

significantly the domestic investment and attract capital inflow from Muslim majority countries. In addition, Islamic banking and financial contracts are treated as buying and selling properties and hence are taxed twice. In UK and Singapore this has been abolished, so Australia could follow, although, this was discussed slightly by the author.

The book has many interesting findings such as the positive relationship between interest rate and business bankruptcy; huge demand of PLS among small business firms in Australia as an indicator of “natural path” of doing business rather interest-based loan dominated arrangement; the need for knowledge sharing to speed up the theory and practice of Islamic finance across the globe; the emphasis on business skills and development as a way to mitigate risk from entrepreneurs rather than just shifting the business risk on third party among others. In fact, Australian monetary authority could learn from Britain Financial Services Board’s policy of non-discriminatory regime whereby it provides, as stated by Kettell (2011, p. 93) “a level playing field” in dealing with applications from conventional and Islamic firms. The book has achieved its objective and is worth reading by scholars and practitioners in the area of Islamic banking and finance.

References

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Islamic banking and finance in South-east Asia : Its development and future (3rd edition). By Angelo M Venardos, Asia- Pacific Business Series- Vol. 6, World Scientific Publishing Co. Pte. Ltd., 2012. ISBN-13 : 978-981-4350-42-6 (pbk), pp. 235

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In the preface to the 3rd edition published in 2012, Angelo M Venardos has clarified that this book focuses largely on the development of Islamic Banking and Finance in the South-East Asian context and does not contain the technical and philosophical parts of Islamic Banking and Finance. This book was one of the first few books on the subject in South-East Asia published in 2005. Venardos - a non-Muslim and a banker by training -

has contributed significantly in the industry through his scholarship, exchanging experience he has gained over the last 4 decades as a corporate finance lawyer, and witnessing many of the major developments in the financial services market in Singapore and South-East Asia. The book has been well received by the readers. It has been translated into Arabic by King Saud University, Saudi Arabia.

The book is organized into 14 chapters. In the introduction, the author discusses briefly the key features and principles of Islamic banks that distinguishes it from any other conventional bank, responses of non-Muslims to the Islamic finance, socially responsible future of Islamic banking and finance as an important new opportunity for growth and development of an economy, and development of Islamic banking and finance around the world in general and in South-East Asia in particular covering the experiences of Malaysia, Indonesia, and Brunei Darussalam. Chapter one provides a brief account of the Islamic history covering an introduction to the Qur'an, the five principles of Islam, the mosque, Muhammad and the origins, spread, golden age, decline and fall of Islamic civilization. This is followed by a discussion of topics like the revival of fortunes, middle-eastern oil issue, Islamic nationhood in the late twentieth century, the Iranian revolution and aftermath, and Islamic banking and Islamic revival.

Chapters two and three are an anthology of laws pertaining to Islamic banking and finance. Chapter two discusses *Shari'ah law and Islamic jurisprudence* featuring the obligatory and forbidden aspects in Islam, interrelationship among the *Qur'an*, the *Sunnah*, and the *Hadith*, the five major schools of Islamic law, classical Islamic jurisprudence and the process for ascertaining the law, the concept of *fatwa*, scholasticism and the formulation of doctrine, *Ijtihad*, and *Shari'ah* and state law in the modern era; and later discusses on Islamic commercial law covering a close historical connection between Islam and commerce, prohibition of interest and its rationale, treatments of deposits with interest, profit and loss sharing, profit-sharing enterprises, Islamic contract law and types of contract, Islamic finance in contemporary setting, and the problem of uncertainty (*gharar*).

Chapter four introduces Islamic financial products both from Islamic equity-financing and debt-financing side while former includes profit-sharing contracts (*uqud al-ishtirak*) of Trustee profit-sharing (*al-mudharabah*), Joint-venture profit-sharing (*al-musharakah*) and other similar contracts and latter includes financing the acquisition of assets through deferred installment sales (*Al-Bai Bithaman Ajil*), financing the use of services of an asset through leasing (*al-Ijara*), fee-based syndication services (*Al-Ujr*), Letters of Credit: deferred lump-sum sales or cost plus (*Al-Murabaha*), financing working capital : deferred lump-sum sales or cost plus (*Al-Murabaha*), financing the acquisition of assets in the future : forward purchase (*Salam*), and lending without interest such as benevolent loan (*al-qard al-hasan*). Moreover, there are three methods of Islamic debt securities which are debt-based financial instruments: Firstly, Deferred Contracts of

Exchange (*Al-Bai Bithaman Ajil*), deferred sales (*Bai Al-Murabaha*), and leasing (*al-Ijara*); secondly, loans i.e., benevolent loans (*al-qard al-hasan*); and thirdly, refinancing of Assets i.e., *Bai al-Inah*, and debt financing (*Bai al-dayn*). Apart from discussing the Islamic financial products, it also gives an account on the emergence of Islamic banking, goals of Islamic banking, rationale of the permissibility of investment products under Islamic *shari'ah* law, *Shari'ah* investment principles, equity-financing and debt-financing in pre-Islamic Arab society, and Islamic insurance.

Chapter five deals with the issues and challenges of Islamic banking in contemporary times. It discusses several obstacles to the application of Islamic law to present day banking including : derivation from revealed sources, methodological differences, pluralism of *fatwabs*, the problem of applying Islamic law in a western legal environment, accounting and corporate regulatory practices, depositors and regulators, regulators' concerns, legal challenges, developing an efficient regulatory framework, special requirements of Islamic banking, assessment and management of Investment risks, proposals for a regulatory framework for Islamic banking.

Chapter six examines the advents of Islam in South-east Asia, the European rivalries, colonization, and the road to independence. New world order in post-independent Philippines, Indonesia, Malaysia and Brunei and Islam in South-east Asia are discussed as well. Chapter seven deals with Colonial Legacies: Islam and State Law in South-east Asia. This chapter gives a historical note on law in British Malaya, and the introduction of English common law to Malaya. Then, it discusses the Muslim law and its conflict with English common law. Finally, post-independent Malaysian law is discussed.

The development of Islamic banking in Malaysia, Indonesia, Brunei, and Singapore are discussed in chapters eight, nine, 11 and 12 respectively. Each chapter deals with the jurisdiction of Islamic banking and finance, key Islamic banking legislation, and financial industry in respective countries. Chapter 10 provides a case study on Labuan as a growing niche in Islamic finance. This chapter talks about the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA), currency and exchange control and tax incentives of Labuan Offshore companies, Islamic finance (*sukuk*, *takaful/retakaful*) in Labuan.

Chapter 13, dealing with Islamic succession planning, is a new topic added in this 3rd edition. Here, the author argues that while Islamic banking is generally about accumulating and managing wealth, Islamic succession planning is about the distribution of one's wealth upon death in the form of *waqf*, *wasiat*, and *hibah*. Finally, he argues that Malaysia is the most developed marketplace in South East Asia in the provision of Islamic succession planning citing the contributions made by CIMB, Maybank Islamic and Bank Islam Trust Company (Labuan) Ltd.

Chapter 14 concludes the book where he raises a question whether Islamic financial system is truly strong enough to be resilient during major crises such as the subprime

crisis and provides affirmative answer from *shari'ah* perspective saying that Islamic finance does not deal with interest and is closely linked to the real sector. He also summarizes Islamic Financial Services Board (IFSB) response in this regard through setting standards for Islamic Financial Services Industry (IFSI). Furthermore, he highlights *Shari'ah* innovation in the development of Islamic financial products and developing the Islamic financial infrastructure that supports the risk management and governance of Islamic financial institutions as the two major strategies that can strengthen the resilience of the Islamic financial system during crises. Finally, he praises the leading regulatory authorities IFSB and central banks of South East Asia for their contributions to long-term sustainability of Islamic Banking and Finance in South-East Asia.

Several observations, however, are in order. Though the book has 14 chapters, only five (chapters 8 to chapter 12) are devoted to the theme highlighted in the title of the book. It means that two-thirds of the book is very general and is not the major concern of the book. Chapter one covers a brief history of Islam in two paragraphs which is inadequate. This chapter could have been omitted without affecting the logical flow of the book. Chapters two and three are also relatively short without doing justice to the Islamic law. Though Chapter five is well written featuring issues and challenges of Islamic banking today, it only covers the legal and regulatory aspects. The author should have focused on how far Islamic banking deviates from its genuine practices and finding out the causes which are the most pressing challenges of Islamic banking today and needs to be answered in a manner that leads to genuine Islamization. Chapters six and seven, dealing with Islam and the impact of colonial legacies on Islam and state law in South-East Asia, needs re-positioning and merging it with beginning chapters.

Despite the limitations, the book will be of benefit to those who want to know about the development of Islamic financial institutions in the South-East Asian countries generally. This book may be a source of primary reference but must be supplemented with other books to gain a deeper understanding on the issues of Islamic banking and finance.