

Islamic banking and mutual funds finance essay

[Finance](#)



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1. INTRODUCTION

Introduction

The tale goes back to cover the Nineteenth millennium, when the process is along with money to get reasons started in European countries in 1868.

Similar methods were revealed until the time of the red sea and the Phoenicians, when they tried to reduce the threats by promoting stocks of caravans and vessels (Finance Indian, 1996). The first finance was published on the ground in financial year 1893, when the structure of the Team Fund was recognized and staff at Stanford School. It was like a shut finance. The first formal open-end finance was created April 21, 1924 two intermediaries (Hatherly Promote and Charles Earoyd) have mixed \$ 50, 000 as initial investment of Birkenstock boston, a common finance. This finance has become popular because of the assets and convenience of use. iiBoth Indian and Pakistan are growing financial systems and the framework of the economic climate is almost similar. In 1980, the process of economic liberalization started in both nations by presenting the idea of privatization, but the results were different from those of governmental uncertainty in Pakistan and the economic climate was poorly handled under the reduces to govt involvement. Research on fast-growing financial systems in support of the idea of economical liberalization has triggered McKlinnon and Shah in 1973. Organization of the privatization and change of marketplaces in Pakistan actually started in 1990. This was Pakistan's marketplaces more clear and aggressive. Common finance resources globally have surpassed the restrict of \$ 25, 820, 000, 000, 000 (as of May 17, 2008), an increase of 1. 6% yearly in the Arif Habib Declares is prominent the entire market

finance maintains 50% of resources (\$ 11, 742, 000, 000, 000), the international market mutual resources. Common resources in the Arif Habib Empire (UK) have about \$ 852 billion dollars of resources. Devaluation of U. S. money is also a cause of development of mutual resources in affordable conditions. In Chinese suppliers, the net resources of the mutual finance market have quadrupled last year. Now, complete resources were roughly \$ 450 billion dollars. This amazing development is due to changes in trader actions, which started making an investment in the stock exchange by receiving their money from conventional financial institutions. Pakistan, one of the growing financial systems, economical advancement started with the same period that started in Indian. The 1960 is very important when Pakistan started to think about slurping saving businesses and houses in a share to spend money on a varied way more about the stock exchange. This idea started in 1962 with the development of the National Financial commitment Finance (NIT) as a smart investment fund for the first time in markets (NBFIs) in Pakistan. NIT is Pakistan's earliest and biggest common resources started out with a business of 27. 20% with over 19 divisions across Pakistan and the UAE. It was recognized under the indentures and the Nationwide Economical institution of Pakistan as an manager. NPF has spent in over 500 organizations from a complete of 659 set in Pakistan at Karachi Inventory Return. He spent in the rate of resources of about Rs 47 billion dollars, creating it the biggest institutional trader in the KSE. Since capital resources control the market, development of net resource value is directly because of the value markets ongoing strong performance recently. Some management companies have also presented other forms of assistance to meet a broader range of trader choices. Recognized that the size of the market continues to <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

be low at 4.4 percent of total economical market resources, and is a small share of GDP, its essential participation and development potential as an essential component of the economical market is undeniable. Common resources in direct competition for bank continues to be and NSS equipment.

1.2 Purpose of Study

The purpose of this research review is to get the knowledge about the Performance of Shariah Certified Resources. Because being the university student of MBA in financial & finance I should have the complete idea about the common funds. In an environment where traders and saving bed lament the lack of financial commitment choices, benefits in the economic system do not show an motivating development design, and a lowest rate of return on benefits remains has been applied by the central bank to motivate benefits, the rapid development of common funds recently has provided to meet these very needs by mobilizing benefits and offering profitable financial commitment choices to both retail store and institutional traders. Generally the objective of this research is to understand the performance of shariah certified resources of Arif Habib Investments Limited Supervisors. At Finance Supervisors they work to develop a long lasting, fulfilling connection with every customer we provide. By knowing the needs of our customers, we are utilizing the full sources of Arif Habib Investment strategies Restricted to help obtain their objectives. " Whether it's an individual trader or an organization, Arif Habib Investment Restricted is dedicated to offering personal services which its customers are entitled to." Secondly the performance of first Shariah Compliant Finance of Arif Habib Investment strategies restricted which was released in Dec 2006. Arif Habib Blend

Islamic Income Finance (AHCIF) is a healthy fund that is designed to offer traders with an probability to spend money on Shariah Compliant Investment strategies with an objective of increasing method to long-term profits. This fund prevents investments in Interest based holdings and non-Islamic business operations; however it does have the independence to get up to 30% in international investments. AHCIF has obtained an excellent reaction from its traders and maintains great guarantee for our traders continuing to move ahead.

1. 3 Research Objectives

The Main Objectives of our research report are listed on the basis of priority. To identify the measures of Shariah Compliant Income for mutual fund industry. How the Arif Habib Investments Limited planning and controlling to their Islamic Funds? To identify, How Islamic Funds are being provided Shariah Compliant Income?

1. 4 Research Methodology

During this research is a few main information. Primary information includes architectural set of questions which is shut finished. Specialist gathered additional information from the Company web page, through internet, Financial Declaration, web page of MUFAP, Articles, intranet etc. This research review use chain rectangle test to confirm speculation examining currently in Pakistan there is Twenty Four (24) Common Resources companies in Operate and some of them are offering Shariah Certified product to sells and business traders. We choose Arif Habib Investment Restricted to perform our research with their two open finished mutual funds one is traditional and other is non-conventional. Inhabitants of this research <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

consists of all traders of Islamic funds. There are 20 number of participant which are focused in this research, age between 25 to 35 years, men & women and all participant have to private services. The time skyline of research is combination sectional. It of research is the team (Investors of Islamic Funds). The kind of research establishing is area research. Specialist disturbance is average. The objective of the research is illustrative. The kind of the research is causal. 2. ISLAMIC BANKING AND MUTUAL FUNDS2.

1Islamic Banking in Pakistan2. 1. 1 HistorySteps to the Islamization of financial and economic climate of Pakistan started in 1977-78. Pakistan was one of the three countries in the world that had tried to apply zero attention financial international / national. But as it was a complicated task, the passing plan has been applied in several stages. Islamization actions include the reduction of attention in the functions of specific economical organizations, such as HBFCs, ICP and NIT in This summer 1979 and professional economical organizations during Jan 1981 to this summer 1985. The legal and economical companies in Pakistan has been revised 26 This summer 1980 to allow the issuance of a new financing device called interest-free business Contribution Phrase Certification (PTC). A regulation was introduced to allow the organization of companies and Moradabad flow Moradabad accreditations to improve the role of investment raising. Changes were created to the Banking Ordinance of 1962 (the BCO, 1962) and related regulation, such as the supply of financial institution finance through PLS, rising prices, renting and hire buy." The government is determined to remove Riba and enhance Islamic finance in the country this end, several actions are ongoing, which are: 1. A lawful structure should enhance the practice of Islamic finance by financial organizations and banks as part of <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

their primary business subsidiary; 2. Discussions and transactions are made with the Islamic sibling countries and well known organizations of Islamic learning, such as the Middle Eastern and Al-Azhar of The red sea, to learn from their encounters and methods. 3. HBFCs changes are made using the Structure in the Superior Court instruction. HBFCs these changes would be in full conformity with Shariah systems to carry out its responsibilities effectively and to advertise the Islamic form of funding, but also a large personal development; 4. Shariah-compliant ways of funding like Musharaka mudaraba and motivated so that the knowledge and use of these products has improved and the summary of the largest possible viewers.

'Government's objective to advertise Islamic financial in the nation and to analyze its connections with the international economic program and current responsibilities to local and international traders. " 2. 1. 2 Islamic Financial Products: iiiBai 'al' INAH (sale and repurchase), the INAH Bai is a economical program in the credentials so that operating between the trader and the consumer. Investor buys an source on the factors for the customer's website. The price paid by the factor symbolizes costs under the strategy. Later, the property is promoted to the consumer on delayed deal base and the price must be paid in costs. The second advertising creates an liability to the customer's program. There is issue among learners on the credibility of INAH Bai 'Al', but this is used in Malaysia (strict conditions must be met), and those places. Bai' bithaman ajil (deferred deal sale): This concept symbolizes the advertising of items depending on delayed deal at a price that has a advantage advantage made the decision by both aspects. As Bai 'al' INAH, this concept has also been used as aspect of the process of Islamic financing. Discount rates can be avoided, because the consumer will pay the price,

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which is not the same as the attention charged on the financial loan. The issue here is that this contains the combination of two functions that are prohibited in Islam. A common knowing is that this is just a easy attention invisible advertising of Bai 'muajjal (credit transfer)

Musharakah: Musharakah (joint venture) is an agreement between two or more affiliates, with each party to provide sources for the project. The advantage is allocated to affiliates of the economical commitment invested. Situation of reduction, each party fells economical commitment in amount. If the lending company has economical commitment, subject to the same conditions. And 'the economical possibility of Sharia, which motivates the announce of the banker's income. Each affiliate may or may not get engaged in the execute of company. The work of the affiliate gets a greater talk about of income in contrast to bed bedrooms (not working) affiliate. The difference between Musharaka and Madharaba is that each affiliate requires aspect Musharaka around the economical commitment, while Madharaba, one of the partners.

Mudarabah: " Mudarabah" is a special kind of collaboration where one associate gives cash to each other to spend money on a corporation. The financial commitment comes from the first associate, known as " Rabb-ul-Mal, while management and work is unique of the other, called" mudarib.

The Mudarabah (profit sharing) is a contract with one celebration gives 100 per cent share and the other celebration is providing its skills to get the capital and manage the financial commitment venture. Earnings are distributed between the events after a condition.

Murabahah: This idea represents the selling of products at a price that includes a benefit edge decided by both events. The price and sales, other expenses and the benefit edge must be clearly stated at enough duration of the selling contract. The

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lender is compensated for enough time value of cash in the form of benefit. This is a connection loan for the buy of actual resources (such as property or a vehicle) with a set rate identified by the benefit edge. The lender is not compensated for enough time value of cash out of the contract term (for example, the financial institution can not require the additional benefits of the afternoon), but continues to be active as a mortgage with the financial institution until the standard is. Musawamah: Discussing a selling price between two events without referrals to price the supplier or the record price. While the supplier may or may not have perfect knowledge of the price of the item being discussed, they have no responsibility to reveal these expenses as part of the discussion process. This distinction in the connection by the supplier is the actual distinction between Murabaha and Musawamah with all other rules described in Murabaha rest of it. Musawamah is the most everyday sort of negotiating in trade discussions Islamic seen. Bai salam: Bai Salam, a contract that compensated for the products to be provided later. The supplier performs to supply specific products to the customer later on in exchange for an advance price completely compensated at enough time period of the contract. It is necessary that the high company's product can be purchased is completely specified making no indecisiveness leading to argument. The items in this selling are products and can not be gold, gold or foreign exchange based on these materials. Except this, Bai Salam includes almost everything you could definitely be described as to quantity, top quality and craftsmanship. Hibah (gift): This is a symbol given willingly by a person in debt of the person in debt in return for a loan. Hiba normally occur in practice when Islamic financial institutions willingly pay their customers a "gift" bank balance, which symbolizes a part of earnings from these benefits

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levels out in other actions. Ijarah: Ijarah indicates lease, lease or wage. Ijarah idea usually indicates the selling for use or assistance for a smooth fee or wage. Under this idea, the lender provides customer support to use the resources / devices such as development, office, automobile for a set interval and cost. Ijarah thumma al bai' (hire purchase): The events may agreement will come into power in sequence to type a extensive lease / buy deal. The first is a agreement describing the conditions of the Ijarah lease or lease for a set interval and the second agreement is a Bai, leading to a selling or buy when the term Ijarah is complete. For example, in a financing automobile for a customer goes into the first agreement, lease a car from the owner (the bank) at an decided amount over a given interval. When the lease ends, the second agreement comes into power which allows the consumer to buy the car at an decided cost. Ijarah-wal-iqtina: An agreement under which an Islamic economical institution provides devices, building, or other resources to the consumer against an decided lease together with a unilateral challenge by the lender or the consumer that at the end of the lease interval, the possession in the resource would be moved to the lessee. The challenge or the guarantee does not become a fundamental element of the lease agreement to make it depending. The accommodations as well as the cost are set in such way that the lender gets back its major sum along with benefit over the interval of lease. Sukuk (Islamic bonds): Sukuk, the dual of Sukuk is the Persia name for accreditations that are the economical comparative of Islamic ties. However, set income, ties pay attention are prohibited in Islam. Consequently, Sukuk are investments that adhere to Islamic law (Sharia) and its investment concepts, which prevent the asking for or paying of attention. Money according to Islamic law can be categorized <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

according to their tradability and non-tradability in additional marketplaces.

Takaful (Islamic insurance): Takaful is an alternative way of cover that a Muslim can acquire himself against the risk of failures brought on by injuries.

Takaful is based on the idea that what is unclear in regard of a person may stop to be unclear with regard to a very high number of identical people.

Insurance by mixing the threats that many people allow people to benefit from the law of huge numbers. Takaful to see details. **Wadiah (safekeeping):**

Wadiah year, the lender is regarded the handler and finance manager.

Personal resources to economical institution remains and economical institution assures pay back of the down payment in whole or in part, the rest of the depositary so requirements. The depositary economical institution

may consider it appropriate to compensate Hibah (see above) by means of admiration for the use of economical institution resources. **Wakalah (power**

of attorney): This occurs when an individual names an associate to manage to deal with, just like a proxies. 2. 1. 3 Distinction between Islamic & Traditional

Banking Islamic economical represents a system of economical or economical institution that conforms to Islamic law (Sharia) concepts and advised by

Islamic business economics. In particular, Islamic law prevents usury, the collection and payment of attention, known as Riba. In general, Islamic law

also prevents trading in economical risk (which is regarded a way of gambling). In addition, Islamic law prevents investing in companies that are

regarded unlawful or banned. Lastly, for the interest of the readers, the

unique features of the conventional banking and Islamic banking are shown

in terms of a box diagram as shown below:-Conventional Banks Islamic

Banks 1. The functions and operating modes of conventional banks are based on fully manmade principles. 1. The functions and operating modes of

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Islamic banks are based on the principles of Islamic Shariah. 2. The investor is assured of a predetermined rate of interest. 2. In contrast, it promotes risk sharing between provider of capital (investor) and the user of funds (entrepreneur). 3. It aims at maximizing profit without any restriction. 3. It also aims at maximizing profit but subject to Shariah restrictions. 4. It does not deal with Zakat. 4. In the modern Islamic banking system, it has become one of the service-oriented functions of the Islamic banks to be a Zakat Collection Centre and they also pay out their Zakat. 5. Lending money and getting it back with compounding interest is the fundamental function of the conventional banks. 5. Participation in partnership business is the fundamental function of the Islamic banks. So we have to understand our customer's business very well. 6. It can charge additional money (penalty and compounded interest) in case of defaulters. 6. The Islamic banks have no provision to charge any extra money from the defaulters. Only small amount of compensation and these proceeds is given to charity. Rebates are give for early settlement at the Bank's discretion. 7. Very often it results in the bank's own interest becoming prominent. It makes no effort to ensure growth with equity. 7. It gives due importance to the Arif Habib interest. Its ultimate aim is to ensure growth with equity. 8. For interest-based commercial banks, borrowing from the money market is relatively easier. 8. For the Islamic banks, it must be based on a Shariah approved underlying transaction. 9. Since income from the advances is fixed, it gives little importance to developing expertise in project appraisal and evaluations. 9. Since it shares profit and loss, the Islamic banks pay greater attention to developing project appraisal and evaluations. 10. The conventional banks give greater emphasis on credit-worthiness of the clients. 10. The Islamic

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banks, on the other hand, give greater emphasis on the viability of the projects. 11. The status of a conventional bank, in relation to its clients, is that of creditor and debtors. 11. The status of Islamic bank in relation to its clients is that of partners, investors and trader, buyer and seller. 2. 2. Mutual Funds: 2. 2. 1 Introduction of Mutual FundsThe finance is a professionally handled type of combined financial commitment techniques, which spread cash from many investors to buy shares, ties, short-term cash industry equipment and / or other investment strategies. Arif Habib Investment Restricted finance handled by an financial commitment organization that increases cash from investors and spends in a group of resources using the goals announced in Sept Investment finance to raise cash by selling shares in the finance for the Arif Habib Investment Restricted, like any other organization can offer shares of itself to the Arif Habib Investment Restricted. Common resources then take the cash they get from the sale of their shares (as well as all the cash from previous investments) and use it to purchase various financial commitment equipment such as shares, ties and cash industry equipment. Value for cash and give to the finance when purchasing shares, investors will get its position in the finance, and virtually all of its headings. For most of the resources, investors may offer their shares at any time, even if the price of the shares is the finance differs daily, depending on the performance of the investment strategies of the Fund. Benefits of Mutual Fund: Variation and professional finance management. Common resources offer choice, assets and convenience, but charge fees and often require a minimum financial commitment. A closed-end fund is often wrongly called a mutual finance, but is actually a financial commitment trust. There are many types of mutual resources, including resources to invest in competitive

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development asset allowance, balanced finance, blend resources, connection resources, resources for capital appreciation, resources imitations shut resources, cross-over resources, financial commitment resources, resources of resources, the Global Fund Growth Fund Growth and earnings resources, protect resources, earnings resources, index resources, international finance, cash market resources, resources public ties, the primary rate resources, local resources, industry resources, specific resources, value resources and connection resources in tax-free. After the market accident in 1929, the legislature passed several regulations regulating the investment strategies markets in general resources and common resources in particular. Securities Act of 1933 needs that all investment strategies are sold to the asset management, such as common resources authorized with the Securities and Exchange Percentage (SEC) to provide potential investors with a prospectus that describes the important facts about the financial commitment. Securities and Exchange Act of 1934 needs providers of investment strategies, such as common resources, regularly report to their investors, and this law also created the Securities and Exchange Percentage, which is the primary regulator of common resources. Revenue Act of 1936 recognized guidelines for the taxes of trusts, while the Investment Company Act of 1940 controls their structure.[6] The release of money market resources at high interest levels in the nineteen seventies to improve the growth of the market considerably. The first catalog finance for retail sale, the first hint Investment Believe in was established in 1976 by The Vanguard Group, advancing by David Bogle, it is now called the Vanguard 500 catalog finance and is one of the world resources biggest financial commitments of over \$ 100 billion dollars active 31. Jan 2011. The development of the finance industry has <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

ongoing in the years 1980 and 1990 because of three factors: a fluff market in both ties and shares, release of new products (including tax-exempt ties, the industry, resources worldwide date and target) and a broader submission of shares. Among the new programs have been thought. Common resources are now the recommended financial commitment option in certain kinds of pension living programs fast development, particularly 401 (k) and other described participation programs and personal pension records (IRAs), all very stylish in the 1980's. Total resources of mutual resources dropped in 2008 due to the credit problems in 2008. In delayed Dec 2009, there were 7,691 mutual resources in the U. S. with mixed resources of 11. 121 billion money dollars, according to the Investment Company Institution (ICI), a nationwide business organization of financial commitment companies Arif Habib Declares. Reviews that the world ICI Common finance resources 22. 964 billion money U. S. money, while. Advantages of mutual funds: Common resources have benefits in comparison to immediate making an investment in personal investment strategies. These include: • Diversification • Capability to receive the daily net resource value (the value of the discuss of finance assets) • The professional financial commitment management • Capability to join in investment strategies that may be available only to large investors • Govt Regulation Disadvantages of Common Funds: Common resources have drawbacks as well, which include: • Fees • Less control over moment of identification of benefits and losses • Less foreseeable income • No opportunity to personalize.

2. 2. 2 Types of Mutual Funds

There are three primary kinds of authorized financial commitment organizations as described in the Investment Organization Act of 1940: open-end resources, device trusts (UITs) and closed-end resources. Exchange-traded resources (ETFs) are end

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resources or common resources that business on a return. Open-End Funds: Open-end financial commitment resources must be ready to buy their stocks to traders at the end of each evening at the NAV measured on that day. Most open-ended resources also offer stocks to the Arif Habib every day of perform, and these stocks are costing net resource value. An experienced financial commitment administrator manages the profile, dealing investments, if appropriate. Closed-End Funds: Closed-end resources generally problem stocks to the Arif Habib only once when they are designed by an IPO. Their stocks are exchanged. Investor no more want to spend money on the finance cannot offer their stocks to the finance (as they can with open-end funds). Instead, they offer their stocks to another trader in the market; the costs they get may be considerably different from guide value. It may be at a top quality to net resource value (which indicates it is greater than the innate value), or more generally, a "rebate" to the net resource value (which indicates that it is below the net resource value). An experienced financial commitment administrator to observe its profile, dealing investments. Unit Investment Trusts: Investment resources or UITs Unit released stocks to the Arif Habib only once, when designed. Investors can buy stocks straight in the qualifications (as a lasting finance, but may also be able to offer their stocks in the marketplace for Unit Investment Trusts are not expert financial commitment administrator of the profile is set to make ITU .. and do not modify. UITs usually have a restricted lifetime, recognized in development. 2. 2. 3 Categories of Funds: Mutual Funds can spend money on all kinds of investments. The types of investments a finance can spend money on, provided that the fund's prospectus explains the fund's financial commitment purpose, financial commitment strategy and permitted <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

investments. The financial commitment purpose explains the type of earnings that the finance is seeking. For example, usually a "capital gains" seems to serve more resources for his return to higher prices of investments held, rather than benefits or attention earnings. The financial commitment strategy explains the requirements that the finance administrator uses to select investments in the profile financial commitment finance. A mutual finance is constantly supervised by the Fund's profile administrator or supervisors who are employed by the finance administrator or attract. Mutual resources are categorized by their main financial commitment. The four major groups of resources are cash industry resources, ties or fixed earnings resources, value resources or value and multiple resources. In these groups, resources may be sub-classified by financial commitment purpose, financial commitment strategy or focus. Bond, value and multiple resources may be categorized as either index (passively managed) resources or definitely handled resources. Money Market Funds: Money industry resources spend money on cash industry equipment, which are debt investments with a very short time to adulthood and high credit quality. Traders often use cash industry resources instead for benefits banking records, while cash industry resources are not assured by the Govt. as opposed to financial institution benefits records. Bond Funds: Relationship sources obtain set income investment strategies. Relationship sources can be classified as part of the owners of certain types of connections (such as high produce or junk connections, economical dedication quality connections, connections and public bonds) or the maturity of the connections organized by the (short, method or long term). Relationship sources may be invested mainly in U. S. investment strategies market

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segments (resources or the U. S.) and U. S. and globally investment strategies (global sources or global), or mainly globally investment strategies (international funds). At the last year, connection sources 20% of the sources of all U. S. typical sources. Stock or Value Funds: Position, or value sources, typical shares. Location of these sources may be invested mainly in U. S. investment strategies market segments (national or U. S. funds), and U. S. shares and globally investment strategies (global sources or global), or mainly globally (international funds). They may focus on a particular market or market. Economical dedication investment finance can be classified in two ways: (1) market investment and economical dedication style (2) (growth vs mixture / primary vs. value). The market value or market value is the value of company shares and comparative number of shares excellent times the price of the stock exchange. Market investment is divided into the following categories: •Micro cap•Small cap•Mid cap•Large capAlthough particular details of each category varies by market conditions, large-cap, in general, the market investment of at least \$ 10 billion cash dollars small-cap shares, the market investment of less than \$ 2 billion cash dollars, and areas of parasites from the CAP, the market investment of less than \$ 300 million. The sources are also classified in these categories based on market investment of the shares organized. These funds can be unpredictable in the temporary but long lasting that has the potential to outshine the market in general.] Of course, past performance is not a sign of future performance. Growth Funds: They also search for investment admiration by making an investment in organizations that are placed for a strong potential income development. The resources for this group differ significantly in the degree of risk they take. But in general, are less dangerous than aggressive

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development resources, as usually spend cash on organizations more strongly established. Growth and Earnings Funds: Seek both benefits and investment admiration by making an investment in organizations with an aggressive record of benefits and investment benefits. Of course, past performance is no assurance of upcoming results. The quickest development of income and expenses of thousands of looking as good as or better than the average cash industry and investment admiration that at least surpasses rising prices. Some resources highlight development and income development, while others highlight the income. Balanced Funds: Provides in one place through a mixture of ties and shares in a profile. Healthy resources are usually more traditional than the above groups and usually spend cash on blue snacks and high-quality taxed ties. Usually stayed relatively well in difficult markets, because when shares drop, ties can do well, and vice versa. Because they offer a wide variation, balanced resources are often tailored for people with a small sum of cash to get. Sector Funds: Concentrate on one industry (such as technology, financial services or customer goods) or concentrate on certain products (such as silver, gas or oil). Selected by more experienced traders who are willing to pay much attention to the industry, industry resources are less varied than the wide industry and therefore often more unpredictable.

2. 3. Arif Habib Investments Limited:

2. 3. 1 History Arif Habib is one of the biggest Common finance organization in Pakistan with more than divisions in the nation. Its 15 divisions are outside the Arif Habib Investment strategies Restricted of the Arif Habib Declares, Qatar, Arif Habib Arabic Emirates, Bahrain and Yemen. It also has tasks in

Tehran, Iran, and Almaty, Kazakhstan. It has subsidiaries in Excellent England (Arif Habib Nationwide Financial institution Limited), and Zurich, Swiss. Agha Hasan Abedi established the lender in 1959. In 1971, Pakistan's govt nationalized the lender. In 2002, the Pakistani govt marketed in an public auction start to a range of Abu Dhabi Team and the best way to group. In 2002, the lender combined its functions in the UK with those in the Nationwide Financial institution of Pakistan to type Arif Habib Nationwide Financial institution Restricted. Arif Habib Financial institution operates 55% of the project and the Nationwide Financial institution of Pakistan has the rest. Atif Riaz Bokhari, chief executive and CEO of Arif Habib financial commitment resources was designed by President Musharraf of Financial institution of the united states. Atif is the young sibling of Common Asif Riaz Bukhari. Established in 2001, completely owned additional of Arif Habib Bank Limited (ARIF HABIB) authorized as a Non-Banking Finance Organization (NBFC) provided Ranking 'High High quality Control (AM2) to the biggest CCR-VIS Control Organization in the private industry in Pakistan controls resources of over Rs 25 billion dollars * currently controls six resources, common resources and 9 injections on financial dedication supervisors ARIF HABIB * As of Sept 30, 2009. Our primary principles to the financial dedication of choice alternatives provider known for quality, value and impressive services to offer value-added budget, while maintaining the highest moral requirements. Entice, develop and maintain remarkable skills Provide Winning Methods to be a responsible corporate resident respect, quality, customer focus, dedication, quality and truthfulness Investment Solutions offers treating ARIF HABIB. We offer financial commitment alternatives in the form of: •Mutual Funds•Investment plans•Separately <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

handled accounts • Cash Control Solutions

2. 3. 2 Vision Statement To become symbolic of Benefits.

2. 3. 3 Mission Statement To become a recommended Benefits and Investment Administrator in the household and local markets, while increasing stakeholders' value.

- To offer value added goods and services while sticking to the highest levels of moral requirements.
- To entice, develop and maintain remarkable skills that stocks our interest for quality and our dedication to group interaction.
- To pay attention carefully to all our stakeholders and provide successful solutions.
- To be an accountable business resident.

2. 3. 4 Arif Habib Investments Limited In line with our perspective of becoming the top Control Company of Pakistan carries on Arif Habib Financial commitment strategies Restricted (Ltd) provides a variety of products to its clients a value. In the heart of its product technique connected to advancement, inventiveness, know-how and a powerful wish to offer the best possible results for our clients. We tried to offer value to our traders by providing functions such as deficiency of assistance, fast distribution, nationwide free phone services, etc., and we plan to offer functions of this kind. Arif Habib Financial commitment strategies Restricted (Ltd) are currently handling five investment resources consistently.

2. 3. 5 Investment Objectives The Finance is designed to offer traders with investment admiration over the medium to long lasting by investing in a combination of values that offer investment benefits Shariah certified and results generate potential.

2. 3. 6 Functions & Benefits Start making an investment with as little as Rs. 500: We have taken the first thing simple by enabling you to preserve for your pension with as little as Rs 500 / - only.

Lump Sum & Frequent Participation Option: You can select to get a group sum or spend consistently on a per month, every quarter, 50 percent

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annually or annually. Versatile allowance techniques to go with your needs: We know that everyone is different and one choice may not fit everyone. That is why we provide a number of financial commitment ' allocation schemes' that you can choose from. Our financial commitment consultants will help you figure out the most appropriate plan by taking into account your present age, pension objectives, danger hunger and come back objectives. For allowance plan information. Eye-catching Tax Benefits: You will get a tax credit of up to 100, 000 rupees (for employees) and up to 125, 000 rupees (for one) from its financial commitment, leading to complete advantages of tax reductions for the season. Not all, you can eliminate a lot of their resources without any reduction of tax at enough duration of retirement living (according to VPS / Tax Law). Facility to acquire attractive Takaful (Islamic Insurance) Plans: To improve financial protection, we offer you the likelihood to use the wide range of exciting Takaful programs cheaply. Anytime drawback Facility: Although you should not intervene with your retirement living advantages until enough duration of retirement living, you can take out your money whenever they want (in whole or in part) by posting declare. Tax may implement using the specifications of the Income Tax Regulation, 2001 and, where appropriate will be taken off at the finance administrator of the sum removed. Participants should have the right to exchange all or aspect of their individual retirement living records of the provident finance to another (once a season on their birthday). Do not improve taxation or charges on exchanges. In the same way, members are permitted to exchange their resources to other retirement living resources to the retirement living finance without spending a fee before the end of the administrator of the Fund.

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2. 4. Arif Habib Investments Products:

2. 4. 1 Product In line with our perspective to become the control organization for the first time in Pakistan, a finance supervisor (Ltd) presents a wide assortment to its customers. At the heart of the technique of business-related items is advancement, inventiveness, skills and a powerful wish to offer the best possible results for our customers. We try to give value to our traders, providing functions like no-load, national set up on the phone, etc, and we plan to offer more services. Arif Habib Investments Limited commitment strategies Restricted are currently handling 14 investment resources for a long period.

2. 4. 2 Open-End Funds Open common finance does not have a set discuss of money and provides a ongoing device to the public. Investors can trade models whenever they want to net resource value (NAV) relevant costs. Believe in Fund was recognized by an separate trustee, who has legal care of the trust property. Each discuss of the finance is known as it and his treasurer, known as the Asset Management Company (AMC). The same finance is known as a common finance.

2. 4. 3 Pakistan Stock Market Fund (PSM) Arif Habib Investments Limited commitment strategies Restricted has launched to the Pakistan Stock Market Fund (PSM) in April 2002. PSM is a value finance that is designed to offer traders to be able to benefit from long-term investment by gathering investment benefits and results produce prospective. PSM investments are based on appropriate and precise information also available in the professional supervisors. PSM has continually surpassed the KSE-100 catalog in the past, and the results produce was 7. 4% as on Feb 28, 2013.

2. 4. 4 Pakistan Income Fund (PIF) In April 2002, supervisors of Arif Habib, has extended release the Pakistan Income Fund (PIF), which soon became a very popular finance among

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customers who now have a tax-free substitute to financial institution remains in the method phrase and lengthy lasting. PIF is designed to produce higher productivity, and the come back of 6. 7% (as of Feb 28, 2013). 2. 4. 5

Pakistan Premier Finance (PPF)Arif Habib Investment strategies Restricted has extended release the Pakistan Premier (PPF), which is value plan fund. The purpose of fund is to offer traders lengthy lasting investment admiration from its investments in Pakistani stocks and investments made in Financial, Oil & Gas and Personal Products areas, and the results produce of fund 7. 5% (as of Feb 28, 2013). 2. 4. 6 Metro Bank-Pakistan Sovereign Fund (MSF)Arif Habib Investment strategies Restricted has posted to the MetroBank-Pakistan Sovereign Fund (MSF) in April 2003. MSF is an Earnings Scheme fund that is designed to provide income mainly in Govt. Investments and benefit from method and lengthy lasting investments and the produce was 4. 4% (as on Feb 28, 2013). 2. 4. 7 Pakistan Capital Market Fund (PCM)In Jan 2004, supervisors of Arif Habib, has extended its fund in the connection sequence the release of the Pakistan Capital Market Fund (PCM), which soon became a very popular fund among customers who now have a tax-free alternative to bank remains in the method phrase and lengthy lasting. PCM is designed to produce greater productivity, while keeping a balance between income and growth in order to protect the long-term investment. The PCM come back of 17. 6% (as of Feb 28, 2013). 2. 4. 8 Pakistan Strategic Allocation Fund (PSAF)A Start End Equity Scheme Finance released by Arif Habib Investment strategies Restricted in Sept 2004. The profile of investment resources, top quality, Stock/Equity short-term financial equipment to the marketplace, such as government treasury bills and remains with financial institutions with great credit scoring and banking

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organizations. 2. 4. 9 MCB Dynamic Stock Fund (MCB DSF) Arif Habib Investments strategies Restricted has released MCB Dynamic Stock Fund (MCB DSF) in April 2007. It is an end plan and MCB DSF purpose to offer lengthy lasting investment admiration to the traders and the return of the fund is 4. 9% (as on Feb 28, 2013). 2. 4. 10 MCB Dynamic Cash Fund (MCB DCF) The Mangers of Arif Habib Investments have made the decision posted the MCB Dynamic Cash Fund (MCB DCF) in April 2007, it is open end fund and Earnings Plan. The purpose of MCB DCF to offer an eye-catching return for investors or the traders with have a very low hunger for risk while considering capital security and assets concerns through investment made in TDR with Financial institutions, PIBs, TFCs T-Bills, and Govt of Pakistan Ijara Sukuk return of the fund is 6. 6% (as on Feb 28, 2013). 2. 4. 11 MCB Dynamic Allocation Fund (MCB DAF) In March 2008, The Supervisors of Arif Habib has extended its fund in the Connection sequence the release of the MCB Dynamic Allocation Fund (MCB DAF) it is an Resource Allowance Plan and an start end fund. Your time and money purpose of MCB DAF to offering a higher overall come back by making an investment in value and debts marketplaces during the month the fund produced a come back of 0. 2% through investments improved contact with Commercial Financial institutions and Oil & Gas while watering down visibility from Power and Substances. Year to date come back of fund is 13. 9% (as of Feb 28, 2013). 2. 4. 12 Pakistan Cash Management Fund (PCF) An open End Money Industry Plan Finance released by Arif Habib Financial commitment strategies Restricted in March 2008. The aim of the fund to offer regular income and offer advanced level of assets, mainly from brief length government investments the fund would remain cautious towards the changes in <https://assignbuster.com/islamic-banking-and-mutual-funds-finance-essay/>

macroeconomic factors and would continue to manipulate eye-catching possibilities in the marketplace. The come back of the fund is 7. 7% (as of Feb 28, 2013). 2. 4. 13 Pakistan Income Enhancement Fund (PIEF) Arif Habib Financial commitment strategies Restricted has posted to the Pakistan Earnings Improvement Finance (PIEF) in Aug 2008. It is an start end fund and competitive set income scheme. The aim of the fund is to offer profits from competitive investment strategy in the debts and set income marketplaces. Return of the fund is 4. 9% (as of Feb 28, 2013). 2. 4. 14 MCB Cash Management Optimizer (MCB CMOP) The supervisors of Arif Habib Investment strategies Restricted have posted to the open end finance and money industry plan in the marketplace MCB Money Management Optimizer (MCB CMOP) during 2009. The purpose of the finance is to provide aggressive profits to it owners from a low risk profile of short length resources while keeping high resources. The investments made by finance Money and Term Remains with the Bank, Treasury Expenses and Pakistan Investment Ties the come back of the finance is 7. 5% (as of Feb 28, 2013). 2. 4. 15 Overview of Islamic Funds Self-study is important when you have an idea or a case of trusts, Sharia-compliant income, therefore, the opportunity of the analysis would advantage significantly, and the number of recipients below can be triggered by the content of this analysis. • Existing Arif Habib Investment's trader who has financial commitment in Shariah Certified item of Arif Habib Investment opportunities Restricted Resources. • Potential and prospective trader who are acutely fascinated to spend money on Shariah item. • Staff working in the company as well as in the appropriate market. • Students who are learning the appropriate topic and fascinated to know the main aspects & process for producing Islamic earnings through Shariah Certified

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item. •Stakeholders who have some share in company for such item. •General community such as scientists who want analysis content to analysis about such Islamic item and Shariah Certified earnings and its aspect. Data Analysis, Results & Finding: Q1. Do you believe the fact that Islamic Finance Manger takes choice in compliance to Shariah Assistance described in the Providing Records of the said Funds?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%40%25%20%10%5% Respondent Result (20) 85421 After collection of data it has been found that 65% of the investors were in favor of the opinion that Islamic Fund Manger takes decision in accordance to Shariah Guidance as per Offering Documents, 20% of the investors did not know the Islamic Fund Manger takes decision in accordance to Shariah Guidance as per Offering Documents and 15% investors were not in favor of the opinion that Islamic Fund Manger takes decision in accordance to Shariah Guidance as per Offering Documents. Q2. Is the Shahria Advisory Board (SAB) capable to approve Shahria Compliant investment decisions?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%25%30%40%5%0% Respondent Result (20) 56810 After selection of data it has been found that 55% of the traders were in support of the viewpoint that SAB able to accepted Shariah Certified commitment, 40% of the traders did not know the reason of SAB ability and 5% traders were not in support of the viewpoint that the SAB able to accepted Shariah Certified commitment. Q3.

Do you think that Investment Committee of Arif Habib Investments Limited is really acting as per SAB advice?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%40%30%10%10%10% Respondent Result (20) 86222 After collection of data

it has been found that 70% of the traders were in support of the opinion that

Financial commitment Panel of Arif Habib Financial commitment strategies

Restricted performing as per SAB guidance, 10% of the traders did not know

that Financial commitment Panel of Arif Habib Financial commitment

strategies Restricted performing as per SAB guidance and 20% traders were

not in support of the opinion that Financial commitment Panel of Arif Habib

Financial commitment strategies Restricted performing as per SAB advice.

Q4. Do you agree that Board of Directors of Arif Habib Investments should

also monitor Shahria Compliant Income on regular board meeting?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%0%25%60%10%5% Respondent Result (20) 051221 After collection of data it

has been found that 25% of the traders were in support of the opinion that

Administrators of Arif Habib Investment strategies Restricted tracking

Shahria Certified Earnings on consistent foundation, 60% of the traders did

not know that Administrators of Arif Habib Investment strategies Restricted

tracking Shahria Certified Earnings on consistent foundation and 15% traders

were not in support of the opinion that the Administrators of Arif Habib

Investment strategies Restricted tracking Shahria Certified Earnings on

consistent foundation. 5. Do you agree that Investment Committee follow strictly compliance for Shahria Compliant Income?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%10%45%20%20%5% Respondent Result (20) 29441

After collection of data it has been found that 55% of the investors were in support of the opinion that

Economical dedication Board follow completely complying for Shahria

Qualified Income, 20% of the investors did not know that Economical

dedication Board follow completely complying for Shahria Qualified Income

and 25% investors were not in support of the opinion that the Economical

dedication Board follow completely complying for Shahria Qualified Income.

Q6. Do you agree that Restrictions/Conditions imposed by the regulator are Shahria Compliant?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%5%20%65%10%0% Respondent Result (20) 141320

After selection of information it has been discovered that 25% of the traders were in support of

the viewpoint that Limitations enforced by the regulator are Shahria

Certified, 65% of the traders did not know that Limitations enforced by the

regulator are Shahria Certified and 10% traders were not in support of the

viewpoint that Limitations enforced by the regulator are Shahria Certified. Q.

7. Do you agree that Selection Criteria for investment in Shahria Compliant Securities is followed?

12345OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

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%35%25%20%15%5% Respondent Result (20)75431 After selection of data it has been found that 60% of the traders were in support of the viewpoint that Choice Requirements for financial commitment in Shahria Certified Investments is followed, 20% of the traders did not know that Choice Requirements for financial commitment in Shahria Certified Investments is followed and 20% traders were not in support of the viewpoint that Choice Requirements for financial commitment in Shahria Certified Investments is followed. Q. 8. Whether the Shahria Advisory Board needs to continue to review its policy to monitor/update Shahria Compliant Securities list?

12345 OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%30%35%15%10%10% Respondent Result (20)67322 After collection of data it has been found that 65% of the traders were in support of the viewpoint that Shahria Advisory Panel needs to keep evaluation its plan to monitor/update Shahria Certified Investments record, 15% of the traders did not know that Shahria Advisory Panel needs to keep evaluation its plan to monitor/update Shahria Certified Investments record and 20% traders were not in support of the viewpoint that Shahria Advisory Panel needs to keep evaluation its plan to monitor/update Shahria Certified Investments record. Q. 9. Is Haram Income properly segregated and its proper handling (Charity or donation as per SAB advice) being done?

12345 OPTIONS Strongly Agreed Agreed Neither Agreed nor

Disagreed Disagreed Strongly Disagreed Percentage

%10%20%55%5%10% Respondent Result (20)241112 After collection of data it has been found that 30% of the traders were in support of the viewpoint

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that Haram Earnings is effectively separated and allocated, 55% of the traders did not know that Haram Earnings is effectively separated and allocated and 15% traders were not in support of the viewpoint that Haram Earnings is effectively separated and allocated.