

## **Book Review**

### **Fundamentals of Islamic Economics and Finance**

Authors: Hafiz Muhammad Yasin & Atiq-uz-Zafar Khan  
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Reviewed by: Muhammad Akram Khan

Islamic economics and finance is a nascent discipline. Since 1976 when the First Conference on Islamic Economics was held under the auspices of King Abdelaziz University at Makkah, it is merely four decades that serious efforts to transform Islamic economic teachings into a social science started. Since then a lot of progress has been made as is evident from the literature produced, conferences, workshops and seminars held, journals issued, and teaching of Islamic economics in various educational institutions around the globe. However, teachers and scholars always felt lack of standard teaching material, particularly, a text book, of Islamic economics which they could use for coaching purposes. The present book is a welcome effort. The authors have done a yeoman's job in producing this high-quality work.

The book consists of 18 chapters. The authors have included learning objectives, review questions and further readings in each chapter which have enhanced value of this work. Besides, the book is profusely illustrated with pictures, images, figures, graphics, tables, charts and boxes. These aids have made the book extremely easy to read. In each chapter, the authors present the content relating to conventional economics and then add the Islamic perspective to give a proper context to the Islamic position. The authors have, like all writers of text books, utilized the Islamic economic material which is generally accepted and have avoided discussion of controversial or minority points of view. Thus, they have presented a mainstream position of Islam on various economic issues. It is a remarkable effort and I shall like to congratulate the authors on this excellent work.

Having said that, I shall like to point out a few things which could enhance the value of this work further. The authors should have made it clear somewhere that the present effort consists mainly of Islamic economic teachings and not Islamic

economic theory. Economic theory is based on hypotheses, which make predictions under stated conditions and assumptions, and can be validated or falsified by empirical evidence or on rational basis. In absence of an ideal Islamic economy, the hypotheses of Islamic economics cannot be tested and transformed into a theory. That work has yet to start. The students should know about this limitation of the present work.

The authors think that although conventional economics claims to be a positive science, yet it has conceded ground to normative methodology. This is evident, the authors think, from the fact that the economists act as advisors and make suggestions for economic policy. Economics as a science has also adopted such subjects as economic development, poverty eradication, full employment, etc. as its research agenda. The authors need to appreciate that the economic theory is still a positive science. However, economists use the knowledge of economics for making policy suggestions. This is so about all knowledge, including physical sciences. That does not make these sciences normative. Arguing that Islamic economics is a normative science (as well as positive science) is confusing the issue. In our analysis, if we include the “should be” statements as our assumptions, we shall have to assume that all persons are following the ethical standards included in our assumptions at the maximum level. Obviously, such an assumption is unrealistic. I would suggest that the authors discard this stance and try to develop Islamic economics as a positive science. It would only enhance the prestige and value of this discipline and will not defeat the objective of the authors: transforming the present societies into Islamic societies.

The authors, while presenting the Islamic economic teachings, have religiously followed the orthodox position on various issues, although the present-day scenario has changed substantially. For example, on question of *nisāb* for *zakāh*, they have supported the mainstream religious position that the *nisāb* should be in terms of silver. This is followed in Pakistan these days. But let us see what it means. For example, the Islamic scholars determined in June 2017 that the *nisāb* for *zakāh* in Pakistan is Rs 38600. This amount can buy only a gold ring of 5 grams. Now this amount, in Pakistani currency is so small, that there will hardly be a person who does not have this much wealth. If that is so, everybody would be liable to pay *zakāh*. Who would receive it? The authors should have taken a more enlightened approach of relating Islamic economic teachings to the present situation.

Similarly, the authors have not rigorously developed the theory of interest. For example, in case of time value of money, they say that Islam supports it without facing questions arising from this stance. If Islam supports time value of money in

*murābahah*, why it negates it loans? If we accept time value of money how can we reject interest rate, which is justified on this very basis? How shall we appraise projects in absence of interest rate that is used for discounting values in cost-benefit analysis? In case of *murābahah*, if we accept higher price for credit sales as compared to cash sales, how can we condemn interest? What about discounting of bills? How to make credit cards acceptable? What to do about education finance and government borrowing? Similar questions arise from the prohibition of *ribā*. The authors should have discussed these issues. It would only expand the horizon of students' minds and encourage them think freely. These are only examples of what the authors could do better.

The authors have added several tables and annexes of data. In most cases, the data are old and dated. A book being published in 2016, and containing data of early years of 21<sup>st</sup> century or even 1990s does not give a good impression. I wish the authors had updated the tables before the book went to press. The book does not have an index for proper names and places. Even the subject index is quite sketchy. For such a voluminous book, a comprehensive index of names, places and subjects with sufficient details would be a great help to readers and researchers.

It seems that the authors have written this book for Muslim students only. Had they used a writing style which is comprehensible to non-Muslims as well, the utility of the book could increase. At least, they could add a glossary of terms.

The above criticism is not to discourage or discredit the good effort made by the authors. They deserve all the credit for producing this highly readable book. I salute their effort.

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