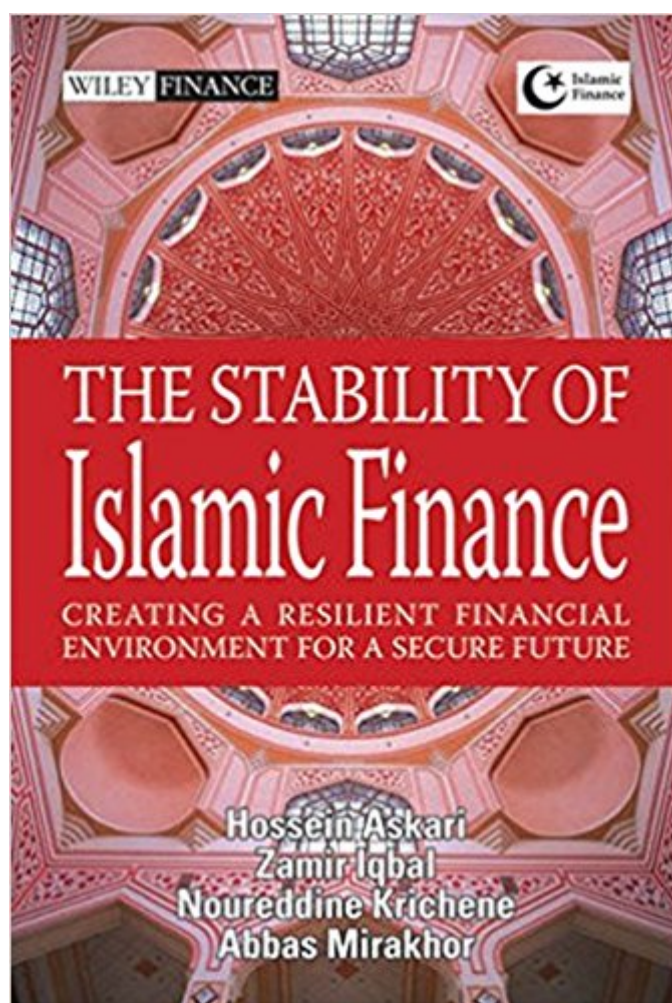


The book was found

The Stability Of Islamic Finance: Creating A Resilient Financial Environment For A Secure Future (Wiley Finance)



Synopsis

The Stability of Islamic Finance main focus is on the question of the sources of financial instability which seems inherent in the conventional system. As a core component of this focus, the book will consider episodes of turbulence and instability in a historical context recalling the occurrence of such events from mid-19th century to the present. It will present various theoretical explanations along with solutions and alternative financial systems that avoid instability provided by various scholars dating back to mid-19th century to present. The book then will present and discuss the architecture of an Islamic financial system and show that at its core, this system shares many characteristics of an stable financial system proposed by Western scholars throughout history to avoid the inherent instability of the present dominant system. Particular emphasis will be placed on the present financial crisis and its causes as well the financial crisis of the 1997 in Southeast Asia, Russia, and Latin America relating these episodes to the fundamental features of the dominant system. The debt crisis of the low income countries will also be part of this discussion. It will then argue that these crises could be mitigated under an Islamic system or any other system with similar architecture.

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Customer Reviews

The financial crisis that struck in 2007 crippled the global financial system and made financial stability a global priority. The crisis also exposed several vulnerabilities of the conventional financial system stemming from high leveraging, complexity of transactions and instruments, and disconnect

between the real and financial sector. In this path-breaking book, the authors develop an analytical case for the inherent stability of an Islamic financial system, a system that is based on equity financing and risk sharing. Conventional banks are exposed to credit and interest-rate risk and may face problems of liquidity. In order to maintain their payments, rediscounting and borrowing from the central bank become pillars for their smooth operation. Central banks create money out of thin air and support a rapid expansion of credit that exposes banks to systemic risks, in the form of a general collapse of asset prices or widespread default in subprime markets. In Islamic finance, banks do not have or cause any asset-liability mismatch and are thus not dependent on central bank financing. In conventional finance, instability is not contained. What starts as a crisis in one country becomes global through the transmission of interest rates, hedging and speculating using interest rate swaps, capital flows, and cross-border acquisition of toxic assets and credit default swaps. The flow of debt across borders facilitates the transmission of financial instability across countries. Equity flows, on the other hand, are more long-term and stable. The authors make a convincing case for the world to shed its reliance on debt, interest and leveraging, and revamp the global financial system to rely more heavily on equity and risk sharing, the foundation of an Islamic financial system.

This new book by a group of four Western-trained Islamic economists is greatly welcomed. It builds on and extends their earlier work on the topic and will become essential reading for all those with an interest in the economic implications of Islamic finance. The *Stability of Islamic Finance* develops themes that link Islamic finance to existing traditions in economics; that assess the stability properties of Islamic financial instruments, and that explain some of the key Islamic concepts in economists' terms. It will be an invaluable source for those who want to know more about the nature of the financial instruments that go to make up an Islamic financial system, and to understand how an Islamic financial system might work in a twenty-first century context. It is a provocative and insightful assessment of the economic properties of Islamic finance that deserves to be read and reflected on by Islamic and non-Islamic economists alike. Sir Andrew Crockett President, JPMorgan Chase International Former General Manager, The Bank for International Settlements (BIS) In recent years, Islamic finance has evolved from a tiny "cottage" industry to an increasingly important and respected component of global finance. The industry has developed common standards and practices, and has attracted the interest of issuers and investors outside the Muslim community. Yet, its economics and implications for financial stability are generally not well understood. The authors make an important contribution to our understanding of the industry by linking its

foundations not only to the teachings of Islam, but also to classical Western economic thought. The authors also provide a convincing analysis of the structural weaknesses of conventional finance, and of the role of monetary policy in causing misallocation of resources and boom-and-bust cycles. In the process, they make a case for the inherent stability and efficiency of Islamic finance. The book is scholarly, insightful, original in scope and highly readable. Cesare Calari Managing Director, Wolfensohn Capital Partners Former Vice President, Finance, The World Bank The authors have written numerous books and articles on Islamic finance between them, and they bring a wealth of knowledge and experience to the topic. The Stability of Islamic Finance is an important contribution to the discussion of the Islamic finance industry as a whole and its place in broader efforts to reduce the volatility of global financial markets. Ms. Dr. Shamshad Akhtar Vice President, Middle East and North Africa, The World Bank The authors, whose academic credentials and practical experience are enviable, need to be heartily complimented for making another worthwhile contribution to the literature on Islamic economics and finance. They have convincingly shown in this valuable book how Islamic finance can help the international community avoid the severe financial crises of the kind in which it is currently embroiled. The timing of the book is perfect and those who read the book will not fail to realize that they have used their precious time in a highly productive manner. Dr. Umer Chapra Formerly Senior Economic Adviser, Saudi Arabian Monetary Agency Research Adviser, Islamic Research and Training Institute, Islamic Development Bank The Stability of Islamic Finance is not only timely but extremely relevant. At a time the world is asking questions on how we can avoid the next crisis and whether there are alternatives to the current system, which promotes increasingly damaging boom-bust cycles, the book provides answers to these and more. It gives us hope in that things can be better and we need not be held hostage to the present system which promotes greed, inequality, excessive consumption and the rapid deterioration of the environment. If policy makers are serious about addressing these issues and seek a change for the better, they should read The Stability of Islamic Finance. Sani Hamid Director, Wealth Management, Financial Alliance (Singapore) Former Director, Sovereign & International Public Finance Ratings, Standard & Poor

if you want an overview of the state of Islamic finance, and learn an argument for, as the title states, the stability of Islamic finance, then this is worth a read. The authors are all academics or officials, so they tend to a liberal view of what constitutes Islamic finance, something of a problem since there is a sort of "geography of Islamic finance" with some regions more liberal than others. Ibraham Warde has a free book I'd recommend on the topic, google

2000-Ibrahim-Warde-Islamic-finance-in-the-global-economy-Edinburgh-University-Press and you'll find a download. A Muslim once told me most of what is passing for Islamic finance is "pork labelled beef." Pithy that. What is needed is a tighter definition of Islamic finance and a demonstration it is a superior polity. The Church seems to have thrown in the towel, so it is up to Islam to make the case, or at least, they are in a position to do so. But hard-core Shariah compliant finance is a tough sell nowadays.

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