



اليسر للصيرفة الإسلامية  
Al Yusr Islamic Banking

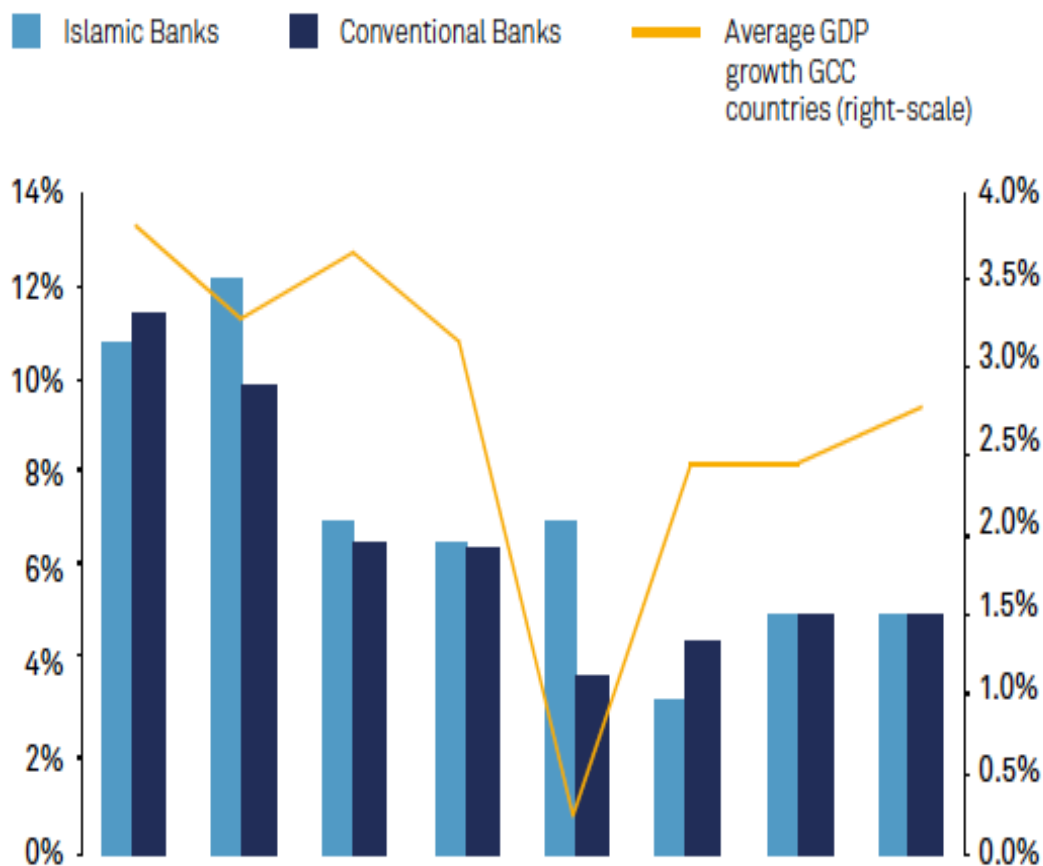
# The Growth of Islamic Banking in GCC amid the Covid-19 Outbreak

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*Head of Sharia – Oman Arab Bank*

# GCC Islamic Banking and Takaful Growth



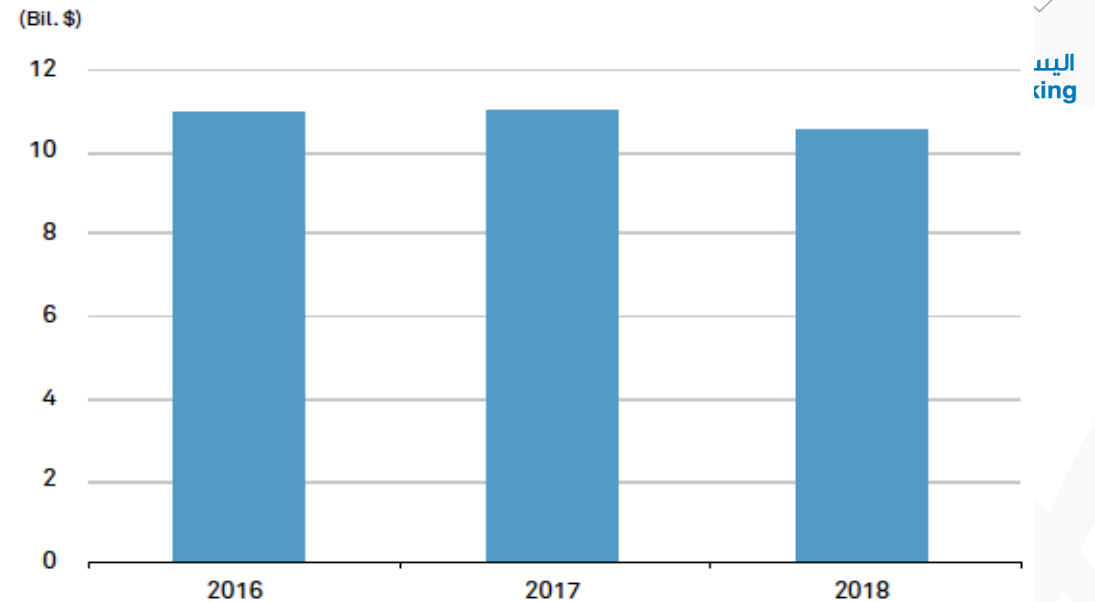
## GCC Islamic Banking Growth vs Conventional



Source: S&P Global Ratings.

Islamic Banking - The difference merely 1%  
Reasons: full support of parent's bank to its Islamic unit or subsidiary

## No Growth in GCC Takaful



GCC Takaful Growth is less than 12% In the last 3 years, while in Oman in 2018 Takaful grows by 17% and in 2019 by 20%

In Saudi increase Capital Requirement from SAR 100 million to SAR 500 million (kuwait will follow)

- UAE; 40% Takaful players not comply with new solvency requirement
- Profit decrease from \$674m 2016 to \$383m in 2017 to \$281m in 2018, in 2019 2020 is more tough (in Oman increase)

# World Economic Outlook and Impact to GCC Islamic Finance Growth



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WORLD ECONOMIC OUTLOOK APRIL 2020

## GROWTH PROJECTIONS

The COVID-19 health crisis will have a severe impact on economic activity in 2020



Oil prices remain the top factor for the development of the Islamic banking and finance industry in the GCC market (oil price war)

INTERNATIONAL MONETARY FUND

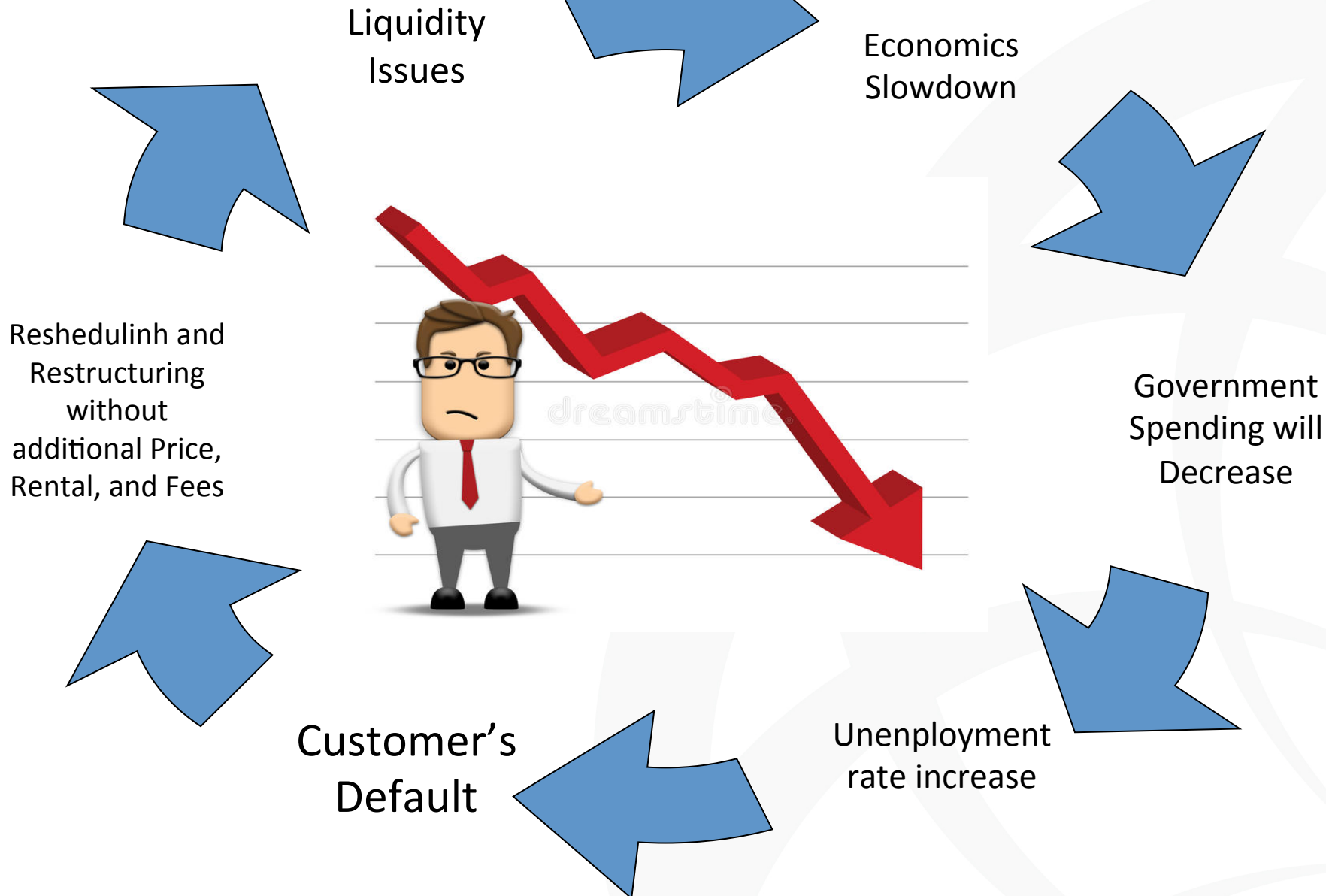
IMF.org #WEO

The growth Islamic finance Industry will be lower than projected, some Islamic banking entities Have released their Q1 report decrease in profit by 2-25% (some negatives)

# Reasons of Down Growth Amid the Outbreak



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# Rescheduling, Restructuring and Refinancing

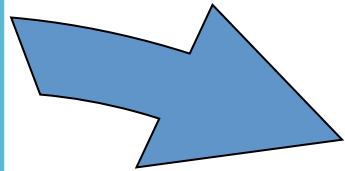


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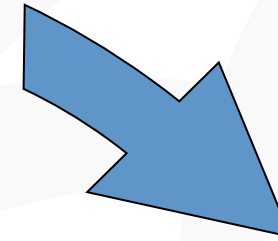


## Before Contract (signing master agreement)

(Sale based contract, ijarah Based Contract, Partnership Contract)

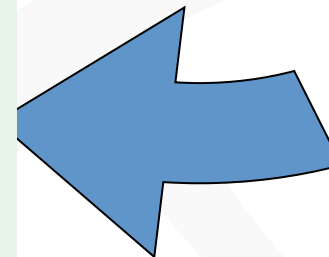


**During Financing Processing Stage** (Sale based contract, ijarah Based Contract, Partnership Contract)



**After Contract (Signing Agreement)** (Sale based contract, ijarah Based Contract, Partnership Contract)

**During Financing Period** (Sale based contract, ijarah Based Contract, Partnership Contract)



# The Role of Islamic Finance amid the Outbreak



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- Should play the intermediary system properly, take deposit and channel it to the business and investment.
- Channel the charity in proper manner
- Distribute major percentage in CSR
- Distribute some of previous year profit to tackle Covid-19
- Enough provision, credit buffer and profit margin
- Know your customer, come up with their solution
- Not focus on profit maximization but also social impact
- Take the advantage from Central Bank Stimulus Package

Fatwa of HAS  
Central Bank of  
UAE

SSB Fatwa Boubyan Bank,  
Kuwait

Fatwa from Al Muntada Al  
Iqtishad Al Islami – No  
additional price in Murabahah,  
Istisna and Salam, no increase  
in rental, no additional any kind  
of fees

## Sharia Support

Early Zakat Payment  
(before haul), Shares,  
deposits, investment,  
zakat mal, etc

Deferment of  
payment  
Al-Baqarah: 280

“Delayed payment by a rich  
person is an act of  
injustice.” (HR Bukhari narrated  
by Abi Hurairah)



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