

# Maximizing Stakeholders' Well-being through Management of Assets-Liabilities: A Qualitative Financial Analysis amid Pakistan Evidences

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## Abstract

*The current study is conducted to evaluate the assets and liabilities in context of wellbeing of stake holders. The qualitative approach used to analyse the situation by creating Grounded Theory. N-Vivo software used to form the word clouds and word tree analysis. The findings of study suggest that financial system working in duality do not attain the welfare notion to the stakeholders, generally, but only taking care of the shareholders, as meager capital owner in the capital structure. This attitude essentially deprives the concrete benefits to the Depositors, who have possession of the stake of financial entity almost 90% core capital. This exploratory endeavor tries to find out the middle way escaping the conventional duality and complementarities, to maximize the stakeholders well-being commitments to bridge up the Traditional and Islamic financial system gap, as to easily shift paradigm. The novel idea of 'Divine Banking' is observed as a finicky style of financial institution that works to maximize a blend of economic and social objectives through integrating the social, financial and economic sector to shrivel the rich-poor gap.*

**Keywords:** Islamic Financial System; Convention Financial Sytem; Stake Holders Wellbeing; Grounded Theory; Devine Banking.

## Introduction

An assortment of work on the benefits and gains of both the banking and financial plans Islamic and conventional exists with a variety of models that do not truly observe the economic wellbeing and social welfare package. Western or capitalist viewpoint has been conflicting expectations about the organizational behavior and responsibilities based on profit maximization notion and financial gain ( Lantos, 2002; Humber, 2002), based on neo-classical self interest utility maximization relating to Adam Smith (Dusuki, 2005). In fact, the conventional environment is proven to become economically competitive on some extent, but failed to realize the social justice, ethical and divine mandate; whereas, the Islamic financial scheme somehow become successful to fulfill the divine requirements, nor in real sense but through subterfuges;

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in addition alleging socially responsible but practically unsuccessful; and outrightly unproductive to realize the competitiveness. Business curiosity is endangered, if social element is not considered (Lantos, 2002). A resonance, sound and vibrant banking/financial system, is an elemental requirement for development of an economy that acts as the backbone of economic growth and prosperity of the masses, as the financial play a vital role to enhance the social welfare of the communities. These FIs indoctrinate the habit of saving to the general public and mobilize funds from numerous individuals, small households and business firms smear a wide geographical area (Visser, 2009).

A proficient and effectual economic/financial system pull off two supposedly opposite results at the same time as: i) to generate financially viable substance in the shape of wealth that must be ii) shared amongst the people, defensibly and equitably (Judge et al. 2014). It would be enviable to clarify at the debate on Islamic Banking or Interest-free banking, as to construct some transparent axioms, suppositions and propositions that: i). Interest is impermissible in all its shapes and forms; ii). Gambling (Maysir), hoarding, trading in illegitimate and illicit product and services, speculative tendencies in business, short selling etc. are forbidden in Divine financial environment, like in Islamic discipline (Usmani, 2000); iii). The sovereign authorities and all other stakeholders irrefutably need to adopt a system without usury or interest, speculation, uncertainty in financial transactions, strictly observing Hala'al-o-Hara'am restrictions that facilitate the society, rather function as a complement or supplement to the contemporary banking system.

It can be pronounced that Islamic business and finance is not somehow a religious type of object d'art, but it can be claimed that the products and services developed by Islamic financial institutions meant, subject to meeting Divine obligations within the sphere of respective principles, rules and laws, for a particular market fragment. Whereas, the traditional banking and finance products attributed to interest, uncertainty, risk and speculation that are strictly proscribed in Islamic law (CIMA, 2010; Siddiqi, 2006a, 2006b). However, Islamic banking and finance have distinguishing features as compared to contemporary one. Hence, the Divine financial institution (DFI) products would be wide ranged not confined to a specific splinter, rather for the entire humanity, taking care of its demand, delight, religious, spiritual and material interests and enhancing the wellbeing of each of the stakeholder.

As per historical expansionary trend of the Islamic banking and finance industry (IBFI) developed more than half of century ago and has undergone extensive milestones in its progress, spread over 110 countries, targeting fifty million clientele, growing at some bouble

debits growth rate PA, touched asset expansion near about US\$ 2.000 trillions at close of year 2015 (JIBM, Editotial, 2017), as against the conventional financial system since more than three centuries period on world regime. There have been countless loopholes in form of: lack of suitable Divine, legal, regulatory and social framework in both the establishments to guard the interests of major primary stakeholders' i.e. Depositors and management welfare rather protecting the rights of the Stockholders only. The Islamic financial system has had complexities and troubles in their operations and administration due to blurred, fuzzy and hazy rationalizations in legal and regulatory frameworks in the Muslim world, instigating the internationalization throughout the globe, especially in Europe, USA, Korea, Japan, China, Singapore, etc. This is functional with conventional economic set-up or under the dual banking system, as to compete its contender (Dusuki, 2007, Zahid, 2012), that present commercially feasible, economically compatible products, but rarely caring for social responsibility and exclusively in opposition to the Divine viability, as entirely practicable on interest rate benchmark.

This research effort is based on the exploration of methods to determine conduct, the sources and uses of chattels within the financial systems and managing their assets liabilities in such a manner that perform so vividly, leads to the maximization of stakeholders welfare, following the standpoint of the maximalists, evidently. This ultimately caused to get reduced the socio-economic disparities, created worldwide infilling fissure due to unjust, inflationary interest-based monetary system. A major flaw of Conventional financial system (CFS) is that due to its execution, the rich gets richer, the poor gets poorer that unhappily magnifying the rich-poor gaps (Mirakhor & Smolo, 2010), cited in Zahid, (2012). Milton Friedman rightly said that 1% of population owns 50% of wealth of nations (Toutouchian, 2004, Zahid, 2012). They can be enumerated as theoretical underpinning, Divine and Regulatory issues, systematic operations, Institutional and infrastructural development problems, as to enhance the efficacy, performance, solvency and nurturing the escalation (Arshad, et al. 2016).

The traditional financial theory was based on financing long-term loans with short-term liabilities and this atmosphere continued till 1970s (Ersalan, 1994); where trading was quite simple and financial institutions were concerned to the creditworthiness of their borrowers, accentuating only to generate an upbeat spread. The assets-liabilities' maturity gap of financial institution's balance sheet was not considered an issue, but due to the global financial policy modified to controlled monetary system shifting from stabilized interest rates, eliminating their limits as to cross

the threshold of a new dome of deregulation (Buehler and Santomero, 2008). During the golden epoch of new millennium, the expansionary monetary policy has become effective in the world of finance, consummating lower rate of interests' with higher earnings ratios in prevailing financial markets, (Oracle, 2008).

The performance evaluation of financial institution is not merely depends on the well operating of the system itself, but also on overall activeness of the economy (Faruk and Alam, 2014). Asset-Liability Management ALM is associated with an endeavor to match assets and liabilities in terms of maturity and interest/return rate sensitivity to minimize cost and respective risks (Zawalinska, 1999), cited by Anjili, (2014), but the traditional asset liability management (ALM) tools and techniques do not meet the purpose; however by way of optimizing the balance sheet items and interpreting the profit and loss statements to care for primary stakeholders, the stockholders, management and depositors can solicited that ultimately leads to enhance their wellbeing.

What is the effect of asset liability management (ALM) in mix/divine surroundings on the performance of commercial financial institution, as to achieve wellbeing objective of stakeholders, especially all types of depositors? It has a direct effect on the financial performance of banks and prudent to have an effective ALM process within banks that closely monitor and balance both the assets and liabilities management (Gyekyi, 2011) and Anjili, (2014). To provide a banking and financial business in accordance with Shari'ah is the public expectations that will be enjoying the benefits of achieving the Divine objectives that ultimately leads to an enhanced economic and social life en bloc, i.e. to uphold the stakeholders' interest by assuring divine viability, social responsibility and attaining competitiveness by business performance of the Divine banking and finance industry.

Keeping in view, the research aim and objectives, this research has some particular research questions, as appended below, which have to be responded: How can a financial institution / bank optimally arrange and compile its balance sheet composition i.e. sources and uses of funds, sequentially to maximize its revenues and other gains together with achieving competitiveness to supplement the wellbeing of its primary stakeholders like stockholders, employees and depositors, as to achieve socio-economic and socio-political objectives?

The main objective of Asset Liability Management is to build up the strategies in respect of financial institutions in mix fully prepared to face the emerging challenges and promising to enhance the stakeholders'

wellbeing via adopting profit maximization maneuver. It will also provide the line of attack and propositions to improve the performance of Banks. ALM has become progressively more critical for banking industry either Conservative, Islamic, Divine or Hybrid exposed to profit and stakeholders' welfare strategies. The Objectives of Asset-liability management at this juncture would be: to compose, arrange and compile the balance sheet pattern of the proposed Divine/hybrid banking firm sequentially in boosting up its performance by way of escalation of welfare of indigenous stakeholders via maximization of profit and gains, attaining the major objectives of socio-economic, socio-cultural and socio-political level.

The purpose of this approach is to grant access to a perspective of the true environment in which it is to be operated either inimitably or alongside another discipline, whether the nature of the economy is based on Islamic principles or otherwise; and whether it operates under state rule of law or rule of justice or otherwise, as to accomplish the requisite objectives. The rest of the paper is arranged in such way that the next and second section is about literature review, third section is about methodology adapted for making analysis, fourth section contains the result and discussion and fifth and section related with findings and policy recommendations.

### **Literature Review**

In the field of Islamic banking and finance, the earlier research is alienated amongst the contracts that govern and oversee the economic activities into transactional and intermediation contracts (Ahmad 2000). As a matter of fact, there is no sheer distinction in the products and services offered by both the existing financial Conventional and/or Islamic Banks (Driver, et.al. 2005); conversely, income sources are enormously disparate (Al-Jarhi & Iqbal, 2001). As to comparing the Traditional Banks' / FIs income that is generated from fees, charges and net interest i.e. the differential of the interest proceeds received from lending activities and the interest paid on borrowings as cost on deposits; in contrast to Islamic Banks / IFIs their core source of income drawing from Murabah'ah, Musharak'ah, Mudarab'ah, Ijar'ah, Salam, Istisna'a, contracts; and services rendered on charges basis, etc.

Islamic finance is utterly different from that of conventional debt finance, attracting the universal market players with an austere belief on politico and socioeconomic development viewpoint, as to attain the aspirations of societal justice and objectives sustainable economic growth (El-Gamal, 2006). Islamic banking and finance is straightforwardly concerned with the spiritual values and achieving social justice by way of just wealth distribution that is entirely missing

item in capitalistic financing approach (Mondher and Siwar, 2004), cited by El-Gamal, (2006). Its core precept is the deliverance of *Shari`ah*, meeting the Divine requirement to institute social security, property and progeny rights even protecting the physical and mental solidity (Chapra & Ahmed 2002).

In an Islamic atmosphere, IFIs are at the vanguard of ethical and socially responsible finance, where accumulation of funds through illicit sources akin to alcoholic products, gambling, nightclubs and narcotics, prostitution activities are strictly banned that are the major means of money laundering and intimidation, (Fuad & Mohammed, 1996), known as a main global threat.

The Assets Liabilities on balance sheet structure in a Divine / Dual Banking system, the banking firm desires to indulge in either of the contractual or non-contractual relationship that may be advantageous to the public at large, if it strictly meets the divine requirements, as to execute jurisprudential mandate. While gratifying the creators' term of office, there would be no stumbling block to act in either type of the agreement to run the business smoothly, as both of the prevailing financial systems compromising each other in financial matters.

The introduction of Islamic Banking and finance is nothing but to transform the sources, uses applications and allocation of funds conventionally muster-up into Islamically admissible way. Accordingly, observing the balance sheet structure and keeping an eye on the source of funds, the liability side, the products saving and current accounts were re-engineered as "Al-Wadiah" i.e. safe custody or "Qard" accounts, and term deposits into profit sharing investment accounts (PSIA), called investment account holders (IAH). On uses and application of funds i.e. the asset side, the products, 'term loans' re-designed as 'Mudarab'ah' accounts and 'Musharak'ah' financing. Furthermore, conventional banks (CBs) have two other major types of lending (financing) facilities, known as short-term financing for meeting working capital requirements are overdraft (OD), running finance, cash finance (CF), finance against trust receipt (FATR) facilities and the trade financing. In parallel, the Islamic banks / IFIs offer these short term facilities in working capital financing with nomenclature of Murabah'ah (cost-plus), Salam, and Istisn'a, whereas, the trade financing mostly through Bai Bithaman Ajil (deferred sale). Moreover, Ijarah, Kafalah, Jual'ah and Hiwalah facilities of Islamic banks equivalent to conventional leasing, Letters of Guarantee (Bank Guarantees), facilitation on service charges and the Fund transfer services, respectively, of mainstream banking system.

This beautiful fusion synthesized in introducing a new discipline in the world of banking and finance to serve the mankind by managing assets-liabilities on both the sides of a business, firm, FIs' Balance Sheet (BS), merely to maximize the well-being of the stakeholders, especially the primary ones i.e. Stock-owners, employees and depositors, who are investors of FI, relevant to this investigation.

**Literature Review**

**Sources and Uses of Funds (Assets and Liabilities) in Divine / Islamic environment**

While evaluating the cost and earnings of both the systems, it revealed that the efficiency of financial institutions GCC countries is more conceivable than other countries (Srairi, 2010) and it is found that traditional system is more efficient than Islamic. Appraising the deposit returns in Islamic and conventional, it is observed that Islamic banking industry results are more reliable than traditional and any variation in interest rate on the rate of return has yielding effects on the amount of deposits, following the market trend (Kaleem and Isa, 2003; Zainol & Kassim (2010). The conventional accounting and disclosure systems used in IFIs lead to divergence in objectives, as conventional accounting and information disclosure system holds materialistic and secular values based on self interests and profit maximization whilst the Divine creed based on societal wellbeing, equity and justice and equity convictions (Ibrahim, 2000). There is somehow a mixed tendency of mainstream mimicry shown by Islamic financial system with diminutive constrictions of divinity, can be seen in the sense of similarities and difference between the both financial systems (Hanif, 2011, 2014). The notion of profit sharing is proven more stable and sustainable than interest based debt oriented products and services that prevent from return rate fluctuations (Chapra (1992); Kahf (1998); Siddiqi (2002) and Zarqa (2003). Islamic banking system is less perilous than that of conventional and greater intensity of risk involved in profit sharing, suggesting that reinforced the appropriate financial rules and regulations by IFIs to offer effectual financial services will definitely augment economic growth (Samad and Hassan 2000; Sarker 2000). Islamic banking and finance creates real economic and financial activity owing to its stability and strength due to purging out debt finance that ultimately boost allocation effectiveness and cost efficient, generating more revenues than their counterpart (Iqbal 1997). The debt financing is the major cause of economic instability in conventional system (Abdul Wahab, et al. 2014).

In an Islamic banking and finance context, there lived a substantial scholastic research available since half of the century (Ariff, 1989; Al Nasser and Muhammed, 2013), cited in Abdul Wahab (2014). The

attributes and features of the Islamic banking and finance (IBF) advocated as an alternative surrogated to the mainstream modern banking and finance. Some particular engineered Islamic finance products and services, not new to the devout personals, however pioneering to the aliens; such as *Musharak'ah Mudarab'ah, Murabah'ah, Ijar'ah, Salam or Salaf, Istisn'a', Bay' bi al-thaman al-ajil, Qard-al-hassan*, known as equity financing (An active partnership contract) , trust financing (A passive partnership contract) , trade financing, lease financing, advance payment and deferred delivery financing, progressive payments, deferred payment financing, welfare loan, respectively (Samad et al., 2005) and *al-Ijara thumma al-bai* called hire-purchase (El-Din and Abdullah, 2007), or *al-ijara wa-iqtina'a* recognized as 'leasing & promise to gift' (Usmani, 2002); and the *Sukuk* identified as 'Islamic investment certificates/bonds' (Godlewski et al., 2013; Wilson, 2008), as reported by A. Wahab, (2014).

Keeping in view, the concept of accountability, responsibility, Shari'ah legitimacy, transparency etc. in financial and social contracts Islam and Divine prerequisites here i.e. temporal world, the worldly life and eternal hereafter (Nahar and Yaacob, 2011), there has been a glut of conceptual, theoretical and empirical research work to appraise these products and services put into practice. Hence, respective topics have been addressed to elaborate Islamic concept of banking and finance to enhance societal wellbeing.

The evolution and development of an Islamic financial system (Laldin, 2008) the function and role of IFIs to uphold social and economic welfare of masses as delineated by meeting Divine requirement (Aris et al., 2013). The Disclosure, governance and Shari'ah governance, accountability (Satkunasingam and Shanmugam, 2004; Nahar and Yaacob, 2011) and the performance of Islamic banking & finance corresponding to conventional money and capital markets in commercial and investment banking like stocks and unit trust funds etc. (Rosly and Bakar, 2003; Abdullah et al., 2007; Yusof and Majid, 2008; Saad et al., 2010; Sufian, 2010; Muda et al., 2013, cited by A.Wahab, (2014). To evaluate the Islamic and conventional retail deposit side of balance sheet products and services (Amin, 2013a) and the potential of a range of Islamic financial products and services (El-Din and Abdullah, 2007; Muneeza et al., 2011) as to comparing the Islamic rates of return (Ito, 2013) and the affiliation between Islamic and conventional banking depository returns (Kaleem and Isa, 2003). The role of venture capital versus Islamic finance in funding small and medium enterprises (SMEs) (Boocock and Presley, 1993) and proposed Islamic microfinance and micro investment strategies as to providing capital for micro, small and

medium enterprises (Rahman et al., 2013), cited by Rod, et al. (2015). The stakeholders' viewpoint on achieving Divine aims, goals, objectives and targets (Dusuki, 2005, 2008) and customer satisfaction, loyalty, trust, brand preference and branding Islamic financial products and services (Amin et al., 2011; Ahmad et al., 2011; Alwiand Melewar, 2013). Islamic home financing, its process to adopt (Amin, 2008; Taib et al., 2008; Amin et al., 2009, 2013) and the practicability of using rental price in comparison to lending rate (rate of interest) as a 'benchmark' for fair pricing of Islamic home and other alike financing products (Yusof et al., 2011). The role of Islamic jurisprudence in implementing divine compliant home financing instruments (Azli et al., 2011), cost efficiency (Yudistira, 2004) and Productivity or performance (Majid et al., 2011a, 2011b; Muda et al., 2013b). Islamic financing, assessing and managing risk (How et al., 2007; Bacha, 2008; Abdallah, 2008-2009), risk management disclosure pre, during, and post financial crises (Ismail et al., 2013b), comparing risk management practices between Islamic and conventional FIs (Tafri et al., 2011) and key problems in operational risk measurement and management (Abdullah et al., 2011). To appraise the promotional tools and practices used by both the parallels i.e. conventional and Islamic banks (Haque et al., 2010), the factors influencing credit risk between Islamic and conventional financial institutions (Ahmad and Ahmad, 2004) and to weigh up management accounting systems between Islamic and conventional FIs (Rasid et al., 2011), as cited in Rod, et al., (2015).

Thus, it can be observed that there has been a far-fetched magnitude of exploration and investigation related to Islamic banking and finance, but sorry to say that none of the scholar and researcher even Olil-Alba'ab have tried to encompass a permanent solution for respective issues and problems faced by Islamic financial industry throughout the planet by instigating their own unique premeditated scheme. The reason is that the investors want to earn profit in comparison of conventional to strive in the market as trying to win their modern challenger who owned a series of earning tricks to maximize its wealth rather only remaining volunteer to serve the humanity that is its preliminary foundation prerequisite.

#### **Achieving Social Welfare/Wellbeing: Stakeholders' Perspective**

There are different viewpoints about the stakeholders that is defined as having legal and legitimate curiosity in an organization (Donaldson and Preston, 1995) and the stakeholder theory. Some of the theorists present these models as Input-output Model, reporting its ingredients as Investors, employees, suppliers and customers, called the 'Black Box' of the business firm; whereas, another model known as the Stakeholders' Model with its components the investors, employees, supply chain,

customers, political groups, government, communities, trade associations etc. (Donaldson and Preston, 1995). The blend of above both the models, the elements of input-output models, stockholders, management, clientele and supply chain known as primary stakeholder that directly affect or be affected by the policies and decision making of the company; whereas, the remaining part of stakeholder model is acknowledged as secondary stakeholder. In this investigation only a part of primary stakeholder relating to stockowners, management and depositors as clients is placed in discussion. A. Carroll, (1989) has discerned between Primary and Secondary stakeholders version in a way as: the 'Primary stakeholders', refer to those artistes, considering a expressed and contractual gritty kinship, with the company; and the 'Secondary stakeholders', intermingle the performers who are positioned at the boundaries of an organization that can be impinged on and or might be affected by its acts exclusive of any contractual bond, cited in Damak-Ayadi and Pesqueux (2005).

The mutual/societal well-being is appraised upon individual's well-being and social welfare is postulated to be an increasing function of individual well-being. opined that social welfare functions can have different forms, implying that some of them will take distributional considerations into account while others will not, as reported by Aris and Azli, (2013). Economic welfare refers to the level of prosperity and living standards of an individual or a group of persons (Samuelson, 2004). In the field of economics, it specifically refers to utility gained through the achievement of material goods and services. In other words, it refers to that part of social welfare that can be fulfilled through economic activity. Economic welfare may be defined roughly as that part of prosperity that can be brought into relation with the measuring rod of money (Pigou, 1920) cited in Aris and Azli, (2013).

The idea of providing assistance for socio-economic development has begun since the 1960's, whereas, the concept of modern social banking was introduced in the West in late 1980's (Mayor, 2001; Relano, 2011) that spread throughout the globe (Sairally, 2007). It is a community financing centre that measures profitability through the financial and social return. Welfare can be enhanced by promoting the three level of Maslah'ah - daruriyyah, hajiyyah and tahsiniyyah. Although previous researchers concluded that the existing Islamic banks have not functioning as a social banking (Asutay, 2007; Dusuki, 2007; Hanifa and Hudaib, 2007; Hassan and Latif, 2009; Sairally, 2006), acknowledging that the Islamic banks/IFIs did in some manners contributed to the social and economic welfare. How would it be possible

to enhance the well-being of the stakeholders, particularly the primary and the components of input-output facsimile, is going to be realized through some divine/ethical, regulatory, strategic and operational amendments have effected in our exploration?

**Corporate Social Responsibility vs. Social Responsibility**

A distinct view about ‘Corporate Social Responsibility’ and ‘Corporate responsibility’ is presented by Milton Friedman (1970). He is of the opinion that in a free-market concept, free-property system, being the employee of the stockholder, the proprietor or corporate executive has only and only one social responsibility, to slot in free competition upbringing without deception and scam, as being an agent to protect his employer, by maximizing wealth of the owner(s) of the business or enterprise; because of having an artificial person Business Corporation by itself has no responsibilities (Friedman, 1970). Generally, social responsibility is the spending money for some social work and social interest. The political mechanism rather market apparatus is the fastidious approach to determine the allocation of scarce resources to alternative uses, hence, accepting the socialists’ view of ‘social responsibility’ dogma (Friedman, 1970).

CRS is defined by McWilliams and Siegel (2001) as *"the measures and procedures of an organization that come out to ensued on promoting some social good beyond the rushed the company interests even beyond the legal rudiments"*, cited in (Aribi, 2009). In traditional outlook, CSR is normally identified to be responsible hardly to its stockholders by the business firm or corporation rather to be a sign of the economic value and financial viability of the business (Friedman, 1970).

In fact, the corporate social responsibility (CSR) in conformist outlook is nothing but to augment the value of stockholders, one of the primary stakeholders, paying no heed to the others that caused to concentrate the wealth of nations in a few hands that ultimately shepherd to widen the rich-poor gap, amplifying dearth. As to condense the jeopardy of image damage, the business firms magnify their social capital through social responsibility (Burchell & Cook, 2008), and the concept of conventional corporate social responsibility recognized as an earth-shattering gadget to maximize profit of the firm (Glautier & Underdown, 2001), as cited by Aribi (2009). What to do with rest of the series of stakeholders may possibly go to hell? Since, the stakeholder premise / approach accentuate to augment social, moral and ethical responsibility, eventually transform from shareholders to entire series of stakeholders (Blair, 1998), as reported by Aribi, 2009).

On the contrary to the capitalistic perspective in which theological conviction is deemed to be discrete from state politics, Islam, on the

other is believed as a way of life, taken on board all parts of human life along with culture, law, economy, politics and the society. The power and control of Islam on everyday business practices are well documented and acknowledged in Islamic jurisprudence. The Islamic business and moral standards akin to equity, fairness, human wellbeing, integrity, openness, responsibility, socio-economic and socio-politics measure, etc., are considered to be the nub of Corporate Social Responsibility. The IFS is extremely well thought-out bearing ethical and moral uniqueness with assorted economic, political and social goals and objectives in relation to religion (Haniffa & Hudaib, 2007), absolutely based on the social justice and societal wellbeing code of conduct (Dusuki and Dar, 2005).

### **Research Methodology**

Each of the research has some cogent and philosophical background. It is designed within the theoretical backdrop relating to the nature and theory of knowledge, called as epistemology and ontological structure, contained by the metaphysics, concerned with the nature and theory of existence. As regards the design of the research it entails to gather and utilize of data from primary sources in the course of open ended semi-structured interviews. On the theoretical side and hypothetical evaluation, the descriptive approach has been selected and as such technique the literature review and scholastic sources are relevant; whereas on practical part, Interview approach of Academia, CEOs, Top Management, Practitioners of the Pakistani fully-fledged Islamic banks and stand alone Islamic banking branches in conventional banking system, having close symmetrical relationship to our Divine Banking Framework parallel to the conventional banks' balance sheets that are based on documentary analysis with key informants alongside direct observations.

There are total 52 Financial Institutions i.e. 5-Public Sector Commercial Banks, 4-Specialized Banks, 16- Local Private Banks, 4-Full-fledged Islamic Banks, 4-Foreign Banks, 11-Microfinance Banks, 8-Development Finance Institutions; wherein, 17-IBBs parallel to the conventional banks are working in Pakistan, (SBP, Sep. 2016). Our sample is four full-fledged Islamic Financial Institutions (Banks), six Conventional banks with stand alone Islamic banking branches / windows and two Microfinance banks, targeting their CEOs, Top, and senior, medium and line management alongside Academicians, Practitioners, HR personnels, to make study meaningful and evocative for society at large stakeholders, to fit the outcomes upon Divine financial bank / firm to justify the reliability of the study.

In this research study the software package NVivo 11 Pro & for Windows, works with operating system of Microsoft Windows, developed by QSR International, for Qualitative data analysis, especially the semi-structured interviews information<sup>‡</sup>; besides own computation to analyze the interview data-base. The psychiatry of qualitative data / information through utilizing the NVivo is a cerebral job for a research scholar, because such software can only come into functionality with valid directives of the pollster/investigator (Konopásek 2008). Qualitative data analysis entails gathering open-ended questions asked to respective participants through textual, observations, notes of the data and subsequently developing an investigation from the information supplied by the partakers (Creswell, 2009).

Qualitative research essentially capitulate unstructured text-based and textual data. Qualitative research data peculiarly distinguishes from quantitative research methods that may not a scientific and technical exercise like in quantitative methods, rather a dynamic, intuitive and creative process of inductive reasoning, thinking and theorizing (Basit, 2003). How to conduct the Qualitative / Thematic Analysis through NVivo 11 Window Pro/Plus? When conducting the thematic analysis adopting the top to bottom approach, on NVivo 11 Window pro and/or plus, the researcher has to take up 'bit by bit' phase development. At first and second phase, by developing the questionnaire and information gathered through semi-structured interviews, notes, observations, written Text etc. from respective interviewees is known as 'Data Familiarizing'. With the help of collected data, the identification of themes is made relating to the research questions, by using the memos, annotations, explanation, is the third phase called 'Searching for themes'. Furthermore, to develop the categories and afterward, coding selected data and subsequent to retrieve the coded data by themes, is fallen in forth phase called 'Reviewing the Themes'. Subsequently, it is created Nodes, Word Clouds and Word trees, as definition of the selected themes through Nodes; it is fifth phase of the analysis process through NVivo 11 Window that is named as 'Defining the Themes'. At the last stage, the construction of Visualized Grounded Theory Model through exploration of relationship amongst categories is emerged and materialized by preparing and producing the final report.

This analysis will be continued by adopting the strategy to decide a coding scheme using the 'Word Frequency Query' in almost all the interviews conducted for the purpose that will fabricate results of the

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<sup>‡</sup> [www.qsrinternational.com/products\\_nvivo.aspx](http://www.qsrinternational.com/products_nvivo.aspx)

words which transpire the most repeatedly in the text documents, the researcher gathered through memos, texts, transcripts etc. Out of different results of findings in NVivo There are three recurrently utilized graphical representations of the query known as *Word Cloud*, *Word Tree Map* and the *Cluster Analysis* in word query results and findings. Our analysis will be confined to the Word Cloud and Word Tree Map to reach at an expected positive peculiar output of the study. The outcomes would equally be beneficial not only to the study-centric stakeholders, the stockholders, management and depositors, but also to entire the series of stakeholders.

The Word Clouds exhibit up to 100 of the most common used words in the exported document i.e. interview data, with each one varying in font size: upshooting that the leading fonts related to the most repeatedly occurring words and the smallest is the least recurrent. A 'Word Tree Map' known as the 'Hierarchy Map' is a graph / figure that show hierarchical data as a set of nested rectangles of sketchy and changeable sizes. It can be used to compare the number of coding orientations and references: the biggest rectangles symbolize Nodes with the most number of coding allusions and insinuations, and the smallest rectangles the least ones, to carry on analysis. Normally, the Word Tree Maps afford relationship to the concrete allusions, insinuations and references.

### **Results and Discussions**

This section is concerned with the Analysis and Findings of research data on the basis of interviews conducted with respective respondents, who are directly like Chief Executive Officers (CEOs), Top management executives (Both are related to Policy developers for the FI), Practitioners (Senior, Middle and Line management personals), we call them practitioners in the sense that they are policy implementers of respective financial institution; internal academicians, Human resource personals; and/or indirectly related to two financial systems like External academicians.

This exploration is basically carried out at three dimensional strategies for analysis of interview data. It was not easy to adopt or depend upon a sole strategy to reach at some extractional end of the study with tranquil results and finding. For this very purpose, this study analysis passed on three types of the processes: i) Word Cloud Analysis, ii) Word Tree Analysis, and lastly what not reflected in these both the research strategies has tried to cover through observational method, manually to attain respective goals and objectives of the exploration. The observational explanation equally employed within both the qualitative data analysis techniques, the World Clouds and Word Tree Map.

### Word Cloud Analysis

#### Appraisal and scholastic psychiatry of Interview Findings vis-à-vis the exploration:

Keeping in view, the psychoanalysis of the interviews, bring up above, an appraisal and theoretical analysis of the interview findings can be presented, utilizing the agency theory, social contract theory, stakeholder theory and Transaction cost theory to notify its wrapping up. Subject to the aspiration of the study that is to recognize and clarify to manage and monitor the assets liabilities within the realm of Divine boundaries to enhance well-being of the the stakeholders within the system, particularly the primary stakeholders in co-existence and co-evolvement of both prevalent financial system in duality. The Divine banking firm has its own philosophy, based on attaining divine objectives through meeting the theological and Shari'ah rules and principles, equally to fulfill the regulatory requirements. It has some hierarchical setting, a pyramidal structure from top to bottom and bottom to top to achieve the targets of enhancing the stakeholders' well-being.

The concept charity and assistance in Divine or Islamic environment is the major apparatus that have innermost roles in dearth mitigation. The wide-ranging term of charity is named as *Sadaqa'h*, voluntary adopted whereas, if it is compulsory then it is nominated as *zaka'at* and when its benefits are expected to be perpetual, continued for a longer time period, it is named as *Sadaqa'h jariah* or *waqf* (Obaidullah, 2008). *Zaka'at* and *Sadaqa'h* slot in poverty alleviation through just income distribution and wealth transfer, collected from Muslims only; whereas, in contrast, the *waqf* or donation is the charity of permanent nature used for long term investment to improve the health, education, physical resources, and employment for the deprived people (Hassan, 2010). Hassan (2010), Yumna and Clark (2011) have provided a comparison of Islamic charities, purely based on divinity, as poverty alleviation tools and an apparatus mentioned hereunder.

The Divine banking firm will start its operation at any of the point adopting strategical strike from 'Top to Bottom' espouse to collect donated funds through *Zaka'at* (compulsory charity from Muslims), *Waqf* (donations-a voluntary alms giving), indirectly used through a subsidiaries (of CIBGs CRBGs, retail and micro finance organizations; or from 'Bottom to Top' to generate funds directly by the cheratible organizations NPOs and NGOs etc. utilizing for societal well-being and investing the surplus funds after distribution to needy persons taking in Social corporate responsibly (SCR) tool of earning for destitutes. It is

somehow an integrated model, in which the Alms either collected through CSR or by fulfillment of the divine obligation, collecting Alms Zaka'at, a compulsory or/and Sadqa'at, donations, a voluntary deduction/collection by the financial institutions hierarchically.

There should be the notion of integrated balance sheet structure in Divine environment that care almost entire the series of stakeholders, particularly, the Primary stakeholders: the 'Shareholders', who are already guarded utterly in both the prevalent systems conventional and Islamic; the 'employees' and the voluminous 'depositors', who own almost ninety percent of the funds (Ayub, 2016) relating to the financial firm / institution.

There are three components of assets liabilities management, Assets management, Liability management, and Capital management. Banking executives make decisions about buying, selling of securities, extending specific loans and funding their investments and lending activities. Such types of decisions are normally based on: i) interest rate (Return rate), present and future trends of interest and return rate changes; ii) the composition of assets and liabilities; and iii) the degree of risk taking. The process of taking such decisions, relating to the performance of the financial organization about the composition of assets and liabilities and risk management is known as asset-liability management (ALM), and the such initiatives taken by the FI committee called asset liability management committee-ALCO (Gup and Kolari, 2005, 2012). The collective and shared ALM decisions affect the income and balance sheet value of the financial organization.

Various stakeholders and interview participants have different views on the asset liability management and balance sheet composition. However, the accounting professionals have the decisive opinion on the issue that in dual banking system within the co-evolution of Islamic and conventional, the performance regarding profitability and earning management the core objective and joint business requirement to be met. Asset-liability management is nothing but to optimizing the balance sheet structure for better performance for maximization of profit for the management for contribution of better incentives and multiple value addition for the stakeholders and one of the primary stakeholders' called depositors only share a meager amount of earning in the shape of profit with accounting treatment as cost of capital, almost same ratios in financial duality.



category of academia, scholars, researchers, committed clients stressed upon to fulfill societal commitment with justice, Adl-wa-Ehsa'an etc.

To invest funds of different suppliers as stockowners, depositors and/or investment account holders (IAHs), ii) oblige, develop banker customer relationship as partners, lender-borrower, etc. iii) build up explicit formal and informal contractual relations with financial institutions, and iv) upsurge implicit social contract with the FIs within bigger group of people. Islamic financial system claim to care for entire the series of stakeholders equally, but practically, no such purpose be achieved in letter and spirit, rather continue its journey in parallel to its competitor with alike practices to obtain the maximization of profit and shareholders' wealth goal. The depositors, the 90 % of funds providers to the banks or second level financiers and investment money providers are equally miserable in IF atmosphere like that of traditional, earning 3 to 5 percent per annum, as against the profit earning more than 80% of earned profit by the organization. Our findings also matching with the literature available in previously conducted studies by the investigators like Ayub, (2016) and Khaleeq-uz-Zaman, et al. (2016).

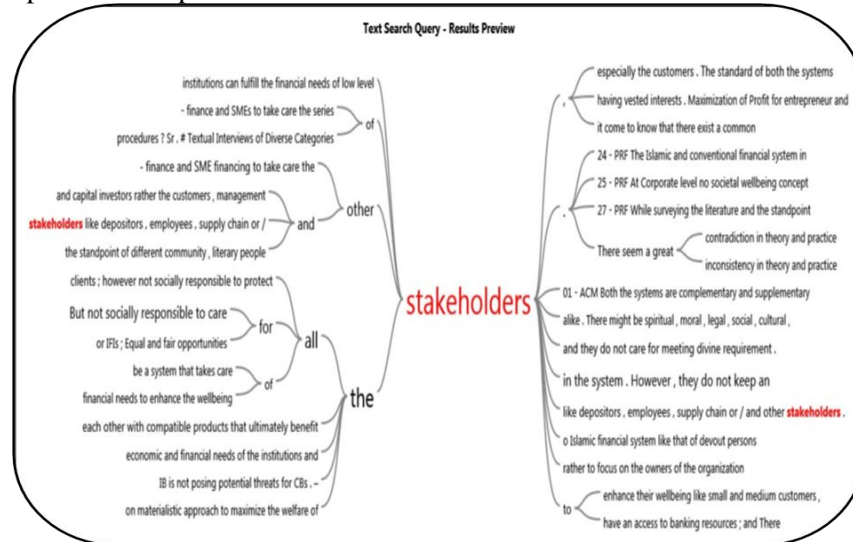
The stakeholders participants are of the view that the banks and financial institution at both the ends either tagged with Islamic or conventional are not promoting the social sector to enhance the social wellbeing of the society or care for the other stakeholders, but up to the extent of their job and business requirement, just to maximize their own gains and benefits, as a is the requirement of their profession. However the majority participants at CEOs, top and senior management are denying this fact to do for their clientele and other stakeholders. But the fact is that each of the players in the market economy is at their own advantageous stripe. The stock-owners are only in the market to maximize their shareholding value, executive management, to maximize its profits that ultimately lead to augment their incentives to compete the market due to asymmetry of information escort to moral hazard.

#### **Managing Assets Liabilities: A Successful Poverty Mitigation Approach to maximize societal well-being**

The concept of microfinance is an imperative intercession to shrivel the poverty, offering the basic financial and fundamental social services for underprivileged people. The social and financial services to the needy populace is totally neglected by formal financial institution and corporate sector working purely on the maximal theory of profit and wealth to take advantage the stock-owners only, a privileged business class of the society, which purely leads to concentration of chattels in a few hands. Micro financial institutions pursue twofold societal objectives, at one hand, obtaining financial sustainability in organizational setting and

servicing the deprived and needy people as to achieve social objectives, to the other. The Divine notion of Asset-liability management is an ideal, unique and comprehensive approach to mitigate poverty and class conflict by: (i) escalating income levels of neglected classes with pro-poor programs, (ii) pulling off the just and equitable circulation of income and (c) making available the equal opportunities for all social parts of the society (Hassan, 2010). These objectives can be accomplished in three alleyways by improving income generation through providing production credit and saving for asset accumulation, decreasing insurance cost through holding more efficient asset and liability, and smoothing consumption by providing consumption credit (Zeller at al., 1997, 2002), as cited by Yumna and Clarke (2011).

**Figure 4.3:** Word Tree Analysis: Divine Banking firm: Stakeholders' perspective-Assets-Liabilities structure in meeting Divine Obligations, Regulatory Requirements, Organizational Structure and respective operations and procedures



**Source:** Prepared for this investigation, utilizing NVivo 11 Window Plus (2017)

### Conclusions, Implications, Recommendations And Limitations

The evident relationships of Assets and liabilities on preparing the balance sheet and the judiciousness lending decision making in managing sources and uses of funds reveal achieving a trade-off between risk and reward alongside product quality is a prerequisite for being high level Divine, regulatory and technical efficiency in both the disciplines Islamic or conventional intermediation. For the most part, this

exploration aspires to see the sights whether it needs another discipline with same or diverse rules, laws, principles rudiments and technicalities to achieve the high level of Divine pleasure and community commitments with series of stakeholder's perspective, of course, keeping in view the special consideration on the basis of justice and equality or remains intact to travel in parallelism for attaining respective goals and objectives. This section basically communicates the analytical, theoretical and practical implications and ground relevance according to the findings stated in the previous sections and, presents recommendations for future research and field application.

In co-evolution of Islamic and conventional banking and finance, major issues and criticisms, direct or indirect relevant to managing and monitoring the balance sheet structure, separate or collectively relating to assets, liabilities, money, capital and risk tolerance, sharing and transferring are being faced throughout the globe that requires indispensable resolution. CFIs IFIs do not show their interest in microfinance to facilitate and target low income earners, poor and deprived communities to achieve socio-economic and socio-political objectives. This requirement will be fulfilled through our Divine financial firm, as it initiates the function from grass-root level, at NGO and NPO, SMEs, retail banking, corporate and investment banking plane.

Islamic financial institutions severely indulge in imitating in extending finances to lofty corporations to maximize profit and shareholders' value and their wealth just like conservative banking and financial system. No care for the deprived communities and destitute people. Both the systems adopting resemble asset liability management policies, strategies, methods, tools and instruments, consequently no separate ALM process exists, at all. Resultantly, yet same balance sheet structure is being used even diverse name and mechanics of the products at assets and liabilities side, with same accounting standards and disclosure procedures. Same benchmark, the prevailing interest rate, fixed by State Bank of Pakistan and other KIBOR and LIBOR, by money market authorities are yet presenting a reality that Conventional Rate of Interest is being utilized as a standard yardstick for each the past, present even future measurements of financial transaction, dealings and contracts relating to financial system. In financial intermediation process, the theory based on asymmetric information that escort to moral hazards which set in motion the adverse selection both of the schemes in execution of agency theory.

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