

ISLAMIC FINANCE IN THE MODERN WORLD: RECONSIDERING RELATIONSHIPS BETWEEN ISLAM AND THE ECONOMY, AND VIEWING ISLAMIC FINANCIAL STUDIES AS A FORM OF AREA STUDIES

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Islamic finance is relatively new to modern systems, and it prohibits use of *ribā* (similar to interest), forbidden by Islam. Its financial systems are based on contracts from Islamic law, used in the pre-modern Islamic world; however, these contracts have been updated and modified to deal with modern issues. Since the 1970s, practice of Islamic finance has grown rapidly and spread widely with diversity, and it is now operating not only in the Islamic world (from North Africa to South-East Asia) but also in other areas such as Europe and the United States.

Islamic economic systems are often considered to be completely separate from modern systems, and are seen as anti-modern or pan-modern. However, this conventional view cannot explain the theoretical or practical applications of Islamic finance. First, Islamic finance has adapted to the modern world by adapting Islamic laws while retaining Islamic principles, and second, Islamic finance provides a new economic perspective, one that conventional financial systems cannot offer. In addition, the diversity of Islamic finance can allow Islamic financial studies to be perceived as a form of area studies, thus freeing it from being understood as divided from conventional financial systems.

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