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An Overview of Islamic Economics and Finance in the GCC Countries

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ABSTRACT

This report examines the development of Islamic economics and finance in the GCC countries. It provides its analysis within the context in which Islamic economics and finance have emerged and describes how Islamic finance has developed as an institution, in terms of education, applications, and institutions in the regional and global financial markets. This study embraces five major factors that have contributed to the development of Islamic finance in the GCC countries: research, institutions, applications, financial deepening, and education. This report also provides a background for the development of Islamic finance, not only in the banking sector, but also in terms of education about Islamic finance in the GCC countries. The analysis will focus on the GCC context, with specific reference to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Keywords: GCC Countries, Islamic Economics, Islamic Finance.

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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 economical mindset formation 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 outputs in terms of knowledge. 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.

Introduction

Since the beginning of the 1970s, the financial system has been in a phase of far-reaching structural and ideological transformation; this can be associated with the rise of contemporary financial globalization, both as an economic reality and a political project. *Financialisation* has accelerated the process of globalization, as it was bureaucrats who initially made the decision to enter into the financial markets. Hence, it is realistic to declare that some states or unions have come into prominence in the global financial system (Monk, 2011). This is exemplified by the fact that the six member states of the Gulf Co-operation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), have each experienced improved prosperity as a result of the prodigious accumulation of wealth generated through oil revenues. The GCC countries have rentier economies, whose economic resources and wealth come primarily from the extraction of oil, and have become serious contenders in the global financial system over the last few decades. The authorities of these countries have started to use their oil revenues as a mechanism for reconfiguring their position in the global financial system. Furthermore, the GCC states have, through the creation of crucially important financial funds, transformed their position to such an extent that they now take centre stage in strategic financial investments. The significant position occupied by the GCC countries in the financial system means that the development of Islamic finance could be the result of the GCC countries' contribution to Islamic banking and finance sector all over the world. Specifically, during the 1970s, the establishment of the first Islamic bank and the organization of an international conference on Islamic finance in the Gulf region shows that the GCC countries have been at the centre of the emergence of Islamic finance. There are currently more than 145 major Islamic financial institutions in the GCC countries, meaning that approximately 40% of all Islamic financial institutions are situated in the CCC countries (The Banker's Top Islamic Financial Institutions 2016, 2016). Furthermore, the GCC countries control around 40% of all Islamic financial assets in the world. However, the successful performance of the GCC countries in financial assets and institutions is not reflected in the sector of education on Islamic economics and finance. It is important to state that, particularly since the Arab Spring, GCC countries have attempted to invest in Islamic finance through state investment, such as their own sovereign wealth fund, in order to develop their domestic economies.

Social aspects of Islamic economics through *waqf* and *zakat* have been given little interest in Islamic economics literature, comparing to the Islamic finance and banking sector. The reason for this gap in the literature is mainly rooted in the challenges of collecting data and the measuring of *zakat*. The amount of *zakat*, paid to the beneficiaries, and its Payment channels are mostly unreported and unclear, which is a clear obstacle for conducting an academic study. In this regard, there are several studies on understanding *zakat* and *waqf* and mostly, based on empirical studies such as surveys and interview analyses from Indonesia and Malaysia. In the GCC countries, the studies on *zakat* and *waqf* are less than the other countries in spite of the people's high sensibility in the GCC countries on *zakat* as an obligatory charity required of all Muslims. The scarcity of studies on *zakat* and *waqf* may arise from the lack of data and the lack of transparency in the economic and political structure of the GCC countries. Thus, this report will not focus on the application of these concepts in the GCC countries for structural reasons.

In these circumstances, this report will discuss the current positions of the GCC countries in the Islamic finance industry, and their applications in the sector. This discussion will be preceded by a review of the literature on Islamic finance. Following this discussion, this report will attempt to provide a good historical background on Islamic finance by explaining all of the infrastructure and institutions that the GCC countries have. Therefore, it is useful to understand the role of the GCC countries in the regulation of the Islamic finance industry. This study will then go on to describe all of the Islamic financial institutions that exist in the GCC countries, including Islamic banks, Islamic insurance companies, and Islamic non-bank institutions. In this section, this report is based on data provided by bankers and major institutions. Therefore, some institutions may have been overlooked. After giving an explanation of the existing institutions in the GCC countries, this report will clarify the Islamic financial instruments applied by the GCC countries. Finally, the financial situation of the GCC countries will be explained using existing data; this will also include a comparative analysis of the GCC countries. This report will be the first study to provide an overview, in a report format, of Islamic finance and Islamic financial institutions in all of the GCC countries. However, one possible limitation of this study is that it is difficult to obtain information on education, as the websites of some institutions and universities in the region are not up to date.

Islamic Economics and Finance in the GCC Countries

Over the last forty years, the fast growth of the Islamic finance industry has caused it to play an important role in the financial sector globally. However, the rise in Islamic finance began with the petrodollar, which has, since the 1970s, brought about structural and ideological transformations in the financial system. Therefore, GCC countries, as a result of their huge oil revenues, have played an important role in the recognition and development of Islamic finance in the global financial market. In this regard, a number of studies are available, such as country reports, and academic papers on the development of Islamic finance in all of the GCC countries, or in individual member states of the GCC. Most of these have been based on empirical analysis, using econometric tools in order to ascertain the impact of the GCC countries on the development of Islamic finance.

In the existing literature on the development of Islamic finance in the GCC countries, Wilson (2009) evaluated the development process of Islamic economics. His study traced the development back to 1975, with the establishment of the Dubai Islamic Bank in terms of Islamic insurance and *Sharia-compliant* asset management through retail and investment banking. Before the Dubai Islamic Bank emerged, the Royal Decree of 1952, which was issued by the Saudi Arabian Monetary Agency (SAMA), was similar to other central banking laws, Islamic considerations came into operation in 1966, with the Saudi Arabian Banking Control Law, which was not permitted under *Sharia*, but which prohibited the banks from ruling out *murabahah* transactions. Furthermore, the main development of the modern Islamic banking system through *Sharia* happened as a result of the explosion of oil in the region, which led to the opening of the Islamic Development Bank in Jeddah in 1975. After the establishment of that bank, other GCC countries also began to consider modern *Sharia*-compliant banking systems (Wilson, 2009). In this sense, Mishrif (2015) linked the emergence of Islamic finance in the Gulf region to the boom in oil prices, and also to its use as a political tool in 1973. After the oil bonanza, these countries started to invest in the Islamic banking sector, with the establishment of the Dubai Islamic Bank in 1975, the Islamic Development Bank in 1975, the Kuwait Finance House in 1977, the Bahrain Islamic Bank in 1978, the Islamic Investment Company of the Gulf in Sharjah in 1977, and the Bahrain Islamic Bank in 1978 (Mishrif, 2015). Therefore, *Sharia*-based banking assets now represent an important portion of total banking assets, and currently comprise approximately 35% of the total assets in the region. This amount shows that the GCC countries have more Islamic banking assets than the other large countries in the regional financial markets (Mishrif, 2015). After giving a brief historical overview of Islamic finance in the GCC countries, it is also useful to analyse the empirical studies on Islamic finance in the region.

In this regard, the studies on Islamic finance in the GCC countries have mainly been based on comparative studies between Islamic and conventional finance (Al-Ajmi et al., 2009; Bley and Kuehn, 2004; Grassa and Gazdar, 2014; Johnes et al., 2009; Khediri et al., 2015; Siraj and Pillai, 2012; Zeitun, 2012; Olson and Zoubi, 2008), the impact of Islamic finance on economic growth (Alqahtani et al., 2016; Lone and Alshehri, 2015; Smaoui and Salah, 2012; Yusof and Bahlous, 2013), and efficiency and productivity (Belanes et al., 2015; Moussawi and Obeid, 2011), amongst other aspects.

Grassa and Gazdar (2014) used generalized least squares and panel data in order to compare the effects of Islamic financial development and conventional financial development on the economic growth of all GCC countries, except Oman. The findings of their study indicate that Islamic finance leads to growth in the GCC countries, while conventional finance has not had an outright effect on economic growth in the region. In addition to the comparative studies related to economic growth, there are also comparative studies that measure the performance of Islamic and conventional finance. In this regard, Khediri et al. (2014) found Islamic finance to be more profitable, more liquid, better capitalized, and lower risk oriented than conventional banks. These findings were obtained using parametric and non-parametric classification over the period between 2003 and 2010 in the GCC countries. Furthermore, there are also studies that compare clients that use Islamic finance, conventional finance, or both. In this regard, Al-Ajmi et al. (2009) used a questionnaire to determine the priorities of bank clients in Bahrain when making banking choices. The questionnaire, which was distributed to 1,000 people, indicated that Islamic religious belief, social responsibility, and cost benefit are the most important factors that clients bear in mind when selecting a bank. The participants in that survey included people who used Islamic finance, conventional finance, or a combination of the two. Although there are a number of common motives shared by clients using Islamic and conventional banking, the products/services used in banks clearly show the differences between Islamic and conventional banks. For instance, the most commonly used service provided by Islamic banks is *murabahah*; this service is not provided by conventional banks.

Another comparative study examined students' knowledge about the financial concepts and terms in Islamic and conventional finance. This study, which was written by Bley and Kuehn (2004), is more original than others in the literature on this subject. It took the form of a survey analysis of 700 graduate and undergraduate students from the School of Business and Management at the American University of Sharjah in the UAE. The findings indicated that knowledge of the Arabic language is an important factor in gaining wider Islamic banking knowledge, but also that religious sincerity on the part of students does not mean that those students will have a better understanding of Islamic banking. Finance students were willing to improve their knowledge of both banking systems. There are also comparative studies between Islamic and conventional finance which have sought to measure efficiency and productivity in the GCC countries from 2004 to 2007. In this context, Johnes and Izzeldin (2009) attempted to measure efficiency using financial ratio analysis and data envelopment analysis. From the perspective of these analyses, the financial ratio analysis revealed that Islamic banks in the Gulf region are less cost efficient, but more return and profit efficient, than conventional banks. With regard to the data envelopment analysis, conventional banks were found to be more efficient than Islamic banks in all aspects of the banking sector. Similarly, a study by Olson and Zoubi (2008) revealed that Islamic banks are less efficient than conventional banks, but demonstrate good risk management. Their study used 26 financial ratios from Islamic and conventional finance in the GCC countries over the period from 2000 to 2005. In addition to these comparative studies, the literature also discusses the performance of Islamic finance and conventional finance in the GCC countries. In this regard, Siraj and Pillai (2012) stated that Islamic banks are more equity financed than conventional banks. Their study was based on six Islamic banks and six conventional banks, and used indicators such as operating expense, profit, assets, total equity, ROE, and ROA from the GCC countries between 2005 and 2010. Furthermore, they revealed that, during the above-mentioned period, conventional banks were unable to improve profitability towards credit losses in the region. Following this, Zeitun (2012) used a panel analysis with 38 conventional banks and 13 Islamic banks in the GCC countries between 2002 and 2009. Through this analysis, he revealed that the cost-to-income ratio has a significantly negative impact on the performance of both Islamic and conventional banks. Although the GDP has a positive relationship with a bank's profitability, inflation has a negative relationship with profitability. Finally, in the GCC countries, neither foreign ownership, nor the age of the bank, has an effect on the performance of banks.

In addition to comparative studies, studies based on the relationship between Islamic banking and economic growth in the GCC countries are also popular in the literature on Islamic finance in the Gulf region. In this regard, Yusof and Bahlous (2013) emphasize that Islamic banking has led to economic growth, both in the long term and the short term, for the GCC countries, even though, in the short run, it has led to more economic growth in Malaysia and Indonesia than in the GCC countries. These results were obtained by applying panel co-integration analysis, variance decompositions, and impulse response functions for the GCC countries and the selected East Asian countries over the period between 2000 and 2009. In parallel with this study, Alqahtani et al. (2016) have contributed to the literature by investigating banks' performance using the CAMEL model. They used panel data analysis with 101 banks from the GCC countries over the period between 1998 and 2012. The findings of that analysis revealed that Islamic banks showed better performance in terms of capitalisation, profitability, and liquidity in the early phases of the global financial crisis, but their performance was worse in the later stages of the real economic downturn in the GCC countries. Smaoui and Salah (2012) also explored the relationship between the macroeconomic environment and Islamic banks in terms of profitability in the GCC countries. In order to do so, they examined data from 44 Islamic banks from the GCC countries for the period between 1995 and 2009. Their study found that although a higher cost-to-income ratio causes lower profitability, higher capital, better asset quality, and larger asset size can, in this case, all lead to higher profitability.

Analysis of the Current Situation of Islamic Economics and Finance in the GCC Countries

Institutions

The Islamic banking sectors in the GCC countries have been strengthened by their high profits, as have most of the Islamic financial institutions. Therefore, GCC countries have made a strong contribution to the stability of the Islamic financial system. The establishment of Islamic banking can be traced back to 1975, with the emergence of Dubai Islamic Bank, the first Islamic bank. This was followed by the establishment of the Islamic Development Bank in 1975 in Saudi Arabia, the Kuwait Finance House in 1977 in Kuwait, Bahrain Islamic Bank in 1979 in Bahrain, the Qatar Islamic Bank in 1982 in Qatar, and Bank Nizwa in 2013 in Bahrain (Qattan, 2015).

Bahrain

Bahrain has played a pivotal role in the process of developing Islamic finance, as it has several leading Islamic finance organizations and associations, such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the International Islamic Financial Market (IIFM), the Islamic International Rating Agency (IIRA), the Shariyah Review Bureau, the General Council for Islamic Banks and Financial Institutions (CIBAFI), and the Liquidity Management Centre (LMC). Therefore, it can be said that Bahrain has been at the centre of the Islamic infrastructure institutions.

Of these institutions, the AAOIFI, which was established in 1991 by the State of Bahrain as an international autonomous non-profit corporate body, has also been of crucial importance for Islamic finance, as it has played a role in developing accounting, auditing, and *Sharia* standards for adoption in the financial reporting of Islamic financial institutions. The AAOIFI works with a number of institutional members, such as central banks and regulatory authorities, financial institutions, accounting and auditing firms, and legal firms from the 45 countries (INCEIF, n.d.; AAOIFI, n.d.). The IIFM was established by *Amiri Decree* in 2002, in order to develop *Sharia*-compliant finance and provide guidelines for the implementation of Islamic financial instruments in corporate finance and trade finance transactions, and to encourage secondary market trading to be active (International Islamic Financial Market, n.d.).

The IIRA was established in Bahrain in 2002. It supports multilateral development institutions, banks, and financial institutions, in order to provide assessments of Islamic financial institutions and capital market tools internationally. The IIRA has received formal recognition from the Central Bank of Bahrain as an external credit assessment institution. The role of the IIRA involves the rating of entities, determining the financial strength, fiduciary risk and credit worthiness of the issuer, and assessing *Sharia*-compliance (INCEIF, n.d.; Islamic International Rating Agency, n.d.). The IIRA's most prominent shareholders, with a combined stake of around 27%, have been comprised of the Islamic Corporation for Development of the Private Sector and the Islamic Development Bank. Its other shareholders comprise the agency's primary markets from the eleven countries (Islamic International Rating Agency, n.d.).

The CIBAFI was established in Bahrain as a global umbrella for Islamic financial institutions by the *Royal Decree No. 23* issued on May 16, 2001 in order to develop Islamic financial markets, encourage cooperation within the Islamic financial institutions, to specify the rules and provisions, to share decisions taken by Islamic financial institutions, and to develop better understanding with regulatory bodies (INCEIF, n.d.). The CIBAFI's strategic objectives could be summarized as: (i) policy and regulatory advocacy, (ii) research and publications, (iii) awareness and information sharing, and (iv) professional development. The CIBAFI is also affiliated with the Organisation of Islamic Cooperation (OIC). Furthermore, the CIBAFI is recognized as a key factor in the global Islamic finance market, as it has nearly 120 members from jurisdictions, market players, international intergovernmental organizations, and professional firms (CIBAFI, n.d.).

The LMC was established in Bahrain in 2002 and is regulated by the Central Bank of Bahrain as an incorporated Islamic investment bank. The shareholders of the LMC comprise the Bahrain Islamic Bank (25%), the Dubai Islamic Bank (25%), the Islamic Development Bank (25%), and the KFH Capital Investment Company (25%). The LMC aims to support the development of the Islamic inter-bank market and to provide short-term liquidity opportunities with *Sharia* credibility, in order to contribute to the growth of the Islamic capital market through its active role in the primary and secondary financing market. It provides Islamic financial institutions with Islamic advisory services and innovative and tradeable *Sharia*-compliant short- and medium-term financial instruments. The LMC is also a leading arranger of *sukuk* tools and has focussed on the short-term *sukuk* programme, which is the first *sukuk* product to be offered by the LMC in the Islamic banking market. In 2005, the LMC was awarded the title of "Best Domestic Market *Sukuk* House" by Euromoney (INCEIF, n.d.; Liquidity Management Center, n.d.). The Shariyah Review Bureau was established in Bahrain in order to help businesses around the world share their ideas and to bring a *Sharia* perspective to the expanding markets of Islamic finance in sectors such as energy, agriculture, pharmaceuticals, real estate, retail and transportation. The Shariyah Review Bureau has a large services portfolio, including its role as a *Sharia* supervisory board, external *Sharia* audit, *Sharia* advice, certification (*fatwa*), equities screening, and internal *Sharia* audit, which is carried out by a wide range of *Sharia* scholars from Malaysia (3), Germany (1), Pakistan (4), USA (1), Qatar (2), Bahrain (4), Oman (1), Saudi Arabia (5), UAE (2), Mauritania (1), Jordan (1), Algeria (1), Sudan (1), Egypt (2), and South Africa (1) (Shariyah Review Bureau, n.d.).

In addition to infrastructure institutions, Bahrain also has large financial institutions that are driven by Islamic rules, ranging from commercial banks to insurance companies. It is important to state that Bahrain has the largest portfolio of Islamic financial institutions. As can be seen in Tables 1, 2, 3, 4 and 5. Bahrain, with its commercial banks, Islamic wholesale banks, Islamic insurance companies, Islamic investment companies, and Islamic non-bank institutions, is an important hub for Islamic finance in the region.

According to *The Banker*, Bahrain has 11 Islamic commercial banks; seven of those banks are full Islamic banks, and the remaining four are Islamic windows. Therefore, Bahrain is the second country for commercial banks in the GCC region, after Saudi Arabia. However, Table 1 shows that three of those banks are also counted in the statistics of other countries, as those companies own them but have branches in Bahrain. These include the Al Baraka Islamic Bank from Pakistan and Bank Muscat International Bank from Oman.

Table 1.
Islamic Commercial Banks in Bahrain

Institutions	% of Sharia Compliant Assets to Total Assets
Ahli United Bank	Islamic Windows (42.58)
Ithmaar Bank	Full Islamic Bank
Al Salaam Bank	Full Islamic Bank
Bahreyn Islamic Bank	Full Islamic Bank
Al Baraka Islamic Bank	Full Islamic Bank (DOS)
Khaleeji Commercial Bank	Full Islamic Bank
ABC Islamic Bank	Full Islamic Bank
BMI (BankMuscat International Bahrain)	Islamic Windows (93.02) (FOS)
Eskan Bank	Islamic Windows (39.32)
Bank of Bahrain and Kuwait (BBK)	Islamic Windows (3.37)
Family Bank	Full Islamic Bank

Source: The Banker (November, 2016).

Another important type of Islamic institution in Bahrain is an Islamic wholesale bank, existing only in Bahrain and not in other GCC countries. As can be seen in Table 2, Bahrain has 14 Islamic wholesale banks; 12 of them operate fully in accordance with Islamic rules, and the other two operate through Islamic windows (The Banker's Top Islamic Financial Institutions 2016, 2016). It is important to state that the presence of Islamic wholesale banks in Bahrain reveals that Bahrain is an Islamic financial hub for the whole world, and not merely the Gulf region. The Al Baraka Banking Group is one of the most important institutions in Bahrain, and has a presence in 15 countries. Of those countries, Turkey is the most remarkable, as the Al baraka Turk Participation Bank has 213 branches across Turkey (Al Baraka Banking Group, n.d.).

Table 2.
Islamic Wholesale Banks in Bahrain

Institutions	% of Sharia Compliant Assets to Total Assets
Al Baraka Banking Group	Full Islamic Bank
Gulf International Bank BSC	Islamic Windows (35.93)
First Energy Bank	Full Islamic Bank
Bank Alkhair	Full Islamic Bank
Ibdar Bank	Full Islamic Bank
Bahreyn Development Bank	Islamic Windows (72.27)
Venture Capital Bank	Full Islamic Bank
International Investment Bank	Full Islamic Bank
Liquidity Management Centre	Full Islamic Bank
Seera Investment Bank	Full Islamic Bank
Global Banking Corporation	Full Islamic Bank
Gulf one Investment Bank	Full Islamic Bank
Investors Bank	Full Islamic Bank
Citi Islamic Investment Bank	Full Islamic Bank

Source: The Banker (November, 2016).

According to Table 3, Bahrain has fallen behind other GCC countries in the Islamic insurance sector, as it only has two Islamic insurance companies. However, it is important to note that, with regard to insurance, Bahrain is the fifth country in the region, and is one step ahead of Oman, which does not have any Islamic insurance companies.

Table 3.
Islamic Insurance Companies in Bahrain

Institutions	% of Sharia Compliant Assets to Total Assets
ACR Retakaful MEA	Full Islamic Bank
Takaful International	Full Islamic Bank

Source: The Banker (November, 2016).

Although Saudi Arabia and Qatar have Islamic investment companies, Table 4 shows that Bahrain is the leading country in this sector with its four companies, one of which is Kuwaiti.

Table 4.
Islamic Investment Companies in Bahrain

Institutions	% of Sharia Compliant Assets to Total Assets
Kuveyt Finance House Bahreyn	Full Islamic Bank (FOS)
Gulf Finance House	Full Islamic Bank
Arcapita	Full Islamic Bank
Investment Dar Bank Bahreyn	Full Islamic Bank

Source: The Banker (November, 2016).

In addition to Islamic commercial and wholesale banks, Islamic non-bank institutions can also be found in Bahrain, which has three Islamic non-bank institutions.

Table 5.
Islamic Non-Bank Institutions in Bahrain

Institutions	% of Sharia Compliant Assets to Total Assets
Inovest	Full Islamic Bank
Reef Real Estate Finance Co.	Full Islamic Bank
Sakana Holistic Housing Solutions	Full Islamic Bank

Source: The Banker (November, 2016).

Kuwait

Law No. 32, which was passed in 1968, made provisions for banks to operate in accordance with Islamic rules, but there were some conflicts between the rules of this law and the rules of Islamic *Sharia*. Therefore, from the perspective of the principles of Islamic *Sharia*, "*the Law No. 30* of the year

2003 was issued on adding a special section on Islamic banks to the *Third Chapter of Law No. 32* of the year 1968". Furthermore, *Law No. 30* was extended through the addition of "Section Ten", which included the following aspects:

(i) The general framework for Islamic banking business (Article 86), (ii) Allowing the Kuwaiti banks registered in the banks register to establish subsidiaries for practicing Islamic banking, subject to obtaining the approval of the Central Bank of Kuwait (Article 87), (iii) Procedures for establishing and registering Islamic banks and Islamic branches of foreign banks (Article 88-91), (iv) The minimum paid-up capital for establishing an Islamic bank, and the capital required for an Islamic branch of a foreign bank (Article 92), (v) *Sharia* supervision in Islamic banks (Article 93), and (vi) Supervision rules concerning Islamic banks (Articles 97 and 98)[1].

According to this quotation, the general framework of Islamic banking and finance was renewed in 2003 in Kuwait in order to develop the Islamic banking system and business by providing a service to foreign and domestic banks. However, in 2015, new *sukuk* regulations were released for companies operating *sukuk* (Abdullah, 2015).

The Central Bank of Kuwait, and the Kuwait Capital Market Authority, are regulatory mechanisms that control the general Islamic finance regulatory framework in Kuwait. In addition to these institutions, Kuwait Finance House, as the first bank to operate in accordance with Islamic *Sharia*, has played a leading role in investment and banking. Therefore, Kuwait Finance House has renewed its relationship with Islamic finance institutions in order to support the bank in improving young people's knowledge and awareness of the Islamic economy and finance (INCEIF, n.d.).

In addition to the infrastructure institutions, Kuwait has three sectors driving Islamic rules, namely Islamic commercial banks, Islamic insurance companies, and Islamic non-bank institutions, as can be seen in Tables 6, 7 and 8.

According to *The Banker,* Kuwait has five Islamic commercial banks, all of which are full Islamic banks. Only Ahli United Bank is a foreign bank: Table 6 shows that this bank, which is originally from Bahrain, operates in Kuwait as an Islamic commercial bank. Kuwait Finance House is remarkable, as it is an international institution with subsidiaries and affiliates from Bahrain, Saudi Arabia, Turkey, and Malaysia.

Table 6.
Islamic Commercial Banks in Kuwait

Institutions	% of Sharia Compliant Assets to Total Assets
Kuwait Finance House	Full Islamic Bank
Ahli United Bank Kuwait	Full Islamic Bank (FOS)
Boubyan Bank	Full Islamic Bank
Kuwait International Bank	Full Islamic Bank
Warba Bank	Full Islamic Bank

Source: The Banker (November, 2016).

Table 7 shows that Kuwait has three companies that operate fully in accordance with Islamic rules. Thus, Kuwait is, along with Qatar, the third country in the GCC region for Islamic insurance companies, behind Saudi Arabia and the UAE.

Table 7. Islamic Insurance Companies in Kuwait	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Gulf Takaful Insurance Company	Full Islamic Bank
First Takaful Insurance Co.	Full Islamic Bank
Wethaq Takaful Insurance Company	Full Islamic Bank

Source: The Banker (November, 2016).

As can be seen in Table 8, Kuwait is the most important centre for Islamic non-bank institutions, not only in the region, but also in the world, as 20 of its non-bank institutions operate fully in accordance with Islamic bank rules. Islamic non-banks institutions in Bahrain mainly take the form of leasing, investment, and asset management companies.

Table 8. Islamic Non-Bank Institutions in Kuwait	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Alafco Aviation Lease and Finance Company	Full Islamic Bank
Aayan Leasing and Investment Company	Full Islamic Bank
Al Imtiaz Investment Company	Full Islamic Bank
The International Investor	Full Islamic Bank
First Investment Company	Full Islamic Bank
Sokouk Holding Company	Full Islamic Bank
A'Ayan Real Estate Company	Full Islamic Bank
Orient Investment Company	Full Islamic Bank
The Securities House	Full Islamic Bank
Gulf Investment House	Full Islamic Bank
Al Manar Financing & Leasing Company	Full Islamic Bank
Al Madar Finance and Investment Company	Full Islamic Bank
Al Madina for Finance and Investment Company	Full Islamic Bank
Al Masar Leasing and Investment Company	Full Islamic Bank
Rasameel Structured Finance Company	Full Islamic Bank
Gulf North Africa Holding Company	Full Islamic Bank
Amar Finance and Leasing Company	Full Islamic Bank
Al Aman Investment Company	Full Islamic Bank
Osoul Investment Company	Full Islamic Bank
Manafa'e Investment Company	Full Islamic Bank

Source: The Banker (November, 2016).

Oman

In contrast to the other GCC countries, Oman's banking sector was late to enter Islamic banking. Although the Islamic finance regulatory framework was promulgated by *Royal Decree No. 114/2000* (Amendment to Banking Law-Islamic Banking, 2012), it is possible to state that the implementation of Islamic banking in Oman was started by *Royal Decree 69/2012*, which was an amending statue of *Royal Decree 114/2000* (Amendment to Banking Law-Islamic Banking, 2012). In Oman, the Central Bank of Oman and the Oman Capital Market Authority are the main regulators of the Islamic banking sector.

According to *The Banker*, Oman only has Islamic commercial banks, whereas the other GCC countries have other types of Islamic financial institutions. In this regard, Oman has two Islamic Banks that provide fully *Sharia*-compliant products and services. The Bank Nizwa, which is the first dedicated Islamic bank in Oman, launched its Islamic banking operations in January 2013 (Bank Nizwa, n.d.). Al Izz Bank is the second bank that operates fully in accordance with Islamic rules and launched its Islamic banking operations in September 2013 (Al Izz Bank, n.d.).

Table 9.
Islamic Commercial Banks in Oman

Institutions	% of Sharia Compliant Assets to Total Assets
1. Bank Muscat	Islamic Windows (6.12)
2. Nizwa Bank	Full Islamic Bank
3. Bankdhofar	Islamic Windows (8.33)
4. Bank Al Izz	Full Islamic Bank
5. National Bank of Oman (Muzn)	Islamic Windows (3.54)
6. Bank Sohar	Islamic Windows (4.74)
7. Oman Arab Bank	Islamic Windows (4.74)

Source: The Banker (November, 2016).

Since 2013, a number of conventional banks have started to provide Islamic banking windows in Oman, as shown in Table 9. Of those banks, Bank Muscat's Islamic operation was the only bank to announce the profits of its units in 2013; the other banks first reported their profits from Islamic units in 2014 (Bank Sohar, n.d.). However, it is important to state that, in Oman, the Islamic banking sector is still in its infancy, when compared to the other GCC countries. When we look at the proportion of the total assets of the banks with Islamic windows in Oman that are *Sharia*-compliant, it can be seen that Oman Arab Bank has the lowest share, with 2.56 %, whereas Bankdhofar has the highest share, with 8.33% of the total assets within the Islamic windows in Oman being *Sharia*-compliant, as shown in Table 9.

Qatar

Qatar, which is also called "small state big economy" by people researching on the political economy of the GCC countries (Kamrawa, 2015), is one of the most important countries in the regional and global financial market, as a result of its huge wealth in the investment market and financial system. Qatar has performed well in Islamic finance, and its Islamic finance sector has improved in recent years. Therefore, the Islamic finance regulatory framework has been constituted by the Islamic finance rulebook (ISFI), Qatar financial centre law, prudential-insurance rulebook (PINS), and private placement scheme rules. The Islamic finance regulatory bodies of Qatar also consist of the Qatar Financial Centre Regulation Authority, Qatar Central Bank, and the Qatar Financial Markets Authority (Qatar Financial Center Regulatory Authority, 2015; Qatar Central Bank, n.d.; INCEIF, n.d.). These financial authorities are responsible for the establishment of a deposit insurance framework, including a *Sharia* rules variant. For instance, in the amendments to the 2010 rules on private placement schemes, the regulatory authority announced that (Qatar Financial Center Regulatory Authority, 2015, p. 49 and 87):

If the scheme is an Islamic fund, the operator must prepare and keep all financial accounts and statements in accordance with the accounting standards of AAOIFI FAS 14.

Islamic fund must have a supervisory board. The operator of a scheme that is an Islamic fund, or an umbrella scheme that has a subschema that is an Islamic fund, must ensure that there is at all times a *Sharia* Supervisory Board for the fund.

According to *The Banker*, Qatar has four types of Islamic financial institutions: Islamic commercial banks, Islamic non-bank institutions, Islamic investment companies, and Islamic insurance companies.

As shown in Table 10, there are four banks in Qatar that operate fully in accordance with Islamic rules. Of these banks, Qatar Islamic Bank is the largest and was the first Islamic bank in Qatar, as it was established in 1982. The shareholders of QIB consist of the Qatar Investment Authority, which is the single largest shareholder, and Qatari individuals, families and institutions. Furthermore, QIB has established branches in Lebanon, Malaysia, the United Kingdom, and Sudan (Qatar Islamic Bank, n.d.). Masraf Al Rayan Bank began its Islamic banking operations in January 2016, and is licenced by Qatar Central Bank (Al Rayan Bank, n.d.). Barwa Bank is the most recent bank in Qatar to provide a full range of *Sharia*-compliant banking services (Barwa Bank, n.d.). Qatar International Islamic Bank was established in 1991 and is regulated by the Qatar Central Bank. It has a high ranking from international rating agencies, and provides services such as *Sharia*-compliant deposit, finance, and insurance products (QIIB, n.d.).

Table 10.
Islamic Commercial Banks in Qatar

Institutions	% of Sharia Compliant Assets to Total Assets
Qatar Islamic Bank	Full Islamic Bank
Masraf Al Rayan / Al Rayan Bank	Full Islamic Bank
Barwa Bank	Full Islamic Bank
Qatar International Islamic Bank	Full Islamic Bank

Source: The Banker (November, 2016).

Qatar has 3 major Islamic non-bank institutions that operate fully in accordance with Islamic rules, as can be seen in Table 11. Alijarah and the Islamic Holding Group were established in 2003, while the Dlala Islamic Brokage Company was established in 2006 in order to participate in the management and support their subsidiaries (Alijarah, n.d.; Islamic Holding Group, n.d.; Dlala Islamic Brokage Company, n.d.).

Table 11.
Islamic Non-Bank Institutions in Qatar

Institutions	% of Sharia Compliant Assets to Total Assets
National Leasing Company (Alijarah)	Full Islamic Bank
Dlala Islamic Brokerage Company	Full Islamic Bank
Islamic Holding Group	Full Islamic Bank

Source: The Banker (November, 2016).

With its investments all over the world, Qinvest is the leading fully Islamic investment bank of Qatar. Therefore, it has become one of the most prominent Islamic financing institutions in the world. Qinvest was established and licensed by the Qatar Financial Center Authority, and was authorised by the Qatar Financial Centre Regulatory Authority in 2007 to provide the services of investment banking, principal investments, and asset management, in addition to providing clients with *Sharia*-compliant solutions in structuring Islamic products. The most important shareholder of Qinvest is Qatar Islamic Bank, which owns 46.96% of the shares. Therefore, Qinvest could be considered part of the Qatar Investment Authority, which is the largest shareholder of Qatar Islamic Banks. Qinvest has offices in Doha and Istanbul, and affiliates in India and the United Kingdom (Qinvest, n.d.).

Table 12.
Islamic Investment Companies in Qatar

Institutions	% of Sharia Compliant Assets to Total Assets
Qinvest	Full Islamic Bank

Source: The Banker (November, 2016).

Qatar has two major Islamic insurance companies that are fully *Sharia*-complaint, as well as one Islamic insurance company with Islamic windows (4.20%). Al Khaleej Takaful Group QSC was established in 1978 in order to serve the local economy as a national company, with its insurance products offering cover for property, engineering, liability, general accident, medical expenses, travel contingencies, etc. In addition to these products, the company also caters for the insurance needs of the oil and gas sectors in Qatar (Al Khaleej Takaful Group QSC, n.d.). Qatar Islamic Insurance Company was established in 1995 as a fully *Sharia*-compliant institution, in order to provide personal policies, such as medical insurance, life cover, motor insurance, and cover for property, general accidents, and travel, all of which have been approved by Islamic *Sharia* (Qatar Islamic Insurance Company, n.d.). In 2006, the Doha Insurance Company established Doha *Takaful* in order to provide Islamic insurance services to clients in accordance with Islamic *Sharia* principles (Doha Insurance Company, n.d.).

Table 13. Islamic Insurance Companies in Qatar	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Al Khaleej Takaful Group QSC	Full Islamic Bank
Qatar Islamic Insurance Company	Full Islamic Bank
Doha Insurance (Doha Takaful)	Islamic Windows (4.20)

Source: The Banker (November, 2016).

Saudi Arabia

Saudi Arabia has, from the outset, had a prominent role in the process of developing Islamic finance. During the 1970s and 1980s, a number of international conferences were held in Jeddah and Mecca. Therefore, Saudi Arabia has been one of the countries that have taken an active role in the development of Islamic finance and recognition around the world. Currently, the Islamic finance regulatory bodies consist of the Saudi Arabian Monetary Agency, the Capital Market Authority, and the International Association of Islamic Banks. These bodies provide regulatory frameworks, including banking control laws, cooperative insurance companies, and laws relating to the capital market in Saudi Arabia.

In addition to Saudi Arabia's contribution to the development of Islamic finance, the infrastructure institutions of that country have also played a significant role in the development of Islamic finance around the world. These institutions include the Islamic Development Bank (IDB), the Islamic Research and Training Institute (IRTI), the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), and the International Islamic Trade Finance Corporation (ITFC). The IDB was established by the Finance Minister of the Organization of Islamic Cooperation in Jeddah in 1973. In 1975, it began its activities with 56 shareholding member states, with the aim of managing the economic development and social progress of member states and other *Muslim* countries, in accordance with Islamic *Sharia* principles. Furthermore, the role of the IDB is to appropriate equity capital subscriptions and grant loans for fruitful projects; to provide financial assistance to member states; to operate special funds for specific purposes; to accept deposits; to provide technical assistance to member states; to develop human capital in *Muslim* countries, and to apply *Sharia*-compliant principles (Islamic Development Bank, n.d.).

In this regard, the IRTI was established by the IDB in 1981. Its aim was to provide research and training in Islamic economics in order to assist the development of the Islamic financial services industry around the world. Therefore, the IRTI provides services such as research, training, advice, publication, awards, and scholarships (IRTI, n.d.). In addition to research, training, and advisory services, the IDB has dealt with the development of the private sector. In order to do so, the ICD was established by the IDB. It works with 53 Islamic countries and five public financial institutions in order to ensure the sustainable economic growth of the 53 member states by financing private sector investments, mobilizing capital in the global financial markets, and assisting business and governments. In this way, it hopes to secure the creation of jobs, the development of Islamic finance, and also to contribute to exports (ICD, n.d.). The ICIEC was established in 1994 as a member of the IDB, in order to provide *Sharia*-compliant investment and export credit insurance for the member countries. A further aim of the ICIEC is to strengthen the economic relationships among member states, in terms of *Sharia* principles (ICIEC, n.d.). Another infrastructure institution in Saudi Arabia is the ITFC, which was established in 2008 as a member of the IDB in order to develop the trade, intra-trade, and international trade potential of the member states. Moreover, the ITFC helps the member countries to compete successfully in the international market by providing them with trade financing, and trade-related instruments. Thus, the ITFC is recognized as a "provider of trade solutions for OIC member countries' needs" (ITFC, n.d.).

According to *The Banker*, Saudi Arabia has four types of Islamic financial institutions: Islamic commercial banks, Islamic non-bank institutions, Islamic investment companies, and Islamic insurance companies.

Saudi Arabia has five Islamic commercial banks that are fully *Sharia*-compliant, and eight Islamic commercial banks that have Islamic windows with high shares of the total assets, as shown in Table 14. Therefore, Saudi Arabia has more Islamic commercial banks than any other country in the GCC region. The most remarkable bank is Al Rajhi Bank, which is the largest Islamic bank in the world in terms of the proportion of total assets that are *Sharia*-compliant. Al Rajhi Bank was founded in 1957 in Riyadh, and now has over 500 branches all over the world. The first men's branch was opened in 1957 and the first women's branch was opened in 1979. Although individual establishments were under the Al Rajhi brand until 1978, they merged into the Al Rajhi trading and exchange corporation at that time. After that date, it was established as a bank, and then as a Saudi share holding company in 1988, in order to fill the gap between modern financial demands and spiritual values through Islamic banking principles (Al Rajhi, n.d.). The other Islamic commercial banks in Saudi Arabia also play a significant role in the Islamic financial sector around the world. For instance, despite only having Islamic windows, the National Commercial Bank is the third largest Islamic bank in the world. Moreover, it is important to state that three banks with Islamic windows were founded by business partnerships between Saudi Arabia and European countries, such as the United Kingdom, France, and the Netherlands. The Saudi Holland Bank was the first operating bank to be established as a branch of the Netherlands Trading Society in 1926, in order to serve *Hajj* pilgrims from Indonesia. The name of the Saudi Holland Bank was changed to "Alawwal Bank", meaning "The First" in Arabic, in November 2016 (Alawwal Bank, n.d.).

Table 14. **Islamic Commercial Banks in Saudi Arabia**	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Al Rajhi Bank	Full Islamic Bank
National Commercial Bank	Islamic Windows (45.73)
Saudi British Bank (SABB)	Islamic Windows (52.75)
Alinma Bank	Full Islamic Bank
Arab National Bank	Islamic Windows (43.13)
Samba Financial Group	Islamic Windows (30.66)
Riyad Bank	Islamic Windows (31.90)
Banque Saudi Fransi	Islamic Windows (38.54)
Bank Al Jazira	Full Islamic Bank
Bank Albilad	Full Islamic Bank
Saudi Hollandi Bank	Islamic Windows (38.86)
Saudi Investment Bank	Islamic Windows (34.82)
Islamic Development Bank	Full Islamic Bank

Source: The Banker (November, 2016).

Saudi Arabia has four fully *Sharia*-compliant Islamic non-bank institutions, as can be seen in Table 15. One of these institutions, Amlak International for Real Estate Development and Finance, was established in 2007 when it was granted a licence by SAMA to participate in real estate financing activities in Saudi Arabia under the control of the standards and provisions of Islamic law, and with the supervision of *Sharia* scholars and *sheikhs*. Therefore, this licence makes this institution the first and the leading company in the sector (Amlak International, n.d.).

Table 15. **Islamic Non-Bank Institutions in Saudi Arabia**	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Amlak International for Real Estate Development and Finance	Full Islamic Bank
Jadwa Investment	Full Islamic Bank
KSB Capital Group	Full Islamic Bank
Arbah Capital	Full Islamic Bank

Source: The Banker, Novermber 2016.

According to *The Banker*, Al-Khabeer was established in 2004 as an Islamic investment company, which operates fully in accordance with Islamic principles and provides investment banking services, such as corporate finance and investment advice, asset management (such as fund, wealth, and portfolio management), and private equity investments (Al-Khabeer, n.d.).

Table 16.
Islamic Investment Companies in Saudi Arabia

Institutions	% of Sharia Compliant Assets to Total Assets
Al-Khabeer Capital	Full Islamic Bank

Source: The Banker (November, 2016).

According to the data provided by Islamic insurance companies, Saudi Arabia is the most important country in this sector, with over 25 major insurance companies operating fully in accordance with Islamic principles, as shown in Table 17. The Company for Cooperative Insurance (Tawuniya) was established in 1986 as a Saudi joint stock company, and operates fully in accordance with Islamic principles. Tawuniya was the first national insurance company to be granted a licence to serve business lines, such as motor, marine, fire, medical, engineering, energy, aviation, and takaful. Thus, Tawuniya is the leading company in the insurance sector in Saudi Arabia (Tawuniya, n.d.).

Table 17.
Islamic Insurance Companies in Saudi Arabia

Institutions	% of Sharia Compliant Assets to Total Assets
The Company for Co-operative Insurance (NCCI)	Full Islamic Bank
BUPA Arabia for Cooperative Insurance	Full Islamic Bank
Allianz Saudi Fransi Cooperative Insurance	Full Islamic Bank
Malath Cooperative Insurance & Reinsurance	Full Islamic Bank
United Cooperative Assurance Company (UCA)	Full Islamic Bank
AXA Cooperative Insurance Company	Full Islamic Bank
Trade Union Cooperative Insurance & Reinsurance	Full Islamic Bank
Al Sagr Saudi Insurance Company	Full Islamic Bank
Saudi Arabian Cooperative Insurance Company Ltd (Saico)	Full Islamic Bank
Saudi United Cooperative Insurance (Wala'a)	Full Islamic Bank
Alahli Takaful Company	Full Islamic Bank
Arabia Insurance Cooperative Company	Full Islamic Bank
SABB Takaful	Full Islamic Bank
Arabian Shield Cooperative Insurance Company	Full Islamic Bank
Buruj Cooperative Insurance Company	Full Islamic Bank
Saudi Indian Company for Cooperative Insurance	Full Islamic Bank
Solidarity Saudi Takaful Company	Full Islamic Bank
Arabia ACE Insurance Company Ltd	Full Islamic Bank
Gulf General Cooperative Insurance Company	Full Islamic Bank
Amana Cooperative Insurance Company	Full Islamic Bank
Gulf Union Cooperative Insurance Company	Full Islamic Bank
Allied Cooperative Insurance Group	Full Islamic Bank
Salama Cooperative Insurance Company	Full Islamic Bank
Al-Ahlia Insurance Co	Full Islamic Bank
Sanad Cooperative Insurance and Reinsurance Company	Full Islamic Bank

Source: The Banker (November, 2016).

United Arab Emirates

The most distinct feature of the UAE is that fact that it was, in 1975, the founder of the first bank to incorporate Islamic principles in all of its operations. In the UAE, the Islamic finance regulatory framework has been constituted within *Federal Laws No. 6* of 1995, *No. 4* of 2000, *No. 6* of 2007, and *No. 5* of 1985 concerning civil transactions, and the Islamic Finance Rulebook of the Dubai Financial Services Authority. The Islamic finance regulatory bodies of the UAE also consist of the Central Bank of the United Arab Emirates, the Dubai Financial Services Authority, the Emirates Securities and Commodities Authority, and the UAE Insurance Authority (Dubai Financial Services Authority, n.d.; Central Bank of the United Arab Emirates, n.d.; INCEIF, n.d.).

In addition, the UAE have also played a prominent role in international finance and trade in recent decades. In this regard, the Dubai Islamic Economy Development Centre (DIEDC) was established in 2013 by Dubai *Law 13* of 2013, with the aim of enhancing legal and institutional infrastructures that will help the development of the Islamic economy in Dubai in many sectors. In this sense, the DIEDC was based on the seven pillars, and its remit includes financial services, the *halal* industry, tourism, digital infrastructure, art, knowledge, and standards. However, the DIEDC does not only consider the development of Islamic finance industry, but is also concerned with the non-financial sector (DIEDC, n.d.).

The International Islamic Centre for Reconciliation and Arbitration (IICRA), which was established in the UAE as an international, non-profit organization, in order to settle financial and commercial disputes amongst financial institutions in accordance with Islamic principles, is another major infrastructure institution of the Islamic finance industry in the UAE (IICRA, n.d.).

According to *The Banker*, Saudi Arabia has three types of Islamic financial institution, namely Islamic commercial banks, Islamic non-bank institutions, and Islamic insurance companies. The UAE has eleven major Islamic commercial banks, seven of which operate fully in accordance with Islamic principles, and four of which have Islamic windows, as can be seen in Table 18. Dubai Islamic Bank, which was established in 1975, is the first bank to incorporate Islamic rules in its all practices. At present, Dubai Islamic Bank is the seventh largest Islamic commercial bank of all Islamic financial institutions (Dubai Islamic Bank, n.d.). With 34.4% of its total assets being *Sharia*-compliant, Mashreqbank has a prominent role among the banks that have Islamic windows.

Table 18.
Islamic Commercial Banks in UAE

Institutions	% of Sharia Compliant Assets to Total Assets
Dubai Islamic Bank	Full Islamic Bank
Abu Dhabi Islamic Bank	Full Islamic Bank
Emirates Islamic Bank	Full Islamic Bank (DOS)
Emirates NBD	Islamic Windows (15.85)
Al Hilal Bank (The Crescent Bank)	Full Islamic Bank
Noor Bank	Full Islamic Bank
Mashreq Bank	Islamic Windows (34.40)
Sharjah Islamic Bank	Full Islamic Bank
Abu Dhabi Commercial Bank (ADCB Meethaq)	Islamic Windows (8.05)
Ajman Bank	Full Islamic Bank
National Bank of Abu Dubai	Islamic Windows (2.84)

Source: The Banker (November, 2016).

The UAE has four major non-bank institutions that operate fully in accordance with Islamic principles, as shown in Table 19. Although Shuaa Capital, which was established as the Arabian General Investment Corporation in 1979 (Shuaa, n.d.), is the oldest Islamic non-bank institution in the UAE, Amlak Finance is the largest institution.

Table 19.
Islamic Non-Bank Institutions in UAE

Institutions	% of Sharia Compliant Assets to Total Assets
Amlak Finance	Full Islamic Bank
Mashreq Al-Islami Finance Company	Full Islamic Bank (DOS)
Shuaa Capital	Full Islamic Bank
Tejoori	Full Islamic Bank

Source: The Banker, Novermber 2016.

The Islamic insurance companies in the UAE have a leading role in the region, after Saudi Arabia. In the UAE, all Islamic insurance companies operate fully in accordance with Islamic principles. However, Islamic insurance companies have lagged behind the other types of Islamic financial institutions in the UAE, with regard to the total number of assets.

Table 20. Islamic Insurance Companies in the UAE	
Institutions	**% of Sharia Compliant Assets to Total Assets**
Islamic Arab Insurance Company-Salama	Full Islamic Bank
Al Ain Ahlia Insurance Co	Full Islamic Bank
Abu Dhabi National Takaful Co	Full Islamic Bank
Dubai Islamic Insurance and Reinsurance Company (Aman)	Full Islamic Bank
Takaful Emarat	Full Islamic Bank
Takaful Re Ltd	Full Islamic Bank
Methaq Takaful	Full Islamic Bank

Source: The Banker (November, 2016).

Applications of Islamic Economics in the GCC Countries

Bahrain

In Bahrain, Islamic banking assets account for 93.9% of the total Islamic finance assets of Bahrain, compared to *takaful* (0.6%), *sukuk* (4.9%), and other financial instruments (0.6%). However, it is important to state that, after Islamic banking assets, *sukuk* has the most important role in the Islamic financial industry in Bahrain (Islamic Financial Services Board Stability 2016, 2016). In this sense, the Sovereign introduced the long-term *sukuk al-ijara*, and the short-term *sukuk al-salam* in order to provide investment opportunities for banks, and to facilitate the monetary policies of the central banks. Therefore, the Bahraini government has been acting as an agent for Islamic banks in selling commodities to a third party, by determining the return of the *sukuk*, and by issuing such *sukuk al-ijara*, *sukuk al-salam*, *sukuk al-murabahah*, and *sukuk al-musharakah* in addition to its banking assets, Islamic funds and *takaful* being a part of the Islamic finance sector (Basu et al., 2015).

In this regard, it is important to state that Bahrain has been issuing *sukuk* for a long time. From January 2001 to December 2015, 99 international *sukuk* issuances, with a value of US$ 7,860 million, which equates to 5.28 % of the total value, and 241 domestic *sukuk* issuances, with a value of US$ 12,552 million, which equates to 2.03 % of the total value, were issued by Bahrain in all tenures of *sukuk* issuances in Bahrain; this equates to 2.66 % of the total *sukuk* value in all tenors (International Islamic Financial Market, 2016). Bahrain's Mumtalakat Holding Company, which is Bahraini sovereign wealth fund, issued *sukuk al-musharakah* worth US$ 98.2 million in 2012 (Guerrero and Fuentes, 2015). This issuance was followed by a larger *sukuk al-murabahah* issuance by the Mumtalakat Holding Company of US$ 600 million in 2014 for seven years, as quasi-sovereign *sukuk* issuance with 4% profit (International Islamic Financial Market, 2016; Guerrero and Fuentes, 2015). Furthermore, in 2015, the Government of Bahrain issued *sukuk al-salam* worth US$ 660 million for five years, as domestic sovereign *sukuk* issuance (International Islamic Financial Market, 2016). In May 2015, the Central Bank of Bahrain also issued domestic long-term sovereign *sukuk al-ijarah* worth US$ 266 million for two years and issued another domestic long-term sovereign *sukuk al-ijarah* worth US$ 424 million in July 2013 for 5 years (International Islamic Financial Market, 2016).

The Central Bank of Bahrain also launched the new *Sharia*-compliant *wakalah* liquidity management instrument, which is an investment opportunity for retail banks that have excess liquidity that they wish to deposit with the Central Bank of Bahrain, in order to absorb excess liquidity from the local Islamic banks and place it with the central bank. This instrument works by signing a *wakalah* agreement, in which the Central Bank of Bahrain is appointed as *wakil* (agent) to invest cash for the *muwakkil* (bank). Therefore, the wakil is able to invest these funds in the investment portfolio and issue *sukuks* (Basu et al., 2015).

Kuwait

In Kuwait, the scenario is similar to that of the other GCC countries, with the exception of Oman. However, Kuwait is leading with regard to other Islamic financial institutions, which account for 7.8 % of the total assets of the Islamic financial industry in Kuwait, such as investment firms and funds, financing companies, real estate companies, and others (Islamic Financial Services Board, 2016). In this regard, the Kuwait Investment Authority, which, in 1953, was the first Sovereign Wealth Fund to be established, may play an important role, as it enjoys a leading position among Islamic investment funds in Kuwait. In addition, Islamic banks have 89.9 % of the total assets of the Islamic financial industry in Kuwait (Islamic Financial Services Board, 2016). However, in this report, it is important to emphasize that the *sukuk* issuances have become important, as several types are being issued in the GCC states. In this regard, Kuwait has issued 13 international *sukuk* issuances worth US$ 2,127 million, which equates to 1.43 % of the total *sukuk* issuances, and one domestic *sukuk* issuance is worth US$ 332 million, which is equivalent to 0.05 % of the total *sukuk* issuances in the world between January 2001 and December 2015. With this amount, Kuwait has a 0.32 % share of the total *sukuk* issuances in all tenors (International Islamic Financial Market, 2016).

Kuwait regulated *sukuk* operations with *Law No. 27/2015* (CMA Executive Regulations), which came into effect on 10 November 2015 (collectively, the New Rules). The CMA Law amended Kuwaiti Companies *Law 10/2012* by cancelling *Articles 178 to 207* of the Companies Law (Abdullah, 2015, p.88). It shows that Kuwait has decided to focus on *sukuk* issuance by regulating the laws about *sukuk*.

It is important to state that corporate *sukuk* plays an important role in Kuwait. For example, the Gulf Investment Corporation issued long-term international *sukuk al-wakalah* worth US$ 254 million for 5 years in August 2011, and also issued long-term international *sukuk al-wakalah* worth US$ 197 million for 5 years in May 2011. In addition to this, First Investment Company issued long-term domestic *sukuk al-wakalah* worth US$ 332 million for 5 years in February 2016 (International Islamic Financial Market, 2016). However, it is important to state that Kuwait did not issue *sukuk* in 2015 because of its budget deficit in that year (Islamic Financial Services Board, 2016).

Oman

Oman became the last of the GCC countries to enter the Islamic financial sector when Sultan Qaboos permitted the establishment of Islamic banks and allowed conventional banks to have Islamic windows (McAughtry, 2016). Although Oman has *takaful* companies, it has two major Islamic banks. Therefore, banking assets have a prominent role in the Islamic financial sector in Oman. In addition to Islamic banking assets, *sukuk* issuances have an important position in the Islamic financial industry in Oman. In this regard, the Omani government concluded that the momentum of Omani Islamic financial services industry would be supported by the issuance of sovereign *sukuk*, which was announced in 2014 (McAughtry, 2016). Following this announcement, the government of Oman issued long-term domestic sovereign *sukuk al-ijarah* worth US$ 647 million for five years in 2015. In addition to this, the first sukuk issuance was issued in 2013 by modern *sukuk* on behalf of Tilal Development Company as corporate *sukuk al-ijarah* worth US$ 130 million (Oman okays MB Holding's $150 mln *sukuk* programme, 2016). Therefore, Oman has 0.13 % of the total *sukuk* value in the world. In addition to *sukuk*, Oman has *takaful* operations, such as the *Takaful* Oman Insurance, which is worth US$ 59.54 million IPO (McAughtry, 2016).

Qatar

Qatar has practised all instruments of the Islamic financial industry, such as Islamic banking assets, *sukuk*, *takaful*, and Islamic funds. In addition to this, Qatar has Islamic banking assets worth 82.8% of the total Islamic financial assets of Qatar in 2015, *takaful* (0.4%), *sukuk* (15.7%), Islamic funds (0.3%), and others (0.9%) (Islamic Financial Services Board, 2016). However, as has been seen in the other GCC countries, Islamic banking assets occupy first place, and are followed by *sukuk* issuances, Islamic funds (including "others") and *takaful*. Therefore, the Ministry of finance issued *sukuk al-ijarah* in order to maintain liquidity management in 2010, and issued another issuance. Following this, Qatar Central Bank has issued short-term treasury bills to Islamic banks (Basu et al., 2015). However, Qatar has become prominent due to its sovereign, quasi-sovereign, as corporate *sukuk* issuers. In this sense, Qatar accounted for 3.04 % of total *sukuk* issuances in all tenures from January 2001 to December 2015.

From this perspective, Qatar has eleven international *sukuk* issuances worth US$ 9,685 million; this equates to 6.51 % of the total international *sukuk* issuances between January 2001 and December 2015. According to the selected international *sukuk* issuances, Qatar Islamic Bank issued international corporate *sukuk al-mudharabah* worth US$ 750 million for five years in 2015, issued international corporate *hybrid sukuk* worth US$ 750 million for five years in 2010, and issued international corporate *sukuk al-wakalah* worth US$ 750 million for five years in 2012. In 2011, Al Mana Group also issued international corporate *sukuk al-wakalah* worth US$ 215 for five years. Qatar Real Estate Investment Company issued international corporate *sukuk al-mushrakah* with US$ 270 million for 10 years in 2006. Qatar International Islamic Bank also issued international corporate *hybrid sukuk* worth US$ 700 million for five years in 2012 (International Islamic Financial Market, 2016).

The figures for domestic *sukuk* issuances show that Qatar has ten domestic *sukuk* issuances worth US$ 13.665 million, which equates to 2.21 % of the total domestic *sukuk* issuances between January 2001 and December 2015. These figures show that Qatar Islamic Bank issued domestic corporate *sukuk al-mudharabah* worth US$ 550 million in perpetuity in 2015. In addition to the Qatar Islamic Bank, Qatar Central Bank issued two domestic sovereign *sukuk al-mudharabah* worth US$ 137 million for three years in June 2013 and September 2013. Qatar Central Bank also issued domestic sovereign *sukuk al-mudharabah* worth US$ 1.921 million for three years in 2014 (International Islamic Financial Market, 2016).

Saudi Arabia

Of the total Islamic financial assets in Saudi Arabia in 2015, 78.8% were Islamic banking assets, 3% were *takaful*, 11.4% were *sukuk*, 4.3% were Islamic funds, and 11.06% were other assets (Islamic Financial Services Board, 2016). Saudi Arabia is the leading country in Islamic finance in general around the world, with more than 25 *takaful* companies and US$ 8.1 billion in gross contribution in 2014 (Islamic Financial Services Board," 2016). With this amount, Saudi Arabia was the main contributor to the global Islamic insurance market, controlling around 48 % of the market around the world and 77 % within the GCC region in 2014 (EY, 2014).

Saudi Arabia enjoys a prominent role thanks to its quasi-sovereign and corporate *sukuk* issuers. In this regard, Saudi Arabia accounted for 7.75% of total *sukuk* issuances in all tenures between January 2001 and December 2015 (International Islamic Financial Market, 2016).

When these are categorized as international or domestic *sukuk*, Saudi Arabia has 39 international *sukuk* issuances worth US$ 23.218 million, or 15.60% of the total international *sukuk* issued between 2001 and 2015. The selected international *sukuk* issuances of Saudi Arabia show that the Arab Petroleum Investment Corporation issued international quasi-sovereign *sukuk al-wakalah* worth US$ 500 million for five years in 2015. The IDB issued international quasi-sovereign *sukuk al-wakalah* worth US$ 1,000 million for five years in 2015; worth US$ 1,000 million for five years in 2014; worth US$ 800 million for five years in June 2012; worth US$ 500 million for five years in October 2012; worth US$ 750 million for five years in 2011; worth US$ 150 million for five years in 2011; worth US$ 500 million for five years in 2010 separately. Dar Al Arkan also issued international corporate *sukuk al-wakalah* worth US$ 450 million for five years in 2010. The Saudi Electricity Company also issued international quasi-sovereign *sukuk al-ijarah* worth US$ 500 million for five years in March 2012. Banque Saudi Fransi also issued international corporate *sukuk al-wakalah* worth US$ 750 million for five years in May 2012 (International Islamic Financial Market, 2016).

With regard to domestic *sukuk* issuances, Saudi Arabia has 49 domestic *sukuk* issuances worth US$ 36,246 million, which is equivalent to 5.86 % of the total domestic *sukuk* issuances between January 2001 and December 2015. As the selected domestic *sukuk* issuances, Arab National Bank issued domestic corporate *hybrid sukuk* with US$ 553 million for 10 years in 2015. The Almarai Company issued domestic corporate *hybrid sukuk* worth US$ 427 million for seven years in 2015. The National Commercial Bank issued two domestic corporate *sukuk al-murabahah* worth US$ 1,007 million in perpetuity in 2015. Riyadh Bank issued domestic corporate *sukuk al-murabahah* worth US$ 1,070 million in perpetuity in 2015. The Saudi British Bank issued domestic corporate *sukuk al-murabahah* worth US$ 411 million in perpetuity in 2015. IDB also issued domestic quasi-sovereign *sukuk al-wakalah* worth US$ 514 million for five years in 2015. The Saudi bin Ladin Group issued domestic corporate *sukuk al-murabahah* worth US$ 347 million for 2.5 years in 2013. The AJIL Financial Services Company issued domestic corporate *hybrid sukuk* worth US$ 133 million for three years in 2012. Olayan issued domestic corporate *hybrid sukuk* worth US$ 173 million for five years in June 2012. The Saudi British Bank issued domestic corporate *sukuk al-murabahah* worth US$ 400 million for five years in March 2012. Saudi International Petrochemical issued domestic corporate *sukuk al-mudharabah* worth US$ 480 million for five years in 2011. The IDB issued domestic corporate *sukuk al-murabahah* worth US$ 150 million for five years in 2010. The Saudi Electricity Company issued domestic corporate *hybrid sukuk* worth US$ 1,867 million for seven years in May 2010. Finally, the Saudi Electricity Company issued domestic corporate *hybrid sukuk* worth US$ 1,333 million for eight years in 2007 (International Islamic Financial Market, 2016).

United Arab Emirates

In 2015, Islamic banking assets represented 78.8% of the total Islamic financial assets of the UAE, in front of *takaful* (1.1%), *sukuk* (16.7%), Islamic funds (0.2%) and other assets (3.2%) (Islamic Financial Services Board, 2016). The UAE is the leading country of the GCC countries for *sukuk* issuances. The *sukuk* issuances of the UAE have been based on international corporate *sukuk* issuances. The UAE is also an important market for *takaful*, and accounted for 15% of the total *takaful* in the GCC countries in 2014, which is counted for 15% of total *takaful* in the GCC countries in 2014. However, its most prominent role is in banking assets and *sukuk* issuances (EY, 2014).

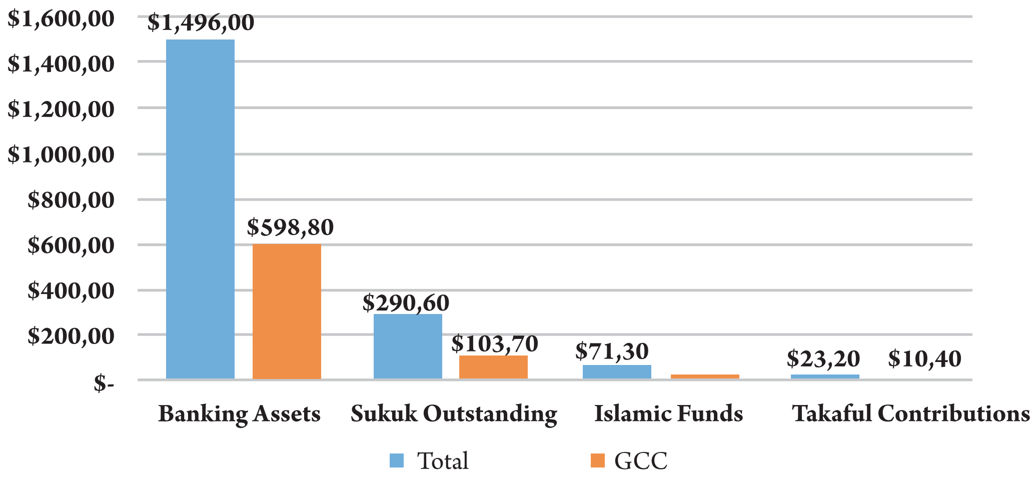
The UAE has a prominent role due to its sovereign, quasi-sovereign, and mainly corporate *sukuk* issuers, as it mainly deals in international *sukuk* issuances. In this regard, the UAE accounted 8.09% of the total *sukuk* issuances in all tenures from January 2001 to December 2015 (International Islamic Financial Market, 2016).

When the total *sukuk* issuances are divided into the international and domestic categories, the UAE has 81 international *sukuk* issuances worth US$ 53,819 million, which equates to 36.16% of the total international *sukuk* issued between 2001 and 2015. According to the selected international *sukuk* issuances of the UAE, the Government of Ras Al Khaimah issued international sovereign *sukuk al-ijarah* worth US$ 1,000 million for ten years in 2015. Majid Al Futtaim issued international corporate *sukuk al-wakalah* worth US$ 500 million for ten years in 2015. Dubai Islamic Bank issued international corporate *sukuk al-wakalah* worth US$ 750 million for five years in 2015. Noor Bank issued international corporate *sukuk al-wakalah* worth US$ 500 million for five years in 2015. Emirates Airlines issued international corporate *sukuk al-ijarah* worth US$ 913 million for ten years in 2015. Sharjah Islamic Bank issued international corporate *sukuk al-ijarah* worth US$ 500 million for five years in 2015. Dubai Islamic Bank issued international corporate *sukuk al-mudharabah* worth US$ 1,000 million in perpetuity in 2015. The Government of Sharjah issued international sovereign *sukuk al-ijarah* worth US$ 750 million for ten years in 2014. Fly Dubai issued international corporate *sukuk al-wakalah* worth US$ 500 million for five years in 2014. DIFC Investment issued international corporate *sukuk al-wakalah* worth US$ 700 million for ten years in 2014. Emaar Malls issued international corporate *sukuk al-wakalah* worth US$ 750 million for ten years in 2014. Al Hilal Bank issued international corporate *sukuk al-mudharabah* worth US$ 1,000 million in perpetuity in 2014. Dubai Islamic Bank issued international corporate *sukuk al-ijarah* worth US$ 500 million for five years in May 2012. The Government of Dubai issued international sovereign *sukuk al-ijarah* worth US$ 600 million for five years in April 2012. Majid Al Futtaim Properties issued international corporate *sukuk al-wakalah* worth US$ 400 million for five years in February 2012. First Gulf Bank issued international corporate *hybrid sukuk* worth US$ 500 million for five years in January 2012. Tamweel Funding issued international corporate *hybrid sukuk* worth US$ 300 million for five years in January 2012. Emirates Islamic Bank issued international corporate *sukuk al-musharakah* worth US$ 500 million for five years in January 2012. Abu Dhabi Commercial Bank issued international corporate *hybrid sukuk* worth US$ 500 million for five years in 2011. First Gulf Bank issued international corporate *hybrid sukuk* worth US$ 650 million for five years in 2011. HSBC Bank Middle East issued international corporate *hybrid sukuk* worth US$ 500 million for five years in 2011. Sharjah Islamic Bank issued international corporate *sukuk al-wakalah* worth US$ 400 million for five years in 2011. Emaar Properties issued international corporate *sukuk al-ijarah* worth US$ 500 million for 5.5 years in 2011. Abu Dhabi Islamic Bank issued international corporate *sukuk al-musharakah* worth US$ 750 million for five years in 2010. National Bank of Abu Dhabi issued international corporate *sukuk al-murabahah* worth US$ 155 million for five years in 2010. Lastly, Sharjah Electricity and Water Authority issued international quasi-sovereign *sukuk al-ijarah* worth US$ 350 million for nine years in 2017 (International Islamic Financial Market, 2016).

With regard to domestic *sukuk* issuances, the UAE has 14 domestic *sukuk* issuances worth US$ 8,251 million, which represents 1.33 % of the total domestic *sukuk* issuances between January 2001 and December 2015. Of the domestic *sukuk* issuances, only the Nakheel Group, which issued domestic corporate *sukuk al-ijarah* worth US$ 1,034 million for five years in 2007, was selected (International Islamic Financial Market, 2016).

The Current Position of Islamic Finance in the GCC Countries

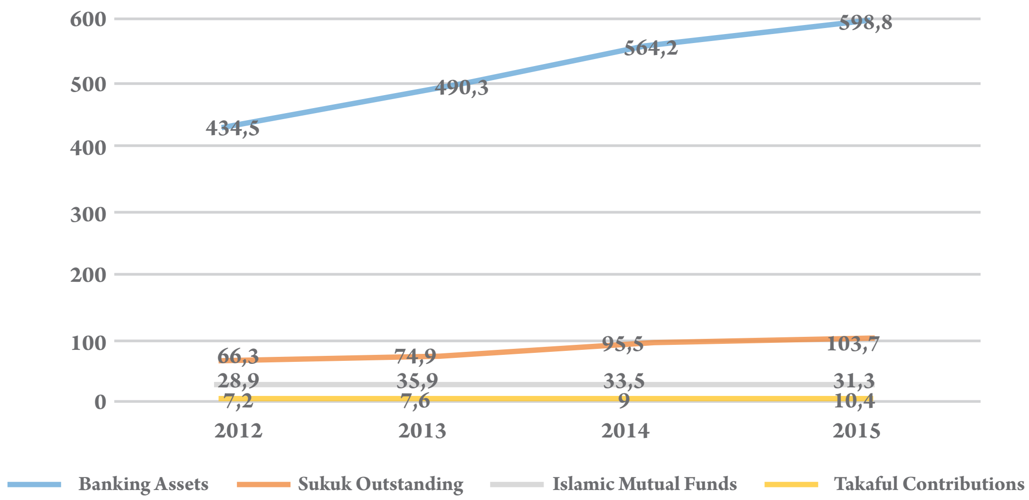
In the global arena, the GCC countries have thrived, thanks to their increasing power in politics, and their high income from the oil and gas sectors giving them an advantage in the financial arena. This impact has been distinguishable in the use of hydrocarbon revenues in international financial markets (Gani and Al-Abri, 2013). Therefore, the GCC countries have some privileges in the financial sector as a result of the expansion of the Islamic banking and finance industry, particularly since the global financial crisis of 2008. Graph 1 shows that, in 2015, Islamic banking assets in the GCC were around 40% of the total Islamic banking assets, which stood at almost US$ 1.5 trillion. According to data on outstanding *sukuk* in 2015, GCC states issued almost US$ 104 billion, which equates to approximately 35% of global *sukuk* issuances. The Islamic funds of the GCC states were approximately US$ 31 billion, which means 43.7 % of total Islamic funds in the world in 2015. Finally, the *takaful* contributions of the GCC were almost US$ 10.5 billion; these were mostly sourced from Saudi Arabia, which accounted for 44.8% of the total *takaful* contributions for 2015.



Graph 1. Islamic Finance Segments in the GCC Countries, 2015 (US$ bn)

Source: Islamic Financial Services Board (2015).

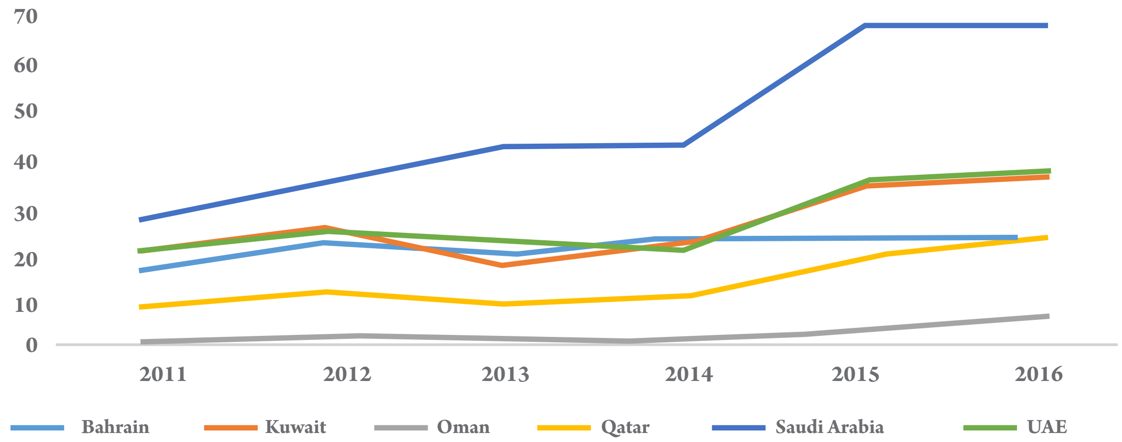
The expansion of the Islamic banking and finance industry of the GCC countries has been linked to the global financial crisis in 2008 because of the specific features of Islamic economics, such as the fact that it is based on the principles of social responsibility, morality, social welfare, fairness, and a sense of the community. Therefore, it is possible to state that the features of Islamic economics led to the development of Islamic financial instruments (Wilson, 2009). As can be seen in Graph 2, the Islamic financial assets, such as Islamic banking, *sukuk*, and *takaful*, have grown in the GCC countries between 2012 and 2015. The biggest rise has taken place in Islamic banking assets, in comparison with *sukuk* issuances and *takaful* contributions. However, it is important to state that Islamic funds have decreased slightly since 2013. The reason for this decline could be related to the changing investment policies of the GCC countries, which are linked to the individual economic visions of those nations.



Graph 2. Distribution of Islamic Finance Assets in GCC Countries, 2012-2015 (US$ bn)
Source: Own Elaboration from Islamic Financial Services Board Reports.

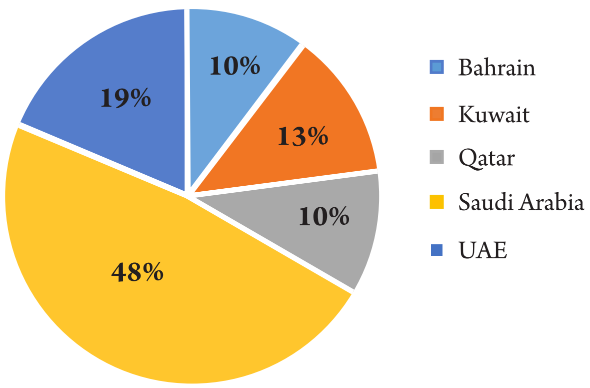
The Islamic Finance Country Index was created by the Global Islamic Finance Report by assessing each country's performance in relation to Islamic banks, Islamic institutions, *Sharia* supervisory regime, Islamic financial assets, the Muslim population, *sukuk* issuances, education on Islamic economics and finance, and Islamic regulation and law. The purpose of this index is to provide an assessment of Islamic banking and finance in each state. It shows that GCC countries have reached an above average index in 2016. However, Bahrain has fluctuated between index levels of 16 and 23.93 since 2011, but had an index level of 21.90 in 2016. Kuwait has also fluctuated between index levels of 19 and 35.51 since 2011. Although its index level was 21.38 in 2014, Kuwait managed to reach an index level of 35.51 in 2016.

Oman was the last of the GCC countries to apply Islamic principles to its financial system. Therefore, Oman's Islamic finance country index is quite low in comparison with that of the other GCC countries. However, its level has consistently increased since 2014, reaching an index level of 5.91 in 2016. Qatar also had a fairly low level in 2011, with an index level of 8, but reached a level of 22.02 in 2016. Therefore, Qatar has also seen a stable increase in its index level as an Islamic finance country since 2014. Saudi Arabia is the third most successful country, after Malaysia and Iran, according to the country index. Although Saudi Arabia had an index level of 26 in 2011, it managed to reach an index level of 66.98 in 2016. The UAE is the second highest performing country in the GCC region, after Saudi Arabia; it had an Islamic finance country index level of 19 in 2011, and this level reached 36.68 in 2016 (Edbiz Consulting, 2017).



Graph 3. Islamic Finance Country Index
Source: Edbiz Consulting, (2017)

It is important to indicate the amount of Islamic financial assets in order to draw attention to the contribution of each GCC country. In this regard, the largest clustering asset in Islamic finance in the GCC countries in 2015 was the Islamic banking asset; this is similar to what can be observed all over the world. When it is detailed, it is possible to see that Saudi Arabia has a huge share, with around 48% of total GCC Islamic banking assets in 2015. Of the other GCC countries, the UAE had around 19% of the total GCC Islamic banking assets, Kuwait had 13%; and Bahrain and Qatar had, separately, around 10% of the total GCC Islamic banking assets in 2015 as can be seen in graph 4.



Graph 4. The Distribution of Islamic Banking Assets in the GCC Countries in 2015
Source: Own elaboration from Islamic Financial Services Board 2016.

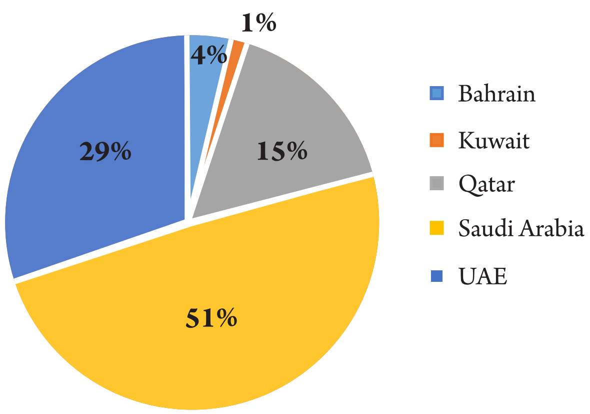
In this regard, it is important to list the ten largest Islamic Banks in order to obtain a general picture of Islamic banks in the GCC countries. The GCC countries have played an important role in Islamic banking assets around the world: five of its banks are in the top ten in the global Islamic financial arena, and ten GCC banks are in the top twenty. Of these banks, only the National Commercial Bank and the Saudi British Bank do not have fully *Sharia-compliant* assets; their Islamic banking assets are 45.73% and 52.75% of their total assets, respectively.[1] The global rankings show that the top three Islamic banks originate from the Gulf region, with Al Rajhi Bank and the National Commercial Bank from Saudi Arabia, and Kuwait Finance house from Kuwait. Furthermore, four of the top ten banks come from Saudi Arabia, one from Kuwait, two from the UAE, two from Qatar, and one from Bahrain, as shown in Table 22.[2]

Table 22.
Top 10 Islamic Banks in the GCC Countries in 2015 (US$ mn)

Global Ranking	Regional Ranking	Institution	Country	Total Asset
1	1	Al Rajhi Bank	Saudi Arabia	84,165.00
2	2	Kuwait Finance House	Kuwait	55,088.00
3	3	National Commercial Bank	Saudi Arabia	54,797.33
7	4	Dubai Islamic Bank	UAE	40,810.00
10	5	Qatar Islamic Bank	Qatar	34,898.00
12	6	Abu Dhabi Islamic Bank	UAE	32,229.00
13	7	Saudi British Bank	Saudi Arabia	26,410.40
14	8	Al Baraka Banking Group	Bahrain	24,618.00
15	9	Alinma Bank	Saudi Arabia	23,659.00
16	10	Masraf Al Rayan	Qatar	22,809.00

Source: The Banker (November, 2016).

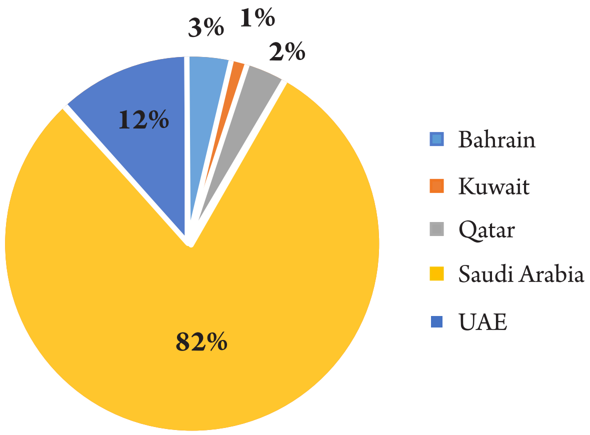
With regard to *sukuk* issuances, Saudi Arabia is the leading country, with 51% of the total GCC *sukuk* issuances. The UAE is the second country for *sukuk* issuance in the GCC region. In addition, Qatar was responsible for a 15% share of the total *sukuk* issuances of the GCC in 2015, and Bahrain and Kuwait had 4% and 1% shares, respectively. These results are shown in Graph 5.[5]



Graph 5. The Distribution of Sukuk Issuances in the GCC Countries in 2015

Source: Own elaboration from Islamic Financial Services Board (2016).

The data on the *takaful* contributions of the GCC countries show that Saudi Arabia, which has an 82% share of the contributions in the GCC countries, is the leading country, not only for the GCC region, but for the world as a whole. With a 12% share of GCC *takaful* contributions, the UAE is the second largest market in the GCC countries. Following this, Bahrain had 3%, Qatar 2%, and Kuwait 1% of the total GCC *takaful* contributions in 2015, as can be seen in Graph 6.[6]



Graph 6. The Distribution of Takaful in the GCC Countries in 2015

Source: Own elaboration from Islamic Financial Services Board 2016.

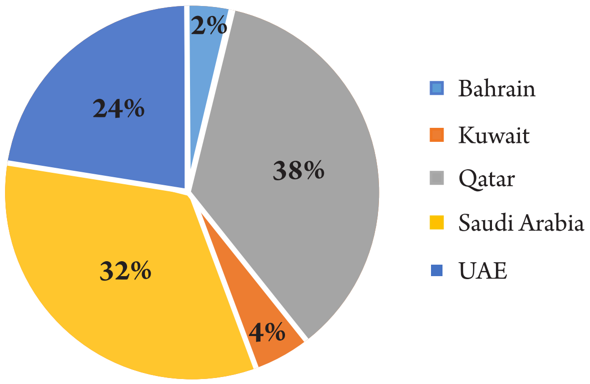
When looking at the leading companies in the region, only Saudi and Emirati companies can be found in the top five *takaful* companies in the GCC countries. In this sense, the Company for Co-operative Insurance, Saudi company, is the largest *takaful* company in the world and the 85th largest company that operates according to Islamic principles among the total Islamic financial institutions. BUPA Arabia for Cooperative Insurance is also the third largest *takaful* company in the world, and stands in 113th position for all financial institutions in the world. The Emirati companies, namely the Islamic Arab Insurance Company and Al Ain Ahlia Insurance Co., occupy, respectively, fourth and fifth positions in the world. Finally, Allianz Saudi Fransi Cooperative Insurance is the eighth largest *takaful* company in the world, as can be seen in Table 23.

Table 23.
Top 5 Islamic Insurance Companies in the GCC Countries in 2015 (US$ mn)

Global Ranking	Regional Ranking	Institution	Country	Total Asset
85	1	The Company for Cooperative Insurance	Saudi Arabia	3,085.10
113	2	BUPA Arabia for Cooperative Insurance	Saudi Arabia	1,640.88
122	3	Islamic Arab Insurance Company	UAE	1,155.61
132	4	Al Ain Ahlia Insurance Co.	UAE	833,28
152	5	Allianz Saudi Fransi Cooperative Insurance	Saudi Arabia	508,89

Source: The Banker (November, 2016).

In this report, others are shown as OIFI, including investment firms and funds, financing companies, and real estate, and also Islamic funds, including equity and money markets, amongst others. Therefore, Kuwait is the leading country in this category, with its large Islamic investment companies and Islamic funds. Kuwait had 38% of the total assets in the category of "other institutions" in the GCC countries in 2015. Saudi Arabia was in second place in this category, with 32% of the total assets. The UAE had 24%, Qatar 4%, and Bahrain 2% of the total assets in other institutions in the GCC countries in 2015, as can be seen in Graph 7. [6]



Graph 7. The Distribution of Other Institutions' Assets of GCC Countries in 2015
Source: Own elaboration from IFSB Report (2015).

Finally, as can be seen in Table 24, the companies from the UAE, Kuwait, and Saudi Arabia are the top five non-bank institutions in the GCC countries. Furthermore, Emirati Amlak Finance is the second largest non-bank institution in the world, and the 95th largest of all Islamic financial institutions. Kuwait has three companies in the top five non-bank institutions in the GCC countries. Of these Kuwaiti companies, only Alafco Aviation Lease and Finance Company was in the top 100 Islamic financial institutions in 2015. The Saudi company, Amlak International for Real Estate Development and Finance, is the fifth largest non-bank institution in the GCC countries.

Table 24.
Top Islamic Non-Bank Institutions in the GCC in 2015 (US$ mn)

Global Ranking	Regional Ranking	Institution	Country	Total Asset
95	1	Amlak Finance	UAE	2,369.60
97	2	Alafco Aviation Lease and Finance Company	Kuwait	2,321.28
120	3	Aayan Leasing and Investment Company	Kuwait	1,222.45
127	4	Al Imtiaz Investment Company	Kuwait	943,51
133	5	Amlak International for Real Estate Development and Finance	Saudi Arabia	808,12

Source: The Banker (November, 2016).

Islamic Economics and Finance Education in the GCC Countries

It is very clear that universities and education programmes play a significant role in the development of Islamic economics and finance around the world. In this sense, there are many institutions teaching Islamic finance in a variety of courses, ranging from theoretical to practical. It can also be observed that there are a number of programmes, such as master's degrees, PhDs, training courses, and summer school programmes, that teach students about Islamic economics and finance in order to prepare them for employment in the Islamic banking and finance industry. The prominent education hubs of Islamic economics and finance are United Kingdom and Malaysia providing numbers of programmes on it. In addition to the GCC countries, Turkey, Indonesia, and a few European countries have also started to provide undergraduate and graduate programmes on Islamic economics and finance in the last couple of years. In the GCC countries, there are more than 15 such programmes, including diplomas, master's degrees, and theoretical and practical training courses. However, it is important to state the limitations of the discovery of these education programmes in the GCC countries, namely that the programmes might have been discontinued which however is not reflected on their websites since they are not regularly updated Although some of the programmes mentioned in this report appear to be active, this information might not be up to date. However, it is useful to analyse each of the GCC countries in terms of their Islamic economics and finance educational programmes.

Bahrain is the most important country in this regard: not only does it have infrastructure institutions, it also offers education and training programmes in Islamic economics and finance. Bahrain has several programmes that provide education in Islamic finance for students and executives from the banking sector. In this respect, AAOIFI provides a certified Islamic professional accounts programme that equips participants with knowledge in technical subjects that are essential to Islamic banks and financial institutions (AAOIFI, n.d.). Another institution that offers an Islamic finance programme in Bahrain is the Bahrain Institute for Banking and Finance (BIBF), which has many years of experience in the field of Islamic banking and finance in the region. In this regard, the BIBF provides an undergraduate diploma programme in conjunction with Bangor University, in order to meet the needs of the local banking industry and enabling them to provide Islamic banking services and products in Bahrain. In addition to the diploma programme, the BIBF also provides several training courses, delivered by experts, on Islamic banking and finance. The training courses are called "advanced *Sharia* auditing (Arabic)", "arbitration and legal analysis of Islamic financial contracts (Arabic)", "foundations of strategic management from an Islamic perspective", "hedging in Islamic finance: concept-strategies-instruments", "*ijarah* and its applications", "introduction to Islamic banking and finance", "Islamic banking ethics and corporate governance", "Islamic credit cards", "Islamic mutual funds", "*istisna'* and its applications", "*Sharia* for bankers", "*musharakah-mudharaba* and their application", "*Sharia* auditing for non-auditors", and "*Sharia* auditing for non-auditors (Arabic)". This shows that the BIBF has a wide range of training courses, ranging from *Sharia* principles for bankers, to technical subjects and courses for analysts in the banking sector (Bahrain Institute for Banking and Finance, n.d.). In addition to the courses mentioned above, the University of Bahrain introduced a B.Sc. in Islamic banking and finance in 2014, in order to prepare students for the Islamic banking and financial sector (University of Bahrain, n.d.). Furthermore, the finance departments of some businesses in Bahrain also provide Islamic finance courses.

The UAE also offers a number of Islamic finance programmes at both undergraduate and postgraduate levels. Al Khawarizmi International College offers a bachelor's degree in Islamic banking and finance, which aims to equip students with the theoretical concepts and skills needed to continue their studies in one of the graduate programmes in Islamic banking and finance at high-ranking universities all over the world (Khawarizmi International College, n.d.). In addition, the Emirates Institute for Banking and Financial Studies offers a diploma programme on Islamic banking, with full FAA accreditation, which provides students with fundamental knowledge of Islamic banking and finance, as well as developing the students' intellectual and moral values in terms of *Sharia laws* (EIBFS, n.d.). The Ethica Institute of Islamic Finance offers people the opportunity to become a certified Islamic finance executive by passing high-level courses on Islamic finance. These courses range from understanding Islamic finance to Islamic financial innovations (Ethica Institute, n.d.). Furthermore, Hamdan bin Mohammed Smart University offers a master's degree in Islamic banking and finance. This university also contains the Dubai Centre for Islamic Banking and Finance, which provides advanced training, education, research, and professional development for the Islamic banking and finance sector. It is in the process of becoming a hub for Islamic economics in Dubai (Dubai Center for Islamic Banking and Finance, n.d.). The University of Wollongong in Dubai offers a master's programme in of applied finance (Islamic banking and finance); this programme includes courses on Islamic capital markets, enterprise risk management, and *takaful-retakaful*, in addition to the foundation courses (University of Wollongong in Dubai, n.d.). Finally, Zayed University offers an MA in Islamic economics and wealth management, which aims to give students a rich background in Islamic financial principles and practices. This master's programme differs from other programmes in the UAE, as its curriculum includes courses on the foundation of Islamic economics, such as the economic history of Islamic societies, sustainable development, ownership and wealth distribution in Islam (Zayed University, n.d.).

Saudi Arabia has a number of training courses on Islamic banking and finance, as well as master's programmes. In this regard, Effat University offers a master's in Islamic financial management programme (Effat University, n.d.). In addition, the IRTI has a wide range of training courses and programmes relating to all aspects of Islamic economics and finance (IRTI, n.d.). Lastly, King Abdulaziz University offers an executive master's in Islamic finance (Executive Master in Islamic Finance, n.d.). In addition to these programmes, some institutions offer an Islamic finance course within their business, finance, and *Sharia* departments.

Qatar, Kuwait and Oman also have master's programmes and training courses in Islamic banking and finance. In Qatar, Hamad bin Khalifa University offers an MSc in Islamic finance. Furthermore, the university has a centre for Islamic economics and finance, which employs a large number of professors and experts on Islamic finance (Center for Islamic Economics and Finance, n.d.). Some universities in Qatar also offer Islamic finance courses in their business, economics, finance, and *Sharia* departments. In Kuwait, the Gulf University for Science and Technology provides an Islamic banking and finance course in its economics and finance department (Gulf University for Science and Technology University, n.d.). In Oman, the Modern College of Business and Science – Centre for Graduate and Professional Studies, which is the first college in Oman, offers a master's in Islamic banking and finance (Modern College of Business and Science, n.d.).

Discussion

The GCC countries have a prominent role in the global financial system, due to their huge wealth and investments and their impact on the development of Islamic banking and finance. However, along with the economic policies of the GCC countries, policy makers should focus more on Islamic economics and finance. They should consider Islamic finance when building their new economic system for the post-petroleum era, by making investments through Islamic finance, and investing in Islamic finance in all over the world. However, it is important to state that, although the GCC countries have the most important infrastructure institutions and financial institutions, education about Islamic finance is quite limited in these countries. In order to develop the Islamic finance industry and Islamic economics, policy makers in the region should take the issue of education into consideration.

Under these circumstances, Bahrain is the smallest country in the GCC region, but it has a significant position in the financial sector. In fact, Bahrain has several good-quality educational institutions that offer master's programmes in Islamic finance, and also provide practical training courses aimed at the business sector. Most of the training courses and programmes are based on Islamic banking and are targeted at people from banking sector. Thus, in addition to these courses, these institutions should focus on the theoretical aspects of Islamic economics, in order to provide students with a foundation in Islamic economics. For example, students should be taught about issues relating to social justice, wealth distribution, welfare, and the morality of economics.

With its state investments, Kuwait is a prominent country in the GCC countries. Therefore, the Islamic non-bank and investment institutions occupy high positions in the global rankings. However, education on Islamic finance in Kuwait is quite weak, in comparison with the other GCC countries (with the exception of Oman). Therefore, Kuwait should focus on improving education about both the theory and practice of Islamic economics and finance.

Oman is the most recent of the GCC countries to apply Islamic instruments in its financial system. However, good progress has been made in improving the Islamic financial institutions in Oman. Only one master's programme is available in Oman, but this country is still in the early stages of implementing Islamic finance, when compared to the other GCC countries.

In recent years, Qatar has been a shining example among the GCC countries, as a result of its economic and investment policies, and their impact on the global financial system. However, Qatar should encourage the business sector, which is fairly weak compared to that of the other GCC countries, to invest through Islamic finance. With regard to education, although Qatar has only one university that offers a master's programme, it does have many experienced professors that have been working in the Islamic finance sector, studying both theory and practices for a long time. However, it would be good if Qatar could establish an institution that worked in the same way as the BIBF in Bahrain.

Saudi Arabia, which is one of the most important countries in the field of Islamic banking and finance, has assets and institutions all over the world. It also has some of the most important infrastructure institutions, such as the IDB and the IRTI. Saudi Arabia is the leading country for *takaful*. However, it could invest more in education on Islamic finance by providing more masters and PhD programmes.

Due to its policies on economic diversification for the post-petroleum era, UAE is one of the most remarkable countries, both in terms of investments and its financial sector. After Saudi Arabia, UAE has more Islamic financial assets than any other country. Besides this, UAE's investments in Islamic finance, which have been made through state investments such as SWFs, have increased in recent years by acquiring stakes from Islamic banks in the UAE. In addition to its banking and financial sector, UAE is also successful in terms of education on Islamic economics and finance, as it offers both undergraduate and master's programmes. Specifically, the programme of Zayed University differs from other programmes in the Gulf region, as its content on Islamic finance includes Islamic economic theory and the historical background of Islamic finance.

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