In the Name of Allah Most Gracious, Most Merciful. This issue of the ISRA International Journal of Islamic Finance is dedicated to a similar theme as the previous one, reflecting public concern for the well-being of Islamic banking and finance while complying with the true spirit of Sharī‘ah in the wake of the financial crisis. The reader will find that the six feature articles cover a broad range of Islamic finance issues ranging from the philosophical and structural framework of Islamic finance to the prospect of Islamic microfinance initiatives.

The first article, ‘Islamic Bank Failure: A Case Study’, by Mahmood Nathie, studies the collapse of the Islamic Bank of South Africa in 1997. The paper presents evidence of the causes and consequences of the bank’s collapse. Interestingly, the study shows that contravention of Sharī‘ah principles is one of the causes that led to the bank’s collapse. Other reasons include major liquidity shortcomings due to poor management and credit risk problems. In the final analysis, the study concludes that Sharī‘ah compliance is found to be ineffectual without substantive legal support.

In the next article, ‘Islamic Finance: Structure Mismatch and its Consequences’, by Zubair Hasan, discusses the paradox between the essential objectives of Islamic economics and the adoption of the short-term financing structure of conventional banks. The author argues that the paradox has essentially invoked an intrinsic mismatch between structure and objectives of Islamic finance. Subsequently, this mismatch has forced Islamic finance into convergence and competition with the more matured conventional system. The unidirectional convergence of Islamic finance seems to be leading it to eventual submergence within the conventional system. The paper calls for substantive changes in Islamic finance to ensure that it truly manifests the noble Islamic economic objectives in promoting growth with equity and hence improving the condition of the Muslim community across the globe.

The third article, ‘Assessing the Demand and Supply of Liquidity in Islamic Banking (The Case of Indonesia)’, by Rifki Ismal,
assesses the demand and supply of liquidity in Islamic banks and checks the resilience of the industry to liquidity pressure. The article particularly evaluates the historical performance of Islamic banks in the case of the Indonesian Islamic banking industry in managing liquidity, predicts short-term future performance and investigates the resiliency of the industry against any liquidity pressure. The paper suggests that Islamic banks should intensify education of the public on Islamic banking principles, improve banking facilities, products and services, and optimise bank financing.

The fourth article ‘Understanding the concept of Mašlaḥah and Its Parameters When Used in Financial Transactions’, by Mohamad Akram Laldin, explains a major secondary source of Sharī‘ah: maslaḥah, and highlights that the objective of enacting fatwās and resolutions based on maslaḥah to achieve fairness and justice through the acquisition of benefit and to remove hardship. Literally, maslaḥah denotes interest and benefit. Technically, maslaḥah means the preservation of the objectives of Islamic law by removing evil from humanity. Indeed, maslaḥah represents one of the core subject matters of the Objectives of Sharī‘ah (also known as Maqāṣid al-Sharī‘ah), and it must always be understood and deliberated within the framework and its parameters. Comprehension of the meaning of good and evil requires addressing the issue within the ambit and framework of the purposes of Sharī‘ah law. The paper lays down essential and fundamental parameters to be used in the contemporary application of maslaḥah in financial transactions.

Finally, Norma Md Saad and Jarita Duasa, in their paper entitled ‘Determinants of Economic Performance of Micro-Credit Clients and Prospects for Islamic Microfinance in Malaysia’ uses econometric models to assess the economic performance of clients participating in the microcredit program of Amanah Ikhtiar Malaysia. Essentially, the concern over poverty reduction via microfinance initiative is also of relevance to Islamic banks. As business entity established within the ambit of Sharī‘ah, Islamic banks are expected to be guided by an Islamic economic objectives, among others, to ensure that wealth is fairly circulated among as many hands as possible without causing any harm to those who acquired it lawfully. This article analyses the prospects of introducing Islamic micro-financing products to be used
in micro-financing activities in Malaysia. It finds, *inter alia*, that there is a great demand for Islamic micro-financing products in Malaysia.

The practitioner’s article in this issue compares the performance of Islamic and conventional Exchange Traded Funds in Malaysia. **Abdou Diaw**, **Salwana Hassan** and **Adam Ng Boon Ka**’s ‘Performance of Islamic and Conventional Exchange Traded Funds in Malaysia’ compares the Islamic MyETF-DJIM Titan 25 with the conventional FBM 30ETF in Malaysia. The authors find that, while MyETF has achieved its objective in tracking its index, FBM 30ETF has failed in this respect. Despite its higher total risk, MyETF performed better than its index. The same applied in the case of FBM 30ETF.

Also featured in this issue are reviews of three significant research works currently underway at ISRA. The first is a proposal of a new model for *retakāful* based on *waḍī‘ah* by Muhammad Ali Jinnah Ahmad; the second is a timely in-depth analysis on the concept of *ibrā’* with recommendations for its future improvement, by Marjan Muhammad; and the last is a critical review of the Shari‘ah issues in the practise of tranching in *ṣuḳūk*, by Shabnam Mokhtar.

It is hoped that the knowledge gained from the research carried out by the various authors will deepen our understanding of the many issues present in Islamic finance today. May Allah s.w.t. bless our efforts to further enhance the development of Islamic finance. Ἄμιν.

Allah s.w.t. is the Bestower of success, and He knows best.

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