

# The Demonstration Effect

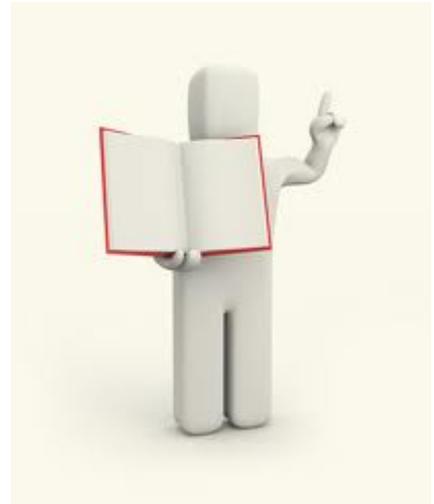
---

IF [inceif.org/blog/demonstration-effect/](http://inceif.org/blog/demonstration-effect/)

posted on May 5th, 2014

Again, my apologies for the absence in usual service. I have been travelling in the US and have attended and spoken at a number of events as well as listened a great deal while participating in a number of discussions on the future of our industry.

While the events, discussions and presentations were numerous and many topics and issues were debated. One thing has stuck in my mind as a result of this trip and that is the need for “the demonstration effect” in Islamic Finance. I am afraid that all too often we speak too much about high level theories and concepts regarding such things as “risk sharing”, “ethical values”, “alleviation of poverty” etc. but to not demonstrate what Islamic Finance has been able to achieve so far in quantitative terms, or indeed what we are planning to do for the benefit of all.



Let me give you a few examples:-At one of the conferences I attended, I was surprised to hear that Muslim Philanthropists donate in excess of USD 1 billion every month to various worthy causes. This is a wonderful achievement, however, there was no indication as to what types of causes were being supported and the positive impact that this was having. For several years now I have laboured the point that in order to change perceptions, we must educate. Here is a prime example of where we can educate on how much good is being done, where it is happening and to demonstrate to what effect. Thereby helping to change some of the negative perceptions that still persist about Islamic Finance.

Another example would be to quantify the impact that Risk Sharing Monetary Policy would have on the growth and development of the Real Economy. Perhaps there is some opportunity here to develop research programs that would help to quantify and publicise the effect. During one of the discussions at an academic forum that I attended, the results of some research regarding sharia'a compliant equity performance and debt ratios, it was casually revealed that performance of the stocks and performance of the companies over a ten year period, had significantly outperformed non-sharia'a compliant equities and companies that were highly leveraged. If we are to move more towards risk sharing and away from further debt, then this information needs to be made more widely available and the “Demonstration Effect” brought to public attention.

There is much to do and not a moment to lose!

Warmest regards and wassalam

Daud Vicary Abdullah