The Islamic Manner of Financing Between Avoiding Risk and Pursuing Opportunities: Toward Constructing a Balanced Culture of Risk

Dr. Kassim Moahammed
Assistant professor
Taibah University, Al-Medina, Saudi Arabia
PhD in Management (Massey University, New Zealand)
kmmkmmohd@yahoo.co.nz

Abstract

Risk is, usually, viewed as the consequence of uncertainty on objective, and the relationship between risk and uncertainty is knotted. Due to this relationship, risk is viewed as a cultural-constructed issue. In the Islamic law, uncertainty is present in all aspects of life, including financing, but it is systematized in such way that distinguishes risk taking from gambling. Al Sharia has placed rules and legislations that organized the manners of dealing with risk; whether in terms of avoiding, taking, or sharing it. The main notion of these rules is to build a balanced culture of risk that leads to avoid underestimating or overestimating of risk, while confirming the sharing principle in losses and profits.

This paper examines the constructive role of the Islamic principles in developing an innovative and adequate culture of risk that balancing between benefiting from opportunities of risk taking without ignoring its potential negative consequences. The paper discusses the positive outcomes of such culture in establishing a coherent financing system. The conclusion shows that establishing a balanced culture of risk is essential for an effective risk management process in the financing sector. Culture of risk according to the Islamic financing manner is a balanced culture that leads to rational decisions in dealing with risk.

Key Words: Islamic Financing Manner, Culture of Risk, Overestimation and Underestimation of Risk.

Introduction

The core business of financial institutions is to manage risk and provide a return to shareholders in line with the accepted risk profile. The Islamic law; Al Sharia, neither denies risk nor disallows people from taking risk. Indeed, in all aspects, procedures and practices, Islam urges the believers to benefit from opportunities, but at the same time, to be cautious from potential harms and perils. "No Risk No Profit" is an axiom that does not have contradiction with the Islamic financial system. However, this does not mean people under the umbrella of Al Sharia law should seek uncertainty or risk. In Islam, the uncertainty level in all aspects of life, including financing, is systematized in such way that distinguishes risk taking from gambling.

Al Sharia has placed rules and legislations that organized manners of dealing with risk; whether in term of avoiding, taking or sharing it. The main notion of these rules is to avoid underestimating or overestimating of risk, as well as, the sharing principle in losses and profits. Allah, the Exalted, in Surat Al-Forqan says: "And those, who, when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those (extremes)" (25:67).

There is obvious differentiation between financial services and other services and sectors from a risk management perspective. In the financial and business sector, it is a crucial part of business to deal with risk. In other words, people expose to risk voluntarily, and in some instances, they search for taking high risk as means to gain higher return. Whereas, most other sectors such as in the aviation sector, risk is viewed as something entirely undesirable, although both sectors work to put in place strategies to control and manage risk. Indeed, taking risk in the financial sector is a part of the investment-return game, and in many cases, managers have limited options to avoid risk when it comes to diversifying their investment. In addition, in the financial sector, risk is, usually, viewed as a

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Something entirely undesirable, although both sectors work to put in place strategies to control and manage risk. Indeed, taking risk in the financial sector is a part of the investment-return game, and in many cases, managers have limited options to avoid risk when it comes to diversifying their investment (Dowd, 2009). In addition, in the financial sector, risk is, usually, viewed as a multidimensional concept and identified from two angles: pure and speculative risk. If the outcome carries some benefit (more than the expectation), risk is termed speculative, whereas, pure risk is one that produces negative consequences only (Haimes, 2009). An example of the first type is investment of property and resources (e.g., stocks and shares), whereas earthquake is an example of the latter.

From the financial perspective, all projects, transactions, and financial operations involve risk, and the zero risk project or situation does not exist in the real life. Therefore, dealing with risk, in many instances, is not an optional matter. However, risk management should take or avoid risk with consideration of possible losses and possible profits. Gain and progress in the financial industry are usually associated with taking risk. In fact, Risk is seen as a matter of probability, rather than an end result (Haimes, 2009); risk, therefore, is the likelihood of something happening, whether it is purely negative, or may involve positive consequences. In accordance with this meaning, Head (2009) points out that risk can be defined as the likelihood of a surprisingly bad, or surprisingly good, specified future event. Thus, the direction of a risk is either positive or negative.

Many workers in the Islamic financing sector misunderstand the concept of risk. Their dominant culture toward risk is that risk is a negative issue and whenever risk exists, it should be eradicated or avoided. However, this culture of risk, in which risk is viewed as something negative, could lead to develop better awareness for controlling it and reduce the financial risk of loss, but it could lead to ignoring opportunities as well. Taking risk, in many instances, is crucial to achieving progress. Thus, culture of risk should be a balanced culture that leads to rational and fair decisions.

The Islamic Manner of Financing

The Islamic Financing Manner versus the Conventional Financing Mode

In the last two decades and most recently after the last financial crisis in 2008 has taken place, the Islamic finance has increasingly become major player in the global finance. The humble commencement of the Islamic financial institutions in 1980's and 1990's has turned over to be a huge industry that dominates a considerable share of the entire financial market, not only in the Islamic countries but overall the world. In addition, the Islamic financing mode has notably seen by many scholars and financial authorities as a substantial solution of a lot of financial crises (Ahmed, 2009).

Both Islamic and conventional financing institutions have some common goals in term of business. They endeavor to maximize their returns and profit, as well as, to attain outstanding market position and share. However, Islamic financing vary significantly from conventional financing mode in both its nature and the challenges it faces. For example, profit is not prohibited in Islam, but interest is prohibited (Kahf, 2004). In contrast to the conventional financial system in which risk is mainly transferred to debtors and borrowers, the Islamic financial system is a sharing system of profit and loss that works to achieve equity and fair finance and investment (Iqbal & Mirakhor, 2007). Indeed, these fair rules and principles are what differentiate Islamic financing mode from conventional one. Al-Musharakh rather than the interest and Sukok in place of bonds are two examples in this regard (Zaher & Hassan, 2001).

Al Sharia put vigorous Islamic alternatives of financing instead of Riba (the fixed interest rate system). These alternatives, which form a significant part of the Islamic financial system, confirms fairness through the profit-loss sharing principle, and most importantly, consistent with the principles of Al Sharia law (Jobst, 2008). However and differently from financial forms of conventional banks, the Islamic forms of financing are not classified in terms of periods, such as long, medium and short terms. Instead, Islamic financing forms would depend on the nature of investment itself (Sarker 1995). Islamic Forms of Financing involve: musharakah, Murabaha, Mudharabah, Salam, Ijara, Forward Ijara, and Istisna'a (Tohrin and Ismail, 2010). Other forms of Islamic banking and finance include Wadiah, Qardh and Hibah. These forms provide a broad pool of options that meet lenders and borrowers' needs, as well as, provide a legitimate Islamic cover that promotes Halal and helps in avoiding Haram.

The Role Of Culture In Dealing With Risk

Culture has major role in explaining the mode that people act and perform; it is a part of individuals' cognition of objects and how they deal with them (Leung, Bhagat, Buchan, et. al., 2005). Indeed, culture is an essential part of human perception and actions, but it has a more active role in some fields, such as the risk management field, where uncertainty is the main issue. The correlation between risk and uncertainty is ostensibly knotted and, in many instances, there are no precincts between both terms (Hochrainer, 2006). The uncertainties regarding unpleasant consequences of risk or the likelihood of risk are subjective issues that depend on personal measures such as feelings, attitude, awareness and beliefs of people. Culture has key influence and major impact in leading the behavior of people and on the way that they deal with events; including risk (Slovic & Peters, 2006). Most importantly is that, employees foresee risk and its potentiality to occur, as well as its likely outcomes and the seriousness of these outcomes, according to their understanding and perception; in other words their culture of risk (Solvic, 2000). For this reason, it is not surprising that the efficacy of the risk management process, as Ashby, Palermo and Power (2012) observe, depends widely on the risk culture of those individuals who deal with risk. However and despite of many researchers, as well as, bankers argued that much of financial disasters had been developed because of weaknesses in the cultures of banks and other financial institutions, little efforts have been carried out to find out the crucial role of risk culture in influencing risk taking and control decisions (Ashby, 2010).

The uncertainty dimension of risk spots the light on negative impacts and the illogical behavior of associating risk with undesired outcomes only, as the word ‘possibility’ means that there are at least two potential outcomes. In many instances, return, basically is considered as the reward to risk. For that reason, dealing with risk should be viewed from two axes: the possibility of negative impact and the chance of gaining opportunities (Nersesian, 2004, Power, 2004). Indeed, avoiding or accepting risk should be no longer a non-negotiable matter, as whenever the risk becomes perceptible it should be evaded. Risk should be evaluated and assessed in terms of expected outcomes. In many instances, successful risk taking is viewed as a catalyst for achievement. Moreover, according to the presence of uncertainty as a core factor in risk, things such as return is viewed, in some instances, as same as risk. This is due to the reality that return does not necessary mean profit or something positive all the time.

Culture of risk should be a balanced culture that adopts both potential consequences of risk taking: potential positive and expected negatives. Lack of such balancing in dealing with and viewing risk may lead to irrational decision-making that affects the risk management process (Botterill & Mazur, 2004). This could lead to what Adams (2004) describes as exchange an interest in obtaining the good for fearing from the bad. Rational decisions about risk should rely on the rationality of decision makers regarding evaluating and weighing risk in terms of its consequences; in other words due to the balanced and rational culture of risk.

3.1 Lack of Balanced Risk Culture: Overstatement and Understatement of Financing Risk

One main challenge of those who works and deal with financing markets is the imbalanced manner and what is called ‘herd behavior’. The most recent financial crisis in 2008 was motivated and promoted by the tendency of borrowers, and lenders as well, to follow the group behavior in estimating risk. It was a bubble that had not been caused by a real economical factor; rather it commenced and grew based on rumors. In the Islamic culture, especially when potential harm might be occur, people should investigate sources and truthiness of information, and then take the appropriate action and decision. They need to analyze the situation and put fair estimations as much as possible. Allah exalted says in Surat AL-Hujurat:"O ye who believe! If a wicked person comes to you with any news, ascertain the truth, lest ye harm people unwittingly and afterwards become full of repentance for what ye have done” (49:6).

Overstatement of risk, or understatement of risk as well; in other words lack of balanced perspective and culture of risk, both involve negative impacts. Overstatement of risk may lead to unrealistic dread from taking risk in such way that may cause losing opportunities that are involved in taking risk (Lopes, 2010). Whereas, understatement of risk may lead to disregard controlling its adverse outcomes, thus increase the possibility of undesired outcomes happening. In many instances, innovation and entrepreneurship are rewards that come alongside with the risk-taking process. However, underestimating risk and looking at opportunities from taking it without considering potential harm may significantly cover over its negative impacts, and thus, lead to pay no attention to overcoming these impacts.

Regarding the herd behavior supposition, when people misjudge a particular case or operation, overstatement of risk and caution from potential negative consequences becomes dominant, and the fear from taking risk, on the other hand, exceeds the real volume of potential adverse impact. Avoiding taking risk to be safe from its unfavorable outcomes could prevent harm, but it might ignore great opportunities. In many instances, taking risk is an essential step for gaining profit. Workers in Islamic financing should be ware from overestimating of risk; whether this risk is related to people, market factors, or the business itself. On the other hand, understatement of risk is a form of risk too. Failure in estimating risk and its probable adverse impacts may lead to ignoring them, thus affected severely by their consequences without taking necessary actions. With respect to the correlation between risk culture and the last financial crisis, Agius, the chairman of Barclays, declared in Financial Times Magazine (Murphy, 2010) that the leaders of industry must collectively procure a visible and substantive change in the culture of our institutions. Taking or avoiding risk should be a decision that balances the uncertain rewards of actions against the potential losses as some accidents are the result of incorrect risk estimation.

The Islamic Culture of Risk

The Concept of Risk in Islam

The presence of risk in financial transactions is considered a unique feature of Islamic financing that differentiates between what is accepted and what is prohibited by Al Sharia (i.e., between profit and loss sharing principle and predetermined interest rate) (Ahmad, Osmani, Shahed, & Karim 2009). The word “risk” is viewed by many researchers as a word that has been derived from the Arabic word ’Rizq’. ALLAH exalted described “Rizq” in Quran as something that is uncertain where no one knows it but ALLAH. Among those researchers who mentioned that is Hochrainer (2006), who pointed out that the Arabic ‘risq’ signifies anything that has been given to

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you by God and from which you draw profit and has connotations of a fortuitous and favorable outcome.

The Islamic concept of risk involves confirming the uncertainty concept as one of the main features of human daily life as there is no single outcome that is absolutely certain. Thus, people are required to deal with uncertainty and work to control any expected adverse impact (Mohammed, 2010). Although they should believe without any doubt that every single thing is in the hand of ALLAH exalted, people are still required and should make all efforts to invest potential opportunities and strive to avoid potential unpleasant outcomes. The main Islamic principle that the prophet peace upon him confirmed to people was: be wise and rely on ALLAH. Prophet Muhammad peace be upon him once asked a Bedouin who had left his camel untied, "Why do not tie your camel?" the Bedouin answered, " I put my trust in God" the prophet then said, "tie up your camel first then put your trust in God". This conversation confirms that Muslims should believe with fate, but at the same time, they have to work for reducing the risk of loss and managing unforeseen circumstances. It is a part of belief and an ethical issue to control risk and take necessary procedures to avoid perils and hazards.

The story of Prophet Ya'qub tells us about the management of risks and how to reduce potential unpleasant consequences as Ya'qub commanded his sons to enter Egypt from different gates. ALLAH exalted says in Surat Yusuf (Verse 67): "O my sons do not enter the capital of Egypt by one gate but go into it by different gates. However, know it well that I cannot ward off you Allah's will for none other than He has any authority whatsoever. In Him I have put my trust and all who want to rely upon anyone should put their trust in Him alone." In addition, the history of the Prophet, peace be upon him, is also full of lessons of how Muslims should deal with and control risk. At the beginnings of Daawa (Tableegh), as an example, the Prophet (peace be upon Him) commenced his Nobel Mission right from home and then moved to the people closely related to him. This is to reduce the risk of rejection. Moreover, the history of the prophet's migration to Medina gives us other lessons on how did the Prophet deal with and manage the risk.

Islamic Cultural of Financing Risk

The Islamic culture of risk, as other Islamic related issues, relies on Islamic manners of Quran and Sunnah. Thus, it is derived from Al Sharia rules and principles. Risk culture in Islam is a balanced-rational culture in all of its aspects. Muslims should believe with destiny but they should also make their best efforts to address potential unfavorable outcome and to control them, or at least, mitigate their adverse impact. Also, Al Sharia confirms the necessity of developing a fairness culture of risk through distributing risk between lenders and borrowers on the base of profit-loss sharing (Kayed & Mohammed, 2010). Another aspect of the rationality of risk culture under the Islamic umbrella is the prevention of taking high risky activates, such as gambling, but without prohibiting taking reasonable degree of risk if benefits are seen. In addition, the Islamic culture of risk, as other issues in Islam, is a moderate culture in terms of estimating risk. This involves avoiding both excessive hoping, in other words understatement of risk, and fear from risk, which is represented by overstatement of risk, whether when identifying and assessing risk or when reviewing risk scenarios and its potential consequences. Both overstatement and understatement of risk in Islam are unfavorable, and in many instances, they are considered as sorts of sins that should be avoided.

Culture is a cognitive framework and a collection of values, beliefs, traditions, and behavior patterns (Wogalter, DeJoy & Laughery, 1999), thus modifying culture starts from developing values and knowledge. Risk culture among workers in the Islamic financing institutions need to be in a harmony with Al Sharia, thus be a rational culture. Estimating and calculating risk, as well as, the likelihood and severity of consequences should rely on appropriate awareness of the situation and an accurate and effective assessment of expected gains and potential loss. In this regard, Ashby, Palermo and Power (2012) note that risk culture had played a major role in the financial crisis which shaped up in 2008. From their perspectives, "risk culture in particular has become an object of focus and discussion by regulators and other bodies, yet there is no consensus on exactly what it is or how it might be managed" (p. 4).

Creating a risk-aware culture is considered the most important issue and a serious matter in terms of improving the risk management process. As risk is culturally constructed, thus individualistic and subjective (Mohammed, 2010), Individuals (i.e., employees) are the center of any development process. In this regard, Hochrainer (2006) found that even for those researchers who reckon that people understand risk by the same token; they still believe that people do not identify risk equally, at least in terms of its severity or consequences. If there is a familiar risk that is commonly specified and identifies, people may perceive it differently. Speed, as an example, is commonly viewed as a source of risk. However, the meaning or the limitations of is viewed differently by different people. Therefore, the Islamic mode of managing risk focuses on the human element rather than other elements and issues, such as technical/procedural steps. The Quran speech and verses, in many places, target the people's perception to stimulate their awareness in dealing with risk. The main issue is that to motivate Muslims to be moderate and balanced in their decisions, including risk decisions. In very challenging circumstances, such as risk-related situations, Al Sharia emphasizes two main axes: the fairness and the moderateness. Over or under reaction, as well as, overestimation and underestimation behavior is unfavorable.

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Toward Constructing Balanced Culture of Financing Risk under Al Sharia Umbrella

For an effective risk management that based on rational assessment and decision regarding risk, efforts should be paid to develop a realistic risk culture among employees. Risk culture, which consists from values, experiences, knowledge, beliefs and understanding about risk that are shared by a group of people within an organization, works as a sensor of behavior to avoid or accept taking risk. Thus, it is a mixture of behavior, attitude and perception, and represents a framework that outlines boundaries of behavior in dealing with risk. Al Sharia's values, principles and rules emphasized on this issue by targeting beliefs and thoughts of Muslims rather than focusing on actions only. The Islamic mode system is a moderate and rational system in all its aspects; risk management is no exception. In terms of financing risk, Muslims, and those who work in Islamic financing institutions as well, should not be pragmatists, risk maximizers, or conservators; rather they should be proficient risk managers and rational decision makers. Pragmatists refer to those employees who believe that risk is uncertain and difficult to be anticipated, thus, they do nothing but act in response when risk exists. Risk maximizers; on the other hand, refers to those employees and individuals who accept taking any level and degree of risk if there is accepted level of gain that is expected.

The third type of individuals in terms of their risk culture is conservators. Conservators are those individuals who avoid taking any type or level of risk, thus they avoid engaging in any activity if there is a risk (Gierlach, Belsher & Beutler, 2010). These types and forms of risk culture and behavior are unfavorable as Islamic manners. Instead, Muslims should a adopt a balanced culture that based on appropriate risk taking attitude that benefits from opportunities, and an effective risk controlling behavior that managing potential adverse consequences from taking risk.

In accordance with Al-Sharia, the balanced risk culture of Islamic financing is achieved through different aspects. This involves: knowledge of types and sources of financial and non-financial risk that may affect financing; consideration of the market's factors and trends; avoiding obey the herd behavior without verification; and the prohibition of understatement and overstatement of risk. Regarding the first issue, the risk management authorities in Islamic financing should be aware and have sufficient data about borrowers (i.e.; those who will be partners in the money with their efforts) to carry out an effective assessment of potential risks before granting financing. This involves establishing an adequate data base and an appropriate awareness and realistic risk culture among workers regarding the efficiency of reviewing the history of borrowers (i.e.; Al Mudharib), credit worthiness, and their business's objectives, plan and real cost and expected return (Central Bank of Bahrain, 2012).

Identifying the market's trend in terms of competition and inflation is a major component of risk culture. The fairness of Islamic financing mode through promoting profit-loss share's rule should also involve reasonable return/share of profit to the capital owner (i.e.; the ender). This requires considering the expected inflation rate, economic/market growth, the level of fluctuation of exchange rate and currency. Other forms of risk that should be considered, as well, involves: credit risk; operational risk, and systemic risk.

The Main Features of the Balanced Risk Culture of Islamic Financing Manner

Compliance with The Islamic Law:

The main risk in Islam is the risk associated with the failure to implementing Islamic investment and financing in harmony with Al Sharia principles. Indeed, in Islam there is, or at least there should be, no boundaries between Muslims' behavior and life, including financial transactions and business activities, and his/her belief and faith (i.e.; Islamic manners). Therefore, any financial activity that does not comply with Al Sharia and deviate from its principles and rules is viewed as a real pure risk (Zaher & Hassan, 2001). In fact, there is big difference and significant consequences between legitimate business operations and interest.

Economists, and those who work in the conventional financial institutions as well, usually give clarifications and several explanations for the payment of interest and its benefits. For more accurate and precise discussion, it is important here to understand that when something is prohibited in Islam, this does not mean that there is totally nothing beneficial in the prohibited item or practice. Prohibited items may involve something beneficial, although they are prohibited. For example, Allah says in the Quran about alcohol what is roughly translated to: "They ask you [O Muhammad] concerning wine and gambling. Say: In them is great sin, and some benefit for people; but the sin of them is greater than the benefit.'" (Quran 2:219). The main point here is not whether there is anything beneficial in something, but whether the harm of something outweighs its benefit. This is correlated to the balanced perspective. Economists may be able to find reasons for paying interest but this, as Zarabozo (2011) states, definitely would not outweigh the harms that interest can be shown to cause. Evidences through the continuous financial crisis whether on countries' level, as in Greece and Sypris, or on an individual's levels, as in the last financial crisis in 2008, show to what extent that interest has sever negative economical and social consequences. Even if interest is considered some kind of payment to a factor of production, it has some destructive characteristics. Such these harms involve: interest leads to an unbalanced distribution of income and it encourages rich people to use poor people just because they have money. On the other side, Islam offers many solutions instead of interest (Usury). The two main aspects/solutions among these solutions involve: the principle of brotherhood, and sharing not transferring risk.

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Sharing Not Transferring Risk

The main key principle of the Islamic financing system is the value of fairness and justice, in which the principle of Profit-and-Loss Sharing where investors share the risk, as well as the rewards, is the basic attitude. This principle recognizes the relationship between those who have the money and those who need it in such way that reinforces the partnership among them in both losses and returns. Thus, owning and lending money should not be a reason for transferring risk on others and expecting returns without carrying any sort of risk. Under the Islamic financing umbrella, returns are only received when the business produces additional values of money; in other words profit. Paying fixed interests by borrowers without considering the performance of business and unforeseen economic conditions is unfair process (Zaher & Hassan, 2001). Opposite to the conventional financing system, financing according to Al Sharia confirms that all parties should share profit and loss of a venture. Lenders and borrowers have the right to formulate an agreement about a decent rate of return but from the profit not from the venture capital (i.e.; borrowed money). Allah, Subhanahu wa Taala, says in the Quran what is roughly translated to: "Those who consume interest cannot stand [on the Day of Resurrection] except as one stands that is being beaten by Satan into insanity. That is because they say; Trade is [just] like interest.' But God has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with God. But whoever returns [to dealing in interest or usury], those are the companions of the Fire; they will abide eternally therein. God destroys interest and gives increase for charities. And God does not like every sinning disbeliever." (Quran 2:275-276)

As mentioned earlier, Al-Sharia put on place many substitutions as solutions of interest. These solutions work to benefit all stakeholders including society and borrowers, not only the lenders. One of these solutions, as Zarabozo (2011) notes, is that: if a person would like to lend money to another person in order to help him or her, this manner should be derived from the brotherly principle, so it is entirely unacceptable to charge any interest in such a case; this is called in Al-Sharia "Qardh Hasan". Regarding the second main Islamic solution to interest (Usury) is that: if a person would like to invest/ use his money to make more money, then he must be willing to put his money at risk, in other words he should share others (the borrowers) potential risk and losses, but not only guarantee for himself a fixed return not considering of the result of the investment that his money is used for.

Excessive Risky and Speculative Activities are Strictly Prohibited

Risk culture refers to the system of behavior that forms risk decisions. This system is based on the extent to which individuals recognizes the real meaning of risk and risk management. Doing the right thing in terms of dealing with risk, does not necessarily means avoiding taking risk wherever it presents. It means dealing with risk in terms of potential consequences and their impacts. According to Al Sharia, ethical behavior is a key component of accurate dealing with risk. In the real world, those who are responsible for managing risk rely on their own skills, understanding and perception of risk. Therefore, developing a balanced culture of risk among employees is an essential for a balanced and a rational financing decision. Taking an extreme risk where uncertainty is very high is prohibited in AL Sharia (Kamali, 2007). In Islam, beside the compliance with Al Sharia rules, a balanced risk culture should present not only when a crucial decision is made, but when a discussion and evaluation of risk are in process as well. This involves a voiding both understatement and overstatement of risk when reviewing risk scenarios and its potential consequences. Allah revealed to his Messenger Mohammed, peace be upon him, what is roughly translated to "And spend in the way of Allah and cast not yourselves to perdition with your own hands" (Quran, 2:195).

Cope with Risk Ethically: Risk Taking for Improving Competition Not for Creating Conflict

As mentioned earlier, it is a vital part of finance to take risk as, in many instances, people expose to risk voluntarily. Furthermore, they, in some situations, look for taking high risk because this means to them higher return. Moreover, taking risk in the financial sector is a main tool for maximizing market share that, in many instances, leads to win the competition game. However, when competition exceeded its limits in terms of financing, as an example, this may lead to some sort of conflict between financial institutions, and as end result this may cause collapse in the financial system. This is, by itself, a giant risk in its negative meaning. The culture of competition in Islam is a moderate culture that supports and leads to constructing a balanced culture of risk.

In Al-Sharia, Islam encourages the realistic competition whether in the financial services and facilities that offered to customers, or in other aspects and fields. In Quran, Allah says what is roughly translated to: "So for this let the competitors compete" (Quran, 83:26). In Islam the culture of risk taking may have competition in terms of maximizing benefits, but without cheating, overvaluation, and exceeding norms. When competition becomes beyond the acceptable level, it turns to be a conflict that harms society and people; the last global financial crisis is an example. According to World Economic Forum (2010), the crisis has shown that many financial institutions exceeded the completion rules and fought to attract more customers for higher margins and profits. Allah Says in Quran: "and those who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes)" (The Quran 25: 67). Thus, competition should not be a reason for taking risk in such way that may expose others to high degree of uncertainty.

Belief in Fate, but with Striving to Control Potential Negative Consequences

The Islamic concept of risk involves confirming the uncertainty concept as one of the main features of human daily life as there is no single outcome that is certain (Mohammed, 2010). Thus, people are required to deal with uncertainty and to control any potential adverse impact. Although they should believe without any doubt that every single thing is in Allah hand, people are still required and should make all efforts to invest potential opportunities and strive to avoid potential unpleasant outcomes. The main Islamic principle that the prophet peace upon him confirmed to people was: be wise and depend on Allah (Ahmad, Osmani, Shahed, et al, 2009). Prophet Muhammad peace be upon him once asked a Bedouin who had left his camel untied, "Why do not tie your camel?" the Bedouin answered, " I put my trust in God" the prophet then said, "tie up your camel first then put your trust in God". This conversation confirms that Muslims should believe with fate, but at the same time, they have to strive to reduce the risk of loss and mange unforeseen circumstances. It is a part of belief and an ethical issue to control risk and take necessary procedures to avoid peril and hazards. In literature, this (the extent to which a person has a belief in fate) is called “Locus of Control” (Jones & George, 2011). The term “Locus of Control” explains the degree to which individuals view that outcomes result from their own behavior (Internalizers), or from forces that are external to themselves (Externalizers). The well understanding of the philosophy of fate and the manner of dealing with this important and fundamental principle of faith in Islam is essential for rational explanation of things and in dealing and evaluating risk. The balanced culture of Islam urges believers to depend on Allah but without neglecting evaluation and controlling potential undesired outcomes.

Conclusion

Risk is culturally constructed and culture has a major influence in directing the behavior of people in their dealing with risk. In the financial sector, taking risks that involve opportunities or avoiding risk wherever found is related to people’s culture. Al Sharia rules and principles confirms that the employees’ culture of risk in the financing sector should be built on two strategies: controlling potential negative consequences of risk and taking opportunities from risk; in other words, dealing with risk not only by avoiding or mitigating its harms, but also by benefiting from its opportunities. Although, Al Sharia neither denies risk nor prevents people from taking risk. However, it prevents Muslims from overestimating and underestimating risk. The Islamic financing culture of risk is a balanced culture that has unique characteristics and distinguished features that confirm benefiting from opportunities of risk taking without ignoring potential negative consequences of risk.

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