



## Book Review

### *An Introduction to Islamic Finance*

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The book *An introduction to Islamic Finance* by the renowned Pakistani scholar Mufti Muhammad Taqi Usmani is an indispensable reference in its field of scholarship. Even after twenty years, the book remains one of the gateways to Islamic finance despite the remarkable developments in industry and the predominant scholarly production.

The author remains a reference in the world of Islamic banking and finance. His writings are works of reference for researchers as well as practitioners. The choice of the presentation of this Book Review is partly based on the worldwide fame of its author in addition to the particular characteristics of this book that we will cite.

#### 1. Presentation of the Work

The book was completed on 9 June 1998, i.e. 04 rabīʿ al-awwal 1419H, as indicated at the end of the author's introduction, and was published several times in paper format:

- Karachi: Idara Isha'at-e-Diniyat (P) Ltd. (January 1st, 1999).
- Netherlands: Kluwer Law International (January 1st, 2001), in Arab and Islamic Laws Series.
- Karachi: Maktaba maʿāriful qur'an (2002).

The book has been translated and published in Urdu:

- *Islāmī binkārī kī yunādī*, translated by Muḥammad Zāhid, Fayṣal Abād: Maktabat al-ʿĀrifī, 1428H.

In addition, the book has just been translated and published in Arabic:

- *Muqaddima fī al-tamwīl al-islāmī*, translated by ʿUmar Aḥmad Kashkār, Damascus: Dār al-Rawād, 2019.

Finally, an electronic version of the book is available online on the author's official website<sup>1</sup>. This online publication makes the book accessible to the general public far from the geographical boundaries or logistical constraints that may stand against the acquisition of a paper version of the book<sup>2</sup>.

These different editions show the importance of this work, which remains a great classic in the field to this day. We have compared the electronic version with the last edited version, and we can confirm that the book has not been subject to any changes in substance. Only formal changes appear as a slightly different layout and a few spelling mistakes corrected.

#### 2. In the Content

This book, *An Introduction to Islamic Finance*, is not an original writing but rather a compilation of articles and conference papers as the author states in his introduction<sup>3</sup>. The author begins his work with an

<sup>1</sup> Available on the following link:

[https://muftitaqiusmani.com/en/books/PDF/An%20Introduction%20To%20Islamic%20Finance/An\\_Introduction%20to%20Islamic\\_Finance.pdf](https://muftitaqiusmani.com/en/books/PDF/An%20Introduction%20To%20Islamic%20Finance/An_Introduction%20to%20Islamic_Finance.pdf)

<sup>2</sup> In this paper we rely on the electronic version in the pagination of our references to facilitate the return of the readership of this paper to the author's developments.

<sup>3</sup> See p.7.

introductory chapter presenting the characteristics of Islamic economic thought, the relationship between the human, the divine and the money, and a critique of the capitalist economy<sup>4</sup>. He has taken care to cover all the contracts of Islamic finance, each with a dedicated article in order to produce this book. Each chapter dedicated to a contract explains its legal regime in classical Islamic law and its use and role in the Islamic banking, finance and insurance industry. One chapter is dedicated to Islamic funds and another to the principle of limited liability in Islamic law.

In our opinion, we thought it was more appropriate to add chapters dedicated to Islamic banking and Islamic insurance in order to cover the whole discipline in this book.

We thus note that the book is characterized by its legal dimension which is in fact the essential characteristic of Islamic finance. A student in finance, management, law or economics aiming to learn about Islamic finance needs this side of legal theory in order to understand the peculiarity of this sector. All the particular aspects of Islamic finance in all these sides (legal, accounting, financial) are based on the legal particularities of contracts in traditional Islamic law. This is why the dominant legal dimension of the book seems to us one of its major assets.

### 3. Writing Style

The language of the text is reasonably understandable and intended for the general public. A novice reader who is not familiar with the financial world would have no trouble accessing the substance of the text. This is an asset for this book as it meets the needs of the target audience.

However, we note that much of the development in the book corresponds to the form of oral discourse. The text is loaded by remarkable stylistic gaps. We find quite a few poorly composed passages and the majority of the sentences are long and weakly organized. It is common to encounter sentences exceeding one third of a page. It is possible that this deficiency is at the origin of the chapters of this book, i.e. conference papers intended to be presented orally. In any case, this deficiency had to be remedied as the book's various editions progressed.

### 4. Bibliography

In the official electronic version, the footnote numbering is continuous in each chapter and start over in the following chapter. This indicates the bibliographical independence between chapters of the book and reminds us that its origin is a compilation of articles and conference papers. In our opinion, it was more judicious to opt for a continuous enumeration for the whole document or an enumeration that starts again with each new page.

We also note that a bibliographical list is missing which lists down all the references mentioned by the author in his work. This is an important formal gap.

### 5. Miscellaneous remarks

We will quote a few remarks that we found there, although they are secondary. Some of them have to do with spelling, terminology or form.

Some quotes, mostly Qur'anic verses, prophetic *hadīths* or legal sayings, are produced in Arabic. However, the book is intended for the general public, mainly non-Arabic speakers, it makes more sense to translate them into English.

Among the spelling mistakes, we notice omitted letters or prepositions. In the majority of cases, these are simple mistakes that have no impact on the text. However, an omitted preposition changes the meaning, or even exposes the opposite of the intended meaning, in the following passage:

*Moreover, even though according to the principles of Islamic jurisprudence, borrowing on interest is a grave and sinful act, for which the borrower is responsible in the Hereafter; but, this sinful act does not render the whole business of the borrower as harâm or impermissible. The borrowed amount being recognized as owned by the borrower, anything purchased in exchange for that money is not unlawful. Therefore, the responsibility of committing a sinful act of borrowing on interest rests with the person who wilfully indulged in a transaction of interest, but this fact does render the whole business of a company as unlawful<sup>5</sup>.*

<sup>4</sup> pp.9-16.

<sup>5</sup> See p.143.

The idea outlined by the author explains that the unlawful act of lending at interest does not make the entire activity unlawful. The last sentence summarizes the idea, but the absence of a “not” has reversed the meaning. The original passage should be corrected by adding this word in square brackets as follows: “*but this fact does [not] render the whole business of a company as unlawful*”. Note that the latest paper version of the book does not contain this error<sup>6</sup>.

In the following passage, we also notice an imprecision in the text impacting the meaning:

*In some cases, the bank purchases the commodity from abroad at a price payable after three months or in different instalments, and sells the commodity to his client before he pays the full price to the supplier. Since he pays the price in dollars, its equivalent in Pakistani Rupees are not known at the time when the commodity is sold to the client*<sup>7</sup>.

The bank must be designated by the third person dedicated to things and not to humans, namely “it”. This error is repeated throughout this passage. The use of “he” results in mixing between the bank and the customer in this passage. In fact, it is the bank that pays the price in dollars, the sentence should be: “*Since [it] pays the price ...*”. Inattention in reading this very technical passage could easily lead the reader to misunderstand the meaning and the translator to a mistranslation with a misunderstanding. Another spelling mistake - not leading to misunderstanding - also exists in the previous passage. It was necessary to say, “*its client*” instead of “*his client*”, but it is clear that we are talking about the bank's client.

We also note the use of a terminological concept in a different sense from what it is known in the Islamic financial industry. The concept *ṣukūk* refers to Islamic financial securities representing underlying assets in a project, they are quite distinct from units in Islamic investment funds. However, the author has proposed to name Islamic fund securities by *ṣukūk*, which raises a terminological concern. The author says:

*“These certificates may preferably be called “ṣukūk”, a term recognized in the traditional Islamic jurisprudence”*<sup>8</sup>.

Even if the concept *ṣukūk* is recognized in the Islamic legal tradition and can be attributed to any title representing an asset, it cannot be admitted, nowadays, for any financial title compatible with *Sharīah*. Indeed, the said notion has a very precise terminological meaning and the *ṣukūk* have become financial securities *Sharīah* compliant representing a co-ownership of the underlying assets, the AAOIFI standard provides: “*certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity*”<sup>9</sup>. The author could avoid attributing this nomenclature to the shares of Islamic funds and did not need to enter into this terminological quarrel.

The author also presented a disputed and problematic solution. The late payment charges imposed on a contractor cannot benefit any of them, in particular the financial institution, but must be paid in charity. The charitable use of these funds must be ensured in scrupulous respect of the aforementioned standards. The author proposes in his developments to group the compensation for delay in a fund intended to finance people in need. He says:

*“The lessee may be asked to undertake that, if he fails to pay rent on its due date, he will pay certain amount to a charity. For this purpose the financier / lessor may maintain a charity fund where such amounts may be credited and disbursed for charitable purposes, including advancing interest-free loans to the needy persons”*<sup>10</sup>.

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<sup>6</sup> See the edited version of the book, (2002) Karachi: Maktaba ma‘āriful qur’an, p.207.

<sup>7</sup> See p.101, and in the edited version, p.144.

<sup>8</sup> See p.147 and in the edited version, p.213.

<sup>9</sup> See AAOIFI, AAOIFI Norms, Shari’ah Standard N No. (17): Investment Sukuk, art.2.

<sup>10</sup> See p.120.

However, this proposal is in our view a violation of the ban on taking advantage of late payment benefits. When the financier uses these allowances to finance the needy without compensation, he benefits directly from this activity in terms of marketing, relationships, and, indirectly in the economic benefit. Such a charitable purpose cannot be left to the management of the financial institution because it merges with its main activity of credit institution in the view of the public. This confusion still remains even if the announcement and communication take place under the name of this charity fund held by the bank<sup>11</sup>.

In the chapter dedicated to the contract of *Ijāra*, the author uses the term "*leasing*" as a translation of *Ijāra*. Thus, he uses this term to designate both leasing (civil law contract) and financial leasing (financing contract). We can understand the meaning well according to the context, but it was possible to use different notions for this. The author could use the term "leasing" exclusively to refer to the financing contract, and the term "rent" to refer to the lease. This kind of nuance is important in educational works for students and the general public.

We also thought it was more appropriate to add representative diagrams of each contract or funding arrangement to make the content more accessible to beginners. This brings the book closer to its intended audience.

## **6. Conclusion**

*An Introduction to Islamic Finance* is a great classic an introductory work to Islamic finance that we believe is indispensable for those wishing to learn about Islamic finance. The work is of high quality and has many strengths. Some of the shortcomings mentioned deserve to be corrected or remedied in the coming editions of the book without, however, touching on its importance. We proposed the addition of several elements: chapters on Islamic banking and Islamic insurance; explanatory diagrams. We think that a new edition taking into account the previous remarks will lead to a better formal presentation worthy of this high-quality work.

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<sup>11</sup> Note that Islamic banks use this practice.