Sacred Spaces in Virtual Places: Locating Religion in the Financial Market

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Abstract

Up until the late 1980s, Muslims had largely been excluded from participating in the global financial market due to their inability to discern *halāl* (permissible) investments from non-permissible investments or income. This predicament changed after the endorsement and global adoption of the Sharī'ah screen. The Sharī'ah screen aims to ensure that organisations seeking to raise investment capital from pious investors in the financial market space are indeed acting within parameters that are religiously permissible for Muslim investors. Within one decade, the Sharī'ah screen gave rise to a new space: the Islamic financial market space. While still small, this space has been growing faster than its secular counterpart. This paper utilises Kim Knott's spatial framework as a theoretical and methodological resource for exploring the boundaries between religion and non-religion. By examining the various ways in which the "sacred" operates across these boundaries, Knott's framework provides a critical lens through which to enable a systematic description, analysis, and contextualisation of Islam within the global financial market space—and, more so, how the Islamic financial market space is practised, represented, lived, produced, and reproduced.

Introduction

Studying religion spatially moves away from collecting, classifying, and comparing data towards examining religion as a plural, dynamic, and engaged part of a complex global environment (Knott 2008). Exploring religion with a focus on its context also reconnects religion with society, politics, and economics, from which it commonly has been separated for the purposes of classification and study (Fitzgerald 2007). The "spatial turn" in late modern theory influenced social theorists such as Henri Lefebvre, Michel Foucault, Michel de Certau, and Edward Soja. These theorists developed new perspectives on the geography of religion, including novel engagements between religion, space, and territory (Knott 2010: 476). Soja, for example, whose focus had been on the interconnectedness of the human condition and temporal progression, introduced new ideas on the spatial dimensions of existence that destabilised the privileging of time and sociality at the expense of spatiality. Soja's work also illustrates the different ways in which epistemologies are incomplete when they omit the spatial characteristics of existence.

Employing Kim Knott's spatial framework, this paper locates and examines religion in a profanely secular space, and concomitantly, a virtual space that is not restricted by geographic boundaries: the global financial market. As such, this paper is an exploration of how a religious rite such as the Sharī'ah screening of investment securities might sacralise a fluid secular space. Knott's spatial framework helps to focus a contextual analysis of religion on particular bodies, objects, groups, and places within the financial market space.

I deploy Jonathan Z. Smith's (1982) notion of a "utopian" space — a space that is nowhere and everywhere — when referring to the financial market as a "space". Hence, the global financial market as space is understood metaphorically, and this provides a means for space to be about "imagining and giving expression to human possibility, cultural difference, the imagination itself, as well as social relations" (Knott 2005: 161).

Up until the late 1980s, Muslims concerned with permissible (*halāl*) income were largely excluded from participating in the financial market[1] due to their inability to discern whether investment securities traded in these markets constituted *halāl* wealth or income.[2] Investment activities tend to cultivate a mode of long-term financial planning. For most Muslims, this mode had been limited to the immediacy of owning private property and family businesses. Pension schemes and other types of long-term investment opportunities, especially those offered by institutions and funds, had been beyond the purview of pious Muslims until the early 1990s.

This situation changed dramatically after the introduction and global endorsement of the Sharī'ah screen. The Sharī'ah screen was developed in 1987 by a small cadre of highly revered Islamic scholars: Muhammed Taqi Usmani from Pakistan, Professor Saleh Tug from Turkey, and Sheikh Mohammed Al

Tayyeb Al Najar from Egypt (Mian 2008). The Sharī'ah screening process aims to ensure that the practices of businesses seeking to raise investment capital from pious investors are certified as *halāl*.

The primary function of the Sharī'ah screen is to regulate the flow of pious investment capital away from the profane and into the so-called sacred. As such, the Sharī'ah screen acts as a filter or membrane that qualifies capital. Sharī'ah supervisory boards perform the screening. When applied by the supervisory boards, the rite of screening has the power to proclaim securities permissible for Muslims to own and generate a *halāl* income. For this reason, not only the scholars on Sharī'ah supervisory boards, but also the screening process itself, yield significant power.

The supervisory boards ensure that organisations wishing to solicit investment capital from pious investors meet certain criteria, as stipulated in the Sharī'ah screen itself. The screening criteria mandate that Sharī'ah-compliant companies carry no more than 33 percent interest-bearing debt. Furthermore, the criteria limit Sharī'ah-compliant companies to generating no more than 5 percent of their total annual income from non-permissible business activities.[3] Another set of criteria in the Sharī'ah screen ensures that a company's tangible assets make up at least 70 percent of its total book value.

Subsequently adopted by Muslim scholars globally, Sharī'ah screening crossed all geographic boundaries in just one decade. This religiously sanctioned framework represents the present-day, exclusive set of criteria by which companies, and their investment securities, are proclaimed permissible (*halāl*) for pious investors — permissible not only in terms of Muslims' own investment securities, but also in terms of generating a religiously permissible income. This modern-day religious rite spawned the emergence of a sacred space within the global financial market space: the Islamic financial market.[4]

Knott's spatial methodology for locating religion in secular spaces begins by focusing on the foundational role of the "body" for the experience and representation of space. Adopting her perspective, I explore the discourses of the body at work within the financial market space, as well as the ways in which bodies are used to maintain and reproduce this space. The next stage in Knott's framework that I use to locate religion within the financial market space is a consideration of spatial "dimensions": physical, social, and mental. These represent the sum of spatial components, relations, interpretations, and representations. Knott borrows from Lefebvre (1991: 11) in understanding such a space, including things or bodies, to envelop these three dimensions or "fields".

Another stage in Knott's methodology focuses on the propensity to gather, configure, and study the "properties" of space. Knott's focus includes diachronic extensiveness, synchronic interconnections, and power relations. "Extension" intends to convey a sense of time flowing through a space. Combined with synchronic interconnections with other sites — similar in kind, real or imagined — "extension" simultaneously foregrounds co-existing spaces and the ways in which a space is connected with other spaces. In this paper, "extension" is used to investigate the movement of people and capital, as well as the flow of communications and ideas within the financial market. Whether through historical seams, simultaneous interconnections, or struggles that produce or maintain the financial market, I also examine how power operates within this space.

The final stage of Knott's spatial methodology investigates the "dynamism" of a space. Again relying on Lefebvre (1991: 38-40), Knott firstly, by means of the spatial aspects, expounds on the way in which a space is practised, represented, and lived. In the context of this paper, I also examine the process of production and reproduction that underlies the financial market space and how this process allows such a space to generate new spaces.

Pious Issuers, Investors, and Intermediaries

The bodies engaged in the financial market space include three groups of people: issuers, investors, and intermediaries. Issuers are agents of organisations who seek to raise funds from financial markets through the issuance of tradable securities, regardless of their asset class.[5] Investors are individuals or agents of organisations seeking to trade these securities. Lastly, the intermediaries are brokers or indices who act as go-betweens. This group commonly exploits arbitrage opportunities between investors and issuers.

Knott's spatial methodology is useful in identifying unique aspects of the financial market, especially religious aspects pertaining to the Islamic financial market space. In particular, her framework helps to illuminate how a religious "rite", such as Sharī'ah screening as performed by issuers (and more recently also by intermediaries), ostensibly sacralises investment securities for pious investors. The sanctification of tradable securities has spawned a novel form of "pious consumption" — one in which Sharī'ah-compliant products on offer in the financial market are endowed with religious significance and targeted specifically at pious investors.

In analysing the foundational role of the body for the experience and representation of space, the discourses of bodily functions at work in the financial market space speak to processes directed towards an optimal bodily well-being. In particular, discourses of the body in the financial market point to the regulation of various sub-systems within the body, together constituting a holistic whole. For example, the Sharīʾah screen can be likened to that of a cell membrane in the body. Cell membranes are selectively permeable, allowing certain "desired" elements in and excluding other, "undesirable" elements.

An issuer who has successfully passed the Sharīʾah screening process can proclaim its securities sacrosanct, in contrast to its secular counterparts also on offer in this space. A financial market space that is devoid of usurious transactions, and that does not condone businesses trading in arms, alcohol, tobacco, pornography, and pork, essentially represents a more permissible market for Muslim investors.

The Islamic financial market space cohabits with the much larger and global financial market. The latter is estimated to be valued at around US $36 trillion, whereas the Sharīʾah screen's global adoption is now estimated at US$1 trillion (Siddiqui 2012). Host to significant flows of piously sanctioned capital, the financial market, and especially the Islamic financial market space, has evolved dramatically since the early 1990s. The latter grew from just US $360 billion in 2007 to US$1 trillion in only four years (ibid.).

Pious Trading

Sophisticated technologies permeate the financial market, such that this space is traversed almost instantaneously. Electronic trading systems that enable the immediate trading of securities have largely displaced traditional stock exchanges. These electronic trading systems allow investors and intermediaries to buy and sell securities anywhere in the world, any time, and in so doing, to transcend the limitations of the physical locality almost entirely. The presence of electronic trading systems forces investors to abandon traditional relationships in favour of new forms of trust that often are impersonal and mechanistic. Electronic systems also allow investors to take ownership of a security for only a split second. The resulting displacement of the physical has contributed to investors feeling increasingly fragmented and dissociated from the local reality when engaging in the financial market (Giddens 1991: 28). Additionally, the investor is commonly reduced to a layperson, forced to place trust in issuers, intermediaries, and the expert knowledge of Sharīʾah supervisory boards. Muslim scholars who serve on these supervisory boards are generally not independent of the issuers they work for. Rather, they are appointed by the issuers themselves and, as seen more recently, also by intermediaries.[6]

The abovementioned processes open up an interesting field for investigation of the social dimensions of space in the study of religion. Late 20th-century conceptions of space, informed by Lefebvre's account of space as produced and reproduced by human action and interaction, are avowedly social. Anthony Giddens's work (1990; 1991) helps to highlight how Muslim investors engage and navigate the Islamic financial market space, in spite of their dependence on what he calls "abstract systems": systems that transcend the separation of time and space through institutional structures. These institutional structures result in new relationships and forms of trust.

Just a few years ago, a Muslim may have asked a family member or the *imām* (religious leader) at the local mosque for financial advice. Now, the Muslim investor engages the new "actors" in the Islamic financial market: the Shar'īah supervisory boards of issuers and intermediaries, as well as the institutional investors. In other words, Muslim investors are forced to rely on systems possessing "expert knowledge" and systems that engender new forms of trust. The latter are accompanied by an increased perception of risks that lie beyond the comprehension of investors.

The increased awareness of risks in late modernity is a result of the rapidly changing nature of global interactions, including the complexity of technology and an intensified dependency on those who possess knowledge far beyond the needs of its end users (Giddens 1991: 18). Pious investors find themselves in a situation where risks are increasingly difficult to understand, and are thus forced to rely on the expert knowledge of Sharī'ah supervisory boards as well as the abstract systems offered by intermediaries for the assessment and regulation of risks. Muslim investors are also confronted with the risk of compromising their moral duty of ensuring a *halāl* income.

The rite of Sharī'ah screening by supervisory boards ensures that securities available to Muslim investors in the financial market space are indeed permissible (*halāl*). However, Muslim investors' reliance on abstract systems and expert knowledge makes them little more than "pious consumers" and the Sharī'ah-compliant security itself a "pious commodity". The commodification of *halāl* investments has led to the development of a Muslim "consumer identity" in matters related to finance and investments. Whether opening a new bank account, financing a car or house, or investing in a business or securities, this consumer identity is expressed through the numerous forms of *halāl* investments and in Muslims' engagement with the Islamic financial market. The financial market space itself does not, of course, exercise agency; but Muslims' agency is continually expressed in and through this space.

Pious Capitalism

In *Islam and the Moral Economy: The Challenge of Capitalism* (2006) Charles Tripp traces the challenges of capitalism for Muslims over the past sixty years. Tripp investigates how modern Muslims have adapted their religious traditions to engage with contemporary capitalist institutions. Relying on the works of Muslim scholars he explains how, faced by such challenges, intellectuals have devised a range of strategies that have enabled Muslims to retain a sense of moral duty whilst also engaging in a world not of their own making. Tripp, whose work investigates the development of ideas on Islamic socialism, economics, and the rationale for Islamic banking and finance, maintains that the large majority of Muslims aspire to innovation and ingenuity in their search for compromise and interaction with global capitalism in contemporary societies.

The impetus to impose a moral responsibility for societal welfare on issuers arrived in the financial market in the form of Corporate Social Responsibility (CSR). CSR has emerged over the past thirty years as a new field of study in the West; a field that analyses the role of businesses and financiers in society with regard to the issuer's impact on environmental, social, and other ethical aspects of social life. CSR frameworks contain specific guidelines that aim to monitor the conduct of issuers through annual CSR disclosures.

The underlying philosophy of Islamic business transactions (*mu'amelāt*), as enshrined in Sharī'ah law, demands that issuers operate morally, ethically, and socially responsibly and conform to Islamic norms governing business and economic activity. Hailed as the cornerstones of an Islamic economic ideology are the twin objectives of social justice and distributional equity. One of the gravest concerns in contemporary Islamic economics has been how to achieve these objectives in a market-dominated capitalist economy, and in particular in the financial market.

Islam's commitment to universal brotherhood and justice makes the well-being of all human beings its principal goal. This sentiment was eloquently echoed by one of the most prominent Muslim scholars of Islamic finance, Justice Mufti Muhammad Taqi Usmani, in an address to the World Bank:

> When we speak of Islamic Finance or Islamic economic principles, it is generally assumed that these principles are emphasized by Muslim scholars only to satisfy the religious requirement of Muslims, or that they are meant only for Muslims to the exclusion of all others. This is an incorrect assumption. Although Islam is basically represented by a set of beliefs, the benefits of its social, political and economic principles are not restricted to Muslims — they are meant for the common good of humanity at large. (Usmani 2010: 3)

The Islamic financial market, and Sharī'ah screening in particular, attempts to inculcate these twin objectives — social justice and distributional equity —

to some extent. Sharī'ah-compliant securities offered in the Islamic financial market hold out the promise of adherence by the issuer to at least some Islamic doctrinal principles, albeit very few.

Most jurisdiction with financial markets today require issuers to make annual CSR disclosures that report their positive societal and environment impact. Issuers aiming to be Sharī'ah compliant, however, also have to appoint Sharī'ah supervisory boards. These boards are tasked with ensuring that Sharī'ah-compliant securities traded in the Islamic financial market comply with the requirements stipulated in the Sharī'ah screening criteria. Social justice and distributional equity are partially achieved by ensuring that Sharī'ah-compliant securities represent only those businesses whose engagement in religiously impermissible trade is restricted to 5 percent of their annual revenue; whose balance sheets are supported by real underlying assets; and whose engagement in usurious borrowing is limited to 30 percent of their total capital.

Furthermore, an Islamic cosmological orientation permeates economic ideology and theory. In this context there is, for example, consensus among most Muslim scholars that Islamic teachings place human beings as viceregents (*khilāfah*), or deputies, on Earth.[7] Islamic jurisprudence provides a framework in which human beings are entrusted with resources and property in accordance with moral guidelines that promote nurturing forms of human community (*moukhat*), whereby believers are united in a single community. Muslim thinkers have productively worked with the notion of *khilāfah* to represent a religious framework that aims to achieve social equality within a community of universal brotherhood. Within such a framework, ethical teachings are used to encourage human beings towards excellence, efficiency, and good character (*akhlāq*). This, in turn, intends to promote beneficial cooperation and mutual sharing of resources and property.

Transposed into the financial space, this approach is generally understood to mean that human beings acquire all property, including investments, in trust. As such, human beings hold the position of trustees. Such a trustee is in turn compelled to act according to the terms of this trust (*amāna).* Within an Islamic cosmology, every Muslim investor has a moral duty as "trustee", and never enjoys the status of absolute owner of her or his investments. This moral duty, moreover, extends from this world to the next life.[8]

The legal form of the issuer is as a "juridical person". This legal form intentionally dilutes responsible ownership by investors relative to the conduct of the issuers from whom the investors buy securities. The juridical person in itself absolves investors from all moral responsibility for the issuer's conduct, leaving the issuer as sole "moral agent". This leaves investors, even as co-owners, with no moral duty with respect to the issuer's conduct, effectively eradicating the investor's duties of viceregency. The absence of direct moral duty through diluted, non-consequential ownership by investors reduces Sharī'ah securities to the same status as that of money. This outcome has been the subject of severe criticism by traditional Muslim scholars, who use well-known Prophetic narrations — such as "perished is the slave of the dinar and dirham" — to support their position.

The issuer's impact on society and the environment is monitored through disclosures under varying CSR regimes in the financial market across different jurisdictions. While the legal form of the "juridical person" intentionally releases investors from the yoke of civil law with respect to the issuer's conduct, it remains an open question whether Muslim investors, in their capacity as trustees of securities, are indeed absolved from all moral responsibility *vis-à-vis* the issuer's conduct.

Here, Knott's consideration of the spatial dimension of the "mental" is relevant, in examining religion within its "ideological", "imaginary", and "cosmological" contexts. Her perspective helps identify these particular aspects of the financial market space. However, I argue that there is nothing wholly unique about a Sharī'ah-compliant issuer — in either its structure, its management, nor in the manner it operates. By the same token, there is nothing wholly unique about the Sharī'ah-compliant security itself. The latter represents a form of mental negotiation by which an investment in the financial market renders a security "pure". Hence, I agree with Smith (1982: 56) that no thing is inherently sacred; rather, the context that constructs categories makes it so.

In the financial market, the context that constructs the categories imbuing issuers and their securities with moral and religious significance can be called a context of 'ethical investment'. Originally accredited various religious groups, who invested their resources in accordance with moral and religious principles, 'ethical investment' has become a global phenomenon that attracts investors guided by a moral duty to balance the pursuit of wealth with ethical, environmental, political, and community concerns. Ethical investment almost always presupposes that issuers and securities have been screened, using a set of empirical investment screening criteria.

The practice of screening issuers and securities aims to ensure that investment securities are "pure". Since the early 1990s, the "mental" impetus, employing Knott's term, has shifted: from 'ethical investment' to 'socially responsible investment'. The shift indicates an increased attention to the impact made by the issuer, as opposed to investors' personal and moral preferences.

Rite of Passage

An examination into the "properties" of a space is the next stage of Knott's methodology for locating religion within secular spaces and places. This stage focuses on "configuration", "extension", and "simultaneity" contextualised against particular histories, and their development and inherent power in a space. Understanding the configuration of the financial market also requires an investigation into its history and development over time, and of its power.

The trading of Sharīʾah-compliant securities started in the 1990s. Since then, as mentioned, Islamic equity and debt markets have grown faster than conventional equity and debt markets. They have also yielded higher returns.[9] For Islamically sanctioned securities to be traded in an ostensibly secular space requires issuers to successfully pass through the "rite" of Sharīʾah screening. Indeed, for Muslim investors, issuers, and intermediaries, Sharīʾah screening represents a modern-day "rite of passage". This applies to those issuers who wish to enter the Islamic financial market space, as opposed to those wishing to trade securities in its profane counterpart, the financial market. Successful screening means that issuers' securities are granted passage into the realm of the sacred and are thus religiously sacrosanct.

In applying the Sharīʾah screen, Muslim scholars serving on the supervisory boards claim expert knowledge and clerical authority to pronounce securities *halāl* for Muslim investors. Sharīʾah screening involves sector and financial screening — a two-pronged empirical analysis of data collected from those issuers wishing to raise funds in the financial market from pious investors. Sector screening firstly involves applying a negative screen to the issuer's company data, in order to assess its engagement in business activities that are deemed impermissible according to the principles of Muslim jurisprudence.[10] The financial screening then assesses Sharīʾah compliance by applying a set of positive screening criteria to an issuer's company data. This second phase determines whether an organisation possesses tangible underlying assets. It furthermore gauges whether an organisation's operations are leveraged within the limitations set on interest-bearing debt financing.

Muslim investment capital enters the financial market in the form of "pious consumption" through the purchase of securities from Sharīʾah-screened organisations. Securities so acquired represent a form of "*halāl* income" and their subsequent ownership represents "*halāl* wealth" for Muslim investors. The rite of Sharīʾah screening therefore imbues securities with sacred significance, making them permissible for Muslim "pious consumption" in the financial market.

Pious Regulators

Power in the financial market lies with its participants — issuers, investors, and intermediaries — and it is also concentrated on the level of the state. Governments have been instrumental in institutionalising and regulating the financial market space. Since the emergence of the Islamic financial market, some thirty years ago, several governments have been competing for the position of global "Islamic finance hub". Kuwait started this pursuit in the 1970s, followed by Bahrain during the 1980s. Both realised reasonable success, especially in policy-making towards regulating the Islamic financial market. Both Kuwait and Bahrain were, however, surpassed by Malaysia's progressive policies during the 1990s.

As policy-makers and "easy-going" regulators, governments attempt to funnel greater relative volumes of capital into their financial market. Since the rise of the Islamic financial market, governments are funneling Muslim investment capital into local markets. To this end, major jurisdictions around the world — most notably Malaysia, Iran, Sudan, the Gulf countries, and Pakistan — have introduced new legislation to expedite this process and have been the forerunners in this area. In a daring and unprecedented move by the Emirate of Dubai, a Vatican-facsimile sovereign territory was established within the sovereign territory of the United Arab Emirates (UAE) in 2004. This financial "free trade zone" boasts independent laws and regulations, independent even of its host country's central bank.[11]

More recently several European countries, including the UK, Germany, and France, have also introduced new federal "gatekeeper" legislation, allowing "sacred capital" to flow into otherwise secular and free capital markets.[12] While most activity in the Islamic financial market is concentrated in Asia and the Middle East, a number of Western governments have, in recent years, announced plans to position themselves as hubs for Islamic finance. The UK is by far the most advanced in this regard, having made changes to its legislation and other regulatory frameworks since 2003. The City of London, another unlikely home for Islamic finance, has also been a contender for becoming a focal point of the global Islamic financial market over the past decade.

Numerous other states have also engaged the Islamic financial market in recent years, not only as policy and law makers and regulators, regulating the local playing fields on which the financial market operates, but surprisingly, also as both investors and issuers. As issuers, states themselves borrow public funds for their own fiscal needs by offering sovereign securities into the financial market. As issuers, several governments have engaged the financial market to cater to their own fiscal needs: Malaysia and some Gulf countries sold sovereign debt into the financial market, with some of the largest *sukūk* issues to date (Bank of London and the Middle East 2009).[13] Singapore issued its first ever *sukūk* in 2001, and Germany issued its first Islamic bond in 2004.

Pious Governance

In an attempt to catch up with lagging regulations governing the Islamic financial market space, several religious regulatory bodies have sprung up in recent years. These non-governmental organisations (NGOs) are continuously defining and redefining the rules of engagement for actors engaging the Islamic financial market. These religious NGOs, most of which enjoy global reach, wield significant power relative to both governments and Sharī'ah supervisory boards. The NGOs mostly develop and publish standards that recommend how issuers should behave, and what they must disclose and report after their securities have gained entry into the Islamic financial market space.

One such NGO, the *Accounting and Auditing Organisation for Islamic Financial Institutions* (AAOIFI), has been active in Bahrain since 1991. It has been the forerunner in this field, issuing extensive standards and regulations that issuers of Sharī'ah-compliant securities must comply with in areas of corporate governance, accounting standards, CSR disclosures, and auditing procedures in order to safeguard the interests of pious investors. Another NGO and religiously based standards-setting body, the *Islamic Financial Services Board* (IFSB), was established in 2002 in Malaysia. This NGO issued a parallel body of standards in 2005.

The secular is also infiltrating the sacred in the domain of governance. BASEL II is a set of CSR standards, which interestingly have been made mandatory in the financial market of several Muslim-majority countries, such as Malaysia and Qatar. Even the state regulators of Bahrain and Saudi Arabia required that all issuers implement BASEL II by 2008 (Grail Research 2007).

The fluidity of the financial market space is evident in the fact that the application of these standards is entirely at the discretion of a state's regulatory authority. In implementing these standards, regulatory authorities may in turn apply them with or without modifications. The standard-setting bodies and religious NGOs are generally not affiliated with any particular government. They are, nonetheless, influenced by local geopolitical and socioeconomic factors within the jurisdictions in which they operate.

Pious Products

Discourses around "extension" of space critically examine the diachronic nature of the financial market space, representing an ostensibly secular space that has been shaped by time flowing through it (Knott 2008: 1109). Over the past three decades, the global financial market has become home to ever-increasing flows of pious capital, buying Sharīʾah-compliant investment products. However, while growing at a faster rate than the financial market, the Islamic financial market is still regarded as a nascent space living precariously within the secular financial market.

The introduction of the first Sharīʾah-based "commercial banking products" in the 1970s, targeted exclusively at Muslims, was the Muslim world's answer to conventional and interest-based banking.[14] These fledgling attempts at pious financing unleashed an avalanche of "Islamatised" capital: capital that bought religiously sanctioned investments and financial products in the new Islamic financial market.

The late 1980s saw the introduction of the first Sharīʾah-based "project-financing" products. The religiously sanctioned product financing, in turn, unfroze Muslim capital, mostly held outside the Muslim world, releasing it into countless large-scale real estate and infrastructure developments across the Middle East and northern Africa. Sharīʾah-based project financing, as a means to lure capital back into the Middle East, ultimately affected the lives of tens of millions of Muslims in the Arab world. As a result, many residents in these regions enjoyed basic services for the very first time. A multitude of road projects emerged, along with the advent of town planning in new, sprawling suburbs: street lighting, housing projects, schools, hospitals, and utilities. These projects were largely financed through new Islamic project-financing products.

Knott's notion of "synchronic interconnections" in her methodology regarding the "properties of space" is useful when examining the topic of insurance. Due to its inherently speculative element, conventional insurance as a financial product was entirely impermissible to Muslims until the late 1980s. An Islamic-compliant insurance (*takāful*) product was devised and religiously sanctioned in 1985 by the OIC Fiqh Council based in Saudi Arabia. This sanctification of insurance saw yet another wave of Muslim capital enter the Islamic financial market. All types of insurance products began to flourish across the Muslim and Arab world. Car, health, and property insurance all became permissible for Muslims overnight. To this day, only life insurance remains impermissible for Muslims.

Pious Power

A further property that Knott identifies in her spatial methodology relates to "social power" and "knowledge power". Drawing on the works of Foucault and Lefebvre, she describes spaces as "arenas of struggle". These arenas provide the structure and context for the shaping of ideas, beliefs, values, and principles — whether secular or sacred (Knott 2008: 1110).

Numerous external and internal realities impinge on the way Muslim-majority or -minority societies are organised today. However, as these societies move towards more representative manifestations, the underlying thrust of the Islamic impetus towards social equity and distribution justice is likely to manifest increasingly as a form of "social power". Emerging from an extended period of colonial domination, most Muslim societies construct and engage the Islamic financial market so as to take ownership of the foundational principles underlying their own economic organisation, regardless of the ideology of the country they reside in.

What Knott describes as "knowledge power" is clearly evidenced in the Islamic financial market by the disproportionately small number of religious scholars who still dominate the numerous Sharī'ah supervisory boards. These boards, as mentioned, comprise noted Muslim scholars and are appointed by issuers and intermediaries. Their main function is to scrutinise and proclaim, through religious edicts, the permissibility of securities and products on offer within the Islamic financial market.

"Knowledge power" is also at issue with respect to the "imposters" of the Islamic financial market space. "Islamic windows" are constructions conceived by conventional secular banks that offer Sharī'ah-compliant financial products in order to attract Muslim capital. However, instead of "windows", these constructions can be conceived of as "back doors" from the secular into the sacred. Conventional banks that maintain so-called "Islamic windows" use Sharī'ah scholars whose edicts then "Islamatise" financial products offered through the "Islamic windows" directly to Muslim consumers. These "Islamic windows" effectively legitimise the entry of secular banking products into the sacred Islamic financial market space. In supporting these activities, the legitimising Muslim scholars provide interest-based, conventional banks entry as "imposters" into an otherwise non-usurious "sacred" space.

Pious Indices

Knott's investigation into the "dynamism" of a space — the way in which a space is practised, represented, and lived — is again helpful in understanding the processes of production and reproduction that form a space and allow it to generate new spaces. Considering the dynamism of the financial market as secular space, it is useful to examine the recent emergence of "Islamic indices". Indices are intermediaries in the financial market space. Islamic indices essentially are an Islamic answer to secular equity benchmark indices, the latter having long been at the very foundation of equity markets across both Europe and the USA. Just like their secular counterparts, Islamic indices provide information only about the financial performance of Sharī'ah-screened securities.

The first Islamic index was the *Dow Jones Islamic Market* (DJIM series), launched in 1999. The DJIM series is a benchmark in the financial market space that represents only Sharī'ah-compliant portfolios. The DJIM series furthermore tracks the performance of the fledgling Islamic insurance industry through its *Dow Jones Takaful Industry Index*. Another Islamic index, the *FTSE Sharī'ah Global Equity Index,* was launched in 2007. This index tracks a universe of large- and mid-cap equity securities, back-dated to 2003. In 2011, the five-year aggregate of its *FTSE All World Sharī'ah Index* stood at 9.7 percent, compared with 3.7 percent for its secular counterpart (Islamic Business and Finance 2011: 46-48). The performance of these indices left Muslim investors in the financial market vindicated insofar as there was now empirical evidence to prove that Sharī'ah-compliant securities traded in the financial market consistently outperformed their secular counterparts over an extended period.

The *S&P/Hawkamah ESG Pan Arab Index* was launched in 2007. Speaking specifically to CSR concerns, this index became the first pan-Arab index to discern between issuers on the basis of their environmental and social impact.[15] While the criteria underlying this index incorporate societal and environmental concerns, the index does not do so from an Islamic environmentally informed ethic, an area yet uncharted.

Pamela Klassen (2008: 138) argues that "religion is created and mediated through a variety of communicative forms that depend on physical, technological and cultural production and the reception and response of audiences". In her framework, practice situates a medium in four ways: as a means; as a product; in pliable form; and in communicable form. Benchmarking information about the performance of securities in an Islamic index is distributed to its investors through online and real-time emails and websites. It is also communicated through magazines, brokers, and stock exchanges. The "medium", then, represents the Islamic index itself; the "practice", the Sharī'ah screen; and the "audience", issuers, investors, and intermediaries. The application of Klassen's framework is useful in order to understand how Islamic indices in their communicable form give religious meaning to investors. At least, they do so in the sense that securities in Islamic indices are proclaimed "*halāl*", and are therefore given sacred significance.

As "product", Islamic indices require both human labour and resources for their creation.[16] The benchmarking information within these indices provides investors and issuers each year with up-to-date information about the relative performance of securities in a given index. This information is sold to issuers, intermediaries, and investors.

In its "pliable" form, indices "call forth a range of embodied and imaginative responses from [their] consumers" (Klassen 2008: 138). Muslim capital enters the financial market through "pious consumption", buying securities of Sharī'ah-compliant issuers. In doing so, the Muslim investor may be directed by the relative ranking and the financial performance of securities within the Islamic indices.

Examining the Islamic index as "medium", using Klassen's framework, shows how the index as "means" in actuality merely serves to entrench capitalist ideologies in Muslim investors due to its exclusive focus on profitability and returns of the Sharī'ah-compliant securities within them.

Pious Controversies

In examining the "dialectical" aspects of locating religion in secular spaces, Knott's framework again incorporates some of Lefebvre's (1991) work on the "perceived", "conceived", and "lived" spaces that become practices of representation. Perceived spaces investigate spatial practice; conceived spaces hone in on representations of space; and lived spaces highlight spaces of representation.

The Islamic financial market is not as clear-cut as the certitude of the label "Sharī'ah compliant" makes it appear to be. According to Islamic teachings, interest-bearing debt is not permitted at all. By the same token, no engagement whatsoever in unlawful activities would be deemed permissible according to most Islamic scholarship. Yet the Sharī'ah screen in its current configuration allows issuers and investors to engage not only in usury, but also in impermissible activities.[17]

The individual criteria that constitute the Sharī'ah screen are mandatory. These criteria are enforced through religious edicts by Sharī'ah supervisory boards or auditors. The foundational philosophical principles governing the duty and obligations of Sharī'ah-based issuers towards society are, however, neither mandatory nor legally enforceable. Unsurprisingly, therefore, the Sharī'ah screen's sector and financial criteria contain no considerations whatsoever for ensuring that Sharī'ah-compliant issuers uphold any other Islamic guidelines or teachings as they relate to the issuer's or investor's moral duty in relation to social justice and distributional equity. For example, no consideration is given in the Sharī'ah screen to ensure that issuers refrain from exploiting natural resources. Moreover, the Sharī'ah screen in its present-day configuration contains no consideration for ensuring that issuers contribute to environmental or societal needs in the countries where they operate.[18]

In trying to make sense of such discrepancies, Smith (1982: 63) offers an interesting perspective. Beyond hypocrisy, he argues, rationalising incongruence is a major function of the ritual itself, since ritual relies on its power for the possibility of making the profane sacred. Sharīʼah screening and its criteria will therefore continue to remain a “moving target”, in order to ensure that a profane mediation mechanism is continuously perceived as having sacred significance.

Pierre Bourdieu emphasises that all actions are fundamentally, in a sense, “economic”. Actions are concerned with the pursuit of profit and the acquisition of material and symbolic resources. Bourdieu uses “capital” to refer not only to economic wealth, but also to non-material resources such as status, prestige, and knowledge (Urban 2003: 360). As such, he distinguishes between social, cultural, and symbolic capital.

Bourdieu’s notions of social, cultural, and symbolic capital are clearly at work in the Islamic financial market space — for example, as seen through the small number of Islamic scholars that monopolise the multitude of Sharīʼah supervisory boards. A recent report concerning the global Sharīʼah supervisory boards found that only five scholars serve on 30 percent of all global Sharīʼah supervisory boards (Ünal 2009).[19] The same report also states that one scholar serves on as many as seventy-seven boards. Since the Sharīʼah supervisory boards are decisive in determining which securities may enter into the Islamic financial market, they invariably also play a powerful role in determining its foundational principles.

Islamic Capitalism

Sharīʼah screening holds out the promise to Muslim investors that the investment securities they buy or sell are religiously permissible. Sharīʼah screening and scholarly edicts proclaiming securities permissible is the “rite of passage” for their entry into the financial market space. Religious edicts proclaiming investment securities as permissible, therefore, create a perception that the investor is absolved from religious duties or moral considerations related to the underlying activities of the businesses that investors co-own through their investments. A Muslim investor may very well become co-owner of a business which, in its day-to-day operations, is in flagrant violation of other Islamic teachings not covered by the Sharīʼah screen.

The Sharīʼah screening criteria do not include any consideration for ensuring that issuers’ activities do not deplete or damage natural resources. While the screening criteria do address some Islamic teachings, they do not address the cornerstones of Islamic economics: distributional equity and social justice.[20] The criteria, for example, do not measure mandatory alms tax (*zakāt*), nor do they assess an organisation's contribution to *ṣadaqa* (philanthropy and charity), both of which carry tremendous weight in Islamic economics. David Loy (1997: 281) cites Norman Brown's lament: "We no longer give our surplus to God; the process of producing an ever expanding surplus is in itself our God."

Since an Islamic economic system is neither socialist nor capitalist, Islamic economics is expected to take a balanced approach — for-profit and non-profit mechanisms are both essential for satisfying the economic needs of a society and a community (Hassan and Mahlknecht 2011: 390). The edicts that proclaim investment securities as Sharī'ah compliant effectively exonerate Muslim investors from the personal religious duties associated with ownership of pious security, and leave them to focus solely on the financial performance of their religious investments — encouraging the very same ideology and behaviour that have led to the failures of capitalism. By financing so-called "Sharī'ah-compliant organisations", the Muslim investor unwittingly co-owns and supports organisations that may be causing or contributing to the systematic commodification of land and labour; that may be profit-obsessed; that promote individualism and the breakdown of society; that are obsessed with greed and consumption; and that exploit the poor and deplete natural resources.

Conclusion

Applying methodological frameworks for the spatial study of religion illuminates how the religious and the secular are constructed and represented in public discourse. Critical spatial theory allows for a systematic analysis of the financial market — not as a passive container in or backdrop against which religious activity can take place, but rather as a space that cannot be separated from embodiment and everyday practice, knowledge, discourse, production, and reproduction. In this context, the financial market is very much an engaged and dynamic space for religion, no less so than any other aspect of social and cultural life.

Contemporary theories of space and their application regarding the location of religion within the secular are not restricted to geometric coordinates and the physical domain. Space, according to Knott, takes on mental or conceptual dimensions. Hence, in this paper, the notion of space has been used metaphorically. Examining the financial market space metaphorically provides a means of imagining and giving expression to human possibility, cultural difference, and the imagination itself, as well as to social relations. It is this notion of space that helps locate religion within the secular and utopian financial market spaces. Spatial methodology cultivates a deeper understanding of why and how a secular space has been imbued with sacred significance, and also contributes to developing insight into how the material and discursive institutions of capitalism are at work—not only in the financial market space, but also in the Islamic financial market. Applying Knott's methodological framework to locate religion in this particular secular space helps to build a case that a "rite" such as Sharīʾah screening, and the subsequent emergence of the Islamic financial market space from within, has religiously sanctioned unfettered engagement in profane and capitalist pursuits by would-be pious investors.

Notes

1. The "financial market" is commonly defined as a market in which governments, banks, international organisations, and businesses borrow and invest large amounts of money, from medium- to long-term periods. This may be construed as a restrictive definition, as it makes borrowing an essential attribute of capital markets. Borrowing is a particular form of raising financial resources, and many other forms of mobilising financial or other resources are obviously also possible. Definitions that make borrowing an essential attribute of the financial market space tend to compromise its scope. Hence, a financial market is defined here as a market in which investors (Muslim or otherwise) deal in short-, medium-, and long-term funds. The terms on which they deal with each other are not part of the definition used in this paper.
2. Typical "securities" are the ordinary shares, warrants, and transferable subscription rights of listed corporations.
3. Impermissible business activities include, among others, the commercial trade in alcohol, pork, weapons, tobacco, and pornography, and dealing in interest.
4. The terms "financial market" and "capital market" are often used interchangeably. In both common and technical usage, more often than not, the two terms are used as synonyms. Steven Sheffrin (2003: 283) defines a capital market as a market in which money is provided for longer than one year. The "financial market" is generally regarded as a wider term, covering both the money market and the capital market. While the former deals with the demand and supply of money in the short run, the latter is concerned with the demand and supply of funds of longer maturity.
5. Asset classes are groups of securities that exhibit similar characteristics or behave similarly in the marketplace and are subject to the same laws and regulations. Three main asset classes exist: equities (stocks); fixed income (bonds); and cash equivalents (money market instruments).
6. Since the late 1990s there has been a rapid increase in the externalisation of Sharīʾah advisories, insofar as chartered audit firms gauge issuers' Sharīʾah permissibility (see Ahmed 2002).
7. Muslim jurists draw on Qurʾānic teachings that highlight God's bestowal of creation to humanity as a trust: "Believe in God and His Prophet, and spend on others out of that of which He has made you trustees, for those of you who have attained to faith and who spend freely shall have a great reward" (Qur'an: 57: 7; also see 2: 30, 6: 165, 35: 39).

8. See, for example, Qur'ān 49: 10.
9. The Islamic equities market grew by 42 percent, as opposed to 35 percent of the secular market. The Islamic debt market grew by 61 percent, as opposed to 24 percent for debt markets (Grail Research 2007: 19).
10. Sector screening aims at ensuring that the business activities of a corporation (or its subsidiaries) that seeks to raise investment capital through securities in the Islamic financial market derives an income of 5 percent or less from any of the following: alcoholic, pork, and tobacco products; production and distribution of music media; gambling and casinos; financial services such as interest, derivatives, banks, and asset management; non-operating interest; conventional insurance; cinema and television; production, broadcasting, and advertising; hotels serving alcohol or operating casinos; adult entertainment and pornography; weapons and defense; and gold and silver hedging.
11. The United Arab Emirates established the Dubai International Financial Center in 2004. Recognised by law as a sovereign territory, it operates not dissimilarly from the Vatican in Italy.
12. India, hosting the third largest Muslim population in the world, has not yet introduced legislation pertaining to the regulation of an Islamic financial market within its jurisdiction and has effectively banned Islamic banking.
13. *Sukūk* is a three-to five-year Islamic debt security.
14. Dubai Islamic Bank, established in 1975, was the first of its kind and pioneered Islamic banking in the world.
15. This index was the first of its kind to specifically include environmental, social, and corporate governance factors extensively quantified and translated into a series of scores measuring securities in the universe of publicly traded pan-Arab corporations.
16. Typically, financial data are gathered over at least three years for each Sharī'ah-screened issuer in order to render an issuer eligible for inclusion in an index.
17. The Sharī'ah screen permits so-called "Sharī'ah-compliant" companies to engage in interest-bearing debt, which is restricted to one-third of its capital. The *maslaha* principle (for the common good or in the public interest) is frequently used by Islamic scholars to defend Muslim participation in the financial market, although interest-bearing debt is disallowed in the sacred law (*Sharī'ah*). Creating an Islamic financial market, they argue, prevents the continued exclusion of Muslim investors from the global financial market. Such exclusion, the argument goes, could have forced Muslims to participate in non-*halāl* activities for investment purposes.
18. However, organisations and businesses that function within an Islamic economy contribute to society through mechanisms such as mandatory alms tax and charity.
19. Controversy rages around these Muslim scholars' strategic manoeuvring and personal interests—including the as-yet undisclosed financial benefits derived from their monopolisation of these boards.
20. "Islamic economics" refers to the body of Islamic literature that identifies and promotes an economic order situated within the purview of the Islamic teachings. This literature has been developed since the late 1940s. Its central features are summarised as follows: behavioural norms derived from the divine revelation; alms tax as the basis of Islamic fiscal policy; and the prohibition of interest accrual in all financial matters.

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