

The long and the short of it

This issue of *Monash Business Review* challenges notions of traditional financing. The first challenge is to our understanding of the distinction between the sacred and the secular in business; the second is to the relative disciplines of internal and external equity markets.

In our cover story, *In your interest*, Professor Mohamed Ariff describes Islamic banking as a relatively new and rapidly growing phenomenon that follows conventional banking principles while also banning pre-agreed interest payment/receipt, requiring risk and profit sharing, and engaging only in financial transactions that promote socio-ethical financing and investing of accumulated capital. The article explains how Islamic banks provide clients with secular satisfaction that their financial activities are conducted in a manner that is socio-ethically consistent with the teachings of the Holy Qur'an. In *It's a matter of principal*, Professor Mervyn Lewis further emphasises that "Muslims cannot, in good faith, compartmentalise their behaviour into religious and secular dimensions, and their actions are always bound by the *shari'ah*. Islamic law thus embodies an encompassing set of duties and practices including worship, prayer... and commercial transactions." From this basis, Lewis comments on the pace of innovation in Islamic banking when there is competition from conventional banking systems. He queries the direction that Islamic banking takes in competing with conventional banking. Is it really that different? And for how long will differences exist? What is the gap between theory and reality?

A theme emerging from the Islamic papers and also from an interview with Peter Yates about private equity is the 'term-ism' of finance. Disciplines of internal and external markets are explored in this interview. Yates concurs with popular opinion that public equity finance has a short-term focus, contrary to the notion that capital market arbitrage will ensure equity is valued according to a long-term model of dividend and capital gains rather than short-term measures of profitability. He describes how public shareholders' focus on short-term gains and earnings contrast with the medium-term focus of private equity providers. In contrast, the Ariff and Lewis descriptions of the Islamic banking focus on the social and ethical benefits are more long-term.

The cross-over between the governance, ethical and legal dimensions of business is explored further in other articles, particularly those looking at issues around whether and when to disclose information and how performance – corporate or personal – is assessed. Also of particular note is an analysis of the role of Australia's first synchrotron and the social, scientific and economic benefits it brings.

As always, articles in *Monash Business Review* span the broad interests of our readership, bringing the latest research to the practising business community.

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