

Islamic finance and the global financial crisis: an empirical study

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Abstract: Islamic finance can no longer be dismissed as a passing fad or as an epiphenomenon of Islamic revivalism. Islamic financial institutions now operate in over 70 countries. Their assets have increased more than fortyfold since 1982 to exceed \$200 billion. In 1996 and 1997, they have grown at respective annual rates of 24 and 26 per cent.¹ By certain (probably overly optimistic) estimates, up to half of the savings of the Islamic world may in the near future end up being managed by Islamic financial institutions. The first Islamic banks were created in the 1970s, at the time when the aggiornamento of Islamic doctrine on banking matters was taking shape. At the time, Islamic banks were typically commercial banks operating on an interest-free basis. Today, as a consequence of broad changes in the political-economic environment, a new generation of Islamic financial institutions, more diverse and innovative, is emerging as the doctrine is undergoing a new aggiornamento. Perhaps the most important development has been the growing integration of Islamic finance into the global economy. There is now a Dow Jones Islamic Market Index, which tracks 600 companies (from inside and outside the Muslim world) whose products and services do not violate Islamic law. Foreign institutions such as Citibank have established Islamic banking subsidiaries, and many conventional banks – in the Muslim world but also in the United States and Europe – are now offering ‘Islamic products’ that are sometimes aimed at non-Muslims.

62

Keywords: finance - Islamic finance - global financial crisis.

1. INTRODUCTION

Today, Islamic finance can no longer be dismissed as a passing fad or as an epiphenomenon of Islamic revivalism. Islamic financial institutions now operate in over 70 countries. Their assets have increased more than fortyfold since 1982 to exceed \$200 billion. In 1996 and 1997, they have grown at respective annual rates of 24 and 26 per cent.¹ By certain (probably overly optimistic) estimates, up to half of the savings of the Islamic world may in the near future end up being managed by Islamic financial institutions.

The first Islamic banks were created in the 1970s. At the start of the 21st century, many schools and schools of thought coexisted, exposing their sometimes-opposed methodological conceptions and, consequently, leading to recommendations in terms of economic policies with the influence that we know on management. The latter, in fact, will often structure according to the type of model in which it is immersed. Keynesian currents will favor State intervention in the economy in order to act on the level of real demand with the ambition of countering situations of underemployment. Monetarist currents consider the influence of money to be relatively neutral on the real economy. Neoclassical currents favor analyzes at the non-aggregate level, at that of the firm in a free and open market, and generally advocate budgetary stability. The current of economic Marxism has shown its limits since the late 1990s. No longer used, it has seen its failure.

The influence of economic policy recommendations on management. The proliferation of often contradictory economic conceptions makes it difficult for political decision-makers. The latter experience serious difficulties in making a diagnosis of the situation with which they are confronted and, consequently, in proposing and developing corrective measures. The causes of the deterioration of the industrial situation and employment in various Western countries give rise to very different

and often contradictory interpretations, consequently, paralyzing for the remedies to be brought to them which, in fact, can be contradicted. Major management trends put new practices into perspective through concrete, operational insights and sectoral analyzes of the company. To this end, “Corporate Governance”, also called “Corporate Governance” or “Corporate Governance” concerns the organization of power within a company with a view to a better balance between management bodies, supervisory bodies and shareholders. On the one hand, this trend is moving towards flexibility, skills management, the environment, risk factors and “legalization”, in many countries including France, flexibility is desired by companies to cope with to the vagaries of the economic situation in general, that of the markets in particular. As for skills management, it relates to the necessary (required) skills as defined by the reference documents for trades or jobs or to the skills held by people who allow their ability to hold a position to be assessed. The prerequisites or essential conditions for access to a profession (state diplomas, driving license, etc.), outside statutory conditions, fall within the field of skills. On the other hand, it is moving towards taking into account the cultural dimension and the social responsibility of the company. Finally, this trend is concerned with various management factors influencing current organizations. Without being exhaustive, we can enumerate: nécess the requirements of project management, remote team management (teleworking), the cost of labor, time management, management by processes, innovation, management by project and by quality. As we can see, the management framework has changed due to the appearance of these numerous parameters such as the weight of the legal system, concerns related to the living environment at work, working time management, new employee behaviors and shifting the founding values of corporate culture. The impact of technologies, changes in customer relations, new financial rules, sustainable development, and the shifting of management boundaries are five major trends that will continue to disrupt managerial practices in the years to come. At the start of the 21st century, many schools and schools of thought coexisted, exposing their sometimes-opposed methodological conceptions and, consequently, leading to recommendations in terms of economic policies with the influence that we know on management. The latter, in fact, will often structure according to the type of model in which it is immersed. Keynesian currents will favor State intervention in the economy in order to act on the level of real demand with the ambition of countering situations of underemployment. Monetarist currents consider the influence of money to be relatively neutral on the real economy. Neoclassical currents favor analyzes at the non-aggregate level, at that of the firm in a free and open market, and generally advocate budgetary stability. The current of economic Marxism has shown its limits since the late 1990s. No longer used, it has seen its failure.

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rules, sustainable development, and the shifting of management boundaries are five major trends that will continue to disrupt managerial practices in the years to come.

2. ISLAMIC FINANCE AND THE GLOBAL ECONOMY

The classical school (scientific management) represents all the theorists of organization who, inspired by Taylor (1856-1915) and Fayol (1841-1925), studied organization by referring to several principles listed below:

The hierarchical principle which describes the company as a succession of levels, of which the higher level holds the authority which is declined in subordinate levels by delegation: "the authority descends by a continuous and clear line, a well-defined scale of post (B. Lussato, 1977). The principle of unity of command, enunciated by Fayol, which subordinates functional authority to hierarchical authority, unlike Taylor who maintains only competent authority. The principle of exception, very close to the principle of subsidiarity, according to which the usual or routine (programmed) tasks must be entrusted to the lowest level, only exceptional tasks going back to the hierarchical superior. Optimization of the range of subordination, that is, the search for the optimum number of subordinates which limits hierarchical power and the importance of delegation. A narrow range leads to well-coordinated and tightly controlled structures known to be efficient but conducive to initiative, while so-called flat structures require quality hierarchies and stimulate creativity. The principle of organizational specialization applied by Taylor to the organization of workstations and the subject of much discussion thereafter. The application of a scientific method inspired by the experimental method of Claude Bernard.

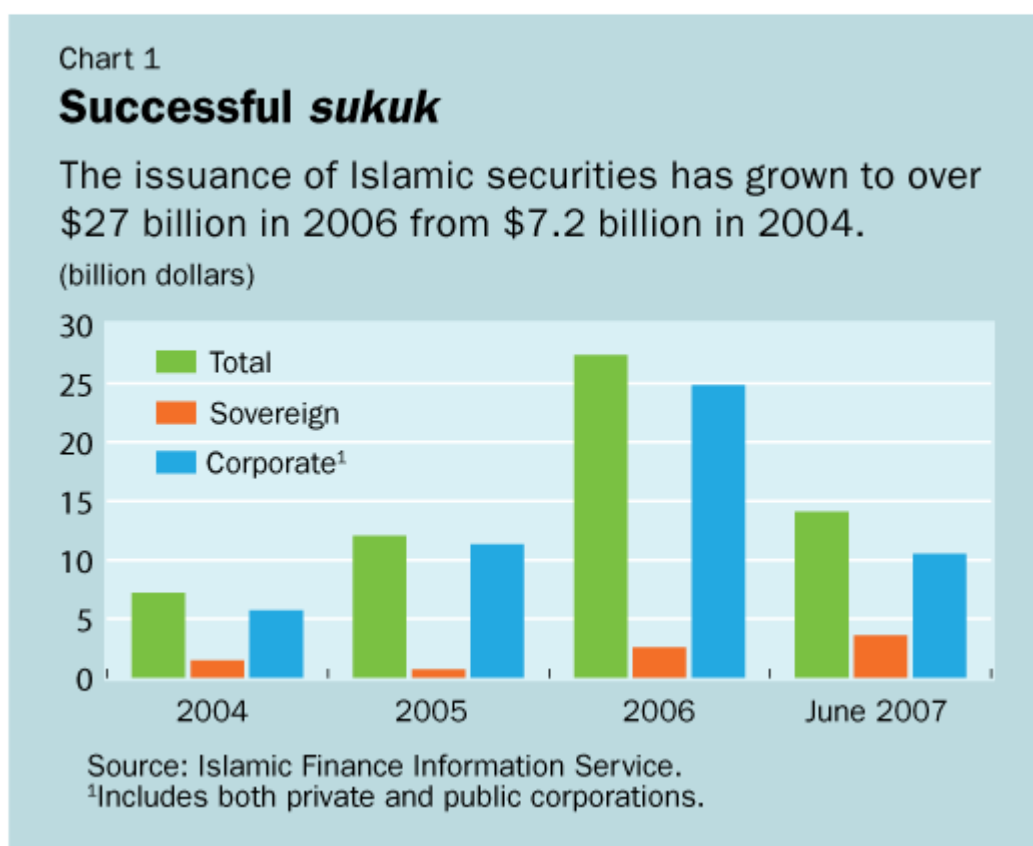


Figure 1. Islamic Finance in the Global Economy.

Max Weber (Germany; 1864-1920) is one of the fathers of Sociology and a major author of the theory of organizations. It traces the path leading to the rationalization of organizations, characterized by a logic obeying calculation, forecasting, evaluation and the desire for efficiency. He thus shows that the purest type of legal domination is domination by means of bureaucratic administrative leadership, which guarantees the efficient use of organizational resources. Indeed, Mr. Weber

argued that the existence of well-defined and strictly followed rules and procedures would benefit both the members of an organization and its clients. Thus, he contributed to the development of rules aimed at eliminating sources of organizational inefficiency. To this end, it proposes the application of the following principles:

A. Division of labor

The position, tasks and responsibilities of each must be clearly defined. 2. Hierarchical structure: the relationship between a boss and his subordinates must be defined in an explicit manner and the limits of the authority of each, established with precision. Selection of personnel: the selection of a new employee should be based on their training and technical knowledge, which will have been verified by tests. 4. Standardized rules and regulations: precise rules and regulations must be applied to ensure uniformity of work and standardization of acts performed. 5. Impersonal nature of relations: relations between the different members of the organization must be impersonal. The application of rules and regulations is such as to avoid any conflict of personalities. 6. Promotion: Employees should be paid a fixed rate of pay and be promoted based on skill and seniority.

The establishment of bureaucratic administration is, according to Weber, a powerful manifestation of rationalization; it testifies to the progression of legal or rational domination to the detriment of the charismatic or traditional legitimacy often present in the structures of the past. On observation, this is not simply a theory of the scientific organization of work (a frequent reductionist view of Taylorism) but much more of a global approach to the organization of the firm.

Strong criticism from sociologists, psychologists, researchers (in particular the School of Human Relations) against the Classical School. These criticisms relate, in particular, to the always summary approach to the physiology of work (we are only interested in fatigue),

On the absence of the psychological and sociological components of work, in short, on the few cases attached to the human dimension of the company and to the development of individuals.

B. Definition and principles

This school brings together the works of Mayo, Lewin, Liker, Mc Gregor and Maslow. It was formed to react against classical and bureaucratic principles. She focused her analysis on the relationships between individuals and their motivation outside the perspective of monetary rewards.

Since the 1970s, in parallel with the rise of analyzes of the relative autonomy of sub-national territories, this notion of SSE has been asserted to designate a particular socio-economic logic, common to these specific companies (Demoustier, 2001). , increasingly recognized by the local public authorities, as likely to participate in a more dynamic and united territorial development, in terms of activities and jobs, as in terms of the way of life of the populations.

In fact, by mobilizing human, social, cultural, financial resources, etc., these forms of collective entrepreneurship attempt to "take advantage of all possible synergies" (du Tertre, 2000) [2], beyond the capacities of individual entrepreneurship. which they also encourage; Beyond the distinction between market and non-market activities, they internalize social costs within economic activity (integration, education, prevention, redistribution, etc.). Most of these companies, by mixing various resources (monetary or not) produce positive "externalities" on their environment. By advocating cooperation rather than competition between individuals, they contribute to social cohesion. Thus, the SSE provides both resources likely to increase the attractiveness of territories and generates a process likely to increase solidarity.

Beyond a "postulated local" anchoring, the SSE can act as a "collective actor" of a "socially constructed territory" (Gilly, Lung, 2005) and thus participate in the "recomposition of productive potential" (Laurent, du Tertre, 2008) in certain areas?

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3. FROM TERRITORIALITY TO SOCIAL COHESION

For management scientists Stephen Robbins and Timothy Judge, organizational structure defines how work tasks are distributed, grouped and coordinated.

The structure describes the relationship of the various departments to each other and the hierarchical links: in this case the organization chart is a good reflection of the structure. For Henri Mintzberg (born in 1939), theorist and author in management, the structure "is the total sum of the means employed to divide the work between distinct tasks and then to ensure the necessary coordination between these tasks". The technical function of the structure emerges clearly from this definition: to provide the concrete means of division and coordination of work. Alain Desreumaux, University professor at IAE Lille, broadens the definition: "it is a set of devices according to which a company, or more generally an organization, distributes, coordinates, controls its activities and beyond orients or attempts to direct the behavior of its members ", For Stephen Robbins and Timothy Judge, management scientists, the organizational structure defines the way in which professional tasks are distributed, grouped and coordinated.



Figure 2. Islamic finance principles.

After these definitions, it should be noted that the authors of the book have chosen to present the work of Taylor, Fayol, Weber on the question of structure and organization. The classical school designates the set of approaches which, following the theories of Taylor or Fayol, have studied the organization of companies referring to a certain number of principles: the principle of unity of command; the principle of exception, very close to the principle of subsidiarity; optimizing the range of subordination; The principle of organizational specialization; the application of a scientific method. Many pioneers who have seen the effectiveness of a scientific organization of work. It should be mentioned that the work of Ricardo and especially of Adam Smith who, from 1776, describes the famous example of the manufacture of pins where workers, by a specialization of tasks (successive concepts along the production process) produce relatively much more than with production carried out by individuals working independently.

The industrial revolution, in about a century (nineteenth and early twentieth) incorporated three major major innovations that were the steam engine, electricity and telecommunications. These innovations will allow the creation and development of large companies based, on the one hand, on a high concentration of fixed capital leading to extensive social integration, and on the other hand, on the sale of products on important markets thus allowing the birth of big business. In France, Henry Fayol, beyond the technical dimension, strives to demonstrate that the administration of companies, that is to say their management, involves mastering a few key activities such as:

- Commercial activities (buying, selling, trading); financial activities (research and management of capital); Security (protection of goods and people); Accounting activities (inventory, balance sheet, cost price, etc.); Administrative or management activities (foresight, organization, command, coordination, control, and, all that is technology.
- Each position is called upon to implement a combination of several functions, positions being very loaded in terms of functions.

The organization described by Max Wéber is one of the interesting developments of this time. The rational dimension, based on standards, procedures, skills, without personal preference, brings efficiency and freedom to everyone (outside of work). With the development of knowledge, innovation, teamwork (project-group), the requirement of social equity, Social Responsibility and the Company, the Classical School loses much of its relevance: from new organizational models are necessary to come, in addition or in substitution, to ensure the performance of the company.,

4. MANAGEMENT BY PROJECT AND BY QUALITY

Project quality management includes the processes and activities of the implementing company that determine the quality policy, quality objectives and responsibilities, so that the project meets the needs for which it was undertaken. It implements the quality management system through the quality policy, procedures and, as needed, the implementation of continuous process improvement activities throughout the project. For its part, quality management, which renews the classic quality approach, strives to develop the ability to manage all the processes present in the company. The requirements of ISO (International Organization for Standardization) certifications force these processes to be thought of in terms of standardization at the risk of setting up a certain conservatism that is difficult to account for with the control of change desired elsewhere.

Management by project or by quality is based on a compromise that is always difficult to determine between three characteristics "Cost, Quality, Time". The success of management will largely depend on its definition.

A. Flexibility

The business environment is characterized by globalization of markets and increased competition. To meet the demands of their customers in terms of quality, time and price, companies must set up flexible productive organizations. Indeed, the unpredictable nature of the environment requires companies to have a rapid reaction capacity (reactivity) to respond "just in time" to the variability of demand. Flexibility is therefore imposed both as an economic constraint and as a constraint in the management of human resources. In terms of management, the notion of flexibility covers several realities.

It can be a functional flexibility (also known as internal qualitative) obtained by the versatility of the employees or the ability to distribute the personnel made available according to the needs of the organization - It can be external quantitative insofar as the company can modulate its workforce according to the needs of the activity, by resorting to the various forms of authorized precarious employment (CDD, temporary workers, intern). We will also talk about salary flexibility by trying to adapt the remuneration to the level of activity of the 'organization thanks to the implementation of variable compensation and, in particular, to the practice of profit-sharing and participation. There are many other applications of organizational flexibility: we will cite a final example with yield management, which consists, in particular, in varying the prices according to the demand, which implies, very generally, that the capacity of the supply is limited.

B. Sustainable development

The taking into account of the challenges of Sustainable Development in the definition of the strategy and the management of the companies has asserted itself as a basic fact for any company concerned to base their development on the three balanced objectives which are: economic efficiency, social equity, preservation of the environment.

This concept has become essential in the strategic approaches of companies because they are concerned about the progressive degradation, more and more important, of their image abused by the action of ecological movements.

C. The risk factor and "legalization"

This new dimension of management (private or collective) is largely due to a growing awareness of the concept of risk. The legal management of the company, on all levels, appears as a new function, one of the new aspects of its social responsibility. It has become clear that the assumption of risk being much more significant in Western countries is being introduced. A new competitive gap, in particular vis-à-vis the BRIC countries (Brazil, India, China), which induces the erection of a new kind of "barrier to entry". Cybercrime and Security; The cost of Cybercrime is estimated at over 100 billion dollars for the year 2011; From a major antivirus software publisher. Likewise, computer attacks can be carried out by the State, by criminal organizations (structured or not), by political activities, by Internet pirates (hackers) and, of course, by specialized pharmacies.

This situation constitutes a real danger for all firms of all sizes which are forced to develop a new skill, or even a new function, in computer security.

5. CONCLUSION

Today, in a complex and changing context, never has company management been so fierce, clients so uncompromising, markets so unstable, technical and methodological changes and innovations so frequent, laws and standards so demanding, economic and geopolitical changes so common, globalization also present, the value of work so undermined. The manager is condemned to the prowess to meet the challenges of today, the company is also condemned to constantly seek continuous improvement, the elimination of wasted time and waste, better returns, responsiveness, innovation, total quality at the fairest cost. Without forgetting to assume its social and environmental responsibility - in two words: optimal performance.

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