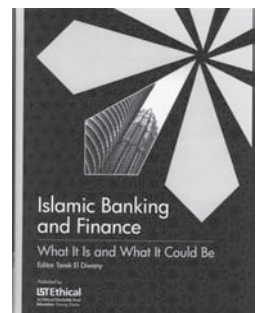


Islamic Banking and Finance: what it is and what it could be

Edited by Tarek El Diwany

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■ Reviewed by Ian Yearsley



This is a university text-book which goes beyond the detail of Islamic banking and finance to consider and encourage discussion of these matters in the wider contexts of monetary policy, economics and the well-being of humankind. 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 it suggests a number of basic reforms at institutional and contractual levels. There are in all eleven contributors, including the book's editor Tarek El Diwany; the bibliography contains more than 250 references. At the head of the book list is Al-Qur'an, but it includes three translations of the Bible, R S Tawney's *Religion and the Rise of Capitalism* and P Cleary's *The Church and Usury*.

Essential in a field where so many expressions in Arabic language are used, there is a 16-page glossary table with English transliterations and definitions. It is worth noting that the Arabic term *Riba*, forbidden to Muslims in the Qur'an 2.275, goes beyond any Christian understanding of Usury to include exchange of unequal goods (*Riba al-Fadl*, the usury of surplus). The book covers not only individual and commercial banking but also wholesale finance, home purchase, investment funds, inheritance and insurance, and the operation of the financial markets. *Zakah*, the obligatory 2.5% per annum charitable tax on surplus wealth (not just income) of all Muslims, is contrasted with usury; major public works in the Muslim world were financed through this mechanism. *Zakah* is seen as stabilising society by reducing poverty, while usury itself leads to poverty.

The Christian reader will find a thoughtful account of the history of usury and the many devices used in the 13th to 16th centuries to circumvent the Church's prohibition of it. Many of these devices involved combining contracts which individually were not usurious, but collectively were so, and examples are given to show how the same methods of legal trickery are being attempted in Islamic finance today. One may well want to query whether, as some have claimed, the church made up its mind to permit usury, or whether the question simply went by default in the overall maelstrom of the Reformation.

Underlying the book is a belief that the way of Islam represents what is most natural and beneficial for humankind, both for the Muslim world and for those outside it. It starts off with a considerable section on Islam and the sources of knowledge, the *Shari'ah* and the Islamic judicial framework. For the Christian reader it explains a lot of mysteries, but also raises many questions.

Battle your way through the unfamiliar terminology and institutions, yet you will find ideas strangely familiar to you from the words of Exodus, Leviticus and Deuteronomy. It may seem surprising to put such detailed emphasis on matters so long regarded as almost irrelevant to the discourse of faith. But Tarek El Diwany and his colleagues have raised some important implications about the neglect of financial issues by the Christian Church. And at a time when an all-party Parliamentary committee on Islamic banking has been set up under the chairmanship of Lord Sheikh, these things might well be worth a second look. ■

Ian Yearsley

Ian Yearsley writes on transport economics and history and on religious matters.

