

Report and Findings of the 5th International Conference on Islamic Business (ICIB-2021)¹

Islamic Finance: The Need and Prospects of Moving to Social Finance February 27th, 2021

The theme of 5th International Conference on Islamic Business (ICIB-2021) was, "*Moving to social, ethical and responsible finance by the Islamic banking and finance institutions (IBFIs)*". This online conference was held on February 27th, 2021, and was conducted through ZOOM. In the backdrop of the failure of the MDGs, the United Nations moved to Value-based Intermediation (VBI) and social finance with sustainable development goals (SDGs). The UN's 2030 agenda seeks to achieve 17 vital SDGs and 169 specific targets, encompassing the social, economic, and environmental dimensions of development. The SDGs' agenda for human dignity and to leave no one behind is certainly in line with the principles and objectives of development from the Islamic perspective.

The inaugural session of the conference started at 9:00 am on 27th February 2021 with the recitation the holy Qur'ān.

Welcome Address by Prof. Dr. Khuram Shahzad, Dean FMS / Director RCIB, Riphah International University Islamabad

In the name of Allah, the most beneficent, the most merciful, honorable Chancellor, RIU (Mr. Hassan Muhammad Khan), worthy Vice Chancellor (Prof. Dr. Anis Ahmad), international and national keynote speakers, technical session chairs, technical session moderators, research paper presenters, the faculty and students of Riphah and other universities and the professionals from Islamic business industry, I feel privileged to perform this duty of welcoming you all in this ICIB being organized by RCIB which is a constituent part of FMS of the Riphah International University.

The ICIB is a forum to deliberate on the opportunities, potential and challenges facing Islamic business and finance in developing models and processes for present day economies in line with the tenets of the Sharī'ah, and to make them socially useful. This is the 5th conference of ICIB series and over the last approximate 10 years, ICIB has established itself as one of the authentic international fora for the generation, dissemination and publication of new knowledge and intellectual scholarship related to Islamic finance and banking. I welcome you all and wish RCIB a remarkable success in this mega event.

Policy Address by Prof. Dr. Anis Ahmed, Vice-Chancellor, Riphah International University Islamabad

There was a time over half a century back when a discourse on Islamic economics, Islamic Finance, and Islamic banking was regarded as a fantasy. It was considered an idea of some

¹This report covers the keynote speeches and addresses. The abstracts of the papers presented in the Conference have been published separately (as Book of Abstracts); available at the link: <https://jibm.org/archives/>

backward-looking Islamists not aware of the modern global economy, finance, and business trends. In the early 1970s, International Conference on Islamic Economics organized at the King Abdul Aziz University, which I attended myself, brought Muslim economists, bankers, and finance experts under one roof. At an academic level, things started taking their shape. In the 1970s, no one had an idea about the market behavior and global presence of Islamic institutions dealing with Islamic Finance, economy, and banking. Alhamdulillah, within our lifetime, we have seen the maturing of an idea and its global recognition with total assets around US \$2.5 trillion.

Time has come when practitioners as well as academicians develop a global strategy for internationalization of not only Islamic finance, economy and banking, but also social financing and the universities have to play a key role in materializing this dream. It might be appropriate to mention at this point, that the founding father of the country, Quaid e Azam Muhammad Ali Jinnah, in his address at the opening ceremony of the State Bank of Pakistan, on July 1, 1948 said,

I shall watch with keenness the work of your research organization in evolving banking practices, compatible Islamic ideals of social and economic life, he was concerned about social life as well, not just economy. The economic system of the West has created almost insoluble problems for humanity. The adoption of Western economic theory and practice will not help us achieve our goal of creating happy and contained people. We must work our destiny in our own way, and present to the world economic system based on the true Islamic concept of equality of mankind and social justice.

We also need to develop an *ijmā'* (consensus) of the academicians and practitioners on certain *maqāṣid* based strategies for building a holistic Islamic economic and financial framework with a focus on welfare and *huqooq al-ebaad*.

It is also vital to make the best use of artificial intelligence and machine learning. In order to play our role in the fast-growing global economies, we have to do more to change leaders instead of keeping in front of us the conventional financial and banking model with some Islamic adaptations. We are trying to look into it with a *fiqhī* approach, not a *maqāṣid* approach. And that's where I request this August gathering to come up with a consensus or *ijmā'*, develop a dynamic approach based on *maqāṣid*. And that requires 25-year strategic planning, what kind of research material, what kind of manuals, what kind of textbooks, what kind of surveys and global surveys are needed for this kind of work. And that requires not only one, but all institutions like ISRA of Malaysia, like IRTI of Jeddah, like Riphah's RCIB. They have to work together and pool and share their resources and only then this strategy can be materialized.

Before I end, I want to thank scholars, practitioners, and policy planners who honored us by their presence in this august gathering. My special thanks to our overseas participants. Some of them are my former colleagues, Prof. M. Kabir Hassan, Prof. M. Akram Laldin, who worked with me in Malaysia, Dr. Zamir Iqbal, Prof. Mehmet Asutay, Prof. Necdet Sensoy, Mr. Omar Mustafa Ansari, Dr. Salman Syed Ali, Dr. Dawood Ashraf, Dr. Adel

Sarea, Dr. Toseef Azid, Mr. Mughees Shaukat, Prof. Asad Zaman, Prof. Tahir Mansoori and Dr. Muhammad Qaseem. I also appreciate the untiring efforts of Prof. Muhammad Ayub who put all his efforts at the global level to make this conference a reality, and his team, including Prof. Khurram Shahzad, Dr. Zeshan Ghafoor, Mr. Ikram Ullah, Mr. Nabeel Nasir, and Hafiz Yasir Mahmood in making this conference a successful event. I welcome all honorable paper presenters and pray to Allah for rewarding all of them for joining in this noble cause of developing a Shari'ah-based holistic socio-economic development strategy for the Muslim *ummah*.

Message from Mr. Hassan Muhammad Khan, Chancellor, Riphah International University Islamabad

I am pleased to note that RCIB had been organizing very successful international conferences on Islamic Business (ICIBs), since 2011. It is holding the 5th conference, ICIB 2021, on the theme, "Islamic Finance: The need and Prospects of Moving to Social Finance". The theme is particularly important as it plans to discuss the most strategic area that is how to realize the core objectives of Islamic economics, business, and finance. This conference's core objective is to strive to transform the Islamic financial institutions and the community so that they are transparent, support economic, social, and environmental sustainability in the light of objectives of Islamic commercial law and distributive justice.

So, Islamic banking and finance should extend its focus to mobilize and provide the resources to society's grassroots level. The economy, business, and growth must be associated with socio-economic objectives and the values and ethics accepted globally and cherished by all revealed religions and civilized societies.

I am happy to note that eminent scholars in the moral economy, business and finance experts and Islamic finance practitioners from all over the world have accepted our invitation to address the conference. We welcome the keynote speakers and paper presenters from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Bahrain, Islamic Research and Training Institute (IRTI), Islamic Development Bank (IDB) Jeddah, International Shari'ah Research Academy for Islamic Finance (ISRA) Malaysia, Turkey and other parts of the world and from Pakistan. We are grateful to all of them, particularly AAOIFI's Secretary General, Mr. Omar Mustafa Ansari, Executive Director of ISRA, Malaysia, Prof. Dr. Akram Laldin, Vice President IDB Jeddah Dr. Zamir Iqbal, Chair Professor of Economics University of New Orleans U.S., Prof. Dr. Kabir Hassan, Director, Durham Centre for Islamic Economics and Finance U.K., Prof. Dr. Mehmet Asutay and other worthy scholars.

I hope that the conference deliberations would play an effective role in promoting Islamic banking and finance and formulating and implementing the relevant policies by various stakeholders, specifically the policymakers, regulators like the central banks, securities, and exchange commissions, and finance managers in the corporate sector. We are also grateful to academia from different countries like the United States, United Kingdom, Turkey, Kingdom of Bahrain, Kingdom of Oman, Malaysia, and Kingdom of Saudi Arabia for their academic contributions and support.

I wish RCIB a marvelous success!

Communiqué of the Conference

As the tradition of the Riphah Center of Islamic Business (RCIB) for earlier Conferences, we had selected the lately emerging and most recent area as the theme for the Conference, i. e. moving to social, ethical, and responsible finance by the Islamic banking and finance institutions (IBFIs). The world economy, global finance, national economies, and the public, in both developing and the developed world, have been facing one of the most serious challenges of human history, particularly since the global financial crises since 2008. Since 1980s, conventional finance has increasingly adopted ‘financialization’ focusing primarily on the maximization of returns on money and financial capital. It transferred national resources to the financial sector operating based on interest and trading in absolute risk, which we call *gharar* in Islamic law terminology, at the cost of the producers of goods and services for human use. In the backdrop of the failure of the MDGs, the United Nations moved to Value-based Intermediation and social finance with sustainable development goals. The UN’s 2030 agenda seeks to achieve 17 vital SDGs and 169 specific targets, encompassing the social, economic and environmental dimensions of development.

Islamic economy is a moral economy. Its value-based discipline with specific laws on property rights and commercial and non-commercial exchange provides a solid footing for social inclusion and sustainable growth. As such, the SDGs’ agenda for human dignity, and ‘to leave no one behind’, is certainly in line with the principles and objectives of development from Islamic perspective.

In this perspective, Riphah International University pays gratitude to the most renowned Islamic economists, financial experts, researchers, and jurists from prestigious institutions around the world who accepted our invitation and made keynote addresses on the need for and potential of moving to social finance by the IBFIs. They included Mr. Omar Mustafa Ansari, Secretary General of AAOIFI Bahrain, Dr. Zamir Iqbal, Vice President of Islamic Development Bank, Jeddah, Prof. Dr. Mohammad Akram Laldin, Executive Director of the International Shari‘ah Research Academy for Islamic Finance (ISRA) Malaysia, Chair Professor of Economics University of New Orleans U.S; and IDB Laureate, Prof. Dr. Kabir Hassan; Director, Durham Centre for Islamic Economics and Finance U.K., Prof. Dr. Mehmet Asutay, Prof. Dr. Necdet Sensoy of the Istanbul Commerce University, Prof. Dr. Toseef Azid of Qasim University, Saudi Arabia; Prof. Dr. Adel Sarea of Ahlia University, Bahrain; Prof. Dr. Aishath Muneeza of INCEIF, KL, Malaysia; Dr. Dawood Ashraf and Dr. Salman Syed Ali of the IDB, Jeddah; and Mr. Mughees Shaukat, FinTech Specialist, MIT, USA and Head of Islamic Finance, Oman. Many Professors and Islamic finance jurists, and practitioners from Pakistan also participated in the conference deliberations. They include Dr. Muhammad Qaseem, Mufti M. Najeeb Khan, Mr. Ahmed Ali, Mr. Junaid Younas Ghori, Prof. Dr. Arshad Hassan, Prof. Dr. Abdul Rashid, Dr. Karimullah, Dr. Irum Saba, and others. We are grateful to all of them for sharing knowledge on emerging areas in global finance and the potential for the IFIs of moving to social and value-based system of finance in line with the principles of Islamic law of contracts.

The conclusions that we may draw from the Conference deliberations include the following:

- 1) The CSR and VBI are the post GFC (2007-8) recipes introduced by the global

infrastructural institutions in global finance to generate positive and sustainable impact of financial intermediation to the economy, community and environment; consistent with the shareholders' sustainable returns and long-term interests.

2) As the global financial institutions are turning to ethics and values-based business, there is a "Global Alliance for Banking on Values" of the conventional institutions to make it transparent, supporting economic, social, and environmental sustainability.

3) Islamic finance started emerging at the time when the concepts like Corporate Social Responsibility, Sustainable, Responsible and Impact investing, and the Value-based Intermediation, encompassing value-based banking, ethical, responsible / impact investing; Environmental, Social and Governance aspects, etc. did not even exist.

4) Islamic finance is a system that seeks fairness, equity, justice to all stakeholders, disclosure and transparency, compassion and cooperation, even with the competing parties. Islamic finance principles can enhance resilience in the financial system and positively contribute for achieving SDGs, particularly for financial inclusion.

5) Islamic finance promotes social and economic justice, risk & reward sharing, and communal prosperity. It is ethical finance in the real sense, strengthening the linkage of finance with real economic activity, thus increasing the financial system's stability and supporting the pursuit of shared prosperity.

6) The Islamic finance industry has come of age, and now it must move from the form to the substance of Shari'ah-based contracts. Therefore, we reiterate a 'robust Shari'ah governance regime' to strengthen internal Shari'ah supervisory bodies of the banks through the respective national Shari'ah bodies and the regulators.

7) Money capital must be aligned with social objectives for a broad-based sustainable development. Therefore, all activities in Islamic finance would result in genuine economic transactions through trade finance, leasing, partnership, securitization vide asset-backed investment instruments, equity take-ups, and fund management. In that way, it could directly contribute to stable socio-economic growth and shared prosperity, also acclaimed by the SDGs related 2030 agenda.

8) Islamic Finance is genuinely expected to move to responsible and ethical investing and financing. Many similarities and historical connections exist between VBI and SRI investing and Islamic finance. VBI focuses on entrepreneurial functions to support SMEs, micro businesses, financing projects of community welfare, self-governance for taking care of society's welfare and creating *ihsān* culture and treating all stakeholders with *ihsān*. The 'ESG Outlook' aims at encouraging Islamic banks to re-evaluate their connections with the real economy and to address risks and seize opportunities that Islamic finance would create for them.

9) In this perspective, the IBFIs are under obligation to move to the value-based system of financial intermediation for achieving the outcomes of Shari'ah through practices, conduct and offerings that generate positive and sustainable impact to the community, economy and the environment, consistent with the shareholders' sustainable returns and long-term interest of all stakeholders.

10) IBFIs may also explore the potential of Fintech and Blockchain, also in line with the UN's SDGs, that could go long way in enhancing financial and social inclusion. Otherwise, Islamic finance industry will be at risk of becoming irrelevant and outdated, if not aligned with value-based and Fintech-related intermediation effectively.

11) Moving to VBI would involve Sharī'ah governance following the development of the IBFIs' business and risk strategies. It is to facilitate the implementation of an impact-based risk management system for assessing the financing and investment activities of IBFIs in line with the respective VBI commitments.

12) We pay gratitude to the Bank Negara Malaysia for issuing 'Value-based Intermediation Financing and Investment Impact Assessment Framework' (VBIAF) as back as in November 2019. IFIs have been suggested to integrate Sharī'ah into their business strategies. This integration must extend beyond the compliance approach to affect real change in behavior and culture of IFIs towards embracing the VBI strategy. VBIAF has also suggested the IFIs to establish dedicated VBIAF implementation teams and trained VBIAF leaders within each function to achieve the intended outcome of full integration.

13) As indicated by BNM (2019's Framework for VBI), the key difference between VBI and recent initiatives like ESG, Ethical Finance, and Sustainable, Responsible Impact Financing (SRI) is the reliance of VBI on Sharī'ah in the determination of its values, moral compass and priorities.

14) Banking companies doing Islamic business must move to the stakeholders' approach. As indicated by the 'Business Roundtable', the document signed by hundreds of Companies' CEOs, called for companies to serve all stakeholders by delivering value to customers, investing in employees, dealing fairly with suppliers, supporting the communities in which companies operate, protecting the environment and generating long-term value to shareholders.

15) Common ways to move to social finance are moving to green finance, blue finance (taking care of the environment), ethical finance, and crowdfunding platforms.

16) There has to be collaboration with the community at large for socially beneficial initiatives, and for this the States and the governments must play their role in providing legal and operative infrastructure.

17) Sharī'ah boards of the banks, other organs of Sharī'ah governance such as internal Sharī'ah audit, Sharī'ah compliance function and, audit and governance committee and Central Sharī'ah boards must provide proactive resolutions and guidelines

18) Those charged with governance (including the BOD and its committees) have to play an active role in considering fairness and transparency for different stakeholders and keeping a balance between conflicting interests

19) Institutions of *waqf* and *ṣadaqat* may be developed not only for social welfare, but also as a business model with the feature of socio-economic development.

20) In order to equitably distribute fruits of economic growth, there has to be a clear conception of social development strategy which institutionalizes entrepreneurship at SME and micro levels and provides adequate resources for meeting the needs of poor people, mitigating their vulnerability, exclusion, and isolation, and access to social justice.

21) As far as Pakistan is concerned, the parallel banking system may come to an end in about a couple of years, as required by the Constitution of Pakistan. So, the whole economy may be transformed into Islamic system of commercial and social exchanges. For this, the *ribā* case being discussed in the Sharī‘ah Courts of Pakistan may be finally decided to advise the State to Islamize the financial system of Pakistan.

ICIB-5 urges the IFIs as also the regulators to reconsider their approach to strengthen the link between finance and the real economy. It is pertinent not only to realize the higher objectives of Sharī‘ah, but also to seize the opportunities that it creates for them. It would necessitate a comprehensive review of the existing business environment by innovating new policies and systems that could further deliver the value proposition of Sharī‘ah.

ICIB-5 specifically urges the regulators of the financial sector in OIC member countries to introduce and apply the VBI and CSR-related rules in their respective markets, as the BNM has already introduced.

The ICIB-5 also appreciates the efforts of AAOIFI (Bahrain) and IFSB (Malaysia) for suggesting specific Sharī‘ah and corporate governance rules for the IBFIs. We suggest that they may further strengthen the CSR-related guidelines for the IBFIs to deliver value to the customers, ensuring fair treatment with employees, suppliers, and other parties in contracts, and supporting the communities in which they operate. The Conference delegates appreciate the support and role of all institutions, academicians, and professionals for holding the event. May Allah Almighty give them the best reward in this world and the hereafter. Ameen.

Keynote Addresses:

Prof. Dr. Mohamad Akram Laldin, Executive Director, ISRA, Malaysia

Value-Based Intermediation

Prof. Dr. Mohamad Akram Laldin highlighted the role of the central bank of Malaysia for developing a strategy paper on VBI in 2018. He observed that Islamic finance has been criticized for focusing more on the legal compliance aspect of the products and overlooking the philosophical foundation of Islamic economics, which emphasizes social justice, ethical finance, human well-being, and sustainability. In response to this concern, the central bank of Malaysia developed the strategy on VBI. The VBI initiative encourages the IFIs in Malaysia to adopt relevant practices, offerings, and conduct that generate a positive and sustainable impact on the economy, community, and environment without compromising on financial returns to shareholders. The intended outcomes of VBI are broadly similar to the objectives of well-established concepts such as Environmental, Social and Corporate Governance, Socially

Responsible Investing, impact investing, and ethical finance. However, the key difference between VBI and these concepts is that VBI is rooted in Shari'ah, which determines its underlying values, moral compass, and priorities. VBI has four underpinning themes: entrepreneurial mindset, community empowerment, good self-governance, and best conduct. Entrepreneurial mindset facilitates entrepreneurial activities through holistic offerings by IFIs; empowering community is achieved through funding and implementation of effective solutions for issues faced by communities; good self-governance ensures meaningful participation of all stakeholders in the governance framework. The best conduct improves IFIs' offerings, processes, and treatment of their stakeholders. By incorporating these principles in the business of IFIs, there will be greater socio-economic development, which will ultimately create value for stakeholders. In addition, the adoption of VBI will further strengthen the current banking offerings and practices by introducing innovative products and techniques such as offtake agreements or supply chain finance, which enable industry players to mitigate the risks arising from serving high-impact areas. Further, it will enhance collaboration with strategic partners, encourage the creation of new business opportunities, and contribute to more sustainable returns for IFIs in the long term. It is expected that these measures will enhance the roles and impact of IFIs, strengthen the sustainability of the financial ecosystem, and transform the landscape of the Islamic finance industry in Malaysia. If the current paradigm can be shifted to extend beyond compliance, more business opportunities could be created not only for all financial consumers but also for the wider stakeholders within the society and the economy at large. In other words, by pursuing the noble objectives of VBI and Shari'ah compliance together, the Islamic finance industry is expected to become more proactive and would benefit from a larger investor base and gain broader mainstream relevance.

Mr. Omar Mustafa Ansari, Secretary General, AAOIFI, Bahrain

Islamic Social Finance-The Way Forward

Mr. Omar Mustafa Ansari talked about the role of Islamic social finance. He contended that Islamic commercial finance is commercial but not only for capital providers; it must also be for depositors/investment account holders and the customer. At the same time, it is not only aimed towards broader objectives of social and economic development but also emphasizes changing the society. Social finance is working in a difficult regulatory regime, which is primarily developed for conventional financial services. Islamic social finance has a different mindset, a different business model, and should have tools to work towards economic parity and avoidance of concentration of wealth. He explained the basics of Islamic social finance, by highlighting some key considerations in this regard.

Islamic social finance tool like that of *waqf* is a sustainable model which can also aim for commercial capital and investors' returns, unlike philanthropy. Conceptually, it is unique as an approach to solving social problems while creating economic value. It collaborates with the community at large for socially beneficial initiatives and addresses challenges in the areas of social and environmental issues.

Dr. Zamir Iqbal: Islamic Finance; Vice President, Islamic Development Bank, Jeddah, KSA.

The Need and Prospects of Moving to Social Finance

Dr. Zamir Iqbal focused on the following points:

1. The COVID-19 pandemic has derailed the progress towards SDGs. In fact, we are witnessing increased poverty levels erasing the achievements made in alleviating poverty in the last decade. This trend is indeed very worrisome. The COVID-19 crisis was essentially a health crisis that spilled-over to become a global economic crisis, and further to become a financial crisis whereby the financial institutions and markets are facing uncertain situations and loan defaults resulting in credit, liquidity, and funding shortages.
2. Islamic Development Bank is playing a leadership role at an individual and global level as we know that addressing the ongoing devastation caused by the pandemic requires global solidarity and concerted efforts by the multilateral development system. We believe that international collaborations will be vital to improve social development of its member countries, to control the pandemic, and to rebuild the resilience of the countries.
3. The IsDB Group acted swiftly to launch a 'Strategic Preparedness and Response Package to support our member countries in mitigating the impact of the COVID-19. IsDB Group's "Response Package" exceeded US\$ 3.5 billion and adopted a holistic approach focusing on short, medium, and long-term needs in addressing health emergencies, sustaining and reviving economic and social sectors, and building resilience of member countries in responding to outbreaks and pandemics in the future.
4. IsDB believes in long-term solutions to such problems and therefore, is committed to investing in research and development, and providing technical assistance for the development of innovative solutions to prevent and contain pandemics.
5. The rescue efforts by the sovereign governments have put an additional burden on their fiscal and borrowing capacity leaving little or no room for development. At the same time, exposing them to further debt vulnerabilities, given the magnitude of challenges in rebuilding the economies and to get SDGs back on track, must not be the choice. It is important that we bring all the stakeholder on the table and particularly convince the private sector to become a serious partner in development as Multilateral Development Banks and the public sector cannot meet the challenges of sustainable development alone. The private sector needs to play its part in alleviating poverty and in promoting sustainable development.
6. It may be noted that even before the pandemic, the global debt had touched unprecedented and unsustainable heights. According to the Institute of International Finance, there was, in Q3 2020, \$275 trillion of global debt, which included government, corporate, and household debt. This was three times the global GDP.
7. Given the grave situation with regard to debt vulnerabilities and debt sustain-

ability, non-conventional measures are needed which are adequately found in core tenets of the Islamic economic and financial system. An alternative solution could come through its (i) prohibition of risk-transfer and creation of debt and leveraging; and other rules that control dichotomic growth of finance separated from economic activity; (ii) provision of safety nets, inculcation of cooperation and risk sharing that provide support during the economic down turns; and exploiting the potential of Islamic social finance which offers wide range of products.

8. Whereas Islamic finance advocates risk-sharing solutions to put the economy on track, it also offers social finance for developing strong social safety nets to alleviate poverty. Furthermore, Islamic ethics and morals appeal to human compassion and cooperation to play important roles in meeting the challenges. However, the results would not come just by wishful thinking but by formalizing and creating strong institutions for each aspect mentioned hereof, market, non-market and moral dimensions.

9. The post-COVID economic landscape in Islamic countries offers an opportunity for Islamic finance to offer viable solutions to a wide range of challenges. For example, risk-sharing-based *ṣukūk* could provide much needed financing for rebuilding infrastructure in health and education sectors. Furthermore, hybrid financing using regular financing and Islamic social financing could provide solutions for uplifting of the SMEs which could propel the economic engine. Finally, Islamic redistributive instruments could fill the gap in providing subsistence to people below or close to the poverty line.

10. The Post-COVID world will be very different, soon becoming the new norm. We have to understand, adjust ourselves and adapt to new conditions and realities. We have no choice but to change. We must be ready and rise as leaders for tomorrow to make an even more significant difference in the lives of our people.

11. The IsDB Group will continue to work together with the global development community to devise and implement solutions to support its member countries, especially those suffering the most.

Prof. Dr. Mehmet Asutay, Professor of Middle Eastern and Islamic Political Economy & Finance; Durham University Business School , UK

Islamic Moral Economy Turn: Reconstituting Theory and Practice through Iqtisadi Frame

Prof. Dr. Mehmet Asutay emphasized that Islamic economics movement emerged as a post-colonial counterhegemonic movement to constitute the economy as an embedded institutionalization of the Islamic social formation in economic life. In its emergence, it has made direct reference to the constitution of a system-based paradigm based on the Islamic ontological world.

In its theoretical formulation, *tawhidi* methodology's complementarity and unitary nature constitutes the objective function that is the emancipation and empowerment of human beings in a *rubaiyat* based development objective. Thus, the Islamic moral economy articulates the *iqtisādi* paradigm in a post-modern meaning indicating justice, giving right of everything needed and sublime, and directing towards an objective that is *tawhid*. Hence, in articulating

its moral economy nature, *iqtisād* represents an essential departure from economics, as the latter relates to efficiency and optionality in resource allocation.

The ethical and norm-based nature of the Islamic moral economy or *iqtisād* is articulated through Islamic methodology of knowledge (axioms) and is expected to be practiced as an embedded institutional form leading to a sharing economy, solidarity and mutuality, non-fictitiousness and non-commodification, distribution, and reciprocity. Thus, in its system appeal, the Islamic moral economy opposes accumulation-led hegemony (which is the nature of capitalism). This suggests a particular value theory, modes of production and distribution theory that distinguishes it from other political economies. The Islamic moral economy, hence, aims to respond to the nature of the initial equation rather than accepting capitalism as given and providing a patch to moderate the consequences of capitalistic failures. Islamic moral economy also opposes financialization and hegemony of financial capital over the objectives of *iqtisad*. Hence, it aims at Islam's transformative power in changing the societies, including its economic constitutions, in line with the ontological base of Islam. In such a system, for example, the poor are not left to the generosity of rich, while well-off individuals in the society are not expected to accumulate to prevent domination and hegemony of capital. Islamic financing is hence expected to work within such a system, rather than to get occupied with capital movements with Islamic metaphors and producing similar results, in the end, with capitalism.

At this juncture of the world history, where failures of capitalism are formally accepted by international agencies such as UN developing SDGs, and social failures of Islamic finance being acknowledge by the Bank Negara through its value-based intermediation, Islamic finance will not be able to make the world better and safer by following the growth trajectory of capitalism and efficiency based financial system. An Islamic moral economy formulated institutional development will, however, lead to the re-emergence of *ihsani*/sharing society so that the good society can be established in line with equilibrium or *mizan* based norms of Islamic worldview.

Prof. Dr. M. Kabir Hassan, Professor of Finance, Hibernia Professor of Economics and Finance; University of New Orleans, USA

An Islamic Finance Perspective of Crowd funding and Peer to Peer Lending

Prof. Dr. M. Kabir Hassan talked on the emergence of disruptive technologies like Fintech that changed the whole dimension of the finance world. Consumers' trust in Fintech companies has increased to manifold, and more and more companies are adopting these technologies. Crowdfunding and P2P lending refer to getting funds from individuals without intermediation from banks and financial institutions using technology. Crowdfunding and P2P lending have exposed a whole new set of sources of finance for the new, young and innovative entrepreneurs. Given the growth in the Fintech world, P2P lending is already trending as the NextGen medium of finance, and it has transformed the entire finance industry. It has provided hope to the startups and young entrepreneurs to start their own innovative and risk-based businesses and succeed without worrying about the fund. It also provides an opportunity for the Islamic financial institutions to exploit this opportunity and create a niche

for themselves. We need to critically analyze the Sharī‘ah compliance perspective of Crowd Funding and P2P lending, and explore the Sharī‘ah compliance of different crowdfunding methods and type of financial services that can be used for respective funding. Crowdfunding and P2P lending are both going to be the future medium of finance in Islamic finance.

Prof. Dr. Necdet Sensoy, Director Research Center on Islamic Economics Business, Faculty of Istanbul Commerce University, Turkey

Responsible Finance: Meeting Point between Islamic Finance and Conventional Finance

Prof. Dr. Necdet Sensoy focused on the common points which bring Islamic finance and conventional finance closer. He analyzed the growth versus environmental sensitivity, greed versus conscience, profit maximization versus social responsibility. It’s a trade-off. He also talked about the evolution of capitalism in historical perspective which is divided among Wild Capitalism, Moral Capitalism, Ethical Finance and Green Finance. On the other hand he emphasized on Islamic economics and finance which negates interest (*ribā*) and refrains from non-*ḥalāl* business and encourages respect to human resources.

His presentation also covered the area of Responsible Investment, which incorporates an active consideration of ESG factors within investment decision-making and ownership practices. ESG is an acronym used globally, describing the so-called corporate governance triple bottom line, namely environment, social matters, and governance. The objective of the UN SRI is to implement a set of global principles that facilitates the integration of environmental, social, and governance factors into mainstream investment decision-making and ownership practices.

Dr. Salman Syed Ali, Senior Economist, Islamic Research & Training Institute (IRTI), Islamic Development Bank (IsDB), Jeddah, Saudi Arabia

Solving Social and Economic Dilemmas using Islamic Principles

Dr. Salman Syed Ali talked on the subject of "Solving Social and Economic Dilemmas using Islamic Principles", he discussed that Islamic economics and finance had so far not been clearly defined their purpose, methods and distinction. The approach followed so far has been of introducing Islamic elements within the conventional system and institutions. The resulting low level of development of some key Islamic economic concepts and weak articulation of the distinction of Islamic economics and finance has led to the need for re-evaluation of the existing approach. In this regard, different people find faults with different aspects of the approach and suggest rectification in various areas, sometimes suggesting new approaches. Some of these suggestions are as under:

1. Work on institutional change because the Islamic system calls for different institutions.
2. Work on social finance instead of commercial finance.
3. Work on environmental issues and ‘Circular Economy’ because these are closer to Islamic finance.
4. Create a new paradigm by rejecting everything conventional and build on a different mind-set developed on the teachings of the Qur’ān and *ḥadīth* for Muslim

individuals and Muslim society.

5. Introduce Islamic elements within the conventional system and institutions.

6. Focus on ways to address social and economic challenges of people and society using Islamic principles. The real distinction is in the principles that have potential to generate multiple solutions and multiple theories compatible with Islam.

He described these approaches with pros and cons of each to show each have some weight but none is comprehensive. He advocated for solving socio-economic dilemmas approach and providing an example to address the problem of access to finance through use of Islamic principles and artificial intelligence.

He suggested the solution which is based on a forthcoming report in which we look at access to finance as a financial inclusion problem with the lens of Islamic finance as a comprehensive solution and how AI can support better decision-making using alternate data. He reiterated that the policy framework based on Islamic finance principles enables access to finance to all segments of society without increasing indebtedness, which is often a criticism of debt-based interventions such as microcredit.

Dr. Dawood Ashraf, Senior Research Economist, Islamic Research & Training Institute (IRTI), Islamic Development Bank (IsDB), Jeddah, Saudi Arabia

Covid-19 MSMEs Capital Shock: Need for an Islamic Finance Framework

Dr. Dawood Ashraf focused on Islamic finance framework and the MSMEs that constitute 80 to 90% of global firms. The MSMEs employ 60% of the Global human resource in economic pursuit. During Covid-19, 75% of all jobs are in the most effective sectors. So, the decline of MSMEs would be the decline of the whole economy. Impact of Covid-19 on MSMEs were challenges of liquidity, sustainability and access to resources, which led to complete shut down (travel, tourism, entertainment); enterprises continued but faced logistic crises and enterprises went down with reduced operations. To overcome the challenge of liquidity, MSMEs were given financial support in the form of debt moratorium, working capital loans, new small businesses loans to keep the employees on pay-roll; new small businesses loans for rent payment and support for payment of salaries.

Prof. Dr. Toseef Azid, Professor, College of Business and Economics Qassim University, Saudi Arabia

Social Innovations in Islamic Finance: Mobilizing Capital for Maximum Impact on Poverty

An address on the innovative topic "Social Innovation in Islamic Finance" was delivered by Dr. Toseef Azid. His talk covered the area of the targeting the social innovation which could be attained by focusing whole society rather than a particular individual, producing profit for the investors along with delivering the social goods. He highlighted the role of the Nippon foundation which constructed a Social Innovation Index 2016; and added that only seven Muslim countries are included in the Index which are significantly focusing on the social innovation, i.e. Saudi Arab (33.5), Turkey (40.9), Malaysia (49.5), Indonesia (39.5), Nigeria (33.2) and Bangladesh (32.6). Based on four pillars, i.e., "institutional and policy

framework", "the availability of financing" "their level of entrepreneurialism" and "the depth of their civil society networks", he indicated the poor performance of the Muslim countries, particularly those that are putting some significant efforts in this area, have adopted bottom up approach instead of top down approach, lacking about the awareness of social innovation, funding and overall cohesive strategies.

Policies around data transparency are the main tool for social innovation, especially when it is related to the delivery of social goods, e.g., Canada Community and College Social Innovation Fund, Ontario's Social Enterprise Demonstration Fund, and Nova Scotia's Community Economic Development Investment Funds. Participatory approach is more suitable for social innovation. Islam gives more importance to the delivery of social services and appreciating social innovations. However, it is not an automatic phenomenon; it needs a media through which social services will deliver. In the current scenario, one can conclude that for developing the "social innovations" IFIs are more suitable, as the public has the trust on them.

Dr. Aishath Muneeza, Associate Professor, International Centre for Education in Islamic Finance (INCEIF), Malaysia

Islamic Social Finance to Assist Poor in Communities in the Midst of COVID-19

Dr. Aishath Muneeza talked about Islamic social finance; though it is a relatively new term compared to Islamic commercial finance, some types of Islamic social finance have been practiced in Muslim societies at all times. For instance, as a form of mandatory activity for the well-of, *zakāh* is being implemented as it is the third pillar of Islam. The types of Islamic social financial instruments include *zakāh*, *ṣadaqat* and *infāq*, *waqf*, *takāful*, and microfinance. Using technology, the challenges facing the effective collection, management and distribution of Islamic social finance can be resolved. However, to adopt technology in this regard, some initial investments will be required and proper technology governance mechanisms ought to be adopted to the Sharī'ah governance and corporate governance mechanisms applied in the respective organization. Her presentation covered some approaches that could be used via Islamic social finance to assist the poor in the midst of the pandemic. Below provided are the main points of the presentation.

1) Approach to boost funds received for distribution to poor:

Prior to the pandemic, the way to collect *zakāh* and other charity funds from the public is normally via by physical presence of the payer. However, the pandemic has made us realise that physical presence might not be an option to contribute funds for the purpose and as such, switching to online payment and instant transfer modes could be the most convenient mode available depending on the availability of such option in the respective location.

2) Adopting an effective way to make distribution to poor:

In distributing the financial assistance to poor, a comprehensive framework that would not only enable the most deserved recipients to be identified and verified, but also to put in place the mechanisms to distribute the financial assistance in a fast and convenient manner without their physical presence. One way of doing this

could be via online money transfer mechanisms if the receiver is able to have a bank account or via agents who could be shops or businesses run near the recipient's geographical location who could be the distribution agents of the Islamic social finance providers. Via crypto charity platform, the platform manager could enable the poor to be registered and enabled to have a digital wallet that would enable the charity payer to directly pay to the poor selected by the payer.

3) Introducing a technology based mechanism to locate poor:

Internet of Things (IoT) has enabled using an intelligent device to collect data and use it for a specific purpose. This is a technology that the Islamic social finance providers could use to collect data about the poor and also to locate them geographically using GPS feature.

4) Implementing an Ihsan based approach to cross-verify the poor:

Verification process of a poor is a normal process that the Islamic social finance providers follow. There is no uniform process for this. Some Islamic social finance providers open poor to register via an online portal or by completing a complex form that is submitted online or physically. It is followed by some other formalities that also may cause humiliation of the recipients. The process could be replaced with an Artificial Intelligence (AI) based robo-officer which could also be a more ihsan based approach for the poor.

5) Eliminating unnecessary registration processes required for the poor to receive help: Using IoT technology, with sensors in a smart gadget could assist in determining the poverty level of households, and the yardstick that could be easily formulated. As such, registration will not be required every time to receive financial aid, and from the data collected, the Islamic social finance provider can easily determine whether poverty is still prevailing in the household or not.

6) Formulating financial assistance for rehabilitation programs that will turn the poor into entrepreneurs and become future contributors to help poor

7) Islamic social finance providers may run social media campaigns to mobilise funds and help poor

Islamic social finance is definitely a mercy to the mankind and what is required is to implement it in an effective manner to assist societies in alleviating poverty. The beauty of Islamic social finance is that it is not a requirement to have an institution only to implement it; each and every member of society, individually or collectively, has the ability to implement it. As such, the ideas proposed here could be adopted by an individual or an institution, and the Islamic finance provider could be an individual or an institution.

Mr. Mughees Shaukat, Head, Islamic Finance College of Banking & Financial Studies, Oman

The Role of Islamic Finance, for an Anti-Fragile Multi-Polar Economy, in the age of CPEC, Technological Disruptions & Green Swans

Mr. Mughees Shaukat contended in his address that the world is facing twin hazards: health and exacerbated economic uncertainties. Desperation is surging to either come out or adjust

to the new normals. The occurrence of black and green swan events, in times of technological disruptions, in an intensely globalized multipolar world, is fast transforming uncertainties into ‘ambiguities’. For optimists, this has risen an opportunity for another new normal, this time for amplified unity, with the world working as one nation. The magic sauce lies in the collective modeling of financial risk-taking and management. The same shall decide for either a fragile or an ‘anti fragile’ economic fate.

The Islamic financial paradigm of "Al-ba'i/Risk Sharing", as provided in Al Qur'ān Chapter 2:275, appears to suffice the right credentials. It appears that the current practices of Islamic banking and finance have missed the over 40 years old opportunity for branding and asserting itself via its main essence of risk-sharing.

Consequently, labeled often as ‘religiosity’ or ‘Petro-dollars’ driven, the same continues to face criticism. However, the present unforeseen dynamics appear to have rekindled the opportunity for Islamic banking to fine-tune its practices, viz-a-viz its true spirit of risk-sharing. Consequently, as compared to a replicated, ‘risk transfer’ and ‘risk shifting’ model, the ‘version 2.0’ of Islamic finance, oriented via technology, shall live more to its potency, fulfilling its *maqāṣid al Sharī'ah* mandate. What, however, shall necessarily enable to meet the desired ends is a new approach that renews itself by going beyond the traditional banking solutions be it is better risk sharing driven. The same should involve the focus on resortion to the new application of social financial schemes as well as redistributive wealth management tools, including *zakāh* and ‘*ushr*. All this to be configured and delivered upon the institutional structure of supportive Islamic rules, the right socio-economic ecosystem, equity-driven financial inclusion, enshired on the side by side developing Islamic political and moral economic ethos of *Riyast-e-Madina*. The same to be well-targeted to Ehsas Program, Kamyab Jawan and Kamyab Kissan Programs, Low-cost housing and of course the CPEC and Climate Change issues facing Pakistan.

Prof. Dr. Asad Zaman, Professor of Economics and Former Vice-Chancellor, Pakistan Institute of Development Economics, Islamabad, Pakistan

A New Vision for Islamic Banking

AS discussed by Prof. Dr. Asad Zaman the first generation of Islamic Economists listed the evils of the capitalist system, which exploits the poor, enriches the wealthy, and concentrates wealth and power in the hands of a few. Islamic Banking and Finance was launched as an antidote, with the potential to create equitable and just outcomes on the basis of Islamic principles. It is accepted by friends and foes that modern Islamic financial institutions have not, to a great extent, been able to fulfill this promise. He provided a diagnosis as to why this problem occurred and outlined a new approach to banking, based on social finance principles, which could lead to the fulfillment of the original vision underlying Islamic banking.

Prof. Dr. Arshad Hassan, Professor and Dean Faculty of Management & Social Sciences, Capital University of Science and Technology (CUST), Islamabad, Pakistan

Islamic Green Finance- A Way Forward

Under the topic of Green Finance, Prof. Dr. Arshad Hassan explained that Islam demanded

comprehensive development of an economy with the objective of social welfare. Its teachings stress translating Sharī'ah principles into practice and integrate them into individual and collective human life. The concept of the *maqāṣid al Sharī'ah* supports the principle of serving the public interest of maximizing benefit and reducing harm to society. Therefore, firms have a dual objective of generating economic gains along with a positive impact on society. There is a strong nexus between Islamic finance and green finance. In Sharī'ah, there is an emphasis on conservation, preservation, and responsible use of resources. There is a discouragement for excessiveness and wastefulness in the use of resources. The realization of the value of the environment, even if it is in no one's private ownership, is vital for fostering a culture of care and responsibility towards the environment. The steps towards preserving and conserving the climate are fundamental to promote environmental sustainability. The first step in this dimension is recognition of climate as an asset endowment by Allah and its responsible use.

The financing of green projects or firms is a challenging issue. The acceptability and growth in green finance require work in two domains i.e. creating a conducive environment for mobilizing capital for financing climate-friendly projects and/or firms and developing environment-friendly innovative financial instruments. The conducive environment means the development of a green finance ecosystem involving stakeholders that encourage the green businesses through regulatory frameworks and ensure the availability of financial instruments along with financing and an advisory mechanism. A green finance ecosystem may be composed of four major stakeholders including green finance promoters, green finance providers, green ecosystem coordinators, and ultimate users of green finance. Each of these parties may play a well-defined role in the conception, implementation, and financing of the whole scheme. The promoters may include governments, international agencies, and organizations. The green finance providers may be financial institutions in general and Islamic financial institutions in particular. Islamic green finance may include grants and investments. The creation of social finance ecosystem requires coordination between the green finance promoters and green finance providers and users. In addition, product development centers, and advisory firms, are necessary to create and maintain sustainable ecosystems. This will help to provide a framework, guidelines, and best practices to achieve the desired objectives.

Secondly, advances in green finance are attracting global attention for finding alternative ways to finance socially responsible businesses and creating value in the society and Islamic Finance is not an exception. Issuing 'Green *ṣukūk*' is the first step in this direction. Green *ṣukūk* are asset-based financial instruments structured to provide funding for renewable energy and environment-friendly projects and help in achieving sustainable development goals. Although the advancement of Green *ṣukūk* is a positive step, its small market size poses numerous challenges. Interestingly, green equity is still missing, which should be an integral part of sustainable climate finance. The green equity may be a differentiating point for new firms, and the existing firms may issue tracker stocks with the Sharī'ah-compliant green specification. In a nutshell, green Islamic finance can be a catalyst for the growth of environment-friendly growth, and it can provide greater opportunities for Islamic finance to attract a wider investor base and expand its role to support sustainable objectives of finance.

Prof. Dr. Abdul Rashid, Director General, International Institute of Islamic Economics, International Islamic University Islamabad, Pakistan

Sustainable Development: Discoursing the Role of Islamic Finance

Prof. Dr. Abdul Rashid contended that despite the large number of hits on the concepts of Circular Economy, Green Economy, and Sustainable Development, there is a dearth of coherent understanding of the interconnections between these concepts. Although the academicians, practitioners, and policymakers at both national and global levels are currently considering the three concepts, there is a dire need to understand the interconnections between them. Knowing and identifying the integral role of Islamic finance in promoting and enabling the operationalization of the concepts is also indispensable for policymakers, businesses, and financial institutions.

He suggested to link the principles, responsibilities, objectives, and business models of Islamic finance with social, economic, and environmental sustainability. He also pointed out potential dimensions, scopes, and in-built characteristics of Islamic finance that could facilitate the process of the realization of the sustainable development (SD) targets and objectives. The role of Islamic finance is essential in harvesting the benefits associated with all three concepts. The Sharī‘ah-compliant business models and products of Islamic finance provide an edge to Islamic banks over their conventional counterparts to provide financing at all stages to promote the SD activities. He also proposed a business model based on *mushārakah* cum *ijārah* for enhancing the transformation of linear economy towards circular economy.

Dr. Irum Saba, Associate Professor, Centre for Excellence in Islamic Finance (CEIF), Pakistan Institute of Business Administration (IBA) Karachi, Pakistan

Islamic Corporate Governance for Social Development

While discussing Islamic Corporate Governance, Dr. Irum Saba contended that the prime focus of the businesses is to earn a profit. At the same time, companies do foul play with the customers, suppliers and the stakeholders at large. The concept of corporate governance came into the public eye after the financial frauds in the 1980s. The good corporate governance lies on the shoulders of the board of directors and safeguards interest of all stakeholders. The institutions should not only focus on their growth and profits, they rather must work for social development. Islamic corporate governance brings greater responsibility and accountability as the institutions must ensure the Sharī‘ah compliance in all the transactions, and have to focus on the social development of the stakeholders including elimination of poverty, improving the well-being of the stakeholders, equality, and improving of health and education sector.. An Islamic financial institution must comply with Islamic principles, the regulatory requirements, and achieve *maqāṣid al Sharī‘ah*.

The terminologies ESG, SDGs, Islamic corporate governance, social development, and Sharī‘ah compliance have much in common, and the ultimate objective of all is to bring the best for society. She provided guidelines for the Islamic financial institutions for fulfilling the objectives of Sharī‘ah and bring economic prosperity in society.

Dr. Karimullah, Head Centre for Excellence in Islamic Finance (CEIF) IMSciences, Peshawar, Pakistan

The identity of Islamic finance and powers of Jurisprudence, Economics, and Service Paradigms

While discussing Islamic finance and powers of jurisprudence, economics, and service paradigms, Dr. Karimullah contended that in recent past there seemed to be two poles of thoughts emerging to drag Islamic finance into either making it a full *fiqhī* concern or a full economic concern. On one pole, Islamic finance is emerging as a set of various contractual forms and interpretations of partnerships, sale, agency, as prescribed in the *fiqhī* interpretation to create a *fiqhī* power through its constraints. On the other pole, Islamic finance is prescribed to an ethical production, distribution, and exchange functions thus creating new forms of contracts to establish an economic power. As a result of these two divergent thoughts and consequent powers, Islamic finance is now evolving into its new form of existence and searching for its identify, causing a visible power grouping, to interpret Islamic finance being an instance of Islamic jurisprudence, economic science, or service science that he and Wafi-Al-Karaghoulī have proposed in the book in 2017.

Dr. Muhammad Qaseem, Chairman Shari‘ah Board, Silkbank Pakistan

Seven Gifts of Islam to the Post Covid-19 World

Dr. Muhammad Qaseem emphasized that the Covid-19 pandemic is raging like a wildfire, impacting human life in ways that we may not fully comprehend today, and humanity is at a loss to find a way out. Every nook and corner of the world has been affected, with the developed nations having been hit the hardest. Those who acted like a lord over the rest of humanity have been brought to their knees, and their healthcare systems are crumbling before their eyes like houses of cards. People are dying by the thousands every day, and the living is scared to death, deeply worried about their survival and future challenges. The virus doesn't seem to go away anytime soon, and we have to learn how best we can cope with the situation. Our success or failure in the future depends on the choices that we make today, and the path that we select for our journey onwards. Mankind is, therefore, at a crossroads. Our choices must be well thought out and based on an in- depth and collective analysis of our past, as they will have serious repercussions for the entire humanity. We are doomed if we don't join hands globally to face this challenge and to tackle the bigger economic, social and moral issues that it would entail. United we shall stand; and divided we shall fall. Therefore, there is a pressing need for serious efforts to engage in a global dialogue in order to prepare mankind for a substantially different post-Covid-19 world.

Lockdowns have, apart from saving lives, brought many a blessing in disguise. Suddenly, we have plenty of time for reflection; most of the polluted cities of the world are fit again for human life, and people have realized that they can comfortably live without most of the 'essentials' in their lives. Health care, personal development, and other important issues, constantly pushed to the backburner in the mayhem of life, have come to the fore. People

have started reflecting on their worldviews and the fundamental questions of life which they had ignored for so long. They are pondering on their futures as individuals, families, communities, and nations, a future in which many of the restrictions of today may become the new normal.
