

AN OVERVIEW OF THE LITERATURE AND PRACTICES OF ISLAMIC ECONOMICS AND FINANCE IN EUROPE

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Avrupa'da İslam Ekonomisi/Finansı Literatürü ve Uygulamaları Üzerine Genel Bir Değerlendirme

ÖZ

Avrupa'da İslam iktisadı ve finansına yönelik çalışmaların önemi, 20. yüzyılın ortalarından günümüze kadar geçen zaman diliminde artmıştır. Bu makalede, İslam iktisadı ve finansı alanındaki çalışmalar ve uygulamalar ile birlikte bunların Avrupa'daki gelişim süreçlerinin gösterilmesi hedeflenmiştir. Avrupa'da İslam iktisadı ve finansına yönelik çalışmamıza dâhil olan ülkeler ise şunlardır; İngiltere, Hollanda, Almanya, Fransa, İsveç, Litvanya, İtalya ve İsviçre.

Çalışmada, Avrupa'da İslam iktisadı ve finansının ilk olarak nerede ve nasıl ortaya çıktığı hususlarına değinilerek hangi araştırma merkezlerinde bu alanla ilgili çalışmaların yapıldığı detaylıca incelenmiştir. Ayrıca Avrupa'da İslam iktisadı ve finansının gelişimi ile ilgili çalışma yapan kişilerin bu alanla ilgili yayınladıkları makalelerine, tezlerine ve kitaplarına da yer verilmiştir. Özellikle modern İslam iktisadının ve finansının gelişimindeki tarihsel eğilimler, kaynaklar, bilgiler ve metodolojiye dayanan imkanlardan çıkarım yapılarak tavsiyelerde bulunmaktadır. Bu çalışma hem teori hem de uygulama açısından Avrupa'da İslam ekonomisi ve finansı alanlarında önemli araştırmalar ve incelemeler yapıldığını ortaya koymaktadır. Ayrıca İslam iktisadı ve finansı alanındaki çalışmalara öncülük eden çok sayıda uzman ve akademisyen olduğu, Avrupa'daki finans merkezlerinin de küreselleşme yolunda önemli adımlar attığı yine bu çalışma kapsamında açıklanmaya çalışılmaktadır.

Anahtar Kelimeler: Avrupa'da İslami bankacılık; AB'de İslami Bankalar, İslam Ekonomisi, Bankacılık Literatürü, Avrupa'da İslami Finans.

An Overview of The Literature and Practices of Islamic Economics and Finance in Europe

ABSTRACT*

The importance of studies on Islamic economics and finance in Europe has increased from the middle of the 20th century to the present. It is aimed to show the studies and practices in the field of Islamic economics and finance, as well as their development processes in Europe in this essay. The countries that included in our work about Islamic economics and finance in Europe are as follows, UK, Netherlands, Germany, France, Sweden, Lithuania, Italy and Switzerland.

It was examined in detail in which research centers study on this field were carried out by touching on where and how Islamic economics and finance first emerged in Europe in this study. Also, the articles, theses, and books, published by experts working on the development of Islamic economics and finance in Europe, are included. In particular, recommendations are given deductively from historical trends, sources, information and methodological possibilities in the development of modern Islamic economics and finance. This study reveals that important researches and studies have been carried out in the fields of Islamic economics and finance in Europe in terms of both theory and practice. Also, it is observed that there are many experts and academicians who leading the studies in the field of Islamic economics and finance, and that financial centers in Europe have taken important steps towards globalization.

Keywords: Islamic Banking in Europe; Islamic Banks in the EU, Islamic Economics, Banking Literature, Islamic Finance in Europe.

* This article has been prepared on the basis of Halil Şahin's master's thesis titled accepted in 2020. "The studies on Islamic economy and finance in Europe countries and applications

1.The Emergence of Islamic Economics

There are different dates in the literature regarding the first emergence of the concept of Islamic economics. Although it is stated in the literature that this concept was introduced by Sayyid Ebu'l-A'la Mawdudi in the 1960s, according to Abdul Azim Islahi, Muhammed Hamidullah, who had been working on Islamic economics since 1936, should be the researcher who brought this concept to the agenda for the first time (Islahi, 2014, p. 19). In addition to being a modern concept that has been brought to the agenda in the aforementioned years, it has emerged as a reaction to mainstream economics. Today, Islamic economics studies have started to be seen in the literature since the second half of the 20th century. At first, Islamic economics studies were mostly handled within the data and practices of the capitalist system. The spread and awareness of this concept has been thanks to the work of the citizens of the Muslim states that gained their independence after the Second World War, especially the Indian Muslims (Atar, 2017, p. 1030).

For Indian Muslims knew Arabic and Persian, they tried to explain the economic views of Islam in terms of modern economic concepts and institutions by going beyond fiqh books. Afterwards the concept of Islamic economics was adapted to Arabic literature and Arabic. The concept of Islamic economics to Turkey was introduced by Indian Prof. Dr. Muhammed Hamidullah. Prof. Dr. Sabahaddin Zaim dealt with the subject of "Modern Economics and Islam" at the conference held in Kadıköy Community Center in 1967 (Eskicioğlu, 1999, pp. 8-10).

There were important developments in the field of Islamic economics after the year 1967. Especially, the number of studies on this field has increased, after the World Congress of Accounting Historians in 1976. Research centers have been established in Cyprus International Islamic Banking and Economics Institute, Melik Abdulaziz University in Jeddah, Islamic Universities of Islamabad and Malaysia, and Islamic Development Bank. Especially, Islamic banking and finance subjects received great attention and many books and articles were published (Eskicioğlu, 1999, pp. 8-10).

2. Development of Islamic Economics and Finance in Europe

Due to the difficulties experienced in the emergence of the concept of Islamic economics as an alternative model in mainstream economics, the field of Islamic finance, which occupies a special place in this concept, has become more effective and visible (Kutval, 2017, p. 11). The Islamic Foundation was established in 1973 as a respected center in the UK with the aim of promoting a better understanding of Islam and disseminating Islamic knowledge to all communities. The foundation established its own Markfield Institute of Higher Education (MIHE) in 2000 and building on its involvement in Islamic teaching with various local and international universities since 1978. The board chairman of foundation Professor Khurshid Ahmad and Managing Director Dr. it is maintained under the dynamic leadership of Manazir Ahsan. The Islamic Foundation established an academic link with Leicester Polytechnic (De Montford University) through a teaching agreement between 1979 and 1980 years. King Abdul Aziz University in Jeddah, Saudi Arabia in the mid-1970s have been made agreements with various academic institutions at home and abroad that contributed to the establishment of a research project on Islamic economics (Siddiqui, 2003, p. 510). Besides these, the Islamic Foundation took an active role as a mentor in the educational aspects of the World of Islam Festival in England in 1976 and helped to establish the Islamic Council of Europe. These kinds of mentorships and agreements with other universities continued until the 1980s. The Islamic Foundation did a unique job in 1993 by inviting British government employees and public officials create to participate in a two-day cultural awareness training program about "Islam and Muslims". This foundation made a deal with Loughborough University to teach Islamic economics as a

module in a course in the graduate program in economics in 1995. Thus, Loughborough University accepted Islamic economics as a subject to be taught as part of the economics discipline. There was an agreement which was signed between the University of Leicester and the Islamic Foundation to teach Islam and Pluralism as part of a postgraduate course run by the 'Research Center for Religious and Political Pluralism' in 1997 years. The Islamic Foundation was exploring possibilities to establish a higher education center in 1998 years. The Islamic Foundation has found a willing partner at the University of Portsmouth to endorse the Markfield Institute of Higher Education (MIHE)'s Islamic Research Programs. Thus, a three-year contract was signed and as of September 2000, graduate courses began to be taught at MIHE (Siddiqui, 2003, pp. 510-511). Especially in 2000, the fourth World Economic Congress on "Islamic Finance" was held for the first time in a European country, at Loughborough University in England, with the encouragement of the Islamic Development Bank. In this congress, decisions were taken to expand Islamic banking (Durmuş, Güney, & Koçdoğan, 2015, pp. 77-78).

Moreover, The UK is also a world leader in Islamic finance. When London's pioneering and historical experience as a financial center is added to the fact that there is little time difference with the Middle East, these features have brought the UK to the forefront in terms of Islamic finance transactions. When we look at the Global Islamic Finance report from 2011 to 2021, it is seen that England is the most developed among European countries. The UK ranks 18th in Islamic finance in 2020-2021. Thanks to the nearly two million Muslim population in the UK, a faster development has been achieved with the relatively high demand for Islamic finance products and services. Islamic finance practices date back to the 1980s in England. Al Baraka International, which started to operate in the field of housing finance in England in 1982, is known as the first Islamic financial institution in this country. Financial transactions based on murabaha emerged in the UK markets after this date. After the 1990s, different financial institutions such as the United Bank of Kuwait, which provided housing finance services, were established. These institutions could not maintain their existence for a long time because of the higher cost compared to their competitors using traditional methods in the market. After 2000 years, Islamic finance started to gain momentum in the UK. Especially at the beginnings of this year, conventional banks such as City Group and Hongkong and Shanghai Banking Corporation (HSBC) started to offer Islamic financial services called "Islamic Window" to their customers. In 2001, an Islamic finance working group was established by the UK-based Bank of England. In case of 2003, another working group was formed by the Ministry of Treasury and the Revenue and Customs Tax department to understand the details and technical structure of Islamic finance (Güçlü and Kılıç, 2019, pp. 285-286). The double taxation system was abolished by making arrangements in the tax legislation in these years. Despite a Muslim population of approximately two million living in the UK, Islamic Bank of Britain started its operations in September 2004 years. European Islamic Investment Bank, the country's first Islamic investment bank, was established in 2005. In case of 2014, it was purchased by Qatar-based Masraf Al Rayan Bank and its name was changed to "Al Rayan Bank". Islamic banks which operating in the UK are Abu Dhabi Islamic Bank, Al Rayan Bank, Bank of London and the Middle East, Gatehouse Bank and QIB UK. The Islamic departments that they include in conventional banks and the banks that provide Islamic financial services are as follows: ABC International Bank, Ahli United, BNP Paribas, Bank of Ireland, City Group, Barclays, UBS, West Standard Chartered, IBI International London, J. Aron & Co. Lloyd's Banking Group, Bristol and Deutsche Bank, United National Bank and Royal Bank of Scotland (Güçlü ve Kılıç, 2019, s. 285-286). Especially the UK has proven itself as a global financial center for Islamic financial activities and continues to attract investors to the country with Islamic trade (UK Excellence in Islamic Finance, 2014, p. 9).

3. Some Essay Studies and Applications Written in the Field of Islamic Economics and Finance in Europe

Alandejani and Asutay (2017) published the essay titled "Nonperforming Loans in the GCC Banking Sectors: Does the Islamic Finance Matter?" in the Netherlands. The effect of sectoral distribution finance and Islamic finance growth on non-performing loans, which determine the non-performing loans in the commercial banking industry of the Gulf Cooperation Council countries, is examined in this essay. The generalized moment method technique was applied in the period of 2005-2011 in order to make this study. It is emphasized that the determinants of financial stability are controversial and important in this study. The non-performing loans are known as an important factor for financial stability and a source of concern, as in developing and developed countries. One of these concerns is the size and nature of non-performing loans as part of the credit risk and management process. The non-performing loans are known as an important source of risk in traditional banks. It has been suggested that such a study was conducted because of there is no research that examining the growth of the sectoral firm and the effect of Islamic financing methods on NPLs. The evidence of this study show that the growth rates of sectoral financing differences have a negative effect on NPLs. Shortly, GMM (Generalized Moments Method) models were used to examine the effect of the sectoral distribution of Islamic finance on NPL (National Price List) in the banking system of the Gulf Cooperation Council (GCC) in this study. Thus, the effect of sectoral Islamic financing methods on the determination of non-performing loans in the banking sector of GCC is determined in the study. Consequently, the growth of Gross Domestic Product (GDP) supports the 'welfare' hypothesis, and it has been determined that real macroeconomic growth has a negative effect on NPLs in this study (Alandejani and Asutay, 2017).

Gheeraert (2014) published the article titled "Does Islamic Finance Spur Banking Sector Development?" in the Netherlands. This article focuses on the development of Islamic finance in the banking sector in the Middle East and Southeast Asia in the last 10 years. Although Islamic finance has developed and grown in recent times, the role of Islamic banking in the economy is still heavily debated and there are some empirical studies. It is being examined that the empirical impact of Islamic banking on the development of the banking sector in this essay. It is mentioned that although Islamic finance has continued to grow recently, the debate on the economic role of Islamic banking continues and there are very few studies in the literature on this issue, in this study. Also, it has been tried to be explained that the empirical effect of the Islamic banking industry on the development of the general banking sector of Muslim countries in the recent times. It has been emphasized the role of Islamic banking as a determinant of the overall banking development of countries with large Muslim populations (Gheeraert, 2014).

The named essay of Al-Jarhi (2004) "Islamic Finance: An Equitable and Efficient Option" which is published in Germany, and it deal with four questions:

- (1) Why all this discussion about interest rate?
- (2) Is Islamic finance viable and efficient as an alternative to interest-based debt financing?
- (3) What is the importance of Islamic finance for the whole economy?
- (4) Given that Islamic finance is indeed viable, why hasn't it been adopted on a wider scale?

Generally, it is also mentioned about of two advantages Islamic financial instruments in this essay. This essay argues that Islamic finance introduces a measure of efficiency and stability and is subject to lower levels of moral hazard and adverse selection. The greater latitude gives financial intermediaries the advantage of being more effective in mobilizing resources and attracting investors on the other. When the traditional economic intermediaries increase the interest rate to save much more, they have to charge higher interest rates depending on the investors. In other words, the intermediaries offer higher profit-sharing rates to savers in Islamic finance. So, they can save more. Thus, all costs which including profit

financing costs, are derived from investment net. In other words, it is mentioned that saving more will offer more investment opportunities in Islamic finance in the mentioned study (Al-Jarhi, 2004).

In the essay of titled “Notes on Islamic Economics and Finance” by Othman Cole, Khaled Soufani and Terence Tse (2013), published in Switzerland, there are some basic concepts related to Islamic economics and finance were mentioned, and the increasing interest in this field of study and the main differences in the modern economic and financial system. The 2008 global financial crisis by mentioning and some basic concepts related to Islamic economics and finance are introduced, emphasizing the fundamental differences in the modern economic and financial system in this study. It is foreseen that with the application of Islamic economics in daily life, solutions can be found to prevent unfair distribution of income, unemployment, poverty and environmental problems. It is expected that this system will also encourage the concept of corporate social responsibility in such a case. It is seen that there has been an increasing development in a rapidly growing segment of the global financial sector, namely Islamic finance, and banking after this financial crisis. This study presents a concise approach to create a comparative assessment with the modern economic and financial system and provides some evidence about this field and raises some questions that are emphasized in academic studies (Cole, Soufani, & Tse, 2013).

The essay which is titled “Principles of Islamic Finance and Principles of Corporate Social Responsibility: What Convergence?” has been written by Simona Franzoni and Asma Ait Allali (2018) and it has been published in Italy. It is being identified the convergences between the principles underlying conventional Corporate Social Responsibility (CSR) and examines CSR in Islamic financial institutions in this essay. In the study, the Islamic finance model is seen as a financial and economic model based on principles and moral values, which sustainable development and social responsibility play a fundamental role. Especially, it has been focused on the analysis of the causes of the 2008 crisis, corporate governance, corporate social responsibility and a business management center based on sustainable development in the medium and long term. The alternative finance models focus on the religious principles and values of Islam and focus on Islamic finance inspired by an economic model. The Islamic finance model is based on the Quran and Sunnah. Most theoretical studies have found convergence to the religious principles underlying the proper functioning of Islamic financial institutions and the definition of CSR formulated by the Islamic Financial Institutions Accounting and Auditing Authority (AAOIFI). This convergence is effective when a company has a responsibility and through a managerial behavior that considers stakeholder protection and sustainable value creation. Shortly, this essay has analyzed the founding principles that make the Islamic financial system a socially responsible model by starting from the religious principles of Islamic finance. The main aim of this analysis is to determine whether there is any convergence among the religious principles of Islamic finance and the corporate social responsibility principles recommended for conventional companies (Franzon and Allali, 2018).

In the essay titled “2008 Financial Crisis and Islamic Finance: An Unrealized Opportunity” by Fahad Al-Zumai and Mohammed Al-Wasmi (2016), published in the Netherlands, it has been assessed the Islamic finance industry in the current financial crisis. It also identifies the differences from traditional finance by revealing the management and ethical basis of Islamic financial institutions. The structure of Islamic financial institutions in the governance framework and the role of their organs were discussed and a comparison was made between the ethical framework and traditional institutions in this study. It also reveals the evaluation of the Islamic finance sector in financial crises and whether the governance and ethical basis of these institutions are separated from traditional finance. Especially, the study is evaluated by emphasizing the governance structure of Islamic financial institutions and the unique characteristics of these institutions. The role of supervisory boards and governance of Islamic finance in practice have been investigated (Al-Zumai and Al-Wasmi, 2016).

When we look at the first part of the essay titled "An Economic Theory of Islamic Finance" by Mabid Ali Al-Jarhi (2017), published in England; it details what we can learn from the theories of money, banking and finance related to Islamic finance. The second section provides a short explanation on which the Islamic finance model is based. The third section tries to list the advantages of Islamic finance based on these theories. In the fourth chapter, the problems about the mixed banking and financial system and are discussed that how to overcome them. Policy recommendations are given in case the last section. It is emphasized that traditional finance, which is based on the classical loan contract, has been practiced in the ancient world for centuries in this study. Even in the 12th century, the origin of modern banking dates back to Italy. It has been emphasized that the interest free Islamic finance system started with the birth of Islam based on a series of investment and finance agreements (Al-Jarhi, 2017).

When we look at the first part of the essay titled "Islamic Finance and its Contribution to Solving the Current Financial Crisis" by Mohamed Sharif Bashir (2010), published in England; there are a few key concepts related to Islamic finance are examined and emphasized the current global financial crisis. In the second part, the solutions for the problems that cause the current economic recessions are presented to both international and national institutions on the financial system of Islam and financial crises. In the last part, the results of the policy were evaluated, and some recommendations were made with some inferences. In the study, it is mentioned that the concepts related to Islamic banking and finance date back to before the 14th century, but the world's first modern bank was not opened until 1975. The crisis, which affected more countries than global finance, affected both Islamic finance and traditional finance. It raises awareness about stronger economic frameworks and financial instruments, as a result of the effects of the global financial crisis on the world. Islamic finance contributes to overcoming the challenges posed by the current credit crisis, with the emphasis on asset-based transactions in the essay. When the methods used in Islamic finance are applied correctly, there is a close relationship between investors and assets, so some countries focus more on Islamic financial institutions and support the growth of these institutions at the present time (Bashir, 2010).

In the essay "The Rise of Islamic Finance in the United Kingdom" by Victoria Rowley (2014), published in England, it is discussed the subject of Islamic finance, which is gaining popularity in the United Kingdom. The study begins with an introduction outlining the current plan of government to become the first non-Muslim state to issue an Islamic sukuk and bonds. Especially, the study begins with an introduction outlining the current government's plan to become the first non-Muslim state to issue an Islamic sukuk and bonds. It is being focused on the prohibition of riba and interest in these basic principles and examines the response to this prohibition in the field of finance in the form of sukuk bonds. It is emphasized that alongside the increase in oil prices, which brings wealth to the oil-rich Middle East countries, the right conditions exist to encourage the growth that has become modern Islamic banking at the present time in this study. For getting rid of economic recession Islamic finance follows different manners for the diversification of the UK and the creation of new business areas. Especially, the UK government supports this sector and offers incentives to provide a basis for Islamic finance to flourish. The global financial centers are considered high potential competitors of UK for Islamic finance. An organizer legal framework has been established to support the growth of Islamic finance in the UK, as well as the increased flow of Middle Eastern capital to London over the past 30 years. The London Stock Exchange has played an active role in the Islamic finance market. Islamic finance; It has been used to finance major UK infrastructure projects such as "Olympic Village, the Shard, Harrods" (Rowley, 2014).

In the essay titled "Islamic Finance in the UK: Regulation and Challenges" by Michael Ainley, Ali Mashayekhi, Robert Hicks, Arshadur Rahman and Ali Ravalia published in the UK, it has been stated that Islamic finance has grown rapidly around the world. According to the article this growth conservatively is

10% per annum. When considering the UK is one of the leading international financial centers, it was mentioned that it is not surprising that this growth took place in London, which is seen as a global “centre” for Islamic finance. It has been emphasized that the existence of sharia-compliant transactions in the London financial markets dates to the 1980s, although the growth of Islamic finance in the UK has taken a more active role in the last five years. The commodity murabaha-type transactions on the London Metal Exchange are used in significant amounts to provide liquidity to Middle Eastern institutions and other investors to stimulate the development of the wholesale market in the UK. At the present time, it has been emphasized that London is becoming an important global financial center for Islamic finance by many companies, which including Islamic and non-Islamic ones (Ainley, Mashayekhi, Hicks, Rahman, & Ravalia, 2007).

The essay titled "Islamic Banking Challenges Lie in the Growth of Islamic Economy Despite of the Free Interest Loans Policy: Evidences From Support Vector Machine Approach" by Nesrin Benhayoun (2014), Ikram Chairi, Amina El Gonnouni and Abdelouahid Lyhyaoui has been published in the UK. It has been examined the practice of Islamic finance and the financial impact of companies in this essay. There is an instance of the financial data of 20 companies was examined to measure the effect of interest loans on the solvency of the firm between the years 2009-2011 in this study. It has been emphasized that Islamic banking and finance applications have been accepted as an alternative model in the last decade and this model will play an active role in current crisis situations. It was concluded that interest loans can greatly increase unexpected financial crises with the SVM forecasting model by using Regression Model and Support Vector Machine Model (SVM), proving the high impact of interest loans and financial behavior of companies (Benhayoun, Chairi, El Gonnouni ve Lyhyaoui, 2014).

In the essay of Habib Ahmed (2010) “Islamic Finance at a Crossroads: The Dominance of the Asset-Based Sukuk”, published in England, while examining an important legal issue in legal cases in terms of Islamic finance, it also emphasizes the discussion of form and substance. It is emphasized that income, occupation, and education level affect the demand for Islamic finance in England by using logit regression in this study. It is claimed that Islamic finance is primarily involved in the duplication of conventional finance practices according to most critics. By doing this, it has been mentioned that Islamic financial transactions are formally in conformity with Islamic law, but it can not meet the essence and spirit (Ahmed, 2010).

4. Some Studies and Practices Written in the Field of Islamic Capital Markets in European Countries

In the essay titled "Islamic Capital Markets: Developments and Issues" by Michael J. T. McMillen (2006), published in England, the subject of Islamic finance is examined, as well as the factors affecting the risk assessment of transaction participants in the capital market. The main factors are mentioned affecting the development and growth of Islamic capital markets in this study. It provides an overview of the expectations of the transaction participants to increase sensitivity to the main issues that need to be addressed in enabling capital market products in the field of Islamic finance. Thus, the situation of capital market products is evaluated with a general point of view (McMillen, 2006).

The essay titled “Asymmetric Information and Securitization Design in Islamic Capital Markets” by Zairihan Abdul Halima, Janice Howb, Peter Verhoevenb and M. Kabir Hassan (2019) is published in the Netherlands. It is explored the securitization of sukuk that a new Islamic financial instrument with an interest in a structured which funding arrangement according to Islamic finance norms in this essay. It also shows that the traditional determinants of securitization design for traditional debt, specially those related to information asymmetry and market segmentation, are equally applicable to corporate sukuk (Halim, How, Verhoeven, & Hassan, 2019).

The aim of Junaid Haider Muhammad Azhar's thesis (2010) titled "Islamic Capital Market Sukuk and Its Risk Management in the Current Scenario" published in Sweden is to analyze Islamic bonds and Islamic capital market for today's capital financing. It is emphasized that risk management of the Islamic capital market is a new and dynamic concept that gained more importance with the growth of sukuk throughout the world during and after the 2008 financial crises in this study. The aim of this research is to identify the main challenges and obstacles faced by the risk manager regarding the sukuk structure (Azhar M.,2010).

5. Development of Islamic Banking in Europe

The interest-free banks which established to meet the needs of Muslims and non-Muslims operate in many countries in Europe. Dar-Al Maal Islam, Al Baraka and Al Rajhi groups were the first to initiate interest-free banking practices in European countries. Luxembourg was the first country to start interest-free banking in Europe with a capital of 3.5 million USD in 1978. The interest-free bank, which started its operations in Europe in 1978 under the name Luxembourg Islamic Banking System (now known as the Islamic Finance House), does not deal with direct financing and it generally finances financial institutions in which it has majority shares. Although the name of the bank established in Luxembourg is Luxembourg Islamic Bank, the first interest-free Islamic bank is known as the Danish International Islamic Bank which was established in Copenhagen, the capital of Denmark in 1983 years. It is also the first Islamic bank that works and functions in terms of banking. The main feature of this interest free bank is to provide financial connections of Scandinavian companies in their financial transactions with different Islamic investment and Islamic banks companies. The most important financial centers of Europe are London, Amsterdam, and Frankfurt. The London financial center continues to develop more than any other at the present time. In Germany, Kuveyt Türk Participation Bank has operated as an interest-free bank until today (Kelleroğlu, 2017, p. 46). The large Muslim population in Germany facilitated the establishment of the first interest-free bank. The UK is a country which continues to develop Islamic banking as it has one of the most developed Islamic markets in the Western world. The largest banks of the Middle East have taken the UK to the most important position by taking place in the financial center and large international companies offering Islamic products, especially in London. Also, the London Metal Exchange continues its activities with the principle of collecting deposits based on the mudaraba method. Islamic finance activities based on the mudaraba method started in England in 1980 years. The companies from Gulf countries based on mudaraba method developed the opportunity of asset-based financing model together and turned to sukuk export in the times after 1980-1990. There are two main purposes for the government to support the interest-free financial system in the UK. The first of these; It is not to prevent anyone from entering the financial products market due to their belief and to generate income in this way. Second of these; It is trying to make London the center of Europe in terms of international global interest-free finance center (Kelleroğlu, 2017, p. 46).

Generally, Islamic banking activities in European countries continue to develop with a stable development process. There are very few banks in the EU that offer Islamic financial products and services. According to Sobol (2015), the first involvement of European banks in Islamic banking took place in the 1920s, in the early 20th century. The Eastern Bank that the predecessor of Standard Chartered, was allowed to open a branch in Bahrain on the condition that it avoids all interest-based transactions during these years (Sobol, 2015, pp. 186-195). When the first Islamic banks were established in the Middle East, the banks operating in Europe contacted interest-free banking in the 1970s. Newly established Islamic banks had problems in the management of their liquidity because they could not use the tools available for conventional institutions in those years. Because they are trading at the interest rate at that time. Many banks operating in later times, especially Saudi International Bank and United Bank of Kuwait, started to offer sharia compliant liquidity management services to Islamic banks in the Middle East. They accepted deposits

based on a commodity murabaha structure with short-term trading on the London Metal Exchange. In 1982, the big step towards the implementation of Islamic banking services in the European financial system took place in Jeddah when Al Baraka Investment Company purchased licensed depositor British Hargrave Securities and converted it into an Islamic bank. The newly established Al Baraka International Bank served the Muslim and non-Muslim population to a limited extent. This bank made a breakthrough in British Islamic banking in 2004 years, which becoming the first Islamic retail bank to receive a license from the Financial Services Authority (FSA). The Islamic Bank of England was the first fully fledged Islamic bank not only in the UK but also in the entire European Union in those years. The number of Islamic banks in the UK began to increase in the following years. There were six full-fledged Islamic banks in 2014 years. These are Abu Dhabi Islamic Bank, Al Rayan Bank, Bank of London and the Middle East, Gatehouse Bank, European Islamic Investment Bank, QIB UK. Also, Islamic services were only offered by a few Islamic windows in France, Germany, and Luxembourg during these years. Eurisbank is the first fully fledged Islamic bank in the Eurozone, it was established in Luxembourg at the end of 2014 (Sobol, 2015, pp. 186-195). There are also fully fledged Islamic banks in France and Germany, because the two European countries have the largest Muslim populations at the present time. Although there are only two branches of Islamic banks in the Middle East operate in France Kuveyt Türk Participation Bank which is a participation bank serving in Germany and Turkey, has a branch in Manheim (Sobol, 2015, p. 186- 195). There is a comparison of the Global Financial Center (GFCI) and Islamic Finance Country Index (IFCI) published annually for the year 2020-2021 is made in table 1 below. It is seen that London is the leading country in the global financial center, while Indonesia and Malaysia are the leading countries in the Islamic finance country index. Also, it is observed that the UK is more developed among European countries according to the Islamic finance index.

Table 1. Comparison of 2020-2021 Global Financial Center Index (GFCI) and Islamic Finance Country Index (IFCI)

Country	2021-(IFCI) Rank	2020-(IFCI) Rank	Center	2021- (GFCI)30 Rank	2020-(GFCI)29 Rank
Indonesia	1	2	Jakarta	66	93
Saudi Arabia	2	4	Riyadh	101	105
Malaysia	3	1	Kuala Lumpur	48	47
Turkey	11	11	İstanbul	61	74
The United Kingdom	18	18	London	2	2
Switzerland	30	29	Zurich	21	10
Germany	43	41	Berlin	60	45
France	48	46	Paris	10	25
Spain	50	48	Madrid	24	33

Resource: Global Islamic Finance Report 2021 and the Global Financial Centres Index 30.

6. Some Essay Studies and Practices Written in the Field of Islamic Banking in Europe

The essay titled “Issues in Islamic Banking and Finance: Islamic Banks, Shari’ah-Compliant Investment and Sukuk” by Mansor H. Ibrahim is published in the Netherlands. It has been mentioned that the recent interest in Islamic banking and finance is not only because of the rapid growth, but also to the recurring financial crises in the last 10 years, with the global financial crisis in 2008 being very severe in this essay. It

is emphasized that the Islamic finance sector is now an organization that not only fulfills the religious obligations of Muslims, but also operates to meet the needs and demands of customers in this study. The global financial crisis of 2008, the discovery of Islamic finance in their search for a viable and flexible alternative financial system has made significant contributions both to practitioners, monetary authorities and academic. Also, there are lots of articles on Islamic banking address the ongoing debate about the "Islamic" nature of Islamic banks, in line with a fundamental principle of profit-loss sharing. Especially, although there are relatively a few studies on sukuk, its development has received more and more attention in recent years and the list of research on the sukuk market continues to expand (H.Ibrahim, 2015).

In the article titled "Finance-Growth Nexus and Dual-Banking Systems: Relative Importance of Islamic Banks" by Pejman Abedifar, Iftekhar Hasan and Amine Tarazi, published in the Netherlands, it explores that whether the coexistence of Islamic and conventional banking contributes to financial development. There are various features of Islamic banking and finance are analyzed in the study. These are Mortgage loans, investment finance, securitization, relationship banking, stability, business models, yield, risk, loan default rates, mutual funds and valuations. This study tries to fill the gap by investigating the characteristics of Islamic banking from a growth perspective. It also explores the relative importance of Islamic banks in banking and financial development and economics alongside their conventional counterparts. This study found a significant positive relationship between the market share of Islamic banks and the development of financial intermediation, especially low-income or predominantly financial intermediation, financial deepening, and economic welfare. This determination was made by using a sample of 22 Muslim countries with dual banking systems in the period 1999-2011. Consequently, it is revealed that a larger market share potential Islamic banks is related to their higher efficiency than traditional banks (Abedifar, Hasan, & Tarazi, 2016).

Mohammad Bitar, Kuntara Pukthuanthong, Thomas Walker wrote the essay titled "Conventional Banking: The Role of Capital and Liquidity". They explain that the efficiency of conventional banks depends not only on bank capital and liquidity, but also on the level of bank efficiency where the relationship is not certain for Islamic banks. The evidences in the study provide insights into how capital and liquidity can shape bank efficiency. Also, it allows the examination of a non linear productivity relationship and conditional quantile regression approach which is preferred over other approaches. This essay has an important operational level impact on the type of regulation suitable for Islamic banks. They have been investigate the effect of holding a higher liquidity ratio and capital ratio on the efficiency of traditional and Islamic banks and also whether this effect between differs banks and less efficient by using conditional quantile regressions. It is suggest that capital and liquidity ratios are positively correlated with the current efficiency of the two types of banks and are less pronounced for Islamic banks at the result of the study.

In the essay titled "Islamic Banking and Risk: The Impact of Basel II" by Alexandra Zins and Laurent Weill, published in the Netherlands, it has been determined that whether Basel II standards affect the risk characteristics of Islamic banks. The information is being given about the main areas of interest to explain how financial stability affects the development of Islamic banking in this study. This study contributes to the literature on the impact of Basel II standards, especially how risk effects are affected by the structure of the banking industry between Islamic banks and conventional banks by examining (Zinsa and Weill, 2017).

In the essay titled "A Contemporary Survey of Islamic Banking Literature" by M. Kabir Hassan and Sirajo Aliyu, published in the Netherlands, it is emphasised that placed on future research methods by conducting an empirical study on Islamic banking. After the 2008 crisis it is mentioned the impact of the Islamic finance banking and discussions on this field in recent years in this study. Especially, he discusses the issues related

to Islamic banking and emphasizes that different paths may arise for future research in his study (Hassan and Aliyu, 2018).

The essay titled "Liquidity Creation Performance and Financial Stability Consequences of Islamic Banking: Evidence From a Multinational Study" by Allen N. Berger, Narjess Boubakri, Omrane Guedhami and Xinming Li, is published in the Netherlands. The angle of creating bank liquidity and the financial stability practices of Islamic banks compared to traditional banks are investigated in this essay. It is mentioned that Islamic bank and conventional bank models show differences in creating business models and developing hypotheses about liquidity in this study. It has been examined the effect of creating liquidity in two different types of banks on national financial stability.

It is emphasized that two previously unknown benefits of Islamic banking and it is mentioned that the liquidity formation of conventional banks negatively affects national financial stability in high-income countries and does not have a significant impact on incomes at the result of the research (Berger, Boubakri, Guedhami, & Li, 2019).

In the article titled "Islamic Finance Made in Germany-A Case Study on Kuveyt Türk (KT Bank): Germany's First Islamic Bank" by Matthias Casper and Asma Ait Allali, published in Germany, it is being focused development of Islamic finance in Germany. The role of the Shariah Supervisory Board is investigated which certifies whether the financial product complies with Islamic law, in the preferences of Islamic bank customers for sharia-compliant financial products in this study. There is also an incidence study about Kuveytturk bank. It is mentioned that discussion on new forms of financing with many scandals such as the manipulation of exchange rates and "Euribor" interest rates, the 2007-2008 global financial crisis and its aftermath arouse (Casper and Allali, 2017).

In the essay titled "Islamic Banking and Finance as an Ethical Alternative: A Systematic Literature Review" by Johanna Pesendorfer and Othmar Lehner, published in England, focused on bringing a new perspective to current studies on Islamic banking and finance. It was observed that there are a lots of literature on Islamic banking and only a small section is represented in the best journals in this study. In addition to criticizing the perspective on the conventional banking and financial system, economic events, Islamic banking is gradually accepted as an ethical alternative in the Western world as well. Because the origins of business models stem from ethical and religious considerations, it has been emphasized that while Islamic banks observe basic Sharia principles, they also comply with applicable guidelines such as Basel III and are flexibly adapting to ever-changing customer demands. Shortly, it has been discusses the expansion and development of Islamic banking in Europe in this essay. Some countries in Europe are acting as pioneers rather than legislative changes paving the way for Islamic banking in Europe such as the UK. Especially, it is tried to reduce the skepticism in the attitude of western world towards Islamic banking and finance by informing people about Islamic banking in the study (Pesendorfer and Lehner, 2016).

Abdelrahman Yousri Ahmad wrote an essay "Does Islamic Banking Help in Economic Development of Muslim Countries?". This essay is published in Germany. It attempts to assess the role of Islamic banking in development over the past four decades on the basis of what is expected and achieved from this system in this essay. Shortly, it is presented recommendations in this study that will enable Islamic banking to perform satisfactorily in the future. In the essay titled "Islamic Banking in the European Union Countries" by Iwona Sobol published in Lithuania quantitative and qualitative analysis methods were used mainly based on scientific literature, market reports and statistical data. The opportunities and challenges have been analyzed for the development of Islamic banking in European Union countries by identifying in this study. It has been answered the question of whether Islamic banks will be more important in the European

financial market in the future than it is today with analyzes (Sobol, 2015). In below table 2 shows the names of Islamic banks in Europe, their establishment dates and in which country they operate.

Table 2. List of Banks Implementing Islamic Finance in Europe

Country	The Names of Islamic Banks	Establishment Date	Origin of Fund Country
England	Islamic Bank of Britain	2004	England
England	Qatar Islamic Bank	2008	Qatar
England	European Islamic Investment Bank (EIIB)	2006	England
England	HSBC Bank	2003	Hong Kong
England	Habib Bank	2009	Pakistani
England	National Bank of Pakistan	2001	Pakistani
England	Riyad Bank	1983	Saudi Arabia
England	Saudi American Bank (UK)	1980	Saudi Arabia
England	Arab Bankers Association	1980	England
England	Habibsons Bank Ltd.	2015	England
England	Arab Bank Corp (BSC)	2007	Bahrain
England	Qatar National Bank	1977	Qatar
England	Arab African International Bank	2007	Egypt
England	Bahrain Middle East Bank	2009	Bahrain
England	Arab Bankers Association	1980	Lebanon
England	Dallah Al Baraka	1991	Saudi Arabia
Malaysia	Deutsche Bank	2009	Germany
Germany	Natural World Industrial Group Germany	2011	Germany
Germany	ABC International Bank Plc	2020	Bahrain
Germany	Bank of Tokyo-Mitsubishi UFJ Ltd.	2006	Japan
Switzerland	Faisal Private bank	2006	Bahrain
Switzerland	Swiss Islamic Banking	2006	Switzerland
Switzerland	Habib Bank AG Zurich	1974	The United Arab Emirates
Switzerland	Shirkan Finance Ltd.	2002	Holland
France	Qatar Islamic Bank	2009	Qatar
Italy	ABC International Bank Plc.	2020	Bahrain
Italy	Tokyo-Mitsubishi UFJ, Ltd	2006	Japan
Holland	Bilaa-Riba Hollande Leiden	2012	Holland
Belgium	Fas Banque Populaire	2012	Morocco
Belgium	Tokyo-Mitsubishi UFJ, Ltd.	2006	Japan
Ireland	Dallah Albarakah (Ireland) Ltd.	1999	Saudi Arabia
Ireland	Islamic Bank of Britain	2004	England
Finland	Bank of Finland	2002	Finland
Denmark	Maersk Logistic Odense	1904	Denmark

Resource: <https://listofbanksin.com/ListofBanksinEuropa.htm>

7. Some Studies and Applications of Essays Written in the Field of Sukuk in European Countries

There are two different purposes in the article "Corporate Governance Mechanisms with Conventional Bonds and Sukuk' Yield Spreads" by Noriza Mohd Saad, Mohd Nizal Haniff and Norli Ali, published in the Netherlands. The first aim is to examine the significant average difference between sukuk yields and traditional bonds. The second aim is to determine the relationship between corporate governance mechanisms and yield differentials. It is mentioned that sukuk has a shorter maturity compared to traditional bonds and that sukuk instruments imitate traditional bonds in this study (Saad, Haniff and Ali, 2019).

The impact of the sukuk market development on the profitability of banks is investigated by using a dataset including 13 Islamic banks and 146 conventional banks in the essay titled "The Impact of Sukuk on the Performance of Conventional and Islamic Banks" by Karim Mimouni, Houcem Smaoui, Akram Temimi and Moh'd Al-Azzam published in the Netherlands. It has been focused on the increase in global sukuk issuance and the developments in the emerging market size in this study. It is mentioned in detail in the study, emphasizing that the evidence on how sukuk affects the banking sector is limited at the present time (Mimouni, Smaoui, Temimi, & Al-Azzam, 2019).

The discussions about the difference between sukuk and conventional bonds have been addressed by investigating the yields and volatility spreads of sukuk and equity-based global bonds. It is emphasized that the importance of sukuk in strategic asset allocation and hedging of international investors in the study (Maghyereh and Awartani, 2016).

In the essay titled "Does Sukuk Market Development Spur Economic Growth?" by Houcem Smaouia and Salem Nechi, published in the Netherlands it explores the impact of the development of the sukuk market on economic growth, using an example from all countries that issued sukuk from 1995 to 2015 years. It has been concluded that the development of sukuk markets may have promoted financial inclusion by removing the negative effects that encourage economic growth and investment (Smaoui and Nechi, 2017).

In the essay titled "Dependence Structure Between Sukuk (Islamic Bonds) and Stock Market Conditions: an Empirical Analysis with Archimedean Copulas" by Nader Naifar, Shawkat Hammoudeh and Mohamed S. Al dohaiman, published in the Netherlands it explores the dependency structure between major local sukuk (Islamic bonds) yields in a Muslim country and various stock market conditions represented by national, regional and global stock returns. Especially, the increasing risk and instability in recent major financial crises has been mentioned in the traditional financial markets of Islamic financial instruments (Naifar, Hammoudeh, & Al dohaiman, 2016).

The qualitative research method was used in the essay titled "A Bibliometric Review of Sukuk Literature" by Andrea Paltrinieri, Mohammad Kabir Hassan, Salman Bahoo and Ashraf Khan published in the Netherlands. The study examines the sukuk literature between 1950-2018 years. The sukuk market has emerged as a new phenomenon in the global financial system after the financial crises. Therefore, a large literature on the subject has been published along with the issuance of sukuk (Paltrinieri, Hassan, Bahoo, & Khan, 2019).

In the essay titled "Global Factors Driving Structural Changes in the Co-Movement Between Sharia Stocks and Sukuk in the Gulf Cooperation Council Countries" by Chaker Aloui, Shawkat Hammoudeh and Hela ben Hamida published in the Netherlands it is determined that whether there are differences in the mutual relationship between Islamic stocks and sukuk. It is well known that sharia-compliant stocks and sukuk are primary investment vehicles for the creation of optimal Islamic and non-Islamic investment portfolios in Islamic financial markets (Aloui, Hammoudeh, & Hamida, 2015).

In the essay titled "An Introduction to Islamic Securities (Sukuk)" by Pegah Zolfaghari, published in Sweden instruments are compared with the issues that sukuk is not used specifically in Islamic markets and is used as a financing tool in other capital markets. The study aims to introduce, compare and examine sukuk with various other securities. Sukuk is considered as Islamic financial instruments created for medium and long term financing due to certain limitations existing in the Islamic financial system that cause common bonds not to be used. Sukuk are very similar to common bonds but there are some differences between them. They have the characteristics of stock in some cases (Zolfaghari, 2017).

In the essay titled "Exploring International Economic Integration Through Sukuk Market Connectivity: A Network Perspective" by Mehmet Asutay and Amira Hakim, it is intended to measure the degree of international financial and economic integration among the eight sukuk issuing countries for the period 2004-2014. The study aimed to explore the link between the emergence of sukuk markets, financial activity and degree of integration and sukuk issuing countries. There is a hedging strategy used in traditional risk of finance management can also be used to manage currency-related risk. So, it is known to be more stringent the practice of hedging in the sukuk market because it has to avoid speculation and comply with sharia compliance. For the use of sukuk and conventional bonds were exposed to the same risk during the 2008 financial crisis, their performance was equally affected (Asutay and Hakim, 2018).

8. Conclusion

Islamic economics, whose theoretical infrastructure was developed towards the middle of the 20th century, made a great leap forward especially in finance and banking, thanks to the great wealth (petrodollar) and liquidity abundance obtained by the Muslim Arab societies with the oil crisis in 1973. For example, Bahrain-based Albaraka Group, which operates in 15 countries today, opened the first Islamic bank in Jordan in 1978. Albaraka Turk in Turkey was put into service in 1985 as the sixth country of the group. The same group opened an Islamic bank in Germany in 2018. Kuwait-based Kuwait Finance House, on the other hand, was established in 1977 and chose Turkey as the second country in which it conducts its operations, and started its operations here in 1989. In 2015, this group opened the first fully-fledged Islamic bank in Germany. These individual examples show that these Islamic banks, which emerged after the mid-1970s, have started to be opened in the centers of Europe in recent years and their prevalence has increased.

The British government has established a global financial center in the city of London in order to attract and manage the excess liquidity caused by the rise in oil prices of the Gulf Cooperation Council countries from 2003 to the present, and to provide access to the financial markets. When we look at the "The Global Financial Centers Index 30" report published in September 2021, it is seen that London is in the second place in Islamic finance. The Global Financial Center London is in a leading position in the world. London is also an important center for Islamic finance. According to the "Global Islamic Finance 2020-2021 Report" published every year, the UK ranks 18th in the world, increasing its score by 44.61% compared to the previous year. This shows that the UK is in the direction of becoming a leading country in the field of Islamic finance every year. Particularly in the UK, academic studies included in the research focused on studies in areas such as Islamic finance, Islamic banking, and Islamic capital market. In addition to this, more

academically in Germany; Islamic finance, Islamic fund and Islamic banking studies were carried out. Although academic studies are focused on Islamic finance, takaful, Islamic banking and sukuk in the Netherlands and Italy, Islamic finance products are not applied much in these two countries. There are studies on Islamic capital market and sukuk as academic studies in Sweden. There are legal changes for Islamic finance practices in France, and an increase is observed in the number of conferences, academic publications and programs in this field in the country. In France and Switzerland, various incentives are offered to attract petro-dollars, focusing on Islamic finance, Islamic banking and sukuk. It can be said that these articles, which are discussed in the field of Islamic economics and finance in Europe, are especially important in terms of contributing to the awareness of Islamic economics and finance in the European public opinion. It would be beneficial for researchers and general readers in the fields of economics and finance to expand these topics even more.

It is foreseen that Islamic financial institutions will become more widespread in the field of application so that the Muslim community, whose population is increasing day by day, consists of millions of Turks and other nationalities, to access the legitimate financing and investment opportunities they need. In this sense, both theoretical studies and Islamic banking and insurance practices have great potential in Europe.

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