



REPORT ON THE INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS AND ECONOMIES OF THE OIC COUNTRIES 2009

The International Conference on Islamic Economics and Economies of the OIC Countries 2009 (ICIE2009) was held in Kuala Lumpur, Malaysia on 28–29 April, 2009. Jointly organized by the Department of Economics, International Islamic University Malaysia (IIUM) and the Islamic Research and Training Institute, Islamic Development Bank (IDB), the conference provided a platform for scholars and industry players throughout the world to share their views in enhancing the theoretical and applied aspects of Islamic economics, banking and economic cooperation among Muslim countries. In line with the current interest on Islamic economics, banking and finance, the conference intends to promote intellectual discourse to evaluate the current state of the various sub-areas of the Islamic economics discipline and chart out the possible directions to be followed in the future, at both the theoretical and policy levels. It is encouraging to note that the papers presented during the conference not only evaluate the past performance, but also made continuous assessment of the progress of Islamic economics and the extent of its development and applications particularly in the Muslim countries.

The two-day deliberations featured two keynote addresses, two plenary sessions, and four parallel sessions. The keynote addresses were delivered by two well-known and distinguished figures in the Islamic economics area. The first keynote address entitled, “Enhancing Economic Cooperation Among Muslim Countries – the Role of OIC,” was delivered by the Secretary General of the OIC, His Excellency Prof. Ekmeleddin Ihsanoglu who essentially highlighted the issues and challenges facing the Muslim countries in their efforts towards greater economic integration. The second keynote address entitled, “Islamic Economics and Finance: An Institutional Perspective,” was delivered by Dr. Abbas Mirakhor, former Executive Director of the International Monetary Fund. Dr. Abbas outlined the ideals of Islamic economics and how it can be a viable alternative to the conventional economic system. Meanwhile, the two plenary sessions were held to enable more

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focused and deeper discussions on topics that are highly relevant in the context of the Muslim countries. More specifically, the first plenary session deliberated on “OIC Countries: Performance, Issues and Challenges”, presented by Dr. Savas Alpay, the Director General of the Statistical, Economic and Social Research and Training Center for Islamic Countries. The second plenary session discussed the topic of “The Role of Regional Groupings in Promoting Trade and Development of Muslim Countries” presented by Mr. Amadou Cire Sall from the Islamic Center for Development of Trade, OIC, and Mr. J. Jayasiri, Senior Director, FTA Policy and Negotiations Coordinator of the Ministry of International Trade and Industry, Malaysia.

A total of 80 papers were selected for oral presentations during the conference. The working papers were presented in four parallel sessions over the two days, with each parallel session being divided into five groups, and each group having five papers. The papers were categorized into four major themes, namely Islamic economics, Islamic banking and finance, Economies of the OIC countries, and Economic cooperation among the OIC countries. In general, the papers under the ‘Islamic Economics’ theme provide enriching aspects of the Islamic economics discipline as most of the papers highlight a wide range of the practical aspects of Islamic economics. The topic of discussion under the ‘Islamic Banking and Finance’ theme is even wider as it covers the various sub-areas under the Islamic banking and finance discipline. The coverage of the discussion includes the issue of *Shari’ah*-compliance of Islamic banking products and services, performance of the Islamic banking institutions and markets, corporate branding, and the Islamic derivatives market, to name a few. Under the theme ‘Economies of the OIC Countries’, the papers focused on the evaluation of the economic performance of the OIC countries. There were also efforts to apply the Islamic alternatives to solve for the economic problems that the OIC countries are facing. Lastly, under the theme ‘Economic Cooperation Among the OIC Countries’, efforts are being devoted at evaluating the current state of economic cooperation among the OIC countries, understanding the issues and attempting to find the common grounds for further integration in any possible areas among the Muslim countries.

The following is the list of papers presented during the conference under each category:

ISLAMIC ECONOMICS

1. A Comparison of the Importance of Leadership Concept and Attributes in Islamic Theology and Management Sciences, by Naderehsadat Najafizadeh (Islamic Azad University of Arak, Iran)
2. Islamic Economics and Endogenous Money Supply: Post-Keynesian Analyses, by Yousuf N. Marvi (Connecticut College, USA)
3. Stock Price Forecasting in an Interest-Free Economy, by Ahmed Hassan Mabrouk (International Islamic University Malaysia)
4. Measuring Economic Development Level of OIC Countries through Islamic Economic Development Index (I-EDI), by MB Hendrie Anto (Islamic University of Indonesia)
5. Theory and Policy of International Trade in an Islamic Perspective, by P. Abdul Kareem (University of Calicut, India)
6. Īmām al-Ghazālī's Views on Economic Activities, by Abdou Diaw (International Centre for Education in Islamic Finance, Malaysia)
7. An Analysis of *Zakāt* Expenditure and Real Output: Theory and Empirical Evidence, by Mohammed B. Yusoff (International Islamic University Malaysia)
8. Self-interest and Ethics with respect to the Islamic Economic System, by Mohammad Ali Molaei and Hadi Ghaffari (Shahrood University of Technology/Payame Noor University, Iran)
9. An Islamic Prospective Community Empowerment: A Gateway of Sustainable Economic Development, by Muhammad Shakil Ahmad (COMSATS Institute of Information Technology, Pakistan)
10. *Zakāh* Management in Singapore: Collection, Distribution and Investment, by Muhammad Nuzaihan Hamdan (Singapore)
11. The Role of Human Capital Development in Economic Growth: An Islamic Analysis, by Abdurezak Abdulahi Hashi and Bashir Abdisamad Hareed (International Islamic University Malaysia)

12. The Analysis of *Zakāh* Distribution's Impact towards Aggregate Consumption and Structural Poverty Alleviation in Indonesia, by Dimas Bagus WK, Ahmad Hudaifah and Raditya Sukmana (Airlangga University, Indonesia)
13. Divergence between Aspirations and Realities of Islamic Economics: A Political Economy Approach to Bridging the Divide, by Nazim Zaman and Mehmet Asutay (Durham University, UK)
14. *Zakāh*: An Effective Social Safety Net, by Foyasal Khan (University of Dhaka, Bangladesh)
15. Cash *Waqf* and Islamic Microfinance – Untapped Economic Opportunities, by Norma Md Saad and Azizah Anuar (International Islamic University Malaysia/Institute of Advanced Islamic Studies, Malaysia)
16. Decision-Making Tools for the Allocation of Investible Resources Based on *al-Maqāṣid al-Sharī'ah* Framework, by Moussa Larbani and Mustafa Omar Mohammed (International Islamic University Malaysia)
17. Efficiency Criteria in Public and Private *Awqāf* Management: A Case Study in Iran by Hossein Pirasteh (University of Isfahan)
18. Islamic Economics & Finance, Then and Now: *Fiqhi* Economic Doctrines & Controversies, by Salah El-Sheikh (St. Francis Xavier University, Canada)
19. Islamization of Economies and Knowledge: A New Institutional Economics Perspective, by Habib Ahmed (Durham University, UK)
20. Methodology: A Fundamental Missing Dimension in 30 Years of Research in Islamic Economics, by Mohamed Aslam Haneef and Hafas Furqani (International Islamic University Malaysia)

ISLAMIC BANKING AND FINANCE

1. Consumer Adoption of Islamic Banking Services in Malaysia: A Conceptual Framework, by Seethaletchumy Thambiah and Uchenna Cyril Eze (Multimedia University, Malaysia)

2. The Impact of the Size of Working Capital on Capital Budgeting Decision under *Zakāh*, by M. Al-Azma and Wael Al-Rashed (Kuwait University, Kuwait)
3. Foundational Dimension of Corporate Governance in Islamic Financial Institutions: A Literature Survey, by Zulkifli Hasan (Durham University, UK)
4. Corporate Branding for Islamic Banking through Banking Industry, by Ade Chandra (International Islamic University Malaysia)
5. An Analysis of Islamic Bank's Exposure to Rate of Return Risk, by Zairy Zainol and Salina H. Kassim (International Islamic University Malaysia)
6. Financial Performance of Islamic Banking and Conventional Banking in Pakistan: A Comparative Study, by Muhammad Shehzad Moin (National University of Computer and Emerging Sciences, Pakistan)
7. Malaysian Islamic Unit Trusts: A Proposal for a Rating System, by Noorhayati Mansor and Mohd Shamlie Salisi (Universiti Malaysia Sabah/Universiti Teknologi MARA, Malaysia)
8. Surplus Sharing in *Takāful* Models: A Juristic Appraisal of Current Practices, by Younes Soualhi (International Islamic University Malaysia)
9. The Adoption of Corporate Governance Principles by Islamic Banks in OIC Countries: A Comparative Analysis of the AAOIFI, BCBS, OECD & IFSB Guiding Principles, by Nurdianawati Irwani Abdullah and Fatimah Omotayo Salami (International Islamic University Malaysia)
10. Determining the *Sharī'ah* Compliancy of Islamic Capital Market Products, by Ibrahim Oladapo Abiodun and Salina H. Kassim (International Islamic University Malaysia)
11. Concept and Empirics of Islamic Hedging, by Pakasa Bary and Jusmaliani (Central Bank of Indonesia and Indonesia Institute of Sciences)

12. Path for Development of a New Financial System Based on Islamic Concept of Equal Settlement and Creating Value, by Shaukat Amer (COMSATS Institute of Information Technology, Pakistan)
13. Islamization of Banking in Pakistan: A Legal and Institutional Perspective, by Yasir Muhib (University of Peshawar, Pakistan)
14. *al-Wa'd* (Unilateral Promise) in Islamic Banking Practices between Theory and Implementation: Bangladesh as an Example, by Mohd. Fuad Md. Sawari and Md. Faruk Abdullah (International Islamic University Malaysia)
15. A Theoretical Analysis of the Operational Risk Framework in Islamic Banks, by Hylmun Izhar and Mehmet Asutay (Durham University, UK)
16. Brand Personality of Islamic Banks in Malaysia: Lessons that can be Learned by Other OIC Countries, by Ismah Osman, Kalthom Abdullah and Nurdianawati Irwani Abdullah (International Islamic University Malaysia)
17. *Sharī'ah* Risk in Islamic Financial Transaction in Islamic Banking, by Ahcene Lahsasna and Saiful Azhar Rosly (International Centre for Education in Islamic Finance, Malaysia)
18. The Application of *Kaffah* Economics on *Sukūk* as Islamic Economic Instrument in OIC Countries, by Ir. H. Roikhan, MA. MM. (Islamic Graduate School of Economics Ahmad Dahlan, Indonesia)
19. Can an Islamic Model of Housing Finance Cooperative Elevate the Economic Status of the Underprivileged?, by M. Shahid Ebrahim (University of Nottingham, UK)
20. Housing Finance of Australian Islamic Financial Service Providers (IFSPs): An Empirical Analysis from *Sharī'ah* Perspectives, by Abu Umar Faruq Ahmad (Sule College, Australia)
21. *Sharī'ah* Versus Non-*Sharī'ah* Stocks: A Case Study from Malaysia, by M. Kabir Hassan and Eric Girard (University of New Orleans/Siena College, USA)

22. Measures Affecting the Agreed Profit Sharing Ratio in Joint Ventures Financed by Islamic Banks: A *Shari'ah*-Based Evaluation, by Muhammad Abdurrahman Sadique (International Islamic University Malaysia)

ECONOMIES OF OIC COUNTRIES

1. Herd Behavior in Malaysian Capital Market: An Empirical Analysis, by Jarita Duasa and Salina H. Kassim (International Islamic University Malaysia)
2. The Relationship between Economic Growth and Government Spending: A Case Study of OIC Countries, by Heri Sudarsono (Islamic University of Indonesia)
3. Financial Performance and Earnings of Poor People: A Case Study of Pakistan, by Mohammad Shahbaz (National College of Business Administration & Economics, Pakistan)
4. The Impact of Trade Liberalization on Developing and OIC Countries' Merchandise Trade Balance, Imports and Exports with Industrial and Developing Countries, by Gairuzazmi M. Ghani (International Islamic University Malaysia)
5. Islamic Alternative to Poverty Alleviation: A Comparative Study between Indonesia and Malaysia, by Umi Karomah Yaumidin (Indonesian Institute of Sciences, Indonesia)
6. An Empirical Investigation on the Sustainability of Balancing Items of Balance of Payment Accounts for OIC Member Countries, by Tuck Cheong Tang and Evan Lau (Monash University/Universiti Malaysia Sarawak, Malaysia)
7. Islamic Taxes Effects on Islamic Government Utility of Iran, by Morteza Sameti, Mehdi Zareei and Fateme Jabery (University of Isfahan, Iran)
8. Development and Growth through Economic Diversification: Are there Solutions for Continued Challenges Faced by Brunei Darussalam?, by Shamim Ahmad Siddiqui (University of Brunei Darussalam)

9. Environmental Performance and Economic Growth in the OIC Countries, by Ahmad Jafari Samimi and Seiyed Mohsen Hosseini (University of Mazandaran, Iran)
10. DEA/C&R: DEA with Classification and Regression Tree: A Case of Banking Efficiency, by Abdel Latef Anouze and Ali Emrouznejad (Aston University, UK)
11. The Effect of “Government Size” on “HDI” in OIC Countries – A Spatial Econometric Approach, by Morteza Sameti, Nematollah Akbari and Homa Moazzen Jamshidi (University of Isfahan, Iran)
12. A Study of the Influence of Macroeconomic Variables on Stock’s Total Price Indexes in Tehran Stock Exchange, by Habib Lotfi and Reza Moshari (Islamic Azad University of Ilkhchi, Iran)
13. Trends in Employment and Productivity of OIC Member Countries: An Analysis, by Selamah Abdullah Yusof and Zaiti Akma Zainuddin (International Islamic University Malaysia)
14. An Analysis of Poverty Incidences in OIC African Member Countries, by Jamil Serwanga (Islamic University in Uganda)
15. The Impact of Inflation, Interest Rate and Exchange Rate on Jakarta Islamic Index, by Raditia Sukmana, Ahmad Hudaifah and Shochrul Rohmatul Ajija (Airlangga University, Indonesia)
16. Terms of Trade Shocks on the Malaysian Economy: Impact Assessment and Policy Responses in a General Equilibrium Framework, by Angga Pradesha (University of Malaya, Malaysia)
17. Effects of Macroeconomic Variables on Stock Prices in Malaysia: An Approach of Error Correction Model, by Mohamed Asmy Mohd Thas Thaker, Wisam Rohilina, Aris Hassama and Md. Fouad Amin (International Islamic University Malaysia)
18. Are Devaluations Contractionary? Empirical Evidence for Pakistan, by Muhammad Shahbaz, S. M. Aamir Shamim and Naveed Aamir (National College of Business Administration & Economics, Pakistan)

19. Comovements and Linkages of Emerging Stock Markets; A Case Study of the OIC, by Ugur Erguna and Abu Hassan Shaari Mohd Nor (Universiti Kebangsaan Malaysia)
20. The Linkage of US Monetary Policy and Stock Markets toward Indonesia's Stock Markets, by Muhamad Abduh (International Islamic University Malaysia)
21. An Empirical Assessment of Business Cycle Asymmetries: Evidence from Malaysia, by Turkhan Ali Abdul Manap (International Islamic University Malaysia)
22. Long-run Sustainability of Sarawak-West Kalimantan Cross-Border Trade Flows, by Nurul Bariyaha, Evan Lau and Shazali Abu Mansor (Universitas Tanjungpura, Indonesia/Universiti Malaysia Sarawak, Malaysia)
23. The Effects of West Malaysian Economic Factors on Deforestation: An ARDL Approach, by Abdul Rahim Abdul Samad and Mohd Shahwahid Hj. Othman (Universiti Putra Malaysia)
24. Rational Speculative Bubbles in the OIC (Organization of Islamic Conference) Stock Markets, by Jung-Suk Yu and M. Kabir Hassan (Samsung Economic Research Institute, Korea/University of New Orleans, USA)
25. Dynamic Linkages between Stock Market of Malaysia and Its Major Trading Partners: A Two-Step Estimation, ARDL and GMM, by Bakri Abdul Karim and M. Shabri Abd. Majid (Universiti Malaysia Sarawak/International Islamic University Malaysia)
26. Financial Literacy and Investment Decisions of UAE Investors, by Al Anood Bin Kalli and Hussein A. Hassan Al-Tamimi (Abu Dhabi Securities Market/University of Sharjah, UAE)

ECONOMIC COOPERATION AMONG OIC COUNTRIES

1. Political Economy of the Muslim World: A Cross-Country Analysis of Inward FDI Performance, by M. Moniruzzaman (International Islamic University Malaysia)

2. The Rise of China and its Implications for the Muslim World, by M. Moniruzzaman (International Islamic University Malaysia)
3. Trading Relationship among Iran and OIC Countries, by Saleh Goltabar (Mazandaran University, Iran)
4. Analysis of the Impact of Trade Liberalization and SAFTA on Pakistan's Agriculture by Using CGE Model, by F. M. Shaikh, Nazir Ahmed Gopang and Chandan Lal Rohra (SZABAC-Dokri-Larkana/University of Sindh/SALU-Khairpur, Pakistan)
5. Turkey-Iran Economic Relations: The Western Influence on the Two Neighbors, by Sermin Tekin (Koc University, Turkey)
6. Iran-OIC Trade Relationship Based on Gravity Modeling: Issues and Challenges, by Fatemeh Sadat Amiri, Pazim Othman and Fatimah Kari (University of Malaya, Malaysia)
7. Towards an Islamic Common Market: Are OIC Countries Heading the Right Direction?, by Ruzita Mohd. Amin and Zarinah Hamid (International Islamic University Malaysia)
8. The GCC Economic Integration and Intra-trade: An Econometric Assessment, by Houcine Boughanmi (Sultan Qaboos University, Oman)

Of the papers being presented under each theme, the paper entitled "Divergence between Aspirations and Realities of Islamic Economics: A Political Economy Approach to Bridging the Divide" by Nazim Zaman and Mehmet Asutay (Durham University, UK) won the best paper award under the 'Islamic Economics' theme. The paper essentially attempts to identify the underlying causes of failure of implementing Islamic social and economic theory into realities. Subsequently, the paper presents an integrated model of the Islamic development paradigm with political economy sophistication in an effort to link economic theory with political reality. Under the 'Economies of the OIC Countries' theme, the paper entitled "Rational Speculative Bubbles in the OIC Stock Markets" by Jung-Suk Yu and Kabir Hassan (Samsung Economic Research Institute, Korea/University of New Orleans, USA) was selected as the best paper under the theme. The paper examines the possibility of speculative bubbles in the OIC stock markets by employing several tests including

the fractional bubble test and the duration dependent test. The paper finds no evidence of speculative bubbles in the OIC stock markets. Lastly, the paper entitled “Towards an Islamic Common Market: Are OIC Countries Heading the Right Direction?” by Ruzita Mohd Amin and Zarinah Hamid (International Islamic University Malaysia) won the best paper award under the ‘Economic Cooperation Among OIC Countries’ theme. The paper investigates the existing trade potentials among the OIC countries and the specific sectors in which tariff reductions can be undertaken in five out of the seventeen countries that have agreed to participate in the Trade Preferential System among the OIC countries.

The conference has provided an important avenue for academics, practitioners, professionals, students and other relevant parties to exchange ideas and have a critical intellectual discourse on the various topics presented. It is hoped that the papers presented in this conference will serve to chart out possible directions to follow in the future, at both the theoretical and policy levels.

Alias Mat Derus
Chairman, ICIE2009

Salina Kassim
Secretary, ICIE2009