

## BOOK REVIEWS

**HABIB AHMED, MEHMET ASUTAY, AND RODNEY WILSON, EDS.** *Islamic Banking and Financial Crisis: Reputation, Stability and Risks*. Edinburgh: Edinburgh University Press, 2014. x + 224 pages, illustrations, tables, figures, index. Cloth £70.00 ISBN 978-0-7486-4761-3.

*Islamic Banking and Financial Crisis*, edited by Habib Ahmed, Mehmet Asutay, and Rodney Wilson, definitely has merit. The book comes at a time when conventional financial institutions face stress and, in many instances, utter failure as a result of the 2008 global financial crisis. While the book is not designed primarily as a retrospective, it does offer an opportunity for reflection. Among the aims of the volume is to initiate the novice into the complexities of Islamic banking. The writing style throughout is both academic and graceful, and the contributors provide thoughtful contributions on some of the major themes in Islamic banking. Even those who are already well informed will appreciate this volume, which both retraces familiar issues and contributes much that is new. The inclusion of numerous tables, figures, and concrete examples throughout the book makes for a combination of clarity and vision.

The editors devote several pages at the beginning to outlining the scope of the volume. Do Islamic financial institutions perform better than their conventional counterparts during periods of financial stress? To what extent do systems for managing risk have to be adapted for Islamic financial institutions, given their unique characteristics and the need for shari‘a governance? The editors then explain the theory of Islamic banking and dissect it with critical comments of their own and from a broad range of writers.

The organization of *Islamic Banking and Financial Crisis* is exceptional. The first three chapters are devoted to established and common expositions of the purported core defects of conventional financial institutions. Chapter 4 is largely a comparative assessment of the relative strengths and weaknesses of Islamic and conventional financial institutions. The four middle chapters focus on risk management in the Islamic financial industry, which constitutes

the most established and formidable argument for the soundness of Islamic finance. These chapters critically evaluate substantive risk-management policies and probe their use in Islamic financial institutions. The closing chapters are interesting and provocative, and bring together important themes for future research on Islamic finance. In particular, these chapters provide an excellent springboard for a better understanding of the resilience of Islamic financial institutions. For example, chapter 10 emphasizes the actual process of shari'ah reporting, which contributes to resilience by ensuring that all transactions conform to shari'ah principles. The shari'ah report is very important as an endorsement of compliance with shari'ah principles and is a crucial means by which the general public finds information about the extent to which services and products of Islamic finance institutions meet the shari'ah requirement.

It is the combination of the earlier reviews with the remaining chapters that gives the book a fresh scheme of organization as well as methodology. All of the chapters mesh quite well. The legal foundation provided by the earlier chapters allows the reader to understand more fully the subsequent examinations of particular activities of Islamic financial institutions.

This is unquestionably a fine book, yet there are still a few omissions that could be addressed in future editions. The volume's target audiences include researchers and graduate students. Academics could assign the book for a course on Islamic finance, but it would have to be a course for advanced students because there is no discussion of basic material relating to the subtopics of Islamic finance such as the prohibition of interest, the requirement of risk sharing, and even the main instruments of Islamic finance (*murabaha*, *musharaka*, *mudaraba*). In addition, for a book that consistently offers readers cogent discussions of up-to-date issues and cases, it surprisingly omits consideration of one of the most important recent developments in Islamic finance—*sukuk*. The fact that the government in the U.K. has implemented schemes for *sukuk* receives little attention from the editors and contributors. Omitting consideration of such an important issue is a missed opportunity. Nevertheless, the contributions in the book provide the reader with useful intelligence on how the Islamic finance industry works and a context for understanding its role in the recent financial crisis. ✎

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Bashar Malkawi  
University of Sharjah