



BOOK REVIEW

FUNDAMENTALS OF ISLAMIC BANKING

by Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah, Islamic Banking and Finance Institute Malaysia, 2011, 462 pp., ISBN 978-967-0149-17-2.

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This text book focuses on Islamic banking activities and financial instruments which are presently being used by Islamic financial institutions. This text book serves as a guide to those who are interested in knowing more about Islamic finance, its models, mechanisms and uniqueness, and the challenges and the possible solutions and opportunities that present itself to the players of the Islamic finance value chain. This text book also helps professionals and students to understand better a thriving alternative to conventional banking. In this book the authors give practical examples of how the Islamic system provides clear and useful alternatives for the emerging markets. Finally, the readers would become more aware and knowledgeable regarding Islamic banking operations after reading this book.

The text book is well-organized in nine chapters having an additional introduction in the beginning. In the introduction, the authors discuss briefly some misconceptions on the Islamic banking and finance by both Muslims and non-Muslims alike; for example, one misconception is that Islamic banks practise interest but call it by other name such as profit. Then there is very short discussion on *Sharī'ah*-based instruments and prohibition of *ribā* and benefits of Islamic philosophy and principles and the contribution of Islamic banking to the growth and development of the Malaysian economy.

Chapter 1 provides brief introduction regarding the overall Islamic Financial System. Chapter 2 illustrates the present trends in Islamic banking operations. Chapter 3 focuses on Islamic deposit products which usually constitute the largest proportion of the bank's total liability on its balance sheet. Chapter 4 deliberates on some

prominent Islamic wealth management products and services to manage customers' fund by constructing an efficient portfolio. Chapter 5 illustrates consumer banking which is the largest component of financing activities extended by the Islamic banking institutions. Chapter 6 discusses the commercial or corporate banking of Islamic banks which involves activities associated with capital and debt-raising, cash flow management, trade finance and various forms of working capital financing. Chapter 7 examines the Islamic bank's treasury which essentially functions like the human heart in ensuring that the inflow and outflow of funds are effectively and efficiently matched and balanced. Chapter 8 provides an introduction to the concepts related to risk. Chapter 9 aims at analyzing the challenges of realizing *Maqāṣid al-Sharī'ah* in the contemporary banking transactions particularly with respect to the operations and instruments.

As a whole, the book is easy to read and understand. It is well constructed, with excellent typography and quality explanation regarding Islamic banking and finance. Though this text book is well written, however it has some drawbacks too. This text book contains nine chapters, where five chapters are devoted to the Islamic banking product and services. This means two-third of the text book is used to describe this topic. From our point of view, the authors should incorporate other important topics regarding Islamic banking and finance which is mentioned in the following paragraph, to enrich the content of this book.

The authors do not mention any differences in terms of operation between Islamic banking and conventional banking. They should have highlighted at least some basic differences between Islamic and conventional banking. A major aim of this book should be a comparison of performance between Islamic banks and conventional banks. At least, two fundamental differences between these two forms of banking are related to financing techniques with or without interest usage and social objectives. In fact, the authors do not mention anything regarding this topic.

In addition, the Islamic banking and finance belongs to the realm of *Fiqh al-Mu'āmalāt* that is based on the guiding principles of Islamic contracts. It is very important to understand the principles of Islamic contracts properly but the authors provide very short description regarding essential *Sharī'ah* and *Fiqh* rulings in commercial contracts in the book.

This book also provides a very short introduction regarding the risk management of Islamic banks. Basically it highlighted the

types of risk that the Islamic banks are facing nowadays; however there is no specific guideline for banks on how to minimize the risk.

Consequently, Islamic banking can be a conduit for developing the small and medium-sized enterprise (SME) sector, which has always been an important component of the developing economy. In contrast conventional banks give more emphasis on SME nowadays. This book does not give an extensive explanation on Islamic banking and how it facilitates application to the SME sector.

After years of practicing the Islamic banking business, there are many cases on Islamic banking and finance reported in Malaysia. The observations in the reported cases show that most of the judges tend to rely more on the application of current banking law and practices instead of the underlying *Shari'ah* principles in deciding the Islamic banking issues. This approach should be highlighted in this book by discussing a few cases from Malaysia.

Islamic banking mechanisms are also structurally appropriate to be applied as financing tools for economic development activities and have the capacity to create additional value for economic development efforts. Islamic banking not only provides tangible support for the growth of the overall economic system, but also promotes equitable creation of wealth. If this topic is covered by the authors, this book becomes more informative.

Finally, despite all the limitations, we regard this text book as one of the good books for studying the fundamentals of Islamic banking. The book is well-written for those who want to know about the basics of Islamic banking and finance. This book can be used as a strong source of primary reference but if someone would like to go in-depth into Islamic banking and finance, then this book is not a right choice.