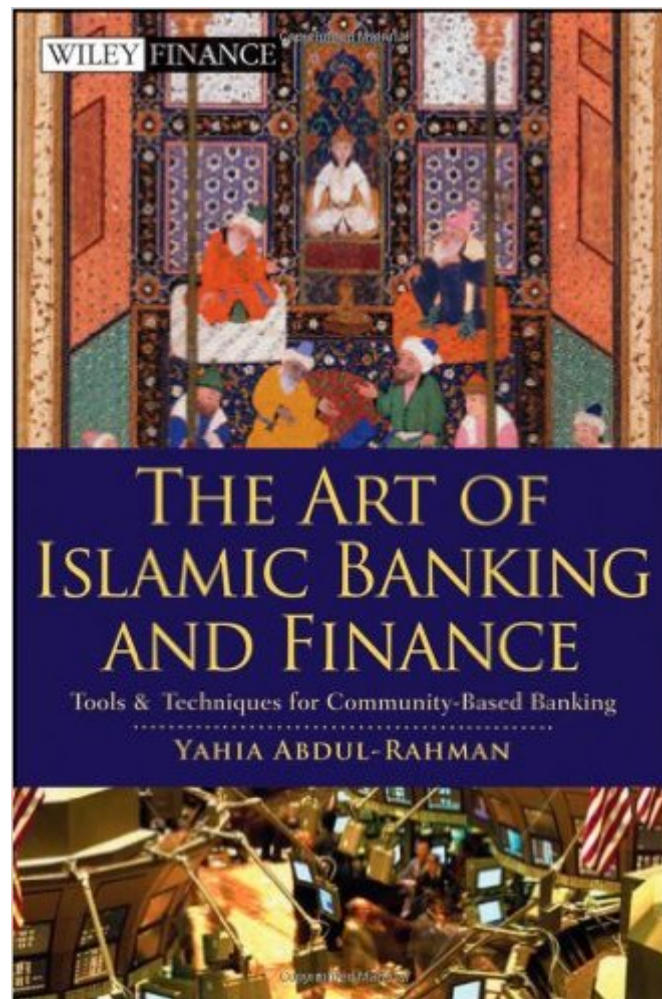


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# The Art Of Islamic Banking And Finance: Tools And Techniques For Community-Based Banking



## **Synopsis**

A detailed look at the fast-growing field of Islamic banking and finance. *The Art of Islamic Banking and Finance* is a modern American take on what it means to incorporate Islamic finance principles into everyday banking and investment techniques by introducing a new brand of banking for all people of all faiths: The Riba-Free (RF) banking. The author is considered the father of RF (Islamic) banking in America. He has been a banker and an Imam/scholar for over 40 years in America since 1968. He started the tedious process with a finance company, LARIBA, in Pasadena, California in 1987. This is the first book ever in the field to trace the origins of prohibiting the renting of money at a price called interest rate and over-indulging in debt. The book reviews in great details the theological foundations of prohibiting interest in the Jewish Bible, the Christian Bible, and the Qur'aan. The author then discusses money and how fiat money is created, the role of the Federal Reserve, and the banking system in America. The book also discusses for the first time ever how to include an important aspect of RF (Islamic) finance using commodity indexation and marking the items to be financed to market in order to avoid participating in economic "bubbles." The author discusses how these rules work, how they affect consumer behavior, and how they change the role of the banker/financier. Covers a new pioneering model that is based on the Law (Shari'aa) and how it is applied in every transaction from joint ventures and portfolio management to home mortgages and personal financing. Shows how to incorporate the Law (Shari'aa) into American financing and banking systems. Points to RF (Islamic) finance and banking as a way to emphasize socially responsible investing. *The Art of Islamic Banking and Finance* also includes a discussion on the emergence of a culture of RF (Islamic) banking and finance today, which is based on the real Judeo-Christian-Islamic spirit and very effective when compared to twentieth-century models that use financial engineering and structuring techniques to circumvent the Law (Shari'aa). The book also includes case studies based on the actual experience of the author and detailed analysis of the superior results realized by applying this new brand of banking to financing.

## **Book Information**

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## Customer Reviews

This book is the art of the author Yahya Abdulrahman's Finance not Islamic Finance. This book is about the author's experience who tries to establish an Islamic finance in the U.S.A and in the world. Unfortunately he hasn't achieved the goal yet. You can see from the experience of the author how many challenges he has faced how much he struggled in order to reach what he reached. At the present time as of 4/16/2010 the author owns Lariba Finance House which deals with usury (interests/Riba). The only thing he has done is, calling usury "implied interest" or change the name of usury to something else. All other core practices in his lending practices are still the same. He even promotes conventional credit cards through his bank where he advises the people to pay bill on time in order to avoid usury. These are weak solutions and not accepted by the people who know what usury is. So far he hasn't reached what conforms with Islamic finance yet. The author presents his point of view more than that of what the Islamic finance conforms to. The author is not able to define what the meaning of interest in his book is, if it's usury or not. The author doesn't show co-operative work of other people's inputs towards a usury free financing system. All of him self. He needs more education and team work with other educated people who know what usury is and who know how to place a practical contract that conforms with financing that doesn't have USURY. The author tries hard to place his experience to the people who like to establish a usury free finance in order to move on and not make mistakes as he did. He shows the reader what it takes and what to do in case they would like to open a bank in the United States. He also provides information about banking regulations, and other financing regulation in the U.S.A. The reader will have data and names of some of the major players in the Islamic finance. This is what the book is truly about.

Having just finished reading the book, and being someone from a non Islamic religious background, I felt compelled to write my own review in order to add a different perspective. The overwhelming focus of the book is to not just on satisfying the letter of Shari'aa law, but by satisfying its spirit in a manner that anyone from the Judaeo-Christian-Islamic value system should be able to and agree

with. This is done in the following ways:..1. Changing the culture of banking and finance in a way that treats customers both with fairness and honesty, and is healthier for financial institutions over the long term. While different faith's may have slightly different understandings of what constitutes usury, they all agree that taking advantage of the consumer's lack of banking sophistication to make a short term profit is unethical. Not only is it likely the consumer will find himself with a loan he can't afford, the financial institution is now servicing a loan that's likely to default. This way of conducting business makes little sense to either party. The author discusses in great detail the importance of changing the culture of banking in the United States and methods of doing so..2. The author outlines an approach to determining if the loan makes economic sense (through commodity indexing and marking the investment to the market as described in the book) as an investment in order to prevent the consumer or the financial institution from participating in a real estate bubble that might harm both parties. The riba free system detailed in the book is the only one I am aware of that would actually turn down a loan even if the customer had good credit and the income to make the monthly payments because the financial institution felt the investment was bad for the customer. Again demonstrating a culture that both protects the customer and the long term health of the financial institution..3. The book also describes in detail how the riba free system works in practice with the success of both American Finance House LARIBA, a mortgage company operating Riba Free in Pasadena California since 1987, and the Bank of Whittier, NA which is also in California. During the current economic crisis, when most major banks and mortgage companies are suffering serious losses and many are closing their doors, the Bank of Whittier, NA and American Finance House LARIBA have come through in positions of strength with positive income statements..What I learned from reading The Art of Islamic Banking and Finance is simply this, that Yahia Abdul-Rahman's riba free system is fair, it is ethical, and it works. The financial system in the United States would be better off today and in the future if it put many of this book's principles into practice. I strongly recommend it to all people of all faiths.

This is a comprehensive book that covers much more than is indicated in its title. The book is excellent for anyone wanting to understand not only how Islamic banking works but also how the whole Federal Reserve System and banking in general works in America. The author shows how small, community-based banks working on socially responsible principles with the deliberate aim of community development can play an important role of meeting the financing needs of communities in ways superior to impersonal mega-banks. The book is focused on practical aspects of banking and finance - the day-to-day running of banks and how an interest-free banking operation can

function in the United States. This is a very good read for anyone interested in Islamic Banking but also finance in general. As the author clearly shows, Islamic banking is rooted in Judaic and Christian financial principles and the book provides an account that would be welcome by any socially responsible person interested in how banking and finance could be reformed to provide a more just system - or at least a more just banking operation on the community level. In an age when ethical investing has become more popular, the author provides - in simple, easy-to-understand, language and terminology - a detailed and interesting account of what the larger concept of ethical finance and banking would mean. While the book only indirectly touched upon the recent worldwide financial crisis, by explaining the inner workings of banks and the problems inherent in some conventional financial practices, it helped me understand the crisis better than other studies that have attempted to explain it more directly. I have read dozens of books and articles on Islamic banking and finance and found *The Art of Islamic Banking and Finance* by Yahia Abdul-Rahman to be one of the best.

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