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Business Ethics Index in Islam

Mohammad Javad Tavakoli *

Saeed Karimi **

Drawing attention to ethics' functions in the business environment is one of the achievements of interdisciplinary studies between ethics and economics. In this connection, some fragmentary attempts have been made to examine the status of business ethics. The main question, here, is that whether one can extract the business ethics Indicator using Islamic standards and ethical concepts. Using descriptive-analytical method, the present article tries to extract some indicators to measure business's morality based on Islamic approach. Designing the relevant index requires that the concept of Islamic business ethics be defined and its components and indicators be determined. The results show that one can evaluate the status of business ethics on the basis of these three value concepts: justice, fairness, and beneficence. The proposed Indicators have some specific components being extracted from Quran verses and Hadiths of Imams (as). The proposed Index is a weighted average of indicators.

Keywords: *Business Ethics, Islamic Business Ethics, Islamic Business Ethics Index.*

JEL classification: C43.A13.

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A Survey of Infaq's Impact on Poverty Reduction in Iran

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Mehrdad Mahmoudian **

Our main goal in this article is to examine Infaq's impact on poverty reduction in Iran. For measuring Infaq, we have used the number of mawqufahs and the total sum paid to Imam Khomeini Relief Foundation, and for measuring poverty line, we have used the basic needs approach and the cost of a food basket equal to 2080 kilocalories per person per day and its average price in the provinces. We have also used the data at province level for the period 2000-2009. The analyses have been done using the panel data econometric method. The findings suggest that Infaq through Relief Foundation does have an impact of poverty reduction, but the growth of the number of mawqufahs has not had a significant impact in this regard. Another finding of this research is that the reduction of unemployment and inflation has a positive significant relation with poverty reduction in Iran.

Keywords: *Poverty, Infaq, Waqf, Unemployment, Inflation, Panel Data.*

JEL classification: I32, E62, Z12, C23.

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Religious Economic Democracy Model as the Infrastructure of National Stable Justice-Oriented Production

Ahmadali Yousefi *

The religious economic democracy model with its special humanological foundations is a model at the same level as the economic capitalocracy model of capitalism and economic statism of socialism. By designing and implementing religious economic democracy models, Islamic Republic of Iran can get liberated from the economic problems, reach its goal of national justice-oriented production, curb inflation and recession, decrease the unemployment rate, and confront the enemies' economic plots, bearing the least possible damages.

In the religious economic democracy models, every person can literally be in charge of their economic affairs and all economic active groups (capital owners, labor force and consumers) can reach their economic goals. These models should be so ambient that the infrastructure of economic activity consistent with the economic motives and mood of every economic agent be provided. This article, using the descriptive-analytical method, tries to prove the hypothesis that the Islamic teachings have the capacity necessary for presenting the economic democracy models in order for all economic active groups' goals to be satisfied, and also for the goal of national stable justice-oriented production to be reached.

Keywords: *Economic Democracy, National Production, Economic Justice, Components of Economic Justice.*

JEL classification: L11, D24, Z12, E23.

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Determining Participatory and Exchange Contracts' Optimal Share in the Interest-Free Banking

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Asghar Abol-Hasani Hastiani **

Rafi'e Hasani Moqaddam ***

In the present article, besides examining the structure of interest-free banking and its methods of resource mobilization and allocation, we study and optimize the bank's behavior in the stochastic (indefinite) conditions. In other words, given the indefiniteness of accounts' profits and also of participatory contracts' profits in the interest-free banking, the issue of stochastic calculus in mathematics is of a high usage in modeling these banks' behavior. In the present article, thus, using the stochastic optimal control technique, we examine the behavior of this kind of banks as an objective function, and identify, in the form of a theoretical model, that share of participatory and exchange contracts which maximizes the Islamic bank's share. Furthermore, we calculate the exchange rate elasticity and participation rate elasticity of contracts' optimal share in the Iranian banking system.

Keywords: *Interest-Free Banking, Exchange Contracts, Participatory Contracts, Optimization, Stochastic Optimal Control.*

JEL classification: D81, C70, A20.

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Convertible Currency Partnership Bonds

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In recent years, as one of the most important efforts made in order for the partnership bonds to get more diversified and competent, they have focused on making these bonds equipped with a set of the other financial tools' features. This issue is the present article's subject matter. Given the partnership bonds' role in financing the investment projects in Iran, increasing these bonds' capabilities and diversity can even increase the amount of financial resources in hand for being invested. In this connection, our question here is that whether one can equip the partnership bonds with a set of stock market's features and, meanwhile, cover the risk of exchange rate fluctuations. In response, we have introduced "convertible currency partnership bonds". These bonds not only give the holders the benefits of stocks and participation bonds, but also keep their assets secure against the risk of exchange rate fluctuations. The method used here is a descriptive-analytical one.

Keywords: *Partnership Bonds, Stocks, Convertible Partnership Bonds, Risk Management.*

JEL classification: G30, G21, G19.

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Role of Legal and Political Institutions in Life Insurance Development; a Case Study of OIC Countries

Hamid Sepehrdoust *

Samaneh Ebrahimnasab **

Life insurance is an important financial institution that, besides other institutions as the channel directing the households' savings, plays a key role in providing and mobilizing the financial resources in order to be invested in money and capital markets. Despite its importance in economic development and growth, it has not been sufficiently developed in Islamic countries. One of its most important causes is the prevalence of some special beliefs in these countries in this regard and the alleged existence of interest, usury and gambling in this kind of insurance. In the present article, the difference between insurance and these concepts has been explained, and some solutions have been proposed for life insurance's being developed in Islamic countries via the legal and political institutions' becoming effective and insurance activities' getting clear in order for the financial resources of life insurance to be invested in productive, employment-creating and Islam-congruent activities. Our main goal, here, is to investigate the effect of legal and political variables on the demand for life insurance in OIC members during the period 1999-2011 using a balanced panel data approach. The results indicate that the proper function of legal and political supervisory institutions and the proper situation of such economic variables as financial development, per capita income and human capital as a measure of risk aversion have a significant positive effect on the development of life insurance in the selected Islamic countries, while the expected inflation rate has a significant negative effect in this regard.

Keywords: *Life insurance, Legal Institutions, Political Institutions, Islamic Countries, Panel Data Approach.*

JEL classification: I38, I13, D12.

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