



**Gulf Research Centre Cambridge**  
Knowledge for All

Workshop 7

## **Exploring the Dynamism of Islamic Finance in the GCC Region**

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### **Abstract**

Islamic Banking and Finance (IBF) institutions has enjoyed an unprecedented growth since their inception in 1975 with over 15 per cent compound growth rate from 2007-2014. The GCC remains one of the main hubs of IBF activities. This is mainly due to the large wealth and capital accumulated in the region, which provides the required liquidity for the development of IBF industry to enjoy double-digit growth. It is true that, during the financial crisis, there was a slowdown in asset growth and operations in the IBF industry as compared to the previous period, including *sukuk* defaults but without any major damage. However, after the initial impact of the global financial crisis, the IBF industry in the GCC has managed to come back strongly. Consequently, the *sukuk* market too has overcome the contraction and is now enjoying another phase of robust expansion. This workshop, thus, aims at exploring the dynamics of the IBF industry in the GCC region by inviting papers on the different aspects, including progress and performance, of the IBF industry in the GCC.

## **Description and Rationale**

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

The workshop aims to attract papers in the areas (but not limited to) mentioned in the following section in relation to the IBF industry in the GCC region. It is aimed to attract around 30 papers, which can then be developed into an edited book after the conference as well included in a special edition of a journal.

The GCC region is the main hub of the IBF global industry, the development of which is determined by the financial position of the countries as well as the capital accumulated in the region. It is predicted that the IBF industry will become the main banking and financial model in the GCC by 2025. Therefore, it is important to conduct comprehensive research on this vital area. The IBF industry is not limited to the private sector, but its expansion is also due to the political will expressed in some of the GCC countries such as the UAE (Dubai) and Qatar. However, at the same time, the sluggish development in the field in some of the GCC countries can be attributed to the political economy realities of those countries. The developments in the IBF industry, therefore, require close academic scrutiny to understand the dynamics, motivators, performance and other aspects of IBF so that a better and evidence based understanding can be developed.

This workshop, thus, will provide an opportunity to bring out studies on the GCC IBF industry and, importantly, will contribute to the literature in relation to different aspects of IBF industry in the GCC region. This will be an important initiative in disseminating knowledge generated in the GCC region in relation to the IBF industry. In particular, publishing an edited volume, and perhaps a special issue in a journal, with the selected papers presented at the workshop will create an important handbook and reference volume for academics, professionals, and policy makers.

## **Anticipated Participants**

We are expecting a 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 discursive papers looking into the particularities of the political economy aspect of IBF in the GCC region.

It should also be noted that comparative papers either between the GCC member countries in relation to the IBF industry or between the GCC countries and regions and other countries beyond the region are also welcome.

Both Professor Mehmet Asutay and Dr Shehab Marzban 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;
- subject matter's contribution to filling the identified gap in the literature;
- intellectual rigour of the paper;
- methodological rigour of the paper;
- critical analysis presented in the paper;
- whether the findings of the paper are located within the larger body of knowledge.

The submitted papers are expected to focus on one of the following topical areas in relation to the GCC region or a GCC member country or other countries that have an IBF industry; they can also be comparative papers 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 topics listed below. Comparative papers on the GCC IBF and the GCC conventional banking and finance are also welcome in relation to the mentioned topics.

Topical Areas:

- Evaluation of the financial performance, profitability, and efficiency of the GCC IBF sector and their determinants;
- The impact of competition from local and foreign banks and financial institutions on GCC Islamic banks;
- Islamic capital markets and instruments;
- Performance, social impact, comparative analysis, and determinants of Islamic funds in the GCC region
- Islamic asset management and its aspects;
- Performance and determinants of *sukuk* in the GCC region;
- Islamic project financing in the GCC and similar initiatives of the GCC IBF institutions in other parts of the world;
- The potential of alternative equity-based Islamic financing through venture capital, private equity, and other non-banking financial services in the GCC region;

- Socially responsible investment, crowdfunding platforms, SMEs financing by GCC IBF institutions as well as by GCC-based IBF institutions in other parts of the world;
- Internationalisation of IBF emerging from the GCC region;
- Risk dimensions and their management in IBF, including liquidity and liquidity risk management, operational risk, credit risk (including non-performing loans), market risk, *Shari'ah* risk etc.;
- GCC sovereign wealth funds and their impact on the development of IBF in the region;
- Islamic banking deposits and their determinants in the GCC region;
- IBF investments and their determinants in the GCC region;
- Islamic financial development and financial stability;
- Islamic finance and economic growth nexus;
- Islamic finance growth and its impact on development;
- Corporate governance styles and performance in the GCC IBF institutions;
- Corporate social responsibility in the GCC IBF institutions;
- Service quality and its management in the GCC IBFs;
- *Takaful* and determinants of *takaful* taking in the GCC;
- The performance of *takaful* companies in the GCC;
- The investment portfolios of *takaful* companies in the GCC region;
- The sources of diffusion of IBFs in the GCC;
- The nature of the demand for retail, investments, and wholesale IBF in the GCC;
- The relationship between the GCC IBFs and conventional banking and finance industry;
- Legal and regulatory environment of the GCC region and its impact on the development of the IBF sector;
- *Shari'ah* aspects of IBF industry and the role of *Shari'ah* scholars;
- The impact of the GCC economic, financial, and political environment on the development, expansion, and the diffusion of IBF in the region and beyond;
- Political economy of IBF institutions and their evolution in the GCC;
- Political economy of institutionalisation of IBF in the GCC region;
- Political and political economy determinants of Islamic finance and its performance in the GCC and beyond;
- The relationship between the GCC IBFs and the emerging Islamic finance sector in the Arab Spring countries and other emerging markets;
- Dubai's initiatives on Islamic economy and Qatar's initiatives on knowledge economy and other similar initiatives and their impact on Islamic economy and the IBF industry;
- Expansion of 'halal markets' and its determinants in the GCC region
- The dynamics of human resource development for the IBF industry in the GCC

## Workshop Director Profiles

**Prof. Mehmet Asutay** is Professor of Middle Eastern & Islamic Political Economy and Finance at the Durham University Business School, the Director of the Durham Centre in Islamic Economics and Finance, the programme director for MSc in Islamic Finance & MSc in Islamic Finance and Management programmes, and the Director of the Durham Islamic Finance Summer School. Prof. Asutay's research, publication, teaching, and supervision of research is all related to areas such as Islamic moral economy, Islamic banking and finance, the Middle Eastern economies, and the political economy of Middle East countries, including the Turkish and Kurdish political economy.

His articles have been published in various international journals and magazines. He has published and edited books on various aspects of Islamic moral economy and Islamic finance, the latest of which are: *Takaful Investment Portfolios: A Study of the Composition of Takaful Funds in the GCC and Malaysia* (co-authored with A. Tolefat), published in 2013; and *Islamic Banking and Financial Crisis: Reputation, Stability and Risks* (co-edited with H. Ahmed and R. Wilson), published in 2014; and the following three edited volumes (co-edited with A. Turkistani) published in 2015 by Gerlach Press: *Islamic Finance: Political Economy, Values and Innovation*; *Islamic Finance: Performance and Efficiency*; and *Islamic Finance: Risk, Stability and Growth*.

Prof. Asutay is the Managing Editor of the Review of Islamic Economics; Associate Editor of the American Journal of Islamic Social Sciences; and a member of the Editorial Advisory Board of the International Journal of Islamic and Middle Eastern Finance and Management, Journal of Islamic Accounting and Business Research, and Borsa Istanbul Review. He is also Honorary Treasurer of the British Society for Middle East Studies (BRISMES) and the International Association for Islamic Economics. He has delivered lectures at a number of conferences, universities, and professional organisations on topics related to his research interests and has taught in Islamic finance programmes in various universities in the world.

**Dr. Shehab Marzban** is currently Lecturer in Islamic Finance at Qatar Faculty for Islamic Studies as well as Co-founder and Managing Partner of Shekra Crowdfunding, the first Shariah-compliant crowdfunding platform initiative globally. For these efforts, he received the Ethical Finance Initiative Award by Thomson Reuters and Abu Dhabi Islamic Bank as well as the Islamic Economy Award for Best SME Development Initiative by HH Sheikh Mohammed bin Rashid Al Maktoum, the Ruler of Dubai in 2013.

Additionally, Dr. Marzban is currently an External Senior Financial Sector Consultant to the World Bank focusing on Islamic MSME finance and Venture Capital strategies in MENA as well as an Islamic Finance Consultant for the Islamic Development Bank MSME Financing Facility for the Social Fund of Egypt. Prior to this, he worked with a number of startups driving innovation and was Product Development Director and Head of Research for IdealRatings Inc. a San Francisco-based startup focusing on Shariah-compliant Fund Management Services and CIWI GmbH, a software service for grant and fund management in Germany.

Dr Marzban received his Ph.D. specializing in Ethical Portfolio Management from the University of Cologne in Germany and has published in the areas of Shariah-compliant Crowdfunding, Entrepreneurship, Islamic funds, Shariah Screening and Purification, and SME Development. His works have appeared in numerous ranked international journals including the Journal of Banking and Finance and the Banker, and in the G20 World Bank Policy Papers on SMEs Financing. Besides, he has participated in events such as the Harvard Islamic Finance Forum. He has been a Visiting Fellow at Durham University and is currently a Visiting Lecturer at various universities in Europe, Malaysia, and MENA, a full time lecturer and researcher at University of Cologne and Cairo University as well as as a technical committee member of the Finance Accreditation Agency in Malaysia.

## **Selected Readings**

Ahmed, H., M. Asutay, and R. Wilson (eds.) (2014). *Islamic Banking and Financial Crisis: Reputation, Stability and Risks*. Edinburgh: Edinburgh University Press.

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Iqbal, Zamir and Abbas Mirakhor. (2013). *An Introduction to Islamic Finance: Theory and Practice*. John Wiley and Sons (Asia) Pte. Ltd., Singapore.

Rehman, Aamir A. (2010). *Gulf Capital Islamic Finance: The Rise of the New Global Players*. McGraw Hill, New York.

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