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Financialisation of Islamic finance: a Polanyian approach on the hegemony of market logic over Islamic Logic

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ABSTRACT

The significant rise of finance in emerging economies evidenced that financialisation is not limited to advanced economies. While financial capitalism spreads to every corner, financialisation appears in emerging economies in the form of variegated finance capital. Despite its theoretically counter-hegemonic construct, Islamic financial markets do not stand out of this permeation. This paper, hence, aims to explore the role of Islamic finance in making inroads into financialisation in the countries where Islamic finance has reached a significant presence. Based on Krippner's approach to financialisation, this paper examines the financialisation of Islamic finance by concluding that the strength of finance capital resulted in variegating or grafting a morally backed financial system into the neoliberal logic. The discursive analysis supported by empirical analysis suggests that due to the observed dis-embeddedness of Islamic finance away from its genuine novelty, it has become a hybrid product of the neo-liberal agenda. This is evident in its debt-encouraging financial instruments, which worsens the gap between the real and financial economy. The contribution of this paper is evident in its contractual-level analysis, which focuses on the operational and working mechanism of Islamic banking and finance and how it has been led astray by the finance capital.

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Introduction

Over the course of the previous century, the number and frequency of financial crises increased significantly. As a response, a systemic and rigorous challenge to the underlying philosophies of neo-liberal finance has recently been developed. Various heterodox schools have filled this gap partly by enhancing theoretical and empirical debates on different forms of financialisation in advanced and emerging economies. Consequently, the literature evidence that financialised economies appear in various forms in conformity with the cultural and historical subjectivities of respective countries. In other words, finance capital is variegated in different geographies but exhibits similar impacts in subordinating domestic markets.

Recently, studies on emerging economies' experiences in their adaptation towards global financial markets have been bourgeoning, which deserve further attention in exploring their financialisation routes amid their economic, political, historical, and cultural subjectivities, as Hanieh

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(2016) and Qanas and Sawyer's (2022) research in the case of Muslim countries demonstrates. This presents an opportunity to investigate the degree of neo-liberalisation or the diffusion of finance capital in the form of financialisation in different regions. Compared to the vast literature on financialisation in emerging economies, analysis and debate on financialisation induced by Islamic finance are scarce in countries where the presence of Islamic finance is significant.

This paper critically examines the role of Islamic finance in the financialisation trajectories of Muslim-majority developing countries with systematically significant presence of Islamic financial institutions as defined by the Islamic Financial Services Board (IFSB 2023). Some research on this area explores financialisation through Islamic finance by exploring the way Islamic financial capital moves from peripheries to the centres like London and New York or from the Gulf region to other Muslim economies in Asia (see: Bassens 2012; Hanieh 2020a, 2020b), while others study the impact of the observed financialisation on the political economies and class relations (Apaydin 2015; Farooq and Selim 2019; Rethel 2010; Lai *et al.* 2017; Gözübüyük *et al.* 2020). This paper, however, extends the research by examining the internal dynamics and modes of operation within Islamic finance through identifying Islamic institutional logic and the observed deviation leading to financialisation through Islamic finance. It argues that by moving away from Islamic institutional logic, Islamic banking and finance have not only integrated into the capitalist financial system but have also been reshaped by it through increasingly adopting debt-based financial instruments rather than equity-based risk-sharing methods. Since the preferred nature of Islamic financing contracts promotes debt financing and generates conventional-like fictitious transactions, this, in turn, leads to the observed failure to generate the aspirational risk-sharing and PLS objectives of Islamic institutional logic.

Extending Rudnyckyj's (2017) discussion on 'financial subjectification' through Islamic finance in Malaysia, this paper argues that Islamic finance in various jurisdictions is undergoing a similar transformation. This transformation, termed 'neoliberal entrepreneurship' in Malaysia, reflects broader processes of financialisation in which Islamic banks and financial institutions increasingly resemble their conventional counterparts, as articulated by Pitluck (2012; Asutay 2012, 2013). This grafting process is not superficial but represents a deep infusion of Islamic financial practices into capitalist logic, reflecting a significant departure from the fundamental principles of Islamic moral economy (IME).

Adopting Krippner's (2012) framework that emphasises the distinction between the real and financial sectors, this paper critically assesses why the Islamic finance industry prefers debt-based financial instruments over profit-loss sharing models. It argues that this preference facilitates capital accumulation at the expense of fundamental Islamic principles of risk sharing. This mismatch, encouraged by prevailing institutional preferences for debt mechanisms, exacerbates the disconnect between the financial and the real economy and reflects a Polanyian shift from an embedded to a disembedded financial system (Polanyi 1944). This theoretical framework is crucial for analysing the financialisation of Islamic finance, especially given the sector's core principles that are deeply intertwined with social and ethical norms. Recently, Kus (2024) used the concept of disembeddedness to explore the regulative nature of financialisation in the USA's financial system.

In Islamic institutional logic, embeddedness is traditionally manifested in the close alignment between financial activities and Islamic ethical norms, emphasising equity, risk sharing and the prohibition of interest (*riba*). However, the trend towards financialisation reflects a significant shift towards disembeddedness, where financial activities increasingly prioritise market mechanisms and profit motives at the expense of Islamic normative and ethical considerations.

The increasing preference for debt-based instruments over profit-loss sharing (PLS) structures within Islamic finance is indicative of this shift. While PLS instruments are closer to the real economy – linking returns to the actual performance of entrepreneurial ventures – debt instruments abstract financial returns from underlying economic activity. This abstraction is a hallmark of financialisation and represents a move towards a more speculative, risk-transferring model decoupled from the real economy. Such a transformation undermines the socio-economic goals of Islamic finance and moves it away from its role as a counter-hegemonic movement within society to a position where it reflects the instability and cyclical crises characteristic of disembedded financial systems.

Polanyi's views on the dangers of a disembedded economy are particularly relevant here, as they relate to the systemic risks of financial crises and social dislocation. In the case of Islamic finance, adherence to financialisation practices can exacerbate these risks by contradicting the principles of stability, social welfare and ethical financial practices that are supposed to define the sector.

The paper's main thrust is that the challenge facing Islamic finance today is not only one of regulatory or operational alignment but also of fundamental reorientation. To counter the forces of disembeddedness, Islamic finance must be consciously reinserted into its original ethical and socioeconomic context. This will involve reaffirming risk-sharing practices, reassessing real sector activities, and a regulatory framework that promotes these values as central to the sector's activities. By reconnecting with its roots, Islamic finance can resist the pervasive trend of financialisation and assert its role as an embedded, ethical financial model.

As can be seen, this paper's main contribution is not examining the capital movements or the performance of Islamic banks and financial institutions but locating the inherent operational nature of the Islamic banks under market conditions leading to the observed 'deviation' from the Islamic institutional logic with its consequent financialisation. The rest of the paper is organised as follows: Section 2 discusses financialisation through embeddedness as part of a Moral Economy (ME). Section 3 presents the theory of Islamic finance in the form of Islamic Moral Economy (IME) and then discusses the everyday practice of Islamic finance as a deviation from IME, while sections 4 and 5 present analysis and empirical evidence to depict the observed financialisation. Finally, section 6 brings the discussion to a conclusion.

Moral economy (ME) and financialisation dilemma

Financialisation represents a systemic transformation of capitalist economies during the last few decades that brought about a sharp divergence between economic and financial activities in favour of booming finance in the face of performing a productive economy as part of the shift towards finance-led capitalism. Various definitions in the literature emphasise different aspects of financialisation (see Van Der Zwan 2014), while this paper adopts Krippner's definition. Accordingly, financialisation is 'a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production' (Krippner 2005:174). This definition unravels an essential aspect of the financialisation of Islamic finance, which is about the divergence between the productive and the financial economy.

ME debates in the twentieth century have come to the fore with two distinct approaches, one of which essentialises ME to evaluate systemic and functional dimensions of exchange mechanisms (Polanyi 1944; Booth 1994), and the latter uses ME to evaluate the causes for rebellious and insurgent behavioural patterns of societies (Thompson 1971; Scott 1976; Arnold 2001). However, the main body of the debate on the ME is primarily indebted to Polanyi (1944), who has widened the horizons of political economists, economic sociologists and anthropologists in approaching the emergence of the nineteenth-century market system.

Polanyi centres his substantivist approach under the master concept of 'embeddedness' (Hejeebu and McCloskey 1999; Block 2003; Gemici 2008), implying that economic relations and institutions are the product of the value system of respective societies. In his view, the market economy has a disembedded nature, which ignores non-economic forms, such as values, moral norms, kinship, and political and religious institutions, to be the driving forces over the functioning of economic structure. In Polanyi's embedded society, human interchange and economic life are submerged in social relations, and society naturally envelops its institutions, including the economy. This ME is summarised in Bourdieu's (2005, p. 197) description that 'it is not the prices that determine everything, but everything that determines prices'.

According to Polanyi (1944), the embedded economy existed since ancient times until the emergence of market societies. However, the advent of a self-regulating market economy in the nineteenth century gained an autonomous character over the marketplace through which the economy was delinked from the social formations of each society. The rules and principles of market economy governed the social system. As a result, the self-regulating market enveloped the entire society by making social relations an epiphenomenon of the market and exerted its iron rules externally over non-economic institutions and social relationships. The push for a disembedded economy has resulted in a different form of social formation, leading to society's malaise by creating fictitious commodities. According to Polanyi (1944), the objective must be to re-embed the economy in society and its social relations emanating from its value system by rescuing labour, land, and even money from the overarching stream of commoditisation and unregulated market forces.

Reflections on Polanyi's criticism of the emergent market economy can be found in the reconstruction of self-regulating markets through finance capital in the 1980s. In other words, the significant rise of finance all around the world in the post-1970s recalled the notion of embeddedness such that not merely human interchange is submerged into economic relations by creating disembedded societies, but also the global financial markets envelop the economy through creating further disembeddedness (Fimbel *et al.* 2015, p. 78). Furthermore, Polanyi's concepts of double movement or society's protective response for re-embeddedness in overcoming commodification are seen as critically helpful in explaining the expansion of financial markets and their devastating results (Krippner 2001; Fraser 2014; Zalewski 2019).

Several heterodox schools have contributed to the financialisation literature with their theories. According to Pitluck *et al.* (2018), most of these theories adopt a functionalist approach with limitations of at least two points. First, these theories envisage finance as an ahistorical and universal evolutionary process. Secondly, these theories 'tend to downplay agency favouring structural explanations' (Pitluck *et al.* 2018:161). Class-based analysis (Magdoff and Sweezy 1987; Harvey 2005) and evolutionary studies of financialisation (Merton 1995; Shiller 2013) can be considered under the functionalist category.

Beyond functionalist perspectives and their limitations, Pitluck *et al.* (2018: 161–5) suggest three causes for identifying financialisation. The first relates financialisation with the political struggle between nation-states and empires, which brings about a new set of relations and political institutions rather than associating it with a specific phase of capitalist development. The second cause of financialisation evaluates the ascent of global finance in relational work. Studies under this category focus on how financial packages in society expand and bring new forms of relations. Studies supporting Polanyi's embeddedness and commodification concepts and other studies which critically examine the Polanyian perspective fall under this category (Zelizer 2012). The third cause of financialisation emphasises how financial expansion within the society creates new cultural practices and transforms the existing cultural norms into the field of finance.

This paper approaches the expansion of the financial sector *vis-a-vis* the productive economy in countries with a systematic presence of Islamic finance from the perspective of relational work. However, it also gives due credit to the historical materialist or functional analyses of financialisation, albeit it has limitations, as explained in the words of Pitluck *et al.* (2018). Thus, it adopts a Polanyian debate in explaining the rise of Islamic finance and its transactional and transformational role. However, both the political and cultural causes of financialisation are utilised to emphasise the subordinate or peripheral character of the financialisation of Islamic finance.

Islamic moral economy (IME) and finance: theory and practice

The primary motivation behind the emergence of modern Islamic economic thought in the post-war period was to build an authentic social and economic environment that could emancipate and empower individuals within the authenticity of Islamic logic against the hegemony of the self-regulating market system (Asutay 2013). Therefore, developing authentic institutions embedded into

Islam's norms and values was seen as an essential objective. In this imagination, the market system was in direct contrast with this objective since it has a disembedded character in imposing its own rules on the entire society by neglecting society's shared values and social relations. Although the relevant literature uses the term Islamic economics through Islamising 'economics', it was initially envisaged as an IME that serves social good by redefining human objectives as well as resources and accessibility to those resources, with 'justice' as its objective function (Asutay 2019a, 2019b).

The IME, hence, in a Polanyian manner, suggests an embedded economy within the social formation of Islam, which indicates that the economy is considered organically emerging through the normative principles of Islamic ontology. This embeddedness nature considers financing through business models in facilitating real economy transactions (Good-Money-Good circularity) as opposed to financial in the sense of generating wealth through money and credit (Money-Commodity-Money) (2019a,2019b). Thus, to use an organic and authentic definition of what Islam intends for economic behaviour and structure, which is *iqtisad* in Arabic, IME is considered as the corresponding terminology (Asutay 2019a, 2019b).

As articulated by Al-Hasani (1989), the term *iqtisad* originates from two words, *qasd* and *qisd,* in Arabic. *Qasd* means 'directing towards an objective', 'true path', 'in line with an aim', 'equable' and 'temperate', while *qist* refers to 'just share' and hence 'justice' (see also Setia 2016). *Iqtisad*, thus IME, is described as 'giving the right of everything', 'to locate everything in its place', and, hence 'establishing justice' (Asutay 2019a, 2019b). Thus, IME refers to an embedded economy rather than economics' definition of efficiency and maximisation (Asutay 2019a, 2019b). In the Islamisation process, Islamic economics is coined through grafting 'economics' rather than developing as a term corresponding to the intended meaning of Islam, which explains the distinction.

Islamic moral economy: philosophical foundations of islamic finance

IME can be defined as an approach to, and process of, interpreting and solving the economic problems of human beings based on the values, norms and institutions derived from Islamic ontology, which are embedded in the institutional framework and the operating system generating Islamic institutional logic (Asutay 2019a, 2019b). While a singular ontological expression constitutes the Islamic order, its articulation, depending on capital, field, and habitus, as stated by Bourdieu (2005), can vary from one social formation to another. This, therefore, refers to an Islamic institutional logic. Recall that institutional logic is defined as 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality' (Thornton and Ocasio 1999, pp.804), Islamic ontology in constituting a theoretical Islamic moral economy and its articulation in Muslim societies in its history directly verify the existence of Islamic institutional logic shaping an economy sphere and economic and financing behaviour.

As theorised by Naqvi (2015), Ahmad (1994), Chapra (2000), Asutay (2007a, 2007b, 2012), Jan and Asutay (2019), IME is constituted through Islamic ontology or logic, which is expressed through *tawhid* or the oneness of God (see: Faruqi 1992). As Asutay (2019a, 2019b) expanded, *tawhid*, through its implications on economics, essentialises the principle of complementarity and unitarity. As expounded by Asutay (2019a, 2019b), *tawhid* implies that all the stakeholders (such as capital, human effort-labour, land, and society) complement each other to reach unitarity, and, hence, their interests must be included in the initial equation (namely value theory, modes of production and distribution theory) to ensure justice whereby, as *iqtisad*, refers 'giving the right of everything and everyone' can be possible. Consequently, substantiative justice (*adalah*) is an essential criterion for economic and financial activity. Furthermore, the actualisation of justice is complemented by *ihsan* or equilibrium between all the stakeholders to ensure balance (*mizan*) in society as a normative principle, which encourages those in a more economically secure position to consider the welfare and well-being of all stakeholders (Asutay 2019a, 2019b). Hence, equal opportunities in accessing resources are institutionalised as a condition through ensuring and sustaining an equilibrium (*ihsan*) (Naqvi 2015) based governance system (Asutay 2019a, 2019b).

IME theorises that within such an ethical base, the growth and development of an individual must be harmonious with other stakeholders' growth needs (*tazkiyah*) to maintain equilibrium and ensure justice (Asutay 2007a). As IME suggests, everything and everybody was created with a development path to reach their perfection (*rububiyah*), and all the stakeholders must be given the required opportunity and space to develop (Asutay 2007b, 2012). Through these principles, IME offers an embedded economy in which Islamic ethics shapes individual behavioural norms and institutional objectives. The individual objective function is determined to achieve *falah* or salvation in this world and the hereafter, while institutions are expected to facilitate such a salvation process, and *ihsani* governance is ensured by maintaining equilibrium (Asutay 2007a, 2007b, 2012, 2019a, 2019b).

Under IME, for instance, Islamic finance is shaped by the prohibition of *riba* (interest) to redefine and decentre capital to initiate a shared economy, as interest is considered an expropriation (Thomas 2010). Thus, the prohibition of interest aims to overcome expropriation and the hegemony of capital so that equilibrium can be established between the interests of different stakeholders (Asutay 2019a, 2019b). Similarly, the prohibition of *gharar* (excessive uncertainty) in transactions prevents wealth generation and transfer through speculative and gambling-like factors, whereby constraining the behaviour of humans and organisations to avoid fictitious gains is aimed. Thus, the prohibition of *gharar* aims to overcome exploitation, which directly contrasts with Islamic precepts. These imply decentring the hegemony of capital and preventing it from using its hegemonic power to generate wealth without effort, which strongly opposes the hegemony of capital and hence financialisation (Asutay 2019a, 2019b).

Consequently, Islamic business models of partnership financing are essentialised (Çizakça 1996) over debt-based financing to overcome dependence and prevent the hegemony of capital. Partnership or participation finance includes venture capital-based financing such as PLS and risk-sharing business model instruments – *musharakah* and *mudabarah*[1] so that participatory and sharing economic models can be essentialised.

In the IME paradigm, debt is discouraged, while PLS and risk-sharing are prioritised. In the risk-sharing-based economic model, 'no gain without effort' (Askari 2012) is the main operational principle preventing capital from generating wealth without engaging in real economic activity backed by real assets. Therefore, fictitious transactions, including fictitious financial arrangements and commodification, are rejected along with the principle that non-existing goods cannot be subject to financing transactions beyond certain exceptions.

The methodological frame of IME is the higher objectives of *Shari'ah* (*maqasid al-Shari'ah*), which suggests that every economic and financial activity must ensure the well-being of human and other stakeholders (Chapra 2000; Asutay and Harningtyas 2015; Asutay and Yilmaz 2018; Mergaliyev 2021). Thus, finance within this ethical framework is not the aim; on the contrary, it is only an instrument to facilitate the development of opportunity spaces for all stakeholders in the sense of Chapra's (1993, 2000) 'goal orientation' or Shiller's (2013) 'good society'.

The term 'financial' or 'financial gain or wealth' cannot exist within IME nor with Islamic logic, as the only function of finance is to protect and finance people, such as financing businesses. Furthermore, since debt is also discouraged along with constraint on the functional meaning of finance, financialisation in any form cannot be associated with Islamic financing, as Islamic logic is a much broader concept than market logic, which only focuses on financial gains at the expense of anything implying a 'moral deficit' in the market system.

The political economy of the emergence of islamic finance and its consequences

The founders of Islamic economics (see: Qureshi 1974; Qutb 1976; Mawdudi 1986; Chapra 1993; As-Sadr 2009) proposed a distinct normative and theoretical alternative to the capitalist system. The initial institutional experiments in Islamic financing, therefore, were mainly on Islamic social banking and credit and investment institutions, such as Mith Ghamr as an Islamic social bank in Egypt in 1963, Tabung Haji in 1967 in Malaysia as an Islamic investment company, and *musharakah* and *mudarabah* based partnerships in Pakistan and other regions in the 1950s and 1960s (El-Ashker and Wilson 2006; Asutay 2007b). These experiments did not essentialise capital movements but instead focused on societal empowerment through piety.

Coupled with initial theoretical aspirations, the opportunity was created with a large amount of oil revenue termed 'petro-dollars' in the Gulf Cooperation Council (GCC) region. Since the oil embargo decision brought an opportunity to resolve the accumulation crisis of Muslim countries in the region, the number of Islamic banks proliferated and dispersed significantly in a few decades (Warde 2000, pp. 73–90). The objective was to authenticate alternative modes of financing after the first commercial Islamic bank in 1975, representing the second institutional form that has dominated the sector since then.

Institutionalising Islamic banking is expected to maintain economic activities in an Islamically driven industry wherein trading in real assets is prioritised against artificial financial products, and a *Shari'ah* governance structure is employed in the corporate governance system to ensure *Shari'ah* compliance. However, rather than an authentic Islamic model of the economy, a simplified version of Islamisation was opted as a strategy to operate within the capital definition of the capitalist hegemony by taking the conventional banking logic. This facilitated the grafting of Islamic finance into the hegemonic capitalist system, as the market economy could only tolerate such a version of Islamic finance. Through such a convergence process, the system search and developing counter-hegemonic ideals was given up, through which Islamic finance has accepted the 'surrogate' nature of the existing capitalist system (Asutay 2007b, 2019a, 2019b). Scholars from the first generation of Islamic economics, amidst these developments, brought strong criticism against the hybridity and mimicry that Islamic finance caused (see: Chapra 1993; Ahmad 2000; Siddiqi 2006; As-Sadr 2009; Naqvi 2015). However, the second generation after the 1990s approached the grafting process from the popular argument of Islamisation of knowledge (see Çizakça 1996; Mirakhor 2007; Askari *et al.* 2015). Instead of envisaging Islamic economics as a normative science that locates it under the classical political economy, these scholars claimed the possibility of Islamic economics as a variant of neoclassical economics. By doing so, building an authentic 'system' of Islamic economy was debated within the frontiers of the neoclassical theory of market economies. As a response, therefore, we see the emergence of burgeoning empirical Islamic finance publications, including in leading journals, which remain away from the normative debate by accepting the neoclassical definition of financial management. Therefore, a new attempt is developed to constitute Islamic economics in an authentic form as an Islamic moral political economy being the counter-hegemony to ensure justice and *ihsan*-based IME beyond capital movement so that rescuing of all the stakeholders can be possible (see Asutay 2007a, 2007b, 2019a, 2019b)

After the triumph of the Islamisation process on the methodology of Islamic economics, however, the financialisation nature of the market system was fully incorporated into the Islamic finance sector, which transformed the nature of finance as an everyday practice into something with which substantial changes in the goal of economic activities accompanied. Lai *et al.* (2017) argue that Islamic finance has aspired to integrate into global finance rather than developing a completely different financial system beyond the capitalist paradigm. Therefore, it 'is better understood as a 'grafted' outcome that embodies ideas and practices from both 'conventional' finance and Islam, rather than as an alternative – or parallel – economy' (Lai *et al.* 2017: 965). In this grafting, the market conditions have become the primary motivation for replacing the process and consequences of the Islamic ontology (see Sencal and Asutay 2019, 2021).

Assessing the financialisation of islamic finance

The failure of Islamic finance to generate transformational achievement remained an aspiration so far, as the entire objective function has shifted to transactional development with the objective of

Table 1. Global Islamic Finance by Sector and Region (USD billion) (2022).

Region	Islamic Banking Assets	*Sukuk* Outstanding	Islamic Funds Assets	*Takaful* Contributions	Total	Share %
Gulf Cooperation Council (GCC)	1,342.9	356.6	24.1	16.7	1,740.4	53.6
South-East Asia (SEA)	307.2	411.4	32.8	6.0	757.4	23.3
Middle East and South Asia	478.3	57.8	62.9	5.9	604.9	18.6
Africa	49.6	2.9	1.9	0.8	55.2	1.7
Others	71.2	1.0	14.9	0.6	87.7	2.7
Total	2,249.2	829.7	136.6	30.0	3,245.5	100.0
Share %	69.3	25.6	4.2	0.9	100	

Source: Islamic Financial Services Stability Report, 2023 (2023: 11).

capital accumulation as a subaltern response to Weber's claim that Islam cannot generate capital. Thus, as shown in Table 1, Islamic finance's gradual and steady expansion over most regions of the Muslim world coincides with the significant rise of global financial markets. As a result, the sector has experienced substantial and unprecedented growth in recent years. Currently, more than 500 Islamic banking and finance institutions are operating worldwide, including in main global financial centres, with assets of USD 3.245 trillion in 2022 (IFSB 2023, p. 11), while the asset size was only USD 10 billion in 1985 (Asutay 2015).

While the global Islamic finance industry taps into different parts of the world, its integration and spread into regional and national economies is also remarkable. As depicted in Table 1, Islamic finance is now operating in more than 60 countries, and the Islamic financial capital is dispersed around the world heavily from the GCC countries, which hold 53.6 per cent of all global Islamic financial assets. The rest of the Islamic financial capital is dispersed from Southeast Asia -mainly Malaysia, the industry leader- with a 14 per cent share (IFSB 2023).

In terms of assets, Islamic banks now have significant domestic market shares in most countries: Saudi Arabia 74.9 per cent, Brunei 66.2 per cent, Kuwait 51 per cent, Malaysia 31 per cent, Qatar 28.6 per cent, Bangladesh 25.8 per cent, Djibouti 25 per cent, UAE 22.7 per cent, Pakistan 20.2 per cent, Jordan 17.8 per cent, Bahrain 16.1 per cent, Palestine 17.4 per cent, Oman 16.6 per cent, while the share of Islamic banking in the largest Muslim economies such as Indonesia and Turkey was disappointingly 7.1 per cent and 8.3 per cent, respectively despite the observed political push (IFSB 2023, p. 23).

The Islamic financial markets have been expanding with the emergence and development of *sukuk* markets, an Islamic debt instrument known as Islamic bonds that resembles conventional securitisation. As reported by IFSB (2023, p. 26), the development trajectory of the *sukuk* market has demonstrated a remarkable expansion: the total *sukuk* issuance from 2001 to 2008 was USD141 billion, which increased to an annual amount of USD 188 billion in 2021. Thus, the *sukuk* market also significantly contributes to the grafting process of expanding financialisation into the Islamic finance sphere. As Islamic and global investment banks collaborate to securitise project finance receivables in the form of *sukuk*, the issued *sukuk* are sold over-the-counter markets between financial institutions or stock exchanges (Bassens 2012, p. 346). The complex and expansionist nature of the securitisation process creates an institutional network that ties Islamic finance to the global financial system and, therefore, variegate the ways to increase finance capital. Due to its conventional-like financial instruments, Islamic finance incorporates Islamic financial capital, especially in the GCC countries, Indonesia, Malaysia, and Turkey, into the global capital flow.

Despite its transactional success, Islamic finance is subject to unceasing criticisms due to a sharp divergence between its aspirations and the realities in the last fifty years (Khan 1984; El-Gamal 2009; Zaman and Asutay 2009; Asutay 2012; Mohamad and Saravanamuttu 2015). Although these criticisms are associated with the gradual convergence of Islamic finance towards the capitalist market system, it is also essential to see the correlating link between the rise of Islamic finance and the global ascent of financialisation.

Financialisation process in islamic finance

The convergence process of Islamic finance into global finance during the rise of financialisation has been made easy by finance capital. This process was carried out mainly by the religious, corporate elites, known as *Shari'ah* scholars, who sit at the *Shari'ah* boards of Islamic banks and decide over the *Shari'ah* compliance of Islamic financial products and transactions (Gözübüyük *et al.* 2020). These scholars have a role in the gatekeeping of Islamic financial circuits since they establish connections between Islamic financial hubs (Bassens *et al.* 2012, p. 352) to ensure the expectation of markets to be delivered. In addition, they provide legitimacy to the hybrid financial instruments developed by Islamic banks (Sencal and Asutay 2021). Another critical role of *Shari'ah* elites is grafting Islamic financial instruments in line with the market requirements. While *sukuk* traded in London has to comply with English common law, it is also subject to Islamic law through the decision of *Shari'ah* scholars. Therefore, the *Shari'ah* elites play a critical role in sustaining the cosmopolitan legalities in bridging Islamic religious codes with conventional legal codes (Pollard and Samers 2013, p. 722).

In examining the process of financialisation, Malaysia can be an excellent example of being the leading country in the development of global Islamic finance. Rethel (2010), in reflecting on the trajectory of Islamic financial development in Malaysia, associates the rise of Malaysian Islamic finance with the financialisation of the Malaysian economy. Malaysian capitalism has been sophisticatedly evolving into the financialisation stage by developing Islamic capital markets and financing patterns – both conventional and Islamic – by engendering a new politics of debt. This caused a sharp transformation in the financial relationships, which ushered in the emergence of financialisation embedded in local structures and institutions (Rethel 2010, p. 503). The previously state-led investment activities, amid this development, started to give way to quasi-market capitalist initiatives through the dominance of financial investment, resulting in pre-mature industrialisation. Islamic finance, hence, has played an intermediary role in facilitating neoliberal financialisation's state-led and market-pushed objectives (Rethel 2010: 503).

Regarding the role of Islamic finance in Malaysian financialisation, Rudnyckyj (2013, 2017) critically examines the recent developments in the Malaysian economy and associates them with global neoliberal policies. Accordingly, the growth of Islamic finance in Malaysia was first projected in the 1980s to create a Muslim middle class by envisaging the formation of a new identity (Rudnyckyj 2017, p. 279). By doing so, financial inclusion policies accompanied by integrating Bumiputras (indigenous Malays) into the national economy whereby the Malaysian state has facilitated 'the shift from financial inclusion to the construction of new Muslim entrepreneurship in the 2000s' (Rudnyckyj 2017: 274). This process predicates the neoliberal values embedded in the financial sector through heavy reliance on the debt-based instruments of Islamic finance and its justification by the participants of the Islamic finance sector, including the *Shari'ah* scholars. This process elicited a new form of Islamically designed market reason and economic rationality in the minds of Muslim Malaysian entrepreneurs (Rudnyckyj 2014:110). As explained, Malaysia's financialisation process has taken over Islamic finance, which is closely linked with the political aspirations of the Malaysian state to create and operate within neoliberal Islam.

The analysis below on the nature of Islamic banking performance demonstrates that the observed divergence from Islamic to market norms through heavy debt creation nature of Islamic finance is not limited to Malaysia, but financialisation has become the nature of Islamic finance in every jurisdiction. Therefore, Islamic finance is welcomed in every financial market despite its Islamic pre-fix because it is treated as a hybrid product of the conventional system.

Exploring the financialisation of islamic finance through capital accumulation theory

The debate around the political economy of Islamic finance shows that the internal dynamics and the global financial atmosphere have been reconfigured to accept Islamic finance as a variegated finance capital despite its excess of being *Shari'ah* compliant. As observed, the approaches in the relevant literature do not limit themselves to a particular theory of financialisation, such as post-Keynesian, Marxist, or mainstream. Instead, these approaches reject the single form of financialisation for emerging markets, especially in the case of Islamic financial markets.

Falling under the functional category, exploring Islamic finance's financialisation from the capital accumulation perspective explains the trajectories of Islamic finance in the GCC region, wherein Islamic finance has the highest share regionally. Accordingly, Hanieh (Hanieh 2020a, p. 540) argues that as Islamic finance expands globally, new financial actors and accumulation zones emerge outside the West. The concentration of finance capital in the GCC region through Islamic finance and sovereign wealth funds is evidence of the internationalisation of capital groups (Qanas and Sawyer 2022).

As depicted in Table 2, the capital groups from the GCC region permeated through their Islamic financial investments in different regions, including the Middle East, Africa, and Asia. The capital accumulated in the hands of the local elites then flows towards the Western financial centres through Special Purpose Vehicles (SPVs), which are established by Islamic finance institutions due to the legal requirements. Since fund transfer in most Islamic financial contracts is made through SPVs, the entire flow of Islamic financial capital is organised by the SPVs, located in offshore financial jurisdictions like London, Dublin, and Luxemburg (Hanieh 2020a, p. 540).

The internationalisation of Islamic financial capital reflects the variegated nature of global finance. Since the 'varieties of capitalism approach' negates the unitary and victorious capitalism narrative and instead suggests multiple capitalisms – such as comparative capitalism and liberal capitalism- in different nations with their various modes and regimes (Peck and Theodore 2007), Islamic finance similarly performs as an extension and a new dimension of variegated capitalism. This process is maintained through a nexus of privileged group relations that possess privately controlled finance capital in the GCC, which has a growing hegemony over Islamic financial capital (Hanieh 2020b, p. 573). The Islamic finance conglomerates hold the hegemony over Islamic banking activities but also incorporate other non-financial sectors, such as real estate, infrastructure, and tourism, which have a direct linkage with Islamic banking, into the accumulation process of the Gulf finance capital. The interlinkage between Islamic banking and non-financial sectors creates 'a property-finance nexus' (Buckley and Hanieh 2014), which suggests the liquification of real estate by financial markets through the securitisation of rent and mortgage income streams (Hanieh 2020b, p. 581). While the securitised assets are bought and sold on stock markets, the securitisation process also creates a rising household debt.

Table 2. Global Weight of Islamic Bank Assets.

	Islamic bank assets as a percentage of total bank assets (%)	Proportion of Islamic bank assets held by GCC-related banks (%)
Sudan	100	40
Brunei	61.8	100
Malaysia	25	9
Bangladesh	20	35
Djibouti	19	100
Jordan	16	80
Pakistan	13	79
Egypt	9	100
Indonesia	5	30
Turkey	5	90
Tunisia	5	35
Senegal	5	100
Bosnia and Herzegovina	3.6	100
Kazakhstan	1	60

Source: Hanieh (2020a: 534).

An analytical examination of the financialisation of islamic banks

To explore and locate the financialisation of Islamic finance, this study adopts Krippner's approach. The distinction between productive economy and financialised economy emphasised in Krippner's words, however, cannot directly be applied to the operations of Islamic banks since, in a formal sense, every Islamic financial transaction is backed by an underlying asset. Therefore, it may seem that all Islamic banking activities contribute to real economic activities and have nothing to do with financialisation.

Nevertheless, a closer look at the sectors under which Islamic banks are financing and their strong links with the financial markets unearth another fact. Since most Islamic banking instruments are developed to integrate into modern financial instruments, they aim primarily to adapt to the needs of the credit economy and hence contribute to the debt-based global financial environment. For instance, an Islamic bond or *sukuk* market offers an alternative to conventional bonds and securitisation. However, the underlying asset during the process of *sukuk* mostly has a symbolic meaning and hence has a limited contribution to the productive economy.

As emphasised earlier, financialisation is seen as the latest form of disembedded market economy, and assets used to trade in the real economy through Islamic finance are transformed into financial assets. During this process, profits accrue primarily in the financial sphere through Islamic securitisation, commodity *murabahah* (mark-up price-based fixed income product) and organised *tawarruq* (combined contract based on deferred payment-based commodity purchase is sold by the buyer immediately for spot payment). In this sense, Krippner's emphasis on the significance of financial profits is evident in the allocation of profits within the Islamic banking industry.

An analytical evaluation of the fields that the industry has been financing in the last two decades demonstrates the degree of financialisation in Islamic finance. The trajectory of financing distribution shown in Figure 1 evidences another aspect of the divergence of Islamic finance in its aspirational form. Since the real economy and productive-oriented authentic principles are given up for financial and rentier gains under the grafting process imposed by the market economy, it leads to further financialisation.

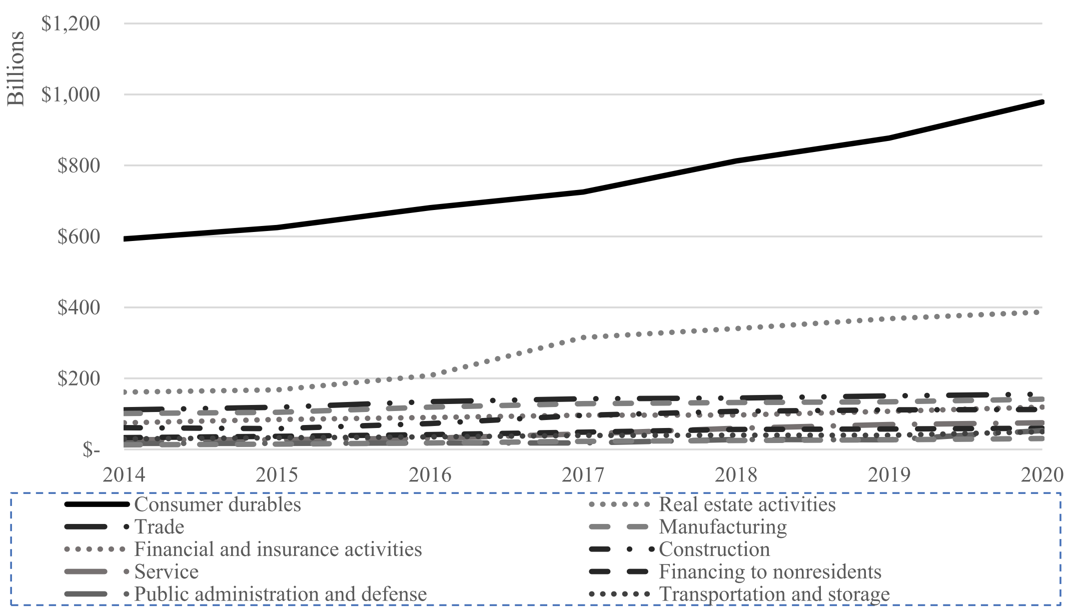

Figure 1. Financing by Sector, All Sectors, Islamic Banks Global, 2014-20 (in USD billion). Data Source: Islamic Financial Services Board (IFSB), Prudential and Structural Islamic Financial Indicators (PSIFIs) database.

Figure 1 illustrates the distribution of sectors that global Islamic banks[2] financed between 2014 and 2020. Amongst the sectors[3] that Islamic banks are financing, 'construction', 'financial and insurance activities', 'real estate activities', and 'other financing of households' are assumed to appear in the financial sphere. However, there can be some controversies on consumer durables and their use as a measure of financialisation, for consumer durables can alternatively be thought to help expand aggregate demand and hence contribute to the real economy. Yet, most consumer durables are provided through consumer credits, which strengthen the role of financial markets, as indicated by Lapavitsas's (2013) thesis, which argues that workers are involved in the process of financialisation by channelling their wages and salaries into the financial system through having micro credits and bank credits for their consumption needs. Similarly, the argument of consumer credit accelerating financialisation is also iterated by Watkins (2017:110) with his supporting evidence from real-world experiences.

Financing the other sectors, where 'agriculture', 'manufacturing' and 'trading' have large shares, is assumed to contribute to the productive economy. It is evident that the total financing of Islamic banks has been gradually directed towards the financialised sectors over the years. However, the IME's theoretical position expects financing to be directed towards the real economy and development purposes. Thus, the sectoral distribution of financing provides the initial evidence for the social failure or the deviation from the aspirations of Islamic banking and its convergence with financialisation under the hegemony of the capitalist economy.

The increasing gap between the financial sector and real sector-related financing by Islamic banks, as depicted in Figure 2, confirms the rise of the financial sector at the expense of a sharp decline in the financing of the real economy, which also evidences Krippner's approach by showing a shift in the concentration of Islamic financing towards financial channels.

The gap between the financial and productive economy gives some important implications about the convergence of Islamic banks in recent decades towards financialisation. It is apparent in Figure 1 that the primary sectors that attract substantial financing from Islamic banks are the ones behind the financialisation of Islamic banks, which are consumer durables and real estate activities, both of which doubled between the specified periods. The significance of consumer durables stems from the heavy use of debt-based instruments like *murabahah* and organised *tawarruq* to finance demand induced by neoliberalism towards increased consumption, leading to sustained 'indebted

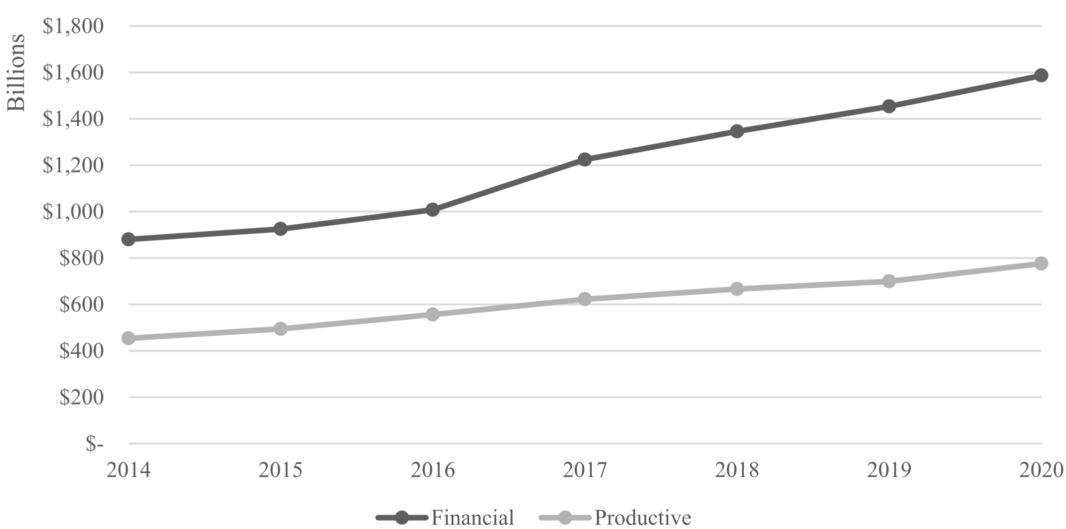

Figure 2. Financing by Sectors, Productive and Financial, Islamic Banks Global, 2014-20 (in USD billion). Data Source: Islamic Financial Services Board (IFSB), Prudential and Structural Islamic Financial Indicators (PSIFIs) database.

people'. Financing real estate activities as the second-largest sector can be explained by the property-finance nexus observed in most emerging countries as a source of speculation and part of 'the creation of indebted people'. As explained above, Islamic finance's theoretical and normative base suggests eliminating the debt-based economy and controlling the excessive consumption of resources.

While trade, manufacturing, financial and insurance activities, and construction do not change significantly over the years and hence remain with a steady trend of USD 200 billion approximately, a close view of the rest of the sectors and their growth, given in Figure 3, reveals a concentration between USD 0–200 billion. Thus, the majority financing of Islamic banks goes to the sectors that are not necessarily productive as opposed to the expectations.

A similar trend is observed when the weight of Islamic modes of financing over the years is illustrated in Figure 4.[4] The figure confirms that *murabahah* and organised *tawarruq*, as debt-based instruments, are the most prominent modes of financing by Islamic banks. Therefore, they function primarily to finance consumer durables, as the sizes of '*murabahah* financing' and 'financing consumer durables' over the years have demonstrated parallel trajectory. Thus, rather than PLS and risk-sharing-oriented participatory financing, debt-based instruments have become dominant due to their fit to financialisation imposed by the market logic. It is evident from the second-largest lines in Figure 4 and Figure 5 that real estate activities are financed mainly through *ijarah* or leasing financing, which is used in the *sukuk* operations in the real estate market.

Despite participation-based long-run financing contracts, such as *mudarabah*, *musharakah*, *salaam* and *istisna,* are ready to invest in fulfilling PLS and the risk-sharing nature of Islamic finance, *murabahah* and *ijarah* contracts, and recently *tawarruq* is adopted as short-term and relatively less risky modes of financing, as they do not share risk but instead shift the risk to the customer. With this, Islamic banks derived relatively higher profits through involving short-term debt-based financing alternatives (such as *murabahah* and *tawarruq*), and hence avoid the burden of participatory contracts, as they are primarily for long-run project financing and embrace various financial risks, albeit their return is proportionally high and stimulate real sector and productivity.

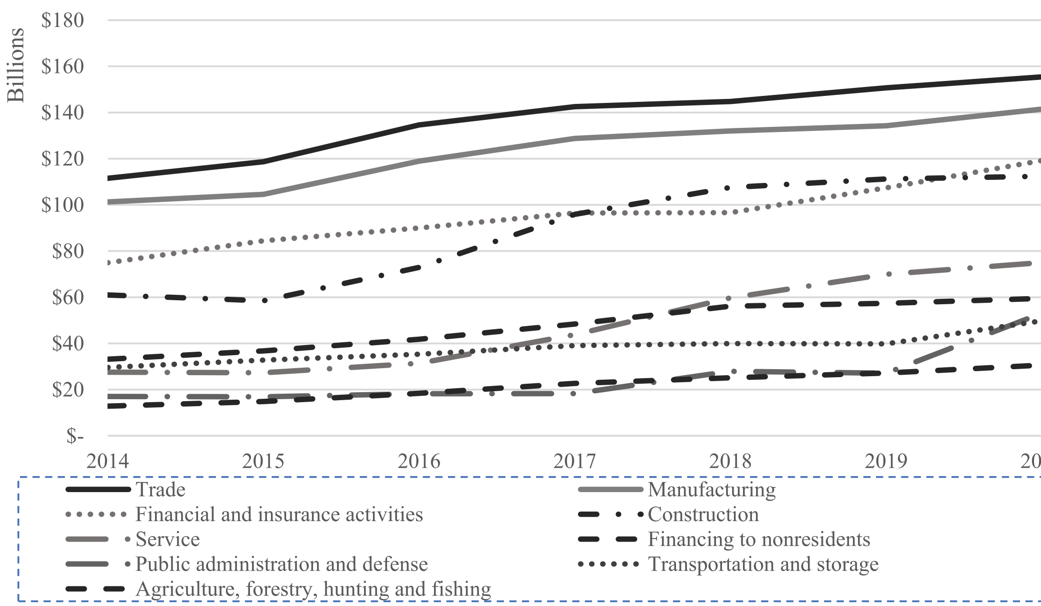

Figure 3. Financing by Sector, All Sectors excluding Consumer Durables and Real Estate Activities, Islamic Banks Global, 2014-20 (in USD billion). Data Source: Islamic Financial Services Board (IFSB), Prudential and Structural Islamic Financial Indicators (PSIFIs) database.

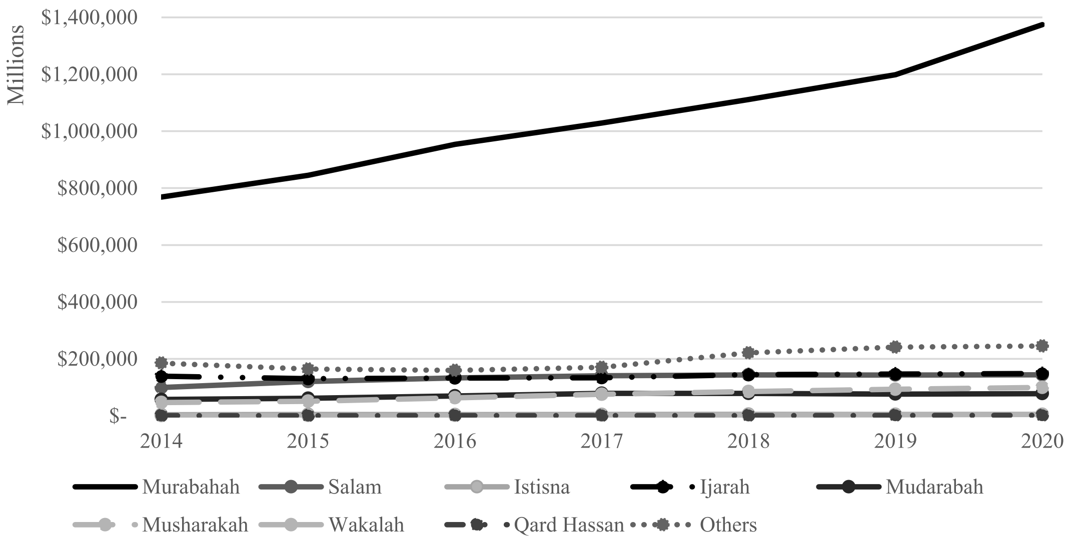

Figure 4. Islamic Modes of Finance by Islamic Banks, Global, 2014-20 (in USD million). Data Source: Islamic Financial Services Board (IFSB), Prudential and Structural Islamic Financial Indicators (PSIFIs) database.

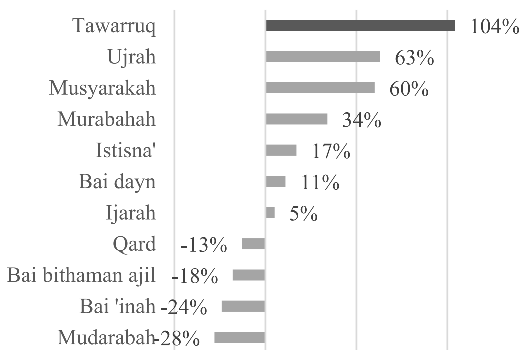

Figure 5. Change in the Distribution of Islamic Financing Instruments in Malaysia (2014-16). Source: Financial Stability Review 2017, Bank Negara Malaysia

Since the Malaysian Islamic finance sector is the most sophisticated market, examining its progress demonstrates the financialisation process. As shown in Table 3, debt-based instruments are the primary instruments used in financing lines by Malaysian Islamic banks. In particular, the share of organised *tawarruq* was 22 per cent of the total financing by Islamic banks in 2016, which increased to 46 per cent in 2019. As seen in 2019, due to the dramatically increased use of *tawarruq*, some traditional Islamic financing modes nearly disappeared in favour of increased debt-based instruments, indicating financialisation. As shown in Figure 5, the share of *tawarruq* in the Malaysian Islamic banking sector demonstrated a 104 per cent increase between 2014 and 2016, an extreme debt-based instrument among the Islamic offerings.

The case with organised *tawarruq* is critical regarding the strength of financialisation experienced within Islamic finance. Due to its extreme debt nature through agencies, the Islamic *Fiqh* Academy, a multilateral institution issuing a *fatwa* on everyday issues, declared organised *tawarruq* non-*Shari'ah* compliant in 2009 (Sencal and Asutay 2019, 2021). However, under market pressure, most Islamic banks, particularly Malaysian ones (as in Figure 5), heavily use organised *tawarruq* through the

Table 3. Distribution of Islamic Finance Instruments used in Malaysia.

2016		2019	
Contracts	Percentage	Contracts	Percentage
Tawarruq	22	*Tawarruq*	46
Murabahah	19	*Murabahah*	17
Ijarah	18	*Ijarah*	12
Bai bithaman	12	*Musharakah*	8
Musharakah	9	Others	17
Bai'inah	7		
Others	13		
Source: Financial Stability Review 2017, Bank Negara Malaysia		Source: Financial Stability Review 2019, Bank Negara Malaysia	

Shari'ah approval provided by their individual *Shari'ah* boards and, in some cases, by the national *Shari'ah* boards. Thus, despite the Islamic *Fiqh* Academy's ruling representing the global Muslim world, individual *Shari'ah* boards at Islamic banks have defied the decision due to the pressure from the market conditions for efficiency, short-termism, less risky nature and profit maximisation motive. This shows that Islamic morality is instrumentalised for the sake of market pressure and capital gains, leading to the expansion of debt-based financing through financialisation, resulting in dis-embeddedness as opposed to the aspirations of IME. This explicitly demonstrates the contestation between Islamic logic and market logic, which has resulted in the triumph of market logic at the hands of the supposed defenders of Islamic norms, namely the *Shari'ah* scholars.

The experience, expansion, diffusion and performance of Islamic finance so far is a clear indication of disembeddedness from the value system of Islam, while cognitive construct through the Islamic norm aimed at developing an embedded system of economy in Polanyian (1944) sense in which finance was considered working towards the goals of the society as in Shiller's (2013) 'good society' and Chapra's (2000) 'goals orientation'.

Conclusion

Theoretical debates in the Muslim world during the decolonisation period concerned the need for an Islamic financing system that should ideally emerge as a bottom-up demand from society to meet the financial needs under a simple but functional role of 'financing' within the conventional sphere. The initial aspirations directly show concern for constructing an IME-authenticated Islamic financing system that is subservient to fulfilling individual and societal needs, which was expected to develop a countermovement against the neoliberal logic of financialisation to avoid the ills of the financial system. Nevertheless, due to the prevailing financialisation stream in the 1980s, Islamic finance could not position itself with an IME understanding and has always shined out as an alternative market segment within the global financial system. Thus, developments in the global economy have strongly influenced its emergence and development in the last century, and financialisation has played a significant role in shaping the operations of the Islamic finance industry. Its gradual divergence from the IME philosophy is elucidated through the Muslim world's historical facts and conditions surrounded by a new regulation of the world financial system in the twentieth century.

The discussion implies that the Islamic financial sphere, not different from the conventional design, failed to evade the dominance of finance capital and lost its position as an instrument to contribute to social good in an embedded manner. Even worse, Islamic banking seems to be serving the proliferation of capital by creating tension with other stakeholders such as humans, labour, and land, while IME emerged to rescue these from the chain of capitalism so that capital hegemony could be overcome for the sustainability of equilibrium as Islamic cognitive system suggests.

The financialisation that Islamic finance is exposed to and contributes to, however, should be located under the peripheral or subordinated financialisation (see Santos *et al.* 2018; Martínez and Borsari 2022) since the presence and share of Islamic finance within the local financial system in advanced countries is almost insignificant. Thus, the financialisation of Islamic finance is observed only in developing economies, which remain peripheral to advanced economies. This implies that financialisation is not only experienced in rich countries but also in developing countries through variegated forms (Reis and De Oliveira 2023). If we use Karwowski's (2020) conceptualisation, the financialisation of Islamic finance is a version of 'variegated financialisation' in emerging economies.

In great contrast with the financialisation logic, IME suggests embedded economic structure with equity based business models which aims at discouraging debt based economic activity, as Islam negates the creation of indebted human beings for it undermines human dignity. However, in modern Islamic finance, financing is no longer an ordinary instrument to fulfil everyday necessities, but it leads to creating a temptation to continuously search for financial ways to sustain the excessive demand of individuals by leading to indebted Muslims with infinite desire for consumption. Moreover, the financial inclusion discourse as part of financialisation contributes further to the creation of indebted individuals even by bringing the traditional Islamic social welfare institutions such as *awqaf* (pious foundations) and *zakat* (the compulsory almsgiving after certain income or wealth level) into the financialised sphere under the name of 'Islamic social finance' (Retsikas 2020; Kuanova *et al.* 2021). While the term 'Islamic economics' through Islamisation brought 'economics objectives' into the Islamic sphere, 'Islamic social finance', as a term, undermines the 'Islamic social welfare institutions' by pulling into the financial sphere as the new expansionary stage of finance capital-Islamic finance.

Since Islamic finance was not initially envisaged as a market-driven industry, it was theoretically designed to align its objectives with society's moral norms and values, resulting in an embedded alternative. However, unlike the theoretical expectations, social goals and embeddedness have been given up for the financialisation of Islamic finance over time. This transformation is related to expanding financial relations under the hegemonic nature of variegated capitalism in Muslim societies. In addition, political struggles and power relations played a significant role in resisting the development of authentic political, social, and economic institutions in the Muslim world (El-Ashker and Wilson 2006).

The experience of Islamic finance shows that, on the one hand, the constituents and contenders in Islamic finance, including the *Shari'ah* scholar who are expected to hold Islamic aspirations high, demonstrate a propensity to capital accumulation within shareholder value maximisation in an attempt to respond to the Weberian curse; on the other hand, through domestic and international laws, regulations and standards, Islamic finance has been subjected to a grafting process to adapt and adopt capitalist institutional logic as opposed to Islamic institutional logic with an additional *Shari'ah* compliance process. Thus, voluntary (the former case) and involuntary (the latter case) moves in Islamic finance have produced Islamic finance's financialisation and helped give up its aspirational and theoretical position of being an embedded financing proposition and a counter-hegemonic alternative.

In conclusion, Islamic finance, so far, has hardly resisted the neoliberal logic of financialisation as a religiously motivated financial system. While the Islamic economics movement aimed for a historic block in the Gramscian sense to create a Polanyian-embedded economy, Islamic finance ended up with the Islamisation of capitalist practices. Thus, 'from aiming to reach heaven's gates, but ending up with Wall Street' (Asutay 2022) should summarise Islamic finance's financialisation process and consequences concerning its authentic aspirations.

Notes

1. Modern Islamic finance includes the following instruments and business models: *Fixed income of exchange/sale* contracts in the form of debt-based financing or deferred trading contracts include *murabahah* (cost plus or price deferred sale), *salam* (object deferred sale), *istisna'* (constructing or making); and *tawarruq* (combined contract based on deferred payment-based commodity purchase which is sold by the buyer immediately for spot payment). *Partnership* in the form of equity-based financing includes *musharakah* (partnership) and *mudarabah*

(entrepreneurship). *Usufruct* based contracts includes *ijarah* (lease) and *qard hassan* (benevolent loan). *Sukuk* in a simple sense are the Islamic bonds. For further explanation see: Ayub (2007) and Asutay (2015).

2. All figures in this paper are constructed based on the siees of Islamic banks from selected countries, which amounts 72,4 per cent of global Islamic bank assets. The selected countries and their shares in the global Islamic banking assets are Bahrain (3.5 per cent), Bangladesh (2.3per cent), Indonesia (2.1per cent), Jordan (0.7 per cent), Kuwait (6 per cent), Malaysia (11.4per cent), Oman (0.7 per cent), Pakistan (1.3per cent), Palestine (0.2 per cent), Qatar (6.5 per cent), Saudi Arabia (28.5per cent), and the UAE (9.2per cent). While Iran has a significant weight in the distribution of global Islamic banking assets with a share of 22,1per cent based on the IFSB 2021 Report, we exclude it from our sample due to the different nature and operations of Islamic banks therein. Additionally, some countries are also excluded because of data access problems. Thus, the figures are constructed according to the 72.4 per cent of global Islamic bank assets.
3. FSB reports these sectors as follows: (a) agriculture, forestry, hunting and fishing; (b) mining and quarrying; (c) manufacturing; (d) electricity, gas, steam and air-conditioning supply; (e) water supply; sewerage and waste management; (f) construction; (g) wholesale and retail trade; repair of motor vehicles and motorcycles; (h) transportation and storage; (i) accommodation and food service activities; (j) information and communication; (k) financial and insurance activities; (l) real estate activities; (m) professional, scientific and technical activities; (n) administrative and support service activities; (o) public administration and defense; compulsory social security; (p) education; (q) human health and social work activities; (r) arts, entertainment and recreation; (s) other service activities (export); (t) activities of households as employers; (t*) other financing of households; (u) activities of extraterritorial organisations and bodies; (u*) financing to nonresidents.
4. The data on Islamic modes of finance in Bahrain and Qatar is not disclosed by the PSIFIs database and due to this, Figure 2 and Figure 3 represent 62.4 per cent share of all Islamic banking assets worldwide.

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No potential conflict of interest was reported by the author(s).

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