

Role of the Shariah Advisors in Promoting the Risk Sharing Finance

Muhammad Irfan¹

Abstract

According to the Islamic tenets of risk sharing finance (IRSF), the two parties join hands in a business, are equally responsible for the expected surplus and deficit. In this endeavor, it differs with the internationally oriented economic systems in the modern phase of human history, which in one way or the other protect the interests of the dominant business class and exploits the working class. I will find the relation between the risk sharing finance and Shariah in the light of the tenets given in the Islamic jurisprudence for RSF. The shariah advisors can profoundly explain the relation. The contemporary institutes that play the integral role in financial activities, will be discussed where the Shariah advisors can astutely be inducted, will be examined. The relevant core questions, upon which the paper is based, can be taken into account including the following aspects: the Risk Sharing Finance in ~~and~~ the Islamic perspective, The Shariah Advisors; the traditional graduate and the university graduate, the ways the advisors can promote the risk sharing finance. (The accommodation in the research centers, academic institutions, the financial centers). I have collected much data to corroborate each portion in the research paper. I will use the analytical modes of research methodology in an attempt to prepare the paper in light of the statement.

Introduction¹

The financial system that does not appropriately fulfill the people's living requirements is prone to be altered. This can be confirmed by viewing the post-WW2 era of human history when the centrality of the international economic power shifted from London to Washington D.C. In fact, Dollar, with the US emergence as the predominant global power, was installed as the international currency, navigating the global trade and business partnerships. The dominance of dollar reached at peak when Soviet Russia collapsed in 1991 and the contemporary era began afterward.

¹ The author is a journalist. He contributes to both national and international print media. He is also a candidate for PhD in Quaid-I-Azam University, Islamabad.

Subsequently, Washington indulged in wars in this phase but luckily remained rather economically beneficiary. However, with the beginning of 21st century, US embroiled in devastative wars such as Afghan war (2001) and Iraq war (2003).

This absolute jingoism deteriorated the worth of dollar. Subsequently, the dollar based global economies all over the world suffered a lot and confronted recession, affecting both macro and micro levels. The crux of this occurrence was interests based banking system which acted like chain-reaction in subject of global economic deficit. Europe and America were among the continents that were badly affected in a ruthless layer of economic downtown. This misfortune made the international community deem on the economic system that could prove sustainable, non-exploitive and interests-free.

Hereafter, the economists throughout the world indulge in drafting the alternative system that may play a constructive role in pacifying the financial affliction of people. This quest brings them to Islam. Islam is a code of conduct that explains norms and behaviors, promoting betterment for the humanity. The norms and principles, illustrated in Quran, Sunnah can never lose the credibility, and these cannot be termed as irrelevant in every age. These principles lead the societies towards peace, prosperity and stability. The history is eyewitness that whenever humanity trapped in menace, Quranic norms and cannons helped it get rid of the calamity.

The current economic crisis can astutely be overcome if risk sharing finance, introduced by Islam is implemented by the international business and financial organizations. .

IRSF introduces the foundation for rendering the collective efforts in doing a business. In this manner, if the business suffers lose, the two parties jointly sooth the severity and remain able to survive in the business.

Otherwise, the one party may be less capable to bear the burden of deficit. Accordingly, it works for the betterment of humanity. *The research statement is, "If the role of Shariah advisors in financial centers and institutions is sought, then the risk sharing finance can be promoted."* The paper examines how Sharia Advisors can play their role in promoting the risk sharing finance if they inducted in certain platforms.

Overview of the Risk Sharing Finance

The globally dominant economic systems mainly the capitalism encourages incompatibility among the different segments of the society based on micro and macro levels. Thus, it is accurate to assert that the interest gives one party boon and the other loss ~~loses~~. It exclusively creates economic misbalance. That is why the economic system, which is based on interest and usury, is termed as exploitive.

Islam condemns all what begets exploitism and economic disparity. Rhetorically, the Creator of the cosmos (Allah SWT) knows better that the disparity in the financial facet leads the societies towards instability, the cause of absolute downfall. Therefore, the unprecedented rules in Al-Quran in pursuit of avoiding from being avaricious and grabbing others wealth by illegal means have been narrated. In the light of these principles, the Islamic financial system is aimed at achieving the following prime objectives.

The first objective that Islamic finance is deemed to ~~achieve is to~~ create economic balance among the different segment of the society. It emphasizes that nobody is allowed to transgress the ethos and cannot usurp others assets in any form. Thus, it is ensured to close all possible routes to the misconduct by cursing those who intend to do so. Accordingly, Allah (Almighty) commands, "Don not eat your possessions among each other by utilizing illegal means." 2:188 Qurtabi explains, "This commandment includes deception, gambling, grabbing, denial of others rights, and the wealth that is unwillingly handed over by the owner to the receiver.

Pragmatically, the forbidden misconduct includes the interest in business interaction because taking unauthorized additions in return is self-evidently wrong. That is why it was supposed to be discouraged in the holy Quran. Additionally, Islam gives a pathway in order to avoid from being entailed in interest seeking. Quran says, "Allah Almighty has legalized trade and prohibited usury." (2: 275)

Justice Muhammad Karam Shah defines trade and interest respectively by explaining the difference between the two, "In trade, a human invests, works diligently, consumes his both mental and physical abilities and spends much time. Instead, he is uncertain regarding reasonable outcome.

On the other hand, the interest seeker (who gives only extra and the saved money to his brother), neither undertakes work-hard nor spends time and consumes his abilities. Therefore, he should not be expecting absolute profit."²

The second prime objective of the Islamic financial system is to eliminate poverty. For the purpose, Al-Quran urges its adherents to distribute the wealth among the financially weak kith and kin if additional on morality and sympathy basis, in addition to condemning the interest. Quran states, "Allah Almighty expunges interest and increases charity."(2:276) Subsequently, the charity system within Islamic finance certainly pacifies those individuals within society who entirely lack in the financial belongings and deserve sympathies for sake of letting their daily life run.

If an affluent, brother helps his poor one by providing either financial assistance or giving charity, the poor may reduce poverty that would ultimately be fruitful for the entire society. Thus, the holy book for reducing poverty suggests the tactics of giving charity and alms. In this endeavor, the Holy Quran elucidates another principle of introducing trade on equal basis or whatever is agreed among the participating parties. Therefore, Al-Quran by discouraging the interest based financial interaction says, "Oh believers! Do not eat interest in double and quad-ripple form and be fearing of Allah so that you may eternally be successful."(3:130)

Keeping the two primary objectives of the Islamic finance in mind, it is accurate to propound that risk sharing finance (RSF) is the suitable pathway to reduce poverty as well as create economic balance within the society. Many scholars appreciate RSF that is likely to be viewed.

Abbas highlights the significance of the RSF and cohesively defines it:

In Risk Sharing Finance, output is divided between labour and capital, once labour is paid, the profit is then between entrepreneurs and equity owners. Since profits are ex post, returns on equities cannot be known ex ante. It is demonstrated that in such a system there is a one-to-one mapping between finance and real economy, and that an equity based finance is stable as assets and liabilities adjust to shocks, therefore, the system is immune to banking crisis and disruption in the payments mechanism³.

² Muhammad Karam Shah, *Zia-ul-Quran*, Volume 1, (Lahore; Zia-UI-Quran Publications, 1995) p.195.

³ Abbas Mirakhor, *Islamic Finance and Risk sharing*, Hedge Fund Monthly-New Horizon, August 2010, available at

According to his point of view, the injustice that is evident in the conventional financial system is unlikely to take place in the Islamic financial system. Primarily, the both parties are sincerely contributing to the equity based business interaction. They are willing to share whatever deficit the business may experience. Under such scenario, the system is stable and is likely to implement as the global financial system. That is how the banking crisis and the economic recession cannot occur again which have unluckily been faced since 2007.

In the subject of stable economic system, Hossein too agrees with Abbas and proposes RSF relevance to the global economic system. Thus, he states, "In case of Islamic system, scholars maintain the clear ownership rights for the investors. This feature, in contrast with the conventional system, would afford an Islamic system more stability."⁴ Actually, the RSF is a bunch of moral principles that can be implemented in the financial activities in order to bring social and economic justice. Therefore, RSF is a system that implements ethos in the finance, making it sympathizing as well as compatible to the human well being.

Accordingly, Sundararajan highlights the importance of the Islamic finance's sub-section, the Islamic banking, and endorses it as the prime moral principle explained in Holy Quran, "Islamic banking is the provision and use of financial services and products that conform to Islamic religious principles, out-lined in Quran and the Islamic Shariah Laws."⁵

However ~~Parallelly~~, he, in pursuit of more gains for investors, emphasizes on further improvements in subject of risk management in Islamic Finance. Therefore, Sundarajan states, "Effective risk management in Islamic banks deserves priority attention." (finance.

http://www.eurekahedge.com/news/10_Aug_NewHorizon_Risk_Sharing_and_Islamic_Finance.asp, accessed on July 13, 2013.

⁴ Hossein Askari, The Islamic Financial System Alternative, *The World Financial Review*, 2011, available at <http://www.worldfinancialreview.com/?p=533>, accessed on July 23, 2013.

⁵ V. Sundararajan, Islamic Financial Institutions and Products in the Global Financial System: Key Issues in Risk Management and Challenges Ahead, *IMF Working Paper*, November 2002, p.3. available at

http://books.google.com.pk/books?hl=en&lr=&id=9FtK7n6r_dwC&oi=fnd&pg=PA3&dq=risk+sharing+finance+facility&ots=DtI0JA9lw3&sig=CfxMccwitcbk51q6ZZgeswvqCr4#v=onepage&q=risk%20sharing%20finance%20facility&f=false, accessed on July 29, 2013.)

Therefore, Sundarajan believes, "Effective risk management in Islamic banks deserves priority attention."⁶ In the logic previously made in subject of Islamic finance, he in fact remains pessimistic on the minimum opportunities of profits that the investors amass. Coherently speaking, he advocates the boons and interests of the capitalist class. Accordingly, the capitalists will accrue wealth day by day that will create misbalance in the society. Hence, what he suspects is irrelevant.

Therefore, Abbas defends Islamic finance, "Islamic Finance by emphasizing equity investment and risk sharing has characteristics that render it inherently stable."⁷ Pragmatically, the Sudararajan's perspective does not advocate reality and is subject to partiality. Simultaneously, Abbas attacks the conventional finance and argues, "Conventional Finance being debt-based and interest based, has proven to be unstable."⁸ I agree with Abbas who believes that Islamic risk sharing finance brings stability. That is why it should imperatively be implemented. I subsequently, disagree with Sudararajan's abovementioned viewpoint. In this attempt, he promotes the capitalism, which has proven infertile to the financial stability. Therefore, the coherence projected by Sudararajan does not corroborate with what need of time demands.

The Role of Shariah Advisor

The Arabic word Shariah means the waterway. Theoretically, it refers to the bunch of principles in form of Islam which make the life peaceful, stable and eternal. According to a source, Shariah is defined as, "The word Shariah means the path to watering hole."⁹ Accordingly, Shariah is a science which includes every sphere of human life and edifies its followers to observe ethics and moralities in dealing each sphere. Akram believes:

Shariah covers the entire spectrum of Islamic life including belief, morality, virtues and principles of guidance on economic, political, cultural and civilizational matters that concern not only the Muslim community but all of humanity.¹⁰

⁶ Ibid.

⁷ Op.cit., Abbas Mirakhor.

⁸ Ibid.

⁹ Emergence of Shariah Law, *Online News*, April 2003, available at http://www.pbs.org/newshour/bb/africa/nigeria/sharia_law.html, accessed on September 4, 2013.

¹⁰ Akram Laldin, *Maqasad Al-Shariah and the Foundational Requirements in Developing Islamic Banking and Finance*, *ISRA international Journal of Islamic Finance*, Vol.4, Issue. 1, p.184.

Given the virtues of Shariah, Allah SWT commands, nonetheless Allah Almighty intends to make you purified and complete his blessing so that you could be thankful to al-mighty." (5:6). The completed blessing may refer to the consent of Allah Al-mighty in the life-hereafter. Similarly, it evolves the establishment of justice within the society as The Holy Quran promotes the establishment of justice as the prime objective, "If you are going to arbitrate among them, arbitrate in accordance with justice because Allah Al-mighty likes the one who establishes justice" (5:42). Through the ethical norms given in Quran, Shariah trains individuals who play an important role in serving the humanity.

These individuals contain teachers, interpreters, researchers, authors, official servants, orators and human-welfare activists. The advisor also occupies a significant position among those fateful personals that are instructed in accordance with what Islam covets. In Islamic finance, there are distinguished principles through which an advisor gets enlightened and subsequently becomes able to advise the economic community about the Islamic rules.

Al-Quran motivates the followers to seek guidance and says, "Ask the learned if you do not know (21:7)."

It shows the importance of Shariah advisors specifically when the people are keen in seeking the Islamic perspective in making life fruitful for both themselves and the rest of humanity. Similarly, the importance of Shariah Advisors is evident in accordance with Ahadith where the holy prophet SAWW says, "To whom Allah SWT intends to bestow upon grace, makes him or her edified in the religion."¹¹

The Shariah advisor is supposed to complete the following qualifications for induction in certain institutions as well as to play a pivotal role in promoting the risk sharing finance. Firstly, the SAs should prove their relevance by specializing in the Islamic sciences including Shariah, social and economic jurisprudence. Accordingly, they should join the programmes aimed at facilitating the candidates, determined to complete the higher degrees such as M.Phil and PhD in Islamic finances.

That is how they can materialize their ability and can pull off the assigned tasks of RSF promotion.

¹¹ Muhammad Bin Ismael Bukhari, Sahih Al-Bukhari, Vol.1, book.3, hadith no. 71.

Secondly, the qualified senior and junior scholars like M.Phil and PhD degrees holders should join the research projects, launched by certain institutions and organizations in pursuit of promoting RSF. In this effort, they can further learn to explore the salient features of the Islamic finance and can be relevant in the promotion of RSF. Given the educational background, according to Riazat Butt, "there are two categories of SA."¹²

- a) The first category refers to the graduates, learnt the Islamic jurisprudence in the contemporary traditional institutions. Currently, several institutions are engaged in serving Islam by providing in-depth study of Islamic sciences. In the institutions, the broader view of economics is being taught along with a peer study of the economic interaction that a society undertakes in their daily financial dealings.

Importantly, the specific economics books have perceptively been inducted in the curriculum of the institutions. Among the economic theoretical perspectives, Risk Sharing finance is significantly taught.

For example, DMG (Dar-ul-uloom Muhammadia Ghausia Bhera) Islamic University is the institution which has inducted the economics in its curriculum and the graduates thoroughly learn both Islamic as well as western economic thoughts and have critical insight in the subject. This is the institution whose model General Pervez Musharraf, the president of Pakistan persuaded other Islamic institutions to follow.¹³

Further, a brief study of the Muslim economists including Imam Yousuf, Muhammad, Al-Ghazali, Ibne-Rushud, Shah Wali Allah and many contemporary scholars and their economic thoughts are also the part of the designed curriculum.

- b) The second category includes those who study in the modern institutions like universities and colleges. Here, the scholars specialize in the Islamic finance and edifies themselves in the Islamic sort of economy and serve in the relevant institutions.

¹² Riazat butt, Shariah Economist one of new Breed, The Guardian, March 12, 2008, available at <http://www.theguardian.com/business/2008/mar/12/islamicfinance.islam>, accessed on August July 27, 2013.)

¹³ An interview was conducted on November 2, 2013 from the Rector of the DMG Islamic University, Bhera at the Main Al-Karam Campus, DMG Islamic University in which the Rector highlighted *the future of the DMG Islamic University*.

The agonistic part of this division is that both categories are divergent in their perceptive approaches to the same phenomenon. They should be integrated so that the shortcomings on both sides in their insights regarding this perspective may be overcome. Under such circumstances, they can better serve in subject of promoting Risk sharing finance.

Academia

Shariah advisors can be inducted in academia on certain job tasks. In the subject of academia, university is a prime channel which fulfils its considerable duties in an attempt to make socio-economic development. S.M Breznitz confirms, "With expanding opportunities brought by the industrial revolution, Universities began to make more direct contribution on a social and economic level."¹⁴ Ironically, the situation of South Asian Universities in the said regard is poor and the Governments seem apathetic in rendering a sizable investment for research and development.

This is really a sad fact which S.M Breznith articulately condemns and urges the governments to take keen interest in making immense investment in universities in order to seek their robust role for sake of development.¹⁵ It is interesting to note that the learned citizenry can be insightful only when it broadens its viewpoint by undergoing specific academic courses in a university. It is also obvious that the West including Europe and North America has remarkably contributed in all sphere of life and has made wonders in economics, political and diplomatic aspects, technological facets and even military complexes.

It is unfair to ignore the role that western universities have enormously played in planting adept and skillful individuals who put them on the route to culmination. Similarly, all parts of the world are bound to be skilful in higher education in order to develop their homeland. Thus, it is imperative to mention that every nation seeks to establish universities, tasked to produce objective research which may in the long run be fecund for the development.

¹⁴ Shiri M. Breznith, The larger Role of Universities in economic development: Introduction to the Special Issue, Springer Science –Business Media, July 17, 2010, p.2, available at <http://link.springer.com/article/10.1007%2Fs10961-010-9184-5#page-3>, accessed on August 3, 2013.)

¹⁵ Ibid., P.3.

Under such scenario, if the policy makers tend to orient the risk sharing finance, they have to render the sincere efforts for making universities as a podium that will prove instrumental in introducing RSF. Accordingly, universities robust role in the said effort can be materialized into two ways.

1) Specific jobs as researcher should be created in university, which can research the financial mechanism with its strength and loopholes, being undertaken in the business communities, and find out the ways for making them interests free. Their role will here be to research and investigate the following aspects. (a) They will investigate how the financial system could be usury free.

(b) They will endeavor to provide financial help and expertise to those who intend to run a business. (c) The advisors here will articulate the viable options through which the (**barrowing individuals and organizations should be deleted**) individuals and organizations can make their business productive in line with the Islamic economic values and ensure the return of original money free of interest to the lender.

2) Universities should launch specific faculty within social sciences that can offer the programmes including M.Sc, M.Phil and PhD in the spectrum of risk sharing finance.

The researches, lunched for M.Phil and PHD thesis will be useful in introducing new techniques and methodology to improve the already existing RSF system and will suggest setting up new departments and researches for the purpose. Further, these laureates can sufficiently be recruited in policy-making institutes and ministries that organize state's financial sphere.

Bank

Bank is also an important podium which certainly serves as hub for the financial transaction where the Shariah advisors can be inducted.

Unfortunately, in pursuit of money making, majority of bank networks organize interest based monetary. This mode of business is completely divergent to what Islam endorses in financial and trade activities. Nonetheless, the banks, if wished by decision makers, can play a pivotal role in fomenting the risk sharing finances in accordance with what Islam guides.

It is equally vital to assert that this objective can be achieved with the induction of SA in bank networks. This approach is being pursued in many Muslim countries.

“In Pakistan, every Islamic banking institution is required to appoint Shariah Advisors. The appointment of SA is renewable for three years. SA should meet the “fit and proper criteria” for SA issued by state bank of Pakistan.”¹⁶

In the above said regard, the following two measures can ultimately be chosen.

Firstly, the working-bank system can be employed as a platform that helps to orient risk sharing based fiancé. A sub-department can be set up in it where the Shariah advisors can be enrolled as mentor who can work on the systematic network for risk sharing finance and promote it accordingly.

Secondly, an autonomous body can be established which may fundamentally work like bank does. This will invite affluent parties and motivate them to offer their money for incorporating in interest free financial dealings. Accordingly, the newly established banks can prove fruitful and can also foster the individuals and corporations to spend the owed money in said kind of business activities. In these two ways, the Shariah advisors can play a vivid role in promoting the RSF.

Think Tank

Think Tanks (TT) can also be useful in incorporating the Shariah Advisors for making the risk sharing finance more workable. Actually, the think tanks are the contemporary embodiment where insightful researches are conducted. The role that TT presently plays, resembles with that of the wise men and advisors had been doing as empire's elite policy makers in the medieval period. With the advancement in every sphere of human activity, the policy-making facet has too taken the momentum and reached up at the Think Tanks. Andrew defines think tanks as:

¹⁶ An interview was conducted on November 2, 2013 from the Rector of the DMG Islamic University, Bhera at the Main Al-Karam Campus, DMG Islamic University in which the Rector highlighted *the future of the DMG Islamic University*.

It is an independent, non-interest based non-profit organization that produce and principally rely on expertise and ideas to obtain support and to influence the policymaking process.¹⁷

Joseph observes the role of think tanks as, "The work of think tanks typically includes analyzing various approaches to public policy, publishing research and commentary, and speaking and conducting educational forums about the policy ideas."¹⁸ Obviously, the research and analysis is the prime task, TT is required to achieve, enhancing its relevance throughout the world.

Remarkably, the developed nations including Northern America, Western and Southern Europe, Japan and China have tremendously worked in setting up the think tanks for making the politico-economic as well as socio-economic development.

The rising nations such as South Korea, Turkey, Hong Kong, South Africa, Brazil, India and Malaysia are pursuing the same measures and working diversely for establishing think tanks. Therefore, it is accurate to conjecture that the significance of TT in policy making in the coming era will increase.

Rhetorically, the TT inducts the highly qualified professionals that regularize the state's policy and astutely suggest enhancing the governance and the subsequent important sectors of the government including economic and finance. Hence, in pursuit of seeking Shariah Advisors' role in introducing risk-sharing finance, think tanks can acutely serve as the platform to materialize the designed effort.

The induction of SA in think tanks can be compatible if the following ways are chosen. Firstly, the institutes working for economic development can be molded for the risk sharing finance. Secondly, the new institutes can be established which may be tasked to do in-depth research in RSF. Therefore, SA will find a scope in such an organization in order to play their constructive role.

¹⁷ Andrew Rich, *Think Tanks, Public Policy and the Politics of Expertise*, (Cambridge: Cambridge University Press, 2004), p.11.

¹⁸ Joseph G. Lehman, *The Role of Think Tanks*, Liberty Guide, October 18, 2012 , available at <http://www.libertyguide.com/resources/2-the-role-of-the-think-tank/>, accessed on August 4, 2013.)

Thirdly, avoiding the huge expenditures from newly established policy organizations, substitute sections can be introduced within the organizations, already engaged in working for the economic development. Through the mentioned methods, the SA can vividly be inducted in think tanks and the role that they can coherently play, would be productive in RSF.

Finance Ministry

Given the institutional induction, the finance ministry in the government sector can enlist the Shariah Advisor as a counselor in the process of introducing the risk sharing finance. Finance for a state is as important as sovereignty. Jain has highlighted the important role of finance ministry in subject of financial system in the name of public finance, "Public Finance deals with expenditures and income of public authorities of state and their mutual relations as also with the financial administration and control."¹⁹ The entire world ranging from Japan to Chili and from Australia to Canada have, one way or the other, established an autonomous ministry which is realistically steered by a senior cabinet member and remains responsible to monitor the national economic policy and development.

Pakistan, being a resource rich country and having enormous potential to become an economic tiger, has considerably set up a ministry since its creation in 1947, which is liable to organize a robust economic policy that may thrive Pakistan economically, by making balance in its economic in-put and out-put. The coordination that a Ministry of Finance can share and take in regard of risk sharing and other Islamic banking and financial sectors, with other institutions may be the same as State Bank of Pakistan provides its technical assistance to MOF. According it is reported in Pakistan's Islamic banking sector review, "The close coordination with Ministry of Finance (MOF) is carried out for addressing Issues like liquidity management. State Bank of Pakistan provides all the technical details and expertise required for structuring the ministry for sorting out the matter at an early stage."²⁰

¹⁹ P.C Jain, *Economics of Public Finance*, (New Delhi: Atlantic Publishers, 1989), p.2.

²⁰ Pakistan's Islamic Banking Sector Review, 2003-2007, Prepared by Islamic banking Department; State bank of Pakistan, p. 58, available at <http://www.sbp.org.pk/ibd/Islamic-Bkg-Review-03-07.pdf>, (Accessed on November 15, 2013).

Similarly, If the government is convinced, a section within the ministry can be established where SA can put their services in practice. The Shariah Advisor can be taken into certain jobs in the ministry.

They can be enrolled as researcher, working for dynamics of risk sharing finance. They can be selected as economic advisor to the head of government. Additionally, the SA can be enlisted as an executive of the committee, which is assigned the task of implementing RSF. The measures that the ministry can opt to utilize the services of Shariah advisors can be taken into account as under;

- (a) It can launch an internship programme and can enroll RSF students. Through this process, the ministry can accomplish certain projects in the subject of financial management.
- (b) It can conduct the seminars and international conferences to highlight the importance and viability of the Islamic finance particularly the risk sharing finance. It can also urge the academia to participate in the seminars and conferences. It should make sure to pay for the expenditures, a conference or seminar consumes. The Finance ministry should also co-ordinate for the organizations working autonomously for RSF.
- (c) The FM can also induct as expert, the specialists in risk sharing finance and can hire their services.

RSF Networking

RSF networking can also prove useful in pursuit of introducing financial system, which includes the systematic risk sharing finance. In fact, a network relationship has positive impact on innovation productivity and performance as well. Luke and Maxin believe, "Network relationships with suppliers, customers and intermediaries such as professional and trade associations are important factors affecting innovation performance and productivity."²¹

Therefore, RSF networking should be organized in almost all Muslim countries in order to boost up the relevance of risk sharing finance. RSF networking should set up the regional offices in the major cities in the Muslim countries.

²¹ Luke Pittaway and Maxin Robertson, Networking and innovation: A Systematic review of the Evidence, *International Journal of Management Reviews*, Volume5, Issue 3-4, September 2004, available at <http://onlinelibrary.wiley.com/doi/10.1111/j.1460-8545.2004.00101.x/abstract?jsessionid=E05372979BA83E0007BB5A5DA2B8237D.f01t03?deniedAccessCustomisedMessage=&userIsAuthenticated=false> , (November 23, 2013).

Through the zonal and regional offices, it can conduct the following activities in an attempt to expand the risk sharing networking.

- The RSF networking in form of certain organizations can manage the acquisition of money from the affluent individuals and companies and give it to those who tend to undertake a business. Return should be interest free. (b) it can convince him to participate in the business on sharing loss and benefit. (c) it can launch a business on its own behalf and can make the affluent parties participate on equal bases.
- Besides, this network can support the universities, which enroll the scholars in research and development in subject of RSF and provide scholarships to the candidates. Additionally, it can utilize its influence to make the Shariah advisor graduated from the universities induct in the relevant institutes.
- It should help the institutions such as banks, established to promote the risk sharing finance.
- It can coordinate with the think tanks and provide them financial assistance for the research projects, international seminars and the conferences.

Conclusion

Certainly, Islam ensures a human to live a stable life, conducive not only for him but also for the entire society. The Islamic finance encourages promoting a financial balance among all segments of the society. This ultimately leads towards the stability in the society. The risk sharing finance is the unique feature that Islamic finance introduces in an endeavor to promote coordination and to cripple poverty.

The Shariah advisors as categorized into two sorts can auspiciously be productive if both become learned in contemporary theories and the traditional economic concepts, compiled by the early scholars and researchers. For the purpose, the institutions should launch certain research projects. Projecting the contemporary financial issues through seminars and conferences could also be useful. Some specific courses in the relevant institutions should be initiated to introduce the advisors with the contemporary as well as traditional theories and concepts so that SA may better render their services to promote the risk sharing finance.

On the part of institutional induction, the think tanks and RSF networking could be managed by the private sector organizations whereas the banks and academia including universities and colleges on the part of government sector can manage to induct the Shariah advisor as suggested above and be helpful in promoting RSF. In this endeavor, it is mandatory to work for establishing a network which may fulfill its responsibilities throughout the world, with its sub-offices in the financial hub of the concerned countries.

This mechanism can promptly play an important role in urging the public sector companies, the affluent individuals and even the governments that could make the RSF promotion, as the relevant part of the national economic policy. This is very significant strategy in subject of RSF promotion. Finally, the Shariah advisor can consummately play a role in promoting the risk sharing finance if the aforementioned suggestions are empirically implemented.

Bibliography

Books

Al-Quran

Allen, Franklin. *Financial Innovation and Risk Sharing*. The MIT Press. 1994.

Bin Ismael, Muhammad, Bukhari. *Sahih Al-Bukhari*, Vol 1. Book 3, Hadith no. 71.

Iqbal, Munawar. *Islamic Banking and Finance: New Perspectives on Profit Sharing and Risk*. Edward Elgar Publishing. 2002.

Jain, C, P. *Economics of Public Finance*. New Delhi. Atlantic Publishers. 1989.

Khan, Feisel. *Islamic Economics*. New York. Palgrave Macmillan. (2011).

Macesich, George. *Issues in Money and Banking*. Westport CT. Praeger Publishers. 2000.

Rich, Andrew. *Think Tanks, Public Policy and the Politics of Expertise*. Cambridge University Press. Cambridge. 2004.

Shah, Karam, Muhammad. *Zia-ul-Quran*, Volume 1. Lahore. Zia-UI-Quran Publications. 1995.

Journal

Hassan, M. Kabir. A Comparative Literature Survey of Islamic Finance and Banking. *Financial Markets, Institutions and Instruments*. Volume 10. Pages 155-199.

Laldin, Akram, Maqasad Al-Shariah and the Foundational Requirements in Developing Islamic Banking and Finance. *ISRA international Journal of Islamic Finance*. Vol.4. Issue 1. p.184.

Stulz, Rene M. Globalization, Corporate Finance and the Cost of Capital. *Journal of Applied Corporate Finance*. Volume 12. 1999.

Sundararajan, V. Islamic Financial Institutions and Products in the Global Financial System: Key Issues in Risk Management and Challenges Ahead. *IMF Working Paper*. November 2002. p.3.

Magazine

Breznith, M, Shiri. The larger Role of Universities in economic development: Introduction to the Special Issue. Springer Science –Business Media. July 2010.

Butt, Riazat. Shariah Economist one of new Breed. The Guardian. March 12, 2008.

Newspaper

Emergence of Shariah Law. *Online News (Islamabad)*. April 2003.

Person

Amin-ul Hasanat Muhammad, Shah. The Rector of DMG Islamic University Bhera and Minister for State. October 14, 2013.

Inter-net

Askari, Hossein. The Islamic Financial System Alternative. *The World Financial Review*. 2011.
<http://www.worldfinancialreview.com/?p=533>,

Carlasarre, Elizabeth. How banks make money. The Street. October 2007.

<http://www.thestreet.com/story/10385783/how-banks-make-money.html>.

Iqbal, Zamir. Islamic Financial System.

http://www.melafricit.com/education/Finance/FinanceIslamique/documents/Islamic_Finance_System.pdf.

Lehman, Joseph G. The Role of Think Tanks. *Liberty Guide*. October 18, 2012.

<http://www.libertyguide.com/resources/2-the-role-of-the-think-tank/>,

Mirakhor, Abbas. Islamic Finance and Risk Sharing, Hedge Fund Monthly-New Horizon. August 2010,

http://www.eurekahedge.com/news/10_Aug_NewHorizon_Risk_Sharing_and_Islamic_Finance.asp,