

Islamic Finance in Africa: The Prospects for Sustainable Development

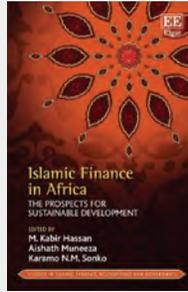
Edited by M. Kabir Hassan, Aishath Muneeza, and Karamo N. M. Sonko
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Reviewed by Ali Can Yenice, Sakarya University

Africa is the second-largest continent globally, housing approximately 27 percent of the Muslim population. M. Kabir Hassan and other authors frequently referred Africa as a ‘sleeping giant’ considering its potential in the development of Islamic finance, but now Africa has begun to ‘wake up’ in response to recent developments in Islamic finance. (p. 2). It is actively contributing to the sector’s growth through various practices, such as the development of Islamic banking, the growing interest in Islamic fintech, and the increasing use of Islamic social finance, leading to the rapid expansion of Islamic finance across the continent. The book aims to analyze the present state and future prospects of Islamic finance in Africa.

According to the authors, Islam holds a prominent position among African religions, particularly in the Northern countries. While Africa may not be the leading continent in Islamic finance, it has nevertheless pioneered several milestones in this field. Notably, the first Islamic bank, Mith Gamr, was established in Egypt in 1960s, albeit survived briefly. Afterward, the Sudan Faisal Islamic Bank was established in 1977, and in 1979, Sudan became the first country in the world to establish a *takaful* (shariah-compliant insurance) company.

The book is divided into three parts comprising 17 chapters. The first part delves into legal,



regulatory, and governance developments in Islamic finance in Africa, the second explores country-level case studies and Islamic commercial finance, while the third part delves into Islamic social finance.

Some chapters in the book are dominated by the theme of the pandemic, reflecting the period during which the book was written. These chapters focus on the solutions and policies of Islamic finance for the post-COVID-19 period. The COVID-19 pandemic has triggered not only a health crisis but also a series of social and economic crises. Because of the COVID-19, in particular, Africa, which is already home to millions of poor people, has suffered an economic loss of 100 billion dollars, and the poverty level has further increased (p. xix). This book is dedicated to presenting solutions in the context of Islamic finance to the problems of poverty and income inequality that the pandemic has exacerbated. The African continent has been affected by the pandemic more than any other continent. Still, it already had other challenges other than the pandemic, such as regulatory and knowledge gaps and lack of government support to Islamic finance. These factors underline the growing significance of Islamic finance for Africa.

The book focuses on Islamic finance’s solutions for enhancing social and economic sustainability in Africa. One might wonder

why Islamic finance is of such importance. With the African continent being home to 27 percent of the world's Muslims, constituting approximately 47 percent of its population, as per data from the Pew Research Center, there is a burgeoning demand for Islamic finance products in the region. Simultaneously, these individuals often do not engage in interest-based financing through conventional financial institutions, indicating that introducing Islamic finance products can contribute significantly to financial inclusion. Another pivotal reason is that Islamic finance supports the real sector, emphasizing asset-based trade. This support benefits small and medium-sized enterprises, fostering job creation and employment. As trade expands, resources become available for essential infrastructure, further bolstering the country's overall development (p. 193).

Agriculture holds particular significance for sub-Saharan Africa. As emphasized by Randi Swandaru, Islamic finance, through contracts like *salam*,¹ *muzara'ah*,² and *musaqah*,³ as well as partnership and social finance instruments such as *zakat* and *sadaqah*, can offer viable solutions to address food insecurity in the region. However, it is crucial to acknowledge that current efforts are insufficient to resolve the issue completely. Regrettably, for centuries, sub-Saharan Africa has grappled with challenges such as hunger, poverty, associated health issues, and enduring economic and social inequalities.

Health conditions pose a significant concern for the African continent, particularly in Sub-Saharan Africa. This critical issue prompts an exploration of whether health infrastructure can be enhanced through Islamic social finance instruments. In his chapter on this topic, Ziyaad Mohammad emphasizes that debt-based conventional finance models es-

calate the debt burden, exacerbating the situation in Sub-Saharan African countries. He argues that innovative Islamic social finance instruments, such as social impact *sukuk*,⁴ are more plausible in the long term.

Regulatory frameworks serve as a crucial backdrop for the development and expansion of the value-based business model of Islamic finance. While important for all business models, this aspect holds particular significance for Islamic finance. This is because regulatory frameworks are typically designed for conventional institutions following capitalist frameworks. Consequently, the regulatory framework of Islamic finance is generally determined according to three approaches. All institutions and organizations are considered Islamic and operate accordingly in a 'fully Islamic system.' Conventional and Islamic institutions are regulated together but separately in a 'dual system.' An 'integrated system' is an approach in which regulations in the conventional system are organized around Islamic finance operations, creating an integrated structure (p. 44).

The outlook for African countries is highly varied and lacks a cohesive strategy. According to the authors, the commercial and financial systems in most African countries are described as "remnants of Western colonization of Africa," and these systems tend to impose restrictions on Islamic financial products (p. 45). Consequently, addressing this issue becomes a crucial prerequisite for the development and sustainability of Islamic finance in the region.

An important catalyst for Islamic finance in countries is digital technologies. In fact, one could even say that Islamic fintechs can offer significant opportunities for the sector's rapid development and inclusiveness, even

revolutionary development, as Ummahani A. Amin puts it (p. 109). In particular, the author highlights South Africa, Nigeria, Kenya, and Mauritius as regional hubs for Islamic finance fintech activities.

Infrastructure investment is vital for economic development and remains one of the most significant challenges for Africa. The case study on Nigeria in the book, one of the continent's largest economies, highlights issues such as inadequate electricity supply, weak governance, high corruption, and political interference as major reasons for the failure of key projects in this field. Islamic finance, with its contract-based, risk and profit-sharing initiatives and Shariah governance, presents advantages to address these challenges (p. 138). Additional case studies have centered on Nigeria, exploring the applications of *waqf*⁵ and *Sukuk* (p. 203), and Somalia, examining the concept of cash *waqf*⁶ (p. 232). *Waqf* has been advocated for social welfare services, while *sukuk* has been explored for financing public projects. The case study on cash *waqf* presents a model for Somalia, highlighting the potential of cash *waqf* in financing socioeconomic projects, including those related to social welfare, economic development, and healthcare. In addition, the study on the Ethiopian case for insuring microenterprises with *takaful* underscores the significance of micro-*takaful* for its inclusive nature and risk-sharing mechanism (p. 245).

This book holds a distinctive position within the limited field of Islamic finance studies in Africa, offering unique contributions such as solutions, policy recommendations, and strategies for addressing Africa's development challenges through Islamic finance. However, the book also exhibits certain weaknesses and areas for improvement. Firstly, considering it

covers an entire continent, more case studies and comprehensive coverage across Africa were expected, which the book unfortunately does not fulfill. An approach covering the state of Islamic finance in each African country individually, along with providing basic information, would have enriched the reader's understanding. Additionally, a separate coverage of the Organization of Islamic Cooperation's Islamic social aid initiatives in Africa could have provided valuable insights. Secondly, a more systematic handling of content, with each chapter organized into sections aligning with its theme, was anticipated. Regrettably, the book falls short in this aspect, creating the impression that it underwent a rapid editorial process.

In addition to addressing health, social, economic, and humanitarian challenges, this book highlights the development potential inherent in the African continent. Islamic economics and finance, driven by the ideals of justice and ensuring humane living for all, stand as a discipline with the potential to propose solutions that can harness this latent potential. Consequently, the juxtaposition of Africa and Islamic finance represents the convergence of two hopeful prospects. Moreover, this book is essential reading for individuals interested in the development of Islamic finance in Africa. It is a valuable resource for students and academics conducting country or regional studies. Additionally, those curious about the potential solutions Islamic finance can offer in the post-COVID-19 era in Africa should not overlook this book.

Endnotes

1. *Salam* is a form of advance purchase commonly utilized for agricultural products. In this arrangement, the buyer pays for the goods in advance, and the seller delivers the

goods upon harvest. This allows the farmer to access finance before the harvest takes place.

2. *Muzara'ah* is an agricultural partnership contract between the landowner and the cultivator, where they agree to share the harvest in a predetermined proportion.

3. *Musaqah* is an agricultural partnership between the owner of a garden and the individual responsible for its maintenance and irrigation. They agree to share the pro-

duce of plants that remain in the ground for more than one year, in a predetermined proportion.

4. *Sukuk* is a kind of asset-backed Islamic security.

5. *Waqf* refers to an endowment or charitable trust established for Islamic purposes.

6. Cash *waqf* is a type of *waqf* whose capital is fully or partially based on money and was established to meet the cash needs of the society.

History of South Africa: From 1902 to the Present

By Thula Simpson

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Reviewed by Gökhan Kavak, Anadolu Agency

The Republic of South Africa continues to hold a pivotal position today. Dr. Thula Simpson, a faculty member in the History Department at the University of Pretoria, sheds light on the country's history spanning over a century. His previous publication, *Umkhonto We Sizwe: The ANC's Armed Struggle* in 2016, focused on the longest-standing armed uprising in the history of South Africa, examining the rebellion that began in the 1950s under the leadership of Nelson Mandela and culminated in his presidency in 1994. This new book explores the global solidarity networks mobilized by the rebellion and draws from previously unpublished writings and testimonies of individuals engaged in armed struggle. The narrative includes accounts of prominent figures such as Oliver Tambo, Joe Slovo, and Chris Hani.

The book charts over 100 years of the history of Southern Africa, its cover strikingly depicts the apartheid period with a photograph of a signpost used to denote "white area" on



a beach. The work details the birth of South Africa, which started with war, the political crises in the country, armed conflicts, the fractures on the way to independence, important figures in South African history, epidemics, uprisings, and strikes.

History of South Africa: From 1902 to the Present, is a work that appeals not only to academics and students but also to readers interested in gaining insights into the history, politics, economy, and culture of the Republic of South Africa. Simpson employs clear and comprehensible language in his work. Beyond the main narrative, the book provides essential data through its references and footnotes, catering to those who wish to delve deeper into the subject matter. These data consist of current academic articles, oral narratives, diplomatic correspondence, newspaper reports, writings, and memoirs.

Another notable aspect of Simpson's historical narrative is his choice to discuss events