وغيرها. لذا فإن البحث يهدف إلى بيان فقه المضاربة من حيث بيان تعريف المضاربة في القوانين الأفغانية ومفهوم المضاربة في الفقه الإسلامي ومشروعيتها والتمويل بطريقة المضاربة والشروط اللازمة في عقد المضاربة، كما يهدف إلى بيان حكم المضاربة المصرفية وماهيتها، وتوضيح مكانة التمويل بالمضاربة في المصارف الأفغانية. ولقد استخدم الباحث المنهج الاستقرائي والتحليلي، من حيث ذكر جزئيات المضاربة، ثم تعقيب ذلك بالشرح والتحليل لكل جزء من مفرداتها. توصلت الدراسة إلى أن التمويل بالمضاربة في المصارف الأفغانية تتجلى أهميته في استخدام طريقة المضاربة في قسم العقود الفردية لغرض محدود، لتلبية احتياجات صغار التجار والحرفيين ويمكن استخدام هذا المنتج بشكل أكبر في المشاريع الاستثمارية قصيرة الأجل الهادفة للربح والأنشطة التجارية، كما استنتج البحث بأن المضاربة الفقهية تتفق مع المضاربة المصرفية.

Risk Management In The Saudi Insurance Sector Walaa Hussain Abazaid

الملخص: يعتبر قطاع التأمين في المملكة العربية السعودية واحدا من أهم القطاعات الرائدة في المملكة العربية السعودية حيث تطور ونما بمعدل عالي خلال زمن قياسي ولم يتأثر بالأزمة الاقتصادية العالمية. يهدف هذا البحث إلى دراسة إطار إدارة المخاطر في قطاع التأمين السعودي وآلياته وتقديم اقتراحات حول آليات تطوير إطار إدارة المخاطر في قطاع التأمين من خلال اتباع منهجية وصفية تحليلية وقد خلص البحث إلى التأكيد على دور رأس المال البشري في قطاع التأمين إضافة إلى تعزيز مفهوم الخصخصة ضمن هذا المجال إضافة إلى فتح الباب أمام رأس المال الأجنبي للاستثمار ضمن هذا المجال.

Bitcoins: A Shariah Approach in the light of Maqasid al-Shariah Mohamed Bishrul Rifath, Mohamed Akbar Kareem

الملخص: تهدف هذه الدراسة إلى معالجة عملة بيتكوين من ناحية شرعية وبيان الموقف الشرعي منها في ظل سرعة انتشارها في العصر الحديث وتداولها، وكونها عملة رقمية إلكترونية افتراضية متداولة عبر الإنترنت دون وجود حقيقي. إضافة إلى اختصاصها بصفات تميزها عن العملات التقليدية الموجودة بصورة النقد والورق. ومن هذا المنطلق، دعت الحاجة إلى بيان التكيف الفقهي حول تداول عملة البيتكوين باعتبارها نازلة فقهية وقضية مستجدة تتعلق بالمعاملات المالية، وذلك في ضوء الأصول الشرعية والقواعد النافذة للمعاملات المالية بقصد الوصول إلى حكم العملة الفقهي المتوافق مع أحكام الشريعة الإسلامية ومقاصدها. وتناول الباحثان مفهوم عملة البيتكوين وأوصحا الحاجة إلى بيان حكمها الشرعي، وناقشا التكيف الفقهي لتداولها بذكر أدلة المجيزين والمانعين مع إيراد ترجيح القول المختار وتقديم النتائج والتوصيات. واستخدم الباحثان المنهج الاستقرائي في تتبع مضامين المادة العلمية المرتبطة بموضوع البحث، والمنهج التحليلي في بيان مفهوم وحكم عملة البيتكوين.

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