

PREFACE

Since the first publication of the Global Islamic Finance Report in 2010, Islamic banking and finance (IBF) has experienced major transformations. Most notably, IBF emerged in the aftermath of the global financial crisis as a more equitable and efficient alternative to the Western approach. On the international dimension, IBF has gained significance as it becomes an increasingly important part of the international financial system and is poised to contribute to greater global financial integration. In tandem with these developments, governments and financial regulators in the Muslim countries, where IBF has assumed significance, must look to reform their financial systems. As emphasised by Christine Lagarde, Managing Director of International Monetary Fund, while addressing an Islamic finance conference in Kuwait last November, “Islamic countries must start preparing themselves to increase the scope and scale of IBF.”

This seventh edition of GIFR is produced around a central theme of Islamic financial policy, which should be read in conjunction with the 2012 edition of the report in order to have a better grasp on the need for Islamic financial reforms in the Muslim world. It overviews Islamic financial policies in key Islamic financial markets asserting that besides regulations, there is a need to formulate consistent, coherent and comprehensive policy frameworks for the smooth functioning of the industry. Equally important is ensuring its further development and sustainable growth. This calls for a more proactive rather than reactionary approach towards developing IBF as a tool for wider economic reforms in the Muslim countries.

The much needed global infrastructure for IBF has already taken shape in the form international standard-setting bodies and institutions the likes of Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), International Islamic Financial Market (IIFM), International Islamic Liquidity Management Corporation (IILM), General Council of Islamic Banks and Financial Institutions (CIBAFI) and Islamic International Rating Agency (IIRA). Together they are making headways in assisting governments and their different organs to develop a comprehensive approach towards IBF.

GIFR 2016, indisputably a must have reference for governments and non-government bodies designed, has been designed to provide an in-depth understanding on the needs for developing an Islamic financial policy at the national level. It contains insightful analyses contributed by some of the leading players in the global Islamic financial services industry and other thought leaders who have helped move IBF to the new paradigm.

Answers to these and many more such questions should have implications for a debate on Islamic financial leadership. If an Islamic financial system is more stable than interest-based finance, then why IBF failed to impress the Western financial gurus and governments who felt a dire need for a better solution to their problems during the recent financial crisis. If IBF failed to offer credible and statistically significant evidence to prove its claim of being a more stable financial system, there is a need to re-look into the research and development (R&D) infrastructure that is supposed to support the industry. In this respect, it is important to re-consider the leadership role of the think tanks like Islamic Research and Training Institute (IRTI), an R&D



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