The Emergence of Islamic Banking in the UK: A Comparative Study with Muslim Countries

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Abstract
Islamic banking is a financial phenomenon that has taken many specialists by surprise. In this respect, the uniqueness of Islamic banks comes from their ability to grow fast and extend to non-Muslim financial markets. Therefore, it is crucial to examine the elements that have led to this development, taking into account the differences between the experience of Muslim countries and that of non-Muslim countries, particularly the UK. In addition, it is very important to address how both experiences have interacted with each other.

Keywords
Islamic banking development, UK banking and financial market, Gulf banking market

Introduction
Islamic banks have ascended largely during the past thirty years, and have recently been considered a fast growing financial sector. This observation is based on two main factors: first, the dramatic increase in either the number of Islamic banking institutions in Muslim countries and in the number of conventional banks that have converted to Islamic banks. Second is the
eminent appearance of Islamic banking services in the financial markets of non-Muslim countries such as the UK. In 2005, the Islamic Bank of Britain opened as a licensed bank in Birmingham and London; moreover, many conventional banks, such as HSBC and Lloyds TSB, have started offering Islamic financial products.

Although the Islamic banking system has recently been applied in some western countries, there are some differences between the experience of western countries and that of the Eastern countries, specifically Muslim countries. The main distinction originates mainly in the factors that have led to the adaptation of Islamic banking, either in Muslim or non-Muslim countries.

The article examines the elements which influenced the development of Islamic banks in both the UK and Muslim countries. It also tries to analyze the relations between both experiences and to prove that Islamic banks can operate in a conventional banking system.

Islamic Banking in the East: The Case of Gulf Countries

In order to understand how Islamic banking emerged and developed, it is crucial to address the origins of the phenomenon. Gulf countries have essentially contributed to launching the developed form of Islamic banks and have also assisted these institutions in terms of reaching the international financial market. It must be noted that Malaysia is one of the leading Muslim countries regarding the development of Islamic banking. The country has introduced a dual system whereby Islamic banks work alongside their conventional competitors. However, the Gulf experience is still the most influential factor in the growth of Islamic banking.

The emergence of Islamic banking, which happened in Muslim countries and Gulf countries in particular, is a result of different factors. These elements combined together over a long period of time to mobilize Islamic banking principles from the theoretical level to the practical level. These factors are religious, political, and economic. The political factor has not had a positive effect at some stages. But, in one sense or another, it has participated in the emergence of Islamic banking. The political factor is mainly integrated with the religious one, which makes it difficult to discuss them separately.

Also, Syria has opened its banking market up to two new Islamic banks, which are the International Islamic bank of Syria and Al-Sham Islamic bank. See http://www.sana.org/eng/24/2006/10/03/72375.htm.