



**Yasushi Suzuki and Mohammad Dulal Miah. *Dilemmas and Challenges in Islamic Finance: Looking at Equity and Microfinance***

New York: Routledge, 2018, 215 pages

Reviewer: Abdulkadir Wahab Aman

This book comprising three parts and eleven contributions and was first published in 2018 by Routledge. It is a collection of various works on a singular topic and is entitled “Dilemmas and Challenges in Islamic Finance: Looking at Equity and Microfinance”. The editors are Prof. Dr. Yasushi Suzuki and Associate Prof. Dr. Mohammad Dulal Miah. Prof. Suzuki is a Post-Keynesian economist by training, and professor of economics at Ritsumeikan Asia Pacific University, College of International Management whereas Associate Prof. Dulal is head of economics and finance department at the University of Nizwa in Oman. Even though the book is an edited work yet most of the articles in the book are authored by the two editors. The book addresses many recent and major issues in Islamic economics and finance; the concentration of services in *Murabaha* and its syndrome throughout the world, the critique on the comparison of *Riba* vs. interest, and *Gharar* vs. uncertainty, lack of emphasis on Islamic microfinance, the arguments on *Sukuk*, the emergence of Islamic venture capital and many others. Honestly speaking, the editors tried to support the development of Islamic banking products using concepts from classical and modern economics.

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## Aim

The book aims to address three major issues in the existing practice of Islamic banking and finance. The first part aims to elaborate on the dilemmas and challenges related to the prohibition of *Riba* and *Gharar* in Islamic banking and finance. The second part aims to bridge the gap on mechanism and options for participatory finance such as Islamic venture capital, *Sukuk*, and Islamic microfinance. In its last part, Part III, it tries to demonstrate the major challenges and dilemmas Islamic financial institutions are facing today.

## Interpretation

Even though the book has well-addressed the major and recent challenges and dilemmas in Islamic banking and finance, it has some limitations. In the first part, for example, editors tried to address the critique on the current interest rates and uncertainty. They discuss the claim that Islamic banks work technically same as conventional banks since Islamic banks also use interest and risks directly or indirectly. However, they disprove this claim by discussing how the Islamic views on interest and uncertainty are also supported by the heterodox views of Keynes and Marx. The issue of interest used by conventional banks and its prohibition in Islam are not discussed in the book. Besides, considering that it is an edited work, the book has a coherence problem. In part one; it addresses the issues of *Riba*, *Gharar* and then *Murabaha* and *Tawarruq* syndrome in detail. However, it confuses the reader when one starts to read about altruism and reciprocity in Islam in the next section of the book. Furthermore, the book has a structural difference across its sections. In some parts, it becomes very theoretical by dealing with various concepts of economics. In other sections, it presents case studies without any perceptible reason for their selection.

However, the suggestion they provided regarding the generally provided services by the Islamic banks is acceptable. They argue that the existing Islamic banks have no option other than concentrating on *Murabaha*. Since almost all major Islamic banks in the world are facing critical challenges in engaging in *Musharakah* and *Mudaraba* financing disqualifying *Murabaha* as the sharia-based (Islamic Law) product is illogical and may suggest that there is no Islamic bank in the world today. Besides, their argument about the elimination of Islamic microfinance from the literature and practices of Islamic banking is very realistic. They strongly argue that Islamic microfinance is ignored in the Islamic finance literature or is inadequately

given less emphasis. Even some notable theoretical works on Islamic microfinance have not been supplemented by empirical analyses.

## Context

The book has covered many topics considering its broad context. The editors provide various economic theories from the Keynesian to Institutional Economics to prove their arguments. From the heterodox economics perspective of exploitation, they conclude that the ideas of Keynes and Marx are compatible with the basic principles of Islamic finance i.e. the elimination of usury and uncertainty. They also discuss many dilemmas and challenges of the existing Islamic banking and finance system considering issues of shariah, management and administration or governance, national development, poverty reduction and so on. However, the current practice of profit-loss sharing is not well discussed as it is the central method in the Islamic banking practices. Discussing it well would make their arguments across all sections clearer.

## Silence

The book addresses the critics on the concentration of Islamic banking and finance on *Murabaha* and *Tawarruq*. It simply accepts that *Murabaha* is a shariah-compliant but not a shariah-based product. A little attention is given to this argument. Many counter-arguments, views and the explanations or *fetawas* can be provided on this issue. Similarly, the book strongly suggests Islamic microfinance and Islamic venture capital to expand in the Muslim world. Besides, it suggests a division of work or specialization in the profit-loss sharing approach of Islamic banks. However, nothing is said about the challenges and risks associated with Islamic microfinance, Islamic venture capital, and specialization in a wider context.

## Form

The flow of the sections is good because of their attempt to link the sections. They use simple and understandable language for the reader. They have also effectively gathered recent debatable issues in the sector. However, it would have been more fruitful if more attention was given to each topic. Even though the linkage of the sections is understandable, each topic could be a title of another book by itself.

## Sources

The book refers to miscellaneous material related to Islam in general, and Islamic finance and banking in particular. The major sources are mentioned in a very long list of books and articles. However, in some major issues, such as in the debate on *Riba*, *Gharar*, and acceptance of *Murabaha* as a sharia-compliant service, it would have been very convincing if the writers had referred to some additional *fatawas* rather than articles and books written by economists and practitioners.

## Background

Prof. Dr. Yasushi Suzuki, a leading editor and the co-writer of many sections, is well-engaged in the field of Islamic economics. He has authored tens of works on Islamic economics and related topics. Similarly, associate Prof. Dr. Mohammad Dulal Miah is a graduate of Ritsumeikan Asia Pacific University (Japan) where Professor Dr. Suzuki is lecturing. Dr. Dulal also has a lot of works on Islamic economics. The book seems to be a collection of their works done together.