

## A Laissez-Faire Approach of Muslim NGOs as Minorities in Shaping the Halal Industry & Islamic Banking Law in Japan

 [10.15408/ajis.v25i2.46880](https://doi.org/10.15408/ajis.v25i2.46880)

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### Abstract

This article examines and proves the laissez-faire approach taken in the context of Muslim Non-Governmental Organizations (NGOs) in shaping the development of Japan's halal industry and Islamic banking. Preliminary data support the idea behind this research. Despite representing minority groups in Japan, Muslim NGOs have adopted a non-interventionist approach, empowering market forces and community-driven initiatives to drive the growth of halal products and services. Through their advocacy and collaborative efforts, these organizations have navigated the Japanese legal landscape to promote halal certification, halal food production, and Islamic finance, aligning these sectors with global market trends and local cultural dynamics. Using field research supported by document analysis and interviews, it was found that a laissez-faire model characterized by minimal state intervention in the work of Muslim NGOs in public and private sector involvement in the halal economy and Islamic banking emerges despite the challenges they faced in a non-Muslim-majority country. By tracing the historical context of these developments and analyzing key case studies, this paper offers insights into the intersection of religion, economics, and legal reform in Japan. These findings contribute to a broader discourse regarding the influence of minorities in niche markets, with implications for the future of Islamic finance and the halal industry in both non-Western and non-Muslim contexts.

### Abstrak

Artikel ini mengkaji peran unik Lembaga Swadaya Masyarakat (LSM) Muslim di Jepang dalam mengembangkan industri halal dan perbankan Islam. Meskipun sebagai kelompok minoritas, LSM Muslim ini menggunakan pendekatan "laissez-faire" (non-intervensionis). Mereka mengandalkan kekuatan pasar dan inisiatif komunitas untuk mendorong pertumbuhan layanan dan produk halal. Melalui advokasi dan kolaborasi, mereka berhasil menavigasi peraturan hukum Jepang untuk mempromosikan sertifikasi halal, makanan halal, dan keuangan Islam, menyesuaikan diri dengan tren global dan budaya lokal. Penelitian (berdasarkan wawancara dan analisis dokumen) menunjukkan bahwa model *laissez-faire* ini—ditandai dengan intervensi negara yang minimal—berhasil diterapkan LSM, meskipun menghadapi tantangan di negara mayoritas non-Muslim. Temuan ini memberikan wawasan tentang persimpangan agama, ekonomi, dan hukum di Jepang, serta berkontribusi pada pemahaman tentang pengaruh kelompok minoritas dalam mengembangkan pasar khusus, seperti industri halal dan keuangan Islam dalam konteks non-Muslim dan non-Barat.

### Keywords:

Arbitration agreement; Arbitration award; Sharia principles; Uncertainty; Interest

### How to Cite:

Dahlan, A et al., (2025). *A Laissez-Faire Approach of Muslim NGOs as Minorities in Shaping the Halal Industry & Islamic Banking Law in Japan*, AHKAM: Jurnal Ilmu Syariah, 25(2). <https://doi.org/10.15408/ajis.v25i2.42795>

## Introduction

The term *laissez-faire* originated when the French merchant François Legendre advised Louis XIV's finance minister, Colbert, using the term "*laissez-nous faire*". Then *laissez-faire* was formally coined by Adam Smith (1723-1790) in his book *The Wealth of Nations* (1776), which later became highly influential in shaping modern economic thinking by emphasizing the reduction of state intervention to encourage greater business efficiency and public welfare (Burgin, 2015). Feldman (2015) affirms that the *laissez-faire* doctrine has historically given rise to two fundamental pillars in economic development, namely (i) the separation of private property and (ii) state ownership. Dixon (2014) conceptualizes *laissez-faire* as a benchmark for evaluating and critiquing alternative market models. Meanwhile Viner (1927, 1960) interpreted the doctrine of *laissez-faire* economics as the minimizing of government interference in economic affairs, arguing that economic prosperity is best achieved when individuals and businesses operate with little or no government regulation that may hinder economic activity.

In social systems, the *laissez-faire* approach assigns responsibility for economic outcomes directly to the market, rather than through political intervention and discourse (Henry, 2008). State duties and policies are therefore more heavily emphasized in areas such as peace, defense, justice, and public works, which are often beyond the reach of the private sector (Burgin, 2015). Some of the explanations of *laissez-faire*, as outlined above, can be understood as a phenomenon characterized by the limited role of government intervention in the formation or success of a specific economic market, as well as the delegation of responsibility to the market or society. According to this understanding, this article examines how *laissez-faire* operates within the phenomenon of the halal industry and Islamic banking as they develop in Japan without government intervention, even though Muslims are a minority.

This article also aims to reinforce the concept of the *laissez-faire* doctrine in the context of the halal industry, presented by Gould (2014) At the "World Islamic Economic Forum 2013" in London, it was affirmed that the independent professional organization of Islamic scholars has largely shaped the arrangements in the halal sector. The symptoms of *laissez-faire* in the halal industry in Japan first began during the Japanese bubble economy in the 1980s, which had an impact on the increase in the number of tourists from Muslim countries (Scott, 2016). The phenomenon is responded to by Muslims in Japan through existing NGOs to provide halal services. By 2012, the halal industry had expanded to 55 food stores across all prefectures, with Tokyo serving as the center (Yusofa & Shutto, 2012). Meanwhile, the Islamic financial sector in Japan has been growing since 2008, when the Financial Services Agency (FSA) of Japan revised its regulations to allow Japanese bank subsidiaries to offer Islamic products in the domestic market for the first time (Vizcaino, 2015).

The above data show a different dynamic: the halal industry, which has developed since the 1980s, is driven by societal power to capture the Muslim tourist market without government intervention (*laissez-faire*). Meanwhile, Islamic banking began with government intervention (FSA), making the doctrine of *laissez-faire* applicable in this case. Therefore, this article will explore and discuss the symptoms and indicators of *laissez-faire* in the study of the halal industry and Islamic finance in Tokyo, providing a systematic discussion.

First, analyze the struggle of Muslim NGOs, as a minority in Japan, in ensuring halal assurance in the governance of the food industry in Tokyo, so that consumers feel comfortable in accordance with Islamic sharia. This analysis is crucial for providing a detailed overview of

the laissez-faire indicators, as evidenced by data on the independence of Muslim NGOs in Tokyo, which underpin the halal industry. It also examines the *ijtihad* of Islamic law in the form of halal guarantees, as certified by these organizations, for companies engaged in the halal industry. The analysis also examines internal dynamics within Muslim NGOs and external challenges in dealing with local culture and traditions.

Second, analyze the regulations and laws in Japan that affect the growth of Islamic financial institutions. The data and analysis in this section will contrast the halal industry with financial and banking law in Japan within a laissez-faire context. Third, analyze the success of the laissez-faire approach adopted by Tokyo Muslim NGOs in encouraging the halal industry and the challenges faced when dealing with local traditions, such as the habit of drinking *sake* and consuming non-halal foods, using the *'urf* and *maṣlahah* approaches.

## Method

This article is a field research conducted in Tokyo Prefecture, Japan, in July 2024. Tokyo Prefecture was chosen as the location of the study based on preliminary observations from online media and various reputable sources, which indicated impressive developments by several Muslim NGOs related to the halal industry and Islamic banking, as well as a map of the halal sector, especially halal food, that is widely spread throughout the city.

Preliminary data shows that there will be 11 Muslim NGOs in Japan by 2024, namely 1) Ass-Salaam Foundation, 2) Hokkaido Islamic Society, 3) Japan Islamic Center, 4) Japan Islamic Circle, 5) Sendai Islamic Cultural Center, 6) Japan Halal Association, 7) Kyoto Halal Council, 8) Mie Islamic Cultural Center, 9) Nippon Asian Halal Association (NAHA), 10) Japan Islamic Trust, and 11) Tokyo Camii Turkish Cultural Center (Quraishi, 2024; Akhtar, 2024). Then the 11 NGOs are divided into three categories: first, NGOs that focus on da'wah and Islamic teaching (1, 2, 3, 4, 5, 11). Second, NGOs involved in da'wah and Islamic education, as well as halal services (10). Third, NGOs that are involved explicitly in and promote the growth of the halal industry and Islamic financial institutions (6, 7, 9, 11).

In this study, only two Muslim NGOs were used as research objects: the Japan Islamic Trust (JIT), located in the Otsuka district of Tokyo, and the Nippon Asian Halal Association (NAHA), which has an office in Chiba Prefecture. The selection of the two institutions was based on their efforts to explicitly provide services and consultancy in the halal industry, as well as their active involvement in developing Islamic finance in Japan. Additionally, the institutions offered easy access to researchers, making them ideal partners for collaboration. Meanwhile, the Japan Halal Association in Tokyo Prefecture was not the subject of research due to the limited time available to reach the location and its lack of connection with its leaders.

The data sources used in this study were observations, documentation, and direct interviews. The observations were conducted in two stages: the pre-research was conducted online, and the second observation was conducted directly in the field, simultaneously collecting in-depth data. Meanwhile, the documentation is sourced from journal articles, conference proceedings, books, book chapters, and reviews, where 3,220 manuscripts were found in English and Indonesian in the 2020-2024 period by searching for the keywords "halal industry", "Tokyo", and "Japan". All inclusion criteria for this study are limited to articles sourced from English-language journals and open-access sources, and to the most relevant and

representative topics or research focuses on the theme of the halal industry and Islamic banking in Japan, as well as the Japanese government's policies on both. Meanwhile, the justification is to ensure the quality and credibility of the data source and to avoid journal articles that do not meet the standards of scientific publications. Meanwhile, the data sources not included as primary data or initially excluded in this study are publications that are excluded for several reasons, especially those with similar material or that only describe the growth of the halal industry in Japan and have been superseded by newer publications.

Interviews were conducted at the research site with key NGO figures involved in the halal industry and service providers in Tokyo, as well as with individuals knowledgeable about the regulation of the halal industry and Islamic finance in Japan. The selection of informants in this study uses the purposive sampling method, namely selecting informants who are considered to be the most knowledgeable or relevant to the research topic, in this case the key informants are Haroon Quraishi, Secretary General of Pakistani Muslims and Secretary General of the Islamic Trust (JIT) (interview in JIT, Ostuka on Tuesday July 16, 2024), Saeed Akhtar who serves as Director of the Nippon Asia Halal Association (NAHA) (interview by WhatsApp Video Call on Tokyo, Monday, July 22, 2024). The interviews continued using a snowball sampling method, relying on information from key informants about social networks or communities that were aware of the halal map of the industry in Tokyo. Based on Quraishi's recommendation, the informants interviewed were Septian Sitorus, an Indonesian freelancer and halal industry activist in Otsuka (interview in Otsuka Mousque, July 19, 2024) and Wais Al-Kindi, the Secretary General of the Indonesian Islamic Society (KMII), interview in Ota, Tokyo, Wednesday, July 17, 2024). Meanwhile, based on the recommendation of Saeed Akhtar, the informants interviewed were Kyoichiro Sugimoto from the Chiba Islamic Cultural Center (CICC) (interview in Chiba Prefecture, Thursday, July 18, 2024) and Arifin Nagai, Director of the Japan Islamic Culture Center (JICC) (interview in JIT, Ostuka on Friday July 19, 2024). However, Kyoichiro Sugimoto was eventually included as an author due to his significant contributions to the map of the halal industry in Japan, as well as several writings on the background and map of the halal industry in Tokyo.

Data analysis is conducted using a qualitative descriptive approach, which involves sorting and categorizing data and presenting relevant findings that align with the research objectives (Miles & Huberman, 1984). In this study, not all data sources were included in the body of the article; however, an in-depth analysis of the data was conducted to ensure their suitability as sources.

### **Social Capital of the Laissez-faire Approach for Muslim NGOs**

This discussion is essential for understanding how historical background shapes Muslims' power in shaping the formation of NGOs in Japan. Theoretically, they could consider a laissez-faire approach or independence from government intervention to establish the halal industry in Tokyo. The historical background of Japan's real encounter with the Muslim world begins in the late Edo period and the beginning of the Meiji period (Matsuyama, 2002; Groemer, 1994), most importantly after Japan's victory in the Russo-Japanese War in 1905, when Japanese Pan-Asian nationalists had similar ideas with Muslim nationalists and Pan-Asian Islamists (Brandenburg, 2020). The Muslim population in Japan at the end of the Meiji

period (1930-1940s) was estimated to be only around 1,000, mainly consisting of Tartars who emigrated from Russia after the revolution, and they constituted the majority of the Muslim population in Japan at that time (Nakamura, 1991). At that time, the relationship between Muslim intellectuals and nationalist movements, including Pan-Islam and Japanese nationalist (Pan-Asian) views, was shaped by their opposition to and resistance against Western domination and hegemony (Brandenburg, 2020; Yamashita, 2022).

Social conditions conducive to Muslims led to the construction of the first mosque in Kobe in 1935, which Indian traders primarily funded (Utaka, 2016). In 1938, the Tokyo Mosque was established, which was funded by major Japanese conglomerates such as Mitsubishi, Mitsui, and Sumitomo. Even the Tokyo Mosque is a form of the Japanese government's policy towards Islam, and its opening ceremony was attended by Japanese military and naval officers as well as officials from other countries (Siddiqi, 2016). In 2000, the Tokyo mosque underwent renovation with the assistance of the Turkish government and was renamed Tokyo Camii (Yamashita, 2022).

The presence of Muslim NGOs in Japan began with the establishment of the Japanese Muslim Association in 1952. However, the Japanese Muslim Association is officially recognized as a religious organization, registered as a *Shūkyō hōjin* (religious legal entity or religious corporation) in 1968 (Yamashita, 2022). Then the Muslim community gained the best momentum in 2006, when the Japanese government introduced an explicit immigration policy, a prototype of an integration policy called "*Tabunka Kyōsei*", or the construction of multicultural communities, aimed at the social integration of foreign residents into Japanese society (Kim & Streich, 2020). The policy aligns with the development of Japan's multicultural Muslim population, which includes migrants from Bangladesh, Pakistan, Iran, Indonesia, and other regions in Africa and Europe (Sakurai, 2008; Kojima, 2006; Kojima, 2012).

Meanwhile, the history of the Indonesian Muslim community in Japan is not well-documented. However, there is a lot of information that explains the 1970s were the early era of official institutions within the Indonesian community, specifically the Indonesian Islamic Community Family (KMII), whose members were Indonesian students and scholars studying in Japan. In 2015, KMII initiated the establishment of the Indonesian Mosque in Tokyo, which was later known as the Mugeru Mosque (Al-Kindi, 2024). Indonesian Muslims have also established four other mosques, namely the Al-Ikhlās Mosque in Kabukicho, the Akihabara Nusantara Mosque, and the At-Taqwa Mosque in Koga, Ibaraki, which are financed by the Nahdlatul Ulama Organization (Sitorus, 2024). The above explanation demonstrates that historically, Muslim NGOs in Japan have substantial social capital. Although they are a minority, their diverse backgrounds from different nationalities have provided them with a strong social foundation.

### **Laissez-faire in Sharia Compliance & Issuance of Halal Certificates**

In this context, the laissez-faire approach, as referred to by Henry (2008) and Dixon (2014), means that it is responsible for economic outcomes through the market rather than through political intervention and discourse. According to Viner (1927, 1960) Laissez-faire is considered successful if it achieves prosperity. Thus, the proof of laissez-faire is not only

against the absence of government interference in a particular market but also the success of its activities from an economic aspect.

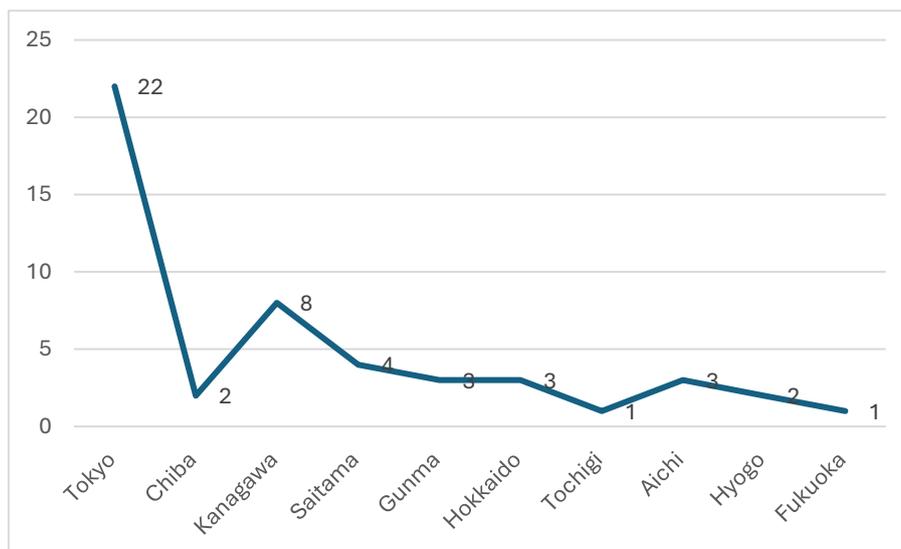
Yasushi Suzuki, a Professor from Ritsumeikan Asia Pacific University, who talks a lot about the development of Islamic finance, he writes in Suzuki (2014, 2016) that the success of the halal industry and Islamic finance is a social success for Japanese Muslim NGOs in implementing economic ethics, honesty and justice, where the concept has also been embedded in the traditional system of Japanese society, which emphasizes honesty in social relations and fairness in income redistribution.

Laissez-faire in the service and development of the halal Industry began during the Japanese bubble economy in the 1980s; however, not all Muslim NGOs are directly involved in the halal industry in Japan. According to Yusofa & Shutto (2012), numerous NGOs, Muslim communities, as well as food, beverage, pharmaceutical, and cosmetic manufacturers and distributors, are involved in promoting halal awareness. Even more recently, they have been involved in halal tourism services, including hotels and restaurants, and have played a crucial role in promoting knowledge about the halal industry and facilitating halal certification.

Over the past decade, the halal label has evolved from being a phenomenon of economic or industrial activity to a global symbol, transcending religious issues and referring to a highly advanced product that can be enjoyed by Muslims and people worldwide (Dahlan, 2024). This product is gaining popularity in Tokyo, where restaurants, shops, and outlets that market halal products are increasingly easy to find.

In contrast to countries with Muslims as the majority, the halal industrial movement in Tokyo is a social creativity that is massively driven by Muslim NGOs in providing halal services and certification. This phenomenon began to gain success since 2012, with an increasing number of food outlets and halal-labelled stores scattered throughout Tokyo, which at that time numbered only 55 outlets (Yusofa & Shutto, 2012).

**Chart 1. Number of halal food stores and their distribution in 2012**



Muslim NGOs with their own institutions and independently without regulation and government interference have proven to be increasingly successful in encouraging the development of the Halal industry in Japan, particularly in Tokyo, and have been growing rapidly since 2020. Refers to Konety et al., (2021) in 2020, there were 330 halal food restaurants in Tokyo, accounting for nearly 30% of the total of approximately 868 halal food outlets and retailers in Japan (Table 1).

**Table 1. Halal & Halal Certified Food Restaurants in Japan**

Prefecture	Restaurant Preparation Halal Food	Halal Certified Restaurants	Entire
Tokyo	244	86	330
Osaka	53	17	70
Kanagawa	34	3	37
Aichi	34	6	40
Kyoto	38	21	59
Fukuoka	11	2	13
Other Locations	272	47	319
Entire	686	182	868

Table 1 shows that although Japan is a non-Muslim country and has not yet provided legal norms and institutions that provide halal services and certification, Muslim NGOs in Japan continue to make great efforts to provide accessible services for Muslims by providing halal food and restaurants that can be enjoyed by foreign residents and tourists (Konety et al., 2021).

The results show that the distribution of halal restaurants and food outlets has increased in downtown Tokyo in the Chiyoda and Minato areas. To the east, near Skytree City, where Tokyo Tower and some famous museums, such as the Origami Museum, are located, you will find the "Tokyo Chinese Muslim Restaurant". Even in the Shinjuku area, renowned for its bustling clubs, neon-lit karaoke rooms in East Shinjuku, high-end bars, and hotels, halal restaurants can be found. However, the development is not as significant or widespread as in East Tokyo, which is crowded with tourists, especially in Sumida.

The halal industry in Tokyo is a testament to the fact that Muslim NGOs, as a minority population, have succeeded in playing an essential economic role in the public sector without government interference (Numaji, 2015). The success is also a testament to the social system's ability to provide facilities and services for the Muslim community, including alcohol-free activities and the availability of halal food in many places, which is further enhanced by the establishment of several mosques (Sukmayadi & Effendi, 2020). Even the growth of halal food in Tokyo has had a positive influence on the public, leading to more open social relations in Japan (Yusofa & Shutto, 2012; Numaji, 2015).

These findings critique opposing opinions and research, such as Rahim (2018), which asserts that the multi-billion-dollar halal food industry and Islamic banking sector are only

encouraging new forms of Islamic economics that benefit the Islamic elites, i.e., the rulers and businesspeople of certain countries. Rahmah & Tapotubun (2020) reveal that the development of halal tourism in non-Muslim countries, such as Japan and Germany, is part of a hegemonic discourse that primarily benefits the government and the market.

Meanwhile, the development of the halal industry is purely driven by Muslim NGOs without intervention and encouraged by the government and can have an impact on the welfare of Muslims. The Japanese government grants permits to Muslim NGOs only as community associations, and does not provide financial assistance or intervene in their activities.

### **(No) Laissez-faire in the Development of Islamic Banking**

In contrast to the halal industry, which is primarily driven by the independence of Muslim NGOs in Japan, a laissez-faire approach has emerged. In contrast, the formation and development of Islamic banking in Japan have involved significant government intervention. The Japanese government did not intervene specifically to issue Islamic banking regulations or laws, as in Muslim countries such as Saudi Arabia (SAMA on Shariah Governance Framework through Circular No. 41042498), Malaysia ([Islamic Financial Services Act \(IFSA\) 2013](#) amendment of [the Islamic Banking Act \(IBA\) 1983](#)), and Indonesia (Law No. 21 of 2008 concerning Sharia Banking). Nevertheless, the Japanese government provides standard legal mechanisms that offer opportunities for the development of Islamic finance, including a banking system that supports it.

Deep Kurihara (2014), Professor of Economics at Aichi University, noted that in 1999 Japan introduced an interest-free monetary policy, which garnered significant attention from the global finance community because it was unprecedented at the time. It was later discovered that this policy effectively lowered and stabilized interest rates, thereby boosting the Japanese economy. Furthermore, according to Kurihara, the interest-free financial system is similar to the Islamic economic system, particularly in its use of contracts such as *qard al-ḥasan*. Hamada & Ishikawa (2011) announced that 2010 was a turning point for Islamic finance in Japan as the Japanese company Nomura Holdings, Inc. issued the first U.S. dollar-denominated Sukuk in cooperation with Malaysia.

This policy is critical as evidence of the Japanese government's recognition and intervention (laissez-faire) in a system that provides opportunities for financial activities with the Islamic Sharia system. The Japanese government began to take an interest in the potential of Islamic finance through cooperation among the Financial Services Agency, the Bank of Japan, and the Japan Bank for International Cooperation (JBIC) with the Islamic Financial Services Board (IFSB). During this formation, JBIC and IFSB organized an Islamic Finance Seminar in January 2007 to facilitate the Japanese public's understanding of the Islamic financial services industry (JBIC Today, July 2007).

Deep Saito and Igarashi (2010) explain that the legal basis for Islamic banking in Japan relies on existing legislation, particularly the assumption that banks and their subsidiaries are permitted to undertake Islamic financial transactions recognized under the Financial Instruments and Exchange Act (FIEA). These transactions include structures analogous to *muḍārabah*, *murābaḥah*, and *ijārah*. In 2010, Nomura Holdings became one of the first major

Japanese financial institutions to formally announce its engagement with the Islamic finance market in Japan.

The regulation is dynamic in its implementation of the sharia system, as the legality and application of the sharia system for banks do not require the establishment of an Islamic bank first; it is sufficient to refer to the FIEA regulation. The convenience of this arrangement not only impacts the legality of the sharia system in banking institutions but also affects other financial institutions, such as those involved in Sukuk or private equity, which can operate under the sharia system.

However, in practice, Islamic banking in Japan has developed much more slowly and is less responsive to large companies. In 2014, several large Japanese sukuk companies, such as Aeon, Nomura Holdings, and Bank of Tokyo-Mitsubishi UFJ, issued sukuk in Malaysia (Lackmann, 2015). The Japanese government has relaxed rules for private equity funds to facilitate cooperation with certain Islamic countries, encourage investment, expand access to the Muslim market culture, and implement halal certification procedures. The policy utilizes the IMF (International Monetary Fund), which is also actively involved in promoting investment through sharia equity Funds (Mizushima, 2017). As a result, Bank of Tokyo-Mitsubishi UFJ (BTMU) became the first Japanese commercial bank to issue sukuk through its Malaysian unit in September 2015 (Bakar et al., 2017).

The results of an interview with Quraishi (2024) indicate that the Japanese government is not particularly effective at encouraging the legal development of Islamic banks, nor are Muslim NGOs, which also struggle to form and develop Islamic banks. Consequently, it is natural that the growth is very slow. Upon closer examination, it was found to be unique to the Japanese context, as the power of the Islamic financial market and banking under Japanese law grew beyond Japan. Many Japanese companies are active in Southeast Asia, including Bank of Tokyo-Mitsubishi (BTMU), which is expanding into Malaysia, and Daiwa Securities in Singapore. In addition, in 2010, a partnership was formed between Sumitomo Mitsui Banking Corporation (SMBC) and RHB Bank, the fourth-largest banking group in Malaysia. In late 2011, Mizuho Financial Group, Japan's third-largest bank, became the latest to apply for an Islamic license in Malaysia.

However, some reviews note signs that the legal and regulatory landscape is not yet conducive to the growth of Islamic finance and banking in Japan. The Japan Bank for International Cooperation (JBIC) has expressed interest in developing Islamic finance and banking; however, tax regulations and related laws have become significant obstacles to the development of the Islamic financial system in Japan (Saito & Igarashi, 2010).

He explained that although *laissez-faire* principles were applied in the development of Islamic banking in Japan, with several regulations, they have not been able to encourage the growth of institutions engaged in Islamic finance development in Japan, where only five entities are based in Japan, and from Malaysia, there are two institutions (Table 2).

**Table 2: Number of Islamic Financial Institutions in Japan**

Not	Islamic financial institutions	Publisher
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1	Bank of Japan	Japan
2	Sumitomo Mitsui Banking Corporation	Japan
3	Bank of Japan for International Cooperation	Japan
4	Japan Securities Dealers Association	Japan
5	Mizuho Corporate Bank	Japan
6	Nomua Asset Management Malaysia	Malaysia
7	Bank Tokyo-Mitsubishi (Malaysia)	Malaysia

Surprisingly, the Japanese government is involved in the development of Islamic finance outside Japan. For example, the Bank of Tokyo-Mitsubishi UFJ is actively involved in the Islamic finance industry, having issued US\$25 million worth of sukuk in Malaysia in 2014. In 2015, the Bank of Tokyo-Mitsubishi UFJ obtained a license from the Dubai Financial Services Authority to operate an Islamic window in the United Arab Emirates (Uetake, 2015).

### **The Laissez-faire Success of Japanese Muslim NGOs in the Halal Industry**

#### **Network Strength**

A strong internal network exists among Muslim NGOs in the development and da'wah of Islam. The religious background of the Muslim community in Japan has created a strong network in encouraging everything beneficial for the welfare of the Muslim community. The Muslim expatriate community began establishing NGO groups in the 1990s and has successfully promoted Islamic da'wah, the establishment of mosques, and educational institutions ranging from kindergarten to secondary school levels. The NGO also actively encourages the development of the halal industry and Islamic finance, particularly in Tokyo. Among these NGOs is the Japan Islamic Trust (JIT), based in Otsuka, which establishes international relations with institutions engaged in developing the halal industry and Islamic finance, such as JAKIM Malaysia, MUIS Singapore, and MUI Indonesia. There are also Muslim NGO groups that focus on encouraging the development of the halal industry and Islamic finance in Tokyo and Japan. However, among their activities, they continue to carry out Islamic da'wah in Japan. Among those NGOs is the Nippon Asian Halal Association (NAHA) in Chiba.

Muslim NGOs in Japan also have extensive external networks. They have a strong network with foreign institutions engaged in the same field, such as the Department of Islamic Development Malaysia (JAKIM), the Islamic Religious Council of Singapore (MUIS), the Indonesian Ulema Council (MUI), the Gulf States (GAC), and the Emirati Authority for Standardization and Metrology (ESMA, UAE). This analysis has been strengthened by interviews with key informants, namely Haroon Quraishi of the Japan Islamic Trust and Saeed Akhtar of the Nippon Asian Halal Association (NAHA).

Other data shows that the laissez-faire approach in Japan is successful in developing the halal industry and finance because it is rooted in the principles of Islamic ethics that Muslim NGOs continue to push, and all of which are proving to gain significant momentum along with the development of the halal industry as a global economic phenomenon (Morrison, 2013).

#### **Combination of *Maşlahah* & Local Traditions**

*Maṣlahah* is a theory of Islamic law that serves as its basis, affirming everything that promotes the good of society. However, some opinions suggest that the principle of *maqāsid al-sharī'ah* (the purposes of sharia) is applicable, as the two principles share the same goal of upholding the values of Islamic law in social life (SA & Zuraidah, 2023). The principle of *maṣlahah* prioritizing benefits and rejects losses to uphold Sharia objectives, especially in the principles of *mu'āmalāt*, which is the principle of interpersonal relationships and the principle of not harming others (Hasan, 2022).

The principle of *maṣlahah* is particularly relevant to the discussion in this study, as one of the most significant challenges for Muslim NGOs in establishing a halal industry in Tokyo is the strong Japanese traditions and culture. He (2024) explains that Japanese culture is heavily influenced by Confucianism and highly values collectivism. This culture explains the highly collective nature of Japanese culture and traditions, especially in Tokyo, making it difficult for foreign cultures and belief systems to penetrate their communities and neighborhoods easily.

However, as shown in Table 1, the number and distribution of halal food businesses registered by Muslim NGOs in Tokyo have increased significantly, reaching 868 by 2024, with a fairly even distribution across several districts central to economic activity, particularly downtown Shibuya. Previous research has found that among the factors that facilitate the entry of the halal industry into the Japanese community, according to Thamrin et al. (2014), the Japanese public has long accepted Islam as a cultural difference that coexists, due to the perception and openness in Japanese society to Islam as a teaching system that fights for the rights of all people and safeguards human dignity. Recent research by Budianto (2024) also found that the image of Islam in the Japanese professional environment was overwhelmingly positive, and it even had a positive impact on Indonesian Muslims working in Japan, promoting cultural diversity within the Japanese professional environment.

Both articles highlight the sociological and economic factors that allowed halal food to flourish in Tokyo. This article, from a more technical and legal perspective, explains that the development of the halal industry in Tokyo demonstrates the success of Muslim NGOs in integrating Islamic values, particularly the principle of *maṣlahah*, by accommodating local traditions and culture within the halal food segment without compromising halal principles. The principle of *maṣlahah* is evident in the abundance of halal restaurants, counters, and shops, which are bustling with activities and serve a variety of local dishes that have become staples among the public. Many halal restaurants offer a wide variety of ramen, and dishes made with wagyu, a signature of premium Japanese beef, are also often served, such as at Yakiniku Iwasaki Ueno in Tokyo. Even in Shibuya, halal restaurants cater to the middle class and are very popular with customers, not only from the Muslim community but also from the local community. The interesting thing is that both the chefs and the cashiers are native Japanese.

The success of the *maṣlahah* principle in the development of halal food in Tokyo is also strongly supported by the role and development of native Japanese converts, such as Kyoichiro Sugimoto of the Chiba Islamic Cultural Center and Mr Arifin Nagai, Director of the Japan Islamic Culture Center, who is also active in the Japan Islamic Trust. Kaiji Wada, CEO of KapanJapan, represents the young generation that is active in Islamic da'wah and entrepreneurship training in Japan, particularly in Tokyo, for foreign nationals, especially those from Indonesia, to develop their businesses and careers.

Thus, the halal label on Japanese-style food and specifically in Japanese restaurants not only signifies the permissibility of the food served there for consumption based on Islamic jurisprudence, but, as explained by Pangestu & Attas (2022), halal words and signs in Japanese restaurants represent Muslims in their religious beliefs (ideology) that can be integrated into local traditions and cuisines.

### Flexibility of Japan's Law on the Halal Industry

Compared to the strict Islamic practice in Japan, the halal industry is relatively more dynamic and flexible. It is evident that over the last five years, many tourist facilities in Japan have provided halal food and goods in accordance with Islamic law, as well as prayer rooms and other amenities. This condition is good news for Japan's roughly 110,000 Muslims, who sometimes find it difficult to find halal food, and other items that are usually available on a small scale are suddenly easy to come by. Yamaguchi (2019) explains that initially, many Japanese mistakenly assumed that halal food was only for Muslims; however, they eventually came to understand that halal food can meet the needs of non-Muslim Japanese consumers seeking safe, trustworthy food.

The development of halal food in Tokyo, in the context of Islamic jurisprudence, is a success in applying "*aqalliyāt* jurisprudence", or the concept of Islamic law from a minority perspective, which has been shaped primarily by the political dynamics in the West towards Muslim society (Luthfi et al., 2024). However, *fiqh al-aqalliyāt* in the context of the Muslim community in Japan as a minority of only 0.2% of the total Japanese population is a successful model of postulate or legal interpretation for the benefit of the ummah does not have to go through the main path of the struggle for sharia rights such as prayer and hajj, but can be carried out in the battle for sharia in the economic field, namely halal food.

The issue of halal food can also be developed as an individual's compliance with sharia, with or without government supervision. This condition is inevitable, as in Japan, the halal industry is more dominant than individuals who feel obliged to practice Islamic Sharia, prioritizing flexibility over the legal norms that apply in Japan (Idris, 2025). This fact also provides evidence that Islamic law is not only a religious system that influences social and cultural values, but also plays an important role in shaping political identity and fostering relationships between communities (Yusoff, 2025), including in Japanese society that accepts the halal industry.

### Challenge

Interviews with Quraishi (2024) indicate that efforts by Muslims in Japan to preserve their Islamic culture and integrate it into daily life in local communities have not always gone smoothly. They faced direct opposition from the majority of the "Shinto", a political, religious, and social system that is deeply rooted in Japan. This opinion reinforces the research by Okai & Takahashi (2023), which reveals that the dominance of this Shinto community appears to overshadow both Buddhism and Christianity. However, the tensions are different in the case of Muslims, as the majority of Muslims are migrants, and ethnic Muslims are more diverse and distinct, thus creating a striking contrast with the local community. It means that the perception

of Islam is not only influenced by differences between cultures and belief systems, but also by the origin factor of its adherents, who are often migrants.

Fortunately, some literature has found that discrimination against Muslim minorities in Japan is relatively not prominent in the history and development of Muslim NGOs, especially in the issues of anarchism and terrorism. This condition is in contrast to Manu (2024); Rabasa (2004), and ODIHR (2020) those who still find discrimination against Muslims as a minority to be common in many countries. This situation is the result of negative stereotypes or misconceptions about Islam, in which Islam is understood as a teaching that is backward and radical, oppressive to women, and associated with terrorism.

Meanwhile, the challenges for Sharia banking practices can be referred to in the article Kabata & Kato, (2018) from an Associate at Anderson Mōri & Tomotsune Firm who explained that Japanese law now requires business entities involved in savings, loans or money transfers (exchange transactions) to have a license by the Japanese Banking Law (BA), the Japan Money Lending Business Act (MLBA) and the Japan Installment Sales Act (ISA). These three laws, along with several others, could hinder the development of Islamic banks in Japan. The results indeed show that the development of the Shariah system in banking cannot keep pace with that of Sukuk.

## Conclusion

Muslim NGOs in Japan, although a minority, have developed mainly as grassroots entities, with limited (*laissez-faire*) government political intervention. These organizations were established and developed independently to teach Islam in Japan and have spread to many prefectures, including Hokkaido, Kyoto, and Tokyo, among others. The Diaspora and the Indonesian government have also played a role in the halal industry and the Sharia Finance sector through the Indonesian Islamic Community Family (KMII), established in 1970.

The development of the halal industry in Japan, particularly in Tokyo Prefecture, which continues to progress, is a testament to the success achieved by various diasporas and members of Muslim NGOs in facilitating infrastructure, including the provision of services and assurances for halal products and halal certification.

The development of Sharia banks, in contrast to the halal industry, has been slower, despite regulations and government intervention, or a *laissez-faire* approach. The role of the Government of Japan has been significant, especially since domestic sukuk (J-sukuk) was legalized in 2012, and Islamic financial institutions opened the first private equity fund in 2014. However, Japanese Islamic financial and banking institutions are developing in foreign markets.

The challenges of the majority community and the religiosity in the social belief system do not prevent Muslim NGOs from encouraging the halal industry to compete with non-halal with the *'urf* and *maṣlahah* approach, which is to seek good values with Islamic principles without eliminating local traditions. It is reflected in the provision of halal food service products with local menus that make people interested in enjoying.

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