What Does Islamic Finance Want to be When It Grows Up?

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The Shariah indices have generally outperformed their conventional counterparts in the year to June 2008. This is another little-known secret and a major competitive advantage for Islamic investors. — Charles Pauw
(Chairman of the BILM Umbrella Fund & Founder, Woodstock Asset Management)

Almost every discussion of financial affairs these days needs to have some mention of the sub-prime crisis and the accompanying credit crunch, and a discussion of Islamic finance is no different. Could the sub-prime type of problems occur in the Islamic finance space? — Iman Sahih
(Senior Finance Partner, King & Spalding’s New York & Dubai offices)

Opportunity often rises out of chaos. That has never been more true than it is today in the international financial markets. However, creating Middle East investor confidence in American-based projects will depend on U.S. business’ ability to establish and maintain a reciprocal level of trust built on transparency, collaboration, harmonized cross-cultural contracts and clear systems of operational control. — Dr. Steven R. Weiss
(President, Zurich Global Consulting Group)

Islamic banking and finance is underdeveloped in India, due largely to political sensitivities, but current global conditions may change this landscape. — Douglas Clark Johnson
(CEO & Chief Investment Strategist for Colyn Financial

Experts at the Treasury Department have been learning about the important features of Islamic banking. — Robert Kimmitt
(The US Deputy Secretary of the Treasury)

With many new projects coming into the pipeline, and reduced competition from conventional finance, now could be the perfect time for Middle Eastern investors to consider Canadian infrastructure investments structured as Shariah-compliant PPFs. — Guy Callig
(Partner & Head of Islamic Finance, Gowling WLG, Henderson I B)

Sensible risk management is built into Shariah-compliant financial structures, as the Islamic finance institution pays special attention to both the asset being financed and the individual receiving the funds. — Dr. Kamal Hunt-Ahmed
(Assistant Professor of Finance & Management, DePaul University)
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During his opening remarks at the Islamic Finance World Summit in New York last October, Mike McMillen challenged us to consider how our industry will move forward and develop in today's market and in the future. He urged us to engage in constructive self-criticism and to assess the industry's strengths and opportunities as we face the challenges of building a world-class industry based on combining the principles of international finance and Shariah law. I would like to use this opportunity to step back and reflect on the industry as a whole and to think about how we can establish the solid authenticity of an ethical Islamic finance industry in the global marketplace.

By Karen Hunt-Ahmed
Dr. Karen Allen is Assistant Professor of Finance and Management at DePaul University. Before receiving her Ph.D. from the University of Chicago, she worked as an banking analyst in Chicago and for Genesis Capital in Dubai. She is currently working within Finance and Human Affairs at DePaul University's College of Commerce and is also on the advisory committee of DePaul's Center for Financial Services.
Although there is a lot of talk about social justice, there is less action as we become entranced by the big-money, internationally recognized deals.
products such as mudahaha, mynahala and java-
and themselves maritivest well to a consoli-
dated model and are already being used by many
NDs and non-profit organizations in the United
States and around the world. There is no reason
why this kind of business model could not be used
as a profit-making investment vehicle. The kind of
model I envision could advance the industry’s
overall mission of social justice and still pro-
vide a profit for investors.

Islamic finance is blessed with relatively high
flexibility. In the current economic climate, it might
be premature to talk about investing in relatively
small businesses. But I argue that providing a
community — both the Muslim community and our
broader community — at the grassroots level is exactly
what is needed to build a lasting sustainable economic
environment for the future. Social business and property ow-
ernship provides stability and sustainable economic
growth and can serve to institutionalize a community
against the devastating effects of economic crises.

Islamic finance is built into Islamic-financial structures as the
Islamic financial institution pays special attention to both
the social being financed and the individual receiving
the funds. This makes the Islamic finance
model a sound and viable way to mitigate the risks
inherent in small businesses so that we might
avoid unpalatable situations such as the subprime
mortgage crisis that is deemed to be responsible
for our current situation. Our investment into
community development will not only make us
‘feel good,’ but is a smart business strategy com-
pletely in line with our industry’s stated competi-
tive advantage of social justice.

So, let us keep doing what we are doing: strengthening
the Islamic finance industry by innovation and
growth to highly profitable investment. And let us
invest more of our prosperity into building an eco-
nomically viable community at all income levels
and in all communities. One of the great
strengths of our industry is its clear scrutiny of
what is right and equal. Indeed, these are two
of the principles upon which our industry was
built. Our current task is to discern what is a
good look at our founding principles and decide
who we want to be when we grow up. We are well
on our way to being a great competitive, ethical,
alternative to conventional finance. Only when we
have moved toward being a force for justice
will we truly be able to say we are a legitimate
mutual and growing industry with a truly ethical
competitive advantage.