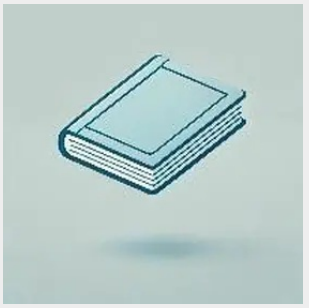
O'Sullivan

The Borrower's Refuge

Muslim Interest Banking Before Islamic Finance



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A revelatory financial history showing that today's massive Islamic finance industry was preceded by decades of Muslim interest banking across Eurasia and Africa. Since the 1970s, the now multi-trillion-dollar Islamic finance industry has offered interest-free banking to Muslims around the world. Its proponents maintain that Islamic law strictly forbids all forms of financial interest. Many academic accounts echo this perspective, assuming that before the 1970s, Muslims either avoided interest banking out of deep-seated religious hostility or practiced it in defiance of religious stricture. Yet as Michael O'Sullivan argues, these narratives overlook rich traditions of Muslim interest banking that preceded Islamic finance. In the early twentieth century, the first modern Muslim-owned interest banks appeared across Eurasia and Africa—from India to the Ottoman Empire, Tsarist Russia, Habsburg Bosnia, Tunisia, Egypt, Iran, Palestine, and Indonesia. Viewed as a solution to Muslim economic distress, these banks intensified debates among Muslims about both the Islamic legal tradition and acceptable economic practices. While interest banks raised suspicions among some Islamic legal scholars, others explicitly defended their legality and encouraged Muslim entrepreneurs. Ultimately, O'Sullivan shows that the Islamic finance industry's commitment to interest-free banking was a product of contingency as much as principle. It was a combination of bank failures, high rates of indebtedness, and changing religious interpretations that eventually led many Muslims to reject interest banking and demand a replacement more commensurate with an "Islamic economy." Even so, the religious debates inaugurated by the first Muslim interest banks persist to this day. A vibrant portrait of economic life in the so-called peripheries of capital, The Borrower's Refuge is a major contribution to the global history of finance.

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