

*In the Name of Allah, Most Gracious, Most Merciful.* In August 2020, the licence of an Islamic bank in the Indian Ocean island of Mauritius was revoked by the Central Bank for having failed to comply with certain requirements of local banking laws. The non-compliance issues related to capital adequacy, internal control systems, anti-money laundering and combatting the financing of terrorism and record-keeping obligations. This news might not have made headlines in the global Islamic banking industry, but it has certainly shattered the image that Islamic banking held among the population and has hindered the overall progress of an industry that has hardly taken off in the island.

This case is highlighted because bank failures are less talked about in the industry. When it comes to what one expects of an Islamic bank, generally the list is quite long: Shari'ah compliance, quality of service, economic performance, technological advancement, and so on. In the literature, Islamic banks are called upon not only to show "financial performance" but also "social performance". Using Carroll's (1979) famous definition of corporate social responsibility (CSR), an Islamic bank – like any other firm – should be foremost profitable, efficient and viable (economic responsibility). It should obey laws and regulations (legal responsibility), embrace Islamic and ethical norms (ethical responsibility) and assume social roles in the form of corporate philanthropy (discretionary responsibility). The futurist Brett King, who speaks about the future of banks, adds the responsibility of "going digital" for banks – including Islamic banks – to survive. In his book *Bank 4.0: Banking Everywhere, Never at a Bank*, he foresees a bank in 2050 to be one that leverages on leading-edge technology such as blockchain, artificial intelligence and voice-based smart assistants to embed banking within customers' daily spending and money decisions. He foretells: "The coming Bank 4.0 era is one where either your bank is embedded in your world via tech, or it no longer exists."

The Islamic bank in Mauritius whose licence was revoked failed even as a "Bank 1.0"; i.e. as a traditional bank which relies on physical presence for the conduct of banking business. It also failed to meet the basic legal compliance requirement, in addition to living up to its "ethical responsibility" as the issue of money laundering was associated with the bank. In any case, such a bank would not have lasted in the future era of banking – an era which is changing the banking model altogether, where banking experience is expected to be instant, smart and global.

This background brings us to the need for research on the future prospects of the Islamic banking industry. There is hardly any futurist, the like of Brett King, who is providing far-sighted guidance to the industry about its future directions. How best do we answer the following questions: How bright is the future of Islamic banking in the coming 30–50 years? How should the future model of Islamic banking be transformed to meet the needs of future generations?

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Volume 12 Number 3 of the *ISRA International Journal of Islamic Finance* offers a wide range of research topics to its readership. The authors include academics, students, as well as those with practical experience in the industry. The issue includes eight articles, whose summaries are provided as follows.

The first article is “An analysis of the normative parameters of reward and risk in Islamic finance” by Mohamed Benaicha. This article examines a fundamental principle within Islamic finance – the reward-risk principle – which is associated with the *ḥadīth*: “Reward (*kharāj*) goes with liability (*ḍamān*)”. It discusses the application of the principle in Islamic banks’ financing products, such as *murābahah* to the purchase orderer (MPO), *al-ijārah thumma al-bayʿ* (AITAB) and *mushārahah mutanāqishah* partnership (MMP) which involve the contracts of sale, lease and partnership. The study develops theoretical parameters of the reward–risk principle associated with the concepts of *ʿiwaḍ* (fair counter value), risk, *ḍamān* (liability), value addition, and *māl* (capital) which are elements that constitute different contractual forms of financing.

The second article is “Developing a fair currency system” by Hanif Muhammad. Justice and equitable resource distribution are core values of a financial system and represent socio-economic objectives that a welfare state seeks to achieve. This article examines whether the existing currency systems – notably, fiat, banking and cryptocurrency – help in achieving these socio-economic objectives. First, the article provides a historical overview on the development of the currency system and questions whether there is any such term as an “Islamic” currency system. It finds that there is no Islamic currency in practice; rather, there are desired features of an ideal currency system in Islam. The paper discusses the issues arising in current currency systems, including in the recent development of cryptocurrency, and thus calls for the development of a fair currency system, suitable for achieving the socio-economic goals of the Islamic financial system.

The third article is “Evaluating *ṣukūk* investment intentions in Pakistan from a social cognitive perspective” by Safeer Ullah Khan, Ikram Ullah Khan, Ismail Khan, Saif Ud Din and Abid Ullah Khan. This study is based on a survey of 462 participants in Pakistan to examine individual investors’ behavioural intentions (BI) to invest in *ṣukūk*. Based on the social cognitive theory, the study evaluates cognitive (intentions, motivation), personal (age, gender, lifestyle, compatibility) and environmental (internal/social influence, external influence) factors that might attract potential investors to invest in *ṣukūk*. The study further adds the religious aspect of *ṣukūk* as a moderator; the authors expect that this will modulate the effect of the proposed factors on investors’ BI.

The fourth article is “Micro, small and medium enterprises’ competitiveness and micro-*takāful* adoption” by Maizaitulaidawati Md Husin and Razali Haron. This research considers micro, small and medium enterprises (MSMEs) in the logistics industry in Malaysia to appraise:

- their competitiveness using SWOT analysis; and
- their perception towards *takāful* and the challenges they face in adopting *takāful* using the interview method.

Among the challenges highlighted by the respondents are the elements of cost, budget constraints and difficulties in choosing the appropriate *takāful* coverage. *Takāful* is a useful means to protect MSMEs against various types of risk and ensure their healthy and continuous growth. Accordingly, the authors suggest some strategies that *takāful* operators can adopt to enhance the micro-*takāful* penetration rate among MSMEs.

The fifth article is “A comprehensive appraisal of Sharīʿah governance practices in Malaysian Islamic banks” by Babak Naysary, Marhanum Che Mohd Salleh and

Nurdianawati Irwani Abdullah. Sharī'ah compliance is key for the operation of an Islamic bank, and laudable efforts have been undertaken by the Malaysian authorities to improve Sharī'ah compliance culture among Islamic banks. Based on the Shariah Governance Framework (SGF-2010) issued by Bank Negara Malaysia, this research examines whether Sharī'ah governance practices in Islamic banks have improved in the period after the framework's implementation. A questionnaire which was administered to key players in the industry was used for this purpose. The respondents evaluated the impact of SGF-2010 in addressing the challenges in Sharī'ah governance. Where relevant, the article also compares the findings based on SGF-2010 with the requirements in the revised SGF-2017 and the Shariah Governance Policy Document 2019.

The sixth article is "Internal control, risk and Sharī'ah non-compliant income in Islamic financial institutions" by Mustafa Mohd Hanefah, Muhammad Iqmal Hisham Kamaruddin, Supiah Salleh, Zurina Shafii and Nurazalia Zakaria. Internal control is an important mechanism in any organisation, especially for Islamic financial institutions (IFIs) with regard to Sharī'ah compliance management. This study sets out to develop an effective internal control mechanism for managing Sharī'ah non-compliant income (SNCI) in IFIs. For this purpose, the authors conducted interviews with Sharī'ah officers, Sharī'ah auditors and Sharī'ah committee members of selected IFIs in Malaysia. The findings reveal several weaknesses in SNCI practices at the level of the IFIs. The paper then proposes a matrix that can be used as a tool for assessing the internal control system for Sharī'ah compliance in IFIs.

The seventh article is "The impact of economic blockade on the performance of Qatari Islamic and conventional banks: a period-and-group-wise comparison" by Abdilatif Mao Ali. In June 2017, a number of Gulf Cooperation Council (GCC) and non-GCC states imposed an economic blockade on Qatar. The banking sector was one of the sectors affected by the embargo. This article aims to assess the performance of domestic Islamic and conventional banks in Qatar before and after the imposition of the economic blockade. The period from the 1st half of 2015 to 1st half of 2017 corresponds to the pre-blockade period, whereas the 2nd half of 2017 to 2nd half of 2019 corresponds to the post-blockade period. The study first uses financial ratio analysis to assess the banks' performance in terms of solvency, profitability, efficiency, liquidity and asset quality; then, it employs a *t*-test to test the significance level of the blockade.

The eighth article is "*Takāful* demand: a review of selected literature" by Maizaitulaidawati Md Husin and Haron Razali. Following the progress and development of the *takāful* industry, this paper questions whether research on demand for *takāful* has increased alongside the increase in popularity of *takāful* products worldwide. Accordingly, it conducted a systematic review of articles published in Impact Factor and Scopus indexed journals between January 2009 and June 2019 on the demand for *takāful*. Articles published in English in 11 journals were thus reviewed. The findings reveal that a limited number of articles have been published in this area, with two published in 2009 and coverage on the topic expanding rapidly in 2017. The study further segmented the review of the literature based on research area, research data, research method, and factors affecting *takāful* demand. Overall, in light of the limited research conducted in this field, there are innumerable possibilities for researchers to engage in further research in the area of *takāful*.

This year, article submissions to *ISRA International Journal of Islamic Finance* have literally doubled compared to last year's numbers. As we receive more articles, we also require more reviewers to provide support to the Journal to ensure we continue to publish quality and impactful research in the field of Islamic finance. Every year Emerald Publishing organises the "Emerald Literati Awards for Excellence" to reward highly

commended papers and outstanding reviewers. We also nominate our outstanding reviewers for the value they add to the publication process, especially in terms of critical assessment of research prior to their publication consideration. In this issue, we call upon more academics and practitioners to join our team of reviewers and enjoy the privilege of being an outstanding reviewer. Share your knowledge and experience by engaging in the peer review process.

We end by thanking the reviewers who reviewed articles appearing in this issue of the journal. We also warmly congratulate the authors and wish our readers pleasant reading.

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

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