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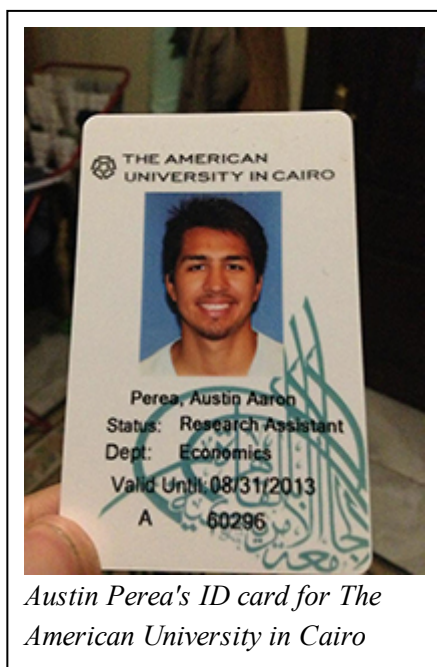
FROM ISLAMIC BANKING IN EGYPT TO SME DEVELOPMENT AND MICROFINANCE IN JORDAN

A CIRCUITOUS BUT ULTIMATELY SUCCESSFUL UNDERGRADUATE RESEARCH JOURNEY DUE TO POLITICAL UPHEAVAL

Contributed by Austin Perea '13 (Economics and Political Science)

Durham

As I printed out the final document of my 40+ page grant proposal for the International Research Opportunities Program (IROP), Professor Jeannie Sowers and I scrambled around her office to locate a manila envelope in which to house my hopeful ticket to the Middle East. Hastily scribbling my project title, “Islamic Banking and Microfinance in Post-Mubarak Egypt” on the envelope’s exterior, I thrust my proposal inside and bolted out of my advisor’s office in Horton to arrive at Georgeann Murphy’s Hood House office at 5:05 – a few minutes after the submission deadline. Perspiring and out of breath, I forked over the proposal that I had spent the better part of two weeks furiously compiling. I breathed a sigh of relief that the task was over, but little did I know that the frantic manner in which I submitted my grant proposal would only be the first of many close calls I would have associated with my research project in the Middle East. Hear Austin speak about [the value of an IROP grant](#).



Austin Perea's ID card for The American University in Cairo

From the moment I took “U.S. & World Affairs” my freshman year I became enthralled with the world outside our borders and how we interacted with it. The study of policy and power struggles was enticing enough for me to declare a major in Political Science while a budding fascination with the Middle East did the same in steering me toward study of Arabic and regional comparative politics. Around the same time, I found myself in a class on microfinance, a sub-field of economic development, addressing poverty alleviation by means of offering unsecured loans to the poor and underserved. The class first exposed me to the idea of approaching social or environmental problems through market-based methods—the concept known as *social business*. Thereafter, a desire to understand how markets and business could “save the world” steered me toward adding Economics to my degree plan. A few internships, one in D.C. at a Near East South Asia Department of Defense think-tank, and another with a socially responsible investment firm in Portsmouth, helped to solidify both my interest in the Middle East and the idea of the social business. Thus, when I heard about IROP, Islamic banking and microfinance in Egypt seemed an obvious confluence of all my concentrations.

Islam is interesting, albeit not unique, in that its holy book, the Qur’an, prohibits the levying of interest on money—known as usury in the Anglo-Christian context and *riba* in Arabic. Running with the idea of how Muslims are able to obtain credit with these stipulations against interest (finding in the end that the majority of Muslims

simply don't adhere to said prohibitions), I formulated a research question that sought to analyze the development implications for Islamic banking in Egypt. It just so happens that in addition to having a developed Islamic banking industry, Egypt's then-parliament was also interested in mandating that Islamic banks must comprise 35% of banking market share—up from their current share of around 5%. Also, by the time I left for Egypt in June 2013, the Shura Council, Egypt's upper house of parliament, had just passed legislation regarding the issuance of *sukuk* or Islamic bonds. The atmosphere, or so it seemed, was ripe and quickly evolving for an interesting research project: it just so happens it was also ripe for political upheaval.

Cairo



Austin Perea at Al-Azhar Park overlooking Cairo, Egypt

I landed at Cairo International Airport around 2 am on June 19th. Managing to hail a taxi by pulling out what poor Arabic I had in my repertoire, I was able to catch a ride into the heart of the city and navigate the driver to my flat without too much trouble. I didn't leave my flat for a few days upon arrival due to a mild case of culture shock and jetlag, but after I conjured up the courage to venture out into my new world I became entranced by my situation and spent a few days just exploring the massive, developing city. I made daily walks around my part of Cairo, and occasionally ventured downtown where street vendors representing a vast informal sector lined the street, heckling the interested passerby with knock-off watches and copies of the Qur'an. With friends introduced to me by Samah, my friend and former UNH visiting Arabic instructor and Fulbrighter from Egypt (see article in this issue), we explored Islamic Cairo and the historic Al-Azhar Park where Egypt's oldest institution of Islamic higher learning still stands. I also made my obligatory tourist purchase of a map of the Middle East in Arabic in the now-infamous Tahrir Square where the Egyptian people successfully toppled their dictator of 30 years, President Hosni Mubarak, almost three years ago. Little did I know that only a few days later yet another Egyptian president would be toppled from the same site as well—the only glaring difference this time being that this president had been democratically elected.

On July 3rd, a night I often spent watching the fireworks on Hampton Beach, I sat watching the TV as Defense Minister Muhammad al-Sisi calmly relieved Muhammad Morsi of his presidential duties in what international commentators can't resist calling a popular coup d'état. On July 4th, less than two weeks after I arrived in Cairo, and after close consultation with UNH, it became clear that I had to leave this enthralling, but increasingly unpredictable place. On my most memorable Independence Day to date, I was watching that city fade away in the distance from the window of a Royal Jordanian flight.

Amman

I quickly learned upon landing in Jordan that if Cairo is the New York City of the Middle East then Amman, Jordan is akin to



Citadel Hill overlooking the Roman Amphitheatre in Amman, Jordan

the vast sleepy Texas suburban town that I grew up in – sprawling, concrete, inorganic, and very new. But also a welcome respite from the chaos of Cairo. After arriving in Jordan, a back-up IROP destination I had picked just two days earlier, I spent a few days on a buddy’s couch before I received word that I would be staying in Amman for the remainder of the summer as conditions had only worsened in Egypt. Thus began the Herculean task of finding a new mentor in order to pick up my research, no small feat given that all my six months of research preparation had been on Egypt.

Luckily I didn’t have to wait too long before things started falling into place in Jordan, something I would like to attribute to a small dose of “can do” attitude on my part and a substantially larger dose of competency and connections on the part of my mentors at UNH. Before I knew it, a Carsey Institute faculty member was able to put me in

contact with a managing partner at a law firm that primarily consulted with international organizations like the IMF and World Bank about microfinance issues in Jordan and the Middle East. Through my connection’s help, I was able to meet with analysts from the Central Bank of Jordan, local microfinance institutions (MFIs), Islamic banks, among other experts with whom I was able to speak about development policy, microfinance and Islamic banking. Unfortunately, as a venue change often necessitates, I had to adapt my research topic to my circumstances and focus generally on small, mid-sized enterprise (SME) development and microfinance in Jordan, in addition to the question of Islamic finance efficacy and viability. Among other results, I found that many liberalization policies are being undertaken by the Jordanian central government to encourage the growth of the SME sector. A credit bureau with an explicit SME mandate will go online next year, a secured lending law was just recently passed which added more assets to a list of acceptable collateral to help entrepreneurs raise capital, and the Central Bank is currently considering regulating the microfinance industry, all of which have the potential to drive SME growth and, consequently, Jordan’s economic output.

I found myself becoming much more invested in my new research topic as I spoke to more people about it, yet unfortunately a looming departure date gave me a sense that my research was incomplete. As a consequence, I left the Middle East with many more questions than I set out with, yet also came away with a fuller feeling of self and a burning desire to return and continue the pursuit of what I started. Nothing could replicate an experience like sleeping out under the stars with the Bedouins of Wadi Rum or speaking with a *sheikh* about Islamic economy in the serenity of a cool mosque; and it’s precisely why I feel I must go back. I hope to continue my study and mastery of Arabic in the near future and will hopefully be returning to Egypt in some capacity soon, perhaps doing my very own Fulbright research in the next few years. An eventual career in the area of economic development and policy however, will continue to be a long-term goal. Among innumerable other things, my IROP experience also taught me that I have much more to learn from a world that is never short on lessons—and I’m chomping at the bit to be its pupil.

