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Convergences or divergences between: Islamic banks and conventional banks

Dr. Radjef Nacéra

Laboratory of Entrepreneurship and Tourism Development. CU Tipaza (Algeria)
Institute of economics, management and commercial science(CU Tipaza)

Email: radjef.nacera@cu-tipaza.dz

Abstract:
The financial landscape is increasingly characterized by the coexistence of Islamic and conventional banking systems, each with distinct principles and operational mechanisms. This paper explores the convergences and divergences between these two banking paradigms. On one hand, both Islamic and conventional banks aim to mobilize savings, provide financing, and generate profit; however, they do so under different ethical, legal, and financial frameworks. Conventional banks operate primarily on interest-based transactions, adhering to secular financial regulations. In contrast, Islamic banks operate under Sharia law, which prohibits riba (interest) and promotes risk-sharing, ethical investments, and social justice.

Keywords: Islamic bank, conventional bank

Introduction:

Unknown a few decades ago, Islamic finance has significantly developed to become a true financial system. The average annual growth rate in recent years has been between 10% and 30%, depending on the asset classes.

Despite the recent global recession, the sector is reaching new heights again. The countries that endorse this finance are mainly located in the Gulf and Asia, and to a lesser extent, in the Maghreb, Africa, and Europe. Some believe that Islamic banks remain a limited activity, occupying only an insignificant place in the international financial system. For others, it aims to revolutionize the world of traditional finance. Between these two views, it is undeniable that Islamic finance is raising its sails and beginning to attract the interest of experts in conventional finance, especially since the last international financial crisis.

Islamic finance is becoming globalized. It seems to fascinate the West and excite the curiosity of financiers who see it as a melting pot of financial innovations.

This article aims to highlight the convergences and divergences between Islamic banks and conventional banks by addressing the following main question:

What are the differences between Islamic banks and conventional banks?"

To address this issue, we deemed it helpful to present the work as follows:

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1- **Differences in terms of fundamental principles**:

From the perspective of dominant global finance, the prohibition of interest (Riba) constitutes the main difference between Islamic finance and conventional finance. Clearly, this is not the only point of divergence. Indeed, Islamic finance is fundamentally based on strict principles, the most important of which are (Hassan M. K., 2007):

- P1: **The prohibition of interest (Riba)**: The prohibition of Riba may stem from the addictions related to debt and the issue of living beyond one's means. This moral condemnation is not unfamiliar even to European culture. Indeed, the lending of money has long been subject to prohibition. This practice was always considered unjust and immoral (El-Gamal, 2006).
- P2: **The prohibition of uncertainty (Gharar) and speculation (Maysir)**: Generally, Gharar includes situations where information is incomplete; it pertains to uncertainty regarding future events and the quality of goods and can result from a lack of information, whether intentional or not, from one or both parties in a transaction. Maysir is defined as betting on the occurrence of an event based on subjective expectations of the future. It is characterized as any form of contract in which the rights of the contracting parties depend on a random event. Islamic law encourages risk-taking but prohibits excessive risk-taking (Khan, 2015, pp. 789-803).
- P3: **The requirement for justice**: According to the principle of profit and loss sharing in Islamic finance, the bank is not merely a provider of funds interested only in the guarantees offered by the borrower. It represents a true partner to the latter. In conclusion, it follows that the strength of Islamic finance lies in its ability to promote productive investment. It is inherently entrepreneurial (Akkizid, 2019., pp. 201-216.).
- P4: **The prohibition of financing activities that are not compliant with Muslim ethics**: There is freedom of financing as long as the sectors of activity are not incompatible with the objectives of Shariah, which aims to preserve religion, the individual or being, reason or intellect, posterity or lineage, property — that is, everything that is beneficial to humanity and living beings. This definition shares many commonalities with definitions of sustainable development (Khan T. &., 2008).
- P5: **The requirement for traceability**: This refers to the linking of financial transactions to tangible assets. Every financial operation must be backed by a real asset. Islamic finance requires investors to engage in the real economy, focusing on tangible assets, thus preventing the disconnection observed today between financial markets and the real economy. The backing of financial transactions by tangible underlying assets allows Islamic banks to have a clearer view regarding the allocation of their funds (Usmani, 2002).

2- Differences in terms of banking intermediation:

Islamic banks aim to finance economic agents by offering banking services provided they align with the need to comply with Muslim ethics. These banks offer a range of banking products, other than loans, to finance their clients in order to avoid the perception of interest. Islamic banks also do not collect funds based on guaranteed deposits that earn a pre-determined interest rate, again to avoid the payment of interest (Hassan M. K., 2007).

2-1 The Resources of an Islamic Bank:

Like any banking institution, an Islamic bank is an entity that receives deposits. However, the liabilities of an Islamic bank are significantly different from those found on the balance sheet of a conventional bank. They consist of various categories of deposits. On one hand, there are deposits made by clients that are entrusted to the bank for investment purposes and are not guaranteed in exchange for a share of profits and losses; on the other hand, there are non-interest-bearing current accounts. Below is a brief description of these two types of deposits (Khan T. &., 2008).

2.1.1: Participatory Investment Accounts:

are a financial instrument commonly used in Islamic finance that allows for shared risk and profit between investors and financial institutions.

A- Operation:

The uniqueness of Islamic banks lies in the mobilization of funds in the form of participatory investment accounts. These investment accounts are governed by the Mudarabah contract. This specific contract establishes a relationship between an investor (provider of funds / Rab al-Mal) and an entrepreneur (manager of funds / Mudarib) (Hassan M. K., 2007).

The holders of participatory investment accounts (the depositors) represent the providers of funds and therefore the counterpart that invests their money. The Islamic bank acts as the manager of these funds (Mudarib) on behalf of these depositors. The relationship between the holders of investment accounts and the bank is one of entrepreneur-investor, unlike the conventional model, which assumes a creditor-debtor relationship. Except in cases of breach of contract or negligence, the entrepreneur is not required to guarantee either the capital invested or the realization of a profit. In other words, neither the principal invested nor the associated rate of return is guaranteed by the Islamic bank (Iqbal, 2007).

The Islamic bank collects investment funds based on a two-tier Mudarabah contract, assuming a dual role. Indeed, the bank collects funds from investors (depositors in investment accounts or Rab-al-Mal), thus acting as an entrepreneur (Mudarib). The investment funds are subsequently made available to entrepreneurs to finance projects, and the bank then assumes the role of an investor (Rab-al-Mal) (El-Gamal, 2006).

A-1. Method of Calculating the Rate of Return :

The Islamic bank mobilizes investment accounts, not to earn remuneration based on a predetermined interest rate, but rather based on a variable rate of return generated by the assets financed by these investment funds.

Compensation relies on the sharing of the actual profit generated by the assets financed through the participatory investment accounts, between the Islamic bank and the holders of the investment accounts.

Profits are allocated in the following manner:

- Profits are first distributed between shareholders and holders of investment accounts. The share allocated to holders of investment accounts is called the Mudaraba income.

The Islamic bank then takes its share of the profit, the "Mudarib share," from the Mudaraba income for its role as fund manager. This allocation is done according to a predefined ratio.Losses resulting from mismanagement, negligence, or the Islamic bank's failure to comply with the terms of the Mudaraba contract must be deducted from the Islamic bank's share of the profits. If the losses exceed the Islamic bank's share of profits, the difference is deducted from its share of the invested capital (Hassan M. K., 2007).

B- The Typology of Participatory Investment Accounts:

Depositors in investment accounts can choose between two types of investment accounts: restrictive and non-restrictive (El-Gamal, 2006).

B-1 Restricted Profit Sharing Investment Accounts:

These accounts are also referred to as earmarked investment deposits. They are accounts opened by clients with the aim of investing their deposited funds into specific, predetermined projects (Khan A. &., 2015).

B-2 Unrestricted Profit Sharing Investment Accounts

These accounts are also known as non-earmarked investment deposits. Holders of these accounts grant the Islamic bank full responsibility for the management of the investment funds.

They do not participate in the selection of the assets to which the funds will be allocated, nor in the management of these funds. The money placed in these accounts contributes to a common fund along with the Islamic bank's funds (Akkizid, 2019.).

2.1.2 Current Accounts:

In practice, the Islamic bank also collects funds in the form of demand deposits from risk-averse clients. Current accounts are non-remunerated. The bank guarantees the full repayment of the principal, unlike participatory investment accounts (Khan T. &., 2008)..

2.2 Financing of Assets:

The assets of an Islamic bank present a diversified portfolio (El-Hawary, 2007). Fund allocation in an Islamic bank is achieved using different financing modes classified into two categories:

- Participatory financing modes with uncertain returns (Equity financing / profit and loss sharing investment)
- Financing modes for commercial operations with fixed returns (Non profit and loss sharing investment)

The Islamic bank does not charge interest from its clients as in the conventional model. It earns revenue either through a profit margin on commercial operations or through profit sharing from participatory financing operations.

2.2.1 Instruments of Participatory Financing with Uncertain Returns

Equity financing is conducted through participatory contracts, namely:

- Musharaka (Joint venture, profit and loss sharing investment)
- Mudaraba (Partnership, profit sharing and loss bearing investment).

2.1.1.1 Musharaka (Joint Venture):

The term Musharaka means partnership. It is a financial instrument that implements the principle of profit and loss sharing (PLS). The principle of this operation is straightforward. It is a contract through which two (or more) partners engage in a project and pool their capital to finance it. The capital contributions of each party involved do not necessarily have to be equal. In the division of tasks, it is possible to assign project management to a single contractor (El-Hawary, 2007, pp. 285-300.).

The profit share allocated to each partner is calculated according to a predetermined sharing ratio explicitly defined at the time of contract signing, rather than being fixed. It is not mandatory for these profit shares to be strictly proportional to the capital contribution. As for losses, they must be borne by each party proportionate to their capital investment. Each party's share of profits is freely negotiable, but the division of losses must respect the same proportions as their capital contributions (Khan T. &., 2008).

The Musharaka operation is not a bank loan; it is a full and active participation in financing a project with an interest in the results, whether they are positive or negative. By investing in a company through the Musharaka financing mode, the Islamic bank takes a share of its capital and becomes a shareholder. Consequently, it gains a right to oversee the management of the company (Iqbal, 2007).

Several Musharaka financing modes are possible, with two of the most interesting being "Permanent Musharaka" and "Decreasing Musharaka." Under the Decreasing Musharaka, the Islamic bank progressively relinquishes its capital share to the other partners, allowing it to gradually disengage and eventually withdraw from the project. In contrast, the Permanent Musharaka aims to actively contribute to economic development while placing its capital (El-Gamal, 2006).

The Musharaka financing mode enables the bank to seize medium- and long-term investment opportunities for its funds. It also provides a form of medium- and long-term credit for businesses, which assists in financing their development cycles. Furthermore, it facilitates the creation of small and medium enterprises.

2.1.1.2 Mudaraba: The Partnership in Profit

This mode of financing involves the Islamic bank, which provides the capital, and an entrepreneur, known as the Mudarib, who provides expertise and know-how. The Islamic bank thus acts as an investor, referred to as the Rab al-Mal (Usmani, 2002).

The responsibility for managing the financed project rests entirely with the entrepreneur. The profits generated are divided between the two parties according to proportions mutually agreed upon in advance, after the entrepreneur's management fees have been paid (Hassan M. K., 2007).

According to (AAOIFI.., 2008), the losses are borne by each party in accordance with their respective contributions. This mode of financing allows the Islamic bank to meet its clients' needs concerning the financing of business creation cycles. Mudaraba is generally used for financing professions where the partner's expertise is considered the primary guarantee of the operation.

2.1.2 Fixed Income Financing Instruments: Debt Contracts:

These contracts are commercial transactions that have all the characteristics of interest-bearing loans but are not considered as such. They are financing contracts with constant payments spread

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over time. The payments consist of fractions of the principal plus a margin. This margin is fixed and independent of the contract's maturity.

2.1.2.1 Murabaha Contract: Purchase and Resale with Profit Margin:

This is "a financing contract under which a client requests a financier to finance the purchase of a specific asset or a portfolio of specific assets, particularly involving two successive transfers of ownership as follows: a seller sells the asset to a financier who then sells it to a client at a price payable in instalments, higher than the acquisition price by a profit margin... The price is determined and known to both contracting parties on the day the contract is concluded (AAOIFI .. , 2008). The Murabaha operation is a financing technique involving specific assets, notably real estate, movable property, securities (financial instruments and equity rights), commodities, or machinery." (Hassan M. K., 2007)

The bank effectively acts as the initial buyer from the supplier and as the seller to its client who requested the purchase. The Murabaha financing mode assumes that the Islamic bank buys a specific asset on behalf of a client. Subsequently, the bank sells this asset to the client for the initial purchase price plus a profit margin that is pre-determined and does not vary during the payment period. The intermediation of the Islamic bank thus involves two successive transfers of ownership of the financed asset (Iqbal, 2007).

2.1.2.2 Ijara Contract: Leasing

The Ijara financing mode is akin to a leasing agreement. “Ijara is a contract under which an entity provides a movable or immovable asset to a client for a specified duration in exchange for rental payments. The Ijara contract may include a promise of sale or an option to purchase exercisable upon expiration or during the contract. This promise of sale or purchase option can be separate from the lease contract. (AAOIFI., 2008)”

It is a financial instrument through which a bank acquires an asset necessary for executing a project and leases it to a client for a specified amount and duration. The owner of the asset, namely the bank, bears all risks associated with ownership. The lease duration varies depending on the nature of the asset and the client's needs.

The Ijara contract can be a simple lease, known as “Classic Ijara,” where the asset is recovered by the Islamic bank upon expiration to make it available to another client. The contract can also feature a purchase option, termed “Ijara with a purchase option,” allowing the tenant to exercise this option. Thus, the Ijara contract leads to a transfer of ownership in favor of the tenant (El-Gamal, 2006).

The Ijara contract involves three parties: a seller of the asset, the Islamic bank, and a tenant. The Islamic bank purchases the asset from a supplier, thereby becoming a lessor by renting it to a client who becomes a tenant and pays rent. The rent covers the price of the asset and a reasonable compensation for the bank.

Ijara is very similar to a leasing contract; however, there are some differences. The following table summarizes these differences (Iqbal, 2007).

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Table 1: Differences Between Ijara Contract and Leasing

	Leasing	Ijara
Late Payment	The contract provides for penalties in the form of a percentage of the amount due.	No late payment penalties; a fixed penalty is akin to an interest rate. Additionally, Islamic philosophy disapproves of any provision in a financial contract that penalizes a good-faith debtor already in difficulty.
Payment	Payments can start from the moment the lessor purchases the underlying asset.	Payments cannot begin before the tenant has taken possession of the asset in question.
Risk of Destruction or Loss of the Asset	The risk is borne by either the lessor or the lessee, generally the lessee	The lessor remains responsible for the asset unless there is malice or negligence on the part of the lessee.

Source: Hassan, M. K., & Lewis, M. K. (2007). Islamic Finance: Principles and Practice. Pearson Education, and AAOIFI. (2008). Financial Accounting Standards No. 4: Ijara. Bahrain: Accounting and Auditing Organization for Islamic Financial Institutions.

2.1.2.3 Salam Contract: Forward Sale Contract

The Salam contract is a transaction in which a seller commits to deliver a clearly defined merchandise on a specified future date in exchange for an immediate payment. It is a forward sale where the payment is made upfront while the delivery is deferred, in contrast to Murabaha (El-Gamal, 2006).

Islamic finance generally prohibits the sale of an asset that does not exist at the time of signing the contract because it entails a high potential for deception and ambiguity (Gharar). The Salam contract is therefore an exception intended to facilitate certain operations, notably in agriculture. This exception is justified by the application of the principle of necessity, known as "darura" (Chaar, 2008, pp. 45-62).To reduce the incidence of deception and ambiguity, merchant goods are described as precisely as possible in the Salam contract.

The Salam contract is comparable to a futures contract. The difference between these derivative products and the Salam contract lies in the payment-delivery terms. In a futures contract, nothing is exchanged before the contract expires, whereas in a Salam contract, payment is made at the time of the contract's conclusion (Khan T. &., 2008).

2.1.2.4 Istisnaa Contract

"Istisnaa is a construction contract whereby a client requests a third party, referred to as the 'manufacturer,' to build a movable or immovable asset for a price payable in advance, in installments, at a future date, or in a staggered manner. The contract specifies that ownership of the constructed asset is transferred to the client upon completion." (Chaar, 2008, pp. 67-84.)

This technique is similar to the “off-plan sale” ,which involves financing a transaction for an asset that does not yet exist at the time the transaction is conducted.

The Istisnaa financing mode closely resembles the Salam financing mode. However, Istisnaa generally pertains to manufactured goods, while Salam is reserved for merchant goods that are readily available in the market. In the case of Istisnaa, payment is typically made as the work progresses, unlike the Salam contract, where payment occurs upon the signing of the contract (Khan T. &., 2008).

2.1.3 Qard Hassan: Interest-Free Loans

The Islamic bank also offers interest-free loans granted based on social considerations. This is an exceptional free loan used in specific situations, such as financial difficulties faced by a business or an individual, or when there is a desire to promote the development of emerging sectors (Aloui, 2010, pp. 115-126.) . The bank does not receive any remuneration, and the client only repays the principal amount that was provided. The interest-free loan is more akin to a form of assistance than to a commercial credit. This technique is rarely utilized by Islamic banks.

2.1.4 Sukuk: Islamic Bonds

Sukuk represent the Islamic equivalent of bond financing for businesses and sovereign issuers seeking to comply with Shariah principles. The compensation paid to Sukuk holders is based on the performance of the underlying asset rather than the passage of time. Sukuk holders are technically the owners of a real asset rather than mere lenders compensated at an interest rate, as with conventional bondholders (Iqbal, 2007).

3. Differences in Terms of Governance of Banks

Islamic banks are subject to governance rules that encompass shareholder governance, stakeholder governance, and Islamic governance (Zied, 2006, pp. 219-230.). It is this latter type of governance, Islamic governance, that distinguishes Islamic banks from conventional ones.

As with the conventional banking system, compliance is a priority, but the issue is significantly more complex for Islamic banks. Indeed, in Islamic banks, compliance also includes adherence to Shariah principles. All Islamic banks, or even conventional banks with Islamic windows, are required to have their own Shariah advisory boards, commonly referred to as "Sharia Boards." This board is composed of specialists who are both qualified to interpret Islamic jurisprudence and possess solid knowledge in finance and financial engineering. These members are known as "scholars." The board's mission is to independently establish the validity conditions of financial products in accordance with Islamic law principles and to approve the various products offered by the Islamic bank (Iqbal, 2007). Their independence from the bank's management and shareholders allows them to reject any product deemed contrary to Islamic law.

4. Differences in Terms of Risk Profiles:

Islamic banks are exposed to traditional banking risks similar to their conventional counterparts, namely credit risk, liquidity risk, market risk, and operational risk. In addition, these institutions face unique risks due to their particular modes of operation (Sundararajan, 2002). Indeed, the specific

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nature of the contracts used, the remuneration system employed, and the dual governance system expose them to specific risks (Causse, 2010, pp. 229-242.).

Finally, the mission assigned to Islamic banks subjects them to reputational risk and leads them to monitor their image closely. Furthermore, the use of conventional risk hedging methods, especially derivative products, is not always possible, so they must resort to specific means (Khan T. &., 2001, pp. 151-171).

4.2 Specific Risks of Islamic Banks

When discussing the specific risks of Islamic banks, it’s essential to recognize both the unique challenges they face and the complexities of operating within the framework of Islamic finance. Here are key points to consider:

4.2.1 The Intertwining of Credit Risk and Market Risk

The contractual nature of Islamic banking products and the plurality of counterparties involved in the various phases of banking transactions expose Islamic banks to both credit risk and market risk simultaneously or sequentially, depending on the phase of execution of the transaction (Hassoune, 2008, pp. 22-42.). This risk is referred to as "entanglement risk" and arises because many Islamic transactions are tripartite, involving the Islamic bank, a buyer, and a seller (Akkizidis, 2008, pp. 240-256.).

The Murabaha contract is a good example of the transformation of risks. In order to finance a client through Murabaha, the Islamic bank must first acquire the asset, making it the owner. It then sells the asset to the client, thus transferring ownership from the Islamic bank to the buyer. During the acquisition date, the risk the bank faces transforms from market risk due to holding a physical asset to credit risk at the time of selling the asset to the client. The same reasoning applies to the Salam contract to illustrate the combination of credit risk and market risk (Haron, 2007, pp. 15-35.).

The transformation and combination of market and credit risks represent one of the major characteristics of the risks associated with Islamic financial instruments, necessitating consideration for prudential regulatory issues.

4.2.2 Displaced Commercial Risk:

This specific risk arises from managing participatory investment accounts. (AAOIFI, 1999)identifies it as the probability that the bank will not be able to compete with other banks (conventional and/or Islamic) due to a low rate of return on participatory investment accounts.

4.2.3 Reputational Risk

- **The Dominant Strategy in Islamic Banks is Competitive Strategy with Conventional Banks:**
  Due to intense competition, Islamic banks tend not to seek distinctive products but rather to offer products similar to those in the conventional sector. An example of these practices is the setting of profit margins based on interest rates, the tolerance of debt thresholds in selecting securities, etc. These practices are justified by the principle of necessity (Hassan M. K., 2007).
- **Underutilized Profit-Sharing Principle:**

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The fundamental principle of Islamic finance is the equitable sharing of risks and profits. However, it is observed that Islamic banks most often use sale contracts rather than participatory contracts. This principle should constitute the core business of Islamic banks (Causse M. &., 2010, pp. 229-242.).

4.2.4 Fiduciary Risk

The (AAOIFI, 1999)) also identifies fiduciary risk as the risk that clients will lose confidence in their bank due to non-compliance of banking operations with the principles of Islamic finance or due to poor management of funds. This generally results in a deterioration of the bank's image and a loss of trust from depositors who may be compelled to withdraw their deposits (Khan T. &., 2008).

4.2.5 Shariah Non-Compliance Risk

Operational risk manifests as the risk of non-compliance of banking operations with the principles of Islamic law, known as "Shariah compliance risk," which primarily arises from a lack of qualified professionals. Some common examples of risks encountered include (Causse M. &., 2010):

- In participatory contracts: A clause guaranteeing the capital to the funder or providing for the sharing of losses not in relation to the respective contributions, participating in unlawful enterprises, etc.
- In the Murabaha contract: The commercial contract is concluded between the client and the supplier, with the price paid directly to the client, etc.
- In the Salam contract: The contract concerns goods that are not quantified or unquantifiable, deferred payment of the price, etc.
- In the Ijara contract: Lack of clarity in the contract terms, clauses transferring obligations normally borne by the owner (maintenance, insurance, etc.) to the lessee.
- In the Istisna'a contract**:** Disbursement of project financing to the client, contracts concerning the provision of goods without transformation, etc.

4.2.6 Legal Risk:

This is the risk of litigation with a counterparty resulting from (Iqbal, 2007):

- Any inaccuracies or gaps in the drafting or formulation of contractual documents.
- Legal voids, ambiguities, or inadequacies in legislative and regulatory texts.
- The failure of the bank's legal services to follow up on contentious procedures and monitor incidents affecting account operations (seizures, opposition, etc.).

The occurrence of these risks may lead to direct or indirect financial losses for the Islamic bank.

Conclusion

Islamic finance represents a distinctive approach to financial activities, grounded in ethical principles that aim to promote social justice, equity, and responsible entrepreneurship. The establishment of Shariah compliance committees underscores an organizational commitment to ensuring that financial products align with Islamic ethical standards, effectively distinguishing Islamic finance from conventional practices characterized by speculation and usury.

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Despite these advancements, Islamic banks are not immune to the array of risks common in the financial sector. They face challenges such as credit risk, market risk, operational risk, liquidity risk, fiduciary risk, and Shariah non-compliance risk. These risks require robust management strategies that respect the foundational principles of Islamic finance while ensuring financial stability and sustainability.

In summary, the Islamic finance model not only caters to the increasing demand for ethical financial solutions in the global economy but also emphasizes the importance of effective governance frameworks and risk management practices. As the sector continues to grow, it will be crucial for stakeholders to balance innovation with the ethical imperatives of Shariah compliance, thereby contributing positively to socioeconomic development.

Recommendation:

When examining this topic, it is crucial to develop recommendations that can enhance the effectiveness, efficiency, and ethical standards of both banking systems. Here's a set of recommendations focusing on these aspects:

- Islamic banks can learn from the risk management frameworks and technological advancements of conventional banks to enhance their operational efficiency and customer service. Conversely, conventional banks can explore the ethical investing principles and social responsibility aspects of Islamic banking to include more sustainable and responsible finance options in their offerings.
- Regulators should encourage collaboration between Islamic and conventional banking sectors to develop coherent frameworks that address the unique features of each system while promoting stability within the overall financial system. This can lead to a more harmonized regulatory environment that acknowledges the differences yet recognizes the shared objectives of financial stability and consumer protection.
- Encourage the development and marketing of hybrid products that embody aspects of both Islamic and conventional finance, catering to a broader range of consumers. This includes introducing products that meet Shariah standards while being structured with risk mitigation features commonly used in conventional finance.
- Both sectors should prioritize ethical banking practices, with Islamic banks reinforcing their commitment to social justice and risk-sharing, and conventional banks adopting ethical guidelines and corporate social responsibility frameworks inspired by Islamic principles.
- Promote and support comparative research initiatives that explore the strengths and challenges of both banking systems. Insights gained from such research can inform policy-making, product development, and customer service strategies across the banking sectors.
- Implement training programs and workshops for banking professionals from both Islamic and conventional sectors focused on advanced risk management techniques, regulatory compliance, and ethical finance practices. This knowledge exchange can enhance capabilities and foster collaboration.
- Both Islamic and conventional banks should collaborate on financial inclusion projects to reach underbanked populations. This can involve creating tailored products that address the unique needs of these demographics while respecting both financial and ethical principles.

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