Chapter – 7
Conclusion & Implications

7.1 Conclusion

The development of Islamic financial Institutions is one of the fundamental variables underlying the rise of a present day literature of Islamic system. Another factor is the improvement of colleges in Muslim Nations, especially those committed to the more extensive headway of Islamic sciences and their application to the current world. A critical case of such an organization is the International Islamic University Malaysia (IIUM), where a huge gathering of accounting scholars has been adding to the Islamic bookkeeping writing as of late. Numerous Muslim analysts who have been adding to the Islamic accounting and financing literature have studied in nations, for example, the UK and Australia, and the literature has been impacted by such various accounting and financing thoughts as social and environmental accounting from one perspective and persistently contemporary accounting (CoCoA) on the other.

The development of scholarly literature of Islamic system in the English dialect can be dated reasonably precisely to 1981, in which year “Abdel-Majid” type of a provisional hypothesis for the accounting practices of Islamic banks, which were starting to rise around then as a noteworthy constrain. Although some writing on Islamic accounting and accounting in Islamic banks had already been published in the Arabic dialect, the paper by Abdel-Majid (1981) was the principal critical paper in an English-dialect journal. This paper could nearly speak to a model or format for consequent papers on Islamic system. The study starts with a dialog of the Islamic Shariah framework (the standards and guidelines got from the Qur'an and from the idioms and activities of the Prophet Muhammad – the Sunnah). It clarifies how the Shariah standards are connected through a scope of Shariah-compliant banking and financing transactions and concludes by asserting the requirement for particular system for these transactions. Generally, there is a feeling that Islamic system should be not quite the same as Western system: the environment of corporate reporting in Islamic Nations will be described by political, social and financial strengths unique in relation to the powers found in the Western business condition. Since political and monetary powers are requirements on the
targets of corporate reporting and accounting standards, the development of an Islamic model of accounting and financing is a genuine probability.

7.2 Implications

The following strategic suggestions may be applied to be more effective practices in Islamic accounting practices and to cater the differential avenues in a new dimension for the conventional pattern of accounting practices.

Uniform administrative and legitimate structure that is strong of an Islamic financial framework has not yet been developed. In actuality, existing banking regulations in Islamic nations depend on the traditional or western managing an banking models which limit the extent of exercises of Islamic banking within conventional limits. Upgrading direction and supervision would prompt a greater amount of corporate administration and expanding the data accessible to investors, speculators, guarantees the soundness of the money related framework and enhances the control of financial strategy notwithstanding Shariah supervision for Islamic banks.

In a customary credit framework, loan costs assume a key part in overseeing liquidity, valuing risk and designating credit. Subsequently, the risk manager of an Islamic bank would confront a more prominent challenger than the risk manager of a comparable size traditional bank because of the nonappearance of risk management tools and hedging instruments particularly that the interbank market basically relies upon loan fees. Moreover an Islamic interbank market can be developed, as right now Islamic banks are obliged to hold more elevated amounts of liquidity than ordinary banks, which will contrarily influence their productivity and capacity to contend.

Another point is the absence of equity instruments which is identified with the point specified already. Islamic Banks confront a requirement for long term finance. As Islamic banks don't deal with interest bearing bonds, there has been a sustaining market over the most recent few years to make new items under the name of 'Sukuk'. In any case, there is still no uncommon market accessible for Islamic banks.

There is a requirement for a sound accounting methods and principles that are steady with the Islamic Laws. Worldwide accounting practices which depend on western/customary models are not sufficient because of contrasts in the nature and treatment of monetary instruments. Nonetheless, some Islamic banks with the direction of the Islamic Development
Bank, have built up the "Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)", which is practical and situated in the Kingdom of Bahrain. Despite everything it requires time and authorization to perceive any insightful change as the AAOIFI is a willful association and has not restricting forces to implement its standards.

Islamic banks and financial Institutions confront a furious rivalry in human capital as there is a lack of trained personnel who can analyze and manage portfolios, and create inventive items as per Islamic financial standards. Likewise, there is a deficiency of researchers who have even a working knowledge of both Islamic fiqh and modern economics and finance as it is as of now watched that a researcher is a Shariah board part for more than one Islamic bank because of this issue.

There is an absence of consistency in the religious standards of Shariah Law connected in Islamic nations. Such contrasts in interpretation of Islamic standards are expected to having diverse schools of thought. In actuality, each Islamic bank ought to have a Shariah board (and advisory group) for counsel and direction and to counsel their Shariah consultants to look for endorsement for new products and instruments. Because of the diverse schools of thought in Islamic law and not having an all around acknowledged focal Islamic religious expert, product or financial instrument made may not be adequate in all nations.

Despite the fact that Islamic banking has affirmed huge development since the most recent few years, yet at the same time a lot of banks which are made are viewed as small in size and can't play as a serious player particularly with regards to pulling large international banks an account with Islamic windows. So as to contend all inclusive in a compelling way, little Islamic banks need to merge. Additionally, they may need to choose which area to specialize in. For instance, in Africa the emphasis may be on agribusiness, and in Asia the attention could be on industrial service sectors and trade, though in Europe and USA, Islamic banks can specialize in capital and financial leasing.

Islamic banks would confront an issue with regards to the issue of liquidity and 'lender of last resort' work in numerous Muslim economies, with exemption to Malaysia as it keeps up a active interbank money market and an Islamic clearing framework that is controlled by the central bank. At present, the Central bank in numerous Muslim economies depend on traditional frameworks, where with regards to the 'lender of last resort', the Central bank would remain behind the banking system to offer liquidity lending to banks if there is a
deficiency of funds in the framework. Islamic banks will most likely be unable to utilize this facility because of the interest payments due on the credits.

A considerable measure of contention is occurring particularly from regulators in Western nations, featuring that the market of Islamic banking is generally new and their benefits are for the most part long term and illiquid, which qualifies them to carry more, as opposed to less capital.

The development of an interbank market for Islamic banks is one of the greatest difficulties. Likewise, the secondary market for Islamic products is extremely weak and illiquid, and currency markets are practically nonexistent, since suitable instruments are not at present accessible.

Absence of Financial Engineering in Islamic Banks for designing financial product particularly in a quick changing business sector condition and expanding rivalry. As of not long ago, the Islamic financial product and contracts have been restricted to traditional modes.

Absence of Profit-Sharing Finance where Islamic financial specialists developed their expectations on Islamic banks to give more huge measure of profit sharing finance than fixed charge on capital. If well implemented, this would have monetary results like direct investments and produce a solid financial improvement. Be that as it may, by and by, profit sharing finance has remained minor or irrelevant in the operations of Islamic Banks as the vast majority of the advantages are amongst Murabahah and leasing methods of financing. Islamic banks willfully hold more money in respect to deposits than conventional banks because of the danger of withdrawal of deposits, but they also maintain lower provisions for possible loan losses (or losses from Ijarah renting and ventures for Islamic banks) than regular banks.

7.3 Extension of the Present Study

Any research work can explore and make application of other disciplines in a limited way. In the current study, there are many aspects which need to be researched further. The present study also provides considerable scope for further research and development. There is plenty of scope for further work in making the present applications into network based applications so that other areas such as derivatives, bullion trading, insurance sector etc.
Real estate, equity and mutual funds, are some of the important areas where research work need to be carried out as that could probably justify our research further. Further study will throw light in developing applications to check and audit the accounting part of all those sectors area for each related work of above mentioned sub-departments with a thorough comparative analysis of Islamic system and conventional system.