Editorial

In the name of Allah, most gracious, most merciful

Often Islamic finance transactions such as *ṣukūk* are highly complex in their structures, involving significant legal documentation, a myriad of parties and a combination of various Sharīʿah contracts. These complex structures commonly arise because they seek to replicate the features of debt instruments to meet the needs of investors and issuers who wish to limit their risks and ensure a guaranteed return, which is similar to conventional transactions. However, at the same time Islamic transactions have to meet the requirements of Sharīʿah. This requires, on the one hand, extensive financial reengineering to ensure that the transactions achieve this objective, and on the other, necessitates the issuance of a fatwa by a panel of Sharīʿah experts to validate the conformity of the transactions with Sharīʿah principles.

This model of structuring Islamic finance transactions has often raised much criticism relating to, for example, the value addition of the industry compared to the existing conventional system, the added cost that fatwa issuance involves, governance issues relating to fatwa issuance and the sustainability of debt models *vis-à-vis* the culture of consumption that debt models promote (i.e. consume today and pay tomorrow).

For some time now, scholars have publicly called for a paradigm shift in the Islamic finance model in favour of asset-backed transactions that connect with the real economy and display clear risk-profit sharing attributes, thus creating impact on the society and promoting financial inclusion. There is also a call for Islamic finance transactions to use less-complex instruments that reflect natural Sharīʿah compliance where permissibility is clear and self-evident. The argument is that excessive financial engineering creates obscurity and makes it difficult to understand if a transaction really conforms to the principles of Sharīʿah.

Blossom Finance's SmartSukuk issued in 2019 is an example that is claimed by the issuers as closely reflecting the new model promoted by scholars to revolutionise the *ṣukūk* and Islamic finance industry at the retail level. It embraced modern technology, notably blockchain, as an enabler to simplify and increase transparency in addition to reducing costs and the number of intermediaries in the *ṣukūk* transaction. It also adopted a simple *muḍārabah* structure with variable profit sharing and real-economy portfolio of real asset-backed *murābaḥah* activities. Thus, according to Blossom Finance, the simplicity and transparency of the microfinance *ṣukūk* made even buying a fatwa unnecessary.

Discussions about the future and viable models of Islamic finance tend to keep research on Islamic economics, banking and finance vibrant. Volume 14 Number 3 of *ISRA International Journal of Islamic Finance* features nine research articles that deliberate on key issues relevant to the industry. The titles, contributing authors and summaries of these articles are detailed below.

(1) **"The cost of constituent-rebalancing of Sharīʿah-compliant indexes: lessons for future crises"** by Ahmed Badreldin. Rebalancing the constituents of Sharīʿah-compliant indexes would involve costs and may also impact on portfolio

ISRA International Journal of Islamic Finance
Vol. 14 No. 3, 2022
pp. 238-240
Emerald Publishing Limited
e-ISSN: 0128-1976
p-ISSN: 0128-1976
DOI 10.1108/IJIF-12-2022-261

returns. This article aims to quantify the cost of rebalancing Sharīʿah-compliant indexes to determine whether their superior performance overcomes these costs.

(2) **"An empirical comparison of sustainable and responsible investment *ṣukūk*, social impact bonds and conventional bonds"** by Syed Marwan Mujahid Syed Azman, Suhaiza Ismail, Mohamed Aslam Haneef and Engku Rabiah Adawiah Engku Ali. This study aims to determine the similarities and differences between sustainable and responsible investment *ṣukūk*, social impact bonds and conventional bonds. Moreover, through a survey, it examines the perceptions of investors and developers on the features of these instruments.

(3) **"How do Islamic banks manage earnings? Application of various measurement models in the Iranian banking system"** by Mahdi Ghaemi Asl and Mohammad Ghasemi Doudkanlou. Given the importance of reported earnings, this study uses 4 methods to measure the earnings management index in 25 Iranian Islamic banks over the period 2005–2020 and determines which model is most suited to the Iranian Islamic banking system.

(4) **"Experts' views on *ḥiyal* in Malaysian Islamic banks: the case of *tawarruq*-based deposit products"** by Muhammad Izzul Syahmi, Mohammad Taqiuddin Mohamad and Mohd Anuar Ramli. This study interviews Sharīʿah and Islamic banking experts to investigate why *tawarruq* is extensively used in the structuring of Islamic deposit products in Malaysia.

(5) **"Micro-*takāful* scheme for protection of houses belonging to low-income groups in Malaysia"** by Puteri Nur Farah Naadia Mohd Fauzi and Mohamad Akram Laldin. This study argues that the protection of houses belonging to low-income groups is necessary and that appropriate *takāful* coverage should be made available for this purpose.

(6) **"Charity account in Islamic financial institutions: creating a defined Sharīʿah standard"** by Salim Ali Al-Ali. This article seeks to establish clear guidelines on the management of charity accounts and accordingly proposes relevant Sharīʿah standards for the standardised practice of charity accounts by Islamic financial institutions.

(7) **"Mind the gap: theories in Islamic accounting and finance, Islamic economics and business management studies"** by Murniati Mukhlisin, Nurizal Ismail and Reza Jamilah Fikri. This article analyses the use of classical theories versus modern theories as references in Islamic accounting and finance, Islamic economics and Islamic business management research. It finds that the former is less used than the latter.

(8) **"Islamic mobile banking smart services adoption and use in Jordan"** by Saad G. Yaseen, Ihab Ali El Qirem and Dima Dajani. The research identifies the predictors of Islamic mobile banking (IMB) smart services adoption and usage in Jordan. The study also sheds light on the reasons behind behavioural intention to utilise IMB in Jordan.

(9) **"Corporate criminal liability in Islamic banks in Malaysia"** by Nur Yusliana Yusoff and Rusni Hassan. This article highlights the provisions on corporate criminal liability (CCL) in legislative acts and regulations that apply to Islamic banks in Malaysia. Moreover, it identifies the gaps and obstacles in the exercise of CCL policies at the level of these banks.

The *ISRA International Journal of Islamic Finance* has been published by Emerald Publishing Services over the period 2017–2022. From 2023, the journal will be published via a new platform to be hosted by INCEIF University. At this point, we would like to place on record our thanks to Emerald Publishing Services for all the support it provided towards the growth of the journal. All remaining articles that could not be published in 2022 will be published in 2023 *in sha Allah*. We continue to rely on authors' support to contribute to the journal's further progress on the journey ahead.

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

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