# Preface

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**Biographical notes:** Omar Masood is Subject Leader of Banking and Finance at the University of East London. His research interests include issues related to fund management, banking crisis, behavioural finance, political risk, Islamic banking and international finance. He is the author of a number of research papers which have been published in international journals and conferences.

Bruno S. Sergi teaches International Economics at the University of Messina, Italy. He has taught international classes and has been Guest Lecturer at central banks' research departments and universities in several countries around the world, including the International Monetary Fund, several central banks in Europe and New York University. He has published widely on many aspects of transition economics and global business.

Islamic banking has seen rapid growth during the last two decades. There are many contributory factors for such growth, most notable of which is: the liberalisation of financial regulation; globalisation of financial markets; changes in technology; product innovation; birth of several new Islamic States; growing Islamic presence in the west. Product innovations have helped economists and religious scholars to bring new products in almost all areas of banking and insurance, which were previously thought to be extremely controversial. There is no accurate data on the exact extent and volume of Islamic banking. It is currently estimated that Islamic Banks assets are between USD 250 Billion to USD 800 Billion and there are nearly 300 Islamic Financial Institutions worldwide, including 'Islamic Windows' of conventional banks. Islamic *Sukuk* (Bond) is the fastest growing product estimated at USD 30 Billion outstanding. In Pakistan and Malaysia, Shariah compliant funds have exceeded over 50% of total market capitalisation. Today, Islamic banking is growing at approximately 15% per annum. The growth of Islamic banking is a result of economic growth in the Islamic world, fuelled primarily by oil wealth. This growth created a growing middle-wealth segment and hence made banking a necessary service to the larger segment of the population rather than a service for the few, as had been the case some 10–15 years earlier. Islamic banking system is not only popular with in Islamic banks itself, but is also popular with in international and other conventional banks. Now a day's majority of international banks are adopting Islamic banking in order to serve their new clients with their specific needs. Examples of such banks are Citibank and HSBC which starts their Islamic operations worldwide to expand their business.

Although interest in Islamic banking has grown considerably during the last decade, Islamic banking today is an industry that is still evolving. The main issues of concern are the conceptual framework and viability of interest-free banking, and the assessment of its performance and future. In a world where conventional interest-based finance is the dominant framework, Islamic banking faces many challenges that must be addressed. This special issue of *IJMEF* has been an overwhelming success since it has provided a platform for research and practitioners from all over the world to come together to analyse the past experiences of Islamic banks, to provide an objective assessment of their success and failure, and to discuss the contemporary issues and challenges confronting them.