

Book Review:

Food Security, Affordable Housing, and Poverty: An Islamic Finance Perspective
(Ahmet Suayb Gundogdu)

UK: Palgrave Macmillan, 2023

<https://doi.org/10.56529/isr.v2i2.211>

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Ahmet Suayb Gundogdu is a practitioner and an academic on the subject of Islamic finance. Since first joining the Islamic Development Bank (IDB) in 2008, he has worked his way up to the position of senior professional at the bank. He obtained his doctorate in Islamic finance from Durham University (UK), and besides being a finance practitioner, he also holds the esteemed position of associate professor at Istanbul Sabahattin Zaim University in Turkey. His professional background places him in an ideal position to discuss Islamic finance.

In *Food Security, Affordable Housing, and Poverty: An Islamic Finance Perspective*, Gundogdu adopts the viewpoint of Islamic finance, which emphasizes the ethical dimensions of food and shelter. According to this perspective, the key principle is to establish equitable pricing that guarantees accessibility and maintains a balanced equilibrium between the supply and demand of food and shelter. In this book, Gundogdu endeavors to examine the issue of poverty in conjunction with food security and affordable housing utilizing a different approach. He contends that the root causes of food and housing crises are remarkably similar, involving

policy discourse and the use of harmful financing. He illustrates how financial institutions' behavior encourages real estate stockpiling and impedes the provision of affordable housing for younger generations. In agriculture, this kind of approach favors large agricultural producers and disregards smallholder farmers. This eventually leads to food insecurity and unaffordable accommodation. In the end, Gundogdu concludes that financial liberalization is not the answer to addressing poverty and inequality. Instead, robust policy positions and financial regulation are required to direct capital for long-term sustainability.

Gundogdu proposes implementing land use policies, including a time restriction on ownership and *zakāh* (almsgiving) on land acquired for hoarding and speculation, as a solution to the issue of housing unaffordability. The implementation of such policies could potentially slow the accumulation of urban and rural land. An alternative strategy for addressing the issues of food security and shelter could involve leveraging financial resources towards production. The financing of trading activities involving completed residential properties and agricultural commodities has a significant impact on pricing dynamics, resulting in heightened levels of competitive bidding. According to Gundogdu, the solutions to the issues of unaffordable housing and food insecurity are identical, namely the implementation of *zakāh*-based land use policy management.

Gundogdu divides his book into seven chapters. In chapters one and two, he discusses the theme of housing. In the first chapter, he describes the alternative and the Islamic opposition to rent control. He asserts that the primary focus of Islamic economics is the formulation of reasonable prices. Price distortions caused by government intervention or monopolistic or oligopolistic markets are unacceptable. Therefore, government limits or increases on

rent prices are not permitted in Islam (p.9). In the second chapter, he presents an intervention on the supply side involving mortgages and securitization using Islamic financing instruments. He outlines that Islamic institutions finance homes using *murābahah* (Islamic cost-plus financing), *ijārah* (Islamic leasing/rental), diminishing *mushārahah* (a form of partnership wherein one party gradually acquires the shares of the other partner), and *istisnā'* (Islamic manufacturing contracts). However, *mushārahah*, a tool for resource mobilization, is inappropriate for housing finance. *Istisnā'* are contracts—with specific benefits—for asset development that can be utilized to finance real estate development (p.38).

In chapters 3, 4, 5, 6, and 7, Gundogdu discusses food security from an Islamic standpoint. In the third chapter, he identifies the primary factor behind food insecurity as inequitable price formation in agricultural input and output markets, primarily attributable to financial derivatives. The fourth chapter is devoted to establishing a conducive atmosphere through the implementation of Islamic finance measures to tackle the predicament of small-scale farmers trading agricultural commodities. Gundogdu asserts that the utilization of asset-backed *murābahah*, in conjunction with licensed warehouses for the trading of agricultural commodities, has the potential to facilitate the implementation of Islamic futures contracts. In contrast to conventional derivatives, Islamic futures contracts may rely on tangible commodities that are possessed under asset-backed *murābahah*. The proposed Islamic futures contract has the potential to serve as a tool for liquidity management for Islamic banks, offer price stability for agricultural food processors, and safeguard the interests of smallholder farmers (p.118).

In the fifth chapter, Gundogdu discusses the case of financing the production of cotton, a cash crop, by smallholder producers through an agricultural cooperative. In chapter 6, he discusses the Islamic perspective on the provision of enabling infrastructure. He determines the optimal business model for supplying rural and urban areas with economic and social infrastructure in order to ensure affordability and sustainability. In the final chapter, he elaborates on how the government's function should be defined in terms of infrastructure service provision. Islam recommends private service delivery for economic infrastructure and the *waqf* (property endowment) business model for social infrastructure. *Hisbah* defines the function of government as ensuring accountability. He suggests that the private sector should be responsible for providing economic infrastructure services, while social infrastructure services should be provided by the community-owned *waqf*, which utilizes these services. Concurrently, the state's responsibility is to oversee and control the activities of the private sector, people, and *waqf*. It should refrain from offering economic or social infrastructure services (p.175-176).

One of the strengths of Gundogdu's book is the inclusion of case studies to illustrate each issue. He refers to these as a "case boxes" and places them in a special box so that readers can concentrate more on analyzing case studies pertaining to the issues being discussed. For example, he provides an example from the *murābahah* case of Davon Bank in Chicago, as well as numerous other cases for other discussions.

In this book, Gundogdu argues that adherence to Islamic principles requires the implementation of temporal restrictions on land ownership to prevent the accumulation of land by a small group of individuals who possess the unrestricted power to dictate prices.

He suggests an Islamic approach that involves restricting land ownership to a period of 99 Hijri years, rather than implementing rent controls. The implementation of this policy would serve as a deterrent to the practice of rent-seeking within society, thereby fostering a more dynamic environment that incentivizes landowners to engage in trade and production activities, rather than relying on rent-seeking behaviors for personal and intergenerational gain (p. 9). Whether or not Gundogdu is aware, this practice has existed in Singapore for quite some time. The Singaporean government, led by the People's Action Party, has held power since 1959 and is dedicated to implementing a nationwide housing initiative that ensures all citizens have access to 99-year leasehold home ownership (Chua, 2014). That said, the Singaporean Government is unlikely to adopt Gundogdu's approach due to its Islamic nature.

This is a key shortcoming of Gundogdu's proposal. His solution may be feasible in some settings or locations where Islamic beliefs hold sway. Nevertheless, the implementation of such a strategy in a diverse global setting with different legal and cultural standards may encounter difficulties in terms of adjustment and approval. Singapore's 99-year housing lease, which is detached from the display of Islamic symbols, has faced criticism due to concerns about diminishing property value. As the lease nears its expiration, the property's worth may decrease, particularly if the lease term is shorter. This could result in significant losses for landlords (Purves, 2023). Additionally, there is the issue of pressure on leaseholders to continuously raise property value, leading to affordability challenges for newcomers (Chua, 2015). In addition, the leasing of houses under the 99-year Hijri scheme would face criticism not only from an economic perspective, such as objections to the Singaporean practice, but also in terms of concerns over 'shariatization'. This refers to efforts to update and integrate

sharī‘ah (Islamic legal) norms—in this case, interpretation of the *sharī‘ah* limits land ownership to 99 Hijri years — into the legal and public domains. *Sharī‘ah* is often perceived as a threat to democracy and the legal system in Western countries, according to prevailing perspectives (see Hasyim, 2023).

In sum, this book provides valuable insights for individuals interested in exploring the intersection of poverty, food security, and affordable housing through the lens of Islamic finance. It is recommended reading for those seeking a deeper understanding of these complex issues.

References

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