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Special Future: New Waves in Islamic Economics: Renovation of the Traditional Economic Institutions (*Waqf* and *Zakat*) and Reconsidering Early Generations

Editors' Preface

KOSUGI Yasushi* and NAGAOKA Shinsuke**

Islamic economics and finance after its rapid growth in the previous decade, is now at a crossroads. Critics of the state of Islamic finance are asking questions on its current practice that call for further growth. They contend that newly developed Islamic financial products are not necessarily compatible with the original intentions of Islamic economics, and aspire to a new direction for the Islamic economic system towards a better future. At the practical level, they suggest several new ideas. Firstly, they propose tapping new markets for Islamic finance, especially where conventional finance cannot provide satisfactory services or could cause negative effects. Secondly, they have recently been focusing on traditional Islamic economic institutions like *waqf* and *zakat*, encouraging the activation these institutions using Islamic finance as well as innovative interpretations of Islamic jurisprudence. At the theoretical level, they have started reconsidering the precious heritage of the earlier generations of Islamic economists. Islamic economics has had a long and productive history since its emergence in the middle of the twentieth century, but the efforts of earlier generations have not been given enough consideration, especially during its rapid growth in the last decade. The critical situation arising after this rapid growth has caused Islamic economists and bankers to realize the significance of the efforts made by those earlier generations, and to encourage their re-evaluation, in order to envision the future path of Islamic economics.

This special feature is organized with a strong motivation to focus on the new waves mentioned above, both practical and theoretical, with consideration for what Islamic economics and finance has achieved so far, and what needs to be done to ensure a better Islamic economic system for all sectors of society. This year, we organized the following two international workshops, and have selected four papers from these workshops for this special feature:

9th Kyoto-Durham International Workshop in Islamic Economics and Finance: New Horizons in Islamic Economics (4 and 5 August, 2015 at Kyoto University)

“Renovation and New Waves in Islamic Socio-economic Institutions: *Waqf*, *Zakat*, and Microfinance,” a panel session at the National Institutes for the Humanities

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of Japan (NIHU) Program for Islamic Area Studies (IAS) - Fifth International Conference, Tokyo 2015: New Horizons in Islamic Area Studies - Asian Perspectives and Global Dynamics (11 and 12 September, 2015 at Sophia University)

The first paper by NAGAOKA Shinsuke is entitled “Revitalization of *Waqf* in Singapore: Regional Path Dependency of the New Horizons in Islamic Economics.” This paper focuses on the renewal of *waqf* properties in Singapore. Singapore is one of the pioneering countries for the revitalization of traditional Islamic economic institutions using Islamic finance, and the Islamic Religious Council (Majlis Ugama Islam Singapura, MUIS) mainly undertakes the renewal of *waqf* properties in order to generate additional revenue to improve the socio-economic and sustainable development of the Muslim community. Through substantial case studies, the paper clarifies the characteristics of Singapore’s *waqf* renewal, and concludes that a legal framework based on the specific land situation of Singapore compels the MUIS to be engaged in the renewal of *waqf* properties in order to preserve these traditional Islamic institutions. The case of Singapore implies that although the organic (re)integration of the Islamic economic system in the modern world aspires to one direction with a future vision proposed by aspiration-oriented Islamic economists, regional and historical path dependencies give rise to a diversity of feasible Islamic economic practices.

The second paper by Rahmatina A. Kasri is entitled “*Maqasid al-Shariah* and Performance of *Zakah* Institution.” Despite the belief that *Maqasid al-Shariah* is one of today’s most important intellectual methodologies for Islamic reform, it is hardly used beyond Islamic Jurisprudence studies. This paper, therefore, attempts to review the development of *Maqasid* theory and discusses the possibility of measuring the wide contribution of *zakat* institutions by using the *Maqasid* approach. More specifically, based on the similarities of works developed by Muslim scholars particularly in relation to human well-being, it is argued that the *Maqasid* theory has been developed through three important periods; namely, the formation period (1–4 M), the golden (major development) period (5–8 M) and the extension period (9M–now). Based on both classical and contemporary works, including some contemporary (conventional) works such as ‘the capability approach to poverty’ pioneered by Nobel Laureate Amartya Sen, the paper also discusses some possible operational methods for measuring the financial and social performance of *zakat* institutions in improving human well-being and reducing the poverty that seems to characterize the Muslim *ummah* nowadays. The ensuing theoretical discussions are expected not only to enrich understanding regarding the *Maqasid al-Shariah*, but also to trigger the use of the *Maqasid* approach to frame policies aimed to resolve poverty and other development challenges in the contemporary Muslim world.

The third paper by Mohammad Soleh Nurzaman is entitled "Evaluating the Impact of Productive Based *Zakat* in the Perspective of the Human Development Index: A Comparative Analysis." This paper aims to evaluate the importance of productive-based *zakat* by evaluating the welfare of the *zakat* recipient (*mustahiq*) from the perspective of the human development index. Specifically, the focus areas of this study are to estimate the human development index (HDI) at household level, particularly at the household of the *mustahiq*, and to explore whether the HDI status of the *mustahiq* is improved by productive-based *zakat*. For this purpose, twice repeated questionnaire surveys were distributed to beneficiaries of productive-based *zakat* who had received funding from *zakat* institutions in Jakarta, Indonesia. The samples were obtained through two-stage cluster sampling, while the methods were employed through an HDI disaggregation approach and a t-test or non-parametric test. By using two periods of observation, a proposed result of HDI disaggregation at the household level has been demonstrated. It was found that the HDI for a household who received productive-based *zakat* was significantly higher in the second period than the first. The underlying distribution of household HDI also improved in the second period. Furthermore, by evaluating the detailed results of the HDI components, the education index and income index were found to be statistically higher in the second period, while the index of life expectancy had not changed significantly.

The fourth paper by Banjaran Surya Indrastomo is entitled "The Emergence of Islamic Economic Movement in Indonesia: A Political Economy Approach." This paper focuses on the Islamic economic movement in Indonesia which emerged in the early 1980s following an initiative by several intellectuals who aspired to establish a just and equitable Islamic society after witnessing the developmental failure caused by the New Order developmental policy. It appealed to the society at large, and later benefited from what is considered as 'Muslim activism' in securing supply and demand as an alternate mode for organizing the distribution of opportunities and resources. This dispels the popular myth that the rise of modern Islamic economic and financial institutions is always associated with the oil-income surplus phenomena of the 1970s. The Indonesian story is undeniably one of constructing an alternative economic and financial model and institutions from the bottom upwards. This bottom-up characteristic of the movement suggests that its progress depended on the extent to which it strengthened and legitimated its presence through coalition building, institutional expansion, and civil society involvement within a particular political economic setting. Albeit the rapid development of Islamic financial institutions is the product of this aspiration, the movement also faced an identity challenge arising from a concern to integrate the construct into the modern economic and financial system, raising the question of whether the paradigm and value system of Islam has been capitalized upon to produce an alternative mode for running the economy.