Editor's Notes

Poverty is a complex socio-economic problem that has existed as long as mankind has existed. It has a direct impact on the material progress and civil development of individuals and communities alike. Many countries, international organizations, and non-governmental bodies have introduced programs to alleviate poverty, such as promoting infrastructure development, constructing sound roads to facilitate transport and communication, encouraging agriculture and farming, which are the main sources of income in rural areas, developing small scale industries to create employment opportunities, introducing market opportunities to enable the rural population sell their goods at favorable prices, and attempting to establish good governance and effective administration (Singh, 1999). The World Development Report (1990) recommended a dual approach to reducing poverty, involving (a) efficient labor-intensive growth rooted in appropriate market incentives, physical infrastructure, institutions, and technological innovations and (b) satisfactory provision of social services, including primary education, basic health care, and family planning services.

In reality, these well-intentioned programs proved to be only temporary, casuistic, insignificant, and ultimately ineffective. The failures of the past cast light onto what measures need to be taken for success in the future. To truly alleviate poverty there are some long-term issues which need to be addressed, among them equitable distribution of wealth; justice through both political and economic democracy; a decentralized, ecologically-sustainable, and self-sufficient economy that is motivated by consumption rather than profit; a balance between cooperation and competition; a constitutional right to life's basic necessities; culturally appropriate education; agricultural reform; and a philosophy of life that supports the interests of all human beings rather than self-interest. Thus, the path to end global poverty will emerge only in coalition with sustainable spirituality or a worldview that recognizes the spiritual unity of all life. Islam as a religion encompasses universal socio-economic issues. Accordingly, society's understanding of poverty can be enhanced by examining the concept of 'poverty' through the lens of Islam. By drawing on direct deductions from the Quran and Sunnah, society can come closer to finally solving poverty.

Islam substantiates various positive measures for alleviating poverty, including (a) income growth, (b) functional distribution of income, and (c) equal opportunity. With regard to income growth, Islam emphasizes moderate consumption behavior at the individual level to produce necessary savings for both the individual and the overall economy. It also stresses the need for halal earnings. The Quran teaches that (a) "A person gets what he or she strives for" (53:39); (b) "Earning a halal living is farz (obligatory) after obligatory rituals" (Al Baihaqui, Tabarani); and (c) "Do not make your hand tied to your neck, nor stretch it forth to its utmost reach, so that you become blameworthy and destitute" (17:29).

Functional distribution of income refers to the equitable distribution of income among all

factors of production, which is necessary because high-income growth alone is insufficient to alleviate poverty. Islamic norms ensure that the principle for factor pricing is based on justice and fairness. The Quran teaches us that (a) "Allah commands justice and benevolence" (16:90); and (b) "Woe to those that deal in fraud; those when they receive from man take full measure, but when they give by measure or weight to others give less than due" (83:1–3). Profit sharing is an important Islamic approach to achieving a functional distribution of income. Islam prohibits riba (usury) and emphasizes the distribution of profits according to ratios rather than a nominal fixed interest among stakeholders

Islam also calls for preventive measures to be taken so that wealth is not concentrated in a specific section of the population. These measures include (a) control over ownership and (b) prevention of malpractice. In Islam, ownership of everything ultimately resides in Allah Almighty. Man merely has secondary ownership, as trustee, for utilizing resources according to the terms and conditions of the trust. In an Islamic economy, resources identified for public use, such as natural resources, cannot be privately owned. The state should own such resources so as to ensure they are accessible to all sections of the population when necessary. However, Islam does allow private ownership in business and industry so long as it is accomplished in adherence to Islamic ethics and norms.

Islam identifies and prohibits malpractice that leads to economic disparities, such as gambling, hoarding, cheating, bribery, and interest (riba). The Quran teaches us: "O ye believe! Squander not your wealth among yourselves wrongfully, except it be a trade by mutual consent" (4:29). In modern times, such malpractice takes different forms. If all such malpractice, including corporate frauds and other white-collar crimes, are prevented, inequality in income distribution could be avoided (Sadeq 1995).

In addition to the aforementioned positive and preventive measures, Islam also calls for a third set of antipoverty measures, which can be considered corrective measures. These corrective measures attempt to foster wealth transfers so that wealth is not concentrated among the elite. Corrective measures include (a) compulsory transfers (Zakat), (b) recommended transfers (charity), and (c) state responsibility (enforcement and basic needs). Islam establishes Zakat as compulsory for all well-off Muslims. Zakat is a unique instrument for poverty alleviation as wealth is transferred from well-off people to worse-off people. The importance of Zakat is reflected in its status as one of the five pillars. Anybody denying obligation of Zakat ceases to be a Muslim. According to the Quran: "The Zakat is meant only for the poor and needy, those who collect the tax, those whose hearts are to be won over, for the freeing of human beings from bondage, for the relief of those overwhelmed by debts, for the cause of God, and for the wayfarer: [this is] an ordinance from God—and God is All-Knowing, Wise" (9:60).

Islam also encourages charity and acts of benevolence rather than mandatory transfers like Zakat and Sadaqat al-Fitr. The Quran teaches us that (a) "And in your wealth, are obligations beyond Zakat"; and (b) "In their wealth, there is a known right for those who

ask for it and for the deprived" (70:24–25). Thus, charity and other acts of benevolence are highly recommended. In the case of strong economic disparity or poverty, such transfers would become obligatory (Sadeq 1995).

In the Islamic system, the state should be held responsible for maintaining a favorable environment for legal business and economic activities. The state should also protect its citizens from malpractice of any form. Finally, the state should enhance the institution of Zakat and provide equal opportunities for all.

The first paper considers cash waqf. Personal financing, in the context of Islamic banking, refers to responding to cash provisions or simply financing cash. According to Shari'ah, personal finance, or giving loans, is a benevolent provision that should not be offered by Islamic financial institutions for a profit. Under specific circumstances, the genuine need for personal financing may arise for individuals, corporations, financial institutions, or governments. Some needs that should be met only by cash or cash loans cannot be financed against an increment, such as debt settlements or rollovers. The solution in these situations is a cash waqf-based instrument. This study investigates lending cash through the operation of a cash waqf fund as a not-for-profit-based personal finance instrument, especially for individuals, within a banking context. The dynamics of this cash waqf instrument's establishment and operational issues are discussed as are its potential advantages and disadvantages.

The second paper is about fiqh on waqf. Discussions on waqf development have shifted from holistic theorization towards more logical, empirical, and inductive approaches. There has been a parallel move towards public participation, which has produced very diverse and high-level activities delivered and practiced in the prophetic era. This paper examines the prophetic words by way of participatory development, a social capital formation based on waqf development. We focus on two holistic sentences and actions regarding the value of waqf to examine the perpetual versus the temporal. Proceeding from these divine sentences from the messenger of Allah, we advocate that a stronger emphasis on the nature of waqf could be continually exercised in all actions of society. We also illustrate the opinions of many scholars. Finally, we summarize our discussion on the importance of waqf in the hadith, with particular attention to its hidden meanings, which can be reexamined from the viewpoint that permanence is part of the very nature of waqf donation.

The third paper is on the maqasid of Corporate Social Responsibility (CSR). Maqasid al-Shari'ah, or the objectives of Islamic law, are designed to guide and benefit mankind in this world and the hereafter. CSR activities are centered on promoting the welfare of society at large and serving the objectives of Shari'ah. This research focuses on the CSR activities of the leading Islamic banks in a developing country – Bangladesh. The study is based on the CSR activities of Islami Bank Bangladesh Limited (IBBL) – the oldest and largest Islamic bank in Bangladesh. The analysis is done on the basis of the requirements of Maqasid al-Shari'ah and is based on secondary data. Content analysis is conducted on the five year annual reports

(2009-2013) of IBBL. The main areas in which the bank performs its CSR activities are identified and an analysis is then carried out according to the levels of Maqasid al-Shari'ah (necessities, complements, and embellishments). It is found that most of the CSR activities and expenditures of the bank are dedicated to necessities. Furthermore, activities representing embellishments receive more importance than activities representing complements. The contribution of this study is unique in nature because there has been no prior empirical study to assess CSR in light of Maqasid al-Shari'ah in the Bangladeshi context.

The fourth paper investigates microcredit. It explores the impact of microcredit on poverty alleviation for the borrowers of the Grameen Bank and Islami Bank microfinance schemes and compares the contributions of these two of MFIs in Bangladesh. This study uses descriptive statistical and econometric techniques as well as the Foster, Greer, and Thorbecke indexes. The Foster, Greer, and Thorbecke indexes evaluate the incidence of poverty by comparing before-after situations. The study finds that access to credit has contributed towards reducing the incidence of poverty, the poverty income gap, and the severity of poverty for the borrowers of both MFIs. Moreover, multiple logistic regression model output shows that microcredit has important positive impacts on the status of poor and non-poor borrowers of MFIs. Furthermore, the findings reveal that Islami Bank microcredit respondents have a fuller record of giving credit for income-generating activities for reducing poverty compared to Grameen Bank microcredit respondents. This study recommends policy proposals for the successful and effective implementation of microfinance programs through the addition of proper income-generating activities, sufficient access to credit, the creation of self-employment opportunities, a re-emphasis on the socket-based Islamic mode of funding, as well as qard-al-Hasan on the initiation of spiritual values as an alternative microcredit model for poverty alleviation in Bangladesh.

The fifth paper is on Shari'ah governance. This study examines the Shari'ah governance structure of Islamic banks in Bangladesh, analyses associated issues and challenges, and provides some suggestions for improvements. Primary data for this study are gathered through semi-structured interviews conducted with Islamic banking practitioners and Shari'ah scholars. The study finds that the Shari'ah governance system in Bangladesh is largely based on voluntary initiatives by Islamic banks. Every Islamic bank in Bangladesh, from fully-fledged Islamic banks to Islamic banking windows, has a Shari'ah supervisory committee, even though this is not mandated by the central bank. Every Islamic bank also conducts Shari'ah audits for its Shari'ah supervisory committee. Nevertheless, the boards of directors are ultimately responsible for ensuring the Shari'ah compliance of their banks, as required by the central bank. There is a central Shari'ah board for Islamic banks in Bangladesh called the Central Shari'ah Board for Islamic Banks of Bangladesh (CSBIB), although it is not formally recognized by the country's central bank. It is thus not mandatory for Islamic banks to heed the CSBIB. Despite this, Islamic banks generally do not contravene Shari'ah resolutions issued by the CSBIB, due to risks to their reputation. In order to improve the Shari'ah governance system, the government of Bangladesh should

enact a law regarding the operation of Islamic banks. Moreover, the central bank should improve its guidelines for Islamic banking operations and recognize the CSBIB so that the latter can supervise and oversee Shari'ah supervision and audits of Islamic banks in Bangladesh.

The sixth paper is about value-based talent management. This study aims to explore talent management practices, particularly on the recruitment and retention of talent, in the Islamic finance industry of Malaysia. Recruiting the right talent and keeping talented employees is seen as a strategic necessity for Malaysian Islamic finance industry players to stay competitive locally and internationally. This report on talent management and Islamic finance research serves to fill the gap in the literature on management. Using a focus group interview method on selected human resource practitioners in the Islamic financial industry, this inquiry finds that recruitment of Islamic finance talent in Malaysia has not yet advanced to its optimal state. The findings of this study will create opportunities to develop strong, well-defined talent management strategies to hire the best candidates.

The seventh paper examines Shari'ah compliant pension plans. According to Islamic teachings, dealing in interest-related activities is strongly prohibited, as is investing in harmful and unproductive activities such as pornography, pork, etc. However, Nigerian Muslim employees were compelled to participate in activities that violated these standards when the Nigerian government introduced a contributory pension scheme in 2004. The scheme calls for investment of pension fund assets via investment vehicles, the majority of which are interest-based. This study uses a survey design to explore the case of a Shari'ah-compliant pension fund administration in Nigeria. A sample size of 150 respondents was selected. All 150 respondents were issued a questionnaire, out of which 120 questionnaires were returned. The collected data are analyzed with the statistical software STATA 12.0. Descriptive statistics and regression analysis are used to establish relationships between the dependent and independent variables. Findings indicate that Nigerian Muslim workers only participate in the conventional pension scheme out of necessity. Further, the majority would likely opt out if a Shari'ah-compliant pension fund administrator were to become available. However, it is also observed that establishment of a Shari'ah-compliant pension scheme is bound to face several challenges. The study recommends that Muslim workers under the existing pension scheme should initiate a collective effort towards establishing a Shari'ah-compliant pension fund.

The eighth paper deals with liquidity risk and profitability of Islamic banks. The objective of this study is to examine the relationship between profitability, liquidity risk, and cost efficiency of Islamic banks. It also assesses the mediating effects of profitability (ROE and PBTZ) on the liquidity risk of Islamic banks. The study uses panel data techniques and mediation to assess 28 Islamic banks from ten countries for the period 2005 to 2015. The results show that profitability (PBTZ) and liquidity risk significantly affect the cost efficiency of Islamic banks. The findings also confirm the mediating role of profitability

(PBTZ) on the liquidity risk and cost efficiency of banks. This suggests that Islamic banks can achieve both cost efficiency and profit maximization by adequately managing liquidity risk. Future research should further explore other factors that affect, mediate, and/or moderate the relationship between cost efficiency and risk management.

The ninth paper focuses on public expenditure and poverty. Poverty is a pervasive manmade phenomenon, the alleviation of which has been a priority and responsibility of all governments. The main objective of the paper is to evaluate the impact of public expenditure on poverty reduction in OIC member countries as well as the rest of the world. This study applies the OLS method on a dataset of 126 countries to estimate how government expenditure on education and health impacts poverty reduction in OIC and non-OIC countries. While the OIC countries are expected to have close to zero poverty headcount ratios, the reality is that some OIC countries are at the top of the list of poorest countries in the world. This study finds that government expenditure has a positive impact on poverty reduction for OIC member countries and the rest of the world.

The tenth paper is on Islamic banking in Russia. Russia, the largest country in Europe, counts many Muslims as part of its population. Using the theory of planned behavior, this study aims to investigate factors that may influence Russians to patronize Islamic financial products and services. This topic is especially relevant with the recent establishment of financial institutions offering Shari'ah-compliant products and services in Tatarstan and Dagestan, which are two regions in Russia. Questionnaires were distributed in Tatarstan and Dagestan and the structural equation model was used to test relationships among the latent variables examined. The results show that awareness and subjective norms are significantly influencing Russians to partake of Islamic financial products and services.

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