

# Contents

---

<i>List of figures</i>	viii
<i>List of tables</i>	ix
<i>Preface</i>	x
<i>List of abbreviations</i>	xi
<i>Introduction</i>	xiii
1 Why Islamic finance?	1
1.1 Introduction	1
1.2 The origins	1
1.3 Digression: the Islamization of the financial system in Pakistan – a chequered history	6
1.4 Islam against the rest of the world?	7
1.5 Conclusions	10
2 Islamic law	12
2.1 Introduction	12
2.2 Primary and secondary sources of Islamic law	12
2.3 Law schools	18
2.4 How strict should one be in observing the <i>sharia</i> ?	21
2.5 Muslims among a non-Muslim majority	22
2.6 Conclusions	24
3 The Islamic economy	27
3.1 Introduction	27
3.2 Islamic economics	27
3.3 <i>Zakat</i>	31
3.4 <i>Riba</i>	36
3.5 Digression: the prohibition of interest in Christianity and Judaism and its modern echoes	44
3.6 <i>Gharar</i> and <i>maysir</i>	56

3.7	The economic order	60
3.8	Islamic criticisms of Islamic finance	61
3.9	Conclusions	66
4	Forms of Islamic finance	70
4.1	Introduction	70
4.2	PLS finance	71
4.3	Simple forms of non-PLS finance	75
4.4	More complex forms of finance	85
4.5	Legal issues	108
4.6	Conclusions	116
5	Islamic banks	119
5.1	Introduction	119
5.2	The liabilities of Islamic banks	119
5.3	Problems with Islamic assets	124
5.4	The practice of Islamic banking	134
5.5	Conclusions	145
6	Special sectors	149
6.1	Introduction	149
6.2	Insurance	149
6.3	Home finance	156
6.4	Investment	163
6.5	<i>Waqf</i>	169
6.6	Other funds and financing forms	171
6.7	Conclusions	176
7	Public finance, monetary policy and banking supervision	180
7.1	Introduction	180
7.2	Public finance	181
7.3	Monetary policy	183
7.4	Banking supervision	191
7.5	Conclusions	205
8	A tentative verdict and a question mark	207
8.1	Introduction	207

8.2	Islamic finance and economic development	207
8.3	The claims of Islamic finance	213
8.4	Unfinished business	218
8.5	Which direction from here?	222
<i>Appendices</i>		226
<i>A</i>	<i>The Quran on riba</i>	226
<i>B</i>	<i>The Quran on maysir</i>	227
<i>C</i>	<i>The Bible on interest</i>	227
<i>References</i>		230
<i>Glossary</i>		262
<i>Index</i>		267