Role of Market Instruments towards the Development of Islamic Banking and Finance

Abd Afees Olanrewaju Hassan
Sultan Sharif Ali Islamic University (UNISSA), Bandar Seri Begawan, Brunei Darussalam

Abstract. Instruments like Muraabahah, Shares, Bonds, Mudhaarabah, Qard Hasan, Mushaarakah have played significant and extensive role in its Islamic economics and finance performance. Islam as a dynamic religion in which its principle and idea fits every aspect of life, being it old, modern and contemporary issues. This paper aimed at shedding more light to the role of aforementioned instruments and others and how they are traded in the Islamic typical financial market as short, intermediate and long term securities in adherence to the Islamic principles with their influence in developing the market like interbank market or others such as commercial banks, merchant banks and discount houses. The article further explores the concept and how Islamic money and capital market are operated. This research also attempts to provide certain guidelines to streamline the use of these financial instruments for prosperous economy within the ethics of Islam. Qualitative research methodology is adopted in this research. Textbooks, published journal on the Internet and other publications are also utilized and serve as secondary data in this work.

Key words: Islamic, financial, money, capital, instruments, market.

Introduction

In the present-day life, the application of what financial market and its instrument entails is a real one, especially in a Muslim world where Muslims who have enough fund wish to participate in Islamic complaint transaction. The Islamic financial market instruments is a new mechanism which came later in order to link the deficit and the surplus units together so as to ease transaction of money market and capital market in line with rules and regulations laid by Islam. An Islamic financial market instruments such as Mushaarakah, Mudhaarabah, Salam, Muraabaha, etc., and various Islamic bonds which are generally known as Sukuuk have gained momentum in the contemporary time in line of which it would conform to Shariah complaint by been free from interest, excessive uncertainty, gambling and speculations. Mushaarakah also is an equity finance tool which is primarily based on profit sharing method. It also has its own role in the market. Similarly, Mudhaaraba is a profit and loss oriented agreement, it is another tool in the Islamic financial market in contrary to the conventional type whereby the motive of interest or usury i.e. (Riba) is the main aim in debt instruments. The financial system in conventional framework consists of money and capital markets as well; what distinct both markets from the Islamic markets is instruments and procedures behind utilizing the tools.

Therefore, the aims and objectives of this study will be divided into two parts: First, to examine the functions and the role of Islamic based instrument in the Islamic financial markets from the perspective of classical and contemporary Islamic scholars, and second, to analyze, compare and evaluate the instrument in both systems i.e. Western and Muslim world. At this point, it is worthwhile to provide brief conceptualization of the Islamic Financial Market.

The Concept of Islamic Financial Market Institution

In order to comprehend the modus operandi behind Islamic Financial Market (IFM) and its instruments, it is worthwhile giving an overview of the meaning and briefly elucidates what financial market means in both conventional and Islamic perspective. First, it needs to be borne in mind that the word “Islamic” is a salient and sensitive word in the subject, it is obvious that there is a Financial Market system operated by the westerners, (conventional financial market), which had been in operation and existence with its own rules, regulations and templates laid down. Conventional economies and finance as we know it today is governed by the laws of a country i.e. legislation passed by a governing body when there is a deficit in the conventional laws. According to Aliyu (2012), the western system has received backlash for the continuation and unpleasant way the economic turmoil in the past has been, and for the ongoing financial crisis in the Western countries. With that, the Western European economic and financial framework has been held responsible for the instability and the fluctuation of the world economy in regard to that perspective. On the other hand, the Islamic Finance System (IFS) where Islamic economies and finance is governed by two sets of law, one: Divine Islamic law (Shariah) and the other Man made (Kunhibava and Rachagan, 2011: 544). Islam does not limit its laws on divine only, its gives rooms for analogical application to issues that occur, either in terms of creed, theology, crime, inheritance, rights, politics and governance, contractual agreement or act related to worship and other human activities in life. Therefore, there comes a difference between Conventional Financial Markets (CFM) and Islamic Financial Market (IFM).

An Islamic financial market is simply a place or a market where short term, medium term and long term securities are been traded. The instruments or securities used in this market are shares, bonds, treasury bills etc. in accordance with the principles set by Islam. For instance, bond issuance is an instrument used in conventional financial market; bonds are debt liabilities which are mainly based on interest upon issuance in the conventional system. In Islamic aspect, if bond is to be issued, it has to be paid at the nominal value without any additional interest subject to observance of the rules of transfer which in Arabic terms it is called Al-Hawaalah, which literally means transferring of debt from one person to another (Ayub, 2007). Shares and Bonds are used in both systems but in a different perspective and different strategy. An Islamic Financial Market would be free from interest, uncertainty, gambling and speculations. It would work on a different set of principles in contrary to conventional financial markets. According to Islamic Fiqh Council of the OIC, Islamic financial markets is sound and its application is paramount in the present time, the existing structure is having a lacuna in which jurists and the economists needs to come together with a portfolio and an adjustment within the Islamic framework changing what needs to be changed in conformity to Islamic principle.

As people do incur expenses more than their income due to necessities, western businesses system and conventional banks do impose a fixed rate of return from the fund users and give a part of the return to the fund owners. It is clear that for transactions in conventional system, interest are charged from beneficiaries and paid to fund providers. Excessive demand and supply causes the availability of the fund to be put in place, while the supply of funds comes from individuals and corporate bodies demand is generated through trade, business, industry, agriculture, corporations and government sectors (Jackson-Moore, 2009)**.** This happens everywhere, which has caused some financial institutions to link the deficit and the surplus units together.

At this juncture, it is quite worthy to enumerate on the two main categories of Islamic Financial Market, first: Islamic Money Markets (IMM) and second, the Islamic Capital Markets (ICM).

Islamic Money Market

Modern Islamic money market is not as old as the Conventional money market because Islamic financial markets came into existence as an alternative mechanism source of finance to address major development challenges faced by many Islamic organizations in various countries such as Organization of Islamic Cooperation (OIC Outlook Series, 2012). Islamic money market is a newly phenomenon, it is established to stand against the western system of finance and market operations which has disrupted the world markets. The western markets has widely spread and recognized with the practice in Europe and other parts of the world. The Modern Islamic money markets practice is present in many countries, it incentivizes economic development ideas at large, it is justice oriented and brings social progress to its practice. Conformity to the Islamic rules relating to it is considered. For example, The Islamic money market named Islamic inter-banking money market (IIBMM) which has been established in Malaysia and still in existence is comprising of Inter-bank trading in Islamic financial instruments, Islamic inter-bank investments and Inter-bank cheque clearance system introduced by the Bank Negara Malaysia in order to promote a well comprehensive Islamic banking system and give rooms to stakeholder to participate in banking and finance activities diligently. In a nut shell, Islamic money market can be defined as a financial market in which wholesale short tern instruments are been transacted in accordance with rules and guidelines stipulated by Sharia. The nature of the tools in this market ranges from a day to 12 months period (Amin et al., 2013).

Players in different institution like central bank, business organization, government, bank, and non-bank financial institution participate in money market transaction. Islamic money market made it easy for central bank to use its medium in monetary policy conduct. It serves as an alternative medium for short term investment opportunity (Islamic Financial Services Board, 2019).

Islamic inter-bank trading market instruments have an extensive contribution to the development of Muslim world markets and its economies. It is a market where banks would trade among one another with Sharıah based financial instruments comprising Government investment issue (GII), or Malaysian government investment certificate (MGIC), Bank Negara negotiable notes (BNNN), Islamic accepted bills (IAB) and Islamic negotiable instrument (INI). Financial instruments of this type were introduced as a tool whereby investee obtains investments from investor bank based on the principles of Mudhaarabah. The Islamic money market will make sure that surplus reserve is in place so as to allow the Bank’s monetary operation to function efficiently in the finance sector (Bacha, 2008).

The characteristics of Islamic money market are not different from that of the conventional money market; it is a market of short term high liquid debt securities. The difference is the instrumental operation in the market. However, the most essential function of Islamic money market is to provide an efficient ways for economic units in the economy to balance the illiquidity positions. Financial instruments in the market have three significant features, namely: low default risk, short term to maturity and high marketability. There are other money markets in the contemporary world today, namely: Spot Market, Future market, Mortgage market, Primary Market, Secondary market, Private market, Public market, Unit trust market.

Islamic Capital Market

What capital market contains in general context does not different from what it entails in the Islamic market; the only distinct is the rules behind using the tools. In Capital Market, the use of intermediate and long term securities is the main focus in transaction in order words, capital market is a place where investors buy or sell financial instruments exceeding one year (Seif el-Din Tag el-Din, 2007: 59-63). Private bodies and governmental entities do participate in the market purposely to communicate and link people together for trade. It would be well to briefly give an approach to capital market context.

In capital market there is the use of equity and debt instruments. Equity market is mainly known as Capital Market. It could also be called stock market (Aliyu, 2012: 2). The market is purposely for stock trade, common stock or preferred stock. In debt market, bonds transaction and debentures are the main focus. Bonds and Debentures in the conventional context are interests and uncertainties related. There comes the distinct part of Islamic capital market, where any transaction relating to unlawful Islamic goods, usury, excessive uncertainties, gambling and speculations are forbidden in respect to Islam. Therefore, practicing shares in the conventional context is unlawful in Islam. The nature of issuing stocks in conventional perspective is a process whereby stockholder's financial liability is bound to the amount invested. In this transaction, the business bears the loss; the stockholder is not liable for the company's loss. It appears that this transaction is related to what is called joint stock trade. Islam endorses joint stock transaction with this principle whereby two or more partners join business together, one provides the capital i.e. Fund and other i.e. entrepreneur uses his experience and skills in the trade. Which means the first party will be a dormant partner while the second party will be an active partner. The first party who provides fund for the business has nothing to do in the trade as he might not have experience for the prosperity of the business, while the second party will work bearing in mind the prosperity, gains and profits in the trade. The contract is called Al-Mudharaba al sharhiya which translates to lawful partnership business. That is the reason why Zuhayli (1997) claims that Mudarabah (profit sharing) is a "silent partnership" that involves a financier or fund producer (rabbulmal), who provides a specific amount of capital and acts as a sleeping or dormant partner and an entrepreneur (mudarib). He acts as a trustee or a business agent; he is obliged to manage funds given to him in prudence, good faith and manner to generate optimal profits for the mudarabah investment, with adherence to the laws of Shariah. The mudarib is not expected to invest in any business venture without his full knowledge and skills on that business. He is also not entitled to claim any wage for conducting the business venture. In this Islamic idea, this is not by his negligence. In these cases, Islamic banking and finance sector has received rapid global recognition since the establishment of the first commercial Islamic bank in 1975, it made it clear that it can participate in this kind of transaction (Visser, 2019).

Preferred stock will not be allowed in Islamic principle because a pre-determined fixed rate return is involved which makes the transaction void. Some suggested that preferred stocks may be issued by using the concept of a preference dividend based on a pre-determined profit ratio, this idea anchors the point that it is only the profit ratio specified and not the fixed rate, which simply denotes that preferred stock holders do not know the annual dividends to be received and dividends are based on the profits made by the company. Hence, huge profits are translated into high dividends for stock holders **(**Azmi, 2009**).** With that, it is not acceptable in Islam to engage in this kind of stock.

In Islamic joint stock transaction, the profit sharing ratio must be ascertained. The purpose of issuing the stock and knowledge that the contract is based on Islamic joint business must be stated clearly. At this point, it is needed to state that debt instrument market is not legalized in Islamic principle as explained earlier; it is obvious that the nature of bond in the conventional system involves forbidden acts in Islam because it is interest based funding.

Presently, various Islamic bonds have been in operation and Islamic banks are participating and operating it. Debt is only allowed to be assigned to others on par value through the use of Al- Hawaalah Instrument, without transferring the risk of default and Bay'u Sarf (exchange of monetary units) is also used as well. If debts are relatively larger, the rule of Bay' u Sarf applies, The contemporary Islamic scholars have suggested alternative bond instruments like Sanadat -ul- Qard, Sanadat –ul- Ijaara, Sanadat-ul-Qirad, Sanadaat -ul Salam, Sanadaat –ul- Istisna'a, Sanadaat -u-Tauriid, sukuuk-ul-Istithmaar (Munadhama al Muhtamar al Islami, 1985).

Instruments Role in the Development of Islamic Banking and Finance

Financial instruments have played a pivotal and significant role in Muslim economies in the recent time. Islamic money market came at later time and has not been really expanded to Muslim countries at the beginning of its emergence. The development emerged from some countries where Muslims are the majority. There are traces of this development in counties like Malaysia and Indonesia (Azmi, 2009). According to Ogunbado et al. (2017: 102-112), implementation of some instruments like Mushaaraka existed in Sokkwatto Township at the time of Sokoto caliphate without interest based on Mushaarakah (joint venture) principle. This affirms that the operation of these instruments had been in existence in some countries where Islam has ruled. Therefore, it will be fair to say these countries made it possible by providing Shariah based financial instrument for negotiations in the modern money market.

Financial instrument used in Islamic markets are Partnership (Mudhaarabah), Joint stock (Mushaarakah) certificates, units of open- or closed-ended mutual funds, investment Sukuuk, stocks and other securities certificate are also traded in the market depending on market signals, provided they conform to Islamic principles (Bank Negara Malaysia, 2019).

Jordan as a country, its Islamic Bank for Finance and Investment was one of the earliest countries to introduce asset –based Mudhaarabah bonds in this modern day as stated in their Company law No 13 of 1978 that it is allowed by Jordan Islamic bank to issue an asset called Muqaaradha bond, the act states that "Documents having a uniform value, issued by the bank in the names of the persons who subscribe thereof by paying their face value on the basis of participation by the holders of these bonds in the annual profits realized, in accordance with the terms of each separate issue of such bonds" (Jordan Islamic Bank, 2020).

Financing techniques in Islamic system is based on real physical assets (Kammer et al., 2015: 8). In the case of Markup-up and leasing mode, they are typically different from the conventional set off as both modes are interest based financing, despite the fact that different views have been brought to the table that they are not ideal means of financing. It is criticized that they are very close to the interest based financing in their net results. Since financing in an Islamic system is backed by assets, it is always matched with corresponding goods and services (Usmani, 1998). Sukuuk i.e. Islamic bonds issued by Joint stock business are also fallen under this category.

The main instruments of Islamic financial markets are equity related. Besides equity instruments in the form of shares in any company, the Islamic financial system has other redeemable short-term, medium and long-term participating instruments representing ownership in the assets, and hence entitled to participate in the profit or loss resulting from the operations on the assets. (Kammer et al., 2015: 16-17).

Banks' subsidiaries as trading and leasing companies can also deal on the basis of Muraabaha and leasing, Salam and Operating lease. Leasing techniques are suitable for financing automobiles and machinery. There could also be a combination of more than one mode like Istisna'a plus Muraabaha, Salam plus Muraabaha or Salam plus Istisna'a for financing of trade and industry. Finance for the purchase and construction of houses can be based on Diminishing Mushaarakah or Muraabaha. Working capital finance can be provided on the basis of Salam, Istisna'a and Muraabaha. Financing of big projects can be made through syndicate Mudhaarabah using the modes of Istisna'a or Muraabaha (Bank Negara Malaysia, 2019).

Personal finance for consumer durables can be provided through Murabaha, leasing and in special cases by way of return-free loans out of the current accounts or the banks' own funds (depositors' money in profit and loss accounts is a trust in the hands of banks and should not be used for charitable and social purposes without their explicit approval). Housing finance is also possible through muraabaha mode, diminishing mushaarakah and rent sharing as well. (Ayub, 2007).

Sukuuk securities are another type of instruments used in Islamic financial institutions with a great influence in the Muslims world economy. Sukuuk is a plural word, the singular form is Sakk, and Sakk is an Arabic word, which denotes what we know in the world today as cheque. According to a scholar, (Sahm) i.e. stock is also referred to as Sakk (Muqaaran, 2003). Sakk can also be referred to as mint in the present day, it can be said to be certificate in Islamic banking terms. It is translated in English as Islamic bond. Therefore, it is Securities or Bonds organized according to the principles of Islamic Law "Shariah". Its investment principles prohibit interest in paying and accepting. Islamic bonds, Islamic trust certificates or Islamic debt security are examples of bonds used in Islamic financial institution today. (Chick Mohd N, 2012) stipulates that its salient features are equity values representing undivided shares in ownership of tangible assets, usufruct and services or in the ownership of the assets of particular projects or investment activity. It also possesses the feature of been asset-backed security, tradable, stable income Islamic law conformity. The primary conditions of issuance of Sukuuk are the existence of assets on the balance sheet of the government, the corporate body, the monetary authority, the financial institution or any entity willing to mobilize the financial resources. The determination of suitable assets is the first and most integral part is the disagreements that occur in the process of issuing certificates of Sukuuk. Shariah considerations state that the group of assets should not only be comprised of debts from Islamic financial contracts such as Istisna'a or Muraabaha (Kammer et al., 2015: 26-28; Essia Ries Ahmed, 2014). For this reason, the Accounting and Auditing Organization for Islamic Financial Institutions abbreviated as AAOIFI has made it clear that different Sukuuk types are widely used in the Islamic markets, the instruments used are Sukuuk Mushaarakah, Sukuuk Ijaarah, Sukuuk Muraabaha, Sukuuk Istisna'a, Sukuuk Mudhaarabah (Shari'ah Standards, 2015:467).

It can be used in foreign and domestic currencies and carry a predetermined proportion of the profit earned by their respective projects. The Sukuuk issued can be restricted to a particular project or earmarked to a group of projects. (Mohd Nazri, 2012).

Various funds can be established to finance the economic activities of public and private enterprises on equity, partnership, leasing, Salam and mixed asset pool bases. As well, funds can be established to finance a specific sector, for example, agriculture, industry or infrastructure, a particular industry, for example textiles, household durables.

Instruments in Islamic Markets

Mudhaarabah instrument

The mechanism used in the inter-bank market trade is based on the mudhaarabah principle, it is otherwise known as sale and purchase of instruments under the relevant rules of Sharıah (Ghafar, 2010). Presently, Islamic financial market uses stocks, partnership (Mudhaarabah), joint stock (Mushaarakah) certificates, units of open- or closed-ended mutual funds and investment Sukuuk in its transactions. In conventional money market, the most widely traded financial instruments are treasury bills, negotiable certificate of deposits, bankers' acceptance and repurchase agreement (Kammer et al., 2015: 8). Emphasis has been laid on this mode; it will be well to halt issues on it at this point in order to avoid repetition.

Mushaarakah instrument

Mushaarakah is used as an instrument to finance trade, industry or a budget deficit through domestic or foreign sources. In order to properly manage the risk, the banks should manage diversified portfolios and select the proper modes/instruments. The volume of investment deposits determines banks' investment strategies if depositors are risk-averse, banks should also be risk-averse investing in less risky modes. Variable income partnership (Shirkah-based) securities. For such securities, banks can securitize a pool of partnership and joint venture contracts that are part of their asset portfolio. Such securities will offer the investors a stream of variable income with potential for growth, based on the strength of the underlying projects; profit and risk both would be higher. Mushaarakah and Mudhaarabah can be used for short, medium and long-term project financing as well in import financing, pre-shipment export financing, and working capital financing and financing all single transactions. Banks use Diminishing Mushaarakah for purchase of fixed assets like houses, transport, machinery, etc.

In case Mudhaarabah is to be used, the following process can be adopted:

1. Creation of mudaarabah relationship.
2. Diverting funds received to the pools.
3. Assigning weightages periodically, based on different categories.
4. Allocating profit earned according to weightages assigned at the beginning of the period.
5. The bank will charge a pre-agreed Mudaarib (entrepreneur) fee as a percentage of the realized profit; the bank can willingly pay additional profit from its own share without request from fundraiser.
6. The investor will bear a loss unless it arises from misconduct or negligence of the Mudaarib.

Muraabaha or Mark-up sale Investment instrument

Markup-sale Interbank Investments refers to a mechanism whereby a deficit Islamic banking institution "investee bank" can take investment from excess Islamic banking institution "investor bank" based on the Markup-sale principle. The period of investment is usually from overnight to 12 months, while the rate of return is based on the rate of gross profit before disbursement for investments of 1 year of the investee bank. The profit-sharing ratio is negotiable between both parties. The bank that stands as the investor does not know what the return will be at the time of negotiation as the actual return will be crystallized towards the end of the investment period. The principal invested is repaid at the end of the period, together with a share of the profit arising from use of the fund by the investee bank. Islamic banks, commercial banks, merchant banks, eligible finance companies and discount houses are allowed to participate in the IIMM. Islamic financial instruments may be of either a variable or fixed return nature. Equity Instruments having a claim to share in the net income and the assets of a business give a variable return, while debt-related instruments can be issued in respect of trade or leasing based transactions subject to the observation of the principles of the Islamic modes. Backing by real assets according to the rules of the relevant modes is a must and mere replacement of one paper transaction with another kind of similar paper transaction will not serve the real purpose.

The nature and functions of Muraabaha instrument is that it offers investors and depositors a defined stream of cash flow constituting the return on the pooled assets. Such securities would accommodate risk-averse investors like widows, retired people, etc. and generate new resources for additional intermediation and income flow to the banks (Aliyu, 2012: 2). Contrary to conventional means of financing where financier gives money to his or her customer as an interest –bearing loan after he has no concern of how much money used by the borrower. In Mark-up financing techniques, no upfront is paid by fund raiser. It is the financier itself that would purchase the goods required by the client and any risk that appears in the process of purchasing the commodity would be borne by the financier. It needs to be certain that the client will purchase the goods before the financier possesses the goods and buys it. Mark-up can also be used for the purchase and sale of automobiles, consumer durables and trade financing, acquisition and holding of stock and inventory, spares and replacements, raw material and semi-finished goods. Buy-back and roll over in Markup are not allowed.

In Muraabaha Finance mode, the selling price once agreed becomes and remains fixed. If the purchaser (client of the bank) does not pay on time, the seller (banks) cannot ask for a higher price due to delay in settlement of dues. This is because in Islamic thought, there is no nature of time due to money. (Almasri, 2009: 33)

In recent years, Ijaarah-based negotiable Islamic money instruments have also been developed. Islamic banks can utilize these instruments in their dealings for liquidity management by adhering to Sharıah rules involved in the relevant modes.

Recently, some Islamic banks have purchase shares through a client as agent and sell them to the clients based on Muraabaha (Cost-plus or Markup-sale) as it has been alluded to earlier. Shares represent tangible assets of joint stock companies; their trading is permissible provided the screening criteria recommended by the Sharıah scholars are taken into consideration. Their sale through Markup-sale is also permissible, but Islamic banks need to be cautious with regard to Sharıah compliance matters. Banks needs to pay directly to the brokers and the client should not be appointing agent for purchasing the shares. After the payment is made by the bank and the shares are transferred to it at present, the bank is still liable at this point to sell on a Markup-sale basis. If there is a delay in the settlement, the bank has to wait actual transfer for few days so that the risk of price for like three days has to be taken by the bank. Further, the shares in respect of which Markup-sale is to be conducted should not be of any concern of the client; otherwise it will be “buy-back” and therefore prohibited. (Ghafar, 2010).

Musaawamah or Bargaining Instrument

Al-Musaawamah is another type of instrument that enhances the development of Muslim economies through their markets in the recent time. It can be used to finance huge transactions (Kammer et al., 2015: 33). Contrary to conventional financing mode, where loan may be given for any profit purpose like gambling or lottery. Client can therefore borrow money from a financial institution to expand his gambling or lotto business, or any kind of immoral act which is not lawful in Islam, unlike conventional system where hub, phonographs etc. are considered legal as it’s not govern by a religious restrictions. In the interest based system of loaning, the amount multiplicities is positive, the amount to be paid by the borrower keeps multiplying and increasing with the passage of time.

Wakaalah or Agency instrument

Al-Wakaalah means is another mechanism. It is the process of delegating someone for specific purpose under certain conditions and Mark-up can be used for cash financing through charge and credit cards. It is an optional means for auto finance in respect of Al-Ijaarah al Muntahiyah -bi-Tamleek i.e. the leasing that would result to ownership and Muraabaha (Mark-up). (Munadhama al Muhtamar al Islami, 1985: 328). All these instruments have immensely contributed positively to Muslim economy at this preset time and there is hope that Islamic economics will still maintain its stance in the global economy.

Conclusion

Islamic financial instrument is a key to Islamic economy; there are various tools available for trade in Islamic financial market. Stock which is equity based is an important instrument contrary to bond which represents a repayable debt, majority of bond in conventional system is not applicable in Islamic framework, for this reason, Islamic contemporary scholars have produce an idea for permissible bond with a prescribed rules and regulations on the instrument so as to be able to boom Islamic economies, strengthen its financial system and acknowledge its dynamicity.

This paper concludes that financial markets are not restricted to westerners only; the foundation is also active in Islamic system. It elaborates the contexts of Islamic financial markets and its mechanisms. Islamic financial markets also have transactions for money market and capital markets as in the case of conventional practice, Islamic financial instruments and its market has been achieving fast growth aims and objectives in the contemporary world in general and particularly the Muslim environment. It is certain that a strong financial system is a necessary ingredient for a growing and prosperous economy giving companies raising capital a chance to finance capital expenditures as well as investors saving to gather funds for future use require well-functioning financial markets and institutions. Numerous countries have adopted Islamic Finance instruments and practicing it in the Islamic complaint markets which makes it extensive.

Not only stocks and bonds are used in the system, instruments like Mushaarakah, Mudhaarabah, Muraabaha, Hawaala, Wakaala, and Ijaarah etc. are also included in utilization. Sukuuk is also one of the core significant instruments with the same features in equity market in which Sukuuk Mushaarakah, Sukuuk Ijaarah, Sukuuk Muraabaha, Sukuuk Istisna'a, and Sukuuk Mudhaarabah are mostly utilized.

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