

EDITORIAL

I am pleased to present to our readers a special issue of ICR devoted to Islamic banking and finance (IBF), an increasingly vibrant field in which Malaysia, ICR's home, has made great strides and shown itself to be a leader and pace-setter. An interesting selection of six original contributions to the field comprises our "Articles" section.

The field of Islamic banking and finance has not escaped the damaging effects of the recurrent financial crises the world has been witnessing, notwithstanding its core of inner resilience. Apart from the ripple effects of the crises, IBF has also encountered numerous challenges of its own and has come under criticism for many of its shortfalls. This was why we decided to take stock of the situation in this issue of ICR.

Starting from our base in the country, Malaysian Shariah-compliant screening practices are presented and analysed in detail by a team led by IAIS Deputy CEO / Principal Fellow, Associate Professor Dr Mohamed Azam Mohamed Adil. They find that these screening practices operate on the basis of a clear and generally well-known list of activities that are Shariah non-compliant. This comprehensive listing of non-compliant activities is available to all companies operating in the country. Companies that are engaged in Shariah non-compliant activities would be rejected, while those that are not involved in any of the prohibited activities are deemed to be Shariah-compliant. The problem posed to regulators and to the architects of screening practices is that of assessing the compliance of those companies who are engaged in a mix of activities, and determining the ratios for Shariah compliant to Shariah non-compliant activities.

An incisive, frank and critical appraisal of Islamic banking and finance is undertaken by Yusuf Jha, a Chartered Sharia auditor and advisor formally certified by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and now Manager for Shariah consultation and documentation review at the Abu Dhabi Islamic Bank. In his article "From Goldsmiths to Modern Banking," Jha asks IBF practitioners whether what they are currently practicing is not simply normalising current banking problems within an 'Islamic' framework, rather than providing Shariah-based solutions that could help tackling the crises of the modern banking system. ICR applauds such forthright questioning! In response, Jha asks: Is it not time that Islamic Finance itself undergo a reformation from within? Jha calls upon IBF to "rise beyond interest and the institutions and social settings it has brought about" and suggests IBF should propose a new mechanism for the supply of money, to create a supportive financial environment that decreases reliance on debt and increases sense of community.

Taking a broader historical perspective on the topic, IAIS Principal Fellow Karim Douglas Crow sets forth concisely and cogently the dimensions of the implicit debate on the origins of backwardness in the Muslim world that emerges from a reading of the work of Muslim economic historians, Timur Kuran and Murat Çizakça. The debate

is a continuing one but it seems clear that the basic vision for any renewal of Islamic economics and finance must emerge from within, inspired by Islam's own resources, and adapting ideas and developments that are compatible with core Islamic principles.

Abdul Karim Abdullah provides a comprehensive review of the age-old problem of debt undoubtedly the root of the financial crises the world has been experiencing in recent years. After setting forth the dimensions of the debt conundrum past and present, Abdullah ponders the effects of indebtedness on economic growth and asks what can be done to overcome indebtedness. He then proposes some actionable recommendations on achieving this.

Sheila Ainon Yusof presents a state-of-the-art assessment of on-going efforts in Malaysia to "beef up on Shariah-compliance surveillance" as befits a country that boasts "the world's first comprehensive legal framework for the Islamic finance industry". To this end her article undertakes a comprehensive appraisal of the latest landmark legislation, The Islamic Financial Services Act of 2013, a model for achieving Shariah-compliance introduced to upgrade Shariah governance efforts in the country's banking and finance sector. Her evaluation of the new act also includes a set of policy recommendations for strengthening Shariah governance.

Lastly, Lateef Kayode Adeyemo and Kamil Koyejo Oloso provide for a Nigerian perspective on Islamic banking and finance, looking at products that have come of age but whose growth and geographical spread has given rise to challenges that may constrain the further growth of the industry, if left unaddressed. They assess the issues and propose actionable solutions.

The Articles section, however focused on Islamic Finance and Banking it may be, is balanced by ample and diverse Viewpoints. These address a variety of political and social issues arising from current events and developments in the Muslim world. Specially worthy of note in this issue is an exclusive ICR interview with former Prime Minister of Malaysia Tun Abdullah Ahmad Badawi, followed by an in-house examination of the much debated conundrum of Islam and Democracy. As always, the issue also features cogent Book Reviews and incisive notes on recent Significant Events in which IAIS has played a part. The joint appeal to Sunni and Shi'a Muslims penned by Dr. Mahathir Mohamad and His Excellency S. Muhammad Khatami, two prominent leaders, one from Sunni Malaysia and the other from Shi'i Iran, will be of vital interest to ICR readers, offering a prospect of peace-building. This is an urgent call upon all Muslims to refrain from sectarian violence that has been spreading in recent years in countries of the Middle East and Pakistan.

In conclusion, I would like to thank all our contributors and my colleagues in the ICR Editorial Committee for their continued cooperation and support.

Mohammad Hashim Kamali
Editor-in-Chief