Editorial

In the Name of Allah, Most Gracious, Most Merciful. Worldwide, conferences on Islamic finance keep growing to tackle the many faces, opportunities and challenges of Islamic finance. International fora such as the World Islamic Banking Conference (WIBC) (Bahrain), ISRA's International Shari'ah Scholars Forum (ISSF) (Kuala Lumpur) and the IFN Forums (held in different parts of the world) have over the years successfully engaged international players with local industry stalwarts in constructive discussions. Many academic international conferences also take place that provide an avenue to students, academics and researchers to share research findings and deliberate on topical Islamic finance issues. Themes which seem to be all the rage in the Islamic finance space these days appear to be in the "finance for good" arena – that is, all that is about green/sustainable/ethical finance, financial inclusion, and Islamic social finance. Another area is Islamic fintech, with buzzwords such as blockchain, smart contracts, cryptocurrency, robo-advisors, crowdfunding, digitalisation and others. The recent Islamic Fintech Dialogue (IFD 2019) organised by ISRA early in the year even included an "Islamic Fintech Pitch Competition" which provided a platform to universities, researchers, students and industry experts to share progressive ideas and innovative solutions in the field of Islamic fintech. Such positive ideas lay fertile grounds for encouraging research and innovation in Islamic finance.

From the host of submissions received, this June 2019 issue of the *ISRA International Journal of Islamic Finance* features ten articles covering differing areas of Islamic finance. The articles comprise topics of both academic nature and practice-related issues. Recently, there has also been an increase in submissions related to quantitative studies. This issue publishes a few of such studies. The Journal also allows researchers to publish both full-length and shorter articles to showcase the latest ideas, concepts, case studies and Sharīʿah and contemporary issues.

The first article is titled "Determinants of the decision to adopt Islamic finance: evidence from Oman", by Yasmeen Al Balushi, Stuart Locke and Zakaria Boulanouar. This paper adds to the literature on capital structuring, SME financing and Islamic finance in the context of Oman. It explores the motivating factors behind funding decisions of Omani SMEs toward Islamic financing. This is a sector which has been recently welcomed by the banking industry in Oman, especially in the context of the country's efforts to diversify the economy to reduce dependency on oil and gas. The paper tests whether:

- it is the characteristics of a firm's owner-manager;
- the firm owner-manager's knowledge of Islamic finance; or
- the characteristics of the firm itself that influence SMEs' intention to adopt Islamic finance within their capital structuring decisions.

Overall, the paper shares interesting findings on Oman's uptake of Islamic finance, particularly by SMEs.

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The second article is titled "Liquidity creation and bank performance: evidence from MENA", by Ahmad Sahyouni and Man Wang. It investigates the relationship between liquidity creation and performance of conventional and Islamic banks between 2011 and 2016 in Middle Eastern and North African (MENA) countries. It uses accounting measures such as return on average equity and return on average assets in the regression model to establish the relationship. It studies a detailed dataset of almost all commercial banks in 18 MENA countries, thus extending the works of other researchers on this topic.

The third article is titled "Interest-free monetary policy and its impact on inflation and unemployment rates", by Mohammad Selim and M. Kabir Hassan. This study tests the economic performance of countries that have recently pursued interest-free monetary policy (IFMP) as compared to countries that have maintained interest-based monetary policy (IBMP). The study considers a sample of 23 developed countries, including 12 based on IFMP and 11 based on IBMP. Economic performance is proxied by the misery index (MI), which is the sum of unemployment and inflation rates. Overall, the results highlight that the countries which pursued IFMP had a lower MI and thus performed economically better relative to those countries which pursued IBMP.

The fourth article is titled "Proposed models for unit trust waqf and the parameters for their application", by Syahnaz Sulaiman, Aznan Hasan, Azman Mohd Noor, Nazrul Hazizi Noordin and Muhd Issyam Ismail. It discusses the issue of waqf (Islamic endowments) from a novel perspective. The authors highlight the "asset-rich, cash-poor" situation of waqf institutions in Malaysia. The vast majority of waqf assets are immovable properties with low liquidity, leaving *mutawallis* (waqf managers) with a lack of funds to manage and develop the waqf assets to serve the needs of the people. In this context, the authors explore the viability of integrating waqf with Islamic unit trusts to generate competitive and sustainable returns for the beneficiaries while preserving the initial capital. The paper proposes five models of waqf unit trust as well as parameters for implementing them.

The fifth article is the practitioner's article, titled "A proposal designed for calibrating the liquidity coverage ratio for Islamic banks", by Muhammed Habib Dolgun, Abbas Mirakhor and Adam Ng. This paper advocates an alternative regulatory framework for liquidity risk management of Islamic banks which takes into account the specificities of the Islamic banking system. Thus, it relies on risk sharing and symmetric information among parties involved to propose a new liquidity coverage ratio (LCR) for Islamic banks. The authors believe that it is important to differentiate between small local banks and internationally active Islamic banks. They thus argue for the application of the liquidity requirements only to the latter, exempting small local banks from the challenges of applying LCR requirements. According to the authors, the new regulatory framework is expected to "increase the resilience of Islamic banks" liquidity management against market conditions and macroeconomic factors, strengthen Islamic banks' top management to be more rule-compliant, and [enhance] the level of trust of investment account holders". The paper also proposes several policy recommendations for future regulations.

Five shorter articles on the various facets of Islamic finance are also included in this issue of the Journal, as follows:

"A proposed human resource management model for zakat institutions in Malaysia", by Aznan Hasan, Rusni Hassan, Engku Rabiah Adawiah Engku Ali, Engku Muhammad Tajuddin Engku Ali, Muhamad Abduh, and Nazrul Hazizi Noordin. The proposed HRM model in the paper highlights the importance of aligning the human resource strategies of zakat institutions with their zakat collection and distribution goals, as well as their overall zakat management objectives. Aligning these goals will impact on human resource strategies relating to recruitment, selection, performance appraisal, training and development, and compensation. For instance, selecting a zakat worker who is competent, honest and fair in handling zakat affairs is crucial to avoid fraud and corruption in zakat collection and distribution. The model also acknowledges the influence of external events on the adoption of HRM practices by zakat institutions, including issuance of new fatwas (legal opinions), technological advances and political changes.

"Rent-seeking behaviour and *ẓulm* (injustice/exploitation) beyond the *ribā*-interest equation", by Mohammad Omar Farooq. This is an interesting paper which discusses a topic that has not been given much attention in the literature – the idea of rent-seeking behaviour and its association with injustice and exploitation. The concept of rent seeking is principally examined in the context of Islamic finance and its presence in Muslim-majority countries. To start with, the author defines rent seeking as "unearned gains without contributing to the real economy or benefitting the society through wealth creation". He links that to the rationale for the prohibition of *ribā*, which is to avoid the ruinous impact of unjust and unearned gains at a broad level. He then contends that achieving a world free from *ribā* does not necessarily mean achieving a world free from *ẓulm*. Other forms of unearned gain leading to unjust enrichment are equally important to be shunned. Examples provided in the paper include anti-market practices like hoarding, monopoly, bribes, rent seeking lobbying, lending to related parties, wage theft, and other forms of rent seeking/unjust behaviour. The paper thus argues for the prohibition of *ribā* to be understood "not only in the narrow sense" – where transactions are nominally Sharīʿah-compliant – "but also with the underlying purpose that Islam wants us to be sensitised against any unjust, unearned gains at the expense of others".

"Contemporary issues of form and substance: an Islamic law perspective", by Mohamed Hamour, Mohammad Hassan Shakil, Ishaq Mustapha Akinlaso, and Mashiyat Tasnia. This article offers a fresh outlook on the discussion of form and substance. As is commonly referred, the term "substance over form" is about the "principle of recording a transaction based on its economic substance or financial reality, not necessarily its legal form". A "substance gap" prevails when there is a "difference between the way a concept is expressed, and its intended result". This paper, therefore, examines the issue of form and substance from the viewpoint of classical literature and from an accounting perspective. It then considers contemporary cases of Islamic financial transactions to highlight examples of substance gap in real Islamic finance practice. In this respect, the paper examines the practices of *waʿd* (promise), *ṣukūk*, organised *tawarruq* and *ijārah*.

"The principle of *maṣlaḥah* and its application in Islamic banking operations in Malaysia", by Muhammad Shahrul Ifwat Ishak. As the title suggests, this article explores the extent to which the concept of *maṣlaḥah* – that of achieving public interest and avoiding harm – is taken into consideration in Islamic banking operations in Malaysia. It examines three selected issues as case studies: *bayʿ al-ʿīnah* (sale and buyback), *taʿwiḍ* (compensation) and *ibrāʾ* (rebate). The paper finds that the central bank (Bank Negara Malaysia) takes into account the *maṣlaḥah* of both the Islamic banks and their customers in the implementation of Islamic financial contracts and principles in the industry. To this end, Bank Negara Malaysia promotes the viability of the banks as well as fairness and transparency between Islamic banks and their customers.

"Islamic venture capital: issues in practice", by Zaheer Anwar, Alam Asadov, Nazrol K.M. Kamil, Mehroj Musaev, and Mohd Refede. Islamic venture capital (IVC) represents an ideal Sharīʿah-compliant vehicle. It can offer higher than average returns; it involves investment in real economic activities; and it promotes equity financing based upon risk-sharing principles. This is argued to be an ideal way forward for the Islamic finance industry. Considering the potential offered by these attributes, this article explains the conceptual framework of IVC in terms of its establishment, profit-sharing requirements, investment processes, operations, risk management and exit strategies, among others. It also delineates the issues arising in its application and evaluates its prospects. Specifically, it highlights that IVC has traditionally been practiced as an alternative asset class by large institutions and wealthy individuals. The authors thus call for developing IVC as a viable investment opportunity for small-scale investors and the general public.

We hope that the above articles will be an enlightening read to all our readers. We also thank all authors who contributed to this issue of the Journal.

We wish to draw the attention of our readers that there has been a substantial increase in volume of submissions with the indexing of *ISRA International Journal of Islamic Finance* in Scopus. With the intention of further growing the readership and impact of the Journal, as from this Journal's issue, we are welcoming on board a new list of Associate Editors to form part of its editorial team. Our Associate Editors comprise academics and practitioners with a wide range of experience and expertise in the various aspects of Islamic finance. They also originate from different parts of the world, which will enhance the Journal's international outlook as contained in its title.

It is also noted that our authorship has started to gradually expand beyond the frontiers of Malaysia. We would urge more authors from an international background to submit their articles to further expand the reach of the Journal and expose its articles to the widest possible audience. Moreover, we would like to invite our authors and readers to increase citations from the Journal to maximise impact. As readers may be aware, the latest issues as from 2017 are freely accessible on Emerald's website at www.emeraldinsight.com/loi/ijif. Issues prior to 2017 are accessible on I-FIKR at https://ifikr.isra.my/library/journali/1. Users are required to register with free access to be able to access all issues.

Allah (SWT) is the Bestower of success, and He knows best.

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