

**Editors' Preface for the Special Issue:
Socio-Economic Role of Islamic Finance and its Potential in the Post-Capitalist Era**

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After the boom of Islamic finance in the first decade of the twenty-first century, Islamic finance is still making great progress in both theory and practice. Islamic bankers have generously contributed to the development of new financial products which are more competitive with conventional finance. Meanwhile, 'Sharia scholars' who rule on the Islamic legitimacy of these products have provided innovative interpretations of Islamic jurisprudence in order to support their development.

As outcomes of both these relentless efforts, we can observe several benchmark achievements in both quantity and quality. As for quantitative achievements, the total assets of the Islamic financial industry reached 1.4 trillion USD at the end of 2012, which is more than triple that of 2006; Islamic finance has captured a crucial ratio of market shares in several countries like Bangladesh, Bahrain, Saudi Arabia, Kuwait and Malaysia (in order of the larger share); the *sukuk* issuance broke a record in 2012, with 138 billion USD which is a 64% increase over the previous year. As for qualitative achievements, the Islamic capital markets have succeeded in diversifying their asset classes by developing new genres for the Islamic portfolio such as the Islamic ETF (Exchange Traded Fund), and the Islamic UTF (Unit Trust Fund), while Islamic finance is tapping new markets for the next stage in Sub-Saharan African countries like Kenya and Tanzania.

At the same time controversies continue regarding the evaluation of the current practices of Islamic finance. Its critics contend that the newly developed Islamic financial products are not compatible with the ideal of Islamic economics because they are approved at patchwork screenings of Islamic jurisprudence. In other words they lack consideration for the broader Islamic goals of economic justice and sustainability.

Our ongoing series of academic collaborations between Kyoto University and Durham University since 2007 (of which this special issue is a part) have mainly addressed such issues. We have identified the crucial problems of the current practice of Islamic finance, and reached the starting point for arguing the better practice of Islamic finance combined with sustainable development. Based on our discussion, we compiled a special issue called "Islamic Finance at the Current Stage: Scopes and Issues" of this bulletin (Vol. 3, No. 2, 2010).

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At the same time, our discussion tacitly revealed the harmful aspects of modern financial capitalism. The recent remarkable innovations of finance technology have not only expanded the size of financial transactions in the global economy, but also increased the risk of crises due to the inherent nature of the technology. The huge negative impacts of the global financial crisis that began in 2008 have revealed that the conventional financial system based on the spirit of modern capitalism is in critical need of reform and reconstruction. According to our discussions, the ideal of Islamic economics contains important moral and ethical elements which modern financial capitalism, catering to unrestrained greed, has overlooked; thus it has great potential to provide an alternative system to the conventional one. Therefore, our collaboration is now targeting not only the better practice of Islamic finance but also considering a better and sustainable future for the world economic system.

Based on such incentives, the latest workshop between Kyoto University and Durham University was held on the 1st. and 2nd of October, 2013 under the title of “The 7th Kyoto-Durham International Workshop on Islamic Economics and Finance: New Horizons in Islamic Economics, *Socio-Economic Role of Islamic Finance and its Potential in the Post-Capitalist Era*” with an annexed workshop entitled “The International Workshop on Civil Society Organizations in the Middle East and Asia” which was held on the 2nd. of October, 2013. These workshops mainly focused on the social aspects of Islamic finance which have recently emerged and attracted great attention both in theory and practice. Such aspects have emerged not only as internal reform by the Islamic financial industry itself, but also in the form of an ambitious movement which aspires to implement an integrated Islamic economic system in the post-capitalist era. This issue picks up several papers from the fruitful outcomes of our workshops. We hope that the fresh insights revealed in this issue will greatly contribute to the development of Islamic economics and finance in both theory and practice, and further enhance academic discussions for a better world.

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