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# Nominalism in Epistemology of Economic Knowledge and Islamic Economics

*MohammadJavad Tavkoli\**

*MohammadJavad Ghasemi Asl\*\**

## Abstract

Some economists have argued that economics is only based on the idea of Nominalism and the current form of this thought is a hypothetical-deductive method of explanation. According to this analysis, there is no possibility of the formation of the knowledge of Islamic economics and the use of the hypothetical- deductive method of explanation in the Islamic intellectual space ,which is based on the essence. The paper examines this claim using an analytical method.

This claim for the mere focus of Plato's essentialism which postulates the existence of the object for generality has gone wrong in the definition and efficiency of essentialism .

This statement holds while general concepts used in economics, are abstract and contractual. Based on this, the argument between essentialism and nominalism, doesn't create a problem and rift for economics as a science. Moreover, since ontological essentialism doesn't contradict methodological nominalism, the method of hypothetical inferential reasoning in Islamic Economics can be used based on essentialism.

**Keywords:** *Nominalism, Essentialism, Hypothetical-Deductive Method of explanation, General concepts, Epistemology, Economics.*

**JEL Classification:** A19, C12, Z12.

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# Economic Transparency in Islamic Economics (with Emphasize on Qur'an and Hadith Resources)

*Rahmatollah Abdollahzadeh*\* *Mosab Abdollahi Arani*\*\*

*Hossein Ghafoor Zadeh*\*\*\*

## Abstract

Economic transparency is one of the most important issues in every economic system. Since the Moghawamah economy is introduced as an inspirational model of the Islamic economic system this question arises as to how the capacity of Quranic-Hadith-Islamic jurisprudential teachings as the epistemic sources of Islamic economic system in creating economic transparency? For this purpose, using the descriptive analytical method and the study of the Economic jurisprudence chapters were investigated. The elements of economic transparency proposed in the economic literature and the Islamic jurisprudential teachings by the Qur'anic- Hadith approach and imperative rules- obligatory and non-obligatory- on the transparency of the economy, effective Islamic Jurisprudence Rules in transparency of the economy, and the components of economic transparency in the Islamic contracts were drawn. We concluded that the Islamic jurisprudential and Quranic-Hadith teachings have a high potential for creating economic transparency.

**Keywords:** *Economic transparency, economic jurisprudence, Qur'anic and hadith approach, Islamic contracts, Islamic jurisprudence rules.*

**JEL Classification:** A13, L14, K12, Z12.

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# The effects of inflation and unemployment on religious expenditure

*Mahdi Ghaemi Asl* \*

*Sahar Louie* \*\*

## Abstract

Religious expenditure as a favorable and moral economic behavior, in addition to providing the collective interests and the individual interests in economic behavior of Muslims, causes psychological growth and even economic growth of communities. Therefore, the study of the inflation and unemployment effects on this kind of God-seeking spending is one of the needs of economic policymakers in the Islamic society to expand and strengthen actions to enhance the welfare of society.

In this study, data of 28 provinces of Iran during 1997- 2014 is used to study the effects of inflation and unemployment on religious expenditure. For this purpose, the data were extracted from information published by the Statistical Center of Iran.

The estimation results based on the dynamic panel data approach shows that inflation and unemployment effects on religious expenditure in the period under review is negative and significant.

It is recommended that economic policymakers codify effective regulatory rules and policies to reduce inflation and unemployment to provide the perfect backdrop for religious expenditure and God-seeking behavior. So the methods and tools of economic science, especially in the field of Islamic economics, should be used for improving the Islamic indicators of the economy and ignoring the effects of economic variables on moral values must be avoided.

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**Keywords:** *Inflation, Unemployment, Religious Expenditures, Dynamic Panel Data.*

**JEL Classification:** D12, C23.

# Consequences of Lack of Sharia Supervision on Iran's Banking System and its Policy Implications

*Seyyed Ali Rohani\**

*Seyyed Mahdi Banitaba\*\**

## Abstract

"Shariah supervision" in the banking system refers to all regulatory measures in order to ensure the compliance of banking system operations with shariah. The lack of shariah supervision in the banking system can lead to riba in the bank-customer relations, or invalidity of shariah contracts and the endangerment of property relations in the economy. In Iran in spite of the existence of "The Law for Usury (Interest) Free Banking law" since 1362, the lack of specific standards and institutions for shariah supervision, have caused several cases of non-compliance of operations, contracts and accounting methods in the banking system with shariah.

In this paper, using descriptive and analytical methods, after illustrating the importance and necessity of shariah supervision in the banking system and its various levels, we analyze the state of shariah supervision in Iran and clarify the weakness of Sharia supervision in

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legal, institutional and administrative aspects, which lead to many challenges in the banking system.

The main consequences of weak shariah supervision in Iran, which are considered in this paper include: banks' non-compliance with Wakalah contract requirements and transformation of Wakalah contract to ownership, obliterating the content of participatory contracts (such as Mudharabah and Musharakah). Exchange contracts (such as Ju'ala and Salam) ,non-compliance of accounting standards in foreign exchange operations and in the income statement of banks, with interest free banking criteria are the other factors.

Finally, based on the evolution of the global Islamic financial architecture, patterns of shariah supervision in the banking system in different countries, and relevant international standards in the shariah supervision of Islamic financial institutions, Proposals for enhancing the status of the Shariah supervision Council of the Central Bank are presented.

**Keywords:** *Islamic Banking ,shariah supervision, interest free banking, bank accounting, participatory contracts, exchange contracts.*

**JEL Classification:** G21, G28, K12, M48.

# Designing a combined Islamic banking index in Iran Banking System

*Seyyed MohammadReza Seyyednourani* \*

*Amir Khadem-Alizadeh* \*\*

*Seyyed Ali Rezvani* \*\*\*

## Abstract

An evaluation of the Progress and regression of Islamic banking or the impact of policies on improving or reducing the efficiency of Islamic banking requires the introduction of the Islamic Banking Indices. The purpose of this paper is to design and introduce a new hybrid index for Islamic banking. This purpose can monitor the situation of Islamic banking in the banking system of Iran. First, Islamic banking branches were identified and put in two classes: Shariah class and Economic class. In the next step, 48 questionnaires were introduced with each branch of Islamic banking. Then based on Two-step Delphi method the weighting of the dimensions of the faces has been identified. The results indicate that, according to the experts of the field, respectively, the branches of deleting usury with a weight of 0.127, economic justice with a weight of 0.115, and observance of Islamic ethics with weight 0.108 of the unit number are most important. Finally, the main goal and the main outcome of this study, through the weighted average of Islamic banking branches, is the design of a combined Islamic banking index.

**Keywords:** *Delphi method, Islamic banking features, combined index.*

**JEL classification:** C43, E43.

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# The Desirable Pattern of Usury Free Banking Accounting System

*Hosein Abdollahi*\*

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*Seyyed Abbas Mousavian*\*\*\*

## Abstract

One of the challenges of a usury free banking system is the challenge of accounting for these banks. The research seeks to this question: Does the current accounting system support the usury-free banking system? If not, what is the desirable pattern of usury free banking accounting? Based on this, the main hypothesis is the "desirable accounting model in alignment with for usury free banking based on accountability approach", and eight sub-hypotheses were designed in line with the main hypothesis and presented to the experts and their answers to these hypotheses were collected. The research data were analyzed using Kolmogorov-Smirnov test and analysis of variances. Therefore, the research hypotheses were confirmed by the experts. The results of the research show that the desirable accounting model has the following characteristics. "The desirable accounting model is the accountability approach," "the bank has the role of the wakil of the depositors," "the users of financial information, to maximize profits by observing Islamic standards." "The main feature of information is correctness, fairness, and understandable." ", " Determining and distributing profits based on Islamic standards. ", " Current value is the basis of measurement. ", " Reporting purposes,

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providing information on how to fulfill the task of wakil, and responsive and responsive relationships".

**Keywords:** *Finance, Islamic Finance, Financial Engineering, Islamic Micro finance.*

**JEL classification:** M48, G38, P26, Z12.

## **Investigating Barriers to Implementing Accounting Standards of Islamic Financial Institutions in Iranian Banking System**

*Zeinab Salehi*<sup>\*</sup>

*Reza Gholami Jamkarani*<sup>\*\*</sup>

*Hossein Meisami*<sup>\*\*\*</sup>

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### **Abstract**

Given the undeniable role of banks and financial institutions in Iran's economy, it is necessary to design core accounting standards, which can prepare different financial statements and make their comparison easier. These standards should preserve rights of owners and promote technical activities of the institutions without breaching Islamic rules. Therefore, required infrastructures should be provided to implement Islamic financial accounting standards in these institutions. This study

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has investigated barriers to implement accounting standards of Islamic financial institutions in Islamic accounting system and has looked into facing challenges in three aspects, including intra-banking, inter-banking and trans-banking challenges. The data were gathered through using questionnaires and referring to banking and university elites and experts, receiving their view, describing and analyzing data and finally making logical conclusion. The results of the study indicated that based on the views of the university and banking elites, inter-banking and trans-banking challenges were more important than intra-banking ones. Moreover, important elements such as lack of a road-map and definite general policies on implementing Islamic banking in the country, lack of Islamic economic infrastructures such as Islamic monetary and financial markets, weakness in educating accounting standards of Islamic contracts to banks experts and lack of a definite institution in preparing amounting standards of Islamic banking in the country were the most important barriers to implement accounting standards of Islamic financial institutions in Iran's banking system. The results of the project showed that juridical disagreements among Shiite and Sunni religions are not regarded as serious and fundamental barriers to employ accounting standards of Islamic financial institutions in the country's banking network.

**Keywords:** *Islamic financial reporting system, accounting standards of Islamic financial institutions, usury-free banking system, Islamic banking.*

**JEL classification:** M48, G38, P26.