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Islamic finance industry urged to recognize individual achievements

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Dr. Mohammed Elgari

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LONDON – Prominent Saudi Shariah scholar and economist Dr. Mohammed Elgari has urged the global Islamic finance industry to pay more attention in recognizing the outstanding contributions of individuals and institutions to the development of the contemporary industry, which is now in its fourth decade.

“For the past 37 years, the industry has not put much emphasis on the need to honor pioneers who have passionately devoted their expertise toward providing the Muslims, particularly, with an alternative to their financial transaction needs,” said Dr. Elgari in an interview with Saudi Gazette.

“We are aware that riba or interest is totally forbidden in Islam and it is a heavy obligation upon all of us to find solutions to the management of our daily financial needs that is free from riba. The process of developing Islamic finance is currently a very difficult one, given the fact that the market has reached a great level of sophistication and the needs and wants of the investors especially are very complex.”

Dr. Elgari, who is an adviser to the Saudi Arabian Monetary Agency (SAMA) on Islamic finance inter alia several other banks and financial institutions, will be in Kuala Lumpur on Sept. 19 to attend the Gala Dinner for the 2012 The

Royal Award which is bestowed by Bank Negara Malaysia, the central bank, and the Securities Commission Malaysia (SC) under the patronage of the Malaysian King, Tuanku Abdul Halim, who is also the Sultan of Kedah State.

Dr. Elgari, who has a doctorate in economics from the University of California at Berkeley, is one of several prominent foreign members of the Jury Panel of The Royal Award, which uniquely is non-commercial and perhaps more importantly is not deal or transaction driven.

“I agree that this Award is Malaysia’s effort to develop Islamic finance internationally but it is not to glorify Malaysia’s achievements in the field. It is more of Malaysia taking the lead to place proper recognition to contributions made by an individual or individuals who has contributed to the development and enhancement of the global industry. The contributions that we are considering can come from various disciplines such as economics, Shari’ah, banking and takaful practises, overall markets and other related fields,” he explained.

He is confident that The Royal Award is on the right track as it would further boost the growth of not just true scholarship but also the industry. However, he has a message for the Islamic finance industry: “I have not seen such a great level of ikhlas or sincerity being shown by all level of players in their commitments to the development of Islamic finance.”

It is not open to competition being a non-commercial award. It, however, does recognize breakthroughs in major issues in Islamic finance. “How do we measure for example the monetary value to solutions given by tawarruq, for instance?” he asks. “It is unlike the commercial achievements where success measurement is made, such as in terms of sale-ability of securities or fee income earned. The breakthroughs do not provide just a solution to a specific issue faced by an issuer but one that is to be enjoyed by the ummah in general; capable of solving major issues and able to move the market or the industry in greater steps and providing an alternative solution to the financial industry as well,” he added.

The globalization and requirements of finance today needs are global in nature. This has further increased the complexity of the industry. As in the past, the objectives of seeking solutions have never been material-driven but more by the need to achieve al-falah or victory. This, stressed Dr Elgari, is the Islamic spirit that prevails in Islamic finance.

“There is no single solution to any problem or issues, as we have seen, how products have evolved. Such as from the controversial bai’ inah to tawarruq. Though tawarruq is another debatable issue, but it is undeniably a progress. Ultimately we will find better solutions to the everyday problems in our life. The optimal solution will be something that we will strive for and the Award is such an incentive for the industry to keep on progressing and developing..” he explained.

Deal driven awards have been controversial especially in the Islamic finance space. While they purportedly profile the product, the institution and the issuer, there have been allegations that some of them are linked to sponsorships.

According to Dr Elgari, The Royal Award does not recognize just any contribution but one that has become applicable globally - how it has been able to solve major issues or able to provide solutions arising from such issues; how it has removed the dependency on riba from practices; and how this has contributed to the entire value chain of Islamic finance as well the meeting the needs of mu’amalah or the daily transaction needs among human.

“Issues in Islamic finance,” he further stressed, “need to be solved by overcoming the greater compliance needs to the Shari’ah. And this is not easy, as for the past decades the two stakeholders were talking in different ‘languages’. The successful interaction between them has been able to resolve many issues and today the Shari’ah community is being mainstreamed into the industry. This is something that we have not seen before.

Thus, to Dr Elgari, The Royal Award looks at how great the contribution has enabled the interaction and how it has contributed towards resolving Shari’ah issues to solve the complex applications in financial operations or structures. This is not a small challenge. “What we are looking at is how significant it has been? It is a challenge now for the Jury as we need to be convinced, to be certain and to be satisfied that the achieved contribution is truly outstanding. We have the diversity of membership of the Jury Panel. Each member represents a specific area that constitutes a component of the major building blocks of Islamic finance. Most of the members have been involved in the

development of Islamic finance since the early days – the early 80s and are still active until today,” he added.

This year, The Royal Award has received 32 nominations for candidates who are influential in the field of Islamic finance and some are drivers of the industry. What is more surprising is that there are also non-Muslim candidates in this year’s nominations.

Dr Elgari is adamant that the selection process is very robust and rigorous. It covers both qualitative and quantitative aspects pertaining to the impact of the contributions by the candidates and also their characters. However the developed assessment matrix, he said, has enabled the recognition of the special skills and strength of the candidates and this enabled the Jury especially a systematic process on how to select the best from among them. Decisions are made on unanimous basis.

Selections, explained Dr Elgari, are not based on votes or popularity of submissions but on merit. Records or achievements are cross-checked for their authenticity. Candidates are also checked for their integrity. There is thus no possibility absolutely for riggings or pre-planning. In fact the Jury Panel members are not even informed of the nomination list when they come for the first selection meeting. The discussions by the Jury Panel are not disclosed to any members of the Royal Award committees or even the organizers. Even the Jury Panel members are selected from various geographical locations and from both Muslims and non-Muslims.

Dr Elgari warns against likening The Royal Award for Islamic Finance to become the Nobel Laureate of Islamic Finance. “I would not agree that this is the aspiration of the organisers but who know perhaps as in the King Faisal International Prize a number of the science prize winners have gone on to win Nobel prizes. We cannot rule this out as the Award winners are also considered for among others the dedication and services to humanity.”

As to the future development of The Royal Award, Dr Elgari recommends a longer time frame be given to the selection process; probably interviews with the nominees and those involved with them so that more in-depth information could be obtained. Perhaps also at such a time, there should also be the implementation of an independent audit to verify that governance has been exercised.

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