Good Governance and QaziNazrul Islam's Contribution to Human Rights

Dr. Mohammad Abu Tayyub Khan
(Assistant Professor, Department of Bengali)

The rule of law, one of the most challenging politico-legal concepts, is of great antiquity, and continues to move the minds of legal and political philosophers today. The term good governance has recently gained currency and become catchword, particularly in the vocabularies of international donors, policy makers, development practitioners and scholars. The spirit of human rights has brought about a sea change in the world. Human rights language has become universal, spoken widely both by political leaders, individuals and community groups.[1]These three separate but interrelated and mutually reinforcing issues have been an increasing concern both at national and international levels. In Pakistan, rule of law, good governance and human rights are widely debated and discussed issues during recent years. They have, indeed emerged as one of the top national agenda not only because of their critical significance in terms of all round sociopolitical and economical-legal development but also for effective protection and promotion of the rights of the citizens. This article has made attempts to focus on conceptual understanding of rule of law, good governance and Nazrul's humanism refers to the original Renaissance or dignity of all people and explore interface of rule of law and institutional frameworks in which they operate. The situation of Pakistan has been undertake as a case study.

1. Contours of Rules of Law, Good Governance and Human Rights

1.1 Rule of Law

Rule of law has no fixed connotation though its broad emphasis is on absence of any centre of unlimited or arbitrary power in a country. The expression 'rule of law' has not only various shades of meaning, it is also an ever expanding concept. It is, therefore, a term open to a wide variety of interpretations. The conservative Diceyan formulation of rule of law included three things: (a) absence of arbitrary power,, that is, no man is above law and the persons exercising authority do not enjoy wide, arbitrary discretionary powers; (b) equality before law, that is, equal subjection of all classes, irrespective of their rank or condition, to the ordinary law o the land and jurisdiction of the ordinary tribunals; and (c) individual liberties. Although Dicey's theory has been criticized from many angles, yet his emphasis on subjection of every person to the ordinary laws of the land, the

Hassan, M.K, and M.A.M. Chowdhury, "Islamic Banking Regulations in Light of Basel II.", Proceedings of the Fifth Harvard Research Forum on Islamic Finance, April 12, 2004
Hull, L. (2002). Foreign-Owned Banks: I mplications for New Zealand's Financial Stability, Discussion Paper Series, DP 2002/05.
Iqbal, Z. and Mirakhor, A. (2007), "An Introduction to Islamic Finance: Theory and Practice"
John Wiley & Son (Asia) Pte Ltd.
Ismal, R. (2010)."Assessment of liquidity management in Islamic banking industry".
International Journal of Islamic and Middle Eastern Finance and Management , 3 (2), 147-167.
Khan, T. and Ahmed, H. (2001), "Risk Management: An Analysis of Issues in Islamic Financial
Industry" IRTI/IDB Occasional Paper, No. 5.
Mounira, B. A. (2008). "Managing Risks and Liquidity in an Interest Free Banking Framework:
The Case of the Islamic Banks".International Journal of Business and M anagement, 3 (9), 80-95.
Mounira, B. A. and Anas. E (2008), "Managing Risks and Liquidity in an Interest Free Banking
Framework: The Case of the Islamic Banks" International Journal of Business and Management
Vol. 3, No. 9
Qureshi, D.M. (1984), "Capital Financing in Islamic Banking", Pakistan and Gulf Economist,
December 15, p. 8.
Rosman, Romzie, (2009) "Risk Management Practices and Risk Management Processes of Islamic Banks: A Proposed Framework" International Review of Business Research Papers Vol.5 No. 1 Pp. 242-254.
Salman, A. S. (2007), "Financial Distress and Bank Failure: Relevance for Islamic Banking",
Islamic Development Bank—Islamic Research and Training Institute.
Turen. S. (1996), "Performance and Risk Analysis of the Islamic Banks: The Case of Bahrain
Islamic Bank" J.KAU: Islamic Econ., Vol. 8, pp. 3-14

CONCLUSION

The debate on the moral and economic viability of Islamic finance has given rise to arguments on the preliminary aspects with regard to the basic concepts and consequent transformation of Islamic finance into a diverse, full-fledged and deeply analyzed factors and instruments which have critical bearing and impact on operational results.

This research is basically based on pragmatic approach and it supports the conclusion that the Islamic banking and finance system is economically and morally superior and has an edge over the conventional system with regard to the management and mitigation of risks with the help of selected tools.

Hence, some assistance can be accomplished in the facet of Islamic banking particularly to the diverse investors commonly the general public. In the facet of learned, the empirical and the descriptive clues the connections is significant to add worth the persons to acclimatize the Islamic investment part other than conventional. Finally, this study assists by supplying some other devices breaches that require to be topped up in the locality of Islamic banking.

The study has identified & opened a new chapter for further research a perpetual impetus for scholarly deliberations, besides seeking quality experiential (hands on) inputs from the banking industry, to modify the policy & processes substantively,& in turn create a safe & measurable numerical advantage for the investor depositor which is also 'Sharia complaint.

REFERENCES

Ahmad, A., Rehman, K. &Saif, M. I. (2010). Islamic Banking Experience of Pakistan: Comparison of Islamic and Conventional Banks, International Journal of Business and Management, 5 (2), 137-144.

Akhtar, Shamshad (2008) "Improving risk management in Islamic banking" The Banker.

Al-Jarhi, A.M., &Iqbal, M. (2001). Islamic Banking: Answers to Some Frequently Asked Questions, Occasional paper No. 4, Islamic Development Bank, Islamic Research and Training Institute.

Al-Tamimi, H. and Al-Mazrooei M., (2007), "Banks' Risk Management: A Comparison Study ofUAE National and Foreign Banks", The Journal of Risk Finance, Vol. 8 No.4, pp. 394 - 409.

BCBS (2001), Consultative Document: Principles for the Management and Supervision of Interest Rate Risk, Bank for International Settlements.

Cumming, Christine and Beverly J. Hirtle (2001), "The Challenges of Risk Management in Diversified Financial Companies", Economic Policy Review, Federal Reserve Bank of New York, 7, 1-17.

Dugar, Vishal (2007) "Islamic banking quest to adopt Basel II"

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868[a]	.753	.750	.20561

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	35.457	3	11.819	279.563	.000[a]
Residual	11.626	275	.042		
Total	47.082	278			

Coefficients

	Un-standardized Coefficients		Standardized Coefficients		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1 *(Islamic Risk Tools)*	.007	.028		.245	.807
Operational Risk	.204	.058	.179	3.541	.000
Rate Of Return Risk	.733	.067	.700	10.880	.000
Shariah Non-Compliance Risk	.022	.061	.022	.363	.717

The R as shown in table has value of about 0.868which suggests that a powerful relationship exists between the independent variables namelyOperational Risk, Rate Of Return Risk, Shariah Non-Compliance Risk and dependent variable Islamictools whereasthe standard for Multiple R is 0.7. The R square i.e. the co-efficient of simple determination exhibits that 75.3% of variance in Operational Risk, Rate Of Return Risk, Shariah Non-Compliance Risk has been elaborated by Islamic banking. The F test suggests the validity of the overall model. The significance F in the calculation <0.05 thus proves that there is a significant relationship between Operational Risk, Rate Of Return Risk, Shariah Non-Compliance Risk and Islamic banking.

Rate Of Return Risk	.750**	1	.860**	.758**
Shariah Non-Compliance Risk	.791**	.860**	1	.858**
Islamic Risk Tools	.758**	.758**	.858**	1

However, the calculation shows that the Islamic tools are highly correlated with Shariah non-compliance risk which is 0.858 and after that Islamic tools are correlated with operational risk and rate of return risk which is .758while on the other handShariah non-compliance risk shows the highest correlation among all the variables with rate of return risk which is .860; after that rate of return riskis also highly correlated with the operational risk which is 0.750. Further the results also suggest that all the independent variablesi.e. operational, rate of return, and Shariah non-compliance risk are also highly interrelated with one another and provide the positive relation among them.

MULTIPLE REGRESSIONS AMONG OPERATIONAL RISK, RATE OF RETURN RISK, SHARIAH NON-COMPLIANCE RISK, ISLAMIC RISK TOOLS

In the multiple regression models, we have selected all independent variables to see their relationship among one another and their ability to create awareness in people about the risk factors of Islamic banking.

The regression equation betweenOperational Risk, Rate Of Return Risk, Shariah Non-Compliance Risk, Islamic Risk Tools is:

Islamic Risk Tools(y) = f (Operational, Rate Of Return, Shariah Non-Compliance)

$y = b1x1 + b2x2 + b3x3 + \text{Error}$

y = 0.179Operational+ 0.700Rate Of Return+ 0.022Shariah Non-Compliance+ Error

Where b1x1 represents intercept of Operational x, b2x2 intercept of Rate Of Return x, b3x3

intercept of Shariah Non-Compliancex.

Multiple Regressions among SHRM, Employees Attitude, Organizational Environment, Organizational Performance

HYPOTHESIS

H_0 = There is a significant impact of Operational Risk, Rate Of Return Risk, Shariah Non-
Compliance Risk on Islamic financial tools.

H_1 = There is no significant impact of Operational Risk, Rate Of Return Risk, Shariah Non-

Compliance Risk on Islamic financial tools.

ANALYSIS AND DISCUSSION

In the current scenario of the financial market and the Islamic banking sector, the risk mitigation

tools can highly motivate the people to adopt the Islamic banking and can be effectively utilized to find the correlation between among Islamic banking tools and risk management tools. However, similarly Islamic economic organizations have toface the terrible situation. It is usually believed that Islamic economic system is moving its pace in financial sphere just due to the fact that it possesses more stability than conventional system but the Islamic economic organizations dohave anxieties of uniqueness and high exposure to risks. Therefore, interior steadiness and risk reduction and management should have considerable effect. This study proposes some relations ofIslamic banks and risk tools to make them capable of combating the challenges and reduce the risks for the sake of long span of stability.

CORRELATION AMONG OPERATIONAL RISK, RATE OF RETURN RISK, SHARIAH NON-COMPLIANCE RISK,

ISLAMIC RISK TOOLS

Correlation shows a positive relation among all variables especially with the Islamic tools where
Islamic tools depend on the following three variables which motivate the people to adopt the Islamic banking instead of conventional banking.

Correlation among OR,RORR, SNCR, and IRS

Pearson Correlation	***Operational Risk***	***Rate Of Return Risk***	***Shariah Non-Compliance Risk***	***Islamic Risk Tools***
Operational Risk	1	.750**	.791**	.758**

a double check. Finally,after revision of accumulated facts and numbers rectification was done by utilizing the association coefficient, regression investigation and ANOVA as a statistical device for finding the key connection among variables.

OPERATIONAL RISK

Operational risks originatefrom the human errors, technologically noticeable mistakes or insufficient data. These operational risks may cause directive or digressive loss. The profit making will consequentlybe subjectedto operational risk whereas the risk has been the main cause of the failure of central procedures, individuals' endeavors and designs. (BCBS, 2001). Operational risks are regularly ensuing due to insufficient facts and numbers and System, inadequate order or human errors which conclude the direct or digressive decline (Duncan Smith2001). However, the original causes of operational risk could be the insufficient central order procedure or fraud practiced by individuals and malfunction of technology. In Islamic banking the operational risk arises due to the limitations of the determinants that demonstrate the exact positions, natural situation and existing status of the Islamic banking activities. Presently the Islamic banking items are not normalized from the point of view of the existing business trend and to be extremely productive, these items imperatively need to be designed strictly in accordance with the Shariah rules (Hayati and Nizam).

RATE OF RETURN RISK

Rate of Return Risk is necessitated when the management makes the long term span of assets or investments for financing by short term span of financial obligations. The rates of long term span assets are fixed while there is a variable rate of short term span financial obligations. The financer may foresee a high rate of return to regularize a market force on Islamic banks to yield a return that is higher than the rate of its assets.If the bank is not proficient enough to face this market force, the bank may decline its investment provider that could lead to a liquidity risk. Islamic bank may pay the rate of return risk from itsassets which is rather not definite..

SHARIAH NON COMPLIANT RISKS

Shariahnon compliant risks are associated with Shariah adversary board. These risks may begin on account of the determinants for the manifestation of non standard practices and the malfunction of the banks to fulfilShariah main requirements. (Iqbal and Hennie 2008). Some affirmations or practices can have distinct treatment and can be interpreted distinctly and resulting exclusively in financial recounting, auditing and accounting practices. Shariah non-compliance risk causes the shattering of satisfaction among shareholders and depositors.

order and management (khan and Ahmed 2001). Islamic banking has two types of banking undertakings.First is secured retaining, as well as accuse undertakings.Secondly, there are activities of buying into responsibility. Safe retaining undertaking is alike 100 percent publication retaining whereas down payments keep on flowing and are accessible all the time. The plan assigns to cover the cost of secured keeping. In the second undertaking i.e.Buying into responsibility the bank is encumbered with risk taking trade, leasing and other procedures and activities. Islamic bank needs to accept its deposit; facilitate the activity of buying into maturity (Mirakhar 2009). The common risk management procedure desires plentiful and creative overseeing and recounting steps. It is also necessary to monitor counter-checks that the risk management procedure is going in the right key heading and whether there is any constraint that can be discovered out in early stage (Al-Tamimi and Mazroei 2007).

METHODOLOGY

The research study is descriptive and explanatory which aims to find out the relation among the core variable i.e. that is risk mitigation tools and Islamic banking factors. These factors help to find out the risk factor involved in the Islamic banking or Islamic finance which creates awareness in the people to adopt Islamic banking.Descriptive study on risk management and Islamic banking determined throughout the course of an intervention, often supplying minutiae of that intervention,the general consensus about the motivation of banking employees and financial investors.During the study, it was anxiously felt that there was an urgent need to find out how, when and what measures should be taken to make Islamic Banking more effective, operatonal and beneficial. Furthermore, explanatory study helps to enlighten the crystal clear connection among variables i.e. risk mitigation tools and Islamic banking factors in facts and numbers, investigation and interpretation. However, as a prime study concern, we are utilizing organized close end questionnaire as the equipment for facts and numbers collection. Since human behavior is reasonable which counts upon logic, though every individual hashis/her own justification for exact advantages, this is the major justification of selecting questionnaire as our prime facts and numbers assemblage tool. Further the efforts will be made to use the respondents in a methodical type of banking employees, people related to the Islamic banking including investors in Islamic banking.

The total number of respondents was 300 from whom the enquiry was to be done. Where we effectively accumulated the facts and numbers of 279 respondents inside the short span of time, since its restricted study promulgated by a lone individual, all facts and data accumulated readily at the spot from respondents and using the consistency and reliability of data as

(Ahmad, Rehman&Saif, 2010).Particularly, Islamic banks with their exclusive ideals and performances exactly acknowledge the deposit characteristics, their financial endeavor rules and potential and productively administrate their liquidity (Ismal, 2010). To alleviate a noteworthy number of stakeholders, Islamic banks execute several functions. This includes the pool of finance through the appreciation of deposits. This finance is consequently forwarded to entrepreneurs or businesses for dynamic and advantageous endeavors to breed profits. In augmentation, Islamic banks bid interest free yield to contain the assorted economic procedure segments complying the Shariah principles. However, effective risk organization in Islamic banks commands unusual attention. It has more precisely included the subjects that require to be understood better.

LITERATURE REVIEW

In Islamic banking risk is the common condition of Islamic financial support because the tools are based on the prevention of Riba and its implementation. Several scholars disagree with the minimal risk initiating in Islamic banking due to its natural habitat (khan and Ahmed 2001). Akhtar, Shamshad (2008), investigated to contain that risk in Islamic banking support from the restricted operation, and some risks are allied with non compliance and with the Shariah standards that may affect the customer's satisfaction. Khan and Ahmad in their publication on Risk Management in Islamic Banks argued that Islamic banks face restricted risk as a conclusion of their limited asset and liability structure and such risks result from compliance withShariah requirements. Similarly, an assertion was made by Vishal, Dugar (2007) and as claimed by him Islamic banks face limited risk because of the profits and decline circulating method of financing and exact legally agreed attribute of Islamic financial items whereas the risks are proceeding to exchange the depositors at some extent. The risk is one of the most prominent components as cited by Rosman, Romzie (2009) comprehending the banking method and risks which are inherent and engraved in their operation. The Boston Consulting Assembly suggests that it is necessary to enumerate the risks for the realization of these risks and to finally take effective measures for risk management.The mindset of the employees should more over be changed to make them recognize that risk management is the key for success.

Further, the common system that financial links follow to differentiate an endeavor plan deals with identification of the risks and then recognition as well as quantification of these risks in order of the natural system of risk in faces (Cumming and Hirtle 2001). 'Risk management system is a comprehensive method which embraces the steps for exhibition being applicable to the natural setting, where the creative risk measurement; mitigation and overseeing procedures are enlisted as competent of central

Furthermore, Islamic banking has its sources in Islamic money, and all sorts of transactionsareinvolvementfree and are risk sharing.

However, Islamic financial procedure has shown constancy in fresh monetarycriticalpurpose but on account of its nature and participation indivergent legally agreed phase of financing it is vulnerable to different types of threats that may hamper the expansion and may challenge the constancy of Islamic banks in the times to comes and in an expand time span context. Innovations, struggle, monetary modifications, fiscal market relative standinghaveintroduced threats and problems facing Islamic banking. (Ismal 2010).Hence, newly designed and advantageous risk organization plans are required for alleviating the serious and unpleasant situations that call for mitigation of unusual threats which get higher in yield and forfeit the task of dividing and aggregating the data pertaining to the admissible Islamic mode of financing. Islamic banking in addition wants perseverance of regulatory subjects and services, for instance interbank market and capital adequacy to reduce threats and assure effectual reduction. Majority of the scholars accept that Islamic bank presents more constancy due to involvement of free nature (Turen 1996) but at the other side of the picture, equity sustains economic growth exposure towards Islamic banks to risk (Qureshi 1984). There should be equilibrium in the control of Islamic banking to be sure of monetary constancy and better recital (Hassan and Chowdhury, 2004). This calls for guidelines and processes to be designed for reduction of risk. These guidelines must conform to structure and organization of Islamic banks and fiscal institutions' roles and assets. Anas and Mounira (2008) lay emphasis on the individual risk organization methods such as Identifying, evaluating, supervising and watching and suggest that Islamicbanks should be sure of establishing theeffectual risk organization atmosphere and perfect guidelines and processes to do away with the threats facing Islamic banking consisting of aspects like spiritual, monetary, political etc. as well as constructive profile itself raising the subjects of fiscal suffering (Salman 2007).

Further, the risks surrounding the Islamic banking have their own effect on the behavioral characteristics of people. Whereas, Al-Jarhi&Iqbal (2001) said that Islamic bank as banking governing body demeans everyrecognized banking pursuit concurrently by getting an advance of and granting loans without interest. Hull (2002) learnt that the banking enterprise rehearsed inflexible opposition with other conventional banks and with fiscal schools to ensnare the alertness of plausible customers. Mounira (2008) encountered fiscal schools supported on Islamic Shariah beliefs environs of recent scholarly and of guideline significance. This is to add that due to the advanced stages of buyer contentment and heightened service worth, Islamic banking is more bewitching and gratifying than more typical banking

IMPLICATION OF RISK MANAGEMENT TOOLSIN ISLAMIC FINANCE:AN EMPIRICAL STUDY

Dr. Abdul Rehman-Zaki
(Chairman, K.U.B.S, University of Karachi)
S. M. Khalid Jamal
(Lecturer, Department of Computer of Science, University of Karachi)

ABSTRACT:

In Pakistan Islamic finance has made a rapid progress during the last decade. The religious tendency prompts the people to invest their money in accordance with the rules and regulations framed by the Shariah Boards in strict compliance with the verdict of the Holy Quran.

This research aims to find out the components of risk management such as ShariahNon Compliant, Rate of Return and Operational Risk that conspicuously impact the Islamic banking tools in Pakistan.

The objective of this study is to bring into limelight the risk mitigation tools that appreciably affect the Islamic banking tools and to create awareness in the people in the perspective of risk management tools impacting Islamic finance.

Hence, the conceptual and theoretical models support these risk management tools and indicate the hypothesis, "There is a significant effect of risk management tools in Islamic banking". Furthermore, the observation of the current issue of Islamic banking leads to the prognosis that Islamic banking is playing the most vital role in the development of banking in Pakistan.

Keywords: Risk management, Islamic banking, Islamic finance, risk mitigation tools

INTRODUCTION

Islamic banking is concernedwithregardto interest free banking, wherein there is no fastened rate of return. Islamic banking is the banking system which is operated in harmony with the Islamic justice and the Shari a` board; that escorts the institutions. This Shari a` board authorizes the yieldwhetherthese are Shari a` compliant or not. Islamic banking is governed by the principles of Islamic justiceandbeliefs and by Islamic economics. In fact, Islamic justice bans usury, the accumulation and compensation of involvement, in addition usually called Riba in Islamic discourse.

CONTENTS

(ENGLISH SECTION)

Composing & Design by:
Muhammad Jawed IqbalSiddiqi / Hafiz Muhammad Zeeshan Ahmad
Muhammad Kamran Ahmad

KARACHI UNIVERSITY JOURNAL OF

ISLAMIC STUDIES

VOL. XIV 2013

ISSN 1562-4773

Journal

Of

ISLAMIC STUDIES

KARACHIUNIVERSITY

ISSUE NO: 14(2013)

[English– Urdu]

Rs. 400/-

Editor-in-Chief

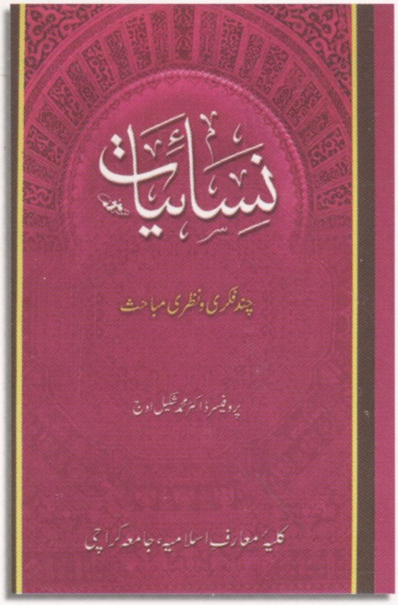
Prof. Dr. Hafiz Muhammad ShakilAuj

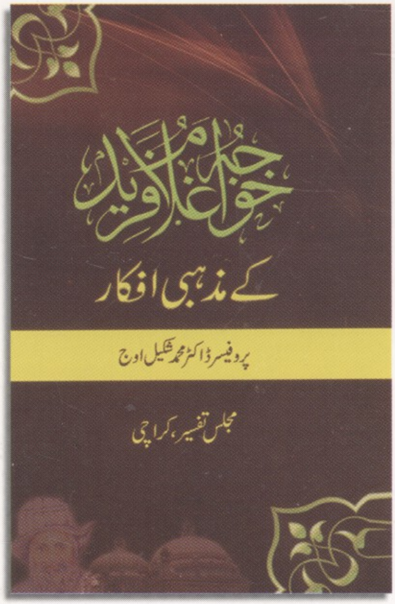
DEAN

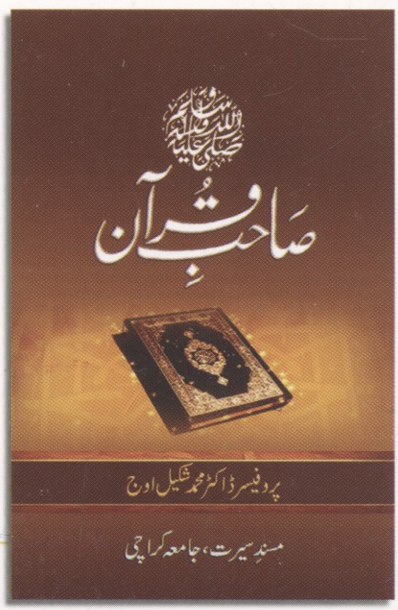
Faculty of Islamic Studies

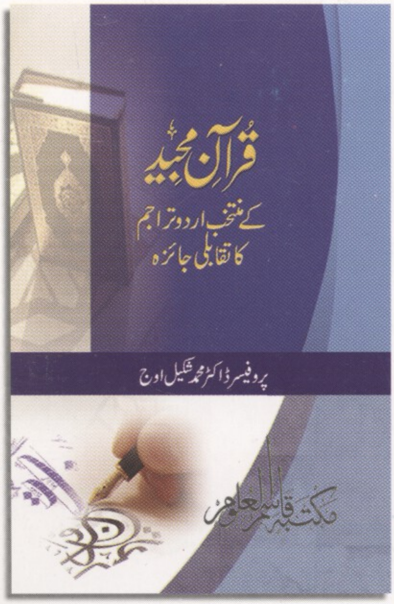
University of Karachi

Karachi-75270


نسائیات
چند فکری و نظری مباحث
پروفیسر ڈاکٹر محمد شکیل اوج
کلیہ معارف اسلامیہ، جامعہ کراچی


خواجہ غلام فرید
کے مذہبی افکار
پروفیسر ڈاکٹر محمد شکیل اوج
مجلس تفسیر، کراچی


صلی اللہ علیہ وسلم
صاحبِ قرآن
پروفیسر ڈاکٹر محمد شکیل اوج
مسند سیرت، جامعہ کراچی


قرآن مجید
کے منتخب اردو تراجم
کا تقابلی جائزہ
پروفیسر ڈاکٹر محمد شکیل اوج
مکتبہ قاسم العلوم