



Gulf Research Centre Cambridge
Knowledge for All

Workshop 18

Islamic Finance in the GCC

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Abstract

Islamic Banking and Finance (IBF) has enjoyed unprecedented growth in recent years in the world, while the GCC remains a main hub of IBF activities. This is mainly due to the large wealth and capital accumulated in the region, which has provided the required liquidity for the IBF industry to enjoy double-digit growth in recent years, at least until the impact of the global financial crisis hit the region. Indeed, during the financial crisis, a slowdown in the asset growth and operations in the IBF industry has been observed as compared to previous period, including *sukuk* defaults. However, after the initial impact of the global financial crisis, the IBF industry in the GCC has managed to pick up again in recent months without major damage. As part of such positive developments, the *sukuk* market has overcome the contraction and is now enjoying another phase of expansion.

This workshop, thus, aims to explore the dynamics of the IBF industry in the GCC region by attracting papers on the performance and developments of IBF in the GCC. The papers sought for are expected to focus on one of the following topical areas in

relation to IBF in the context of the GCC region or GCC member country or countries:

- financial performance and its determinants;
- the impact of competition by local and foreign bank and financial institutions on GCC Islamic banks;
- risk dimensions and their management including liquidity risk, operational risk, credit risk, market risk, *Shari'ah* risk etc.;
- the impact of global financial crisis on GCC IBF and the resilience of IBF industry;
- Islamic banking deposits and its determinants;
- IBF investments and their determinants;
- corporate governance styles;
- corporate social responsibility in GCC IBF;
- service quality and its management in IBF;
- *takaful* and determinants of *takaful* taking in the GCC;
- the investment portfolios of *takaful* companies;
- performance and determinants of performance of *sukuk* in the GCC region;
- the sources of diffusion of IBF in the GCC;
- nature and demand for IBF in the regions;
- the relationship between GCC IBF and conventional banking and finance industry;
- the impact of GCC economic, financial and political environment on the development of IBF in the region;
- political economy of IBF and its evolution in the GCC;
- political economy of institutionalization of IBF in the GCC region.

The individual papers can have a GCC regional focus; or can be a comparative paper focusing on one or more than one of the GCC countries; or can be a comparison of a GCC country or countries with other regions or countries in relation to the above mentioned topical areas. Comparative papers on GCC IBF and GCC conventional banking and finance are also welcome in relation to the above mentioned topics.

Workshop Description and Rationale

This workshop aims to explore and discuss the particularities of IBF in the GCC region by making direct reference to the micro and macro dynamics of the industry and the impact of GCC economic and financial environment on its development.

The workshop aims to attract papers in the areas (but not limited to) mentioned in the abstract in relations to IBF industry in the GCC region. We aim to attract at least 15-20 papers which can help to develop an edited book after the conference, and thus provide opportunity for publication.

Including IBF as part of the GRM workshops is essential as the GCC region is the main hub of the IBF global industry; the industry's development is determined by the financial position of as well as the capital accumulated in the region. It is also predicted that IBF will become the main banking and financial operation in the GCC by 2025 and by then conventional banking and finance will be the minority. This directly identifies the importance of IBF as an industry and also the necessity of

researching such a vital area. Close academic scrutiny is required to understand the dynamics, motivators, performance and other aspects of the industry so that a better and evidence-based understanding can be developed.

It is true that Malaysian governments have been aggressively aiming to develop their domestic IBF industry. In response to such developments, a large amount of academic literature is available on the Malaysian IBF industry, while only a limited amount of academic material is available on the GCC IBF industry.

This workshop thus will provide an opportunity to bring studies relating to the GCC IBF industry to the fore and, more importantly, will contribute to the literature on different aspects of IBF in the GCC region. Considering that limited academic material is available currently, this will be important in disseminating knowledge on the GCC IBF industry. In particular, publishing an edited volume with the selected papers presented at the workshop will create an important handbook and reference material for academics, professionals and policy circles.

Anticipated papers

We are expecting a reasonably good number of papers to be submitted to the conference. However, the workshop aims to attract mainly two types of papers: empirical papers based on statistical and econometric analysis of primary or secondary data from the GCC IBF industry; and secondly, discursive papers looking into the particularities of the political economy aspect of IBF in the GCC region. However, we are hoping that out of nine sessions, six will be allocated for empirical papers. Considering that there is not much work done on the political economy aspect, this might be the case in this workshop as well. In such a case, empirical papers may well dominate the entire workshop.

It should also be noted that comparative papers either between GCC member countries in relation to IBF industry or between GCC countries and other countries beyond the region are also welcome and can be an additional contribution of the workshop.

Both Dr. Asutay and Dr. Turkistani will be responsible for evaluating the abstracts and papers submitted for the workshop. In the selection process, the following criteria will be employed:

- appropriateness of the subject matter including the regional reference or the individual country in the region
- the intellectual and the methodological rigor of the paper
- critical analysis of the paper
- whether the paper manages to overcome the identified gap as mentioned above and
- whether the findings of the paper are located within the larger body of knowledge.

Workshop Director Profiles

Dr. Mehmet Asutay is a Reader in Middle Eastern and Islamic Political Economy and Finance at the School of Government and International Affairs, Durham University. He is also the Director of the newly established Durham Centre for Islamic Economics and Finance, and the Course Director of the M.A./M.Sc. in Islamic Finance; and the Director of the Durham Islamic Finance Summer School. He teaches and supervises masters and doctoral research on various aspects of Islamic moral economy, Islamic finance; political economy of the Middle East, Turkey and the Kurds; and economic development related subjects. He is the Managing Editor of the *Review of Islamic Economics* and an Associate Editor of the *American Journal of Islamic Social Sciences*. Mehmet's book on Turkey's political economy will appear in 2012; and his two edited books on Islamic finance will also appear in 2012. He is also editing the Islamic Economics volumes of Edward Elgar's Critical Thinking Series to appear in 2012. His articles on his research interests have appeared in various journals.

Dr. Abdullah Q. Turkistani is Associate Professor in the Economics Department at the University of King Abdulaziz, Jeddah, Saudi Arabia. He is also the Director of the Islamic Economics Research Center at the same University since 2006. The Centre was established in the early 1970s and has made an immense contribution to the academic development in the field, as most of the founding fathers of Islamic economics and finance have worked in the Centre in the past. Dr. Turkistani has published in economics and Islamic finance related areas; and delivered lectures on the same subject in various parts of the world. He was instrumental in the establishment of the Centre for Islamic Economics at the IE University, Madrid, Spain and also in the establishment of a Chair in Islamic Economics and Finance at Sorbonne University, Paris, France.

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