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3

A Quarterly Journal in Islamic Economics - 58

Fundamentals, Capacities, and limitations of Islamic Economics as Domestic Science

Atollah Rafiei-Atani

The Concept Of Order In Islamic Economics

Abdolhamid Moarrefi Mohammadi

Juridical-financial study of Inflation-Protected Ijarah Sukuk

Sayyed Abbas Mousavian, Mojtaba Kavand, Reza Mirzakhani, & Seyyed Amirhossein Etesami

Evaluating and Comparing Ijarah and Musharakah Sukuk for Agency Costs in Terms of Game Theory

Seyyed Mohammad-Reza Seyyednourani & Mohammad Alimoradi

Jurisprudential Investigation on the Future Contract; Its Rules and Effects

According to Imamiyyah Jurisprudent

Gholamali Masoumnia, Meisam Fadaei-Vahed & Seyyed-Hamid-Reza Saemin
Information Asymmetry in Venture Capital: Study on Shirkah and Mudhaarabah
Mehrnaz Heidari & Parastoo Mohammadi



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A Quarterly Journal in
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EGHTESAD-E ISLAMI

6 / Fundamentals, Capacities, and limitations of Islamic Economics as Domestic Science

Atollah Rafiei-Atani

7 / The Concept Of Order In Islamic Economics

Abdolhamid Moarrefi Mohammadi

8 / Juridical-financial study of Inflation-Protected Ijarah Sukuk

Sayyed Abbas Mousavian, Mojtaba Kavand, Reza Mirzakhani, & Seyyed

Amirhossein Etesami

9 / Evaluating and Comparing Ijarah and Musharakah Sukuk for Agency Costs in Terms of Game Theory

Seyyed Mohammad-Reza Seyyednourani & Mohammad Alimoradi

10 / Jurisprudential Investigation on the Future Contract; Its Rules and Effects

According to Imamiyyah Jurisprudent

Gholamali Masoumnia, Meisam Fadaei-Vahed & Seyyed-Hamid-Reza Saemin

11 / Information Asymmetry in Venture Capital: Study on Shirkah and Mudhaarabah

Mehrnaz Heidari & Parastoo Mohammadi

Fundamentals, Capacities, and limitations of Islamic Economics as Domestic Science

*Atollah Rafiei-Atani**

There are two fundamental approach towards the the criterion of Economics as to be Islamic. The first approach considers that Islamic Economics is a knowledge that acquires all its scientific identity from "authentic sources of recognition from Islamic viewpoint". The second approach considers that Islam converts the quiddity of subject matter and the researcher in the field of Economics researches into an artificial reality and self-made, as a system of values, beliefs, norms, customs, traditions, and a collection of Islamic experience of life, with constructing an environment, culture, and Islamic society. This article is to identify the second approach, which Muhammad Baqir al-Sadr considers the "Islamic Economics" as to be realizable in the same framework as well. The article addresses the influence of culture on economics in the theoretical framework of the neoclassic economic school and Institutionalism. For this purpose, the article to refer to the influence of cultural diversity on the totality of economics, from two main viewpoint of the creation of the subject or the economical theoretician and the object that is human being and the society. One standpoint holds that the differences between subject and object of economical knowledge in the scope of society and Islamic culture and the scope of the society of the current economics is in such an extent that it is necessary to establish a new knowledge in Islamic society. This article investigates and criticizes the fundamentals, reasons, and results of this approach.

Keywords: *culture, Economics, Institutionalism, Neoclassic, Islamic Economics, domestic science, sociology of knowledge, methodology.*

JEL classification: E11 .B52 .E13 A14 Z12.

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The Concept Of Order In Islamic Economics

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7

A Quarterly Journal in Islamic Economics - 58

Classical political economy as a modern science is a product of new interpretation of order in modern age metaphysics. This order was a natural and also institutional. Natural order influenced ontology, epistemology, axiology and methodology in political economy. political economy as a representation of new institutional order, became separate science and separated itself from other social sphere such as religion, political and ethical. by subjectivism and marginal revolution in economics the concept of order transformed from institutional to mathematical. Natural order was holistic and institutional with discoverable laws; but mathematical order was artificial order with mathematical relation that constructed by economists as laws. so evolution of economics intertwined with the concept of order. so, we can have question: hitch concept of order we need in order to constitute an Islamic economics school by neoclassical framework? Does this synthesis mean the acceptance of presuppositions in neoclassical economics?

Keywords: *Islamic economics, neoclassical economics, natural order, Mathematical order, institutions.*

JEL classification: A13, B2, B49, P40.

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Juridical-financial study of Inflation-Protected Ijarah Sukuk

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Seyyed Amirhossein Etesami ****

Nowadays, a financial instrument used in global financial markets, is Inflation-Protected Securities or (float rate) variable income securities. The return of the securities for both issuer and investors is more attractive since in addition of real interest rate they are affected by inflation expectations. Iran's securities markets may apply such securities as financing instrument because of its high inflation rate rather than global average.

This Article by applying descriptive- analytical method answers following questions: Based on Imamiyah juridical School, Is it possible to issue float rate & inflation-protected Ijarah Sukuk with? What are correcting solutions due to Ijarah contract? Results of the study show that it is possible to issue inflation-protected Ijarah Sukuk with floating rate. In order to float rate of return, difficult solutions may be applied such as contract modification condition based on a pre-determined formula, enactment of Ijarah rate adjustment based on amount money is devaluated and finally transforming float rate Ijarah securities to multiple Ijarah contracts with different rates relative to inflation formula plus a fixed rate.

Keywords: *variable income Securities, Ijarah Contract, Inflation-Protected Ijarah Sukuk, Inflation rate.*

JEL classification: G23 Z12.

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Evaluating and Comparing Ijarah and Musharakah Sukuk for Agency Costs in Terms of Game Theory

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One of the most important factors that can help the development of the Islamic financial system is creating interest in Islamic financial instruments in order to be a complete replacement for conventional financial instruments. Reduce agency costs in Islamic financial instruments in comparison to conventional instruments is necessary to create the attraction and development of Islamic financial system. In this paper, based on game theory and agency theory, we assess Ijarah and Musharakah Sukuk in terms of agency costs. In recent years the use of agency theory have risen sharply as a branch of game theory to analyze the capital structure of financial contracts; Asymmetric information and moral hazard are the most important issues in financial contracts that led some financial contracts are not attractive. The results show that entrepreneur (contractor) is indifferent on the mode of financing agreement. However, Ijarah sukuk is considered a more appropriate tool in financing by investors because it imposes a lower agency costs.

Keywords: *Game theory, Agency theory, Asymmetric Information, Subgame perfect Nash equilibrium, Sukuk.*

JEL classification: G30 ,G32 ,C70.

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Jurisprudential Investigation on the Future Contract; Its Rules and Effects According to Imamiyyah Jurisprudent

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Seyyed-Hamid-Reza Saemin ***

Fiqh study of newly-derived rules and especially the future contracts that has been operationalized in the capital market of our country (Iran) has a very important position in the Islamic financial market. This importance arises from the new character of these types of contracts. This article examined the future contracts, their rules, and their effects from jurisprudential viewpoint. The results of this study showed that the future contract is an example of mutual commitments to carry out cash sale in the future, so that the parties agree on their commitments at the present to carry out the cash sale in the future and the cash sale takes place at the deadline maturity. About the payment of deposit accounts and daily adjustments of deposit accounts, it can be said that as an example of the terms of this type of contract, the parties first agree to leave some amount of money at the disposal of the clearing chamber to guarantee the contract and secondly, they agree to adjust the amounts of this deposit account according to the future market volatility, so that no party to the contract shall be willing to default on the contract, and, if a party defaults, the other party shall suffer no losses. Also, the Fiqh nature of a cash settlement at the maturity or before the maturity was discussed that the cash settlement before the maturity is an example of transfer of obligation that does not conflict with the principles of Islamic financial principles and cash settlement at maturity is permissible due to its non-conflict with Islamic rules including the *La Zarar* (the principle of no harm) Rule. In addition, all the basic assets of future contracts were discussed and analyzed based on the properties of the sold item. Future contracts of the commodities, stocks, and foreign exchange are

10

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permissible, but the Future contract of climate index is unlawful.

Keywords: *Future Contract, cash settlement, basic assets.*

JEL classification: G32.

Information Asymmetry in Venture Capital: Study on Shirkah and Mudhaarabah

Mehrnaz Heidari *

Parastoo Mohammadi **

11

One of the most challenging steps of venture capital process is contracting between investor and entrepreneur. This challenge is the result of unpredictable future of partnership, difficult valuation of entrepreneur's intangible assets and information asymmetry between participants. So there had been created diverse controlling and incentive methods in deal completion to minimize future challenges. Among Islamic financial contracts (Uqud), Shirkah (Mushaarakah) and Mudhaarabah has the most similarity to venture capital contracts. As choosing a specific framework for contracting, influences interacts between entrepreneur and venture capital, the main purpose of this article is considering these influences for choosing suitable Islamic contract framework, which reduces agency problem. This study shows Shirkah (Mushaarakah) contract can better confront agency problem from the viewpoint of contract termination, guaranteeing in case of loss and time limit of contract.

Keywords: *Venture Capital, Shirkah (Mushaarakah), Mudhaarabah, Information Asymmetry, Agency Problem.*

JEL classification: G24 ·D82 ·D86 .

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