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Paul Mugerwa, *The Integrated East African Financial System: Is it Feasible? The Policy Version*. Uganda: Asante Capital Hub, 2020. Pp.702. ISBN: 978-9970870004.

Reviewed by: Bourouayah Mohamed, Former Vice-Rector of Emir Abdelkader University, Constantine, Algeria.

According to the author, this book seeks to fill a gap by providing a broad look at the East African Financial (EAF) system, which is part of the African financial system; one where a number of weaknesses have been apparent due to the absence of financial governance that underpins the American and European financial systems.

The author's biographical note shows us that the author has been a senior lecturer in financial and monetary economics as well as a specialist in insurance at Bugema University; in addition, he was also associated with other tertiary and professional institutes across East Africa since 2012. Paul Mugerwa showed remarkable ingenuity in analyzing and rooting the various aspects of the EAF system and examining the obstacles and incentives which prevent it from growing, developing and spreading.

The detailed content of the book is rich. It includes several chapters. The book's main idea revolves around three main topics: the first is the EAF system and its dependency on the American financial system, the second is the EAF system that includes African cooperation and solidarity, and the third is Islamic banking that acts as a competitor to the conventional banking system; and one that is a strong financial alternative in the current era.

Systematically speaking, the book's outlines and outputs are not so feasible and typical as some reviewers have claimed in a few published reviews. The author used many terms in relation to the financial systems; he, for example, made reference to monetary economy, financial policy, and financial growth. The variety of terms helped one in providing a global framework; the author, however, didn't give details that assist in clarifying the fundamental differences between these terms. This is a clear methodological imbalance that, we hope, should be avoided in the upcoming studies.

The author argues that although East African countries represent a unified economic and financial bloc, there are effectively some differences among them in the financial system's process; this, however, depends on the policies of each country. In this regard, I appreciate the author's keenness in providing some graphs to explain and clarify the evolution of the EAF system. By speaking about EAC regional experiences, the author gave a general description of the common characteristics of the financial system that is approved in the EAC regional bloc (Uganda, Kenya, Tanzania, and Rwanda). The EAC bloc made its member countries one of the most important financial blocs in Africa; and it allowed the EAC region to reach a reasonably high financial level. It also assisted in it getting quick and effective access to the global monetary and financial system; one that is monopolized and driven by the major powers.

Unfortunately, there are some weaknesses that appear in the book. The author superficially broached EAF issues; and this systematic defect highlights the author's inability to cover different parts of the book, which consists of seven hundred pages, in a satisfactory manner. Here, one may refer to one example: "Policy remedies for this financial system in

EAC" (Paul Mugerwa, *The integrated East African Financial System. Is it feasible?*, Detailed Table of Contents. p. 28). This sentence provided by the author shows that the struggle against financial failure in EAC region requires multi-sectoral initiatives because a single regulator can't handle this task. As evidenced from the book: "since these transactions require a diversity of functions of various regulatory bodies such as supervision, investigation, prosecution-regulation should be a multi-sectoral one because a single regulator can't handle this task. This would call for effective policy coordination among regulators" (ibid Part 1 chapter 3, Crypto Financial System, p. 28). What the author described as the effective remedies for the financial system in Eastern Africa actually have no effect, because of the current weak inter-transactions among EAC countries.

In the author's *The East Africa Financial system: Towards an Optimal Regional Integration* (2016), the contents appear to be similar to the current book under review. This problem prompts me to make the following observations: 1) The themes and issues in both studies appear to be almost identical; 2) Though the titles of the two studies are different with one focusing on the feasibility of integrative financial system in East African countries, and the other zooming in on the optimal regional integration among these countries; there seem to be similarities in terms of their coverage.

Returning to the book under review, the author argues in chapter 2, entitled "Formal and informal financial systems and community currencies," (in *The integrated East African Financial System. Is it feasible?*, Chapter 2, p.12) that the EAF system can be broadly classified into the formal financial system and the informal financial system. Though this is an important observation, it should not be understood separately from the idea that every ministry is free to choose its suitable system according to the nature of its financial and economic approach.

In this regard, and being a positive aspect of the book, the author gave some illustrative examples that relate to some countries in the EAC bloc. According to the author, one of the challenges of putting the integrated financial system in East Africa into practice is the break with old policies and practices; these are the ones that caused the financial deterioration and the adoption of the sectoral financial system. If these are transformed, then they will inevitably lead to reviving the financial exchanges between East African countries.

I share the author's point of view regarding the new path and task of the integrated financial system in East African countries. This important insightful process, however, requires, according to the 2016 International Monetary's Fund report, a practical and close plan to be put in practice; in other words, there is a need for a robust framework to deal with potential financial sector risks that are associated with a monetary union. Standardizing monetary policy regimes, moving toward inflation targeting and integrated payments systems using financial technology such as mobile money were all seen as essential parts of the ongoing reform agenda.

One of the book's strengths is the discussion of Islamic banking as a financial mechanism adopted in East African countries. The author confesses that Islamic banking has recently been a solution to the problem of inflation caused by the conventional banking system. Britain, for example, has approved Islamic banking, and by this time, the project has had positive effects on the country's financial market. The author clarified the advantages of Islamic banking, and he demonstrated the main differences between Islamic banking and conventional banking. This reflection ties in with what has been claimed in an online reference that, First, in conventional banking, money is a product besides a medium of exchange and store of value, while in Islamic banking; money is just a medium of exchange. Second, in conventional banking, the expanding money in the money market without backing the real assets results in deficit financing, while in Islamic banking a balanced budget is the outcome of no expansion of money. Third, in conventional banking, due to non-existence of goods and services behind the money-dispersing funds, the expansion of money takes place, which creates inflation. In

Islamic banking, due to existence of goods & services, no expansion of money takes place and thus no inflation is created. (1)

That aside and drawing this review to a close, I would like to state that it would have been better if the author had avoided the inclusion of irrelevant topics; in my view, they did not lead to any decisive scholarly results that the reader would like to have read. And the book, which consisted of a various titles and sub-titles, could have been thematically divided instead of having lumped them under a single scientific theme.

In conclusion, I would like to point out that even though this book could be considered an acceptable scientific study, it needed to have undertaken further research about the relationship between the EAF system and the African financial system; in the process, it could have helped to present clear arguments about the relationship between the African financial system and the global system. It is essential that this research be pursued because the world has become a small village in which all financial systems are connected to one another. But despite my criticisms, the book contributes to an understanding of the EAF systems.

Cited references:

(1) - The reference is at www.aims.education.

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