

EUROMONEY BOOKS

# ISLAMIC FINANCE

A Partnership for Growth



ABRAR  
GROUP INTERNATIONAL

# Contents

---

	Editor's note	xi
<i>Chapter 1</i>	<b>Introduction</b>	<b>1</b>
	The origins of Islam and its financial systems	3
	The discovery of oil and its consequences	6
	The four branches of the Islamic banking industry today	8
	Conclusion	12
<i>Chapter 2</i>	<b>The principles of Islamic finance</b>	<b>15</b>
	<i>Shari'ah law</i>	16
	<i>Riba</i>	16
	<i>Gharar</i>	22
	<i>Zakat</i>	23
	Misconceptions about Islamic finance	23
	Approaching Islamic finance	26
<i>Chapter 3</i>	<b>The techniques of Islamic finance</b>	<b>29</b>
	The role of the <i>Shari'ah</i> committee	29
	<i>Murabaha</i>	32
	<i>Musharakah</i>	34
	<i>Mudarabah</i>	36
	<i>Ijara</i>	39
	<i>Qard-Hasan</i>	41
	<i>Istisna</i>	42
	<i>Bai'salam</i>	43
	Islamic syndication	43
<i>Chapter 4</i>	<b>Islamic finance: banking partnerships</b>	<b>45</b>
	Citibank	49
	Dresdner Kleinwort Benson	51
	The United Bank of Kuwait	52
	ANZ Group Ltd	53
	ABN AMRO	54
	Goldman Sachs	55
	International cooperation and the Harvard Study	55
	Cooperation in action: the Equate Project	56

<i>Chapter 5</i>	<b>Islamic insurance</b>	<b>59</b>
	Insurance in Islamic history	59
	<i>Takaful</i> today	60
	<i>Takaful</i> in different parts of the Muslim world	61
	Problems and possible solutions	64
	<i>Takaful</i> in non-Muslim countries	66
<i>Chapter 6</i>	<b>Equity finance</b>	<b>69</b>
	The growing importance of equity finance in Muslim economies	70
	The global trend towards equity financing	73
	Employee participation	74
	Stock markets in Islamic economies	75
	The search for Islamically acceptable equity investment	76
	The problem of interest payments in equity investment	77
	The rise and rise of Islamic equity funds	78
	Islamic funds and ethical funds	83
	Equity investment and corporate governance	84
	The dilemma of derivatives	85
<i>Chapter 7</i>	<b>Project finance</b>	<b>89</b>
	Overview	89
	Potential and disappointment	90
	Hub Power and Equate	92
	Islamic project financing in Malaysia	93
<i>Chapter 8</i>	<b>Financial accounting and auditing considerations</b>	<b>97</b>
	The requirement for financial accounting standards	97
	The evolution of financial accounting and auditing standards	98
	The development of financial accounting standards and auditing standards	99
<i>Chapter 9</i>	<b>Legal aspects of Islamic banking and finance</b>	<b>111</b>
	Introduction	111
	<i>Murabaha</i>	113
	<i>Ijara</i> and <i>Ijara Wa-Iqtina</i>	123
	Creditor issues arising in a structured <i>Ijara Wa-Iqtina</i> financing	127
	Tax considerations	134

<i>Chapter 10</i>	<b>The global Islamic economy</b>	<b>141</b>
	Towards a definition of the global Islamic economy	142
	Islamic banking as a solution to regional economic problems	145
	The role of the central bank in an Islamic economy	149
	Relationship of non-Muslim central banks to Islamic finance	152
	Islamic banks and the ratings agencies	153
<i>Chapter 11</i>	<b>The Gulf and the Middle East</b>	<b>155</b>
	The hub of Islamic banking	155
	Bahrain	157
	Kuwait	163
	United Arab Emirates	168
	Saudi Arabia	169
	Qatar	174
	Oman	175
	The Islamic Republic of Iran	175
	Jordan	178
	Palestine	179
	Yemen	179
	Lebanon	180
<i>Chapter 12</i>	<b>Malaysia and South-East Asia</b>	<b>183</b>
	Islam in South-East Asia	183
	Background to the Malaysian Islamic banking industry	184
	The history of Islamic banking in Malaysia	185
	The growth of Islamic banking in Malaysia	186
	Islamic banking in Indonesia	193
	Potential elsewhere in East Asia	195
<i>Chapter 13</i>	<b>Pakistan</b>	<b>197</b>
	The 1960s and 1970s: corruption and social division	198
	The structure of the Pakistani banking industry today	200
	Islamic banking in Bangladesh	207
<i>Chapter 14</i>	<b>India</b>	<b>211</b>
	Islamic finance in India	212
<i>Chapter 15</i>	<b>Africa</b>	<b>215</b>
	Islam in Africa	215

Islamic banking in Africa 216  
Egypt – an early pioneer 217  
Sudan 220  
Nigeria 221  
South Africa 222

*Chapter 16* **Islamic economics in the United Kingdom –  
the challenges of co-existence 227**

The Muslim population in United Kingdom 227  
Financial services for the United Kingdom's  
Muslim population 229

*Chapter 17* **Islamic finance in continental Europe 235**

France 236  
Germany 236  
Turkey 237

*Chapter 18* **Islamic finance in North America 241**

Demand for Islamic finance in the United States 242  
Canada 245

*Chapter 19* **Conclusion 247**

Islamic banking as a financial market 247  
The problem of communication 251  
Prospects for Islamic finance 252

**The co-publishers 255**