

EDITORIAL

For this issue, IAIS's journal *Islam and Civilisational Renewal* (ICR) is honoured to have received submissions from several renowned scholars and economists, including Muhammad Umer Chapra, Abbas Mirakhor, Syed Othman Alhabshi and Shaikh Hamzah Shaikh Abdul Razak, Mohamed Aslam Haneef, Amer Al-Roubaie, and others. I am grateful to all of them for their valuable contributions. The volume at hand is a special issue on the current global financial crisis and the perspectives and challenges within this scenario for Islamic economics and finance.

This issue features **seven articles**: The first, “The Global Financial Crisis: Can Islamic Finance Help Minimise the Severity and Frequency of Such a Crisis in the Future?” is by **Muhammad Umer Chapra**, a leading economist with the Islamic Development Bank (IDB) at Jeddah, Saudi Arabia. The author explores and determines the primary cause (or causes) of the financial crises that have plagued almost every country around the world over the last three decades, arguing that Muslim scholars and countries need to explain the alternative Islamic system rationally to create greater awareness about its potential contributions to a more resilient financial architecture that can curb or minimise the scope and frequency of global economic and financial crises.

The next article, “Towards a Meeting-Point Between Islamic Finance and Globalisation”, is by **Abbas Mirakhor**, a renowned expert of Islamic economics and a former Executive Director of the International Monetary Fund (IMF). The author discusses the rules and norms of behaviour prescribed by Islam for individuals and collectivities that meet the conditions for maximum risk-sharing. He presents prospects for the convergence of conventional and Islamic finance, arguing that their growth could lead to a worldwide increase in investment, employment, and economic growth, as well as to a reduction in the inequality of wealth distribution and poverty that could significantly increase global welfare.

“*Takāful*: Concept, History, Development and Future Challenges of Its Industry” is a joint contribution by **Syed Othman Alhabshi** and **Shaikh Hamzah Shaikh Abdul Razak**, two leading scholars from Malaysia in the area of Islamic economics. As they explain, the Arabic term *takāful* denotes the agreement by one party to indemnify another for an anticipated liability and loss. The contractual agreement

that is reached specifies the terms of contributions and payment. The success of the *takāful* companies around the world during the last three decades has also been strongly influenced by the recent upsurge in the petroleum price that has led to the unprecedented increase in sovereign and private wealth. The recent emergence of ‘re-*takāful*’ companies adds up further to the rapid growth in *takāful* operators and funds. The two authors also discuss current challenges to the *takāful* industry.

The following article, “Islamic Banking and Finance in the 21st Century: Selected Issues in Human Capital Development”, is by **Mohamed Aslam Haneef**, another leading Malaysian scholar. The author focuses on a civilisational understanding of Islam – including the *shari‘ah*, the Islamic heritage, and a genuine understanding of modern economics and finance. Both are necessary pre-requisites to enable Islamic banking and finance to play its role more efficiently to meet the current challenge of credibility that the industry is currently facing here in Malaysia and abroad.

“Islamic Finance: A Bulwark against Contagion in the Global Banking System” is by **Amer Al-Roubaie**, a senior Iraqi-Canadian scholar of Islamic economics and finance and currently Dean of the College of Business and Finance at Bahrain’s Ahlia University. The author investigates the performance of Islamic financial institutions in view of the current global financial crisis. He argues that Islamic modes of investment contribute to society’s wellbeing through the creation of wealth and employment to ensure economic stability and human development.

“The Role of Adjustable-Rate Subprime Mortgages and Credit Default Swaps in the Global Financial Crisis” is by **Abdul Karim Abdullah**, a Canadian scholar who is currently Assistant Research Fellow at IAIS Malaysia. The article focuses on selected key factors that contributed to the current crisis, such as the adjustable-rate subprime mortgages and excessive risk taken by financial institutions in the extension of loans and mortgages with scant regard to the borrowers’ ability to make repayment. This was also reflected in their over-indulgence in the practice of securitisation and creation of layers of debt-based instruments that burdened the market beyond its capacity and tolerance.

The last article, entitled “Cash *Waqf* and Islamic Microfinance: Untapped Economic Opportunities” is written by **Norma Md Saad** and **Azizah Anuar**, two scholars from Malaysia (the latter being an Assistant Research Fellow with IAIS Malaysia). Their article informs the reader about the role of Islamic charitable endowment (*waqf*) and how it can be utilised as an instrument of microfinance that can fight poverty among Muslims. Minor exceptions apart, *waqf* in Islamic law can only proceed over immovable assets. The authors highlight the difficulties posed by that

restriction and then explore the possibility of using ‘cash *waqf*’ as a new source of fund for Islamic microfinance.

This time, ICR features two **viewpoints**, which address matters pertaining to the current global financial crisis, as well as a **book review section** with five reviewed works. The present volume also features several **reports on events**, among them international conferences attended by the scholars of IAIS Malaysia that also led to the signing of MOUs with institutions in Turkey, New Zealand and Australia.

I would like to express my appreciation and gratitude to all our esteemed contributors as well as the IAIS Malaysia editorial committee and staff for their support and I look forward to their continued contributions.

Mohammad Hashim Kamali

Editor-in-Chief