

Book Review

Participatory Finance through Investment Banks and Commercial Banks:

By: A.L.M. Abdul Gafoor:

Published By: Aptech Publication
Barkenlaan, 75
9741 JL Groningen
The Netherlands

Year of Publication: 1996 p.p. 100

This hundred page book begins with the holy verses of the Glorious Quran quoted from different chapters on the subject of alms, usury, spending, duty towards Allah (SWT) and consequences for perpetrators, two *Hadith* from *Sahih Muslim* are also quoted on *Riba*.

The book is divided in to six chapters; the first begins with the hypotheses, the schemes and a brief introduction of the following chapters. The second chapter deals with the model of Participatory Financing, which is also the title of the book, in the next chapter the model is developed to test it through Investment Bank and Commercial Bank on account of their different characteristics. Chapter four covers financing projects through Participatory Financing by commercial banks and its importance and relevance to Muslims especially in developing country. Effects of inflation on Participatory Financing are discussed in chapter five. The last chapter gives a summary and conclusion.

The mathematical relation ships among different variables are derived and presented in Appendix A followed by Appendix B which describes Banking terms and processes, those not having much knowledge of banking terms should go first on this appendix. Appendix C gives definition and explanation of terms used during the discussion on Participatory Financing. Some important works of other authors are mentioned in a brief bibliography, at the end few pages are devoted to index.

The author develops his model with the assumption that all wealth is kept in the form of cash, which is either used for immediate consumption or left for future consumption (saving). A person having unused money can go for three options depending upon the purpose or objective of the holder; keeping it safe, lending it or investing it. A person whose objective is to keep his money safe and readily available for any of his future requirements will go for the first option; keeping with himself, with some body he relies or with the current account of the bank. Second option would be enjoyed by the person whose objective is to keep his money safe and also to earn some profit or interest on it by lending it to some reliable person or keeping it in the saving account of the bank. A person whose aim is to earn profit would use third option, he will invest the money in some business or project or in the banks as fixed deposit. Author argues all the options since depend upon the objective would be dealt accordingly, first would invoke Zakah, second is subject to Riba and therefore completely prohibited and the third would come under the Shariah rule of commerce and Riba as well.

All the three options an their economic implications are discussed in detail by the author in the following chapters and subsequently a model is developed where a person can fulfill his objectives by simultaneously earning some profit or income without contravening any Shariah rule. As the book proceeds some complex issues like credit creation and inflation has also been discussed. The novel idea of this book is the attempt to use the credit creation power of the commercial banks to the national and community development.

By: Shariq Nisar, Joint Editor, Islamic Economics Bulletin Published by Indian Association For Islamic Economics (IAFIE), India.