



BOOK REVIEW

ISLĀMIC FINANCE AND CIRCULAR ECONOMY: CONNECTING IMPACT AND VALUE

by Syed Nazim Ali and Zul Hakim Jumat, Springer Singapore, First Edition, 2021, 335 pp., EUR 169.99 (paperback), ISBN: 978-981-16-6060-3

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The book “Islamic Finance and Circular Economy: Connecting Impact and Value Creation” delves into the intricate relationship between multidisciplinary ecological, social, economic, and *Islāmic* finance issues, which are central to the global economic agenda. This book provides a comprehensive discussion of the circular economy (CE) from the perspective of the *Islāmic* economy. It is organized into three parts, comprising 16 chapters, and totaling 335 pages. Each part contains a varying number of chapters. The chapters in this book originated as papers presented at the International Conference on Islamic Finance (ICIF) by the Center for Islamic Economics and Finance of the College of Islamic Studies in 2020.

Structurally, each chapter is formatted like a journal article, including an abstract, introduction, recommendations, and conclusion. This clear structure enables readers to quickly grasp the purpose, scope, and outcomes of the authors' arguments and analyses. Furthermore, the book is comprehensive in its approach, offering definitions and conceptual explanations, positive analysis validation, and case study examples from several countries.

The initial pages of the book include a preface and a table of contents, and a list of contributing authors, their professional status, and their affiliations. Following this, the first chapter, which is separate from any of the three main parts, is presented. This introductory chapter is authored by the book's editors, Syed Nazim Ali and Zul Hakim Jumaat. It serves as an introduction, offering a brief outline of the book, future directions, and recommendations.

Part one of the book, titled “*Islāmic* Perspective on Circular Economy and Sustainability,” consists of two chapters that discuss the

fundamental concepts of the circular economy (CE) and sustainability in general, and examine the role of *Islāmic* thought in these concepts. Both chapters utilize *Maqāsid* as the foundational values to analyze their alignment with the CE. Chapter 2, titled “Islamic Perspective on Circular Economy,” is authored by Saqib Hafiz Khateeb, Zul Hakim Jumaat, and Munir Sound Khamis. This chapter focuses on the history, urgency, and advantages of CE relative to a static economy, as well as on business models aligned with CE principles. Chapter 3, “Environmental Protection and Sustainable Development: An Islamic Perspective,” authored by Mohammed El-Gammal and Abdulazeem Abozaid, focuses on the inductive legal aspects, addressing both positive and negative provisions.

Part two, titled “Convergence of Islamic Finance and Circular Economy,” elucidates the evidence of the relationship between *Islāmic* finance and the circular economy (CE). This section consists of nine chapters, which can be broadly categorized into three main areas of discussion. Chapters 4, 5, and 6 discuss the conceptual urgency of *Islāmic* finance in relation to CE from perspectives other than *Maqāsid al-Sharī‘ah*. Chapters 7 and 8 present empirical evidence on the relationship between *Islāmic* investments and markets and the CE and Sustainable Development Goals (SDGs). The remaining chapters focus on *Islāmic* financial technology (Chapter 9), relationship between the *Islāmic* finance industry and environmental issues (Chapter 10), *Islāmic* marketing in the context of CE (Chapter 11), and analysis of axioms learning support in addressing the climate crisis (Chapter 12).

Although chapters 4, 5, and 6 are centered on the same overarching topic, Chapter 4 specifically discusses *Islāmic* financial products that comply with the CE concept. Chapter 5 focuses on the compatibility of transaction instruments within *Islāmic* finance. Meanwhile, chapter 6 examines the conceptual relationship between CE, *Islāmic* banking, and social finance. Furthermore, chapter 4 on “Circular Economy Financing: An *Islāmic* Finance Perspective” by Nafis Alam, discusses the urgency of financing within the circular economy (CE) by examining its strategic importance, historical context, and the challenges associated with inter-institutional cooperation. The author also conducts a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of commercial *Islāmic* finance products suitable as financing instruments for environmental initiatives. This analysis highlights how *Islāmic* finance can play a pivotal role in advancing circular economy principles and practices.

Chapter 5 is titled “Circular Economy, Green Economy, and Sustainable Development: Establishing the Interconnections and Discourging the Role of Islamic Finance” by Abdul Rashid and M. Abubakar Siddique. The authors go into greater detail on the extent and differences between circular economy, green economy, and sustainable economy, as well as the role of *Islāmic* financing in implementing these three concepts. They also demonstrate how these three concepts can be implemented practically in *Islāmic* finance by integrating the *Mushārakah cum Ijārah* Model, which is divided into three modeling levels. This modeling integration can reduce uncertainty in the financial system, improving stability, resilience, inclusivity, and economic growth.

Chapter 6 is “The Circular Economy and Its Possible Collaboration with Islamic Economics and Finance” by Mohamed Aslam Haneef and Husna Jamaludin. The conversation focuses on “rethinking”, criticism, and involvement with CE from various perspectives. The authors discuss the economic limits of using CE, namely inefficient hidden costs and incorrect utility assumptions in economic behavior involving recyclable commodities (p. 78). The authors also explore the state of CE in Malaysia (p. 81-82), which consists of (1) altruistic value practices and (2) value-based intermediation at *Islāmic* Bank Malaysia, both of which have the potential to improve welfare and environmental conditions.

Chapter 7, titled “ESG Analysis and Shariah Screening: Mutual Learnings for a Better Investment Climate” by Valeed Ahmad Ansari and Shariq Nisar, focuses on the performance analysis of the National Stock Exchange (NSE) of India. The study covers the Nifty 100 ESG, Nifty 50 *Sharī‘ah*, and board-based Nifty 50 indices over the period 2011 to 2019. The authors employ various models including CAPM, Fama and French, Carhart, as well as Sharpe and Treynor ratios to evaluate these indices. The analysis reveals that investment portfolios linked to ESG and *Sharī‘ah* indices exhibit superior performance compared to other indexing strategies when considering risk levels. This finding underscores the potential benefits for investors and the *Islāmic* finance industry alike, highlighting the attractiveness of sustainable, *Sharī‘ah*-compliant investment options for enhancing long-term sustainability and financial performance.

Chapter 8, titled “Sustainable Investment and Transparency Recommendations in Segmented Markets: An Application to Islamic Investment Accounts” by Ahmed M. Badreldin and Bernhard Nietert, focuses on the challenges and opportunities of integrating sustainable investment principles and transparency practices within *Islāmic*

investment accounts. The authors highlight the importance of aligning *Islāmic* finance with sustainability principles to address environmental, social, and governance (ESG) concerns by enhancing transparency and disclosure practices.

Chapter 9, on “Sustainability, Trust, and Blockchain Applications in Islamic Finance and Circular Economy: Best Practices and Fintech Prospects” by Ahmet Faruk Aysan and Fouad Bergigui, specifically highlights the importance of trust in *Islāmic* finance and explores how blockchain technology can enhance transparency, accountability, and trust within the financial system. The authors discuss opportunities and challenges associated with integrating blockchain technology into *Islāmic* finance and how it can promote circular economy practices.

Chapter 10, titled “Financial Development and Ecological Footprint in OIC Countries: Islamic Perspectives and Empirical Evidence” by Muhammad Tariq Majeed, examines the relationship between financial development and ecological footprint using panel data from OIC (Organization of Islamic Cooperation) countries spanning the period from 1971 to 2017. The analysis employs regression techniques to substantiate its findings. The author explains that financial development can have both positive and negative impacts on environmental degradation. Empirical results indicate that financial development can enhance environmental quality by reducing the ecological footprint in OIC countries, particularly in more prosperous nations. This chapter provides valuable insights for decision-makers in formulating policies, highlighting the potential of financial development to mitigate environmental impacts in the context of *Islāmic* perspectives.

Chapter 11, titled “A Consumer Perspective of the Circular Economy: An Empirical Investigation Through Structural Equation Modeling” by Muhammad Tahir Jan, presents an exploratory study on the Circular Economy (CE) from a marketing perspective. The study utilizes the Theory of Planned Behavior and includes additional factors such as convenience and environmental impact. The primary data for this study were collected from 377 questionnaires in the Klang Valley area of Malaysia. The findings indicate that subjective norm, attitude, and environmental impact are factors influencing consumer intention to purchase circular products or products aligned with CE principles.

The book also examines the importance of knowledge in the Circular Economy (CE) in Chapter 12, titled “A Multi-Layer Analysis and Solution for Climate Crisis: From the Restructuring of Production

to Restructuring of Knowledge” by Omar Javaid. This chapter delves deeply into the fundamental causes of economic system failures in addressing environmental crises, utilizing a multi-layered approach based on the Hollingsworth framework. Within this analysis, Javaid identifies six layers of approach encompassing two distinct paradigms: modern and *Islāmic* ontological and epistemological perspectives. The author emphasizes that reconstructing society in accordance with *Islāmic* principles and paradigms is crucial to preventing further environmental degradation.

Part three of the book, consisting of four chapters, discusses various case studies and innovations in the Circular Economy (CE). Chapter 13, titled “Zero Waste Cities in the Developing World: A Comparative Study” by M. Evren Tok, Cristina D’Alessandro, Adenike Akinsemolu, and Bayan Khaled, underscores the critical importance of waste management arising from consumption and waste production. The chapter conducts a comparative analysis focusing on Middle Eastern countries and several nations in Sub-Saharan Africa. It explores the implementation of zero-waste cities through discussions of challenges, opportunities, practical examples of CE practices, case studies from regions beyond the Middle East and Sub-Saharan Africa, future trends, and recommendations to enhance governance of zero-waste cities in terms of infrastructure and investment.

Chapter 14, titled “Solving the Problem of Water, Sanitation, and Hygiene in Nigeria Using Blended Finance” by Mubarak Mohammed Kabir Musa, Jainaba Kolley, and Dalal Aassouli, discusses an integrated financing structure utilizing *Islāmic* financial instruments for water and sanitation projects in Nigeria. Given the inadequate WASH infrastructure in Nigeria, the chapter highlights significant challenges in providing access to clean water, sanitation, and hygiene facilities. Blended finance, which combines public and private funds, is proposed to improve the sustainability and scale of WASH projects and accelerate the achievement of sustainable development goals.

Chapter 15, on “The Role of Islamic Finance in Fostering Circular Business Investments in the Case of Qatar’s Tire Industry” by Abdul-Jalil Ibrahim, Khalid Al-Ansari, and Nasim Shah Shirazi, explores how *Islāmic* finance can facilitate circular business investments, particularly focusing on Qatar's tire industry. The authors examine the potential of *Islāmic* financial instruments such as *Islāmic* bonds (*sukuk*) and *Islāmic* venture capital in promoting sustainable and environmentally friendly practices within the CE framework.

They discuss how these financial tools can support initiatives aimed at reducing waste and promoting recycling in the tire industry, aligning with Qatar's goals for sustainable development.

In the last chapter on “Electronic and Electrical Waste Management: Malaysia and Sweden Experiences,” Eiman I. Hassan and Nasim Shah Shirazi compare the waste management practices of electronic and electrical or e-waste in Malaysia and Sweden. The authors delve into the challenges and strategies employed by each country to achieve effective e-waste management. Malaysia's approach focuses on regulations and policies to control e-waste generation and disposal, while Sweden emphasizes extended producer responsibility and recycling infrastructure development. The paper highlights the importance of collaboration between stakeholders, including governments, industries, and consumers, to address the growing e-waste problem. It underscores the need for international cooperation and knowledge sharing to develop sustainable solutions for global e-waste management.

Generally, each chapter in the book aligns with the overarching topics outlined in its respective parts. Specific observations regarding clarity and depth of discussion, however, arise in certain sections. Chapter 2, for instance, includes a conclusion mentioning *Muḍārabah* and *Mushārah* (p. 22), yet the substantive discussion of these concepts is absent from the main text. This omission may confuse readers who expect further elaboration on these concepts within the context discussed. Chapter 3 subsequently provides a more detailed and systematic exploration of the themes introduced in Chapter 2, enhancing clarity for general readers.

In Part Two, while most chapters are well-explained, attention is drawn to Chapters 4 and 10. In Chapter 4, the introduction to the *Mushārah* Cum *Ijārah* Model (p. 67) remains introductory in nature. To delve deeper into this integrated modeling approach, it may be beneficial to consider a more extensive discussion in a separate chapter to broaden the readers' understanding. Regarding Chapter 10, there is consideration as to whether the article on ecological footprint is personal or a case study. Additionally, there is a lack of detailed discussion regarding the relationship between financial development and ecological footprint from an *Islāmic* perspective. While the author conceptually mentions *Islāmic* economic paradigms within the context of the Circular Economy (CE), these are not included as variables in the regression equation, resulting in outcomes reflecting only a general relationship between finance and the environment in Muslim

countries, rather than specific implications for *Islāmic* finance and economics.

In Part Three, Chapters 14 and 15 propose models within their respective case studies. Rough calculation simulations are needed to illustrate the potential of these models for practical application according to their specific case studies. These points indicate that while each chapter adheres to relevant topics within the designated sections of the book, there is room to enhance clarity, depth, and integration of theory and application in specific sections. An advantage of this book is its systematic and comprehensive exploration from *Islāmic* perspectives on the environment, basic understanding of CE, to real-world examples of its application in various countries, particularly within the Organization of Islamic Cooperation (OIC) nations. The book also provides clear limitations, outlining its specific audience and which chapters can serve as references for policymakers.

The book's format is a collection of chapters involving different articles, and there is a lack of continuity between chapters. However, it may pose difficulties for novice readers due to the absence of bridging explanations between chapters. Therefore, it may be unsuitable as a handbook or reference for beginner-level teaching, such as the undergraduate level in universities. Additionally, there is a lack of perspectives from other economic schools, particularly mainstream economics, including neoclassical economics. As observed in Chapters 1, 2, 3, and 6, the authors briefly mention criticisms of neoclassical economics as foundational to environmental degradation and CE. Nevertheless, these mentions are brief and lack further discussion, which may lead to confusion among readers seeking a comprehensive discussion on mainstream economics' impact on CE.

Overall, this book is highly recommended for scholars, students, and policymakers seeking comprehensive resources on the potential and contributions of *Islāmic* finance to ecological issues. With its well-structured organization, the book provides a clear and systematic understanding of the circular economy, the role of *Islāmic* finance, and its implications in CE. Furthermore, this book serves as an essential reference for addressing the UN SDGs agenda.