# AL-SHAJARAH

JOURNAL OF ISLAMIC THOUGHT AND CIVILIZATION
OF
THE INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA (IIUM)

SPECIAL ISSUE:
ISLAMIC BANKING AND FINANCE

2019

# AL-SHAJARAH



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ISSN 1394-6870

# P2P ISLAMIC FINTECH INVESTMENT INNOVATION. A PROPOSAL OF *MUSHĀRAKAH* SMART CONTRACT MODEL FOR SMES FINANCING AND SOCIAL DEVELOPMENT

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**Abstract**

*Peer-to-peer financial services are increasingly becoming significant game changers in the financial sector across the globe. Initially, few structures were developed to help cater to the attention of the Islamic financial industry players involved in peer-to-peer dealings. The new trend of the technological evolution in the banking and financial sector has proved to be the next challenge in this sector. However, the survival of Islamic fintech will heavily rely on the existing established trust within the sector. The potential collaborations between the established Islamic banks, fintech players and start-ups will certainly unleash the potentials of today's technologies in the Islamic finance industry. Being in their early stages, Malaysia and its counterparts from the GCC states have the potentials to becoming leaders in the Islamic fintech industry and may work together to develop a necessary framework for Islamic fintech advancement. Peer-to-peer arrangement connects crowdfunding investors with entrepreneurs through more transparency, speed dealings and almost free from complications in the documentation. In view of the fact that mushārakah is becoming more practical under the concept of Islamic peer-to-peer deals, this paper attempts to develop a new peer-to-peer financing which is underlain by the Mushārakah Smart Contract Model. The paper proposes a mushārakah model using Mushārakah Smart Contract in which the investors would be crediting their investments for mushārakah purposes with virtual lenders for specific Sharīʿah compliant businesses and share in the* *profit, based on an agreed dividend under the mushārakah principles. It also highlights the potential structures, cyber risks, and devices to mitigate them by using mushārakah standards and measures within the Sharīʿah principles.*

**Keywords**: Peer-to-Peer Investment, Islamic Fintech, *Mushārakah* Smart Contract Model

## 1.0 Introduction

Islamic peer-to-peer (P2P) financing is one of the most vital mechanisms that will help boost the Islamic economic system for better growth amidst massive involvement of modern technology in the banking and financial sector. With the enormous evolution of tech companies taking part as one of today's banking and financial services providers, it has become a game changer looming for greater advancements in the future financial services. In its efforts to catch up with current trends, the Islamic financial system is grabbing the opportunity to develop *Sharīʿah* acceptable fintech platforms that will move amicably with the *Sharīʿah* regulations and pave the way to mutual collaborations between the tech companies and the Islamic banks in order to achieve the technological enhancement with the Islamic financial system. *Mushārakah* investment is one of the most feasible modes of Islamic finance mechanisms to move with the peer-to-peer financing. It is also important to understand that Islamic finance principles symbolize a unique form of investment management, which is built based on values of socially responsible investing. Islamic finance is an ethical and equitable kind of finance that derives its principles from the *Sharīʿah*. This paper is proposing the *mushārakah* peer-to-peer investment model that will allow the financier to be part of the business venture and share in the profit with the business owner. The mode of peer-to-peer investment will allow more returns to the investors and improve social development compared to conventional peer-to-peer lending.

### *1.1 Peer-to-Peer Lending*

Conventionally, peer-to-peer lending involves the matching of investors (otherwise referred to as lenders) with borrowers through an online P2P financing and lending platforms. The operator takes care of the borrowers' repayment obligations, and also acts as an agent for the investors. P2P lending has become one of the global fast growing financial industries, both in terms of loan volumes as well as a number of operators. The US-based Lending Club, which was established in 2007, is the world's biggest operator in P2P with over $20.6 billion worth loan as of June 2016. The UK's Zopa, however, has been the first P2P operator, which was launched in 2005[1].

In the US-based Lending Club structure, the operator provides loans to the consumer and small and medium-sized enterprises for a fixed period of either thirty-six or sixty months. Lending Club operates based on a notary business model by acting as an intermediary between the investors and the borrowers. Following the funding of a loan, a partner bank, Utah-based WebBank, which is being used by both Lending Club and Prosper, releases the money to the borrower.

In other words, WebBank provides money to the intermediary arranging the peer-to-peer loans between the investors and the borrowers. By doing so, WebBank has become very lucrative for dominating a rapidly growing and low-risk industry. The main role of WebBank is to grant loans to borrowers who are clients of Lending Club. For instance, if a borrower applies for a loan, with Lending Club, it usually takes about two business days before Lending Club secures the loan and then parcels it out to the investors who pledged to fund it. WebBank collects interest on the money for that window and earns a fee from LendingClub. LendingClub then issues a note to the investor that is essentially a security. Lending Club offers loans from $1,000 to $35,000 for individuals and from $15,000 to $300,000 for businesses[2].

The focus of P2P operators has predominantly been to personal and small business loan portfolios, but it is gradually expanding into an increasing number of different loan markets such as trade credit

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[1] K. Davis, "Peer-to-peer lending: Structures risk & regulation", *Finsia Journal of Applied Finance*, 3, (2016).

[2] Oliver Garred and David Galland Partner, Garret/Galland Research Managing Editor, Compelling Investments Quantified, The Passing Parade 29/01/2017

and mortgages. P2P lending is often thought of as connecting retail investors and borrowers but has evolved such a form that on some platforms the majority of investor funds come from institutional investors. This has led to the term 'marketplace lending' also being used to describe P2P lending. The attraction for borrowers is the potential to access credit (if rejected by traditional lenders) and/or the possibility of receiving more attractive interest rates. While traditional intermediaries can use risk-based pricing and 'new' forms of credit-relevant information (such as social media), the limited use of these has been one-factor providing growth opportunity for P2P platforms. Investors are attracted by access to different classes of assets with risk-return characteristics that may appear superior to traditional investment options. Personal loans, for example, have traditionally been the domain of banks and credit unions. P2P lending allows investors to directly invest in this asset class and potentially benefit from any associated revenue.

### *1.2 Regulating Peer-to-Peer Islamic Financing*

The main reasons why peer-to-peer lending companies excelled is because they are lucky to have averted banking regulatory cost since they have no banking licenses and they are seen as technology companies other than financial firms. Peer-to-peer firms turn to a third party to secure loans for them, for instance, the America-based LendingClub and Prosper Marketplace appointed WebBank to originate loans for them; and this process has actually improved their image with investors. The only fear is when the regulators decided to put a hand on the peer-to-peer industry[3]. Banks that are facilitating loans for peer-to-peer industry have become one of the most profitable banks in the world, and yet they have no grand entrance for clients; it is just maintaining workspaces, conference rooms, and a break area with machines that dispense liquidity to its clients.

The Canadian peer-to-peer industry is different from many peer-to-peer lending companies that have proven to be very successful alternatives to bank lending. In Canada, the industry has grown slowly, and it is notable that in Canada the peer-to-peer industry could

[3] N. Bahayar "where peer-to-peer loans are born" /www.bloomberg.com/ news/articles April 16, 2015

not excel that much, and recorded very slow growth compared to its counterparts across the globe. This may be relative of the careful approach regulators have taken in Canada with regards to P2P lending services. Canadian securities regulators have taken the position that loan arrangements entered into using peer-to-peer lending platforms may be "securities" and peer-to-peer lending companies could be trading in securities and therefore must register as dealers with securities regulators in the provinces where they operate[4].

Malaysia is the first country to regulate Islamic peer-to-peer financing across the globe; Securities Commission (SC) of Malaysia is regulating Malaysia's capital markets. In February 2015, SC released equity crowdfunding guidelines and introduces a regulatory framework for peer-to-peer financing in April 2016. The SC issued licenses to six equity crowdfunding and six peer-to-peer financing platforms in 2016. In June 2017, Bank Negara Malaysia, the Malaysia's Central Bank, approved four fintech firms as participants in its regulatory sandbox. In May 2017, Dubai Financial Services Authority (DFSA) launched it's fintech regulatory sandbox. In March, the regulator issued its first peer-to-peer license to Beehive as a first *Sharī'ah*-compliant peer-to-peer platform in the country[5].

### *1.3 Use of Technology in Islamic Finance*

Technological advancement in finance provides more efficient and quicker access by providing innovative financial operation and business options. Currently, with the help of modern technology, internet, and mobile banking, customers are able to perform financial transactions from any location across the globe. As Islamic finance progresses, technology is becoming a key game changer for future deals and trouble-free Islamic financial services. Additionally, modern technology provides banks with all the necessary solutions to stay *Sharī'ah* compliant. The main difference between a Western high street bank and an Islamic one is that Islām prohibits investors from making money from just lending it. Therefore, the party to an Islamic transaction or banking customer with current or savings

[4] http://www.ekb.com/ p2p-lending and how it's regulated, Riley Lalonde, November, 2017.

[5] www.salaamgateway.com/ September 13, 2017

account will not be given any profit based on lending-related contracts[6]. Looking at the tremendous growth recorded by Islamic banking and finance institutions in the last decades, there is a significant demand that required diversified technology that will support Islamic banking evolution as well as the conventional banking system.

Islamic banking and finance institutions are inclined to view technology in the same light as their conventional counterparts do, but Islamic institutions may often end up with the understanding that the industry is actually short of the relevant systems that cater specifically the Islamic principles and contracts. By innovating and utilizing the right technological solutions, an Islamic bank can quickly react to the demands of its customers by introducing new innovative and inexpensive products with new technology that will move the market to the highest level. Since their establishment, Islamic banks have inclined to adopt technology solutions from specialized hawkers, which offered dedicated solutions. Traditionally, these hawkers have been small and did not have the funds to meet the increasing sophistication of the Islamic bank's requirements. When Islamic financial institutions were starting up, the banks were small and needed to infiltrate the market quickly with minimal available technology[7].

However, during this period, the Islamic bank customers have developed some sort of sophistication with a different demand that needed a brand new technology to achieve. In other domain to compete in the current market, Islamic banks are required to be well equipped with advanced technical support and seek solutions from higher technology firms that will lead the banks to the next level of sophistication so as to move them from mere automation to the high tech banking industry. The new technology can assist in achieving customer expectation in creating short time products which will be attractive and retaining customers via utmost services whenever possible. In order to develop Islamic financial institutions, technology becomes a key enabler for Islamic future businesses.

[6] Worldfinance.com "Technology boosts Islamic finance; ITs provides solutions" Ismail Ali Ahmad March 3, 2014.

[7] Ibid.

Islamic finance institutions offering *Sharī'ah* compliant products need a sophisticated endways Islamic banking system that will simplify and automates *Sharī'ah* compliant banking operations and enables banks to scale up their operations to meet global competition, improve their profitability, grow market capabilities, and keep their existing and potential customers[8].

*2.0 The Need of Islamic P2P Financing*

In this trying time of sudden financial turmoil, all nations including the developed and developing countries are in a race to make use of fintech to develop their financial services using high-tech innovation. While, the Islamic countries are also not left behind, the Qatar government is assessing how it can promote entrepreneurship and create employment opportunities for the national workforce. In his opening remark at the 4th Annual Edition of 'The Economic Times' Global Business Summit 2018, Dr. R. Seetharaman stressed on the fintech trends in Qatar. He stated: "There has been a significant push to promote Qatar as a regional fintech hub. Qatar offers the right regulatory environment, extremely competitive operating costs, government support, funding support and a ready financial services sector to work with. Fintech can help achieve QCB's goals set up in the financial sector strategy. There is momentum building in Qatar, with opportunity in the areas of digital payments, money management, lending, loyalty and rewards, remittances, and investments and advisory. An ideal fintech ecosystem features available talent, well-informed investors, and a regulatory environment. To develop such environment, banks and regulators need to collaborate with fintech firms to provide the best possible customer service"[9].

In Malaysia, there are few registered Islamic fintech platforms. Qatar may explore international interactions with the countries such as Malaysia pertaining to the Islamic fintech sector development on areas such as knowledge sharing, investments, and remittances, which could lead to collaborations and partnerships. This could be

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8 Ibid.

9 R. Seetharaman "Cross-Border Synergies are Vital for Qatar's Fintech Sector Development" http://dohabank.qa/ 24/02/2018

vital for the growth of Qatar's Islamic fintech sector. The distinguished attainment of the Qatar financial institutions to developing small and medium enterprises (SMEs) financing is remarkable. In 2015, Qatar Development Bank (QDB) launched a dedicated SME Equity Fund, worth QR365m in total and making ticket sizes of between QR1.5m-QR7m ($411,940-$1.92m) and QR3.5m-QR18m ($961,195-$4.94m) available for small enterprises and medium-sized growth businesses, respectively. The CEO of Qatar Development Bank stated that around 5 percent of the five-year fund has been released as of last year[10].

Government agencies and regulators in Qatar can relatively influence many aspects for the Islamic fintech growth and expansion; this includes simplification of business regulations such as product registration, copyright, initial public offering (IPO) requirements. The government may also keep taxes and fees lower. However, the scope of the government's involvement can be different. In relatively mature fintech grounds such as the United Kingdom and the United States, the private sector dominates the service provider landscape. In these developed nations, the government's role is limited to regulations, policy setting and property development. However, in the Gulf Cooperation Council (GCC) and other emerging fintech-related destinations such as Qatar, the government should be involved in the entire system. Qatar made good efforts to enhancing the capabilities of its entrepreneurs via the ten-week program leading up to a successful achievement. The promising entrepreneurs had also worked hard to improve and enhance their business ideas and to build product models. The prospective business frontrunners all followed a highly successful, internationally respected procedure called the Business Model Canvas, which is one of the most vital modules for startup awareness methodology[11].

Qatar continues to select some innovative inexperienced companies for incubation and they are now required to complete a three-month trial period, during which they will set milestones themselves to ensure that their business idea continues to grow and

[10] http://www.arabianbusiness.com, "Qatar building big businesses from small ideas" Sun 19 Feb 2017

[11] http://www.qbic.qa/ "Qatar Business Incubation Center News", May 15, 2018.

satisfies the requirements of Qatar Business Incubation Center (QBIC) for a successful launch. After successfully meeting these milestones, the incubating startups will be activated – meaning they can introduce their products and services to the local market, while continuing to develop within QBIC for two years. However, looking into other locations in GCC, the fintech startup scene in Qatar yet remains in small size. But many startups have emerged in recent years with innovative products. These include, for instance Hasalty, a mobile application dedicated to improving the financial literacy for kids, and Rinfo, a real-estate mobile app for finding places to rent or buy. Both are brainchild startups of the Qatar Business Incubation Center. Another startup is MaktApp, which provides an all-in-one cloud-based solution for accounting, offices and team management.

Furthermore, the Qatar initiatives may help the country grab fintech leadership in the GCC in the near future. Qatar Development Bank CEO and QBIC Chairman Abdulaziz Bin Nasser Al Khalifa said: "Since QBIC's launch in 2014, it has been our responsibility to simplify the difficulties facing the entrepreneurs and creating a suitable innovative environment for them to focus on turning their ideas into actual projects. QBIC brings on-board new, innovative companies creating inspirational role-models from the entrepreneurs, whether male or female. The startups selected for incubation are not the only winners here today, because QBIC will continue to provide all the participating Demo Day entrepreneurs with support, advice, and mentorship so that they can continue developing their ideas and bring them to life"[12].

## *3.0 Mushārakah* Model of Peer-to-Peer Financing

*Mushārakah* is an Arabic term that symbolizes partnership related contracts. *Mushārakah* is an acceptable contract in *Sharīʿah*, the Qur'ān has said: "Many partners take advantage of one another, except those who believe and do good deeds, but these are so few"[13]. The Prophet (ﷺ) used *mushārakah* contracts followed by many of his companions[14]. *Mushārakah* is defined as "a partnership

[12] http://www.qbic.qa/ "Qatar Business Incubation Center News" May 15, 2018
[13] Qur'ān 38/24
[14] The Hadith was accepted by Alhakim 61/2 and followed by Imam Alzhahabi.

arrangement between two parties or more to finance a business venture in which all parties contribute capital either in the form of cash or in kind for the purpose of financing the business venture. Any profits derived from the venture will be distributed based on a pre-agreed profit sharing ratio but a loss will be shared on the basis of equity participation"[15]. *Mushārakah* plays an important role with regards to financing business operations based on *Sharīʿah* principles.

One of the common illustrations of *mushārakah* financing technics is where a person possessed a good *Sharīʿah* acceptable business proposal but has a minimal financing capability. On the other hand, another person has the needed fund and intends to merge together and benefit each other from the *mushārakah* venture. Both *mushārakah* parties will come together and execute the business and share in the profit based on an agreed dividend of the *mushārakah* venture, and share loses, if any, according to the proportionate contribution. In Islamic peer-to-peer financing, businesses would not take loans and generate a profit or return that will be shared with investors, this is regarded as *Ribā* (usury) transaction and it is prohibited. *Mushārakah* or partnership venture is the alternative; it will benefit both the business owners who seek for financing and the investor who is looking for a *Sharīʿah* compliant return[16].

### *3.1 Mushārakah Smart Contract MSC*

*Mushārakah* Smart Contract (MSC) is an innovative *Sharīʿah* related contract using the *mushārakah* concept for contract automation using the distributed lager in the blockchain or other technologies. In the innovative structure of *mushārakah* peer-to-peer financing by using *mushārakah* as an underlying contract, the peer-to-peer company will be appointed as an agent to facilitate the *mushārakah* arrangement between the business owners and the investors. The parties will enter into a MSC, the *mushārakah* arrangement consists of a fixed period with an agreed profit sharing ratio and any loses will be allocated based on the capital contributed. The business owner will undertake

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[15] Securities Guidelines 2014, SC Malaysia

[16] K. Najmi, "Case study on *Sukuk Mushrakah* in Malaysia", *Middle-East Journal of Scientific Research*, 12(2), (2012), 168-175.

to return the capital contributed by investors at the end of the period stipulated in the *mushārakah* venture.

*3.2 The structural Overview*

The following Figure 1 illustrates the MSC modus operandi**.**

Figure 1: *Mushārakah* Smart Contract

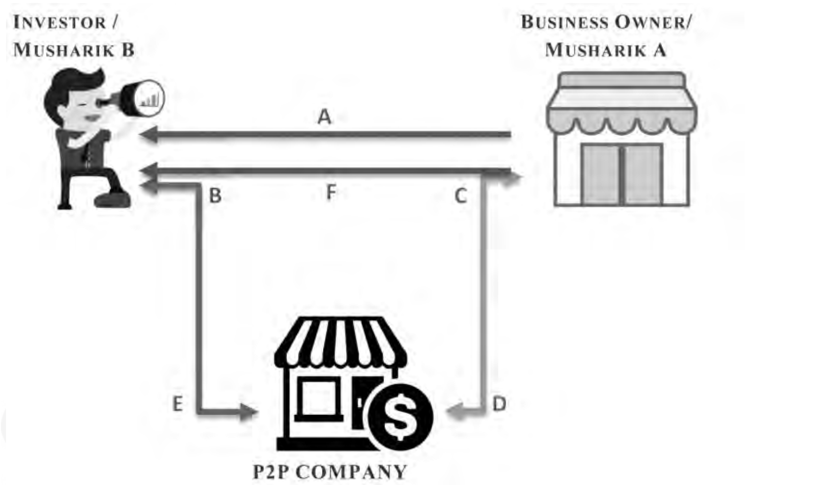


Figure 1: Musharakah Smart Contract (Authors' Illustration)

(Authors' Illustration)

A. Business owner (as *mushārik* A) contributes *Sharīʿah* compliant and profitable business idea and apparatus.
B. Investors (as *mushārik* B) contribute cash, the peer-to-peer company received from the investors for the *mushārakah* venture.
C. Peer-to-peer Company as an agent of the *mushārakah* venture channels the amount received from the investors to the business owners.
D. In return, the agent (i.e. the peer-to-peer company) will get a fixed agency fee as an agent.

E. The profit will be distributed to both investors and the business owners as per agreed in the *Mushārakah* Smart Contact.
F. The *mushārakah* capital contributed by the investors will be returned to the Investors at the end of the *Mushārakah* Smart Contract.

However, there are few issues and challenges related to *mushārakah* contract in terms of the capital proportion, operation and management, risk, and guarantee. Fintech investors might need to understand these important components related to *mushārakah* financing before boarding the venture. *Mushārakah* capital or *Ra'sul Māl* can be tangible or intangible valuable property. The value of each property must be recognized and quantified because all *mushārakah* contributors will be profiting from each other's wealth or capital contributed to the venture; therefore it has to be known and quantified[17]. If the *mushārakah* capital contributed to the venture was in foreign currency, the converting rate of the day the capital was received for the venture will be applied, it was reported that 'Abdullah Ibn 'Umar said, "I went to the Prophet (ﷺ) and told him that I used to buy and sell camels at *Baqi'*, I would sell them for *dinār* coins and collect *dirhām*, or sell them for *dirham* and collect *dinar*. The Prophet (peace be upon him) said there is no harm if you collect them based on their present value and depart without any remaining liability"[18]. The tradition, in effect, legalizes the swap of one original rate with another on the day of transaction. Therefore, the peer-to-peer company should take note of this and convert any capital received in foreign currency at the day of the transaction and not at any other day so as to free the transaction process from *ribā*.

The *mushārakah* capital should not be entirely debt, because debt alone will not be able to generate any profit to the *mushārakah* venture and it can lead to a *ribā* transaction as well. However, if the capital comprises both tangibles, cash, and debt then there will be no harm in accepting them as the capital of the *mushārakah* venture. All *mushārakah* partners are equal in terms of the right to manage and run the *mushārakah* ventures. However, if the contributors agree to

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[17] AAOFI *Sharī'ah* Standards on *Mushārakah*, No. 12 p.176 al-Mugni 7/124
[18] Reported by the five narrators, couple with Imam Ahmad and Sunan collectors.

appoint one of them or someone else to run the venture as an agent then there will be no harm but the agency contract should be separated from the *mushārakah* contract. This is in order to avoid guarantying a part of a return to one of the *mushārakah* partners. Partners of the *mushārakah* venture should not have any guarantee in terms of the return or the capital contributed except in the event of negligence[19].

One of the partners of the *mushārakah* venture(s) can possibly stipulate a condition to the other party to provide a collateral guarantee, or a guarantor in case of any negligence occurred. It is also possible for the contracting parties to have a third party who will voluntarily promise to secure or guarantee some part of the capital or all in case of any misfortune or loss. However, this is just a separate volunteer promise by a third party and should not be a condition of the *mushārakah* performance[20].

### *3.3 Mitigating Financial Risk or Technology Risk*

One of the unique challenges of regulating fintech is that the development in the industry was driven by tech companies which have no submission to the banking and finance regulations. This is because their scope of business comes across various industries. fintech might remain unregulated until the business venture starts to recognize the importance of managing the risk through adoption of regulations. A regulatory sandbox is very important at this point. However, if the new economic trend moves faster than the speed where regulations are being formalized, there will be a lot of speculative and arbitrage opportunities for the market to prosper. This also means the new economy brings new risks that the regulator and the consumers are not very sure about. Furthermore, banks have been adjusting and mitigating their risk which is familiar over the past half a century or more, the fintech players may not recognize the elements of risks if not the systemic risks or technology risks. Almost all the risks faced by banks are also prevalent in fintech companies. Fintech might be great at technology assimilation while banks are

[19] Ibn Qudamah, Alkafy, 2/230
[20] Standards of the Islamic Fiqh conference No. 30(4/5)

still leaders when it comes to understanding financial sector risks and ways to mitigate them[21].

Obviously, a tech company understands speed, efficiency, and channels better than any bank or financial institution. However, banks and financial institutions are now developing "fintech" on their own which is mostly a process enhancement scheme. Tech companies are now developing "banking services" on their own too, where it linked investor's with business startups and entrepreneurs via technology. It will be a great opportunity for these two powerful industries to come together and provide a better solution beyond conservative banking operations.

## 4.0 Conclusion

Islamic banking and finance popularity is credited to many different factors, but one thing is certain that the growth would not have been possible without the deployment of contemporary financing techniques or structures that are actually supporting the industry. Take a look at *ṣukūk* (Islamic bonds), for instance, they can be seen as a union between religious principles and modern financing techniques. In light of the 2008 banking crisis, it is clear that *ṣukūk* are now seen as a more tangible investment than a conventional bond, as the owner has a stake in the underlying asset rather than a share of the debt. This is the same as Islamic peer-to-peer financing industry. According to the proposed *mushārakah* venture the investor is already part of the business venture and will probably get a better return than the conventional way of just receiving a fixed interest from the borrower.

One of the most essential foundations of Islamic finance is its ethical Islamic structure. Islamic banking is set up in accordance with the principles of *Sharī'ah*, the moral code, and Islamic religious laws. Many of its rules have been specifically laid out with business and trade in mind, an important aspect, which has attracted the eyes of many small and medium-sized enterprises (SMEs) all over the world. Encouraging collaboration between banks, non-bank financial institutions, and fintech platforms will definitely create better access to

[21] www.islamicbankers.me/tag/peer-to-peer/ accessed 29/05/2018

stable funding for businesses in actualizing Islamic social economic development. Similarly, non-banking financial institutions also have enough experience underwriting smaller loans for SMEs. SMEs could thus be more effectively supported through collaborative efforts rather than the competition. This collaboration should be built on a mutual interest in expanding financing to the SME market and the respective skills of each type of institution. Fintech will help this collaboration work by providing greater transparency between the institutions, lower costs and an increased ability to do ex-post *Sharīʿah* audits to ensure that procedures approved by each institution's *Sharīʿah* board are followed.

The result of this collaboration might not look like what we recognize as banks we see today. This could be a separate line of business for the banking industry, where the component of technology combined into the broader economy is more dominant than its traditional banking products and services. You could have Bank A offering the traditional products and services, and Bank A-Tech offering fintech solutions to a new generation. The same bank catering to two sophisticated business lines, employing different distribution channels, and at the same time empowering the SME's and startups with cheaper and competitive solution to their businesses.

Islamic fintech offers a way to reduce costs and make Islamic banks more competitive with their larger conventional counterparts. The establishment of a dedicated department at the regulator that could create an experimental 'sandbox' regulatory regime for fintech enterprises would be valuable not only for banks but also for non-bank financial institutions, asset and fund management companies and insurers. It may be necessary, as part of the regulatory sandbox, to allow temporary exemptions and relaxed size limits for Islamic fintech companies from any limitations and caps. Merging safe investment and social responsibility with innovation and effective utilization of the existing mechanism, Islamic finance can adopt any contemporary financial instruments and put them to good use. Crucial to the growth of the Islamic banking and finance, the competitiveness of Islamic financial institutions will significantly grow from their cooperation with the fintech sector. Given these promising trends, the Fintech Hive is set to expressively encourage the adoption of the Islamic economy on the international scale

The paper demonstrated that P2P financing using underlying *mushārakah* contract is feasible and satisfy the *Sharīʿah* requirements. However, it should not be regarded that this is the only fintech-enabled and suitable product in line with *Sharīʿah* law. There are many aspects of *Sharīʿah* contracts that are feasible and possible to uplift Islamic fintech to the next level. The variety of feasible *Sharīʿah* underlying contracts have potentially given good opportunities for Islamic bankers, practitioners, customers and the investors that go outside the scope of peer-to-peer financing. Today's technology can voluntarily provide available standardized contracts to assist eliminate risk associated with various banking and financial products. Further digitalization of banking and finance services will definitely restore resources, minimize time and efforts.

Modern technology in the banking sector can help reduce transactional risks, lower overheads and so on. Fintech neutrality made it attractive to make Islamic finance more up-to-date and conversant for its players and proves that *Sharīʿah* law is practical and feasible to all people, era, and societies. Finally, Islamic banking and finance players have every freedom to choose which Fintech features to develop in their practices so as to uplift their efficiency and at the same time maintain the values of the Islamic teachings and maintain the stipulated principles.

# TRANSLITERATION TABLE

## CONSONANTS

Ar=Arabic, Pr=Persian, OT=Ottoman Turkish, Ur=Urdu

| | Ar | Pr | OT | UR | | Ar | Pr | OT | UR | | Ar | Pr | OT | UR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ء | ’ | ’ | ’ | ’ | ز | z | z | z | z | گ | – | g | g | g |
| ب | b | b | b | b | ڑ | – | – | – | ṛ | ل | l | l | l | l |
| پ | – | p | p | p | ژ | – | zh | j | zh | م | m | m | m | m |
| ت | t | t | t | t | س | s | s | s | s | ن | n | n | n | n |
| ٹ | – | – | – | ṭ | ش | sh | sh | ş | sh | ه | h | h | h[1] | h[1] |
| ث | th | th | th | th | ص | ṣ | ṣ | ṣ | ṣ | و | w | v/u | v | v/u |
| ج | j | j | c | j | ض | ḍ | ẓ | ż | ż | ى | y | y | y | y |
| چ | – | ch | çh | ch | ط | ṭ | ṭ | ṭ | ṭ | ة | -ah | | | -a[2] |
| ح | ḥ | ḥ | ḥ | ḥ | ظ | ẓ | ẓ | ẓ | ẓ | ال | al[3] | | | |
| خ | kh | kh | kh | kh | ع | ‘ | ‘ | ‘ | ‘ | | | | | |
| د | d | d | d | d | غ | gh | gh | ğ | gh | | | | | |
| ڈ | – | – | – | d | ف | f | f | f | f | | | | | |
| ذ | dh | dh | dh | dh | ق | q | q | k | q | | | | | |
| ر | r | r | r | r | ك | k | k/g | k/ñ | k | | | | | |

[1] – when not final
[2] – at in construct state
[3] – (article) al - or 1-

## VOWELS

| | | Arabic and Persian | Urdu | Ottoman Turkish |
|---|---|---|---|---|
| Long | ا | ā | ā | ā |
| | آ | Ā | Ā | – |
| | و | ū | ū | ū |
| | ي | ī | ī | ī |
| Doubled | يّ | iyy (final form ī) | iy (final form ī) | iyy (final form ī) |
| | وّ | uww (final form ū)<br>uvv (for Persian) | uv | uvv |
| Diphthongs | و | au or aw | au | ev |
| | ى | ai or ay | ay | ey |
| Short | ـَ | a | a | a or e |
| | ـُ | u | u | u or ü<br>o or ö |
| | ـِ | i | i | i |

## URDU ASPIRATED SOUNDS

For aspirated sounds not used in Arabic, Persian, and Turkish add h after the letter and underline both the letters e.g. جھ <u>jh</u> گھ <u>gh</u>

For Ottoman Turkish, modern Turkish orthography may be used.

AL-SHAJARAH
Special Issue

*Contents*



**WoS-Indexed** under *Arts & Humanities Citation Index, Current Contents/Arts and Humanities* and **Scopus**

ISSN 1394-6870

9 771394 687009