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ABSTRACT

This study traces East Africa's journey in an effort to embrace Islamic economics and finance. For each of the four countries covered, the study presents a discussion of the history of Islamic economics and finance, the Islamic financial institutions and their status in relation to the conventional sector, the status of Islamic finance education and research activities as well as highlights on the Zakat and Waqf sector. In general, Islamic economics and finance in this region is mainly visible through the Islamic banking sector. The study identifies the key drivers for Islamic economics and finance in the region. These include; a significantly large Muslim population and the demand for ethical investment opportunities. On the other hand, there are challenges which include; the absence of a supporting legal framework in some countries, lack of qualified human resources, non-compliance with Shariah principles and stiff competition from the more dominant conventional sector. The study makes a comparative analysis based on the identified common features. Results show that each country has a comparative advantage over the rest in one or two areas. It is concluded that the countries are interdependent and that they should harness their relative strengths for effective growth and development of Islamic economics and finance in the region.

Keywords: History, Development, Islamic economics, Finance, East Africa

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Research Center for Islamic Economics (IKAM) which was established within ILKE Association for Science, Culture and Education in 2016, aims at promoting a new perspective in economic theorizing and its application enabling. IKAM, which organizes theoretical and empirical research, publications and , education and training activities, aims at supporting researchers, business world and policymakers with its research initiatives. Thus, IKAM hosts many activities in the field of Islamic Economics to introduce and increase acceptability of the field in public. In this context, IKAM reports; a serial publication, is an attempt to share the research results in the field of Islamic economics.

Islamic Economics and Finance: An Overview

The actual date marking the beginning of contemporary Islamic economics and finance is a matter of debate. While some authors such as Cattelan (2018) trace the origins of present-day Islamic economics to the 1930s, based on the growth of literature and the works of Islamic economic historians[1], most of the authors in this field make reference to the 1976 Makkah conference as the official date for the introduction of today's Islamic economics (Azid, 2010; Haneef & Furqani, 2009; Islahi, 2013; Zarqa, 1980). Compared with conventional economics which started in 1776 with the publication of Adam Smith's book titled "The Wealth of Nations", contemporary Islamic economics is effectively 200 years behind conventional (modern) economics. Nevertheless, Islamic economics has developed with reasonably steady intellectual effort and has attracted the attention of many scholars around the world.

Existing literature provides different accounts with regards to the motivation for the rise of contemporary Islamic economics and finance. Critics argue that Islamic economics was initiated as part of a package of the project for Islamic revivalism of the 20th century. Kuran (1995), for example argues that "this new approach to economics was to be a vehicle for establishing, or re-establishing, Islamic authority in a domain where Muslims were falling increasingly under the influence of Western ideas". Similarly, Nasr (1991) argues that "the Islamization project has been shaped in the spirit of a political discourse than a level-headed academic undertaking". This strand of literature therefore presents the view that Islamic economics and finance was inspired to serve the cultural and political purposes propagated by Islamic ideologues such as Abu A'la Maududi, during the 1940s. Bayat (1996) observed that Islamic economics was part of the key ideas of the 1979 Iranian revolution. That the Ayatollah sought to establish an Islamic economy, based on Islamic justice and one which would neither be capitalist nor socialist. Others such as Ismail (2004) and Mahomedy (2013) describe Islamic economics and finance as one of the many symbols of identity politics in the Muslim world.

The promoters of Islamic economics and finance however present sharply different opinions on this matter. Chapra (2000) argues that the fundamental differences in the worldviews of the Western and Muslim scholars necessarily imply that there are differences in the vision, mechanisms and methods of economics. Zarqa (1980) argues that Islamic economics is possible and necessary. That although neoclassical economics claims to be a positive discipline, in reality it is characterized and haunted by several unexorcisable values; hence Islamic economics which is primarily normative is equally possible. Haneef (1997) observed that "due to difference in the Islamic economic vision to that of western economics, coupled with the epistemological and methodological framework in Islamic scholarship, the development of Islamic economic thought (and consequently policy prescriptions) differs". Others in this category include Khan (1984) who also argues that Islamic economics presumes a primary and binding role for ideological content. This strand of literature shows that the difference between modern economics and Islamic economics relates with the foundations of knowledge. Western scholarship considers revealed knowledge as irrelevant, while Islamic economics regards it as the most prominent source of knowledge. Hence in Islamic economics, the Qur'an and Sunnah form the first points of reference, while in modern economics, human reason, logic, facts and empirical evidence are the only acceptable points of reference.

The Rise of Islamic Finance

Islamic finance has now made its way through. It has been built on the theoretical foundations of Islamic economics, and as observed by Ibrahim and Alam (2018), "the practical application of Islamic economics has been mainly manifested in Islamic finance". Islamic finance has been accepted at a global scale as a strong and efficient approach to raising capital, with a clear framework for financial intermediation. The World Bank for example observed that; Islamic finance has emerged as an effective tool for financing development worldwide, including in non-Muslim countries. Major financial markets are discovering solid evidence that Islamic finance has already been mainstreamed within the global financial system and that it has the potential to help attain the goals of ending extreme poverty and boosting shared prosperity[2].

According to the Global Islamic Economy Report published by Reuters and DinarStandard (2016), "the Islamic finance market stood at USD 2 trillion in assets, based on 2015 disclosed assets by all financial institutions". This shows a further growth in estimated assets from USD 1.81 trillion in 2014 and USD 1.65 trillion in 2013 (Reuters & DinarStandard, 2015). The trend shows annual growth rates rising from 9.7% in 2014 to 10.5% in 2015. The high growth rate is attributed to a number of positive developments in the Islamic finance sector such as increased profitability and the introduction of new products (e.g. Shariah-compliant pension funds), etc.

Given the recorded high growth rates, the future of Islamic finance looks bright. At the dawn of the 21st century, Warde (2000) observed that Islamic finance has spread to all parts of the world. Mansoor Khan and Ishaq Bhatti (2008) carried out a comprehensive review of the growth and advancement of Islamic banking and finance across the major markets and concluded that the industry has achieved overwhelming growth in the Middle East, Asia, Europe, North America and Africa. In brief, Islamic finance is now part and parcel of the ongoing financial globalization, which is posed to bring about a financially interconnected world (Askari, Iqbal, & Mirakhor, 2010).

The East African Region

The East African region is defined differently in literature. According to the United Nations classification for example, the sub region of East Africa consists of 17 countries in the eastern part of the continent[3]. However, based on the framework for economic cooperation, East Africa is more often regarded as a set of six countries which make up the East African community (EAC). These include; Kenya, Uganda, Tanzania, Burundi, Rwanda and South Sudan. These are the countries that have a direct trade agreement and are working to advance toward political integration.

Figure 1. Countries of the East African Community (EAC), Source: DW (2018)

Table 1. **Selected Regional Indicators for EAC (2016)**	
GDP	$149.7 billion
GDP per capita	$831
Area (sq. km)	2.5 million sq. km
Total population	180.2 million
Total imports	$44.4 billion
Total exports	$28.4 billion

Note: Figures are computed from the World Development Indicators database. GDP, GDP per capita, total imports and total exports are expressed in US dollars 2010 constant prices. Source: World Bank (2018)

For purposes of this report, three countries of the East African Community (EAC), namely; Kenya, Uganda and Tanzania are considered. Somalia which is part of the wider Eastern Africa is also added because it was the pioneer of the Islamic Finance industry in this region. According to UN estimates, Somalia has a population of about 15.2 million people[4]. However, the country has very scanty statistics due to the instability that has lasted for over two decades. The four countries have been selected mainly because they are the leading countries in the region, with respect to the development and practice of Islamic economics and finance.

Islamic Economics and Finance in East Africa

Islamic Economics and Finance in this region can be traced 20 years back. It started with the establishment of Islamic banks in Somalia in 1998. The other countries did not pay attention to this sector until 10 years later, when Kenya came on board. Today, the East African region is developing strongly and quickly catching up with the rest of the world in adopting and practicing Islamic economics and finance. Obviously, the region is not at the same level of development with respect to the practice. However each country is now actively involved. This section presents the developments in each country. The paper touches on issues such as; historical development of Islamic economics and finance, the existing institutions and the type of services they offer, and talent development and research. It also discusses the growth drivers for Islamic economics and finance in the region as well as the challenges and prospects for the industry.

Somalia

Historical Development of Islamic Economics and Finance in Somalia

Until 1991, Somalia was governed by the Somali Revolutionary Socialist Party (SRSP) under a military regime led by General Siad Barre. During this period, Somalia's economy and financial infrastructure operated according to the socialist ideology. In 1991, the unified government of Somalia collapsed together with the whole economic and financial system (Bekkin, 2007).

Islamic economics and finance was the natural alternative for Somalia given the strong Islamic identity of its people. However, there was no foundation for it. Most of the people wished for the creation of a riba-free system of financial intermediation, however this could not be achieved for a period of about 6 years, due to lack of domestic capacity (Mohammed, 2016). During this period however, Somalia witnessed the emergence of money transfer operators known as hawalas[5]. These were the first Islamic economic institutions in Somalia, which helped to fill the vacuum left behind by the defunct banking system (under the socialist party). They included; Al Barakaat money transfer, Amal money transfer (Remittance) and Dahabshiil Funds transfer, among others.

For many years, it was these money transfer companies that worked as informal banks providing deposit and remittance services (Nor, 2016). Amal Money Transfer Company was the first to open banking operations in 1998 by offering Amanah (limited deposit and withdrawal transactions)[6]. This was followed shortly by Al Barakaat Bank in the year 2000. Unfortunately, Al Barakaat Bank and all other associated companies were listed by the US government as "terrorist entities" in the aftermath of the 9/11 attack on the World Trade Center and its assets were frozen for almost ten years. The bank and its sister companies were cleared by the Security Council Al-Qaida Sanctions Committee in 2012 (United Nations, 2012). Dahabshiil group has only recently (in 2014) registered itself officially and has opened banking services in Somalia.

One of the constraints that have obstructed Somalia's journey towards a strong Islamic economic and financial system is the political instability which has characterized this country for more than two decades. Both public and private initiatives could not be rolled out properly. These include; investment in the Islamic financial sector, awareness and talent development programs as well as initiation of macroeconomic policies favouring Islamic economics and finance in the country.

Islamic Financial Institutions in Somalia

The Islamic finance sector in Somalia has only two segments, namely; the Islamic banking segment and the Takaful segment. This section presents the two segments with relevant discussion on their development in the country.

Islamic Banking

Islamic banking dominates the Islamic financial sector with a total of 8 fully fledged Islamic banks as shown in Table 2 below. During the first ten years, there was very limited competition. The challenge faced by the customers was that financing contracts were allowed for a maximum of only one year and the cost of financing, mainly through credit Murabaha was very high, ranging between 25 – 30% (Nor, 2016). The introduction of new Islamic banks in the last decade has forced down the financing cost, as well as has increased the contractual periods.

Table 2. Islamic Banks in Somalia			
No.	**Bank**	**Status**	**Year of establishment**
1	Amal Bank Ltd.	Fully-fledged	1998
2	Al Barakaat Bank	Fully-fledged	2000
3	Salaam Somali Bank	Fully-fledged	2009
4	Dara Salaam Bank	Fully-fledged	2010
5	Trust African Bank Ltd.	Fully-fledged	2012
6	International Bank of Somalia	Fully-fledged	2014
7	Premier Bank	Fully-fledged	2014
8	Dahabshiil International Bank	Fully-fledged	2014

The table shows that Somalia's Shariah-compliant banking sector has been on a steady growth over the last 20 years. In the East Africa region, Somalia is the pioneer of Islamic finance and it is the country with the highest number of fully fledged Shariah-compliant banks. Due to limited availability of data however, this study could not establish the asset volume and market share of each of these banks.

Islamic Insurance (Takaful)

In addition to Islamic banking, Somalia has taken a step forward. The country has recently added the Takaful sector to its Islamic financial services industry. In 2014, the Takaful Insurance of Africa Ltd. (TIA) was established and licensed in Somalia. It is the first of its kind in Somalia, offering Shariah-compliant products such as Afya Takaful (a medical product for companies), general Takaful and family Takaful[7]. TIA (Somalia) is actually a branch of TIA (Kenya). The company was first licensed in Kenya in 2011 as the first fully fledged Takaful operator in the East African region. It has 9 regional offices within Kenya alone.

Islamic Economics Education and Research in Somalia

Education

Somalia has gradually gained stability, although some parts of the country are still unstable, and are under the control of a radical group, Al Shabab[8]. As the country has started becoming stable, a number of universities and colleges have been established in the safe regions. However with regard to academic programs on Islamic economics and finance, very little has been done so far. Out of about 40 universities and colleges in Somalia, there is only one university (known as Plasma University[9]) which offers a bachelor's degree with a specialization in Islamic Finance (BBA in Islamic Banking and Finance). Perhaps this dismal effort is due to lack of capacity to teach Islamic economics and finance programs. It should be noted however that many Somali students are presently studying Islamic finance programs in Uganda, Tanzania and elsewhere in the world. This is likely to help build domestic capacity within Somalia, as these students complete and return to their country.

Research

Research output on Islamic economics and finance in Somalia is very low. An internet search with google and google scholar provides only 7 articles/publications (see appendix 1). Clearly, this demonstrates that information about Somalia's intellectual engagement with Islamic economics and finance is scanty. This is however not surprising given the fact that Somalia has not been associated with teaching Islamic economics and finance (as seen in the preceding section). As more Somalis gain tertiary education in Islamic economics and finance, and given the development of the Islamic finance industry in Somalia, studies are likely to increase in the near future.

Zakat and Waqf Sector in Somalia

Zakat and Waqf comprise another part of the Islamic social finance sector (Obaidullah & Shirazi, 2017). In Somalia, the Zakat and Waqf sector is not centrally organized. Saggiomo (2011) provides a fairly comprehensive discussion on the origin and evolution of this sector in Somalia, which he refers to as the charitable sector. In general, there are two main approaches used to manage Zakat and Waqf in Somalia.

The traditional approach is one where the charity (Zakat and Waqf) is collected by the religious leaders of the various Islamic movements in Somalia. These movements promote different Islamic ideologies such as Sufism, Muslim brotherhood and the Wahhabi movement (Saggiomo, 2011). Followers of these movements give their Zakat to their Ulema (leaders) mainly at the mosque level, who then determine how and to whom to distribute.

The second and more dynamic approach is the one characterized by the formation of Islamic Non-Government Organizations (NGOs), established for the purpose of providing social services. For example, in 1999, a group of 14 NGOs engaged in the provision of education, formed an umbrella organization known as Formal Private Education Network in Somalia (FPENS). These included local and international NGOs (Saggiomo, 2011). FPENS have been instrumental in Somalia's education sector, particularly during the times when state rule was limited. The umbrella body took care of curriculum development, the production of books and standardization of examinations for all schools under the participating charities (NGOs).

In addition to the specialized charities, Somalia is now witnessing the emergency of Zakat and Waqf institutions. In 1992, Tadamun Institute of Zakat and Waqf was established in Bosaso. Over the years, it has supported the poor people with the provision of clean water, as well as provision of free medical and education services. Unfortunately, there is no reliable data on the quantity, quality and impact of services provided by the charities and NGOs. This is a major limitation for researchers and policy makers. Moving forward therefore, these institutions (NGOs and charities) should collect, record and publish data on their services, to make it easy to trace their work and its effect on the welfare of the poor.

Drivers of Islamic Finance in Somalia

Islamic finance in Somalia is driven by a number of factors, which include the following:

a) Large Muslim Population

Somalia is a dominantly Muslim country with 99.9% of the population professing the Islamic religion. There is a very small Christian minority living in the Banaadir region. They are estimated to be only about 0.01% of the entire Somali population. Islam is part of the Somali culture and therefore, there is a natural inclination towards Islamic products by the population. The emergency of Islamic finance in Somali after the collapse of the dictatorship therefore gave the Somali people a natural alternative to the conventional system which was in practice before 1991.

b) Reconstruction of Somalia and the Demand for Ethical Investment

Somalia is gradually recovering from the state of collapse and moving into a unique post-conflict situation. There is need for rebuilding the country's institutions as well as transforming the society (Farah & Handa, 2015). This reconstruction requires huge public infrastructure financing. Similarly, the private sector is growing very fast in Somalia but investors are more interested in ethical investment[10]. Hence, Islamic finance is buoyed by this search for development financing in Somalia. This also partly explains why most of the commercial banks in Somalia are fully-fledged Islamic banks.

Kenya

Kenya is East Africa's largest economy. According to World Development Indicators (WDI)[11], by the year 2016, Kenya's economy measured by GDP in 2010 constant prices was estimated to be USD 55.4 billion with a per capita income of USD 1,143. This was followed by Tanzania, with a GDP of USD 46.8 billion and per capita GDP of USD 867. Uganda was in third position with a GDP of USD 27.5 billion and a per capita GDP of USD 662. There is no data for Somalia at the WDI database. However, 'Trending Economics' website shows that Somalia's GDP in 2016 was estimated at USD 6.2 billion, with a per capita GDP of USD 187[12]. As the largest economy, Kenya enjoys some advantages over her neighbours. For example, many foreign investors are more attracted to invest in the larger economy than in the small economies, due to market size considerations.

Historical Development of Islamic Economics and Finance in Kenya

Kenya became the second East African country to practice Islamic economics and finance after Somalia. In general, the emergence of Islamic economics and finance in East Africa has been manifested in form of establishment of Islamic financial institutions such as Islamic banks, takaful companies etc. In Kenya, Barclays bank and Kenya commercial bank were the first to open Islamic windows in the Kenyan financial sector in 2005. These were quickly followed by the establishment of First Community Bank, as a fully-fledged Islamic Bank in 2007. By 2016, the Islamic banking sector in Kenya had grown to 9 banks, three of which are fully fledged Islamic banks.

Despite practicing Islamic finance for over a decade, Kenya's journey to a properly functional Islamic economics and financial system is still at its formative stage. The country has not yet worked on the necessary legal reforms, talent development is yet to be addressed, there is only limited research and public awareness about the benefits of this industry is still very low. In short, the ecosystem for Islamic economics and finance in Kenya is not complete and a lot more needs to be done.

Islamic Financial Institutions in Kenya

Islamic Banking

Kenya has a fast growing Islamic banking sector. In a period of just ten (10) years, nine commercial banks were licensed to provide Islamic banking services. Three of these are fully-fledged, while the rest operate Islamic windows, as shown in table 3.

By the year 2017, the three fully-fledged Islamic banks in Kenya had an estimated total assets of USD 466.5 million (Gulf Africa Bank $ 268.7 million, First Community Bank $ 171.8 million and Dubai Islamic Bank $ 26 million)[13]. With the addition of the six banks operating Islamic windows, the total Shariah-compliant banking assets in Kenya reached approximately USD 1 billion in 2017. This is approximately 2.7% of Kenya's total banking industry assets[14].

Table 3.
Islamic Banking Institutions in Kenya

No.	Bank	Status	Year of establishment
1	First Community Bank	Fully-fledged	2007
2	Gulf Africa Bank	Fully-fledged	2008
3	Dubai Islamic Bank	Fully-fledged	2016
4	Barclays Bank	Islamic Window	2005
5	Kenya Commercial Bank	Islamic Window	2005
6	Chase Bank	Islamic Window	2009
7	National Bank	Islamic Window	2009
8	Equity Bank	Islamic Window	2012
9	Standard Chartered Bank	Islamic Window	2014

The fast growth and development of Islamic banking in Kenya may be partly explained by the presence of a significant Muslim population in the country. The adherents of the Islamic faith in Kenya are estimated to be about 10% of the total population[15]. This translates into about 4.7 million people. According to Laving (2013) " the majority of Muslims in Kenya are practicing, which is why the introduction and development of Islamic finance as an alternative to the conventional sector is so important". In addition, the sector has been supported by the Kenyan authorities. The Africa Business Magazine of May 2014 reported that "the Capital Markets Authority (CMA) and the Central Bank of Kenya (CBK) are both proactive supporters of the development of Kenya's Islamic finance proposition, which they see as vital in promoting Nairobi as a major international financial centre in Africa".

Islamic Insurance (Takaful)

Kenya has the largest Islamic Insurance (Takaful) sector in East Africa. Mohamed (2012) reveals that the first Takaful Company in Kenya, Takaful Insurance of Africa (TIA) was licensed in 2011 with a capitalization of almost KSHs. 650 million (equivalent to USD 6.45 million). As a pioneer in the Takaful sector, TIA is reported to have showed impressive performance in a short period of time. Within the first four months of operation for example, TIA recorded a Gross Written Premium (GWP) of 100 million Kenyan Shillings (equivalent to USD 993,000). This figure is considered to be high, compared with the premiums collected by new entrants to the Insurance market in Kenya at that time. By the year 2014 and based on its steady growth and development, this company opened its branch in Somalia.

In 2013, Kenya's Takaful subsector welcomed the entry of the first Shariah-Compliant SACCO, known as Crescent Takaful SACCO (CTS). It provides its services to rural farmers, pastoralists, and lower-income urban communities in Kenya. "Just like the TIA, CTS has a unique proposition. A Shariah-based model of shared responsibility, collective undertakings, and mutual assistance of members by members themselves (Crescent Takaful, 2018)." Table 4, shows the takaful companies operating in Kenya.

Table 4.
Takaful / Re-takaful companies in Kenya

No	Company	Type of Company	Year it started
1	Takaful Insurance of Africa (TIA)	Takaful	2011
2	Crescent Takaful	SACCO	2013
3	Kenya Re	Re-Takaful Window	2013

The growth of the Takaful sub sector in Kenya motivated Kenya Re to open up a Retakaful window in 2013. This move was informed by Kenya Re's core strategic areas of business development that were designed to enable it penetrate new markets, expand the existing markets as well as the development of new products (Kenya Re, 2018). The emergence of this Retakaful sector is good news, not only to the Kenyan market, but also to the East African region as a whole. It is strategically relevant for building a complete and sustainable Takaful ecosystem in the region.

Islamic Economics Education and Research in Kenya

Education

One of the outstanding opinions from literature is that talent development is a key requirement for a successful Islamic financial system. Zeti (2011) provides a good summary of this opinion in the following words; The rapid internationalization of the financial system and technology advancement will demand a corresponding increase in quality skills and expertise of the industry. Talent up scaling will be even more important in the next decade, to steer the industry's advancement in the increasingly complex and competitive financial ecosystem. A strong and dynamic workforce will be one of the important pillars for the industry to remain stable and competitive.

Although Kenya has been practicing Islamic finance for more than a decade, there has been no effort to educate and train the necessary human resources within the country. In 2017, it was reported in Kenyan media as follows: "Higher education institutions in the country are yet to tap into the growing and lucrative demand for Islamic finance professionals needed by the rapidly-expanding multi-billion shillings niche subsector. While Kenya is gradually consolidating its position as the hub of Islamic finance in the region, local educational and training institutions are yet to respond to or anticipate the need for a critical mass of professionals needed by the subsector. The government has made ambitious commitments to nurture Islamic Finance and make Kenya a regional hub. But without developing the necessary local human resource capacity, it would be difficult to support the growth of the subsector[16]."

Research

There is a visible volume of research about Islamic banking and finance done in Kenya. It is however important to examine its nature and impact. Most of the present research on Islamic economics and finance in Kenya is carried out by graduate students, as dissertations for their Masters' degrees. For example appendix 2 shows that twenty one (21) research titles are listed as empirical studies on Kenya's Islamic finance sector (accessed through Google scholar). But fifteen (15) out of these twenty one (21) titles, representing 71.4% are Master's degree dissertations. Only five (5) titles, representing 23.8% are journal articles while the rest fall in the category of conference papers.

Based on these statistics, one can argue that the current studies on Islamic economics and finance in Kenya do not represent the kind of innovative and impactful research required for the highly competitive global financial system. Besides, almost all the listed studies (in appendix 2) are dealing with the Islamic banking subsector only. The scope of research should embrace the other subsectors presently operating in Kenya, especially the Takaful and Re-takaful sectors.

Zakat and Waqf Sector in Kenya

In Kenya, Zakat and Waqf are managed differently. While there is no central management system for Zakat, the Kenyan government was able to introduce and enforce a national Waqf management system through an Act of Parliament (The Wakf Commissioners Act, 1951). Zakat collection and distribution in Kenya is therefore handled at individual mosques across Kenya. It is largely given on voluntary basis and there is no proper documentation on the amounts collected and distributed every year. In 2014, it was reported in the media that "more than 90% of Muslims in Kenya do not pay Zakat … a mistaken belief has been that only the rich are obligated to pay Zakat with majority of Muslims excluding themselves from this pillar of Islam, assuming they don't have enough money"[17]. This generally helps to show how small the Zakat sector is in Kenya, as well as the need to ensure its proper management.

Waqf however is managed by the state through the Waqf commissioners of Kenya, an independent body with corporate powers to administer Waqf properties (Hashim, 2010). In the Act, Waqf is defined as "the religious, or benevolent endowment or dedication of any property in accordance with Muslim law". In brief, the Act provides for the registration of Waqf property, validation of Waqfs, appointment of Waqf commissioners, contracts or agreements relating to Waqf property, allowances paid to commissioners, bank accounts and audits, etc. There are very few studies that have been done about this sector in Kenya. Overall, literature shows that despite having a legal framework, the sector is swamped in overwhelming challenges. These include; abuse of Waqf properties by government, limiting the scope of Waqf in terms of those who can contribute to Waqf, absence of proper registration and valuation of properties which paves a way for Waqf properties being lost (Shakur & Salina, nd). Others include; idle property due to legal provisions prohibiting change of ownership, lack of public confidence and trust in government appointed commissioners and lack of funding to develop the endowed property (Hashim, 2010). Hence, the impact of this sector to the community is so far negligible.

Challenges Facing Islamic Finance Sector in Kenya

Lack of Supporting Legal Framework

Kenya rolled out Islamic finance without enacting supporting laws and regulations to govern the different subsectors. Abdullahi (2016) observed that "despite the growth of Islamic banking in Kenya, the legal and regulatory aspect of the Islamic banking sector in its broad sense is largely based on the conventional banking system. Islamic banks operate within the applicable laws and regulations of other financial institutions". The absence of legislative provisions has generally made the Islamic finance sector in Kenya vulnerable. It has also affected the systematic and effective growth and development of the sector.

Absence of Qualified Human Resources

Kenya has a shortage of qualified human resources to manage the increasing number of Islamic financial institutions. It has been observed that "most of the time, the staff in Islamic banks are conventional bankers who are brought into the system with no know-how of the principles" (Cnbafrica, 2016). Similarly, it was observed by Kinyanjui (2013) that the supply of trained or experienced bankers lagged behind the expansion of Islamic banks. This has posed a serious challenge to the Islamic banks in Kenya.

Non-Compliance with Shariah Principles

The question of compliance with the Shariah by the Islamic banks has been a sticking issue in the Kenyan Islamic banking sub sector for some time. Kasmani (2014) and Mutua (2017) emphasized that not all Muslims are convinced that "Shariah-compliant banks" are truly fully fledged Islamic banks with reputable Shari'ah advisory boards of international standards. They concluded that this mistrust has resulted into a significant barrier to the growth of the Islamic banking sub sector in the country.

Competition from The Conventional Banking Sector

Out of the 42 commercial banks operating in Kenya today, only 9 banks (21.4%) have Shariah-compliant services (either fully-fledged or banks with Islamic windows). The purely conventional banks are in majority (78.6%) and occupy the largest commercial banking space. It has been observed that Islamic banks face stiff competition from among themselves and conventional banks (Abdi, 2016). Similarly, Wendo (2010) argued that Islamic banks in Kenya are adopting some strategic and operational responses in order to cope with the strong competition from the Kenyan conventional banks.

Tanzania

Historical Development of Islamic Economics and Finance in Tanzania

Similar to the other East African countries, Islamic economics in Tanzania is majorly practiced in form of Islamic finance. Three years after Kenya had introduced Islamic banking and finance, Tanzania followed the suit by licensing Kenya Commercial Bank (KCB) to open an Islamic window. In 2009, Amanah bank which is Tanzania's only fully-fledged bank was also licensed to begin operations. Subsequently, three other banks were licensed to operate Islamic windows.

Although Tanzania started Islamic banking shortly after Kenya (only after three years), the speed at which the sector has grown has been proportionately faster in Kenya than in Tanzania. For example, while Kenya was able to license three fully fledged Islamic banks in a span of ten years, Tanzania got only one bank in this category over the same period of time. Similarly, Kenya has more conventional banks operating Islamic windows than Tanzania. It is also worth noting that during the ten years period, Tanzania has operationalized only the Islamic banking sector, while over the same period, Kenya was able to build two subsectors, namely; Islamic banking and the Takaful sector.

Another key feature of Tanzania's Islamic economics and finance trajectory is the controversy on whether the "Islamic banking practice is truly Islamic". It is frequently argued that there is a gap between theory and practice in the country's Islamic banking sector. Perhaps this is one of the reasons for the slow growth of Islamic banking in Tanzania. Issa (2018) enumerates several reasons why Tanzania is having this controversy. He argues that they include; historical, legal, political, regulatory, consumer behaviour, lack of creativity and lack of aggressive marketing among others. Earlier, Sulayman (2015) had identified similar problems. He argued that the Tanzanian authorities should take positive measures including changing the legal framework and inculcating a favourable political environment, if Islamic banking is to grow smoothly and bring positive results to the society.

Islamic Financial Institutions in Tanzania

Islamic Banking

As a new comer to Islamic finance, Tanzania has a small Islamic banking sector. Table 5 below shows the banks in Tanzania which are offering Shariah-compliant banking. Islamic Finance News (IFN) reported that by the end of 2016, Amanah bank (the only fully fledged Islamic bank) had an asset value of USD 84.96 million[18]. In addition, Kisilwa (2012) reports that according to Tanzanian law, "a bank is required to commence banking business with a core capital of 15 billion Tanzania shillings or higher" (this is approximately USD 10 million). Assuming that the four conventional banks operating Islamic windows have a minimum combined value of Islamic banking assets equivalent to USD 40 million (accurate data on these four banks is not available), then the Islamic banking sector, with an estimated total asset value of USD 124.96 million would constitute about 0.9% of Tanzania's total banking assets, recorded at USD 13.8 billion[19] in 2016.

Table 5.
Banks Offering Islamic Banking in Tanzania

No.	Bank	Status	Year established
1	Amanah Bank	Fully-fledged	2009
2	Kenya Commercial Bank	Islamic Window	2008
3	Stanbic Bank	Islamic Window	2010
4	National Bank of Commerce	Islamic Window	2010
5	Peoples Bank of Zanzibar	Islamic Window	2011

A key driver of Islamic finance in Tanzania is the fact that almost half of the country's population is Muslim (Jassat, 2014b). This means that out of Tanzania's current 59 million people (Worldometers, 2018), about 29.5 million are Muslim. Usually, a large Muslim population tends to push up demand for Islamic banking. This factor has so far been one of the greatest assets for Islamic finance in Tanzania.

However unlike Somalia and Kenya where the Islamic finance sector has already expanded into the Takaful subsector, Islamic finance in Tanzania is still exclusively dominated by Islamic banking. A variety of Islamic banking products have been rolled out by the existing Islamic banks. These include personal and business checking accounts, investment accounts and savings accounts, asset-based financing and trade finance among others (Jassat, 2014b).

Islamic Economics Education and Research in Tanzania

Education

Tanzania is one of the few countries in East Africa that have paid attention to human resource development for Islamic finance. In Tanzania, academic programs (mainly undergraduate) have been started in at least three institutions to educate and award formal qualifications in Islamic banking and finance. Table 6 below shows the programs offered by the different institutions in Tanzania.

Table 6.
Academic Institutions and Programs in Islamic Banking and Finance

Institution	Program	Level	Program type
Zanzibar University	BIBF	Undergraduate	Stand alone
Zanzibar institute of Financial Administration	DBF	Undergraduate	Specialization
Muslim University of Morogoro	BBS	Undergraduate	Specialization
Muslim University of Morogoro	DIBF	Undergraduate	Stand alone

Overall, there are two stand-alone programs; a Bachelors of Islamic banking and finance (BIBF) at the University of Zanzibar and an undergraduate Diploma in Islamic banking and finance at the Muslim University of Morogoro. The rest are specializations within the degree or diploma programs. The lack of qualified human resource has been one of the key challenges facing the Islamic finance industry in East Africa (Kinyanjui, 2013). The initiative taken by these institutions in Tanzania is therefore strategically important for the region.

Research

Research on Islamic economics and finance in Tanzania is beginning to appear in the general body of Islamic economics literature. There are a few papers that have been published in journals or as chapters in books. They cover three broad areas, namely; growth of Islamic banking in Tanzania (Issa, 2018; Jassat, 2014a; Sulayman, 2015), distinguishing features between Islamic and conventional banking (Ally, 2013; Chalu, 2014) and legislative challenges (Mzee, 2016). Presently, there are no dedicated research institutes or journals in Tanzania. Individuals who have carried out this research so far have published their works in international journals.

Zakat and Waqf Sector in Tanzania

The Waqf sector in Tanzania is regulated by the country's laws, as is the case of Kenya. However there are two separate Acts regulating Waqf; one for mainland Tanzania and another one for the Islands of Zanzibar. A precise description of this legal framework is explained in the following quote: "Waqf system is recognized in the laws of Tanzania mainland and in Zanzibar respectively. In the mainland, Waqf is governed by the provisions of part XV of the probate and Administration Act, Cap 352 R.E 2002 which incorporates the Waqf Commissioners ordinance, cap 326. In Zanzibar, Waqf matters are governed by the Waqf Validating Decree, cap 104 and Waqf property Decree, cap 103 as amended by the Waqf property (Amendment) Decree, No. 12 of 1966.[20]"

The authority to administer Waqf property in mainland Tanzania is vested in the Waqf Commission of Tanzania. It is composed of at least 8 members appointed by the President with the majority of them belonging to the Muslim faith. It is a body corporate having perpetual succession and a common seal with power to acquire, hold or alienate property whether movable or immovable[21]. There is however no published information about its activities or the value and effect of Waqf in mainland Tanzania.

In the islands of Zanzibar, recent amendments in the Waqf laws saw the enactment of the Waqf and Trust Commission Act No.2 of 2007. This is the commission mandated to manage and administer all Waqf and Trust property in Zanzibar. The commission is managed by a governing board with a three year term of office, renewable once. The commission's duties include; registration of all Waqf property and the trustees of such property, issuance of certificates for change of trustees and settling of disputes among trustees of different registered Waqfs. Although the Waqf and Trust Commission is appointed by the Zanzibar government, it is an autonomous body with the power to conduct its affairs independent of the government. Over time, the Waqf commission has built houses which accommodate about one Quarter of Stone town's population, supported the construction of mosques, schools and hostels (Yahya, 2008).

Systematic Zakat management is only known to be happening in the Zanzibar Islands. It is said to have been introduced in Zanzibar during the leadership of Alhaj Aboud Jumbe Mwinyi in the 1970s (Mkuu & Yusoff, 2017). He established a Zakat and Sadaqah committee under the leadership of the Chief Kadhi. In 1980, the Waqf and Trust Commission was set up and it took up the functions of the Zakah and Sadaqah committee. With further amendments to the Waqf laws in 2007, all matters relating to the collection and distribution of Zakat were also vested under the Commission through section 60 and 61 of the Act (Mkuu & Yusoff, 2017).

However, the International labour organization report on social protection lists a number of other organizations involved in administering Waqf and Zakat in Zanzibar. These include; Muzdalifa Islamic Charitable Organization (MICO), Fiysabililah Tabligh Markaz Zanzibar (FTMZ) and Africa Muslims Agency (AMA) and the Wakf Al-Mazrui Charitable Society (ILO & DFID, 2010). An estimated 306.33 million Tanzanian shillings (approximately 150,000 USD) was collected and distributed in Zakat and Waqf in Zanzibar in 2009[22]. In general, Zakat is given as a once-off payment or benefit for educational needs, health care or immediate alleviation of a need such as food (ILO & DFID, 2010). But as seen from the estimated annual collections, the coverage and quality of the Zakat and Waqf programs are limited.

Uganda

Historical Development of Islamic Economics and Finance in Uganda

Uganda is the latest country to embrace Islamic finance in East Africa. It is only starting out and does not have much practical experience yet. In 2008, Bank of Uganda received a request for a license from an institution that was keen to operate an Islamic bank (Tumusiime-Mutebile, 2016). This was shortly after Kenya and Tanzania had started. However, Uganda chose to begin with the legal framework before engaging in practice. But despite the fact that the country has successfully amended its Financial Institutions Act (FIA 2016) to open up space for Islamic banking and finance, there are no banks offering any Shariah-compliant services so far. In July 2018, the Deputy Governor Bank of Uganda (BoU) is reported to have said "rather not so good news is that BoU is yet to receive any formal application for a license to open up Islamic banking business, although there have been expressions of interest by various local and international entities."[23]

Although the banks are yet to start, the Islamic microfinance sector has already taken off. In 2017, government of Uganda rolled out the implementation of Islamic microfinance, under the Rural Income and Employment Enhancement Project (RIEEP) funded by the Islamic Development Bank (IsDB). Implementation of this project is under the Uganda Microfinance Support Center (MSC) and is targeted to benefit at least 5000 people. Under this project, the MSC uses modes such as, Musharakah, Murabaha, Mudaraba, Salam and Istisna' to provide financing to the low income individuals organized as Savings and Credit Cooperative Organizations (SACCOs).

Uganda's Islamic Finance Legal and Regulatory Framework

Uganda is the second country (after Somalia) to put in place a clear legal and regulatory framework to govern the Islamic banking sector. Somalia's Islamic banks law was enacted in 2012, while Uganda amended her Financial Institutions Act (FIA) to accommodate Islamic finance in 2016. The amended Financial Institutions Act (2016) allows banks and other financial institutions such as insurance companies to provide financial services that are Shariah-compliant. In February 2018, the Bank of Uganda (BoU) in consultation with the Ministry of Finance and Economic planning gazetted a comprehensive set of regulations to guide the licensing and operation of Islamic banks.

The unique thing about Uganda's approach is that it is the only country in the region that has started with amending the laws before rolling out the practice. The rest started off with practice and then worked backwards to introduce the supporting laws. The market potential for Islamic banking in Uganda is very high as established by (Lujja, Omar Mohammad, & Hassan, 2016). Hence, both domestic and some foreign investors from Qatar have expressed interest in Uganda's new Islamic finance sector (Opio, 2018).

Islamic Economics Education and Research in Uganda

Education

Academic and professional institutions in Uganda have recently opened taught programs as part of the efforts to develop the necessary talent for the Islamic finance sector. In 2016, the Islamic University In Uganda (IUIU) launched three academic programs, namely; Bachelor of Islamic Banking and Finance (BIBF), Postgraduate Diploma in Islamic Banking and Finance (PGDIBF) and a Master of Islamic Banking and Finance (MIBF). Over the last 2 academic years, about 250 students from Uganda, Somalia and Kenya have been enrolled in these programs. This is part of the solution to the human resource challenge in the region. In addition the Uganda Institute of Banking and Financial Services (UIBFS) is also offering several Banking and Finance skills courses including one on Islamic finance. According to the UIBFS website, "this course is suitable for Bank employees who need to appreciate the basics of Islamic Banking"(UIBFS, 2018). Table 7 below summarizes the talent development programs currently offered in Uganda.

Table 7.
Talent Development Programs in Uganda

Institution	Program	Level	Program type
Islamic University in Uganda	BIBF	Undergraduate	Stand alone
Islamic University in Uganda	PGDIBF	Postgraduate	Stand alone
Islamic University in Uganda	MIBF	Postgraduate	Stand alone
Uganda Institute of Banking & Financial Services	BFT-IB	Skills course	Short course

The other forms of talent development programs include workshops, conferences and seminars organized for the general public either by private firms or government departments. In few cases, commercial banks and regulatory agencies have organized customized training programs for their staff who have been earmarked to manage the Islamic windows, or units.

Research

There is only limited research work on Islamic economics and finance in Uganda. An internet search shows that there are only 5 published articles. These include; a paper measuring behavioural intention to adopt Islamic banking (Lujja, Omar Mohammad, et al., 2016), an exploratory study of public perception about Islamic banking (Lujja, Mohammed, & Hassan, 2018), an article on religiosity and Islamic banking in Uganda (Kaawaase & Nalukwago, 2017), a feasibility study on adoption of Islamic banking in Uganda (Lujja, Mohammad, Hassan, & Oseni, 2016) and a paper on the challenges and prospects of Islamization of knowledge (Lujja, Muhammed, & Hassan, 2016). The little research effort should perhaps not be a surprise, given the fact that Uganda has not been active with Islamic economics and finance. However, with the introduction of the industry and opening of graduate academic programs at Islamic University in Uganda (IUIU), the prospects for increasing research in this area are very high.

Zakat and Waqf Sector in Uganda

For many years, Uganda's Zakat and Waqf sector has been largely operating quietly. A few institutions and prominent mosques in Kampala such as Uganda Muslim Supreme Council (UMSC) headquarters, Nakasero Mosque and Wandegeya Mosque, have been known to collect and distribute Zakat for decades. Unfortunately, there has never been any public disclosure from these institutions on their annual collections and distribution. In addition, there has been outright abuse of Waqf property registered in the names of Uganda Muslim Supreme Council. Many of the Waqf properties around Kampala city were fraudulently sold off by the UMSC administrators between 2004 and

2005. Consequently, a large section of the Muslim community became upset and decided to declare the leadership at UMSC headquarters unfit to lead, thereby creating a parallel administration. This lack of confidence in UMSC also alienated many from paying Zakat to and entrusting UMSC with the Waqf donations.

Recently however, new alternatives have emerged. The most significant one was the creation of an autonomous institution known as House of Zakat and Waqf Uganda (HZWU). "The House of Zakat and Waqf Uganda, is a non-profit Muslim charity organization registered in 2010 to streamline the collection and distribution of the obligatory fees (Zakat) and for preservation of Waqf (endowments) in Uganda" (Statehouse, 2016). Fortunately, HZWU has progressively gained public confidence due to its transparent methods of work. For example, HZWU makes public disclosures of its annual collection and distribution. Table 8 shows a summary of its performance (2011 – 2015).

Table 8.
Summarized Audited Statements of Comprehensive Income (in Uganda Shillings)

Year	2015	2014	2013	2012	2011
Income					
Zakat	319,680,322	103,075,965	62,920,050	35,372,445	76,032,500
Waqf	2,195,000	230,500	-	-	49,600,000
Sadaqah	10,500,000	13,500,000	-	5,414,830	200,000
Total Income	**332,375,322**	**116,806,465**	**62,920,050**	**40,787,275**	**125,832,500**
Distribution & Exp.					
Zakat	86,491,842	72,143,500	31,226,900	34,088,550	3,462,500
Donations / Projects	12,160,000	2,100,000	60,995,460	-	-
Admin. Expenses	41,414,595	22,061,507	17,454,489	11,804,658	36,608,625
Total Distribution	**140,067,437**	**96,305,007**	**109,676,849**	**45,893,208**	**40,071,125**
Net Surplus/ Deficit	**192,307,885**	**20,501,458**	**(46,756,799)**	**(5,105,933)**	**85,761,375**

Source: House of Zakat and Waqf, Annual report 2015-2016

Analysis and Discussion

This section presents a brief analysis of the regional state of affairs, based on the specific country information presented earlier. It compares the four countries based on common characteristics. It shows each country's status on the key driving factors such as demand for Islamic financial services, the affability of the legal framework, and the availability of talent in the different countries. We also analyze the state of development based on the number of Islamic financial institutions in a given country, and the number of Islamic finance segments in each country.

Comparison by The Number of Banks Offering Shariah-Compliant Services

Measured by the number of banks offering Shariah-compliant services (either as fully-fledged Islamic banks or Islamic windows in conventional banks), we find that Kenya is ahead of the rest of the countries in the region, followed closely by Somalia. This implies that customers in Kenya have more choices than elsewhere, and that competition within the sector is higher in Kenya. It is also worth noting that since Uganda has not yet licensed any bank to begin offering Shariah-compliant financing, it appears with zero banks in this analysis. What cannot be compared across the board is the size of these banks based on their asset value. This is because there is no data on the Somali banks. In the case of Kenya and Tanzania, the available information is only partial.

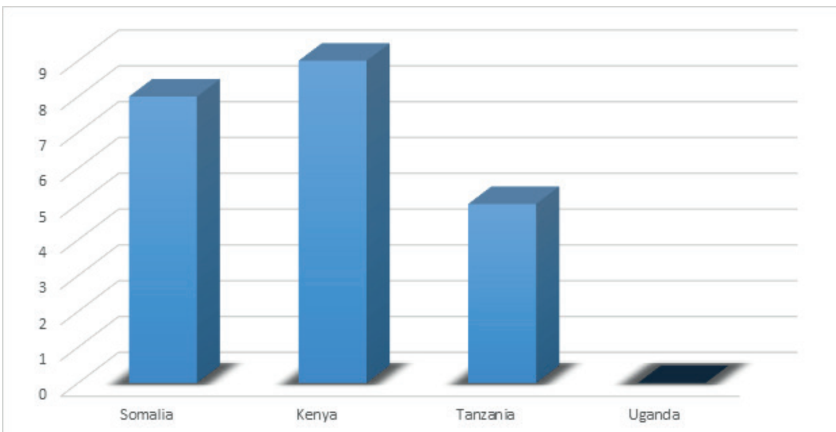

Figure 2. Number of Banks Per Country

Market Potential Measured by Size of The Muslim Population

It is often mentioned in literature that one of the key driving factors for the growth of Islamic banking and finance, is the rise in the Muslim population (Imam & Kpodar, 2013). East African countries seem to reflect this characteristic as well. For example, Somalia whose population is almost 100% Muslim, does not have any conventional banks. This implies that to a large extent, a Muslim individual will be more comfortable dealing with an Islamic bank than with a conventional bank. Therefore, the market potential measured by the size of the Muslim population in East Africa is highest in Tanzania, followed by Somalia as shown in Figure 3.

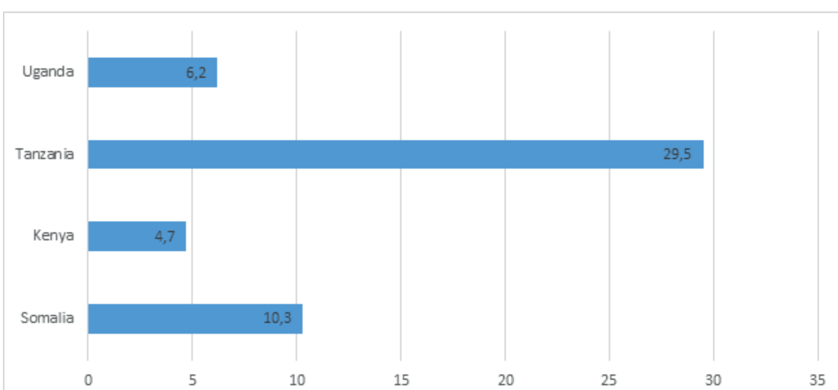

Figure 3. Estimated Muslim Population (in millions) for Each Country

Of course Islamic finance is not for Muslims only. There is a lot of evidence that Islamic banking and finance has equally prospered in Muslim-minority countries. For example, it is observed in literature that "Islamic finance, despite its label, is not limited to Muslim countries. It has shown growth globally, including in Europe" (Wilson, 2007). Measurement by size of the Muslim population is therefore applied as a proxy only, due to lack of a better alternative.

Islamic Finance Investment Climate

This analysis applies the legal and regulatory framework to estimate the goodness of the investment climate in different countries. Countries with a specific law for Islamic banking and finance (e.g. Islamic banking Act) are ranked highest, followed by those whose laws have been amended to accommodate Islamic finance to exist side by side with the conventional financial system. Finally, countries which have no legal framework for Islamic finance have the lowest rank. This is because, the practice of Islamic finance is deemed to be vulnerable in the absence of a robust legal and regulatory framework (Telegraph, 2018). Figure 4 shows the ranking for East African countries based on their legal and regulatory framework. In the context of this study, it is regarded as a measure of the Islamic finance investment climate.

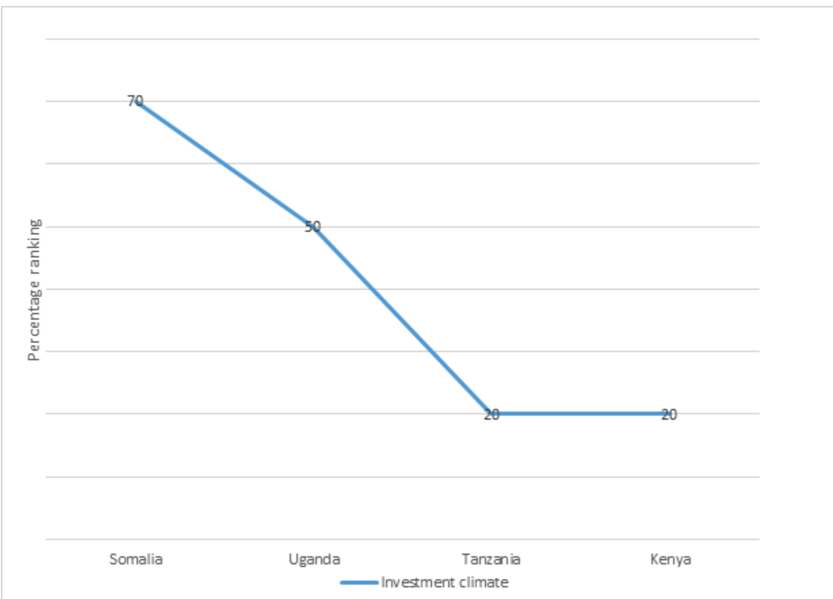

Figure 4. Country ranking according to their legal and regulatory framework

Somalia comes through with the highest rank. This is based on the fact that in 2012, Somalia passed the Islamic banks law No. 55/2012. The law was specifically designed for Islamic banks. This is the most desirable form of legislation for Islamic finance. Somalia is however less than 100% because the current law talks only about banking. It still has gaps on the laws for Takaful, and capital markets. Uganda comes in the second position with a 50% ranking because in 2016, the Financial Institutions Act was amended to allow for a dual banking system in the country. Kenya and Tanzania are both at 20% because the two countries are still operating under the conventional laws. Although Islamic banks have been licensed by the central banks in these countries, the absence of a legal framework that recognizes Islamic finance leaves the industry at the mercy of the current leaders in those countries.

Talent Development in the Region

According to the specific country information, the existing efforts geared towards talent development in the region are mainly those made by academic institutions. In this analysis, we compare the academic programs offered in each country. They are categorized as either standalone programs or specializations in a program. However, on a small scale there are professional institutions that are providing short (skills) courses, such as the Uganda Institute of Banking and Finance. Figure 5 shows the summary of this analysis

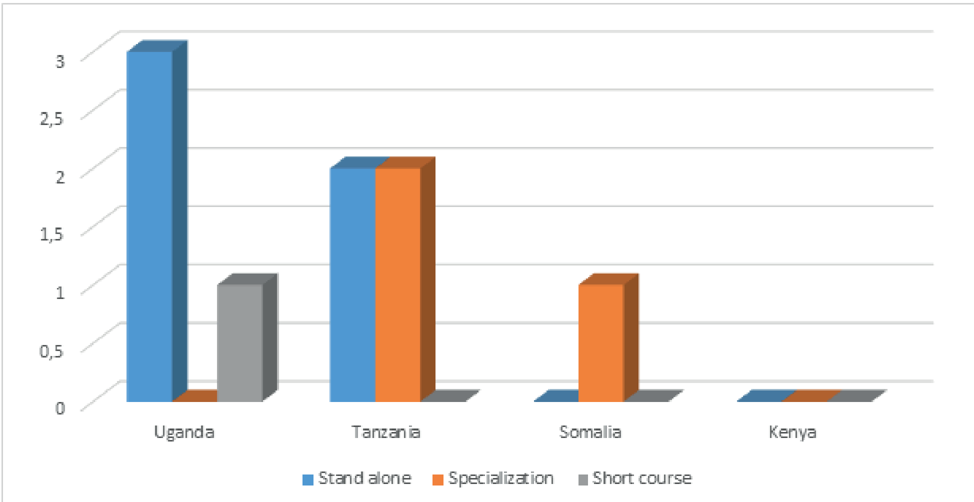

Figure 5. Talent Development Programs

Overall, Uganda has an upper hand with respect to teaching standalone programs. It is followed by Tanzania. Somalia appears with a single program where students specialize in Islamic banking and finance, while Kenya is yet to start any effort in this area. While the number and quality of graduates from these programs are necessary to highlight, enrolment and graduation data was not available. Future researchers may consider looking at those dimensions.

Conclusion

This study set out to trace the history and development of Islamic economics and finance in East Africa. It explains this trajectory in the four countries of Kenya, Somalia, Tanzania and Uganda. Overall, the region has taken positive steps towards embracing Islamic economics and finance. These steps include; the establishment of Islamic banks, an effort to address the legal bottlenecks to Islamic finance, developing the necessary human resource competencies and expanding the Islamic finance industry through the addition of the Takaful and Re-takaful sectors.

It has also been found that the key driving forces for Islamic economics and finance in this region include, a significantly large Muslim population, reconstruction and new investments in Somalia and the general wave of financial globalization which has spread Islamic finance to all corners of the world. However, a number of challenges threaten the industry. These include; absence of a supporting legal framework in some countries, Shariah non-compliance by the Islamic banks and competition from the conventional sector.

When compared against each other, it has been found that each country has a comparative advantage over the rest. Tanzania has the largest potential market, Uganda is leading the talent development effort, Somalia and Uganda have succeeded in making favourable legal reforms while Kenya and Somalia have the largest number of institutions offering Islamic banking and Takaful services. This means that each country has something to learn from the other. This interdependence may require better coordination, perhaps through a regional forum on Islamic banking and finance.

Notes

1 Islamic economic historians including Abdul Azim Islahi (2017), Ghazanfar (2003), etc. have written comprehensively about the contributions made by Muslim scholars to the development of economics. In addition, the history of contemporary Islamic economics is often presented in their publications.

2 The World Bank website, http://www.worldbank.org/en/topic/financialsector/brief/islamic-finance (accessed in March 2018), provides good information on the emergence of Islamic finance as a viable solution to some of the fundamental problems of our world, such as poverty and income inequality.

3 From the website: http://pitt.libguides.com/c.php?g=12378&p=65814 (accessed in April 2018), the following are the countries found in Eastern Africa according to the UNDP: Burundi, Comoros, Djibouti, Eretria, Kenya, Madagascar, Malawi, Mauritius, Reunion, Rwanda, Seychelles, Somalia, Somaliland, South Sudan, Tanzania and Uganda.

4 This Data is compiled and published by the United Nations statistics division (UNSD), under the Department of Economic and Social Affairs (DESA). It can be accessed on the following URL: http://data.un.org/Data.aspx?q=Somalia&d=PopDiv&f=variableID%3a12%3bcrID%3a706 (accessed in April 2018).

5 Hawala is the transfer of debt from one party (the transferor) to another party (the payee). Hawala could also refer to the transfer of right where a creditor is replaced with another creditor. The former form of hawala (debt transfer) differs from the latter (right transfer) in that in the former, a debtor is replaced with another debtor, while the latter involves the replacement of a creditor with another creditor. The contract of hawala is not a contract of sale (ba'y), as it is used to facilitate payments and debt recovery (Source: Financial encyclopedia)

6 Amal Money transfer company (Also known as Amal Express) is a Somali money transfer company based in Dubai (UAE). It is rated as the second largest remittance firm in Somalia. It is part of the now expanded Amal Group which engages in money transfer, Islamic banking in Somalia, Foreign exchange bureaus and real estate. Its assets total more than USD 30 million with a capital base of over USD 5 million.

7 More information can be obtained from the following URL http://www.takafulafrica.com/index.php

8 Harakat al-Shabaab al-Mujahideen, more commonly known as al-Shabaab, is a jihadist fundamentalist group based in East Africa.

9 Plasma University is a private University, established in 2005. It is found in Banaadir, an administrative region in South Eastern Somalia. It has five colleges. The BBA in Islamic Banking and Finance program is taught under the college of Business and Economics.

10 Source: http://shuraako.org/content/somali-investment-forum-returning-capital-growth: Shuraako which means "partnership" in Somali, works in conflict-affected areas and underserved small and medium enterprise (SME) markets to develop a more resilient and responsible private sector. It connects entrepreneurs with impact capital to foster economic growth, create jobs, and promote stability and peace.

11 World Development Indicators (WDI) is the primary World Bank collection of development indicators, compiled from officially-recognized international sources. It presents the most current and accurate global development data available, and includes national, regional and global estimates. Data can be accessed through the following URL: https://datacatalog.worldbank.org/dataset/world-development-indicators

12 Trading Economics provides its users with accurate information for 196 countries including historical data for more than 20 million economic indicators, exchange rates, stock market indexes, government bond yields and commodity prices. The data is based on official sources, not third party data providers, and the facts are regularly checked for inconsistencies. *TradingEconomics.com* has received more than 380 million page views from more than 200 countries.

13 Acquired from Audited financial statements of the respective banks for the year ended 2017

14 According to the Central Bank of Kenya (CBK) Annual supervision report 2016, the total net assets of the banking sector stood at KSHs 3.7 trillion, equivalent to USD 36.6 billion as at 31st December 2016.

15 Recent data on African population by religion can be obtained from the following website: https://muslimsinafrica.wordpress.com/numbers-and-percentage-of-muslims-in-african-countries/

16 The news article referred to can be accessed on the following URL: https://www.standardmedia.co.ke/ business/article/2001238375/surging-demand-for-islamic-finance-expertise-untapped-by-kenyan-varsities.

17 Source: https://www.scribd.com/document/236034256/Zakat-ul-mal-in-Kenya: News article published in "The New Dawn", dated 28th July 2014. The article is titled "Why has Zakat failed to improve the lives of Muslims?" based on interviews of prominent Muslim leaders in Kenya.

18 Reported by Islamic Finance News (IFN, dated February, 2018). It can be accessed on the following URL: https://www.islamicfinancenews.com/ifn-country-analysis/tanzania

19 Reported by Islamic Finance News (IFN, dated February, 2018). It can be accessed on the following URL: https://www.islamicfinancenews.com/ifn-country-analysis/tanzania

20 Source: http://khalfanabdallah.blogspot.com/2014/06/waqf-motives-types-and-waqf-system-in.html. The government appoints a Waqf commission of Tanzania with 8 members, the majority being of the Muslim faith. The Waqf Commission is the body entrusted with the duty of managing all Waqf property in Tanzania.

21 This is according to article 142 of the Probate and Administration of estates Act, Cap 352.

22 Available documentation (from the ILO report) presents figures for only the year 2009. There is no up-to-date information available on the amounts collected and distributed in subsequent years.

23 Source: The New vision newspaper dated 1st July 2018, under the article titled: "All set for BoU to issue Islamic banking licenses". The article can be accessed online on the following URL: https://www.newvision.co.ug/new_vision/news/1480722/set-bou-issue-islamic-banking-licenses

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