

Mohammed Obaidullah

Islamic Financial Services

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Since the introduction of Islamic Financial Services and subsequent professionalization of the subject, there has always been a scarcity of reading material in the area and the author and the publishers, at the very outset, deserve compliments for fulfilling this gap by providing an authentic and timely subject material.

The book titled *Islamic Financial Services* by Mohammed Obaidullah has 17 chapters grouped into five parts. Each part deals with distinct subject matter and subsequent part is based on the previous one that has ensured the interest of readers. Part one deals with the introduction and justification of an Islamic Financial System. The second part dwells upon the products services of a conventional and Islamic Banking system. The third part is devoted to conventional insurance products and its Islamic alternatives. The fifth part talks about fund management in the conventional banking system and its Shariah compliance. Project Finance and its evaluation from an Islamic point of view too is a part of this section.

Perusal of the text, the subject matter and the presentation, suggests that the author has followed a very systematic style of presentation of the subject matter. In all the chapters, he has discussed the conventional products and services with which a reader is expected to be more familiar and then he has presented their Islamic alternatives that are in use. A very significant argument that goes in favour of the book is that the alternative products being offered as Islamic ones have been critically examined and the majority views have been given whether being Islamically approved or otherwise. This feature serves an important purpose, and that is the readers who are genuinely interested in dealing with Islamic financial products and services can easily differentiate between a genuine Islamic product and its disguised form.

Compared to a conventional book on the subject, the distinguishing feature of this book is the least reliance on data, facts and figures while dealing with the text and illustrations. Instead, the book heavily concentrates on conceptual foundations of the Islamic Financial Services. The data once outdated, makes the book obsolete while the conceptual foundations always remain with the readers and they can refer to the book as and when they wish. Another very important feature of the book that justifies the need of one more book in the area is that it offers a viable solution to enter into the financial services and other banking transactions that are fully Islamic and stand the test of Sharia. In the age of innovations in financial services, investors are often lured to new services with an expectation of higher profit at less risk. The advent of derivatives in various forms and other hedging instruments has attracted the investors. The conceptual clarity on these services from an Islamic point of view is the need of the hour and the book has just done that. Investors hardly could find, on their own, alternative profitable opportunities that are not only efficient but also *Sharia* compatible.

One very important argument that goes in favour of the book is that it has very successfully differentiated between genuine Islamic products and disguised ones. One often avails services as Islamic while in true sense when tested, it appears not to be so. The difference has been very clearly elaborated upon.

As it has been the case, the book highlights the superiority of Islamic products over conventional ones. The features that make a product unacceptable have also been nicely dealt with.

The presentation in the form of charts and figures adds to the worth of book and make the reading interesting and also simple to follow and retain. Whenever the concept of a product is given, the source and its website address too has been provided. A visit to the website provides much more than what the reader may be looking for.

The debate on any single issue, wherein the difference of opinion exists among the scholars on the Sharia aspect of a product, has been rightly avoided and the author has presented the consensus and the majority views. Perusal of each part of the book suggests that the book has been properly organized. The first part presents the background of concepts of ethics and mutual cooperation and their value in Islam and in business transactions. This sets the tone for further reading. The text also talks about the basics of a financial system irrespective of its being Islamic or otherwise. Without understanding the basics of a financial system, no financial service can be understood. The concepts such as: efficient market, information flow and cost of capital have been briefly explained. Once the reader becomes familiar with the financial system, a blueprint is then provided and the major norms covering the Islamic finance have been discussed. Required coverage has been given, through Qura'nic verses and *Ahadith* to justify that there is a need to understand a transaction allowed or forbidden in Islam.

Part II of the book, consisting of conventional products, includes more or less the services offered by a conventional bank. Two sides of a bank's balance sheet have been discussed. The discussion on terms such as deposits, saving certificates, bond funds, repurchase agreements, bank acceptance and so on make the reader at ease while reading the book as he is familiar with the terms. The discussion on more recent terms such as

derivatives, credit cards and options adds to the worth of book. However the provision of an actual balance sheet of a bank at the end of the book as annex would have been more helpful for the users.

Looking at the financing products (debts base – I) and the suggestions provided by the author in the form of various alternatives (pages 76-77), one is not very sure of the efficacy of these alternatives. For example the donation by the defaulters acts as deterrent but does not compensate the loser in any way. Same is the case with the alternatives from II to V as they are either not Sharia compliant or do not serve the purpose. The better alternative may emerge with the passage of time.

In part III, the insurance is the subject matter of discussion. While having due regards for the alternatives proposed, one can also think of each insured as an entity whose needs for insurance can be estimated in terms of units. The premium can be determined on the basis of units one wishes to get insured for and in case of losses, the claims can be settled in proportion to the units.

Part IV of the book discusses investment banking and financial engineering but a more comprehensive Sharia compatible alternative to investment banking were expected in this case, as the text coverage runs into only in one page and appears to be inadequate. The coverage on the second aspect of this part is excellent whenever the author has illustrated the losses and profits arising out of options, forwards, futures and swaps.

The text dealing with fund management and project finance in part V of the book deserves special mention as project finance is the extremely important component of banking and financial products. Various aspects associated with Islamic project finance, such as risk and return and problems in execution, have been clearly discussed and viable alternatives have been proposed. However the chapter lacks the information on evaluation of projects. The inclusion of methods would have necessitated the imaginary data on relevant inflows and outflows and that would have clearly identified the inflows being Islamic or otherwise.

Going through the book page by page, one observes that the book would certainly serve better if the author provides meaning of commonly used Arabic terms, in alphabetical order, at the beginning of the book. This would have enabled the readers to look for the meaning of equivalent with ease. Moreover the Arabic script, parallel to the English is more desirable. This would have removed a lot of confusion out of a large number of words.

Based on the critical analysis of the text, the subject matter and the presentation, a few suggestions may be given:

1. It would have been better if the passive form of sentences had been used such as “is to be learnt”, instead of “we shall learn”.
2. In spite of very careful proof reading still some typing errors are there. For example on page 58, in the model, negative has been written as “ e ative”, si ess (page

59), and oods, ank (page 98), ahrain onetary agen y (page 170, last line) and A tivity omesti ank (page 197). A very serious lapse on the part of proof reading is that the text on page 85 terminates abruptly leading to continuation to nowhere.

3. Wherever the superiority of Islamic products or services have been referred to, few references or surveys conducted in the area, would have authenticated the text (page 57). While dealing with promissory notes, cases on litigation and how they were settled, if cited, would have improved the text to a great deal (page 72).

On the whole, the book is an asset in the area of Islamic Finance and may Allah SWT bless the author with His choicest blessings and reward him for the work done.