

Preface

This book is about wealth, and more specifically, about how wealth is meant to be managed under the legal framework, regulated principles and common practices as dictated to the faithful in Islam. The *Oxford English Dictionary* defines wealth pretty much as is widely understood by all people: ‘The state of being rich; material prosperity.’ *Islamic* wealth management has emerged as a new subject area for practice and study following the rapid progress, and acceptance, of Islamic Finance as a niche finance throughout the world’s financial markets over the past six decades.

Islamic Finance started as Islamic banking with one product, and to date the banks themselves have developed more than 50 banking products for their niche customers. Mutual insurance or *takaful* developed next, while the capital markets identified some 40 per cent of the exchange listed stocks as being regulatory-compliant and therefore acceptable as Islamic equities. Since 1997, debt markets for a new way of debt contracting via *sukuk* bonds emerged, and 17 financial centres including the LSE (London Stock Exchange) have listed and are trading in *sukuk* bonds. Mutual funds started to crop up all over the world, designed to be compliant with Islamic principles, so wealth is being managed already by the so-called Islamic mutual funds.

Yet, Islamic Finance has but a very short history of some 65 years, and accounts for no more than 3–4 per cent of the total assets of the mainstream finance in banking, capital/money markets, insurance, equity and debt markets as the idea spreads to new financial products. Importantly, no book has yet appeared in the literature to provide a framework for this new subject area of study and practice within Islamic Finance.

The amount of wealth in the world in 2017 is estimated by a respectable Swiss source (Credit Suisse) to be US\$ 250 trillion. That is the net wealth of individuals, including what individuals own in firms, after subtracting all liabilities. Needless to say, a major part of the wealth is deployed as productive assets in place to produce more wealth each year when economic agents combine wealth as capital with labour units to produce national income. Global national wealth, the GDP (Gross Domestic Product) produced in 2016 is estimated to be US\$ 76 trillion. So, wealth as capital is put to work by labour and management know-how to produce

more wealth. This concept of wealth is a secular concept devoid of any moral filter on how wealth should be viewed, and it bears no connection to the meaning of wealth as propagated by great thinkers, among them thinkers who founded religions.

‘Wealth is God’s gift to man’ (Calvin); ‘All wealth belongs to God, and He giveth to whomsoever He wants to’ (Quran). Marx had dubbed capital in 1848 as disaggregated labour, and traced the source of wealth to human labour, and said wealth is separated by the bourgeoisie as capital from labour. The list can go on. Hinduism declares interest as forbidden by Manu, the god, in the very old *Book of Manu*. Islam has made the private sector the engine of economic activities (far from the actual practices as enforced by mostly undemocratic leaders of those nations such as Iran) encouraging the widest circulation of wealth to the community. It has also mandated that the poor, who could be one’s own kinfolks, have a rightful share in one’s wealth. It goes even further to mandate 2.5 per cent of additions to wealth each year to be apportioned to the poor as charity (*zakat*), a compulsory religious duty for the faithful, among the five obligatory commands for fear of perdition.

Wealth in all its aspects – earning it, accumulating it, putting it to use, protecting it from illegality or loss, giving to charity and making bequests from it – are connected to social context embedded in the community in which the wealth is accumulated. Earning it requires permissibility in that it has to be earned in ways that do not harm the community in which it is earned, and you must only earn by lawful means (both secular and sacred); once earned, a small fraction of the accumulated wealth, in excess beyond the needs of the owner, is to be paid to cater for the poor and the indigent in the community.

What is very significant is that, if the wealth is not put into circulation, the charitable giving itself will dissipate the wealth to zero in one generation! Very significantly, Islam exhorts the wealthy to make bequests to garner good deeds for the world around her/him by putting the wealth into legally constituted foundations called *waqf* to benefit the community. It is said that there are such bequests established to look after animals, and also to benefit the non-Muslims in the community. These aspects of wealth management on what, how and why of wealth are not yet in the mainstream literature. This book provides a framework and the modes of operations needed to put in one source, this book, the necessary canons, the concepts, techniques, and institutional arrangements on how wealth is to be managed for a socially aware wealth-owning human being.

This book is another in the Edward Elgar Foundations of Islamic Finance Series. The series editor assembled experienced practitioners and scholars of Islamic Finance to write in detail about the various aspects of

Islamic wealth management, once the framework was clear for this subject area. This effort was also ably assisted by the industry chartering body, the INCEIF, which is mandated to train professionals for the Islamic Finance industry around the world. Further financial help was provided by the BNP Paribas-funded Centre at the INCEIF for producing a primer for the wealth management industry, its stakeholders and its regulators as well as for the serious student.

The editors of this book are grateful for the continued support of Edward Elgar Publishing Ltd in producing peer-reviewed books of reference quality, since this book will be another valid reference joining the several already published on Islamic banking, risk and regulation of Islamic banking, and *sukuk* bonds. The series editor is grateful to Alex Pettifer, Rachel Downie, Sue Sharp, Claire Greenwell, Christine Gowen, and several others, for their excellent professional assistance in the various stages of producing this high-quality book.

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