

Overlapping generation model for Islamic asset valuation: A phenomenological application

# Chapter 8 Overlapping Generation Model for Islamic Asset Valuation: A Phenomenological Application

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## Abstract

The arguments of this chapter that are set up against the prevailing Islamic economic and finance intellection and practice arise from the economic and methodological premises on behavior, markets, and institutional structure that together influence asset valuation. All these are bonded together to explain how methodology defines the domain of financial engineering in mainstream and Islamic perspectives. Mainstream financial engineering as a study of methods that stand upon the assumptions of behavior, markets, and institutions of the neo-classical vintage is critically examined. This is contrasted with the Islamic perspectives of the same issues that lay out an altogether different methodological worldview. Different forms of asset-valuation models emerge in these two cases. The Islamic premise of behavior, markets, and institutions is utilized against the backdrop of its most fundamental epistemology.

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Overlapping generations model. From Wikipedia, the free encyclopedia. For the topic in population genetics, see Overlapping generations. An overlapping generations model, abbreviated to OLG model, is a type of representative agent economic model in which agents live a finite length of time long enough to overlap with at least one period of another agent's life. At the end of period  $t$ , the assets of the young are the source of the capital used for aggregate production in period  $t+1$ . So  $K_{t+1} = N_t a_{1,t}$  where  $a_{1,t}$  is the assets per young household after their consumption in period 1. In addition to this there is no depreciation. The old in period  $t$  own the entire capital stock and consume it entirely, so dissaving by the old in period  $t$  is given by  $N_{t-1} a_{1,t-1} = K_t$ . Overlapping Generation Model for Islamic Asset Valuation: A Phenomenological Application. 173. Pointwise Application of Circular Causation in the Islamic Valuation Model. 189. Circular Causation Relations Using Malaysian Data on Money and Real GDP. Their methods tend to be "practical" in the sense of not being too far remote from application to actual economic conditions. In addition, they are quantitative. The editors hope that the publication of these studies will help to stimulate the exchange of scientific information and to reinforce international cooperation in the field of economics. It also develops a no-bubbles asset-pricing formula. Results are compared with Brock's (1982) infinite-lived consumer model and it is shown that the stock market equilibrium in the overlapping-generations model has precisely the same asset valuation as Brock's infinitely-lived agent model. Date: 1992 References: Add references at CitEc Citations: View citations in EconPapers (8) Track citations by RSS feed. Downloads: (external link) <http://hdl.handle.net/10.2307/2297960> (application/pdf) Access to full text is restricted to subscribers. Related works: This item may be available else Different forms of asset-valuation models emerge in these two cases. The Islamic premise of behavior, markets, and institutions is utilized against the backdrop of its most fundamental epistemology. Alam Choudhury, M. (2011), "Chapter 8 Overlapping Generation Model for Islamic Asset Valuation: A Phenomenological Application", Baltagi, B., Sadka, E. and Alam Choudhury, M. (Ed.) *Contributions to Economic Analysis (Contributions to Economic Analysis, Vol. 291)*, Emerald Group Publishing Limited, Bingley, pp. 173-187. [https://doi.org/10.1108/S0573-8555\(2011\)0000291018](https://doi.org/10.1108/S0573-8555(2011)0000291018). However, the market value for an asset is likely to differ significantly from book value – or shareholders' equity – which is based on historical cost. And some companies' greatest value is in their intangible assets, like the findings of a biomedical research company. Absolute Valuation Methods. Absolute value models value assets based only on the characteristics of that asset.

