

INTEGRATING ISLAMIC PRODUCTS INTO MAINSTREAM CAPITAL MARKET IN INDONESIA: THE REGULATOR'S APPROACH¹

BY: ANDRI SOEMITRA²

***Abstract:** Islamic financial institutions in Indonesia recently not only have been provided by Islamic Banks, but also by Islamic Capital Market. There are two options for Muslim society towards contemporary financial system in the Islamization process i.e., integration or separation. Most of Muslim countries choose integration of Islam in their mainstream financial system rather than separation, including Indonesia.*

This paper will analyse the regulator's approach in its policy in integrating shariah capital market products in Indonesia. This is important because how the shariah capital market would be developed and what direction would be taken depends on a number of factors. One of the most important is the regulation and support provided to functioning of these markets.

This paper argued that the policies taken in implementing shariah principles towards Indonesian existing capital market has been in the right direction as the first step to make it practical rather than a utopia. Regulator applied partial approach in integrating Islamic products in Indonesian capital market which still dominated by conventional practice and regulation. This approach allows step by step Islamization process towards current conventional economic and finance. Regulator took step by step approach in integrating Islamic products in Indonesian capital market which still dominated by conventional practice and regulation supported by the ulema guidance (fatwa). However, this paper argued that regulator need to progressively evaluate the implementation of shariah principles to go forward to the next phase. Regulator needs to ensure that the shariah capital market products do not only comply with shariah contracts but should also comply with the shariah objectives in capital market. Shariah capital market instruments should contribute positively towards Indonesian economy and be able to bring greater socio-economic justice as the realization of the objective of shariah.

¹ The paper is presented on Annual International Conference on Islamic Studies di IAIN Sunan Ampel Surabaya, November 5-8th, 2012.

² The writer is a lecturer in IAIN Sumatera Utara and a Doctoral candidate of SPS UIN Syarif Hidayatullah Jakarta.

Keywords: Islamization, integration, shariah compliant, shariah products, transaction mechanism, capital market.

Introduction

Capital markets provide opportunities for diversification of risk through cross-sectional risk sharing. The long term investments are facilitated through a series of short term contracts in the form of tradable securities enabling the investors an opportunity to exit or enter through trade. Capital markets provide an element of liquidity to the otherwise illiquid assets. The secondary market also provides pricing and valuation of assets on a continued basis thus eliminating arbitrage and inefficiencies.³

Islamic capital markets are integral part of Islamic financial system for efficient mobilization of resources and their optimal allocation. Islamic capital markets complement the investment role of the Islamic banking and insurance sector. Capital markets that operate under Islamic principles are very relevant in an Islamic economy. Under Islamic principles, prohibition of interest entails a greater reliance on equity and asset based.

Shariah compliance financial products in Indonesian capital markets are provided parallel with conventional capital market under national capital market regulation. Therefore, it is of utmost important to analyze the regulator's perspective in integrating Islamic products within national capital market system parallel with conventional products in the same market. This study will try to understand the regulator's approach in integrating Islamic financial products in Indonesian capital market policies.

This paper applied qualitative research method⁴ to explain and analyze the regulator's perspective in their policies integrating Islamic products in Indonesian capital markets. The primary data is collected from in-dept-interviews with the Head Division of Islamic Capital Market Policy Development Bapepam-LK (Capital Market and Financial Institutions Supervisory Agency) and the member of Islamic Capital Market division National Shariah Board – Indonesian Council Ulama. The secondary data is collected from Bapepam's regulation regarding to Islamic capital market policies, fatwas from DSN-MUI, books, articles and other publications related to policies in integrating Islamic products in Indonesian capital markets Indonesia.

³ Salman Syed Ali, "Introduction: Islamic Capital Markets: Current State and Development Challenges." in *Islamic Capital Market: Products, Regulation & Development*, Salman Syed Ali, ed. (Jeddah: Islamic Development Bank Islamic Research and Training Institute, 2008), 1.

⁴ Sharan B. Merriam, *Qualitative Research: A Guide to Design and Implementation* (San Fransisco: The Jossey-Bass, 2009), 19. Keith Punch, *Introduction to Social Research* (London: SAGE Publications, 2005), 36-37. Bruce L. Berg, *Qualitative Research Methods for the Social Sciences* (Needham Heights: Allyn & Bacon, 2001), 13. Burhan Bugin, *Qualitative Research* (Jakarta: Prenada Media Kencana, 2009).

The Evolution of Islamic Products Integration in Indonesian Capital Market

According to Touriq⁵ Islamic products are introduced in Indonesian capital market through evolutionary process. From 1997 to 2012, there are some important policies developed by Bapepam to integrate Islamic products in Indonesian capital market.⁶ This paper will introduce the evolution of Islamic Products Integration in Indonesian Capital Market based on the timelines.

1. The presence of Islamic capital market in Indonesia was started by the launching of the first Islamic mutual funds at July 3rd 1997 by PT. Danareksa Investment Management. Touriq stated that the concept of mutual funds is investment and it complies with shariah principles. The Islamic mutual funds selected their investment instruments and their transaction mechanism that complies with shariah principles.
2. The first Islamic Stocks Index i.e. Jakarta Islamic Index (JII) was launched in July 3rd, 2000 to facilitate muslim investors in shariah compliant portfolio investments. JII was launched to represent performance of 30 most capitalized and liquid stocks among shariah stock listed on Indonesian Stock Exchange. After the launching of DES, 30 JII's constituents are selected from DES universe. It means that the first selection process is conducted by Bapepam through issuing DES. Then the second selection process is conducted by Indonesian Stock Exchange authority. The selection by Indonesian Stock Exchange authority is conducted in two stages. First, selects 60 shariah stocks with the largers market capitalization. Then second selects 30 from 60 shariah stocks with the largest value transaction. JII constituents are reviewed every 6 months (end of May and November) and published at the beginning of next month.
3. National Shariah Board – Indonesian Council of Ulama issued first guidance (fatwa) Number 20/DSN-MUI/IV/2001 regarding Guidelines for investment of shariah mutual funds.
4. National Shariah Board issued two guidance regarding to Islamic Obligation in 2002. The guidance was Number 32/DSN-MUI/IX/2002 regarding to shariah obligation and the guidance Number 33/DSN-MUI/IX/2002 regarding Mudharabah Shariah Obligation (sukuk). Based on that guidance, the first Islamic mudharabah sukuk was launched. PT. Indosat Tbk on the approval of Shariah Expert Team from National Shariah Board and approved by Bapepam to be effectively offered for public.

⁵ Muhammad Touriq is the Head Division of Islamic Capital Market Policy Development of Bapepam-LK.

⁶ Interview with Muhammad Touriq at July 23rd, 2012 in Sumitro Djojohadikusumo Building, 11th floor Capital Market and Financial Institutions Supervisory Agency. See also Muhammad Touriq, "The Direction of Islamic Capital Market Development." *Sharing Magazine*, March (2011): 17-20. See also Bapepam LK, *The History of Shariah Capital Market*, http://www.bapepam.go.id/syariah/sejarah_pasar_modal_syariah.html (downloaded on Januari 12th, 2012. Andri Soemitra, *Bank and Other Islamic Financial Institutions* (Jakarta: Prenada Media Kencana, 2009), 116-117.

5. The evolution of Islamic capital market in Indonesia achieved its important phase at March 14th 2003 with the launch of capital market based on Islamic principles. Indonesian Capital Market Supervisory Board and National Shariah Board signed the memorandum of understanding (MOU) in coordinating, consulting, and cooperating for effective and efficient regulation in capital market to accelerate Islamic products. This MOU was continued by the issuing of Guidance Number 40/DSN-MUI/X/2003 regarding Capital Market and General Provisions Shariah Principles Implementation in Capital Market by National Shariah Board.
6. Bapepam as Indonesian capital market regulator developed a unit at the level of echelon IV in 2004. This was a sub unit division which functioned to develop Islamic capital market policies and regulations. The first step taken by this unit was included the Islamic capital market development into Indonesian Capital Market Master Plan 2004-2009. In 2004, the first Ijarah sukuk was issued.
7. Islamic capital markets achieved important phase at 2005-2010 periods. These periods are the beginning period for Islamic capital market development equipped with its strong basis. Some regulations related to the implementation of Islamic principles in Indonesian capital markets have been issued, i.e. Bapepam LK's rule Number IX.A.13 regarding to Islamic Securities Issuance, Bapepam LK's rule Number IX.A.14 regarding to the Islamic Aqad (contracts) applied on Islamic Securities Issuance, and Bapepam LK's rule Number II.K.1 regarding to Criterias and Islamic Securities List Issuance. At this period, Islamic securities such as Islamic funds, sukuk, and stocks are rapidly grown up.
8. List of Shariah Equity Securities (Daftar Efek Syariah – DES) was launched in 2007. The list consisted of 20 sukuku, 164 Shariah equity securities, and 5 public companies. This list was the implementation of Bapepam rule number II.K.1 regarding regarding to Criterias and Shariah Securities List Issuance. The Shariah Securities List is frequently launched every 6 months.
9. May 7th, 2008 the Law Number 19 year 2008 regarding Sovereign Sukuk was issued. Later, on August 26th, 2008 for the first time Indonesian government issued Sovereign sukuk series IFR0001 and IFR0002.
10. Indonesia Shariah Stocks Index (ISSI) was launched in may 12th, 2011 based on National Shariah Board guidance Number 80/DSN-MUI/III/2011 regarding The Application of Shariah Principles in Trading Mechanism of Equity Securities at Stock Exchange Regular Market. The objective of ISSI is to represent all shariah stock performance listed on Indonesian Stock Exchange. ISSI constituents are all listed stock selected from List of Shariah Stocks. There are three selection processes for constituents of ISSI that is conducted by Bapepam-LK. *First*, business activities that are not complied with shariah are prohibited. *Second*, total interest based debt to asset ratio is less than 45%. *Third*, total interest based and non halal income ratio is less than 10%. ISSI constituents are reviewed every 6 months (end of May and November) and

published at the beginning of next month. ISSI constituents also adjusted if there are new-listed or delisted shariah stocks in between of review periods.

11. Shariah Online Trading System was also launched by the regulator in 2011. The system is based on Islamic criterias and principles i.e. margin trading is prohibited, short selling is prohibited, cash basis transaction, separate portfolio, only shariah stocks, transaction of non shariah stocks is prohibited.

The Integration Process of Shariah Products in Indonesian Capital Markets

According to M. Touriq, even though Indonesian majority population is Muslim, but Indonesia is not an Islamic country such as Iran. The way to implement Islamic principles in capital market is different from Iran which implements full Islamic capital market. Bapepam develop Islamic capital market through implementation of Islamic principles in national capital market instruments and its transaction mechanism. The Shariah products are integrated into mainstream capital market and are traded parallel with conventional products in the same market. He argued that principally, the market is neutral. As long as the unlawful instruments and practices are ruled out from the markets, then the markets are shariah compliant. According to Islamic law, basically everything is lawful as long as there is no prohibition. Therefore, the regulator will not change the existing capital market structure.⁷

Therefore, Indonesia is different from other Islamic countries which stated 'Islamic capital market' in developing their Islamic capital market. Bapepam in all of its rules, regulation and policies and National Shariah Board in their guidance never apply the term of 'Islamic capital market' or 'Shariah capital market'. Regulator usually mention capital market which complies with shariah principles.

Touriq stated that there are four programs to develop Shariah capital markets in Indonesia. Two of them are related to Shariah capital markets product development and efforts to equalize the quality of Shariah products compared with conventional products. These programs is implemented through two strategies. *First*, increase the number of Shariah products in the market. *Second*, create more products menus in the market with two approaches. *First*, set up Shariah new products guideline for companies to raise funds from the markets. *Second*, study and develop Shariah products through modification existing conventional products and create new Shariah products. The goal of these strategies are to aim greater market share for Shariah products in Indonesian

⁷ Interview with Muhammad Touriq at July 23rd, 2012 in Sumitro Djojohadikusumo Building, 11th floor Capital Market and Financial Institutions Supervisory Agency. See also Bapepam LK, *Capital Market and Non Bank Financial Institutions Master Plan 2010-2014*, 82-85. Muhammad Touriq, "The Direction of Islamic Capital Market Development." 17. Bapepam LK, *Basic Concept of Shariah Capital Market*, <http://www.bapepam.go.id/shariah/introduction.html> (downloaded on Januari 12th, 2012).

capital markets and therefore will contribute significantly to Indonesian economy.⁸

Touriq and Gunawan Yasni⁹ mentioned that there are two important issues in the process of integrating Shariah products in Indonesian capital markets which dominated by conventional products and practices. These two issues are the stepping stones for Bapepam's policies in developing Shariah capital market in Indonesia. *First*, the issues related to the instruments. *Second*, the issues related to the trading mechanism.

On the instruments issue, Gunawan Yasni stated that when Danareksa Investment Management (DIM) planned to introduce Islamic funds in 1997, however, a problem about the instruments emerged. There was no criteria on Islamic instruments in Indonesian capital market at that time. To response the market need regarding to shariah instruments in mutual funds, National Shariah Board held an academic study to response the need of the market on Islamic products in Indonesian capital market. As the result, National Shariah Board issued fatwa No. 20 year 2001 about the Guidance to Islamic Funds Investment, the guidance Number 32/DSN-MUI/IX/2002 regarding to shariah obligation, the guidance Number 33/DSN-MUI/IX/2002 regarding Mudharabah Shariah Obligation, and the guidance Number 40 year 2003 regarding Capital Market and General Provisions Shariah Principles Implementation in Capital Market by National Shariah Board.¹⁰

Supporting by some Guidance of Shariah National Board and some rules of Bapepam the range of shariah compliant instruments per June 15, 2012 consists of 285 shariah stocks, 50 shariah mutual funds, 29 series corporate sukuk, and 18 series sovereign sukuk.¹¹

Underlying contract of stocks is investment based on *musharakah* which is basically lawful from shariah perspective. As long as the core business of the company is lawful then the stock is lawful too. Bapepam also rules that the company must be evaluated from certain financial criterias i.e. total interest based debt to asset ratio is less than 45%, and total interest based and non halal income ratio is less than 10%.

⁸ Muhammad Touriq, "The Direction of Islamic Capital Market Development." *Iqtishodia Journal Ekonomi Islam Republika*, Thursday, 27 January (2011): 23.

⁹ Gunawan Yasni is a member of capital market division of National Shariah Board - Indonesian Council of Ulema.

¹⁰ Interview with Gunawan Yasni at the headquarter office of National Shariah Board Indonesian council of Ulema Jakarta at July 25th, 2012. See also M. Gunawan Yasni, "We Keep on Improving Shariah Securites Criteria." *Sharing Magazine*, Edition 63 year VI, March (2012): 16-17.

¹¹ Ety Retno Wulandari, "Indonesia Shariah Capital Market." *Paper*, International Conference on Islamic Capital Market, Jakarta, June 19-20, (2012). Ety Retno Wulandari is the Director for Accounting Standards and Disclosure Bureau Capital Market and Financial Institutions Supervisory Agency. Frederica Widyasari Dewi, "Shariah-Compliant Products, Regulations and Fatwa." *Paper*, International Conference on Islamic Capital Market, Jakarta, June 19-20, (2012):39. Frederica Widyasari Dewi is the Director of Business Development Indonesia Stock Exchange.

Underlying contract of sukuk has been through the evolution from 2002 to 2012. In 2002 the mudharabah contract is used in the issuance of sukuk. In 2006, Bapepam LK introduced the aqad used in the issuance of shariah securities i.e. mudharabah, ijarah, kafalah, and wakalah. In 2012, Bapepam is revising the aqad rule by adding the new aqad i.e. istishna' and musharakah.¹²

On the mechanism issue, Touriq admitted that the Shariah equity securities are traded in the existing trading mechanism, or people usually called conventional system. However, in the Law Number 8 Year 1995 regarding to Capital Market there are some articles which regulate some prohibited practices. It is clearly stated some behaviours such as unfair pricing and cornering are prohibited behaviour. Touriq argued that rules in the Law Number 8 Year 1995 comply with Islamic principles regarding to equity securities trading mechanism. Touriq concluded that eventhough the system is not implicitly named shariah, but the system according to the Law Number 8 Year 1995 does comply with shariah principles.¹³

Touriq stated that Bapepam's approach in developing shariah capital market not by changing the existing market structure. He argued that by concept according to fiqh muamalat there is nothing wrong with the existing market. Therefore, Bapepam will focus on identifying the capital market products and its transaction mechanism.¹⁴

Toriq stated that to ensure the markets are compliant to shariah principles, Bapepam regulates how Shariah products are issued in Indonesian capital market with certain criterias based on some fatwas from MUI. Bapepam and DSN MUI direct all of their Shariah capital market policies that focus on regulatory framework, products, and human resources which support the integration of Shariah products within national capital market system.¹⁵

Gunawan and Hidayat agreed that the trading mechanism in capital market need to be evaluated from Islamic perspective. They stated that there is perception in society that capital market is full of speculative (*maysir*), uncertainty (*gharar*), and interest (*riba*). Guidance Number 80 year 2011 regarding The Application of Shariah Principles in Trading Mechanism of Equity Securities at Stock Exchange Regular Market is the answer on such perception.¹⁶ Gunawan argued that basically capital market complies with shariah. Regulator should ensure that the

¹² Ety Retno Wulandari, "Indonesia Shariah Capital Market." 6-11.

¹³ Interview with Muhammad Touriq at July 23rd, 2012 in Sumitro Djojohadikusumo Building, 11th floor Capital Market and Financial Institutions Supervisory Agency. See also Bapepam LK, *Capital Market and Non Bank Financial Institutions Master Plan 2010-2014*, 82-85. Muhammad Touriq, "The Direction of Islamic Capital Market Development." 17.

¹⁴ Interview with Muhammad Touriq at July 23rd, 2012 in Sumitro Djojohadikusumo Building, 11th floor Capital Market and Financial Institutions Supervisory Agency. See also Bapepam LK, *Master Plan Pasar Modal and Industri Keuangan Non Bank 2010-2014*, 82-85. Muhammad Touriq, "The Direction of Islamic Capital Market Development." 17.

¹⁵ Interview with Muhammad Touriq at July 23rd, 2012. Muhammad Touriq, "The Direction of Islamic Capital Market Development." 17.

¹⁶ Mohammad Hidayat, "Guidance Number 80 Erase Investor's Doubt." *Sharing Magazine*, March, 2011: 21.

behavior that prohibited by shariah must be ruled out from the market by system and by law.¹⁷

Discussion and Analysis

Ausaf Ahmad wrote that the Islamization process in economy and finance took place in introducing Islamic modes, techniques, and concepts in the banking and the other financial sectors including capital market.¹⁸ After the revival of Islam at the modern era, efforts to discover and apply Islam solutions to contemporary problems have been intensified and the good and bad in the Western civilization is being weighed either to be *cast aside* or *reconciled* with the Islamic code throughout the Muslim World. This brings Islamization process in the Muslim world in order to adjust muslim's contemporary finance which rooted from Western secular practice with a more shariah compliant financial system.¹⁹

The implementation of Islamic principles in Indonesian capital market is an integral part of Islamization process in economy and finance. In the implementation process of Islamic principles in capital market mechanism and instruments, Bapepam applied the step by step integration approach based on fatwa (guidance) of Shariah National Board.

According to Ghamal,²⁰ Gassner,²¹ and Ayub²² there are two options for Muslim society towards contemporary financial system in the Islamization process i.e.,

¹⁷ M. Gunawan Yasni, "We Keep on Improving Shariah Securites Criteria." 16.

¹⁸ Ausaf Ahmad, *Towards an Islamic Financial Market* (Jeddah: IDB IRTI, Research Paper No. 45, 1997), 12.

¹⁹ Abdullah Saeed, *Islamic Banking and Interest* (Leiden: E.J. Brill, 1996), 5-10. Mohammed A. Moqtedar Khan, "The Philosophical Foundations of Islamic Political Economics." *The American Journal of Islamic Social Sciences*, Vol 13. No. 3, (1996): 389-390. Rodney Wilson, "The Development of Islamic Economics: Theory and Practice" in *Islamic Thought in the Twentieth Century*, Suha Taji Farouki and Basheer M. Nafi, eds. (London-New York: IB Tauris, 2004). Salahuddin Ahmed, *Islamic Banking, Finance and Insurance: A Global Overview* (Kuala Lumpur: A.S. Nordeen, 2006). M. Fahim Khan, "Islamic Banking as Practised Now in the World." *Money and Banking in Islam* (Islamabad: International Centre for Research in Islamic Economics, King Abdul Aziz University and Institut of Policy Studies, 1996), 259. Samuel L. Hayes III, "Foreword." *Proceeding of the Third Harvard University Forum on Islamic Finance: Local Challenges, Global Opportunity* (Cambridge, Massachussets: Harvard University, 1999), xv-xvi. M.N. Siddiqi, *Banking Without interest* (Leicester: Islamic Foundation, 1983). Mohammad Uzair, *Interest-Free Banking* (Karachi, Royal Book Company, 1978). John Aglionby, "Islamic Banks Urged to Show the West the Shariah Way Forward," *Financial Times*, London, March 3, (2009): 3. Sarah Emily Hersh, "Islamic Finance and International Financial Regulation." *Journal of International Service*, Spring (2011): 1. M. Umer Chapra, "The Global Financial Crisis: Can Islamic Finance Help Minimize the Severity and Frequency of Such a Crisis in the Future?" *Paper presented at the Forum on Global Financial Crisis*, Islamic Development Bank, 25 October (2008).

²⁰ Mahmoud Amin El-Ghamal, "Global Strategis for Islamic Banking and Finance." *Kuala Lumpur Talk*, February 19 (2001): 1-2.

²¹ Michael Saleh Gassner, *Exchanges and Islamic Finance, The Handbook of World Stock, Derivative and Commodity Exchanges*, 2007: 2.

²² Huma Ayub and Behzad S. Kawish, "Engine to Growth-Design and Use of Innovative Islamic Capital Market Products: Experience of Pakistan and Malaysia." 200.

integration or separation. Integration means Islamic finance coexists and competes with conventional finance at its own game. Islamic restrictions are used as financial quality standards. They require accounting and adaptive shariah oversight. Islamic finance uses the existing "conventional" finance infrastructure. While separations approach means implement Islamic finance separately. At this approach, they separate global clearance and payment mechanism, separate uniform shariah and accounting standards, and separate the institutions and the instruments.

The options for integration or separation in implementing Islamic finance came from two broad distinction approaches between the puritan 'all-or-nothing' (comprehensive) approach on the one hand, and 'step by step' partial approach on the other.²³

The comprehensive approach is based on the idea regarding to the universality and the comprehensive of Islam. This approach imagine a pure Islamic society that apply Islamic economic and finance principles totally.²⁴ This approach applies 'all or nothing' implementation of Islamic principles and demand radical change in the structure of Islamic society.²⁵ At this approach, the implementation of Islamic principles must be followed by Islamic financial institutions which considered fully pure Islam. This approach is supported by Baqir al-Şadir,²⁶ Taleghani,²⁷ Umar Vadillo,²⁸ Tareq al-Diwāni²⁹ and Masudul Alam Choudhury,³⁰ Taqī al-Din an-Nabḥāni,³¹ Yūsuf al-Sabātin,³² 'Alī Aḥmad al-Sālus,³³ and Iraj Toutouchian.³⁴

²³ Zubair Hasan, "Islamization of Knowledge in Economics: Issues and Agenda." *IJUM Journal of Economics & Management*, Volume 6, Number 2, (1998): 3. Waleed J. Ajdass, *Methodology of Economics: Secular vs Islam* (Kuala Lumpur: International Islamic University Malaysia Press, 2008), 29-31. Arif Hoetoro, *Islamic Economics: an Introduction Towards History Analysis and Methodology* (Malang: Badan Penerbit Fakultas Ekonomi Universitas Brawijaya, 2007), 250-251.

²⁴ Arif Hoetoro, *Islamic Economics: an Introduction Towards History Analysis and Methodology*, 250-251.

²⁵ Zubair Hasan, "Islamization of Knowledge in Economics: Issues and Agenda." 28.

²⁶ Muhammad Baqir al-Sadr, *Iqtisaduna* (Beirut: Dar al-Fikr, 1968), 290-291.

²⁷ Mahmud Taleghani, *Islam and Ownership* (Lexington: Mazda Publisher, 1983), 1.

²⁸ Tareq el-Diwani, *Islamic Banking Isn't Islamic*, http://www.islamicfinance.com/item100_fhtm, (downloaded on September 30th, 2010).

²⁹ Umar Vadillo, *The End of Capitalism* (Granada: Madinah Press, 1991), 33.

³⁰ M.A. Choudhury, "A Critique of Modernist Synthesis in Islamic Thought: Special Reference to Political Economy." *American Journal of Social Sciences*, 11:4, (1994): 475-503. Mohammad Ziaul Haque and M.A. Choudhury, "Islamic Finance: A Western Perspective-A Revisited." *International Journal of Islamic Financial Services*, Vol.5, No.1: 1. M.A. Choudhury, "Islamic Political Economy." *Review of Islamic Economics*, No. 13, (2003): 49-71. Mohammad Ziaul Haque and M.A. Choudhury, "Islamic Finance: A Western Perspective-A Revisited." I. M.A. Choudhury, "Micro-Money and Real Economic Relationship in the 100 per cent Reserve Requirement Monetary System." *Review of Islamic Economics*, Vol. 8, No. 1, (2004): 35-36. M.A. Choudhury, *Money in Islam*. London: Routledge. 1997. M.A. Choudhury, *Studies in Islamic Social Sciences*, London, Eng: Macmillan. (1998).

³¹ Taqī al-Din an-Nabḥāni, *al-Nizam al-Iqtisadi fi al-Islam* (Beirut: Dar al-ummah, 2004), Cet. VI, 152.

On the other side, partial approach put emphasized on step by step approach to modify modern socio-economic order to be more ideal with Islamic principles. They believe that not all modern social-economic institutions are on hundred percents wrong. However, there is still a space of possibility to be modified to make it complies with Islamic principles. This second approach seems to be more pragmatic.³⁵ The supporter of this approach are M. Umer Chapra,³⁶ M. A. Mannan,³⁷ M. Nejatullah Siddiqi,³⁸ Monzer Kahf,³⁹ Syed Nawab Haider Naqvi,⁴⁰ Abdullah Saeed,⁴¹ Muhammad Akram Khan,⁴² Muhammad Arif,⁴³ Muhammad Anwar,⁴⁴ Muhammad Anas Zarqa,⁴⁵ Zubair Hasan,⁴⁶ and M. Aslam Haneef.⁴⁷

³² Yusuf Ahmad Mahmud al-Sabatin, *al-Buyu' al-Qadimah wa al-Mu'asirah wa al-Bursat al-Mahalliyah wa al-Duwalīyyat* (Beirut: Dar al-Bayariq, 2002), 109.

³³ Ali Ahmad al-Salus, *Mawsu'ah al-Qadaya al-Fiqhiyyah al-Mu'asirah wa al-Iqtisad al-Islami* (Qatar: Dar al-Thaqafah, 2006), 465.

³⁴ Iraj Toutouchian, *Islamic Money & Banking: Integrating Money in Capital Theory* (Singapore: John Wiley & Sons (Asia) Pte. Ltd., 2009), xx.

³⁵ Zubair Hasan, "Islamization of Knowledge in Economics: Issues and Agenda." 4. Arif Hoetoro, *Islamic Economics: an Introduction Towards History Analysis and Methodology*, 250-251.

³⁶ M. Umer Chapra, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000), 130. M. Umer Chapra, "Comments on Islamic Economics and Finance: Where Do They Stand For? by M.A. Choudhury." *Islamic Economics and banking in The 21st Century, Paper on 6th International Conference on Islamic Economics and Finance*, Jakarta, November 21-24, 2005: 62-63. M. Umer Chapra, *What is Islamic Economics* (Jeddah: IRTI – IDB, 1996).

³⁷ M.A. Mannan, *Islamic Economics: Theory and Practice* (Delhi: Sh. M. Ashraf, 1970), 13, 363. M.A. Mannan, *The Making of An Islamic Economic Society* (Cairo: International Association of Islamic Banks Egypt and International Institute for Islamic Banking and Economics Turkish-cyprus, 1984), 25, 51. M.A. Mannan, *The Frontiers of Islamic Economic* (Delhi: Idarah-i Adabiyat-i, 1984), 25. M. A Mannan, "Islamic Economics as a Social Science: Some Methodological Issues." *Journal of Research in Islamic Economics*, 1 (1); 1983: 56. M.A. Mannan, *Understanding Islamic Finance: A Study of the Securities Market in an Islamic Framework* (Jeddah: IDB IRTI, 1993), 5.

³⁸ M. Nejatullah Shiddiqi, "Islamizing Economics", 255. M. Aslam Haneef, "Muhammad Nejatullah Siddiqi." *Contemporary Islamic Economic Thought*, 32. Muhammad Nejatullah Siddiqi, "Restructuring the Study of Economics in Muslim Universities." in *Social and Natural Sciences: The Islamic Perspective*, Isma'il R. Al-Faruqi and Abdullah Omar Nasseef, eds. (Jeddah: King Abdulaziz University, 1980), 81.

³⁹ Monzer Kahf, "Islamic Economics: Notes on Definition and Methodology." *Review of Islamic Economics*, 13, (2003): 23-47.

⁴⁰ Syed Nawab Haider Naqvi, *Islam, Economics, and Society* (London and New York: Kegan Paul International, Ltd., 1994), xxii. Nawab Haidar Naqvi, *Ethics and Economics: An Islamic Synthesis* (Leicester, UK: the Islamic Foundation, 1981), 61, 71.

⁴¹ Abdullah Saeed, *Islamic Banking and Interest*, 140.

⁴² M. Akram Khan, "Islamic Economics, Nature and Need." *Journal for research in Islamic Economics*, Jeddah: The Center for Research in Islamic Economics, (1984): 52-53.

⁴³ Muhammad Arif, *The Shari'ah Paradigm of Islamic Economics: The Beginning of A Scientific Revolution* (Herndon, Virginia: The American Journal of Islamic Social Sciences, Vol. 2, No. 1, July (1985): 79-99.

⁴⁴ Muhammad Anwar, "Islamic Economic Methodology." *Journal of Objectives Studies*, 2, 1, (1990): 28-46.

⁴⁵ Muhammad Anas Zarqa, Methodology of Islamic Economics." in *Lectures on Islamic Economics*, Ausaf Ahmad and Kazim Raza Awan, eds. (Jeddah: IRTI IDB, 1992), 54. Muhammad Anas Zarqa, "Islamization of Economics: The Concept and Methodology", in

Most of muslim countries in the world apply partial approach in implementation Islamic capital market.⁴⁸ They integrate islamic principles into their existing financial system.⁴⁹ The starting point of Islamic finance integration into existing national as well as international financial system in their various instruments development. Islamic products are developed within two models. *First*, make conventional instruments as their model with or without modification. *Second*, apply islamic principles within new financial products.⁵⁰

Journal of *J.KAU: Islamic Econ.*, Vol. 16, No. 1, (1424 A.H / 2003 A.D): 3-42. M. Anas Zarqa, "Islamic Economics: An Approach to Human Welfare." in *Studies in Islamic Economics*, K. Ahmad, ed. (Jeddah: International Centre for Research in Islamic Economics, King Abdulaziz University and the Islamic Foundation, U.K., 1980), 3-18.

⁴⁶ Zubair Hasan, "Islamization of Knowledge in Economics." 4. Zubair Hasan, "Islamic Finance: What Does It Change, What It Does Not? Structure-Objective Mismatch and Its Consequences." *Munich Personal RePEc Archive Paper*, No. 21224, 08 Maret (2010): 1-4. Zubair Hasan, *Islamic Finance: Structure-Objective Mismatch and Its Consequences*, Workshop on Islamic Finance at the Business School Strasbourg University, France, on March 17, 2010.

⁴⁷ Mohamed Aslam Haneef, "Islam, the Islamic Worldview, and Islamic Economics." *IJUM Journal of Economics and Management*, 5 (1), (1997): 39. Mohamed Aslam Haneef and Hafas Furqan, "Usul al-Iqtisad: The Missing Dimensions in Contemporary Islamic Economics and Finance." in *Readings in Islamic Economics and Finance*, Nurazura Sanusi, ed. (Sintok: UUM Publications, 2007), 1-16. Mohamed Aslam Haneef and Hafas Furqan, "Methodology of Islamic Economics: Typology of Current Practices, Evaluation and Way Forward." *Paper presented on the 8th International Conference on Islamic Economics and Finance*, Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar Foundation: 1. Mohamed Aslam Haneef, *A Critical Survey of Islamization of Knowledge* (Kuala Lumpur: IIUM Press, 2nd edition, 2009). Mohamed Aslam Haneef, *Islamisasi Ilmu Ekonomi: Apa yang Salah?* in *Jurnal Islamia*, Tahun II No. 6 July-September (2005): 47-48.

⁴⁸ Noor Mohammad Osmani and Md. Faruk Abdullah, "Towards an Islamic Stock Market: A review of Classical and Modern Literatures." *International Review of Business Research Papers*, No. 5 (2009): 126. Lihat juga Muhammad Hasyim, "Bursa Efek Dalam Konteks Pemikiran Fiqh." *Problematika Hukum Islam Kontemporer: Buku Ketiga* (Jakarta: Pustaka Firdaus and LSIK, 2004), 32. Nasroen Haroen, *Perdagangan Saham di Bursa Efek: Tinjauan Hukum Islam* (Ciputat: Kalimah, 2000), 102-103. M. Raquibuz Zaman, "The Operation of the Modern Financial Markets for Stocks and Bonds and its Relevance to an Islamic Economy," *The American Journal of Islamic Social Sciences*, September, 1986, 125-140. Husein Syahatah and Athiyyah Fayyadh, *Bursa Efek: Tuntunan Islam in Transaksi di Pasar Modal* (Surabaya, Pustaka Progressif, 2004), 118-120. Zubair Hasan, "Islamization of Knowledge in Economics: Issues and Agenda." 4.

⁴⁹ Shamsad Akhtar dkk., "Understanding Islamic Finance: Local Innovation and Global Integration." *Asia Policy*, Number 6 (July 2008). Hari Bhambara, "Integrating Islamic Finance in the Mainstream European Banking Sector: The Need for Regulation, Standardisation & Transparency". *Praesidium*, 31 October 2007. The Seventh Harvard University Forum on Islamic Finance, *Integrating Islamic Finance into the Mainstream: Regulation, Standardization and Transparency: A Short Report*, Cambridge: Massachussets, April, 22-23, 2006. The First Oxford Islamic Finance Round-Table *Integrating Financial Management in Global Finance*, Dar al-Istithmar, Ditchley Park Conference Centre, 24-25 March, 2006.

⁵⁰ IOSCO, "Islamic Capital Market Fact Finding Report", *Report of the Islamic Capital Market Taskforce of the International Organization of Securities Commission*, July (2004), 13. Mahmoud Amin El-Gamal, *A Basic Guide to Contemporary Islamic Banking and Finance: ISNA Islamic Banking and Finance Series* (Rice University, 2007), Mahmoud A. El-Ghamal, "Incoherence of Contract-Based Islamic Financial Jurisprudence in the Age of Financial

Indonesia, through Bapepam and National Shariah Board policies follow the mainstream approach in develop Indonesian shariah capital market. They clearly stated that they will not change the existing national capital market. They will ensure that shariah principles are implemented in the existing national capital market. Therefore, the existing national capital market will be driven to be comply with shariah principles. Bapepam and National Shariah Board focus on instruments and transaction mechanism which does not conflict with the principles of Islam.

Bapepam and National Shariah Board based their policy on fiqh muamalat to ensure the existing national capital market complies with shariah principles. There is a legal maxim in fiqh which stated that "Basically, anything in muamalah is allowed, unless it is decided illegal by an argument (dalil)."⁵¹ Based on this legal maxim, regulator formulates shari'ah compliance concept which means all business that complies with criteria and principles of shariah.

The Islamic Capital Market in Bapepam and National Shariah Board policies in Indonesia refers to the market where activities are carried out in ways which does not conflict with the principles of Islam. The capital market which complies with shariah principles represents an assertion of religious law in capital market transactions where the instruments is free from unlawful goods and services (*haram lizatihi*) and unlawful activities (*haram lighairihi*) and the market is free from prohibited activities and elements such as *riba* (usury), *maysir* (gambling) and *gharar* (ambiguity).

It is clear that when investing in any avenue, Islamic investors need to take into account not only the structure of the transaction but also the nature of the counter party. As a result, in case of investment in equities traded on stock exchanges, the investor needs to consider further issues of the company itself being involved in shariah non-compliant financing and structuring. In assessing whether a specific investment proposal is compliant with shariah stipulations, it needs to be examined from two angles i.e. the nature of the instrument or transaction itself and the nature of the contracting (counter) party.⁵²

Due to exigencies of modern business and particularly the pervasiveness of interest transactions, fully shariah compliant equities are extremely rare. Based on *maslahat* and *darurat* argument, the shariah scholars have arrived at minimum compliance criteria which provide investors a reasonably wide choice of shariah

Engineering." *Wisconsin International Law Journal*, 25 no. 4, (2008): 3-4. Ali Adnan Ibrahim, "The Rise of Customary Business in International Financial Markets: An Introduction to Islamic Finance and The Challenges of International Integration." *American University International Law Review* . 23, no.4 (2007): 670-673. Umar F. Moghul, "Separating the Good from the Bad: Developments in Islamic Acquisition Financing." *American University International Law Review*, 23, No. 4 (2007): 736.

⁵¹ Muhammad Rawas Qal'ah Ji, *al-Mu'amalat al-Maliyat fi Dau' al-Fiqh wa al-Syari'ah* (Beirut: Dar al-Nafais, 1999), 11. Sa'd al-Din Muhammad al-Kibby, *al-Mu'amalat al-Maliyat al-Mu'asirat fi Dau' al-Islam, Juz 1* (Beirut: al-Maktab al-Islami, 2002), 119-121.

⁵² M.H. Khatkhatay and Shariq Nizar, "Shari'ah Compliant Equity Investments: An Assessment of Current Screening Norms." *Islamic Economic Studies*, Vol. 15, No. 1 July (2007): 49.

compliant equities.⁵³ Ma'ruf Amin⁵⁴ argued that the regulator can apply the legal maxim "separate the lawful from the unlawful" (*tafriq halal min al-haram*) to select shariah compliant equities at certain criteria when it is difficult to have fully shariah compliant equities.⁵⁵

The approach seems pragmatic and put emphasized on the practical aspects of shariah principles. Volker Nienhaus reminded that to date, Islamic economics has contributed precious little to an "Islamic economic policy". As long there is no crucial change in this situation, a policy which wishes to be Islamic can only choose between utopia and pragmatism.⁵⁶ Therefore, Nienhaus wrote that to ensure the approach be Islamic, it would have to make as the starting point or point of reference economic ethics. Having done so, however, it should neither get stuck at the recitative level, nor limits its view to only one specific model from the beginning. This could be attained by not starting with a discussion about content but rather about methods, as is done in the adaptive approach.⁵⁷

Abdullah Saeed also reminded that pragmatic approach must not stop in that phase. Saeed argued that there are three continuum phases in implementation of shariah principles, the idealist, pragmatic, and maslahah oriented. The idealist literature attempts to look at the key concepts of Islamic finance from ideal perspective. This means that the ideal and most "Islamic" form of each concept should be accepted as the valid one and any attempt to dilute the purity of the concepts should be resisted. Much of the literature on Islamic banking and finance in 1960's and the theoretical studies on Islamic banking by many Islaic

⁵³ Muhammad Taqi Usmani, *An Introduction to Islamic Finance* (Karachi: Maktabah Ma'arifur Qur'an, 2005), 24. See also Sya'ban Muhammad Islam al-Barwary, *Stock Exchange Accoding to Islam* (Selangor: Jasmin Enterprise, 2007), 127.

⁵⁴ Ma'ruf Amin is the head of National Shariah Board Indonesian Council of Ulama.

⁵⁵ Ma'ruf Amin, *New Era of Islamic Economics: From Fikih to Islamic Economic Practice* (Jakarta: eLSAS, 2011), 44-51.

⁵⁶ Volker Nienhaus divided the implementation of Islamic economics in Muslim countries nowadays into four models. *First* model is pragmatic approach. Pragmatic approach rest primarily on theoretical economic methods and models, but without any specifically Islamic content. A policy which is based on this approach might certainly be successful in developing solutions for specific and concrete problems, but it would not be backed by a comprehensive and consistent "Islamic" concept. At best, it offers designs formulated for specific programs which represent only component parts of an overall system and thus scarcely be called a concept. *Second* is recitative approach. It has an indisputable Islamic content but its theoretical content is nil. "Orthodox" legal scholars try for as comprehensive as possible a collection of quotes from the Quran and Sunnah which contain statements on economic ethic. What is lacking, however, is an analytical linking of normative to positive knowledge. *Third* is utopian approach. This is continuation of the recitative. One picks up the largely unconnected and parallel statements on economic ethics, supplements the as necessary, and builds them into a comprehensive "Islamic system" which describe a social ideal characterized by economic and social harmony. However, this approach offers little content as to economic theory since the theory, as a rule, starts from the premise of selfish-individualistic behavior. *Fourth* is adaptive approach. This model based on principle possible to adapt knowledge of economic theory to an argument which is based on the Quran and the Sunnah an to integrate them into a complete idea and draft on an economic order. Volker Nienhaus, *Islamic Economics-Policy between Pragmatism and Utopia* (Tubingen: Institute Scientific for Co-operation, 1982), 87-88.

⁵⁷ Volker Nienhaus, *Islamic Economics-Policy between Pragmatism and Utopia*, 98..

economists could be put in this category. The pragmatic literature is that which has generally been produced by the practising Islamic bankers and the Religious Supervisory Boards of the Islamic banks and investment companies. Maslahah oriented literature would be at the extreme end of the continuum.⁵⁸

The maslahat is achieved by realizing the objectives of shariah i.e. to promote the well being of all mankind which lies in safeguarding their faith (*din*), their intellect (*'aql*), their posterity (*nasl*) and their wealth (*mal*).⁵⁹ The uppermost objectives of shariah rest within the concept of compassion and guidance that seeks to establish justice, eliminate prejudice and alleviate hardship. It promotes cooperation and mutual support within the family and society at large.⁶⁰ Umer Chapra pointed out that Islamic financial institutions have responsibility to realize socio-economic welfare and religious commitment in achieving the objectives of Islamic economics i.e. social justice, income distribution, and more equality of wealth, and promote economic development.⁶¹

Therefore, it is very important for Bapepam and Shariah National Board, as regulator in Indonesian capital market to ensure that shariah principles application in Indonesian capital market do not only comply with shariah contracts, but it should also comply with shariah objectives.

Conclusion

Indonesia applied different policy in develop shariah capital market compared with other Muslim countries. Other Muslim countries such as Malaysia implicitly mention "Islamic capital market" in their policies. Regulator in Indonesia prefers to mention their policies with implementing shariah principles in existing national capital market. In the process, regulator will not change the existing conventional

⁵⁸ Abdullah Saeed, "Idealism and Pragmatism in Islamic Banking: The Application of Shari'ah Principles Adjustment." *Journal of Arabic, Islam and Middle Eastern Studies*, vol. 4, No. 2 (1998): 89-111.

⁵⁹ Al-Syatibi, *al-Muwafaqat*, Juz II, tahqiq Abdullah Darraz (Kairo: Dar al-Fikr al-Arabi, t.th), 6. Ma'ruf Amin, *New Era of Islamic Economics: From Fikih to Islamic Economic Practice*, 14-15, 26-29. Ma'ruf Amin, *Fatwa (Guidance) in Islamic Law*, (Depok: eLSAS Jakarta, 2011), 152.

⁶⁰ Asyraf Wajdi Dusuki, "Challenges of Realizing Maqasid al-Shariah (Objectives of Shariah) in Islamic Capital Market: Special Focus on Equity-Based Sukuk." *3rd USM-ISDEV International Islamic Management Conference on Islamic Capital Market*. Centre for Islamic Management Studies University Sains Malaysia, Penang, 28th-29th October, 2009. Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah, "The Ideal of Islamic Banking: Chasing A Mirage?" *Paper presented in INCEIF Islamic Banking and Finance Educational Colloquium*, Bank Negara Malaysia. Kuala Lumpur, 3rd-5th April 2006.

⁶¹ M. Umer Chapra, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000), 130. M. Umer Chapra, "The Islamic Welfare State and Its Role in Economy." in *Studies in Islamic Economics*, K. Ahmad (ed.) (Jeddah: International Centre for Research in Islamic Economics, King Abdulaziz University and the Islamic Foundation, U.K., 1980), 143-170. M. Umer Chapra, "Objectives of the Islamic Economic Order." in *An Introduction to Islamic Economics and Finance*. Sheikh Ghazali Sheikh Abod, dkk (ed.) (Kuala Lumpur: CERT Publications Sdn Bhd., 2005), 3-25.

market structure. What regulator do is to integrate Islamic products into the existing conventional market structure. In doing so Bapepam and Shariah National Board took step by step approach in applying shariah principles within the existing conventional capital market. Regulator focuses on the instruments and the transaction mechanism which must comply with shariah principles at certain criteria without changing the existing conventional capital market structure.

Regulator's approach seems pragmatic. This pragmatic approach has been in the right direction as the first step to make sure that it is feasible to be practiced. However, pragmatic approach is only the first phase in implementing shariah principles in capital market rather than a utopia. However, regulator need to move forward to the next phase. The implementation of shariah products must not only comply with shariah contracts, but they must also comply with shariah objectives. By that way, the integration process will keep on moving from step by step (partial) approach to be more pure and considered "fully Islam" with the realization of shariah objective as its parameter.

References

- Aglionby, John, "Islamic Banks Urged to Show the West the Shariah Way Forward," *Financial Times*, London, March 3, (2009).
- Ahmad, Ausaf, *Towards an Islamic Financial Market* (Jeddah: IDB IRTI, Research Paper No. 45, 1997).
- Ahmed, Salahuddin, *Islamic Banking, Finance and Insurance: A Global Overview* (Kuala Lumpur: A.S. Nordeen, 2006).
- Ajdass, Waleed J., *Methodology of Economics: Secular vs Islam* (Kuala Lumpur: International Islamic University Malaysia Press, 2008).
- Akhtar, Shamsad dkk., "Understanding Islamic Finance: Local Innovation and Global Integration." *Asia Policy*, Number 6 (July 2008).
- al-Barwary, Sya'ban Muhammad Islam, *Stock Exchange Accoding to Islam* (Selangor: Jasmin Enterprise, 2007).
- Al-Diwani, Tareq, *Islamic Banking Isn't Islamic*, http://www.islamicfinance.com/item100_fhtm, (downloaded on September 30th, 2010).
- Ali, Salman Syed, "Introduction: Islamic Capital Markets: Current State and Development Challenges." in *Islamic Capital Market: Products, Regulation & Development*, Salman Syed Ali, ed. (Jeddah: Islamic Development Bank Islamic Research and Training Institute, 2008).
- Al-Kibby, Sa'd al-Din Muhammad, *al-Mu'amalat al-Maliyat al-Mu'asirat fi Dau' al-Islam, Juz I* (Beirut: al-Maktab al-Islami, 2002).
- Al-Sabatin, Yusuf Ahmad Mahmud, *al-Buyu' al-Qadimah wa al-Mu'asirah wa al-Bursat al-Mahalliyah wa al-Duwaliyyat* (Beirut: Dar al-Bayariq, 2002).

- Al-Sadr, Muhammad Baqir, *Iqtisaduna* (Beirut: Dar al-Fikr, 1968).
- Al-Salus, 'Ali Ahmad, *Mawsu'ah al-Qadaya al-Fiqhiyyah al-Mu'asirah wa al-Iqtisad al-Islami* (Qatar: Dar al-Thaqafah, 2006).
- Al-Syatibi, *al-Muwafaqat*, Juz II, tahqiq Abdullah Darraz (Kairo: Dar al-Fikr al-Arabi, t.th).
- Amin, Ma'ruf, *New Era of Islamic Economics: From Fikih to Islamic Economic Practice* (Jakarta: eLSAS, 2011).
- Amin, Ma'ruf, *Fatwa (Guidance) in Islamic Law*, (Depok: eLSAS Jakarta, 2011).
- An-Nabhani, Taqi al-Din, *al-Nizam al-Iqtisadi fi al-Islam* (Beirut: Dar al-ummah, 2004), Cet. VI.
- Anwar, Muhammad, "Islamic Economic Methodology." *Journal of Objectives Studies*, 2, 1, (1990).
- Arif Muhammad, *The Shari'ah Paradigm of Islamic Economics: The Beginning of A Scientific Revolution* (Herndon, Virginia: The American Journal of Islamic Social Sciences, Vol. 2, No. 1, July (1985).
- Berg, Bruce L., *Qualitative Research Methods for the Social Sciences* (Needham Heights: Allyn & Bacon, 2001).
- Bhambara, Hari, "Integrating Islamic Finance in the Mainstream European Banking Sector: The Need for Regulation, Standardisation & Transparency". *Praesidium*, 31 October 2007.
- Bugin, Burhan, *Qualitative Research* (Jakarta: Prenada Media Kencana, 2009).
- Chapra, M. Umer, "Comments on Islamic Economics and Finance: Where Do They Stand For? by M.A. Choudhury." *Islamic Economics and banking in The 21st Century, Paper on 6th International Conference on Islamic Economics and Finance*, Jakarta, November 21-24, 2005.
- Chapra, M. Umer, "Objectives of the Islamic Economic Order." in *An Introduction to Islamic Economics and Finance*. Sheikh Ghazali Sheikh Abod, dkk (ed.) (Kuala Lumpur: CERT Publications Sdn Bhd., 2005).
- Chapra, M. Umer, "The Global Financial Crisis: Can Islamic Finance Help Minimize the Severity and Frequency of Such a Crisis in the Future?" *Paper presented at the Forum on Global Financial Crisis*, Islamic Development Bank, 25 October (2008).
- Chapra, M. Umer, "The Islamic Welfare State and Its Role in Economy." in *Studies in Islamic Economics*, K. Ahmad (ed.) (Jeddah: International Centre for Research in Islamic Economics, King Abdulaziz University and the Islamic Foundation, U.K., 1980).
- Chapra, M. Umer, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000).

- Chapra, M. Umer, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000).
- Chapra, M. Umer, *What is Islamic Economics* (Jeddah: IRTI – IDB, 1996).
- Choudhury, M.A., "A Critique of Modernist Synthesis in Islamic Thought: Special Reference to Political Economy." *American Journal of Social Sciences*, 11:4, (1994).
- Choudhury, M.A., "Islamic Political Economy." *Review of Islamic Economics*, No. 13, (2003).
- Choudhury, M.A., "Micro-Money and Real Economic Relationship in the 100 per cent Reserve Requirement Monetary System." *Review of Islamic Economics*, Vol. 8, No. 1, (2004).
- Choudhury, M.A., *Money in Islam*, London: Routledge. 1997. M.A. Choudhury, *Studies in Islamic Social Sciences*, London, Eng: Macmillan. (1998).
- Dewi, Frederica Widyasari, "Shariah-Compliant Products, Regulations and Fatwa." *Paper*, International Conference on Islamic Capital Market, Jakarta, June 19-20, (2012).
- Dusuki, Asyraf Wajdi and Abdullah, Nurdianawati Irwani, "The Ideal of Islamic Banking: Chasing A Mirage?" *Paper presented in INCEIF Islamic Banking and Finance Educational Colloquium*, Bank Negara Malaysia. Kuala Lumpur, 3rd-5th April 2006.
- Dusuki, Asyraf Wajdi, "Challenges of Realizing Maqasid al-Shariah (Objectives of Shariah) in Islamic Capital Market: Special Focus on Equity-Based Sukuk." *3rd USM-ISDEV International Islamic Management Conference on Islamic Capital Market*. Centre for Islamic Management Studies University Sains Malaysia, Penang, 28th-29th October, 2009.
- El-Gamal, Mahmoud Amin, *A Basic Guide to Contemporary Islamic Banking and Finance: ISNA Islamic Banking and Finance Series* (Rice University, 2007).
- El-Ghamal, Mahmoud A., "Incoherence of Contract-Based Islamic Financial Jurisprudence in the Age of Financial Engineering." *Wisconsin International Law Journal*, 25 no. 4, (2008).
- El-Ghamal, Mahmoud Amin, "Global Strategis for Islamic Banking and Finance." *Kuala Lumpur Talk*, February 19 (2001).
- Gassner, Michael Saleh, *Exchanges and Islamic Finance, The Handbook of World Stock, Derivative and Commodity Exchanges*, 2007.
- Haneef, Mohamed Aslam and Furqan, Hafas, "Methodology of Islamic Economics: Typology of Current Practices, Evaluation and Way Forward." *Paper presented on the 8th International Conference on Islamic Economics and Finance*, Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar Foundation.

- Haneef, Mohamed Aslam and Furqan, Hafas, "Usul al-Iqtisad: The Missing Dimensions in Contemporary Islamic Economics and Finance." in *Readings in Islamic Economics and Finance*, Nurazura Sanusi, ed. (Sintok: UUM Publications, 2007).
- Haneef, Mohamed Aslam, *A Critical Survey of Islamization of Knowledge* (Kuala Lumpur: IIUM Press, 2nd edition, 2009).
- Haneef, Mohamed Aslam, "Islam, the Islamic Worldview, and Islamic Economics." *IIUM Journal of Economics and Management*, 5 (1), (1997).
- Haneef, Mohamed Aslam, Islamization of Economics: What Went Wrong? In *Journal Islamia*, Year II No. 6 July-September (2005).
- Haque, Mohammad Ziaul Haque and Choudhury, M.A., "Islamic Finance: A Western Perspective-A Revisited." *International Journal of Islamic Financial Services*, Vol.5, No.1.
- Haroen, Nasroen, *Stock Trading in Stock Exchange: Islamic Law Perspective* (Ciputat: Kalimah, 2000)
- Hasan, Zubair, "Islamic Finance: What Does It Change, What It Does Not? Structure-Objective Mismatch and Its Consequences." *Munich Personal RePEc Archive Paper*, No. 21224, 08 Maret (2010).
- Hasan, Zubair, "Islamization of Knowledge in Economics: Issues and Agenda." *IIUM Journal of Economics & Management*, Volume 6, Number 2, (1998).
- Hasan, Zubair, *Islamic Finance: Structure-Objective Mismatch and Its Consequences*, Workshop on Islamic Finance at the Business School Strasbourg University, France, on March 17.
- Hasyim, Muhammad, "Stock Exchange in Fiqh Thought." In *Contemporary Islamic Law Problems: Third Book* (Jakarta: Pustaka Firdaus and LSIK, 2004).
- Hayes III, Samuel L., "Foreword." *Proceeding of the Third Harvard University Forum on Islamic Finance: Local Challenges, Global Opportunity* (Cambridge, Massachusetts: Harvard University, 1999).
- Hersh, Sarah Emily, "Islamic Finance and International Financial Regulation." *Journal of International Service*, Spring (2011).
- Hidayat, Mohammad, "Guidance Number 80 Erase Investor's Doubt." *Sharing Magazine*, March, 2011.
- Hoetoro, Arif, *Islamic Economics: an Introduction Towards History Analysis and Methodology* (Malang: Badan Penerbit Fakultas Ekonomi Universitas Brawijaya, 2007).
- Huma Ayub and Behzad S. Kawish, "Engine to Growth-Design and Use of Innovative Islamic Capital Market Products: Experience of Pakistan and Malaysia." 200.

- Ibrahim, Ali Adnan, "The Rise of Customary Business in International Financial Markets: An Introduction to Islamic Finance and The Challenges of International Integration." *American University International Law Review* . 23, No.4 (2007).
- IOSCO, "Islamic Capital Market Fact Finding Report", *Report of the Islamic Capital Market Taskforce of the International Organization of Securities Commission*, July (2004).
- Kahf, Monzer, "Islamic Economics: Notes on Definition and Methodology." *Review of Islamic Economics*, 13, (2003).
- Khan, M. Akram, "Islamic Economics, Nature and Need." *Journal for research in Islamic Economics*, Jeddah: The Center for Research in Islamic Economics, (1984).
- Khan, M. Fahim, "Islamic Banking as Practised Now in the World." *Money and Banking in Islam* (Islamabad: International Centre for Research in Islamic Economics, King Abdul Aziz University and Institut of Policy Studies, 1996).
- Khan, Mohammed A. Moqtedar, "The Philosophical Foundations of Islamic Political Economics." *The American Journal of Islamic Social Sciences*, Vol 13. No. 3, (1996).
- Khatkhatay, M.H. and Nizar, Shariq, "Shari'ah Compliant Equity Investments: An Assessment of Current Screening Norms." *Islamic Economic Studies*, Vol. 15, No. 1 July (2007).
- Mannan, M.A., "Islamic Economics as a Social Science: Some Methodological Issues." *Journal of Research in Islamic Economics*, 1 (1); 1983.
- Mannan, M.A., *Islamic Economics: Theory and Practice* (Delhi: Sh. M. Ashraf, 1970).
- Mannan, M.A., *The Frontiers of Islamic Economic* (Delhi: Idarah-i Adabiyat-i, 1984).
- Mannan, M.A., *The Making of An Islamic Economic Society* (Cairo: International Association of Islamic Banks Egypt and International Institute for Islamic Banking and Economics Turkish-cyprus, 1984).
- Mannan, M.A., *Understanding Islamic Finance: A Study of the Securities Market in an Islamic Framework* (Jeddah: IDB IRTI, 1993).
- Merriam, Sharan B., *Qualitative Research: A Guide to Design and Implementation* (San Fransisco: The Jossey-Bass, 2009).
- Moghul, Umar F., "Separating the Good from the Bad: Developments in Islamic Acquisition Financing." *American University International Law Review*, 23, No. 4 (2007).
- Naqvi, Nawab Haidar, *Ethics and Economics: An Islamic Synthesis* (Leicester, UK: the Islamic Foundation, 1981).

- Naqvi, Syed Nawab Haider, *Islam, Economics, and Society* (London and New York: Kegan Paul International, Ltd., 1994).
- Nienhaus, Volker, *Islamic Economics-Policy between Pragmatism and Utopia* (Tubingen: Institute Scientific for Co-operation, 1982).
- Osmani, Noor Mohammad and Abdullah, Md. Faruk, "Towards an Islamic Stock Market: A review of Classical and Modern Literatures." *International Review of Business Research Papers*, No. 5 (2009).
- Punch, Keith, *Introduction to Social Research* (London: SAGE Publications, 2005).
- Qal'ah Ji, Muhammad Rawas, *al-Mu'amalat al-Maliyat fi Dau' al-Fiqh wa al-Syari'ah* (Beirut: Dar al-Nafais, 1999).
- Saeed, Abdullah, "Idealism and Pragmatism in Islamic Banking: The Application of Shari'ah Principles Adjustment." *Journal of Arabic, Islam and Middle Eastern Studies*, vol. 4, No. 2 (1998).
- Saeed, Abdullah, *Islamic Banking and Interest* (Leiden: E.J. Brill, 1996).
- Siddiqi, M.N., *Banking Without interest* (Leicester: Islamic Foundation, 1983).
- Siddiqi, Muhammad Nejatullah, "Restructuring the Study of Economics in Muslim Universities." in *Social and Natural Sciences: The Islamic Perspective*, Isma'il R. Al-Faruqi and Abdullah Omar Nasseef, eds. (Jeddah: King Abdulaziz University, 1980).
- Soemitra, Andri, *Bank and Other Islamic Financial Institutions* (Jakarta: Prenada Media Kencana, 2009).
- Syahatah, Husein and Fayyadh, Athiyyah, *Securities Exchange: Islamic Perspective in Capital Market Transactions* (Surabaya, Pustaka Progressif, 2004).
- Taleghani, Mahmud, *Islam and Ownership* (Lexington: Mazda Publisher, 1983).
- The First Oxford Islamic Finance Round-Table *Integrating Financial Management in Global Finance*, Dar al-Istithmar, Ditchley Park Conference Centre, 24-25 March, 2006.
- The Seventh Harvard University Forum on Islamic Finance, *Integrating Islamic Finance into the Mainstream: Regulation, Standardization and Transparency: A Short Report*, Cambridge: Massachussets, April, 22-23, 2006.
- Touriq, Muhammad, "The Direction of Islamic Capital Market Development." *Sharing Magazine*, March (2011).
- Touriq, Muhammad, "The Direction of Islamic Capital Market Development." *Iqtishodia Journal Ekonomi Islam Republika*, Thursday, 27 January (2011).
- Toutounchian, Iraj, *Islamic Money & Banking: Integrating Money in Capital Theory* (Singapore: John Wiley & Sons (Asia) Pte. Ltd., 2009).

- Usmani, Muhammad Taqi, *An Introduction to Islamic Finance* (Karachi: Maktabah Ma'ariful Qur'an, 2005).
- Uzair, Mohammad, *Interest-Free Banking* (Karachi, Royal Book Company, 1978).
- Vadillo, Umar, *The End of Capitalism* (Granada: Madinah Press, 1991).
- Wilson, Rodney, "The Development of Islamic Economics: Theory and Practice" in *Islamic Thought in the Twentieth Century*, Suha Taji Farouki and Basheer M. Nafi, eds. (London-New York: IB Tauris, 2004).
- Wulandari, Ety Retno, "Indonesia Shariah Capital Market." *Paper*, International Conference on Islamic Capital Market, Jakarta, June 19-20, (2012).
- Yasni, M. Gunawan, "We Keep on Improving Shariah Securites Criteria." *Sharing Magazine*, Edition 63 year VI, March (2012).
- Zaman, M. Raquibuz, "The Operation of the Modern Financial Markets for Stocks and Bonds and its Relevance to an Islamic Economy," *The American Journal of Islamic Social Sciences*, September, 1986.
- Zarqa, M. Anas, "Islamic Economics: An Approach to Human Welfare." in *Studies in Islamic Economics*, K. Ahmad, ed. (Jeddah: International Centre for Research in Islamic Economics, King Abdulaziz University and the Islamic Foundation, U.K., 1980).
- Zarqa, Muhammad Anas, "Islamization of Economics: The Concept and Methodology", in *Journal of JKAU: Islamic Econ.*, Vol. 16, No. 1, (1424 A.H / 2003 A.D).
- Zarqa, Muhammad Anas, Methodology of Islamic Economics." in *Lectures on Islamic Economics*, Ausaf Ahmad and Kazim Raza Awan, eds. (Jeddah: IRTI IDB, 1992).