
Mechanisms of supportive institutions in the development of the Islamic financial industry

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Abstract:

The Islamic finance sector is considered an essential tool for mobilizing resources in the present time by providing necessary cash liquidity for investment and development, thus generating profits and revenues for its owners.

In order to integrate this financial tool into the economy, it is necessary to provide the appropriate environment for its success and development. This involves leveraging supportive organizations to foster the growth of Islamic finance.

The study concluded that it is possible to benefit from these institutions to develop the Islamic financial industry, through coordination between them to provide an integrated environment to ensure its effectiveness, as well as the development of laws and supervisory and regulatory bodies for this industry, which will qualify it to play its role as a tool for growth in the service of the economy.

Keywords: supporting institutions, Islamic financial industry, Islamic finance products, Islamic bank

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1. Introduction:

The Islamic financial industry is considered one of the most important tools for mobilizing resources at the present time, by providing the necessary liquidity for investment and development. It generates profits and returns for its owners.

Therefore, in order to develop this industry, it is necessary to seek the help of supportive institutions that contribute to providing the appropriate environment for its development and success. Among these institutions we find:

- Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI),
- General Council for Islamic Banks and Financial Institutions (CIBAFI),
- Islamic Financial Services Board (IFSB),
- International Islamic Financial Market (IIFM),
- International Islamic Center for Reconciliation and Arbitration (IICRA),
- Liquidity Management Center (LMC),
- Islamic International Rating Agency (IIRA).

Based on the above, the main problem of this study can be put forward and formulated as follows:

What are the mechanisms of supportive institutions in the development of the Islamic financial industry?

In light of this problem, the research was divided into the following axes:

- Theoretical framework of the Islamic financial industry.
- Institutions supporting the Islamic financial industry.
- Mechanisms of institutions supporting the development of the Islamic financial industry.

2. The theoretical framework of the Islamic financial industry

2.1. The Islamic financial industry concept:

- **Define it as:** all activities and operations based on the formulation and innovation of financing instruments based on the controls of Islamic law, and this is either by manufacturing new financing instruments or legitimizing old financing instruments, with the aim of finding solutions to financing problems. (عياشي، 2018، صفحة 4).
- It refers to a set of activities that encompass the design, development, and implementation of innovative financial instruments and processes, as well as the formulation of creative solutions to financing problems. All these operations adhere to the guidelines outlined within the framework of Good Law (Benfreiha , nessah , & chibani, 2022).
- It involves innovating financial solutions, drawing from elements of innovation and creativity. These solutions address existing needs or leverage untapped opportunities or resources. Being financial in nature

specifies the domain of innovation within economic activities, encompassing both exchange and financing. (السويلم, 2004, p. 05).

From the foregoing, it can be said that the concepts of the Islamic financial industry are numerous, but they do not differ in their content from **being innovation and development of new financial products, in addition to finding innovative solutions to the problems encountered in this industry.**

2.2. Islamic financial industry institutions:

Islamic financial institutions vary according to their objectives, activities and operations, and they can be presented as follows:

2.2.1. Islamic banks:

An Islamic bank is a financial institution explicitly dedicated to adhering to the principles of Islamic Shariah, strictly prohibiting the receipt and payment of interest across all its operations as per its defined status, rules, and procedures (Ali & Sarkar, 1995), and what distinguishes them is that, in addition to their profit goals, they contribute to achieving economic and social development.

2.2.2. Islamic windows:

The IFSB¹ defines it as “part of a conventional financial institution (which may be a branch or dedicated unit of that institution) that provides both fund management (investment accounts) and financing and investment that are Shari`ah-compliant. In principle, these windows are potentially self-contained in terms of Shari`ah-compliant financial intermediation, as the funds managed will be invested in Shari`ahcompliant assets” (ISLAMIC FINANCIAL SERVICES BOARD, December 2007, p. 12).

2.2.3. Takaful insurance companies:

It can be defined as an institution that manages Takaful insurance funds for a fee. As for the fund, it is a container for people who are exposed to similar risks. They pay subscriptions to the fund, which is financially independent from the company that manages it. The insured risks, and the company can invest the funds of this fund after the approval of the shareholders in Transaction for a share of Gains in its capacity as a paid agent or speculator.

2.2.4. Islamic investment funds:

It refers to a collective fund where investors contribute their excess capital for investment, aiming to generate lawful profits in complete adherence to the principles of Islamic Shariah (Mufti Taqi).

¹ Islamic Financial Services Board

2.2.5. Islamic financial markets:

Defined as: "the framework or field through which cash surpluses are transferred from the input units wishing to utilize non-interest-bearing savings for their savings, to the investing units looking for non-interest financing for their projects(10 صفحة، 2014، كتاف).

2.2.6. Non-profit Islamic financial institutions:

- **Zakat Institutions:** They are financial institutions specialized in collecting zakat funds from those who are legally required to pay them, and distributing them to those who are entitled to it.
- **Endowment Institutions:** They are institutions specialized in the management of endowment properties that are converted into permanent symbiotic resources that allocate their benefits in terms of goods, services and revenues to meet the needs of the various beneficiaries and groups, which contributes to increasing the productive capacities necessary for the formation and growth of the symbiotic charitable sector (صالحي، 2005، صفحة 160).

2.3. Products of the Islamic financial industry:

2.3.1. Islamic Sukuk:

Referred to as: Papers of identical value when issued that can be negotiated and indivisible, representing Ordinary shares in the Property of real estate, Gains, facilities, or the assets of a specific project or Privately funded undertaking (يونس، 2016، صفحة 21).

2.3.2. Islamic financial derivatives:

Financial derivatives are sub-contracts that build or derive their value from basic contracts for investment tools, securities, commodities...etc., to create derivative investment tools from these sub-contracts و عتروس (عتروس، 2015، صفحة 89).

From the foregoing, it can be said that Islamic financial derivatives are those financial derivatives that do not conflict with the provisions of Islamic law, and we can mention among them: Parallel Salam, Parallel Istisna...

2.3.3. New financing products:

- **Banking tawarruq:**(بوزيد، 2022، صفحة 101) It means owning assets for a deferred price, then selling them for an immediate price to someone other than the one from whom you bought them, and the aim is to obtain cash liquidity.
- **The described lease:**(العمراني، 2011، صفحة 70) These are those contracts that respond to a benefit related to the duty of the lessor, such as renting an animal or a car with specific descriptions to deliver it to a specific place or a specific period, or to perform work.
- **Dedicated investment certificates:**(عياشي، 2018، صفحة 57) In order to find an alternative to negotiable certificates of deposit, the Islamic Development Bank issued investment certificates dedicated to financing the

trade of Islamic countries, provided that the bank manages the portfolio as a speculator, and that it is committed to implementing investment operations in a manner that does not contradict the provisions of Islamic law.

2.3.4. Compound financing products:

These are products whose characteristics derive from several decades, we can mention, for example:

- **Murabaha for the purchase orderer:** it means that the Banking institution and the Client agree that the bank will buy a Merchandise that it does not have, provided that the customer buys it from the bank after that, at an immediate or deferred price, in which the percentage of the increase over the purchase price is determined in advance (الشبيلي، 2002، صفحة 276).
- **Diminishing Musharakah ending in ownership:** It is when one party (an institution, an Islamic bank, or an individual) participates with another party, whereby each of them provides part of the capital, in order to establish a specific project, provided that one of the two parties prepares his other partner as a binding promise, that He sells his share, and this is all at once or in installments, according to the agreement (عربيّات، 2006، صفحة 42).

2.4. The actuality of the Islamic finance sector and the challenges it faces:

2.4.1. The reality of the Islamic financial industry:

The Islamic financial industry has witnessed a wide and exceptional spread, prosperity and growth in recent years, as a consequence of the demand of many countries on the Shariah-compliant finance market to use its tools to finance their development projects, and therefore this market awaits a promising future without a doubt, and this is based on the statistics and expectations made by many specialized international bodies in the field.

Table (1) : Breaking of the Global IFSI by Segment and Region (USD billion, 2019)

Region	Banking Assets	Sukuk Outstanding	Islamic Funds' Assets	Takaful Contributions	Total	Share
Gulf Cooperation Council	854.0	204.0	36.4	11.70	1,106.6	45.4%
South-East Asia	240.5	303.3	26.7	3.02	573.5	23.5%
Middle East and South Asia	584.3	19.1	16.5	11.36	631.3	25.9%
Africa	33.9	1.8	1.6	0.55	37.9	1.6%
Others	53.1	14.7	21.1	0.44	89.3	3.7%
Overall	1,765.8	543.4	102.3	27.07	2,438.6	100%
Share	72.4%	22.3%	4.2%	1.1%	100%	

The source: IFSB Report 2020, p. 12.

From the table, it is noted that the volume of the Islamic financial industry reached 2,438.6 billion dollars, and it is distributed among the sectors of the Islamic financial industry represented in: Islamic banks, sukuk, investment funds and Takaful insurance, where we note the dominance of Islamic banks over the size of the

Islamic financial industry in the world, with assets that reached the size \$1,765.8 billion at a rate of 72.4%, followed by Islamic sukuk at \$543.4 billion at a rate of 22.3%. It is also noted that the contribution of Islamic investment funds and the Takaful insurance sector doubled, reaching \$102.3 billion and \$27.07 billion, respectively, at approximately 4.2% and 1.1% .

We also note from the table the wide spread of the Islamic financial industry in various countries of the world, but in varying proportions. We find it concentrated in Islamic countries, especially the Gulf countries, where the size of the Islamic financial industry was estimated at 1,106.6 billion dollars, followed by the countries of the Middle East and South Asia with 631.3 billion dollars, close together. With the countries of Southeast Asia by 573.5 billion dollars, this increase in the volume of the Islamic financial industry in these countries is due to the existence of a legal and regulatory environment that encourages the practice of these transactions. As for the size of this industry in Africa and the rest of the world, it does not exceed 5.3%.

2.4.2. Challenges of the Islamic financial sector:

The novelty of the Islamic financial industry compared to the traditional one is the main factor that has led it to face many challenges to its development and advancement, which can be summarized as follows:

2.4.2.1. Challenges related to the legal and technical aspects: (قadari و يونس، 2020، الصفحات 1274-1275)

- Inadequate management systems: sometimes slowing down in meeting the Requirements of Islamic banking application in terms of systems and technical procedures, which is reflected in the work itself in the form of lengthening and complexity of procedures and the relative weakness of the level of customer service, such as the inadequacy of the applicable accounting system based on traditional foundations with work requirements. banker.

- Failure to provide legal cover: It is considered one of the most important obstacles that impede the progress of Islamic banks and limit their expansion is the lack of legislation and laws appropriate to their nature by governments in Islamic countries (حسين نعمة و محمد نجم ، 2010 ، صفحة 144), and Islamic financial institutions encounter challenges when operating in non-Islamic countries due to the absence of a regulatory framework aligned with Islamic principles., and with regard to granting licenses, the Central Bank exercises this authority over Islamic banks, just like usurious banks, so that the nature of Islamic banks and their being investment and development require more attention, especially in the field of providing economic feasibility studies, as administrative problems and complex regulatory procedures related to operating licenses and establishing companies And the practice of Islamic banking, which caused the closure of some Islamic banks and financial institutions.

2.4.2.2. Lack of human and technical cadres:

as most of the workers in Islamic finance are cadres who worked in traditional financial institutions, and did not receive adequate training to use Islamic finance methods, especially with the rapid developments of the Islamic financial industry, whether in terms of geographical spread or the quality of the products used.

2.4.2.3. Challenges of respecting Islamic Sharia:

Considering that the basis for the success of the Islamic financial industry is its commitment to the provisions of Islamic Sharia in all its dealings, the Sharia bodies are required to respond to the rapid movement of money and business, and to approve new and updated formulas for operations and standards. In terms of internal and external legal control, standards for these issues must be found (ساري، 2021، صفحة 69).

2.4.2.4. Standardization of Sharia standards and Islamic accounting:

As the Islamic financial sector still suffers from this problem, the dispersion and different standards prevent the spread and expansion of this industry, which aspires to increase its share in the global financial market and achieve a rate of growth and spread that achieves this goal (شالور، 2020، صفحة 96).

2.4.2.5. Challenges of the outside world: (الصفحات 1278-1279، 2020، قداري و يونس)

- The challenge of large or giant entities that were formed as one of the effects of globalization and liberalization of services trade on the global financial markets, and there has been an increasing trend towards conglomeration, merger and formation of giant entities that enable achieving large economies of scale, penetrating into the market and enhancing competitiveness.
- The challenge of electronic banking facing the Islamic banking industry, as it is called upon to increase its investments in technology, and today's world is the world of knowledge and the speed of information access.
- The absence of an Islamic financial market: Where this Islamic financial industry suffers from the lack of financial instruments that have the ability to convert the dues of short-term resources into long-term investments and financing.

3. institutions supporting the Islamic financial sector

3.1. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2022)

AAOIFI stands out as a leading global non-profit organization that provides comprehensive support to Islamic finance and all its associated institutions..It was founded based on a signed agreement by a number of Islamic financial institutions on February 26, 1990 AD in Algeria. The Authority was registered on March 27, 1990 in the Kingdom of Bahrain (شالور، 2020، p. 18)It oversees the development and release of standards guiding the worldwide Islamic finance sector. With a cumulative count of 100 standards spanning Shari'ah, accounting, auditing, ethics, and governance, it garners support from numerous institutional members. These include central banks, regulatory bodies, financial entities, accounting and auditing firms, as well as legal firms,

spanning across more than 45 countries. Its standards are universally adopted by major Islamic financial institutions globally, contributing significantly to the alignment of international Islamic finance practices (AAOIFI, 2022).

The Authority's structure comprises:

- The Plenary Session, the Governing Board, the Steering Committee, and the Central Office.
- Additionally, it includes specialized councils: The Financial Standards Council, the Shariah Board, and the Ethics and Compliance Council.

3.2. The International Islamic Financial Market:(IIFM, 2022)

It was founded by Royal Decree No. (23) of 2002 in the Kingdom of Bahrain as an impartial, non-profit organization dedicated to infrastructure development. This organization is hosted by the Central Bank of Bahrain in Manama.

The founding members of the International Islamic Financial Market consist of:

- Monetary Authority of Bahrain.
- Monetary Authority of Malaysia.
- Monetary Authority of Sudan.
- Bank of Indonesia Central.
- IsDB, Kingdom of Saudi Arabia.
- Brunei Darussalam Central Bank (formerly Ministry of Finance).

This authority aims to create an active and well-regulated environment for commercial capital flows through a full range of financial instruments that are compatible with the provisions and principles of Islamic law at the international level, by stimulating both national and international trade infrastructure, product innovation and information flow within the standards and principles Strong, transparent and well-structured guidelines, promoting acceptance and integration with key markets.

The Authority also provides many services to the Islamic financial industry through the following:

- Publication of practical financial documents and product confirmations ready for use worldwide in compliance with the provisions and principles of Islamic Sharia. It also publishes operational guidance notes related to documentation and product confirmations published as well as Sharia Board approvals as well as jurisdiction-specific legal opinions.
- Creating awareness of the Islamic financial industry and exchanging technical knowledge on international Islamic financial market standards by organizing technical seminars and workshops and holding consultative meetings related to specific topics in the Islamic financial industry.
- Publishing the Annual Sukuk Report and Concept Papers from time to time on specific topics.

3.3. General Council for Islamic Banks and Financial Institutions:(cibafi, 2022)

It is an international organization affiliated to the Organization of Islamic Cooperation, established in 2001 and headquartered in the Kingdom of Bahrain.

The General Council serves as the global official body for the Islamic financial industry, striving to foster, develop, and safeguard the Islamic financial services sector. It aims to promote collaboration among its members and other relevant financial institutions towards shared interests and common objectives.

The General Council boasts a membership exceeding 130 financial institutions across over 30 countries worldwide. This inclusive group comprises key players in the Islamic financial market, international multilateral institutions, industry-specific institutions, and professional associations. It stands distinguished as one of the fundamental organizations shaping the landscape of Islamic finance.

The General Council's primary objective is to champion the Islamic financial services sector by advocating for its interests within regulatory, financial, and economic policies that benefit its members. Additionally, it endeavors to enhance the sector's growth by advocating best practices. To achieve this, the Council focuses on strategic goals, including fortifying the significance of Islamic banking and regulatory systems, fostering innovation and sustainability, publishing research pertinent to Islamic finance, and facilitating professional development initiatives.

The organizational structure of the Council consists of the following:

General Assembly, Board of Directors, Executive Committee, Working Groups of the General Council, General Secretariat.

3.4. Liquidity Management Center:

Incorporated in July 2002, this Islamic bank operates under the regulation of the Central Bank of Bahrain. Its primary objective is to offer optimal Islamic financing and investment solutions that actively contribute to the advancement of the Islamic capital market.

This institution, known as LMC, is dedicated to playing a pivotal role in cultivating a dynamic Islamic interbank market that extends across various regions. This strategic endeavor aids Islamic financial institutions in effectively managing short-term liquidity, thereby hastening the growth of the Islamic banking sector. Additionally, LMC endeavors to attract assets from governments, financial institutions, and corporations, both in the public and private sectors, within identified key markets. These sourced assets are transformed into easily tradable securities or structured into innovative investment vehicles (Imcbahrain, 2022).

The Shareholders of the agency's capital, who is divided as follows: (Each entity holds a 25% stake) (Imcbahrain, 2022)

- Bahrain Islamic Bank

- Dubai Islamic Bank
- Islamic Development Bank
- KFH Capital Investment Company

The organizational structure of the center consists of: (بوزيد, 2022, p. 106)

- The Board of Directors: It includes 08 members, and it is responsible for management and its performance, and implements policies to ensure the strategic direction of the center. It also bears responsibility for financial reporting and internal control.

- Management Committees: They supervise certain aspects of the business, including: the Audit Committee, the Risk Committee, the Nominations, Rewards and Corporate Governance Committee, and the Credit and Investment Committee.

Sharia Supervisory Board: It is an independent body of jurists specialized in banking services that are compatible with Islamic Sharia.

3.5. The International Islamic Rating Agency: (iirating, 2022)

It was established to provide independent ratings of issuers and issues that are consistent with the principles of Islamic finance. IIRA's particular focus is on developing domestic capital markets, particularly in the Organization of Islamic Countries (OIC) region and providing impetus through its ethical finance ratings, worldwide.

IIRA was established as an infrastructure institution to support Islamic finance as envisioned by the Islamic Development Bank (IDB). This puts IIRA ahead of the system's supporting entities such as AAOIFI and IFSB. The Islamic Development Bank remains a prominent shareholder, and retains control through its nominee, as Chairman of the Board.

Established in Bahrain, IIRA started its operations in 2005. Since 2011, it introduced a range of distinct methodologies. With a specialized emphasis on regulatory governance and Shari'a compliance, IIRA enriches its rating process by integrating the distinctive elements of Islamic finance. These ratings foster transparency, diminish information imbalances in markets, and elevate the standard of investment decision-making, promoting equitable transactions.

3.6. The Islamic Financial Services Board: (ifsb, 2022)

Headquartered in Kuala Lumpur, the IFSB was Formally launched on November 3, 2002, and became operational on March 10, 2003. The IFSB acts as An organization that establishes global standards for oversight and regulatory bodies, which have a direct interest in ensuring the safety and stability of the industry. Islamic financial services, which typically include Banking, financial markets, and insurance industries. In carrying out its mission, The IFSB strives to build a responsible and transparent Islamic financial services sector by introducing

fresh standards or modifying prevailing global standards aligning with Sharia provisions and principles, advocating for their implementation.

iven the preceding information, the IFSB's efforts complement those of the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, and the International Association of Insurance Supervisors. As of December 2021, the IFSB boasts 187 members, comprising 81 regulatory and supervisory authorities, 10 intergovernmental organizations, and 96 market entities (financial institutions, professional firms, and trade unions) across 57 countries.

It is worth noting that Malaysia, The domicile of the IFSB, Has passed a law recognized as the IFSB Act of 2002. This legislation grants the Islamic Financial Services Board exemptions and privileges typically extended to international organizations and diplomatic missions.

3.7. The International Islamic Center for Reconciliation and Arbitration:

The Center is aGlobal, autonomous, nonprofit organization, established according to an international agreement dated April 05, 2005, with the concerted efforts of IsDBGGroup, the CIBAFI and the UAE, to be one of the foundational institutions for the Sharia-compliant economy (iicra, 2022).

The center has become the legal arm of Islamic financial institutions, mainly specialized in resolving banking, financial and commercial disputes in a manner that does not contradict the principles and provisions of the Islamic Sharia through institutional conciliation and arbitration, and in accordance with internationally approved best practices and standards (the International Islamic Center for Reconciliation and Arbitration, 2022, p. 04).

4. Strategies employed by institutions to foster the growth of the Islamic financial industry:

There are many supportive institutions' mechanisms for adopting the Islamic financial industry, which would have a positive impact on the work of financial and economic activity. In this axis, we will try to present the ways and mechanisms for developing this industry by taking advantage of the supporting institutions of all kinds.

4.1. Developing standards governing the Islamic financial industry:

The main goal of the existence of this industry is to adhere to the principles of Sharia to be an alternative to its traditional counterpart, so it was necessary to provide bodies that supervise the development of standards that ensure the application of the provisions of Islamic Sharia. Islamic finance, bearing in mind that the standards prepared by these two bodies follow lengthy procedures, including preliminary study of the standard, issuance of a draft project, study of the draft, preparation of the final version of the standard, review of the standard, and issuance of the standard.

AAOIFI has released five categories of standards, totaling 98 standards issued to date, categorized as follows: (بوحفص و ققط، 2019، صفحة 263):

- 58 Sharia Standards: touched on various Sharia aspects of financing formulas and the various products of the Islamic financial industry.
- 7 Governance Standards: It included internal and external Sharia supervision.
- 26 accounting standards: the most important areas included: Reporting and transparency in the financial statements of Islamic banks, investment accounts.
- 5 Auditing Standards: It contains The aims and fundamentals of auditing, the internal and external audit report.
- 2 Ethical standard: the charter of ethics for the accountant and external auditor of Islamic financial institutions, the code of ethics for its employees.

The Islamic Financial Services Board has also issued thirty-four standards, guidelines and technical notes for the Islamic financial services industry. These publications covered many areas, the most important of which are: (بوحيفضر، 2020، صفحة 35):

Risk management, capital adequacy, institutional control, transparency and market discipline, supervisory review process, institutional control of collective investment programs, special issues in capital adequacy, guiding principles for Takaful insurance controls, guiding principles for the Sharia control system, risk management standard for Takaful (insurance) companies Al-Islami), Basic Principles for the Regulation of Islamic Finance (Banking Sector), Guiding Principles for Re-Takaful (Islamic Re-insurance)

4.2. Publishing statistics on the development of the Islamic financial industry:

Reports and statistics related to Islamic finance play an important role in the development of this industry, by providing in-depth figures and data on successful experiences in the field, as well as the direction of development of Islamic finance since the inception of this industry to the present day, in a periodic and continuous manner through which a perception is given about the most important Key developments in the market and associated opportunities and risks, with potential for predicting the future of the industry.

The International Islamic Financial Market was established to be a body concerned with following up the development of the Islamic financial industry, especially Islamic sukuk, across the world and publishing periodic reports on this, mainly aiming to "identify the main trends in sukuk issuances locally and internationally, and highlight important issuances through case studies, through In order to provide guidance and guidance of high value to potential issuers, investors and other market participants, as well as to provide technical and technical information through articles and country reports to measure the types of sukuk issued for portfolio allocation, investment and liquidity management (international islamic financial market, August 2022, p. 19). Various related research and literature, as it now possesses a huge database that is filtered and arranged according to

various criteria such as chronology, geographical distribution, etc., and then placed in the form of charts, graphs, and tables to facilitate reading and achieving a better understanding of them (international islamic financial market, August 2022, p. 19).

The Islamic Development Bank also works to publish periodic reports on the development of Islamic financial achievements on the ground, through the funds provided for the development of projects of an economic and social nature. Examples of these reports are: (isdb, 2023) the annual development impact report, the annual report of the Islamic Solidarity Fund, and the IsDBi Annual Report.

The IFSB also publishes an annual report on the stability of the Islamic financial services industry globally. CIBAFI also publishes an annual report on: GLOBAL ISLAMIC Bankers' survey.

4.3. Developing scientific research in the domain of Sharia-compliant finance:

Scientific research is considered a fundamental pillar for the dissemination and development of the Islamic financial industry, through the provision of in-depth studies by scholars and researchers. These studies work to innovate and develop Islamic financial tools capable of covering all aspects of financing in the economy, by developing new tools, and not just adapting financial tools. In the legal scale, so as not to fall into legal suspicions.

Also, by conducting seminars and conferences introducing this industry, its advantages and pioneering experiences in it, with the aim of attracting Muslim funds that are hoarded due to the lack of Islamic alternatives for investment, or those that are invested abroad.

In this context, the CIBAFI seeks to promote good practices and shed light on new trends in the industry through its research and periodic publications, which include: (cibafi, 2023)

- Reports based on questionnaires
- Short analytical summaries
- Publications shared with strategic partners
- Research on emerging topics

4.4. Supervising qualified human cadres:

The development of human resources is an essential factor for facing the challenges that may face the financial industry, and therefore there must be experts and professionals who possess sufficient competencies and skills in the field, and this is done through many mechanisms and methods, the most important of which are: (براني، كاسحي، ويونس، 2022، صفحة 780)

-Carrying out training courses for employees of various Islamic financial institutions, so that the training includes the legal and economic aspects.

- Integration of materials related to Islamic finance and the Islamic financial market in the disciplines of Islamic economics and finance.
- Establishing specialized centers and institutes in Islamic financial engineering.
- Signing cooperation agreements with the university to form its various frameworks based on academic specialists.
- Organizing various national and international scientific events with the aim of interacting and getting acquainted with all that is new in the field of the Islamic financial industry.

Therefore, the General Council for Banks and Financial Institutions works to provide practitioners and professionals in the industry with the necessary expertise and competencies, as the Professional Development Section of the Council works to raise the professional level of workers in the Islamic finance industry by setting standards and rules that regulate training and accrediting training institutions, trainers and training programs as follows: (cibafi, 2023)

- **Executive Programs:** These programs focus on the most important issues in applying strategic thinking, which is very important for the development of business leaders in this rapidly changing world. These programs enable participants to effectively develop analytical skills for issues, develop strategies and implement plans successfully.
- **Technical workshops:** They are training programs of a practical nature that combine theory and practice to provide participants with practical experience and provide practical tools and techniques that enhance their daily professional performance.
- The Training of Trainers Program:** It targets workers and professionals in the field of training, and seeks to familiarize participants with the importance of training as an important developmental requirement in addition to training patterns and types and the difference between standard training and education. level of training performance.

The Council also offers several certificates and professional diplomas in various specializations of Islamic finance, as well as a manager professional master's degree in Sharia-compliant finance that combines banking technical knowledge with knowledge of Sharia rulings in transactions.

4.5. Addressing the problem of liquidity in Islamic banks and financial institutions:

Liquidity risks arise in Islamic banks when there is a surplus in them, or an inability to meet their financing requirements, and for this reason the Financial Liquidity Management Center was a supportive body for Islamic financial institutions, as it works to reduce these risks, by contributing effectively to the market for initial issues of sukuk. By arranging these issues or acting as an advisor, the center also works to establish the secondary market for trading investment instruments that are compatible with Islamic Sharia for short-term terms (arabnak, 2022).

In October 2005, Bahrain's Financial Liquidity Management Center inaugurated its website to record and oversee the supply and demand dynamics of sukuk, aiming to bolster the creation of a robust secondary market for Islamic bonds. This initiative seeks to propel the growth of the Islamic banking sector by fostering the expansion of both primary and secondary markets in the Islamic financial landscape (arabnak, 2022).

The center's role in supporting and accompanying the Islamic financial industry can be summarized as follows: (بوزيد، 2022، p. 108)

- Developing the Islamic financial industry by organizing various issuances of various sukuk.

Facilitate access to new and efficient sources of equity and other Sharia-compliant means.

- Restructuring both facilities and Islamic capital markets.

- Creating a money market between Islamic banks and managing sukuk and Islamic investment funds to meet the requirements of their clients.

4.6. Classification of Islamic financial industry products and institutions:

The IIRA is one of the most important bodies entrusted with rating Islamic financial products and institutions, as it carries out research, analysis and evaluation work related to the latter with the aim of developing and improving the services provided by the Islamic financial and banking sector.

The agency offers two types of classification: (حمو ، 2017 ، صفحة 302)

- Credit rating: aims to clarify the Power and The financial stability of the Islamic financial institution and its offerings.

- Sharia compliance assessment: Aims to assess the adherence of the Islamic financial institution and its products to Sharia principles and the directives outlined by the Sharia Board.

The agency also provides a range of services, as follows: (فيلاي و زنكري، 2019 ، صفحة 1050)

- Classification of public and private Islamic financial industry institutions.

- Conducting an independent evaluation and expressing an opinion on the potential future losses of the classified institution.

- Conducting an independent assessment of the extent to which the institution or financial product complies with the principles of Islamic Sharia.

- Broadcasting data and information that help develop the Islamic financial industry.

- Introducing standards that achieve more disclosure and transparency.

Contribute to the promotion of the international Islamic capital market and Islamic financial instruments.

- Enhancing the infrastructure of the Islamic financial market in a way that gives strength and transparency to the work of its institutions and enables them to estimate the size of the risks they face.

- Developing Islamic banking activity and making its products more acceptable at the global level.

To ensure international accreditation of its ratings, the agency aims to engage global rating entities like "Standard & Poor's" or "Moody's" either as shareholders or advisors. Additionally, it pursues acknowledgment of its ratings from various quarters, including official recognition by the Central Bank of Bahrain as an external credit rating institution. Moreover, the agency is listed among the recognized rating agencies approved by the Islamic Development Bank (arabnak(2022 , .

4.7. Arbitration and settlement of disputes that arise between Islamic financial institutions:

The operations carried out by Islamic financial institutions sometimes result in several disputes and problems due to non-implementation of the contract or breach of one of its conditions, so it was necessary to search for a means or procedure to find solutions to these disputes, as well as agreement between the various parties to the contract, with the application of the provisions of Islamic law and in a manner consistent with The nature of the Islamic financial industry.

And based on the urgent need for a specialized body or body to adjudicate these disputes, the International Center for Reconciliation and Arbitration appeared, which provides its services to all dealers in the Islamic financial industry, individuals and institutions, and the most important of these services are as follows:(المركز الإسلامي الدولي للصلح والتحكيم، 2022، صفحة 04)

- Take all necessary measures to settle banking, financial, commercial and investment disputes in a manner that does not contradict the provisions of Islamic Sharia.
- Managing arbitration cases in accordance with international best practices through multiple arbitration rules.
- Providing lists of arbitrators and experts in the Islamic financial industry in several languages and in all fields.
- Discussing reconciliation efforts to resolve disputes, and managing it institutionally until the conclusion of the reconciliation document.
- Spreading the culture of arbitration specialized in Islamic financial transactions by organizing scientific events, publishing studies and providing legal advice related to the center's activities and objectives.
- Work to confront the current problems facing the settlement of disputes by employing modern technological techniques for communication, holding sessions, and preparing and archiving documents electronically.

The Center recommends that those wishing to settle their disputes in accordance with its rules and regulations should add the following formula to the terms of their contracts:(المركز الإسلامي الدولي للصلح والتحكيم، 2022، صفحة 49)

"Any dispute arising between the two parties (the parties) as a result of the conclusion, interpretation, implementation, termination, cancellation, validity or invalidity of this agreement (contract) or what is derived from or related to it shall be referred to an arbitral tribunal appointed by an odd number of arbitrators to decide

the dispute through arbitration. Final and binding judgment according to the rules of the International Islamic Center for Reconciliation and Arbitration.

5. Conclusion:

It has been shown through this study the great importance of institutions supporting the Islamic financial industry in developing the latter, and benefiting from it in mobilizing resources and financing various economic projects. This research has concluded a set of results and recommendations.

5.1. Results:

- ✓ The main objective of the existence of the Islamic financial industry is to adhere to the principles of Sharia to be an alternative to its traditional counterpart.
- ✓ The Islamic financial industry is exposed to many challenges, the most important of which are: challenges related to the legal and technical aspects, lack of qualified human resources, legal challenges, and challenges of unifying regulatory standards.
- ✓ Institutions supporting the Islamic financial industry play an important role in inventing, designing and developing innovative financial instruments that combine economic efficiency and Sharia credibility, and are capable of providing creative and creative solutions to the financing problem.
- ✓ There are many supportive institutions' mechanisms for adopting the Islamic financial industry, which would have a positive impact on the work of financial and economic activity.
- ✓ Several standards have been issued for the development of the Islamic financial industry, touching on the Sharia, accounting, auditing, governance and work ethics aspects, thus covering all aspects of financial transactions of Islamic financial institutions.
- ✓ The development of human resources is a key factor in facing the challenges that may face the financial industry.
- ✓ The Islamic Financial Services Board actively contributes to raising awareness of issues that have relevance or impact on regulating and supervising the Islamic financial services industry.
- ✓ The process of developing the Islamic financial industry requires the accompaniment of a body or center specialized in reconciliation and arbitration, in order to settle disputes that may arise between various dealers in this industry.
- ✓ The International Islamic Rating Agency works to develop the Islamic financial industry and make its products more acceptable at the global level, especially with regard to enhancing the Sharia quality.

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