Moral Reflections on Economics
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“The desire for piling up of worldly things diverts you until you reach the graves.”

[Al-Takathur: 1-2]

“A time will come when one will not care how one gains one's money, legally or illegally.”

[Sahih Bukhari, Hadith No. 2059]

Inside This Issue

“What would happen if we all cut our meat consumption just by fifty percent? Or if we got our electricity down by twenty percent? Or bought fifty percent less ‘stuff’? If somebody just does it on their own, you think, what difference will it make? But if whole communities do it—if the entire population lived differently—it changes the system.”

Mary Robinson, Climate Justice

Distribution of Resources in Islamic Economic Framework

Salman Ahmed Shaikh

Scarcity of resources is the basic premise on which the theories of classical and neoclassical economics are based upon. It implies that resources are scarce relatively as compared to the wants that are unlimited. But, this premise uses the word ‘wants’ in a general sense which includes both necessities and luxuries that people desire to have.

Nobel laureate economist, Amartya Sen, showed empirically that it is not true that resources are scarce when it comes to wants that belong to the category of necessities. Food per capita availability despite huge population growth has actually increased. Problem is with distribution of resources, income inequality and equal access to opportunities of gainful employment and enterprise.

Fiat money based monetary system with fractional reserve banking at its core requires consumerism for credit expansion. The desires in consumerism remain unfulfilled in the areas of wants. Most of these are not urgent or critical wants.

Bandwagon effect, snob effect, easy credit and celebrity endorsements all work to create fads, promote materialism and help engender societies where people live busy in pursuit of more and more goods and services. Yet, Easterlin Paradox confirms that we remain relatively unhappy even after earning and consuming a lot as we suffer by comparison.

It may very well be that problem is not with scarcity of resources, it is with unlimited wants that are excessively beyond necessities. The problem is also with distribution of resources as Nobel laureate, Amartya Sen empirically found.

Some of the famines he studied were caused not because of lack of resources, but because of ill-distribution of resources in the affected regions. Comparing per capita food availability with per capita food requirement does not exhibit any shortage of resources.

Humans are much more than utility maximizing machines. They are rational, they reason, they think, they believe and they differentiate between right and wrong behavior. Religion provides the necessary spiritual conditioning and the authentic promise of reward in life hereafter for choosing the right actions in this world even if those choices do not bring deterministic reward and punishment in this world.

This understanding becomes more important while making intertemporal decisions and choices related to environment. It is also vital when crisis hit economies and compassionate behavior is needed. What can motivate it? What can make it last? What can make us avoid such situations? That is where; the role of values is of paramount significance.

Solving the problem of distribution of resources through economic policy measures requires eliminating concentration of wealth. Islamic economic principles solve this problem through Zakat (compulsory spending on welfare), Infaq (voluntary spending on welfare) and inheritance distribution in each successive generation.

Zakat on wealth directly encourages investment so as to avoid depreciation of wealth. Incidence of Zakat is on relatively wealthy who own at least wealth equivalent to the value of 612 grams of silver.

Investment brings productive use of resources and employment through market mechanism. It can also improve competitiveness in market, quality in products and efficiency in operations. By prohibiting interest on loans, Islam closes the door for one important means of concentration of wealth.

Thus, prohibition of interest as price of capital along with redistribution of resources contemporaneously and intertemporally from the haves to the have nots encourages circulation of wealth and spending which can help in greasing the economy to create enough jobs and incomes so that people are able to afford the output produced.

Sukuk in Islamic Capital Markets

Mufti Saad Ali Chippa

Definition of Sukuk

Sukuk is the plural of “Sak”, which means: “document or certificate”. During the period of Marwan Bin Huqam, the certificate issued to people to get rations from the Treasury were called “Sukuk”. But, the modern meaning of Sukuk is different. In contemporary Islamic finance terms, Sukuk means:

“Securities of equal denomination representing individual ownership interests in a portfolio of eligible existing or future assets”

(Source: AAOIFI)

Investments in Sukuk assets is represented by the certificates, i.e. Sukuk. Some people also call them Islamic bonds, but this is not correct, because the difference between bonds and Sukuk is that bonds are only debt documents, while Sukuk are proof of ownership of a proportional share in some identified asset.

Also, in Sukuk, the return of Sukuk holders depends on the income from the assets that the Sukuk represents, but in bonds the return is fixed, whether or not the issuer makes a profit or a loss. Similarly, there is a difference between common shares and Sukuk. That is, shares are issued for a fixed term, for example three or five years, and shares are for an indefinite term.

Origin and Development of Sukuk

The Council of Islamic Ideology in Pakistan in its famous interest-free banking report in 1980 proposed financial instruments based on the principle of profit and loss sharing to raise capital for a specific period, which would replace debentures. The name of the alternative instrument was also suggested in the report, i.e. “Participation Term Certificate”.

In 1984, according to this proposal of the Council, the term share certificates were also introduced. Although due to some reasons, these certificates could not be used for long and were replaced by term finance certificates, but we can refer to them as the first attempt to issue Sukuk, because the concept of modern Sukuk is derived from these foundations on which Participation Term Certificates were based.

Malaysia issued its first global sovereign Sukuk in 2002, with an amount of $600 million. Later in 2003, Islamic Development Bank Jeddah also issued a Sukuk. After that, a lot of activity was seen in the area of Sukuk issuance.

However, in 2008, Maulana Mufti Muhammad Taqi Usmani, as the president of AAOFI’s Majlis Shari’ah, declared the majority of Sukuk issued in the Middle East and Malaysia worth billions of dollars as illegitimate. Resultantly, there was a slight decrease in the process of Sukuk issuance, but this process has not stopped, rather it is still going on.

In 2009, Sukuk worth more than Rs 30 billion were issued in Pakistan. Similarly, the Indonesian government had also issued Sukuk to cover its budget deficit and to raise funds. Around the same time, one of the world's largest Sukuk was issued by the United Arab Emirates' property Developer Nakheel, which was worth $3.5 billion dollars.

According to a report published by the International Monetary Fund (IMF), Sukuk is one of the most popular instrument among international financial products. Considering the popularity of Sukuk, many non-Muslim countries are also considering issuing Sukuk. Hong Kong, Singapore, United Kingdom, Luxembourg and other countries had issued Sukuk in past. The American Corporation General Electric became the first company in non-Muslim majority region to issue Sukuk.

Types of Sukuk

There are many types of Sukuk, such as:

- Musharakah Sukuk
- Mudarabah Sukuk
- Ijarah Sukuk
- Istisna Sukuk
- Salam Sukuk
- Wakalah Sukuk

Some of them are explained below:

Musharakah Sukuk

These refer to shares in projects or activities, which are run on a partnership basis. For example, a company has a huge project and it requires a huge amount of money to complete it. Suppose there is a requirement of Rs 10 billion which cannot be provided by a single company or a few individuals.

Now the company issues Rs 10 billion worth of certificates, which are called Musharakah Sukuk and the people who buy these certificates are called shareholders in this project.

Then, the project is no longer the property of a single company, but becomes the property of several people and the profit or income arising from it will be distributed among all the Sukuk holders according to their pre-agreed share in the income of the asset. If there is a loss, everyone owning the share of assets in the project will participate in this too. When the Sukuk period is over, the company will buy these Sukuk and become the sole owner again.

Mudarabah Sukuk

These are certificates which represent that the holder has invested a certain amount of money on the basis of Mudarabah. These Sukuk are either issued by companies that want to raise capital on the basis of Mudarabah, or they are issued by financial institutions.

For example, a bank has lent Rs 50 million to a party for three years on Mudarabah and now it wants to get this money back, so that it can meet other needs. So, it can issue certificates of equivalent value of that amount.

Those investors who buy these certificates will share in the profits from this Mudarabah enterprise. When the period expires, the bank will repurchase the Sukuk.

Ijarah Sukuk

This is the most important type of Sukuk. It applies to contracts that represent the ownership of leased assets and a proportionate share in their usufruct. The Sukuk holders share in the rent earned from these assets in proportion to their shares. The difference between Musharakah and Ijarah Sukuk is that in the former, the profit from the partnership is distributed and in the latter, the rent received from the asset is distributed.

In Ijarah Sukuk, sometimes the owner of the asset directly issues the Sukuk and sometimes through a financial agent. This financial agent is an entity set up for this particular purpose, hence it is called a Special Purpose Vehicle (SPV).

Governing Principles of Sukuk

In order to understand which principles must be followed in the issuance of Sukuk, it is necessary to determine their jurisprudential status, so that the rulings are mentioned keeping this in mind.

The details we have explained above are sufficient to prove that the mutual relationship of the Sukuk holders is based on a partnership, because unless the relationship of partnership is established, neither the profit on these Sukuk will be assessed nor will it be valid to buy and sell them at more or less than their face value. It is because in that case, they will represent debt documents with no legitimate profit or loss possibly on holding and transferring them.

If price is different, then the exchange will become usurious and hence, it will be Shari'ah non-compliant.

When it is established that the relationship between the issuer and the holders of Sukuk is based on the concept of partnership of limited duration, then they should be seen in the context of partnership rulings.

In Islamic jurisprudence, the rules of partnership are explained with great clarity. Their description will be out of place here, but the following issues must be kept in mind.

The basic principle of partnership is that all parties will share in the profit and loss. Such a partnership is not permissible in which a party shares in the profit, but does not accept the responsibility for the loss. Sukuk holders are shareholders in these assets, so they must also bear losses in proportion to their shares.

A partnership is not permissible in which one party is required to pay the other party a fixed profit in relation to the principal amount. For example, if it has been said that 12% profit will be given on these Sukuk anyway, then this would be invalid because of entering into the definition of interest.

However, it is necessary to determine at the beginning of the partnership that how the profit will be divided among the participants. So, such Sukuk is not permissible in which profit is determined or expressed as a percentage of the invested money.

At the end of a partnership, liquidation is required, which is to sell all the assets of the partnership and convert them into cash, and from the proceeds, deduct the liquidation costs and outstanding debts. Then, the remaining amount should be distributed among all the shareholders in proportion to their shares.

The rationale is that partnership assets are jointly owned by all the partners, so at the end of the partnership period, distribution must be made among all the partners in proportion to their shares. If the value of the assets is insufficient to repay the original capital, then each partner should be given a share in proportion to his capital.

It has also been explained earlier that no party to a partnership can promise to purchase the assets of the partnership at face value, as this would mean giving a guarantee to a partner. If it has been stated that capital investment by a partner will be compulsorily returned, then this is against the principles of partnership. Any repurchase of assets agreement has to be separate.

Nonetheless, Ijarah Sukuk are also issued on the concept of limited term partnership. So it is imperative that when the Sukuk period is over, the asset is sold and the proceeds are distributed among the holders of the Sukuk proportionately.

Shari'ah Status of Sukuk

Sukuk is an alternative means of obtaining capital under Islamic law, in the same way that interest-bearing bonds or various certificates are issued for long-term borrowing. Similarly, Sukuk is issued to manage capital requirements in a legitimate manner. Sukuk issued are documentary evidence of ownership in the business and assets of the issuing entity rather than representing loans.

Some Pitfalls to Avoid in Sukuk Issuance and Management

When we examine the prevailing Sukuk in the light of the above principles, the following cautionary notes shall be kept in mind:

1. If Sukuk holders only receive profit or rent and do not share in losses (if incurred), then this is against Shari'ah principle.

2. If a fixed percentage of return is given on the invested capital which comes under the category of interest, then this is not permissible.

3. If the issuer provides guarantee of invested capital by agreeing to necessarily repurchase the invested capital at the original amount, then this is not permissible. Any repurchase agreement has to be independent of the original investment agreement.

Book Review

Title: ساتویں صدی کی مدینہ اکنامکس

Author: Muhammad Munir Ahmed

Publisher: Aiwan-e-Ilm-o-Fann

The book is authored by Muhammad Munir Ahmed who has long served in the State Bank of Pakistan. It is an Urdu translation of the earlier book 7th Century Madina Economics. Like its English version, the main thesis of the book is that Islamic economics was the first economic system.

Contemporary institutions which built the foundations of Capitalism after the industrial revolution came much later on. Communism was also a reaction to Capitalism and came later. The rules, norms and institutions of Islamic economics appeared in the state of Medina in the 7th century.

Even though, some scholars view that Islamic economics is not a full-fledged economic system in the sense that it does not have explicit rules for everything in source texts, the author opines that Islamic economic teachings are exhaustive and expendable enough to answer the basic questions which an economic system seeks to answer.

The author highlights that many institutions which are part of Capitalism were initially conceived and operationalized first in the regions under the Muslims rule. For instance, remittances through check and 'Suftaja' appeared in Muslim majority regions quite a few centuries ago.

Venture capital investments based on Mudarabah and Musharakah were common in Arab in the 7th century. Trade finance through Salam and Istisna was also allowed and practiced. Waqf based social insurance system was also in vogue. Venture capital in a way was fostering division of labour as well by distinguishing investment entrepreneur from the productive entrepreneur.

Furthermore, Islamic economics laid down laws and norms for transparency and fairness in trade. Certain exploitative and speculative trades were disallowed. Emphasis was put on real economic enterprise by i) disallowing money as a tradable commodity, ii) banning interest and iii) levying a broad based charge on idle wealth and capital.

Prohibition of interest takes away the privilege from the capitalists to have secured increase at a fixed rate in capital by simply loaning it out and without having to undertake any risk and take part in productive enterprise. This principle of prohibition of interest did not undermine economic activity. In fact, it put more focus on trade and productive activities. That is why; very soon, the state of Medina was able to get rid of problems like unemployment, poverty and widened the trade to all parts of the world.

Islamic economics allowed the market mechanism to work, but under certain norms and regulations. Trade is directed towards useful and beneficial commodities and services without the element of exploitation, speculation and interest. This is conducive for increased investment in the real economy.

Islamic moral framework encourages beyond market sharing and distribution of resources. Instead of concentrating wealth as in Capitalism, the Islamic institution of Waqf reduces private concentration of wealth and enhances the scale of common property resources which benefit people at large.

Islamic banking in its conceptual foundations encourages risk-sharing based financing models. On the other hand, instruments like Credit Default Swaps (CDS) encourage excessive leverage by design. Since Islamic finance transactions are asset-based, there is more transparency as compared to the opaque nature of securitized instruments in capitalistic finance.

Therefore, it is no wonder that Islamic financial institutions remained largely unscathed from the Great Financial Crisis of 2007-2010. Nonetheless, splendid financiers and splendid financial products created havoc with the savings of people. Islamic regulatory and monitoring system is also transparent and consistent. No one is above law. Instead of protecting large scale traders, Islamic norms of trade facilitated the buyers through options of inspection and refund upon finding defect. Such rights protected the trading parties from moral hazard and asymmetric information.

On the other hand, gullible traders were also protected from the monopsonist and oligopsonists who would try to deceive the small farmers to sell their goods cheaply before going to the market. To reduce information asymmetries, it was urged to trade in markets where information collection is easier and it does not result in surplus extraction by one party from the other due to information asymmetries.

Sellers were also freed from having to pay bribes for legitimate services, having to pay interest on money loans and having to pay arbitrary taxes to the Kings without accountability and a say in such matters. Zakat is levied on income and wealth. But, it is not exorbitant to disallow any chance of earning legitimate profits and reinvesting them.

In fact, if wealth is kept invested and spent, it reduces the Zakat liability in many cases. At the same time, it increases investment in the real economy yielding increase in employment through market based exchange of Halal goods and services.

But, in capitalism, large scale corporations sometime become not only too big to fail, but too big to jail or be held accountable. After their reckless operations, many financial institutions had to be bailed from the public money after these corporations had already played havoc with the public money.

Taming selfishness and greed requires a value framework that does not just give sole emphasis on material prosperity and selling lofty dreams. Islamic value framework emphasizes on all-encompassing moral attitude in every sphere of life and to be content with the blessings bestowed by Allah.

The book is easy to read. The author is well informed of both history of commercial and investment banking as well as the contemporary practices and instruments used in the modern financial system. Detailed references are provided to support the facts listed in the book.

It is a good contribution in Islamic economics literature. It is written in contemporary style, but with minimal use of jargons to showcase its point for the wider audience.

Research Paper in Focus

Paper Title: Examining the Role of Microfinance: A Creating Shared Value Perspective

Author: Rofikoh Rokhim, Arief Wibisono Lubis, Ida Ayu Agung Faradynawati, Winalda Ajaniara Perdana and Andrew Deni Yonathan

Publisher: International Journal of Ethics and Systems, Vol 39 No. 2, 379 – 401.

This study examines the role of microfinance from the business and social lenses by using the creating shared value (CSV) framework in the context of Indonesia.

There have been limited studies that examine the impact of microfinance from both the business and social perspectives. Most studies only use one of these. Implementing the CSV framework allows the authors to fill the gap and understand how microfinance provides business and social benefits.

Authors use a comprehensive sample size comprising of more than 170,000 borrowers of two specific credit schemes by PT Bank Rakyat Indonesia Tbk., the largest microfinance provider in Indonesia. There are two credit schemes that become the focus of this study, i.e. people's entrepreneurship credit (KUR) and village credit (KUPEDES).

The survey seeks to understand the perceptions of borrowers on the benefits of microcredit under the CSV framework. The results confirm that, overall, the debtors acknowledged the importance of the loans in various aspects of CSV. The highest levels of importance were recorded in the case of stimulating the increase of business revenue growth, business productivity and fulfilling the needs of consumers.

Authors also discuss the challenges being faced in the microfinance section, i.e. lack of scale advantage, sustainability of funds, limited concept of microcredit in microfinance and mission drift. Mission drift happened by exclusion of most relevant target market, i.e. poor.

If microfinance institutions seek profits, then they may be more inclined to provide loans to the non-poor rather than the poor. Sometimes, funded microfinance institutions want to show greater outreach. In that case, impact takes the back seat and small loans are provided with frequent repayment so that more and more loans can be shown.

Smaller loans which are to be repaid very frequently raises the annual percentage points as well as take away the room and liberty to use the funds productively.

Study has taken a large enough sample, but, few shortcomings could be improved in future studies. For instance, convenience sampling is used. It could have been better to use probability sampling designs. Furthermore, online data collection medium was relied upon.

Given the literacy, technological readiness and connectivity issues among the poor, field data collection in person could have been a better approach. In online mediums of data collection using convenience sampling, researchers lose the control over sample selection. People decide to opt in and out by themselves.

Furthermore, the researchers after collecting extensive data did not use inferential tools of research. Structural equation modelling, partial least squares, propensity score matching and other tools could have been employed to analyze the data.

Currently, only the average scores on Likert scale are reported. Cross tabulation and non-parametric tests of association could also have been employed to generate interesting patterns.

The average values in the region of 4 to 4.5 reflect that there is not much variation in responses. Hence, more in-depth and probing questions could have been posed to generate variation in results.

Overall, it is a good contribution in documenting the impact of Islamic microfinance institutions. There is need for more such researches in this area to document the performance and impact of microfinance institutions. Such institutions pursue dual bottom lines.

Hence, mission drift needs to be avoided by bringing focus to social evaluation of operations rather than just looking at the financial indicators. Evaluation from the borrowers, who are the most important stakeholders is of vital importance. This research has contributed to drive attention towards filling the research gap in this domain.

Prof. Lawrence Krauss explained that ***"'Why' implicitly suggests purpose, and when we try to understand the solar system in scientific terms, we do not generally ascribe purpose to it."***

The conflict between science and religion appears when a descriptive falsifiable scientific theory is presented as a substitute and evidence to support a godless philosophy of life.

Theory of evolution attempts to describe the process through which life comes to exist in different varieties. All this theory can support is that different forms of complex life did not come to exist all of a sudden and at the same time. It merely identifies and explains intermediate steps in the long chain of events. The theory does not concern with the question of the meaning of life itself.

Prof. Karl Popper writes:

"The belief that we can start with pure observation alone, without anything in the nature of a theory is absurd. Observation is always selective. It needs a chosen object, a definite task, an interest, a point of view, a problem. And its description presupposes a descriptive language, with property words; it presupposes similarity and classification, which in their turn presuppose interests, points of view, and problems."

Furthermore, Prof. Norman Campbell in his book 'What is Science' writes that since science always excludes from its scope conclusions which cannot be proved without differences, it can only help in deciding material means for material ends. Scientific preference for a means is only with regards to scientific effectiveness. Ranking the alternative means does not imply their absolute preference for employment in practical decision making.

This logical conclusion can only be reached when the end objective can be proved to be preferable. To provide proof for an end objective to be preferable over others is beyond science.

The real and fruitful jurisdiction of science is to understand the matter for its effective use by developing working and functional hypotheses, testing them and refining them to achieve this objective. Prof. Stephen Hawking explains:

"Any physical theory is always provisional, in the sense that it is only a hypothesis: you can never prove it. No matter how many times the results of experiments agree with some theory, you can never be sure that the next time the result will not contradict the theory."

Prof. Karl Popper in his book 'The Logic of Scientific Discovery' wrote: ***"The game of science is, in principle is without end. He, who decides one day that scientific statements do not call for any further test, and that they can be regarded as finally verified, retires from the game."***

He further writes that: ***"Our aim as scientists is objective truth; more truth, more interesting truth, more intelligible truth. We cannot reasonably aim at certainty. Once we realize that human knowledge is***

fallible, we realize also that we can never be completely certain that we have not made a mistake."

In explaining this important point, Prof. Karl Popper gives an analogy. He writes:

"What we aim at is truth: we test our theories in the hope of eliminating those which are not true. In this way we may succeed in improving our theories- even as instruments: in making nets which are better and better adapted to catch our fish, the real world. Yet they will never be perfect instruments for this purpose. They are rational nets of our own making, and should not be mistaken for a complete representation of the real world in all its aspects; not even if they are highly successful; not even if they appear to yield excellent approximations to reality."

Norman Campbell in his book "What is Science" writes that at no time, can it be claimed that science has reached the final and conclusive stage of reality in the analysis. This is not even claimed in most contemporary sciences. It is accepted that for any law, which seems plausible currently, it is still possible that the causal relation it explains is subject to change in future.

He further writes that there certainly are problems and even practical ones where science cannot help us decide one way or the other. In serving people's needs, one of the biggest hurdles is that these limitations of science are not well understood. When sometimes science has been undermined or overlooked, it has happened because the scope of science has been unduly broadened to areas where it does not belong to and this has caused damage to the cause of science.

Albert Einstein in his essay 'Religion and Science: Irreconcilable?' writes: ***"The function of setting up goals and passing statements of value transcends its domain".***

He further writes: ***"The independent and fundamental definitions regarding goals and values remain beyond science's reach."*** Also, Norman Campbell in his book 'What is Science' states that like all bodies of knowledge, science has its limits and there are some external problems, whose nature is such that science cannot help in resolving them. This should never be overlooked. Despite helping us to understand the external world, science cannot give us even a clue as for what end we should use a particular force or energy.

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Market News

- Dubai Islamic Bank has announced the launch of its DIB `alt` product, a digital umbrella brand that holds all of the bank’s digital offerings and capabilities (The Paypaers, June 7).
- Aafaq Islamic Finance taps MasterCard to boost credit, prepaid & commercial SME offerings (IBS Intelligence, June 7).
- VIS assigns final rating to Short Term Sukuk of K-Electric Limited (Metis Global, June 7).
- Saudi: Al Rajhi Takaful obtains regulatory nod for $160 million capital raise (Zawya, June 6).
- Kuwait KIPCO to issue dinar denominated Sukuk worth $487 million (Zawya, June 5).
- Pakistan hosts Islamic Capital Markets conference, says Islamic finance assets grew 29% in 2022 (Arab News, May 29).
- SBP Governor urges collaboration for Islamic finance standardization (Mettis Global, May 29).
- Malaysia remains largest Islamic banking market in Asia-Pacific (Pak Observer, May 26).
- HBL and Akhuwat Islamic microfinance team up to provide interest-free financing (Global Village Space, June 1).
- Bahrain sees new Islamic banking offering and becomes base of new digital bank (The Fintech Times, May 19).
- Malaysia has 294 fintech firms, but only 5% of them cater to Islamic fintech (Tech in Asia, May 17).

- UAE’s Aldar launches 10-year $500 million green Sukuk (Gulf News, May 17)
- Moody’s expects Malaysia’s strong Islamic finance growth to continue for next 12 to 18 months (The Star, May 17).
- Al Baraka Bank Egypt gets $30 million from ICD to fund green projects (Zawya, May 17).
- Indonesia’s biggest Islamic bank says customer data safe amid reports of breach (Reuters, May 17).
- Bahrain’s nogaholding launches $750 million 10-year Islamic bond-IFR (Zawya, May 17).
- Ila Bank launches ‘alburaq' Islamic banking experience in Bahrain (Zawya, May 16).
- Qatar: Dukhan Bank unveils eco-friendly vehicle finance offer (Zawya, May 15).

Economic and Financial Indicators

Islamic Banking Statistics 2013-2022

Country	CAR	Gross NPF	ROA	ROE	Net Profit Margin	Cost to Income
Bahrain	18.7	10.8	1.0	7.8	25.6	71.1
Bangladesh	11.5	4.5	1.3	23.5	33.3	43.8
Brunei	20.2	5.0	1.6	12.1	52.0	45.1
Egypt	15.24	7.25	2.62	42.08	58.76	30.91
Indonesia	18.4	4.1	1.3	11.8	13.9	86.1
Jordan	22.3	2.8	1.8	18.3	49.3	50.7
Kuwait	17.8	2.5	1.2	11.0	22.1	32.5
Malaysia	16.7	1.4	1.0	15.0	38.9	39.7
Morocco	20.6	0.2	-3.7	-26.2	-252.8	349.7
Nigeria	30.2	4.3	1.1	12.1	10.5	82.0
Oman	28.5	0.7	-0.8	0.1	-29.6	113.9
Pakistan	15.0	5.0	1.5	24.7	32.2	65.5
Palestine	16.8	2.3	1.0	9.5	24.2	69.6
Qatar	18.0	1.3	1.1	11.0	40.8	13.3
Saudi Arabia	20.1	1.2	2.2	16.4	49.5	49.6
Sudan	15.3	5.1	2.8	41.8	55.9	40.8
Turkey	16.5	4.0	1.3	15.5	21.0	43.3
UAE	17.2	6.3	1.4	11.4	32.0	50.5

Source: IFSB Data

Islamic Capital Market Investments

Measures / Groups	Annualized Return (%)			Annualized S.D (%)			Coefficient of Variation		
Stable Income Investments									
Sukuk	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**
S&P MENA Sukuk Index	2.67	3.96	0.69	1.94	1.63	2.45	0.73	0.41	3.55
S&P GCC Sukuk Index	2.96	4.45	-0.44	2.03	1.77	2.52	0.69	0.40	-5.70
Bond	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**
S&P MENA Bond Index	2.71	5.09	-2.79	3.89	2.48	5.97	1.43	0.49	-2.14
S&P GCC Bond Index	2.80	5.24	-2.76	3.97	2.52	6.09	1.42	0.48	-2.20
Equity Investments									
Islamic	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**
S&P 500 Shariah	12.04	12.30	11.35	18.03	13.27	26.75	1.50	1.08	2.36
S&P Europe 350 Shariah	7.26	8.83	3.18	15.38	13.60	19.27	2.12	1.54	6.07
S&P 500 ESG Shariah	11.92	11.50	13.00	18.15	13.15	27.22	1.52	1.14	2.09
Dow Jones Islamic GCC	4.25	2.07	10.13	12.82	12.44	13.79	3.02	6.00	1.36
Conventional	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**	**2013-22**	**2013-19**	**2020-22**
S&P 500	11.16	11.98	9.00	17.30	12.83	25.56	1.55	1.07	2.84
S&P Europe 350	5.20	6.80	1.03	16.56	14.44	21.10	3.18	2.12	20.40
S&P 500 ESG	11.41	11.77	10.46	17.34	12.77	25.73	1.52	1.08	2.46
Dow Jones GCC	4.58	2.69	9.68	12.04	11.36	13.72	2.63	4.22	1.42

Source: SP Dow Jones / Working by Research Desk

Global Economic Perspectives June 2023

Projections for Real GDP Growth for 2023, 2024 and 2025

Country	2023f	2024f	2025f
Algeria	1.7	2.4	2.1
Bahrain	2.7	3.2	3.1
Bangladesh	5.2	6.2	6.4
Benin	6	5.9	6.1
Burkina Faso	4.3	4.8	5.1
Chad	3.2	3.4	3.1
Comoros	2.8	2.9	3.6
Côte d'Ivoire	6.2	6.5	6.5
Djibouti	4.4	5.4	5.9
Egypt	4	4	4.7
Gambia	5	5.5	5.8
Guinea	5.6	5.8	5.6
Guinea-Bissau	4.5	4.5	4.5
Iran	2.2	2	1.9
Iraq	-1.1	6	3.7
Jordan	2.4	2.4	2.4
Kenya	5	5.2	5.3
Kuwait	1.3	2.6	2.4
Lebanon	-0.5		
Maldives	6.6	5.3	5.9
Mali	4	4	5
Mauritania	4.5	5.6	6.8
Morocco	2.5	3.3	3.5
Mozambique	5	8.3	5.3
Niger	6.9	12.5	9.1
Nigeria	2.8	3	3.1
Oman	1.5	2.8	2.6
Pakistan	0.4	2	3
Qatar	3.3	2.9	3.1
Saudi Arabia	2.2	3.3	2.5
Senegal	4.7	9.9	5.2
Sierra Leone	3.4	3.7	4.4
Suriname	2.4	3.2	3.1
Syrian Arab Republic	-5.5		
Tunisia	2.3	3	3
United Arab Emirates	2.8	3.4	3.4
West Bank and Gaza	3	3	3
Yemen	-0.5	2	

Source: World Bank Global Economic Perspectives, June 2023

Call for Papers

ISRA International Journal of Islamic Finance, Special Issue
Innovative Solutions of Islamic Social Finance for Sustainable Development
https://journal.inceif.org/ijif

9th International Islamic Monetary Economics and Finance Conference (9th IIMEFC)
25th – 26th October 2023 (Hybrid Mode - Online and in Person), Jakarta – Indonesia
https://submit.confbay.com/conf/iimefc2023

11TH Islamic Economics Workshop on Islamic Economics and Environment
13 – 15 October, Istanbul, Turkey
https://ikam.org.tr/ikam-is-organizing-the-11th-islamic-economics-workshop/2749

The 10th International Islamic Economic System Conference (I-iECONS2023)
14-15 August 2023, Mecca-Medina, Saudi Arabia
https://submit.confbay.com/conf/iecons2023

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- Research Articles
- Research Presentations
- Islamic Finance Calculators
- Course Outlines
- Academic Resources
- Data Resources Links
- Islamic Economics Journals List
- Qur'an and Hadith on Economics
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islamiceconomicsproject@gmail.com
www.islamiceconomicsproject.com
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