Islamic Finance

Principles and Practice Second Edition

Hans Visser

Professor Emeritus of Money and Banking and International Economics, Faculty of Economics and Business Administration, VU University, Amsterdam, the Netherlands

Edward Elgar

Cheltenham, UK • Northampton, MA, USA

Contents

List of figures, tables and boxes			vii	
Pre	Preface			
List of abbreviations				
Introduction				
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	Sources of Islamiclaw			
	2.1	Introduction	12	
	2.2	Primary and secondary sources	12	
	2.3	Law schools	17	
	2.4	How strict should one be in observing the sharial	21	
	2.5	Muslims among a non-Muslim majority	24	
	2.6	Conclusions	26	
3	The Islamic economy			
	3.1	Introduction	29	
	3.2	Zakat	31	
		Riba	36	
	3.4	Digression: the prohibition of interest in Christianity and Judaism	44	
	3.5	Gharar and maysir	52	
	3.6	•	55	
	3.7		56	
		Conclusions	58	
4	Forms of Islamic finance			
	4.1	Introduction	61	
	4.2	PLS finance	62	
	43	Simple forms of non-PLS finance	66	

VI Contents

	4.4 4.5 4.6	More complex forms of finance Legal issues Conclusions	75 94 101
5	Islar	nic banks	104
	5.1	Introduction	104
	5.2		104
		Problems with Islamic assets	108
	5.4 5.5	The practice of Islamic banking Conclusions	117 126
6			
		Later de etien	128
		Introduction	128
		Insurance	128
		Home finance	134
		Investment	142
	6.5	Conclusions	153
7	Pub	lic finance and the monetary authorities	156
	7.1	Introduction	156
	7.2	Public finance	157
	7.3	Monetary policy	159
	7.4	Supervision of the financial sector	164
	7.5	Conclusions	169
8	Islamic finance: a tentative verdict		171
	8.1	Introduction	171
	8.2	Pros and cons in comparison with conventional finance	171
	8.3	The demand for Islamic financial products	180
	8.4	Islamic finance: hopes fulfilled?	182
	8.5	Final verdict	184
	8.6	A postscript	185
An	pendi	ces	187
<i>F</i> .	A	The Quran on riba	187
	В	The Quran on maysir	188
	C	The Bible on interest	188
Re	References		
	·		
	Glossary Index		