Book Review

Islamic Banking and Finance: What It Is and What It Could Be

By Mohammed Amin

Mohammed Amin is an Islamic finance specialist, with a particular interest in how Islamic finance is treated in Western tax and regulatory systems. He is a member of the HM Treasury Islamic Finance Experts Group, established by the Economic Secretary to the Treasury to advise the Government on Islamic Finance strategy, and is the only practicing accountant on that group. Until he retired at the end of 2009 Amin led PricewaterhouseCoopers’ Islamic Finance practice in the UK as well as being a member of PwC’s four-person Global Islamic Finance Leadership Team. He shares his thoughts on Muslim community issues and Islamic finance topics on his website (see reference link).

"Islamic Banking and Finance: What It Is and What It Could Be" was published in March of this year by 1st Ethical Charitable Trust, and is an impressively well presented book, hardbound, printed on high quality paper and 500 pages long including the appendices and index. Including the editor, Tarek El Diwany, there are 12 contributors including experts in Shariah, lawyers and academics. However, only one of the authors, Shaharuddin Zainuddin, is a practicing banker.

Unlike many multi-author publications, with two exceptions (pieces expressly appearing over the names of the editor and of Nejatullah Siddiqui), specific parts of the text are not attributed to named authors, a process that clearly attaches the author’s reputation to the text that he writes. However, page xxiv sets out in broad terms who was the main contributor of each section.

The back cover sets out the book’s objectives and structure:

"This text has been designed for use by professionals new to the field of Islamic banking and finance and by students at undergraduate level or above. While many reference works focus on a narrow set of content, "Islamic Banking and Finance: What It Is and What It Could Be" expands its coverage to include the historical, theological, commercial, legal, institutional and macro-economic factors affecting the modern world of Islamic banking and finance. It is organised into four main sections: Islam and the Shariah, Traditional Contract Forms, Contemporary Practices, and A Response to Capitalism.

In a rare approach to the topic, the content encompasses views both for and against the current direction of the Islamic banking and finance industry and suggests a number of basic reforms at the institutional and contractual levels. Traditional and contemporary interpretations of Islam are contrasted, along with differences of opinion among the various schools of thought, so that the reader can better understand current discourse among scholars of Shariah. And in a section devoted entirely to the modern application of Islamic contract law, fourteen case studies provide a detailed analysis of the extent to which modern Islamic financial products adhere to the legal principles outlined elsewhere in the book."
This is a very ambitious set of objectives.

Despite the length, and the apparent dryness of the subject, I found the book very easy to read and enjoyed reading it. It is well laid out, with excellent typography and a high quality of proofreading. It is also very well referenced with an extensive bibliography and many footnotes. The book is highly structured, with an outline that goes five levels deep.

Unfortunately the use of multiple writers has resulted in some of the treatment becoming very “bitty.” For example the use of secular or Shariah law is covered in several different places, instead of being brought together in one. This significantly detracts from the quality of the book.

Overall, despite all of the effort that has been put into it, I believe that the book failed to achieve its objectives. In my opinion the main reasons are:

1. The objectives were too ambitious for a book that is only 500 pages long.
2. The writers have not remained focused on the needs of the target readers.
3. The fragmented coverage of key issues indicates that the editor has not maintained sufficient editorial control over his 11 co-authors.
4. The book, despite its claim in the above quote, is not properly balanced. There are many arguments against current Islamic banking practices, but few in favour of them. The editor is well known for his criticisms of current Islamic banking and I believe this is the reason for the absence of balance.

"However, in the backdrop to all of this, there lurks an intractable political problem. The Islamic banking and finance industry has so far embraced age-old Islamic contract types as the basis of its client relationships. While it is increasingly clear that such a strategy cannot succeed within an institutional framework that contradicts Shariah, the replacement of that framework necessitates a challenge to an interest-based industry whose annual revenues extend into trillions of dollars. Is the Islamic banking and finance industry facing this challenge? Does it even seek to?"

The fact that interest-based banks are so heavily involved in promoting the Islamic financial system should give us pause for thought in this regard. It is an alliance whose consequences are particularly evident in the intellectual domain. Those who disapprove of the Islamic methodologies being employed by large financial organisations are unlikely to be appointed as Shariah advisers by those same organisations. Students who come to the subject afresh are presented with case studies that discussed the ‘what is’ of Islamic banking and finance rather than the ‘what should be’. By such means, narrow contemporary understandings of Islamic banking and finance are reinforcing themselves. There is of course nothing new in this. When the main commercial banks of the United Kingdom sponsored the establishment of the London Business School, they did so in order to develop the executive mindset that is required of bankers, not revolutionaries."

The editor is of course entitled to hold views as revolutionary as he wishes. Unfortunately, these have gotten in the way of providing students with an objective textbook on what Islamic finance is and how it operates, which I regard as a necessary precondition before going on to promote the manner in which the editor would like it to change.

Your feedback and comments are very important to us, please feel free to contact the author via email.