

Annex

Research topics/areas

A successful Visiting Fellowship application should be based on a research idea that can be used in research, policy formulation, and the academia, and should be centered on any of the following broad areas: *Maqāṣid* al-Sharī'ah based Socio-Economic Development, Poverty Alleviation, and Financial Stability. Below is a brief description of each of these areas of research interest.

A. *Maqāṣid* al-Sharī'ah Theoretical and policy oriented research in the area of comprehensive human and socio economic development is an important segment of work at Islamic Research and Training Institute, IDB. IRTI has embarked on a project to develop a *Maqāṣid* al-Sharī'ah based Index of Socio-Economic Development. It is therefore encouraging research that focuses on:

- *Maqāṣid* al-Sharī'ah in socio-economic policy making;
- Gauging the performance of socio-economic polices in the light of fulfilment of *Maqāṣid* al-Sharī'ah;
- Measurement of the socio-economic development in the light of *Maqāṣid* al-Sharī'ah.
- Performance evaluation of Islamic financial sector and institutions in the light of *Maqāṣid* al-Sharī'ah.

The research proposal can address some of the following questions:

- (1) What are the relationships between Sharī'ah rules and their objectives? How do those objectives translate into economic and financial decision making at the level of individuals, family, business organizations, financial institutions, regulators, government, and the society as a whole?
- (2) Designing and piloting surveys to measure socio-economic development based on *Maqāṣid* al-Sharī'ah.
- (3) *Maqāṣid* al-Sharī'ah and Sustainable Development Goals (SDGs): an analysis for possible index creation.
- (4) What would be the “objectives of financial sector regulation” in the light of *Maqāṣid* al-Sharī'ah? Do the current objectives of financial sector regulations sufficiently cover all *Maqāṣid*? How can these objectives be operationalized in the regulations of Islamic banking, and in the regulations of Islamic capital markets?
- (5) Any research topic within the research cluster

Poverty alleviation Poverty alleviation is a core component of the vision and mission of the IsDB group. Making a dent on high and rising levels of poverty through social finance and other forms of intervention in a Shariah-compliant manner is a key policy concern in the IsDB member countries as well as in Muslim societies in non-member countries. There are many challenges in achieving this objective that need to be understood and addressed. Unlike other areas in mainstream (for-profit) Islamic finance, poverty alleviation involves interventions in philanthropic (zakāt, sadaqa and awqaf), not-for-profit (qard, kafala), cooperation-based and

for-profit sectors of the economy. Major gaps currently exist that require theoretical and empirical research into these sectors in a concerted and coordinated manner. The research focus will be on empirical and theoretical aspects of the system of Islamic social finance, e.g. zakat, waqf, microfinance, for the financial inclusion and poverty alleviation. Possible areas of research will include:

- (1) The role of Islamic Social Finance in poverty reduction.
- (2) Divergence between potential and actual zakat collection. Where the difference goes and who receive such transfers?
- (3) Exploring the potential of waqf in IDB member countries
- (4) Social finance and financial inclusion
- (5) Relationship between cost/price of credit and financial & social inclusion
- (6) Relative contribution of microfinance services on financial and social inclusion
- (7) Any research topic within the research cluster

C. Financial stability is one of the most widely discussed issues in today's economic literature. The relevance of financial stability gained a lot of attention because of the recent global financial crisis. Hence, policymakers have become much more concerned as to what could lead to financial instability and what is needed to address or prevent it. These developments have prompted many policymakers and regulators across the globe to shift from micro-prudential to macro-prudential framework in order to address systemic risks and financial instability. Therefore, research in this area will look into:

- (1) *Financial Development and Prudential Policy* – The research will focus on issues surrounding financial development and macro prudential orientation, specifically on issues related to regulatory and supervisory framework and assessment of financial stability. The research will seek to address the gap in the academic and policy literature, by providing an understanding of the behavior of the Islamic financial system with respect to specific monetary policy, macro prudential policy, regulation, and supervision that could be employed to mitigate systemic risks as well as in creating an incentive structure for Islamic finance market players.
- (2) *Risks Management and Stress Testing* – The research will focus on the uses of a different risk approach due to regulatory (i.e., financial and capital markets), legal, product and financial innovation, *fiqh*, and operational requirements that may dictate a certain approach to manage the associated risks. The research will provide an in-depth insight of assessing these risks and tools for the Islamic financial system and attempt to develop a comprehensive “Stress Testing” model to measure the risk in Islamic banking sector. It is also expected to supplement the existing work of the Financial Sector Assessment Program for the Islamic financial sector (iFSAP) and development of risk management toolkits for Islamic finance.
- (3) Any research topic within the research cluster