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## Dr M: Islamic banking superior to Western kind

SINGAPORE: Tun Dr Mahathir Mohamad has blamed Western lending practices for the world's financial problems and hailed Islamic banking as a "superior" model.

Dr Mahathir said at a conference on Islamic finance here yesterday that the 2008 global financial crisis was sparked by excessive lending by Western banks.

Islamic banks, in contrast, are constrained because every deal needs to be backed by a real asset under the principles of Syariah law, he said.

"So if you make a comparison, the Islamic system is in many ways superior to the conventional banking system," said Dr Mahathir.

"The conventional banking system is much more open to abuse than the Islamic banking system," added the former prime minister, who steered Malaysia through the 1997 Asian financial crisis.

"So far, the Islamic banks have not been involved in the present crisis except those perhaps who dabble in the money markets in the West," he said.

Islamic banking fuses Syariah law with modern banking methods. Islamic funds are banned from investing in companies associated with tobacco, alcohol or gambling.

Syariah-based finance also bans interest, which is seen as usury, and risks are shared between the creditor and borrower.

"The conventional bank lends 30 times the amount of money they have but the Islamic bank, because they have to participate in taking the risk, will be much more careful," Dr Mahathir said.

He also attacked the Federal Reserve's controversial decision to pump an extra US\$600bil into the US economy.

"Do you think they have this money in their vault, US\$600 billion to be issued whenever someone needs money?" asked Dr Mahathir.

"No, they don't but they can give the money, US\$600bil, simply because they can create money."

On the prospects for Islamic finance, Dr Mahathir said the industry can grow further especially in South-East Asia. - AFP