Editorial

In the Name of Allah, Most Gracious, Most Merciful. A recent academic study highlighted that Islamic finance today has reached global academic appeal. It showed that research in Islamic finance is not constrained by the religious beliefs or geography of the researchers or the academic institutions they are associated with.

A mapping of countries developing Islamic finance would equally show that the industry has expanded far and wide, being embraced by even Muslim-minority countries. Again religion – though a crucial driving force – is not necessarily the key determining factor leading to the development of Islamic finance in specific markets. The case of Hong Kong, which has actively pursued the development of a *ṣukūk* market with three issuances to date, can be cited as an example. The government of Hong Kong specifically tapped into the *ṣukūk* market to further consolidate its position as an international financial center. The development of other Islamic financial products and services in the country is also based on market forces and depends on investor and issuer appetite.

The latest *ICD-REFINITIV Islamic Finance Development Report 2020* cites the following countries as the top one producing research papers between 2017 and 2019: Malaysia, Indonesia, Pakistan, Saudi Arabia and the United Kingdom (UK). The UK's development of Islamic finance is driven by both government and retail market interests. Muslims and non-Muslims equally engage in research and the practice of Islamic finance to serve the overall British society. The *ICD-REFINITIV Report* also highlights the top countries covered in Islamic finance research in 2019 as follows: Malaysia, Indonesia, Pakistan, Nigeria and Bangladesh. At the level of *ISRA International Journal of Islamic Finance*, article submissions cover many more country case studies. In this issue of the journal, the articles discuss research in the context of Indonesia, Malaysia, the United Arab Emirates (UAE), Turkey and Pakistan.

The first article is titled "Determinants of credit risk of Indonesian Sharīʿah rural banks" by Unggul Priyadi, Kurnia Dwi Sari Utami, Rifqi Muhammad and Peni Nugraheni. It highlights the high level of nonperforming financing (NPF) of Sharīʿah rural banks (SRBs) in Indonesia, which exceeds the maximum limit of 5% set by Bank Indonesia. SRBs are Islamic banks which play an important role in the provision of financing to micro, small and medium enterprises. Managing their credit risks, represented by NPF, is important to ensure good financial performance and avoid any adverse impact on economic stability. This article therefore examines the internal and external factors that influence the credit risk of SRBs in Indonesia in the short and long run.

The second article is titled "Developing a ranking methodology for Sharīʿah indices: the case of Borsa Istanbul" by Zeyneb Hafsa Orhan and Murat Isiker. While Sharīʿah indices provide a listing of Sharīʿah's compliant companies, the extent of the companies' compatibility with Sharīʿah remains unknown to investors. This article aims to develop a ranking methodology for companies that constitute Islamic indices. It examines a case study

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of 20 companies listed on Borsa Istanbul using their 2017–2019 annual reports and scores and ranks the companies' compatibility with Sharī ʿah screening criteria used by Ziraat Katılım Index in Turkey. It finds that some companies are close to being fully Sharī ʿah compliant, with ranking scores nearing 100, while some others just barely satisfy the screening criteria.

The third article is titled "Establishing zakat on oil and gas in Malaysia: a new insight" by Pg Mohd Faezul Fikri Ag Omar, Haneffa Muchlis Gazali, Mohd Nasir Samsulbahri, Nurul Izzati Abd Razak and Norhamiza Ishak. While oil and gas are valuable extracted minerals, they are not subject to zakat payment in Malaysia. This study thus discusses the establishment of zakat on oil and gas in four oil-producing states in Malaysia, namely Sabah, Sarawak, Kelantan and Terengganu. It deliberates on the scholars' opinions on the specific conditions of *nisāb* (minimum threshold value of the assets) and *ḥawl* (the requirement for one full Islamic year of ownership for the assets) for the calculation of zakat on oil and gas. It also examines relevant legislation on oil and gas in Malaysia to suggest reforms to account for zakat provisions on oil and gas.

The fourth article is titled "A comparative analysis of financial performance of Islamic banks vis-à-vis conventional banks: evidence from Pakistan" by Muhammad Tariq Majeed and Abida Zainab. This article uses financial ratio analysis to analyze, compare and explain the difference in the performance of the five-top full-fledged Islamic banks vis-à-vis the five-top conventional banks offering Islamic windows in Pakistan. The study covers the period 2008–2019. It compares the profitability, liquidity, capital adequacy, risk and solvency ratios and finds that the Islamic banks are better capitalized, less risky and have higher liquidity as compared to their conventional counterparts. In contrast, the profits of the Islamic banks are deemed lower than those of conventional banks.

The fifth article is titled "Impact of brand equity on purchase intentions: empirical evidence from the health *takāful* industry of the United Arab Emirates", by Shahid Rizwan, Husam-Aldin Al-Malkawi, Kamisan Gadar, Ilham Sentosa and Naziruddin Abdullah. This study highlights that the market share of health *takāful* in the UAE is considerably low at 10%, even though health insurance is mandatory for residents of Dubai and Abu Dhabi. It thus looks into how brand equity – which it defines as "the incremental value that provides a reason to buy a brand" – could be an important factor in boosting the demand for health *takāful* in the Emirates. It finds the three dimensions of brand equity – notably brand awareness, brand association and perceived quality – having a significant influence on purchase intentions.

The sixth article is titled "Factors influencing Bumiputera contractors" acceptance of the contractor's all risk *takāful* product' by Mohd Azizi Ibrahim, Alias Mat Nor and Raja Rizal Iskandar Raja Hisham. This article examines the factors that influence Bumiputera contractors in choosing the contractor's all risk (CAR) *takāful* product in construction projects. It employs the theory of reasoned action to study four variables – including attitude, subjective norm, religiosity and awareness – that can determine the contractors' acceptance of the CAR *takāful* product.

The seventh article is titled "Rebate in Islamic sale-based financing contracts: Bank Negara Malaysia Guidelines on *ibrā'* versus conventional finance practice" by Islam Kamal. This article compares the rebate computation practice for debts resulting from Islamic sale-based financing contracts as proposed by BNM's guidelines on *ibrā'* (rebate) against the rebate computation applied in conventional loans. It finds a strong similarity between the two approaches, which raises usury concerns associated with conventional finance rebate computation practices.

There remain a number of articles which are being considered for inclusion in forthcoming issues of the journal. We appreciate the authors' patience in awaiting publication.

We wish a pleasant and beneficial read to our readers.

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

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