



## **BOOK REVIEW**

### **A MODERN PERSPECTIVE OF ISLAMIC ECONOMIC AND FINANCE**

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Development of *Islāmic* economics and finance in the world has accelerated. One indication is the emergence of other *Islāmic* banking and non-banking financial institutions, although in the last decade it has slowed slightly. Over time, seeing the existing practices, some people began to doubt and criticize *Islāmic* banking, because some aspects are considered deviant and even outside the pale of *Islām* itself. Questions have been raised regarding implementation of existing products' transactions that are often circumvented, and the insensitivity of *Islāmic* banks to social problems (Iskandar, Possumah and Arifuddin 2020; Chowdhury, et al., 2020; Majeed and Zainab 2017). While *Islāmic* finance is intended to support the economy through genuine transactions and fulfill obligations to create a just and prosperous society, unfortunately, the industry failed to live up to this proposition and merged with a conventional system unrelated to broader *Islāmic* economic priorities. Such issues are discussed in this book. This book consists of 7 parts, namely The Ship of Fools (Part I), The Milkmaid and Her Pail (Part II), Caravan (Part III), Eleven Rounds (Part IV), Conquistador (Part V), and The Miser (Part VI). Generally, this book puts *Islāmic* finance at the heart of *Islāmic* economics, while providing a clear and practical understanding of *Islāmic* economics and finance. It discusses a system in which people (rather than the central bank) create money when they produce what other people demand.

In the first chapter, the author examines the history of the understanding of Christian society with the perspective of previous observers and alludes to it through parables through satires according to *Islāmic* views. The book explains the meaning of *Maqāṣid Al-Sharī'ah* that human development and welfare must be realized by ensuring the enrichment of *nafs* (human self), *maal* (wealth), *nasl* (progeny), *'aql* (intellect), and *din* (faith). In elucidating the role of *Islāmic* finance in *maqāṣid*, the author reviews *Islāmic* and conventional banking in terms of business models, efficiency and stability. The author noted that currently the *Islāmic* finance industry does not serve the public to enable healthy and sustainable economic growth. Instead, it just obeys the rules of the sharia method for the sake of improving the industry. To emphasize the moral hazard, the author uses an illustration from the insurance system. Here the author says that there are four pillars of *Islāmic* religious product development, namely rules and regulations, risk management, *sharī'ah* compliance, and efficiency.

In the second chapter, the author defines *Islāmic* currency, describes the development theory of *Islāmic* financial opportunities for trade finance, and once again explains their transition from bartering to legal tender, and then invites readers to reconsider this currency. A new currency can turn scarcity into prosperity, an argument for currency diversity, the end of currency, and the future of civilization. The author also discussed some of the functions of currency, including as a unit of account, a means of payment, and a store of value; it can be defined as a medium of exchange.

In Chapter 3, author considered the importance of trade in *Islām*. Here, the author examines the market history in the time of the Prophet *ṣal-Allāhu 'alayhi wa sallam*. Starting from the cross-border *Muslim* caravan that emerged after the birth of *Islām*, it brought prosperity and vitality and finances to Western Europe. The origin of the *Islāmic* financial system is international trade. *Murābahah*, *muḍārabah* and *sukūk* were established to facilitate caravan transactions similar to Western companies. *Islām* forces market participants to list what can and cannot be done. If ignored, the same problem will repeat itself in a vicious cycle. This refers to the *Islāmic* view of "fair pricing" in the business environment. *Islām* strictly prohibits setting price barriers in the market. The obstacles discussed are intervention in the form of government licensing, price control, non-tariff barriers, monopolies, oligopoly, cartels, and the most hidden obstacles, economies of scale. The author also describes how FDI

affects economic growth. The most famous assumption in economics is that other conditions remain unchanged.

In the fourth chapter, namely financing in *Islām*, the author discusses that the sacred economy includes money, gifts, and society in transitional times. The author discusses the issue of *Islāmic* electronic trading on organized exchanges. The author also describes the margin call in *Islāmic* finance. Since the inception of the *Islāmic* finance industry, liquidity management has become a major problem. The industry is looking for other alternatives for day-to-day cash management and *murābahah* commodity products are created. In *Islāmic* jurisprudence, this is prohibited in *Islām* because it can be said that it is organized bargaining. *Murābahah* is put in the name to ensure that the transaction is bona fide; in fact it is not. In fact, the practice has nothing to do with any form of *murābahah*.

In Chapter 5, the author provides empirical evidence showing that traditional banks and *Islāmic* banks are more similar than previously thought. The main reason is that many traditional financial contracts can be converted into *Islāmic* financial contracts without much adaptation. It also explored the concept of *sukūk*, from the UK's welcome of *sukūk* (innovation of *sukūk* securities allocation) to the market's asymmetric response to the *sukūk* problem, pointing out that *sukūk* tools are no different from bonds. This is the second best solution to overcome the failure of *Islāmic* financial society by examining the dominance of *homo islamicus* and *homo economicus*. Currently, all *sukūk* products are system-based. Like traditional unsecured bonds, asset-based *Islāmic* bonds are considered senior unsecured securities. The liquidity management of *sukūk* in 2017 was innovative. The launch of this product puts *Islāmic* banks in a more advantageous position because they can store cash and cash equivalents without affecting their profitability compared to traditional competitors.

Chapter 6 deals with wealth distribution and the fight against poverty through *zakāt*; research has shown that international trade often contributes to reputation; however, it has also been found to be similar to financial inclusion that leads to inequality. The author reminds us that *Islāmic* solutions address inequality itself. *Islām* proposes to use *zakāt* as a mechanism for wealth distribution in society to reduce the impact of free trade and financial inclusion. Because of a number of factors, including rural poverty, the efforts did not achieve maximum results. Based on the experience of different countries, one important thing to keep in mind is that they are improving the supply chain surrounding the villagers. Therefore, the author tends to agree.

The author uses a mature microfinance business model to design comprehensive poverty alleviation measures for today and expresses support for a technical management system with a licensed warehouse and an e-commerce platform. The author also explained the *Islāmic* monetary system based on fair trade given that the root of disaster in the modern world is the monetary system.

The author also emphasizes that the differences in understanding of *Islāmic*-based financial economics with positivism in the form of capitalism, communism, nationalism, and theocratic dictatorships are very large. However, the author does not explain in detail and clearly what is meant by positivism in each "ism" understanding. The author also says that capitalism, communism, and nationalism are based on competition that expects the defeat of the other party. This is certainly different from the general view that a difference exists between capitalism and communism. Communism which is a political ideology often puts forward the value of togetherness, while capitalism which is related to liberalism will trigger competition between individuals.

This book is very good for academics or practitioners of *Islāmic* economics and finance, because it provides a comprehensive understanding in a clear and practical way. The author can explain *Islāmic* Economics and Finance thoroughly and coherently with language that is easy to understand and provides detailed explanations based on real data and conditions, both those that have occurred for a long time and those that have recently occurred. One distracting feature in this book is that several sentences are repeated in different chapters. Apart from that, it is a readable and useful reference.

## REFERENCES

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