© 2023 World Scientific Publishing Europe Ltd.
https://doi.org/10.1142/9781800612426_fmatter

Preface

Part I: Islamic Accounting: Theoretical Perspectives

Chapter 1 (Aleraig and Asutay)

Islamic banks and financial institutions have demonstrated unprecedented success since their emergence in commercial form in the 1970s. The expansion of the asset base of the industry and its diffusion into the main financial centers in the world is a clear indication of its success. While Islamic finance is constituted through Islamic normativeness as expressed through Sharia compliance processes coupled with the standards developed by the Accounting and Auditing Organization for Islamic Financial Institutions and the Islamic Financial Services Board within the dual banking system, the accounting system follows the conventional system of accounting, which is based on the fictitious claim that accounting is value free. However, this chapter is developed through the assumptions that neither economics and finance nor accounting and management are value free as value systems and ontologies determine their nature and operations. In expanding this assumption, this chapter aims to identify the Islamic accounting implication for Islamic finance with the hope that Islamic banks and financial institutions, in particular, and Muslim societies, in general, can move onto an authentic accounting system and philosophy shaped by Islamic ontology and epistemology. This chapter hence aims to develop and identify the way Islamic accounting can apply to Islamic finance transactions and contracts as well as institutions such as *zakat*. It also presents some critical reflections on the practice of Islamic accounting and accounting standards.

Chapter 2 (Aleraig and Asutay)

The emergence of the Islamic economics movement in the post-colonial period is aimed at developing a system of Islamic economy with the normative worldview of Islam and *Sharia* rules. This is rationalized on the grounds that economics, finance, management, and accounting are not value free as assumed by conventional thinking, which is imposed on the rest of the world as the truth, by the West. In this authentic search, Islamic finance proved to be a successful proposition, and therefore, the trajectory of development has been unprecedented, which is constituted through the *Sharia* compliance process. However, in order to develop a system understanding, the governance, management, and accounting of the Islamic financing institutions should reflect the same worldview and the value system. As the literature indicates, research, practice, and institutional formation have been scarce in these areas. This is due to the subaltern assumption that these areas are value free. Accepting such an operating assumption has resulted in asymmetry in the knowledge base and operation of Islamic banks and financial institutions. While their financing operations are constituted in a *Sharia*-compliant manner, their management and accounting are left to the conventional system. However, Islam, through its value system and worldview (*tawhid*), has implications for accounting too. This chapter, therefore, aims to identify the ontological and epistemological construct of Islamic accounting through its value system and worldview to overcome the observed asymmetry through social constructivism. In doing so, historical contributions of Muslim scholars and practice within the Islamic realm are used to bring historical evidence for the proposition developed in this study. Thus, this study argues that Islamic accounting is a subdiscipline of the system of Islamic economics or Islamic moral economy and essentializes it through Islamic normativeness, which urges the use of Islamic accounting, beyond the standards of Accounting and Auditing Organization for Islamic Financial Institutions, to establish consistency within the Islamic finance sector.

Chapter 3 (Alaqrabawi et al.)

With the increased number of Islamic institutions, the necessity for a standardized Islamic accounting framework has emerged.

The origin of Islamic accounting can be traced back further than conventional accounting. Many studies show that Islamic accounting was the primary source of the basic accounting fundamentals. Besides, the critical role of Islamic accounting is to provide financial reports which adopt the Islamic objectives and laws. The Islamic beliefs hold ethics and morals that drive and influence accounting, auditing, and reporting procedures of the Islamic financial institutions. Accordingly, many studies have emphasized the morality and characteristics of Islamic accounting and economics disciplines required in different institutions and banks. This chapter has adopted the systematic literature review technique to explore the overall available articles and studies on Islamic accounting and the growth of these studies over the years. The researchers have addressed 30 papers retrieved from a variety of online databases according to a set of inclusive and exclusive criteria. The systematic literature review methodology results synthesize different aspects of the topic, methods, and theories used in Islamic accounting studies. This chapter indicates broad concepts and objectives of Islamic accounting retrieved from various online databases with a set of recommendations for further research to fill the gap in this field.

Chapter 4 (Neifar and Aissa)

Due to the growing role of zakat in reducing poverty, a trend of research has been calling attention to the necessity of this Islamic duty on the individual and social levels. A common debate in Islamic taxation relates to the question of difference between zakat and taxation and about what drives zakat compliance. Few are the studies that have examined zakat, and most have generally tried to understand the individual tax compliance behavior. Thus, the area of corporate zakat is a challenging area and needs to be analyzed more. This chapter presents the basic settings that review the definition of zakat and its different perspectives and provides a comparison between zakat and conventional taxes. It also describes the legal form of zakat in the different MENA countries. Moreover, this chapter reviews major papers that have examined zakat. This study can help the non-specialist reader understand the Islamic taxation (zakat) and the specificity of each of the MENA countries regarding zakat.

Chapter 5 (Aryani and Zuchroh)

The implementation of corporate social responsibility (CSR) will be examined in various perspectives along with the distinction of some theories. CSR is a kind of action for communicating with stakeholders to show that companies have already paid attention to the environment, nature, and society. The theories relating to CSR implementation can be discussed from different perspectives. Agency theory focuses on the relationship between agent and principal and may give rise to a conflict of interest. Legitimacy theory places the public as its responsibility. Disclosing information about social and environmental performance is a path for companies to maintain or regain their legitimacy from society's point of view. Meanwhile, entity theory focuses only on satisfying the shareholders, hence the company activities are only directed to meet the welfare of the owners. Enterprise theory recognizes the responsibility toward the owners and broader stakeholder groups. However, Sharia enterprise theory pays attention in two directions consisting of vertical accountability to God and horizontal accountability to direct and indirect stakeholders, that is, people, environment, and society.

Chapter 6 (Alshurafat et al.)

Forensic accounting is a modern occupation that covers many services, including fraud investigation, IT forensics, litigation support, and business valuation. Few, if any, have come across forensic accounting based on an Islamic perspective. The religion of Islam ascribes to a wide spectrum of the highest morals and virtues. Our research involved a review of the previous research on forensic accounting and we benchmarked it to the Islamic Sharia and law within the Jordanian context. The findings show that Islamic perspectives would lend robust foundations to forensic accounting in its endeavors to detect and prevent fraud and assist the trier of fact. This chapter contributes to the previous literature on forensic accounting by providing an optimal set of Islamic concepts that might be of benefit to forensic accounting practitioners, academics, and regulators.

Part II: Islamic Accounting: Empirical Perspectives

Chapter 7 (El-Halaby et al.)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) began to issue standards long ago and by 2021 will mark its 31st anniversary. The present literature on AAOIFI, which has had its share of supporters and critics, may be categorized into the following three parts: (1) literature evaluating compliance levels, (2) literature examine the AAOIFI determinants, and (3) literature assessing the economic consequences of AAOIFI. Thus far, the third strand in the first research phase has no practical study evaluating the impact of AAOIFI adoption at a national level. Therefore, this report adds a study by measuring the macroeconomic effect of AAOIFI on economic size and growth rate based on foreign direct investment (FDI), economic development (ED), corruption, and stock market development (SMD). Data for 150 Islamic banks (IBs) in 22 countries for 10 years (2010–2019) are collected, using an ordinary least squares (OLS) approach. Our results indicate that IBs across countries that adopt AAOIFI are further getting an advantage by growing in FDI and GDP than non-adopters. Our results further support the role of AAOIFI adoption by countries rather than adoption by banks on reducing the level of corruption. After applying several robustness checks, our results remain the same, with slight variations. Our results provide value for central banks, regulators, setters of an accounting standard such as AAOIFI and IASB, investors, and all categories of Islamic Financial Institution (IFI), whether adopters or not, by identifying the contributions of AAOIFI adoption. The contemporary international literature is deficient in practical confirmation on the consequence of AAOIFI adoption on the macro level on FDI and corruption. To the authors' knowledge, we are one of the original papers that provide confirmation about the significance and influences of AAOIFI adoption from the countrywide angle.

Chapter 8 (Tawfik and Elmaasrawy)

The study aims to propose a framework for disclosing sukuk risks, shows the types of risks to which sukuks are exposed in various

studies, and shows how to disclose sukuk risks in international standards such as IFRS, IFSB, and AAOIFI. The chapter deals with the disclosure of the risks of sukuk in the accounting standards divided among the following. First is IFRS, which focuses on the various risks to which conventional Islamic financial instruments are exposed in general, such as market risk, credit risk, liquidity risk, and other risks. Second is AAOIFI Standards that focus on the risks of Islamic financing formulas in general on the basis of which sukuk are issued. Third is IFSB Standards, which focus on the risks of non-compliance with Islamic law and legal risks to which sukuk are exposed. In addition, the chapter deals with a case study of Qatar Islamic Bank and an attempt to obtain field evidence about the level of the bank's disclosure of sukuk risks through the annual reports of the bank. The researchers found that the disclosure of sukuk risks on Qatar Islamic Bank was very limited, and the focus in the disclosure of sukuk risks was on quantitative disclosure, while the descriptive disclosure of sukuk risks was very limited. The researchers proposed a framework for disclosing the risks of sukuk, which are divided into quantitative risks and descriptive risks.

Chapter 9 (Radwan and Ali)

This study explores the status of the online risk disclosure practices on the listed Islamic banks in the Egyptian exchange market. Manual content analysis was employed as a research approach to examine the practices of the online risk disclosure for the three listed Islamic banks in Egypt, and based on a prior study, the authors developed a risk index composed of 10 main categories and a total of 61 sub-items as a research tool. The empirical analysis presents that all listed Islamic banks in the Egyptian exchange market have websites and all these banks report risk information in their published online reports (full annual report and full financial report). Furthermore, the results provide confirmatory evidence that there is a high adherence by all listed Islamic banks in Egypt to the mandatory risk disclosure requirements on their websites, while there is a low level of voluntary risk disclosure on the websites of these banks as well; in addition, the study pointed out that Al Baraka Bank has the highest average (67.2%) online risk disclosure level among all Islamic banks, followed by Faisal Islamic Bank with an average of 65.5%, and finally, Abu Dhabi Islamic Bank

with an average of 60.6%. What's more, the yielded data show that the total average level of online risk disclosure of the Islamic listed banks in Egypt is 64.5%. Finally, the results of this study outline that there are no significant differences between the levels of online risk disclosure at the level of the common categories for all Islamic listed banks in Egypt. The limitations of this study are as follows: the way the content analysis was conducted; in its reliance on the websites and the published online reports for examining risk disclosure information; due to its focus on the financial and non-financial risks; due to its focus on Islamic listed banks in Egypt; and due to its focus on the context of the Egyptian environment.

Chapter 10 (Selim)

Through a case study of three Egyptian Islamic banks, this study examines the concept of corporate social responsibility from an Islamic perspective, the role of Egyptian Islamic banks in social and environmental responsibility, and the extent to which they participate in sustainable development activities. The chapter provides a brief overview of the concept and dimensions of corporate social responsibility; the Islamic perspective of social responsibility and its fields and dimensions toward stakeholders; and the definition of Islamic banks, their nature, and how they support social activities and sustainability, and the differences between them and traditional banks. According to the report, Islamic banks in Egypt play an effective and pioneering role in sustainable development and social and environmental responsibility, as evidenced by the programs that these banks have established to participate in a variety of social projects and activities such as health care, education, charity institution assistance, social housing, persons with special needs, qard hasan, the environment, and sustainability.

Chapter 11 (Kolsi and Al-Hiyari)

Islamic banks are presumed to behave ethically toward numerous stakeholders including investors, customers, governmental authorities, and the public in general within the Islamic jurisprudence (Sharia) prescriptions. One of the most important pillars of Sharia prescriptions is the protection of all parties' interests rather than the

conventional notion of financial performance maximization of shareholders. This principle is the core value of the stakeholder's theory and the derived corporate social responsibility (CSR) notion. In this chapter, we compare CSR practices as proxied by the reported ESG performance score for a sample of both Islamic and conventional banks in the GCC region for the period 2009–2019. Our results show that conventional banks and Islamic banks display different outcomes in ESG performance score, especially in the reporting of individual pillars (environmental, social, and governance). In that, Islamic banks perform *on average* better than conventional banks in most of the ESG performance pillars. Most importantly, our findings show that Islamic banks' and conventional banks' sustainability practices differ when the individual pillars are disaggregated into their main components: emission score, environmental innovation, and resources use for the environmental pillar; human rights, workforce, community, and product responsibility scores for the social pillar; management, CSR strategy, and shareholders scores for the governance pillar. Our findings can be helpful for Islamic banks' managers looking for more compliance with sustainability standards, and for markets and standardization authorities when issuing new sustainability guidelines.

Chapter 12 (Harahap)

The purpose of this study is to explore the implementation of Islamic ethics and identify *corporate governance.* This study is a qualitative case study using a phenomenological approach and paradigm interpretive in which the paradigm focuses on social understanding. The data collection method in this study used secondary data, namely, data obtained from the documentation and annual report of PT. Pertamina (Persero). The data analysis technique uses explorative qualitative methods, namely, research that aims to map an object in depth. This study uses a content analysis approach. The results of this research consist of the following: (1) PT. Pertamina (Persero) has implemented Islamic ethics in running its business to improve the company performance; (2) Islamic ethics have been in accordance with the principles of *corporate governance*, which include transparency, accountability, responsibility, independent, and

fairness at PT. Pertamina (Persero); (3) honesty, the value of truth (fairness), justice, transparency, accountability, and integrity have been applied at PT. Pertamina (Persero).

Chapter 13 (Hamad et al.)

Value-based intermediation (VBI) has been recently announced by the Central Bank of Malaysia (Bank Negara) as a vital driver in expanding the responsibilities and influence of Islamic finance in the future. It aims to reinforce the foundations of Islamic finance in social justice and advocate a value-based economy via increased integrity, inclusivity, and sustainable growth. This chapter analyses the current practices of VBI information for Islamic banks operating in Malaysia. Also, it proposes a guideline to communicate VBI information to stakeholders through the bank's business model as the core of integrating reporting (IR). Using a sample of all the 16 Islamic banks operating in Malaysia, content analysis was employed to collect data over a four-year period from 2017 to 2020. The results revealed that the adoption of IR and VBI has seen considerable interest among the research sample. Approximately 82% of all banks in our selection have embedded the VBI information in the annual reports of 2020. More than half (7 out of 13) of VBI adopter banks have applied IR to draw and communicate the VBI information to stakeholders. Additionally, the IR framework and business models represent the best strategic tools banks could utilize to provide the VBI progress in a holistic, concise, and useful manner compared to traditional reporting practices. This chapter contributes to the Islamic finance literature by offering vital perceptions to banks' management, analysts, shareholders, and policymakers on the importance of the VBI information disclosures and how to deliver it using the business models.

Chapter 14 (Alfafa and Mukhlisin)

The purpose of this chapter is to evaluate how a company should report cryptocurrency investment on their financial statements. In dealing with it, the research problems address the status of positive law and Islamic law in cryptocurrency, and how the current economy responds to cryptocurrency. A qualitative descriptive approach

and literature review with content analysis method using NVivo 12 plus software are used. The data for this study were obtained from interviews and a review of documents. The finding shows that investments in cryptocurrency held by the companies can be treated as investments in equity with minor adjustments. The content analysis conducted shows that stakeholders are neutral toward this issue. This chapter proposes a standard on how cryptocurrency should be treated in financial reports under Indonesian Sharia-based Statement of Financial Reporting Standards/PSAK Syariah since the transaction of cryptocurrency investment has not been accommodated in financial reporting standard in Indonesia.

Part III: Islamic Finance: Theoretical Perspectives

Chapter 15 (Khalfi and Saâdaoui)

Islamic finance or Qur'anic finance is ethical finance based on Sharia, prohibition of riba, prohibition of gharar and maysir, and sharing of losses and profits (3P) because it promotes investment in licit sectors, and it prohibits investment in illicit sectors. These principles are the main pillars of Islamic banking governance. In this context and given the subject of Quranic finance in this chapter, we sought to highlight the theoretical foundations relating to the notion of efficiency in general and more particularly of its specificity on Islamic finance since the latter has occupied more and more a rather important place in scientific research. We then presented the different forms of banking efficiency. Finally, we presented Islamic banking governance, risk management within Islamic banks, and governance of these banks.

Chapter 16 (Elmoghany)

Investment in Islamic portfolios and funds must be subject to the provisions of Islamic Sharia standards in all their activities. The main objective of the Islamic investors and Islamic portfolio managers is not only achieving the conventional investment goal but rather achieving this goal in accordance with Sharia standards. In the absence of Islamic financial markets with Islamic financial instruments, Islamic investors and portfolio managers need to know the

Islamic criteria for forming and managing different types of Islamic portfolios and funds. This study provides them useful insights and a practical framework for the Sharia standards and Islamic contracts' terms, which are agreed upon by most scholars and Sharia boards, to invest in various types of financial instruments.

Chapter 17 (Bayomi)

In this study, we discussed several aspects, including the definition of the general concept of traditional crowdfunding, which aims to finance emerging small projects and innovative ideas, as well as financing medium-sized projects that cannot provide sufficient guarantees for banks to obtain the necessary liquidity for their projects. Companies use crowdfunding to obtain this required liquidity for new projects through electronic platforms. In the same context, some of the challenges facing these companies when obtaining crowdfunding from these electronic platforms were discussed, with the presentation of the regulatory framework for crowdfunding in light of Islamic funding standards, which differ from traditional funding in that Islamic funding is essentially non-profit as much as it targets charitable and social work, as well as regulating the collection of funds and the distribution of profits to the principles of Islamic finance. On the other hand, the general concept of blockchain, its general characteristics, and working mechanisms were discussed. Then the reasons that may lead to the shift from traditional models in Islamic crowdfunding to the use of blockchain in enhancing Islamic crowdfunding mechanisms were discussed through exposure to the Ventera project model of crowdfunding using blockchain technology, as well as exposure to other models of Islamic crowdfunding, where the study suggests that it can improve their performance through the use of blockchain technology as it may bring them a number of benefits and help them overcome a number of challenges. This chapter aims to explore the impact of the application of blockchain technology in Islamic crowdfunding operations and also bridge the gap between the academic side and the applied professional side in the field of using modern technologies, such as blockchain as a safer, faster, and lower-cost alternative in Islamic finance projects, as there are only few studies that have dealt with this area despite its importance. This chapter discusses the benefits of blockchain in Islamic crowdfunding with

an illustration of some projects as an applied model, after identifying the challenges facing traditional Islamic crowdfunding and the advantages of developing it using blockchain applications; this study ends by presenting models of Islamic crowdfunding projects that can be developed using blockchain technology.

Part IV: Islamic Finance: Empirical Perspectives

Chapter 18 (Ibrahim et al.)

This study aims to compare capital adequacy and financial stability in Islamic and conventional Saudi banks and investigate the impact of capital adequacy on the financial stability of a bank. Our study uses the annual data of five conventional banks and four Islamic banks listed on the Saudi Stock Exchange for the period 2016–2020. The Z-score has been computed and used as the measure of the stability of listed Saudi Islamic and conventional banks for the period 2016–2020. This study uses ordinary least square regression to investigate the impact of capital adequacy on the financial stability of banks. The researchers adopt the development of research hypotheses in light of the theory of stakeholders, and the foundations of Islamic law. The findings indicated that, first there are significant differences in the capital adequacy ratio between conventional and Islamic banks. This difference is due to the increase in the mean capital adequacy ratio of Islamic banks over conventional banks. Second, our result found significant differences in financial stability between conventional and Islamic banks. This difference is due to the increase in the mean of the Z-score for Islamic banks over conventional banks. Third, our result refers to significant negative impacts of capital adequacy ratio on financial stability. Our study applied to listed Saudi banks from 2016 to 2020. The empirical results of our study are very useful for supervisors, bank management, investors, bank customers, and policymakers. The results contribute to knowing the unexpected negative effects of increased capital adequacy and its negative impact on the bank's profits and the threat to financial stability, in addition to knowing the main indicators of capital adequacy and financial stability for Islamic and conventional banks in a way that helps bank supervisors, policymakers, and investors in rationalizing. Their decisions are specific to both Islamic and conventional banks, in addition to

identifying the factors that help to enhance the financial stability process. This study is among a few studies that provide empirical evidence for the claim that the increase in capital adequacy rates is always one of the positive indicators to achieve financial stability, in addition to the great role of Islamic banks in achieving this. The study found a rejection of the validity of this claim and reached unexpected results.

Chapter 19 (Toumi)

The research aims to empirically investigate the banks' capital structure determinants by considering 386 listed and unlisted banks categorized into 74 Islamic banks, 256 conventional banks, and 56 hybrid banks from 20 countries for 2008–2016 based on corporate and regulatory approaches. The main findings are interesting. From a corporate approach, we find differences between IBs, CBs, and HBs regarding the determinants of their capital structure which offer an empirical confirmation of the reduced information asymmetry in an Islamic finance context. From a regulatory approach, the findings show similarities regarding the negative impact of deposit insurance schemes on the regulatory capital for all types of banks. When focusing on IBs, we evidence that banks subject to Sharia-compliant deposit insurance schemes hold lower capital than those subject to conventional deposit insurance schemes.

Chapter 20 (Sghaier and Guizani)

This study aimed to analyze the profitability in Islamic banks and conventional ones in the Middle East and North Africa (MENA) region. After restatement, our sample consisted of 184 banks (132 conventional banks and 52 Islamic banks) in 11 countries in the MENA region. For our analysis period of 11 years (from 2009 to 2019), we collected 2024 observations. We noticed that the profitability of Islamic banks was significantly different from that of conventional ones. After examining bank risk, asset quality, environmental influences such as the level of interest rate, and country effect, we found that the cost and profit efficiencies of Islamic banks are similar to those of conventional banks. Our results suggest that the country-specific variables have a significant impact on the cost and profit efficiencies of banks operating in the MENA region, and we

have confirmed that Islamic banks are more profitable than conventional ones, whereas the total loan to total assets for Islamic banks is higher than that of conventional banks. Based on the regression test, return on asset (ROA) is a factor of profitability for conventional banks and Islamic banks. ROA has an important relationship with the independent variable, total equity to total asset. The deterioration of the bank's profitability poses a threat not only to the interests of consumers and internal staff but also affects investors who may equally suffer from significant financial losses. It is important to establish an effective system that assists investors in their investment choices. In prior literature, traditional models were developed but achieved short-term performances. This chapter applies a data analysis method to distinguish between conventional and Islamic banks in the MENA region. This method can successfully identify nonlinearity and correlations between the financial indicators used. The results demonstrate the superior performance of the proposed method.

Chapter 21 (El Shaarani)

The first objective of this research is to explain and analyze the financial indicators of the Islamic banking sector in the Middle East and North Africa (MENA) countries before and over the COVID-19 pandemic period, and the second objective is to explore the key determinant that might affect Islamic banks' performance before and during the COVID-19 pandemic period. Orbis Bank Focus database and annual financial reports are used to collect financial information of Islamic banks in MENA countries over two years: 2019 and 2020. Descriptive statistics, *t*-test, and multiple regression are employed to analyze the financial structure and performance of Islamic banks before and during the COVID-19 pandemic period. The results of this study reveal that there is a sharp drop in financial indicators in Islamic banks during the pandemic period with liquidity risk, bank size, managerial efficiency ratio, and oil price shocks being the determinants of Islamic banks' profitability before the appearance of COVID-19. Credit risk, bank size, liquidity risk, managerial efficiency, inflation, and oil price shocks are the determinants of Islamic banks' profitability during the pandemic period. Finally, there is no significant impact of GDP and capital structure on Islamic banks' profitability before and during the COVID-19 pandemic period.

Chapter 22 (Tahir et al.)

Today, not only financial but also non-financial attributes are considered vital for the financial health of banks. To validate this argument, the current study investigates factors affecting the liquidity position of banks and examines its impact along with the moderation of the Sharia board on the liquidity of Islamic banks in Pakistan. Collecting panel data, this study applied a fixed-effect model on Pakistani Islamic banks for the post-financial crises period 2009–2020. Empirical findings revealed that total assets and profitability are positively and significantly linked to the liquidity position of Islamic banks. However, the deposits and capital adequacy ratios were found to have a negative influence on the Islamic banks' liquidity. Among the macroeconomic factors, none has established significant nexus with the liquidity of Islamic banks in Pakistan. Interestingly, the insignificant relationship between funding cost and liquidity of Islamic banks became significant with the moderating factor of Sharia board size. The study provides important insights for the shareholders, customers, investors, and policy-makers of Islamic banks. The empirical findings offer practical guidance for the regulators of Islamic banks to strengthen their Sharia boards to manage the liquidity position by regulating the funding costs. The Islamic banks' liquidity position can also be managed by generating high profits, maintaining capital adequacy ratio, and increasing deposits. To the best of the authors' knowledge, this is the first empirical study that investigates the moderating role of Sharia governance in managing the liquidity of Islamic banks in Pakistan. This research offers a new and most important direction for future studies to investigate the role of non-financial attributes along with the financial indicators in evaluating the financial soundness of Islamic banks.

Chapter 23 (Munir et al.)

The objective of this research is to answer the main question of how to integrate Islamic redistribution instruments with other developmental aids in addressing the persistent poverty issues in Pakistan. Data were collected from both government and private organizations. Thematic analysis was done on the data. The results indicate that in Pakistan, zakat is the most important driving tool, whereas Islamic

microfinance, mainly interest-free loans, is making a place in the market. However, waqf still needs to make a place in private ownership. Moreover, no major role is being played by waqf properties for poverty elimination. Being a new and emerging topic in Islamic finance, no proper definition is available for blended Islamic finance. However, it can be said to be the utilization of Islamic social finance funds, such as waqf, sadaqah, qard hasan, and zakat, and government development aids in mobilizing resources from the private sector, including institutional impactful investors, in financing sustainable development initiatives in developing countries. Moreover, BIF can be used to attain the ultimate maqasid Sharia, which is the well-being of the people, with a focus on the poor and needy.

Chapter 24 (Hunjra et al.)

We analyze the systematic (macroeconomic) and unsystematic (bank specific) determinants of liquidity risk in Islamic banks. We extract the data from DataStream of Islamic banks in Pakistan, Qatar, Malaysia, UAE, Bangladesh, Bahrain, and Saudi Arabia from 2011 to 2020. We collect macroeconomic variable data from the World Development Indicator (WDI). We apply generalized method of moment (GMM) to analyze data. We find that non-performing loans, capital adequacy ratio, leverage ratio, bank size, return on equity, gross domestic product, and inflation have a significant impact on liquidity risk. We recommend that Islamic banks should be strong enough to face the liquidity risk coming from systematic and unsystematic ways.

Chapter 25 (Salami et al.)

The purpose of this chapter is to evaluate the relationship between the capital adequacy ratio (CAR) and explanatory variables as well as the possibility that any of the three Basel Capital Accords adopted in Islamic banks is appropriate to combat the effect of the COVID-19 pandemic. This study employed reverse regression estimation techniques, using random effect estimator and interaction modeling. Data were obtained from the IFSB database. The findings of this study indicate that bank asset quality and ROE exhibit a conditional negative relationship with CAR, while ROA and bank liquidity exhibit a

conditional positive relationship. Therefore, the relationship between CAR and bank asset quality, bank profitability, and bank liquidity fulfilled the conditional hypothesis, that is, the relationship varies according to the Basel Capital Accords approach adopted by the Islamic banks. Among the three Basel Capital Accords, the capital requirement by Basel III could not be met, thereby making it inappropriate for adoption during the period of the COVID-19 pandemic, while the capital requirement of Basel I exposes Islamic banks to serious challenges which support a non-risk sensitivity framework in developing Basel I. This finding is novel, as previous studies on Basel Capital Accord neither simultaneously examined all the three Basel to make inferences nor explored the possibility of a conditional relationship in their CAR studies. This is the first empirical study that establishes the existence of a conditional hypothesis relationship between CAR and the explanatory variables using reverse regression.

Chapter 26 (Akbar and Al Ihsan)

This chapter aims to identify factors that may influence the interest of Indonesian Muslim millennials in performing waqf. Five variables, namely, waqf literacy, religiosity, trust in waqf institutions, income, and social influence, were tested using the SEM-PLS method. Data are obtained through online questionnaires with the number of sample being 321 Muslim millennials from the five major islands in Indonesia. The finding shows that four variables, literacy, religiosity, trust in waqf institutions, and social influence, have a significant impact on their interest in waqf donation. As a result, waqf institutions must nurture trust of the prospective wakif through massive socialization such as social media which is widely accessed by millennials. This may attract their attention, leave a good impression, and create a supporting environment. In addition, waqf institutions need to instill trust by being more open, honest, and transparent about the programs they created through campaigns by bringing social and religious issues packed with excellent and exciting delivery that can help increase the interest of Muslim millennials in performing waqf. Furthermore, the quality of nazhir should be improved, collaboration should be promoted, and the utilization of digital technology is highly recommended.