

...the only way to achieve the goal of a just and equitable society is through the implementation of Islamic principles. The book discusses the various aspects of Islamic banking and finance, including the prohibition of interest, the importance of transparency, and the role of the state in regulating the financial system. It also explores the challenges faced by Islamic banks and the potential for growth and development in the future.

...the book provides a comprehensive overview of the Islamic banking and finance system, covering the theoretical foundations, the practical implementation, and the challenges faced by the industry. It is a valuable resource for scholars, practitioners, and policymakers alike. The book is well-organized and easy to read, making it accessible to a wide range of readers. It is a must-read for anyone interested in the Islamic banking and finance system.

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Book Review

Banking and Finance: Islamic Concept

Edited by Mukhtar Zaman. Karachi: International Association of Islamic Banks, 1993, 204 pp.

This book features a selection of articles dealing with interest (*ribā*) and other related issues and is mainly an appraisal of the interest-free system as an alternative to the western fixed-rate system. Seven essays deal with the experience of Islamic banking in Pakistan. Ziauddin Ahmed

and Nawazish A. Zaidi highlight some of the concerns associated with implementing Islamic banking practices. Although these concerns are quite real, the approach is more anecdotal than empirical. The essays of Ghulam Khan, D. M. Qureshi, and Tariq Hassan, as well as the State Bank of Pakistan's article on Islamic modes of financing, provide prudent descriptions of how Islamic financial instruments have been implemented in Pakistan. They also discuss various problems, a common one being that most (if not all) Islamic countries are developing countries and, therefore, the transition to Islamic banking is inseparable from the rudimentary nature of their present banking systems.

Jalees A. Faruqi's article analyzes some of the ideological differences between the Islamic, capitalist, and socialist economic systems. The capitalist system is dominated by individualism and self-interest, whereas a staple element of the socialist system is the concept of class warfare. The Islamic system differs from the other two in one important way: it gives people individual rights, but in the context of caring for others. This characteristic means that an equitable distribution of income is an inherent, rather than an institutionalized, part of the system. The final article in this section, by Haqqani, makes the point that a *muḍārabah* certificate is nothing but a share certificate.

Al-Bagkir Y-Mudawi evaluates Islamic banking in Sudan and illustrates the important role that Islamic banking plays in rewarding earned income versus unearned income. However, the article is more of an "overview" of the Sudanese experience than an "evaluation," for one would expect an evaluation to result in a thorough cost/benefit presentation of the expected profitability of Islamic banks as opposed to the accrued returns on capital under the fixed-interest rate system. Salim Chisti analyzes the experiences of Pakistan and Iran and brings a common, yet formidable, problem to our attention: Islamic banks have yet to do what they are essentially intended to do in terms of financing profit-loss sharing contracts. At present, they are "invariably in short-term commodity and trade related activities." Mohamed Korouma looks at the experience of Islamic banks in West Africa. Notwithstanding Korouma's contention that West Africa's experience with Islamic banking is limited, he does not take the reader through an "experience." Instead, he merely delineates some of the steps taken to establish Islamic banking. Ironically, these seem to be contradictory, distinguishing between Islamic banks, which are primarily intended to operate under profit/loss investment contracts, and investment firms.

The remaining articles are either overview essays or simple structural models of the Islamic interest-free banking system. Prominent among these is Mohsin Khan's paper, in which he presents a zero-interest, neo-classical, macroeconomic model, under fixed and flexible prices, which incorporates "constraints imposed by religion on the conduct of financial

transactions." The paper's main contribution of advocating differential reserve requirements on deposits is important and insightful, but remains untested without any accompanying empirical evidence. Muhammed N. Siddiqi's article is a delightful essay on public expenditure in an Islamic state. However, it is totally unrelated to the main theme of the book.

It is unfortunate that the benevolent message of this book may have been thwarted by the many unintentional editorial and typographical errors. In addition, although the articles are informative and sometimes insightful, they lack the spirit of a formal presentation. Many abbreviations are undefined, which leads to confusion among those who are not already well versed in the subject. Furthermore, most of the articles did not formulate a prudent thesis to form the shape and flow of the discussion. Most essays lack conclusions, leaving the reader uncertain about their main thrust and purpose. While much of the material will be familiar to Islamic economists, the arguments presented should stimulate the interest of other economists and practitioners who are unfamiliar with Islamic banking concepts. To that extent, the book fulfills its goal of presenting the Islamic concept of banking and finance.

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