

The Golden Age of Islamic Banking

Name

Institution

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The early twentieth century saw the end of colonization in different parts of the world. Different nations sought to be fully independent of Western colonial control, with Muslim nations seeking full freedom from non-Islamic elements and influence. The need for freedom resulted in the formation of the first Islamic bank in Egypt (Naveed, 2015). Although the Egyptian-based bank was the first of its kind in the modern world, Islamic banking had existed long before the onset of colonization. This paper discusses the history of Islamic banking with a major focus being how the banking and monetary system grew during the Islamic golden age.

Banking in the Islam World began in Mecca, which was a major trade city during the early Islam era. Trade in Mecca allowed activities such as safekeeping, which provided a foundation for the development of banking during the middle era (Kuran, 2008). The Islamic golden age, which ran from the 7th to the 13th century, saw the development of a robust monetary economy that was characterized by the availability of a common currency within the Islam Empire (Islamic History, 2010). This same period also saw a tremendous growth of trade within the Muslim world, with traders going as far as China. The banking services available during the Islamic golden age included savings accounts, provision of cheques, transactional accounts as well as loan services (Islamic History, 2010). The establishment of these financial services mainly aimed at supporting and promoting trade by providing convenient ways of transporting money. Elements such as the *A sakk*, which was a cross-border cheque, were some of the benefits of Islamic banking during the golden age (Ghazanfar, 2007).

The end of the Islamic golden period saw a decline in the various institutions developed during this period. The decline in trade between different Islam nations as well as constant wars with the Europeans saw the end of the banking system. However, not all aspects of the Islamic banking system were forgotten, with European nations adopting some of the principles of the Muslim financial institutions.

References

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