



The  
University  
Of  
Sheffield.

# Corporate Governance from an Islamic Perspective: Exploring the Telecommunications Sector in GCC Countries

Khaled Hamden Alshammari

A thesis submitted in partial fulfilment of the requirements for the degree of  
Doctor of Philosophy

The University of Sheffield

Management School

May 2022

## Acknowledgment

I want to provide special thanks to Allah, who is the most generous, powerful, and most helpful to enable me to accomplish this thesis. The Prophet Muhammad said, “who does not thank the people is not thankful to Allah”. First and foremost, I would like to thank and appreciation to my supervisors, **Professor Jim Haslam**, and **Dr. Sharif Khalid**. They continued to support, be patient, motivate and advise me every time to improve this research and gave me deep feedback and guidance during this journey of PhD. I want to give special thanks and appreciation to **Professor Jim Haslam**, who reviewed my thesis. I am really appreciative to examiners; **Professor Reza Kouhy** and **Professor Jill Atkins** that gave me feedback and guidance to improve my thesis.

I would like to thank all staff in Sheffield University Management School during this pandemic for supporting, being patient and assisting me to accomplish my research. I want to extend my thanks to the Saudi cultural bureau in London and Ministry of Education in Saudi Arabia through supporting me to accomplish this research, and also, I thank my sponsor AlJouf University for giving me this opportunity to follow the PhD program.

I would like to give deep and special thanks to my wife Munirah, and my kids Hamdan, Nouf, Raed and Kinda. My wife’s unlimited support during my studies and had patience during this pandemic. My family endured the extraordinary circumstances during national closure in the UK, and they do everything to support me to accomplish the PhD program. I would like to thank my brothers, Fahd, Ahemd, Naif, Mahammad, Abdallah, and my sisters Kholod and Latifah - my sister Latifah supported us during her visit before this pandemic. The last thank to my cousin Metab Hamoud Alshammari through assisting me and my family during the journey of PhD.

Last but not least I would like to thank all friends in Sheffield University Management School, and special thanks to my special friend Awadh Alanazi through continuing communication and support together, and special thanks to my beloved friend, Professor Ahemd Sulaiman Alkudir from Al-Qassim University in Saudi Arabia for support motivation and communication during the pandemic.

## Dedication

This thesis is a gift to my beloved father Hamdan Salman Al-Tawalah who died when I was young, and my beloved Mam Radieh Abdallah AlShibli, who died when I studied my master's degree. My parents gave me unlimited support and motivation for education when I was young.

I would like to specially thank my grandma, who died after my master's degree, she supported and motivated me after my mam died. Last but not least, special thanks to my uncles Mahammad AlShibli, Saud AlShibli, and my aunts, Hamdah Salman Al-Tawalah, Wadaha AlShibli, Daheah AlShibli, Neuer Alshammari. They supported and helped us during the pandemic.

The last dedication I would like to make is to give special thanks to Professor Mark H. Taylor. He supported and motivated me during an extraordinary period in my life. He motivated me and helped me develop new knowledge in his Corporate Governance course when I studied on the Master of Accountancy Program in the Weatherhead School of Management at Case Western Reserve University, in Cleveland, Ohio in the US.

## Abstract

This research highlights the relationship between Islam, corporate governance, and the telecommunications sector in five GCC countries. To specify this relationship, laws of these countries formally depend on Islamic law, and this has to be appreciated in respect of corporate governance in the telecommunications sector. The sources of Islamic law are the holy Quran, and the Sunnah. Most previous studies on Islamic corporate governance (ICG) have focused on ICG in the financial sector. This research uses a qualitative method through content analysis and semi-structured interviews. The research tries to fill the gap in the literature and link the current period with the period of the Prophet and his companions through three main Islamic concepts. These three concepts are important for ICG. They are Shura, Hisba and the Shariah Supervisory Board. Telecom companies gain legitimacy in practice in two ways. The first is by obtaining licenses and fulfilling all legal requirements to practice their business activities. This is achieved in a telecom company through specifying the company's direction as Islamic in its memorandum of establishment. The second is gaining legitimacy from the Islamic bodies that classify companies as Islamic and this is achieved when Islamic bodies add a telecom company to their lists.

The research yields five interesting findings: first, to be classified as legitimate, telecom companies must establish an internal Shariah Supervisory Board to monitor their activities as Islamic banks do in these countries. Concurrently, regulations and laws in these countries lack explicit support of an Islamic perspective for the non-financial sector, including telecoms. Second, the Islamic bodies classify the companies listed on the stock market in each country; these bodies influence the value of companies in the market and divide listed companies in each stock market into three types: Islamic, mixed and forbidden. Third, Islamic bodies' decisions influence Muslim investors, but Islamic bodies in telecom companies' evaluations only focus on the financial such as paying zakah and forbidding interest rates. Fourth, Islamic bodies lack in relation to categorizing or dividing activities for telecom companies, whether core activities such as making connections between people (an activity compatible with legitimacy) or non-core activities, such as the detailed provisions of satellite channels or competition (some of these activities conflict with legitimacy in the context). Fifth, the Islamic bodies' criteria are: firstly, the main activities are legitimate; secondly, forbidden investments do not amount to more than 33.33% of total investments; thirdly, traditional loans do not amount to more than 33.33%; and, finally, forbidden income does not exceed 5% of company income.

## Table of Contents

Acknowledgment.....	ii
Dedication.....	iii
Abstract.....	iv
Table of Contents.....	v-viii
List of Figures.....	ix
List of Abbreviations and Terms.....	x
Declaration.....	xi
<b>Chapter One: Introduction .....</b>	<b>1-14</b>
Motivations for Research .....	1-4
Contributions of the Research .....	4-6
Aim of Research and Research Questions .....	6-7
Significance of the Research.....	7-9
Methodology and Method in the Research.....	9-12
Outline of Chapters.....	12-14
Chapter Conclusion.....	14
<b>Chapter Two: Theoretical Framing and Appreciation of Prior Studies.....</b>	<b>15-31</b>
Introduction.....	15-16
Legitimacy Theory Definition .....	16-19
Legitimacy Theory Types.....	19-22
Legitimacy Theory Strategies .....	22-24
Legitimacy Theory Challenges.....	24-26
Legitimacy Theory Lens Including Prior Studies in GCC.....	26-31
Chapter Conclusion .....	31
<b>Chapter Three: Methodology and Method .....</b>	<b>32-50</b>
Introduction.....	32
Research Philosophy.....	32-33
Research Strategy.....	34-36
The openness of the Research Approach .....	36
Research Methods.....	36-37
Content Analysis .....	37-38
Content Analysis Ways.....	38-39

Challenges in Content Analysis.....	39
Semi-Structured Interviews.....	40-41
Analysis of Semi-structured Interviews.....	42-43
Communicating with the Interviewees .....	43
Challenges in Semi-structured Interviews.....	43-44
Validity in the Qualitative Method.....	44-46
Sampling in five GCC Countries.....	46-49
Ethics application.....	49
Chapter Conclusion .....	49-50
<b>Chapter Four: Gulf Cooperation Council Countries' Context .....</b>	<b>51-97</b>
Introduction.....	51
The Gulf Cooperation Council Countries .....	51-52
Primary Source for Legislation (Islam) .....	52-58
Culture, Official Language and Monarchy.....	58-59
The Islamic law in business .....	59-60
The Islamic Companies.....	60-62
The Islamic religion and ICG.....	62-63
Economy and Globalization.....	64-66
Background on Islamic Economics.....	66-68
Islamic economics: definition.....	68-70
Influence of Globalization on Islamic Economics.....	70-71
Globalization's challenges to the Islamic economy.....	72-73
Companies Laws and Corporate Governance Codes in GCC.....	73
Company Law and Corporate Governance Codes - Background.....	73-78
ICG in Practice.....	78-86
Corporate governance Including Telecommunications Sector .....	86-93
The Main differences between ICG and Western Corporate Governance.....	93-96
Influence of Globalization on GCC Companies Laws and Corporate Governance Codes.....	96-97
Chapter Conclusion .....	97

<b>Chapter Five: Qualitative Content Analysis.....</b>	<b>98-157</b>
Introduction.....	98-99
Practice for Telecom Companies.....	100-121
Legitimacy in five GCC Countries through Laws and Regulations .....	121
Source of Legislation.....	121-126
Company law.....	126-138
Corporate Governance Codes.....	138-144
Laws on Islamic Governance in Central Banks .....	144-152
AAOIFI.....	153
Shariah Body in Dubai Financial Market.....	153-155
Chapter Conclusion.....	156-157
<b>Chapter Six: Semi-Structured Interviews .....</b>	<b>158-242</b>
Introduction.....	158
Impact of the Islamic Perspective on the Company Practice .....	158-176
Islamic Products used by Telecom companies .....	177-188
Islamic Standards for Islamic Formulas .....	189-199
Islamic Classification of Companies on the Stock Market.....	199-210
Lens of Legitimacy in Five GCC Countries .....	210-232
Corporate Governance Codes .....	232-240
Chapter Conclusion.....	241-242
<b>Chapter Seven: Discussion on a Combined Analysis of the Findings .....</b>	<b>243-268</b>
Introduction.....	243-244
Internal to Telecom Companies .....	244-251
External to Telecom Companies .....	251-257
Comparison of Islamic Laws in the Era of the Prophet & in the Current GCC.....	257-267
Chapter Conclusion .....	267-268
<b>Chapter Eight: Conclusion .....</b>	<b>269-280</b>
Introduction.....	269-270
Review of the Findings .....	270-274

Recommendations for Improving Current Practices .....	274-276
Limitations of the Research .....	276-278
Future Research.....	278-280
Chapter Conclusion.....	280
<b>References.....</b>	<b>281-303</b>
<b>Appendices.....</b>	<b>304-322</b>
Participant information sheet Arabic and English.....	305-308
Consent form Arabic language and English language.....	309-310
Semi-structured interviews Arabic and English language.....	311-314
Interviewees and Duration of interviews.....	315-316
Training and development during PhD study.....	317-318
From the Holy Quran and Sunnah: Islam in Business.....	319-321
Islamic principles to improve current practice.....	322



## List of Figures

Figure 1.1. The Research Aim and ways of answering research questions .....	12
Figure 3.1. Interviewees details of Islamic Scholars.....	41
Figure 3.2. Interviewee details of key actors in telecoms.....	41
Figure 4.1. The similarities and difference between company laws.....	74
Figure 4.2. Comparison between ICG and Western corporate governance.....	95
Figure 5.1. Islamic scholars' perspective and Islamic law Principles that assist Telecom Companies to be Legitimate .....	99
Figure 5.2. Discussion and summary of the content analysis .....	155
Figure 7.1. ICG based on the view of Islamic Religion and the literature.....	264

## List of Abbreviations and Terms

<b>Symbol</b>	<b>Title Name</b>
AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
Adal	Justice
Allah	The name of God in Islam
Alwasia	Bequest
CG	Corporate Governance
Diligence	Collective decision of Islamic scholars in specific issue
Fatwa	Islamic scholars' decisions on some issues of business such as forbidden usury
GCC	Gulf Cooperation Council
Halal	Permissible in Islam
Hikmah	Wisdom
Hisba	Verification for the control and observance of Islamic principles
ICG	Islamic Corporate Governance
IFSB	Islamic Financial Services Board
Ijtihad	The diligence principle of Islamic scholars
Khalifah	The successor
Maqasid al Shariah	Looking to the benefit for the human in this life and the hereafter
Mudarabah	Investing the capital in the stock market and sharing the profit and loss
Mufti	Grand Islamic scholar of state
Murabahah	Sale on a cost-plus basis, where payment of the price is deferred
Musharakah	Partnership
Qard Hasan	Loan without interest
Quran	Holy book in Islam is Holy Quran
Riba	Any increment over and above the amount of capital loaned
Saqifah Bani Sa' ad	The place in Madinah Almonawarah where companions met together
Shirkah	Company
Shura	Consultation of societies
SSB	Shariah Supervisory Board
Sunnah	Prophet's speech or practice
TM	Telecom member
Ummah	Muslim society
Zakah	The obligatory charity in Islam

## Declaration

I, the author, confirm that the Thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means ([www.sheffield.ac.uk/ssid/unfair-means](http://www.sheffield.ac.uk/ssid/unfair-means)). This work has not previously been presented for an award at this, or any other, university.

Khaled Alshammari

# Chapter One: Introduction

## 1.1 Motivations for Research

This research highlights Islamic corporate governance (ICG) in the non-financial sector, specifically telecommunications companies in five GCC countries - Saudi Arabia, Kuwait, Bahrain, United Arab Emirates and Oman. It looks at how an Islamic environment affects corporate governance. Islam pertains to society and culture, covering in practice many aspects of life in some modern Islamic countries. In practice in Islamic countries, Kahf (2003) shows the Islamic religion as the main source of legislation in Muslim countries. Kamla et al. (2006) describe the Islamic religion as being strongly connected with all aspects of a Muslim's life and Islam does not have a separation between the religious and the worldly life. Thus, the Islamic social environment looks to which practices are acceptable in society, based on the Shariah provisions. GCC countries<sup>1</sup> have a similar culture, a common Islamic religion and organisations are seen to have a strong social contract with the communities they are part of (Al Saud, 2000). Culture and traditions are ostensibly the sources from which the law in these countries is derived. The common principles in GCC countries are ostensibly based on the Islamic religion and culture (Kamla and Roberts, 2010).

The sources of Islamic law are the Holy Quran, and Sunnah. Hadith and Sunnah are speeches by the Prophet Muhammad and the practices in his life. These sources include a myriad of phrases describing the character of business and corporate governance (Hamid et al. 1993). Haneef (1997) portrays the Islamic religion as depending on two major sources for legislation: the Quran and Sunnah. He discusses the process of analysing the primary sources of Islam, the Quran and Sunnah. He asserts that the verses of the Quran can be seen from two points of view, the verses have clear meaning, or the verses have a secret meaning or could have more than one meaning. Also, Haneef (1997, p.52) stated: "Quranic verses can be divided into two types - some which are clear in meaning and others which are allegorical, or which can have different meaning. In addition,

---

<sup>1</sup> GCC countries in the whole thesis means five countries excluding Qatar

derived principles can be interpreted differently at different times and places as well as according to the training, experience and intellectual aptitude of the scholar". The second step looks at interpreting and analysing the verses in the Quran through the Prophet Muhammad in the Sunnah. The last step looks for an explanation of verses through the thoughts of Islamic scholars about them.

For some, the Islamic religion including of the first period of Islam can guide business in reality along with other actions of life. Ibn Khaldun discusses this in the *Muqaddimah*. Al-Dewaish (2004) investigates the *Muqaddimah Ibn Khaldun*. Ibn Khaldun was born in May 1332, and he was an Islamic scholar and social scientist. In the *Muqaddimah*, Ibn Khaldun<sup>2</sup> describes the first period of Islam, when the Prophet's companions transferred Islamic provisions, including the Quran and Sunnah, although they were not considered to be intellectuals or analytically minded.

In the GCC countries, Islam has apparently influenced regulations and codes because the law ostensibly depends on Islamic law. Tinker (2004) describes Islam as combining all aspects of life whether the religious or the worldly aspect. Tinker (2004, p.452) states that: "Islam is not merely a personal religion; but, as the Koran shows in great detail, is also an organization for society, its institutions, as well as a guide for conduct of individuals within that institutional and social context." Gambling and Karim (1986) see Islam as intervening in all knowledge related to human life, with the Islamic perspective in accounting including many Islamic principles such as collecting Zakah. However, they describe the financial decisions of the Shariah Committee only in the Islamic financial sector. Regulators in these countries ostensibly reflect Islam in their laws and in relation to business organisations. The aim of corporate governance across these countries substantively reflects the same principles, looking to protect the rights of stakeholders through the transparency, fairness, justice and credibility required by company disclosures. These principles exist in the Corporate Governance Code in Bahrain 2018, Corporate Governance Code in Saudi Arabia 2017, Corporate Governance Code in Oman 2016, Corporate Governance Code in the UAE

---

<sup>2</sup> Ibn Khaldun sees the urban environment as the main context for people to be intellectuals. However, the Prophet's companions were Bedouin, and urban construction had not arrived at that time. Ibn Khaldun sees being analytical and intellectual as being related to the extent of urbanisation in a society or a country

2020 and Corporate Governance Code in Kuwait 2015. These principles ostensibly stem from Islam.

To the best of the researcher's knowledge, most of the literature concentrating on legitimacy of corporate governance from an Islamic perspective is based in the financial sector, specifically banking and insurance. As an example, Rethel (2011) finds that Islamic finance tries to [both] simulate international finance and to focus on procedural aspects in order to comply with legitimacy. Othman and Ameer (2015) explore legitimacy theory in relation to the requirements of the Shariah audit in the Islamic financial sector and examine the link with the Shariah auditor through adopting AAOIFI Shariah auditing standards. Farag et al. (2018) explore legitimacy in Islamic banks, concentrating on how they make Islamic products compatible with Shariah. They assert that if a company's activities conflict with shariah, Muslim society may not see them as legitimate and these companies/activities may fail to continue in practice. Haridan et al. (2018) use the Shariah governance framework of Malaysian Islamic banks to assist the classification of these banks as legitimate. In the non-financial sector, Che Azmi et al. (2020) assess the legitimacy of the non-financial sector through type of shariah bodies and the percentage of Muslims in each country. The sample only covered three countries of GCC which are Kuwait, Saudi Arabia and UAE, and did not include telecommunication companies in these countries. Also, this article concentrates on paying zakah and Islamic naming/designation to make companies legitimate, and used quantitative method. Thus, Rethel (2011), Othman and Ameer (2015), Farag et al. (2018), Haridan et al. (2018) and Che Azmi et al. (2020) restrict legitimacy theory to financial aspects of Islamic banks and the non-financial sector. They failed to clarify the impact of legitimacy in telecom companies. Thus, most research fails to link legitimacy of corporate governance and the Islamic perspective in the GCC telecommunications sector. Also, these studies fail to mention the impact on legitimacy in relation to Islamic bodies' classification. The Islamic bodies indicate companies could be legitimate under their classification of companies as Islamic or non-Islamic. Therefore, the Islamic bodies classification encourages telecom companies to use Islamic products in their annual reports.

This research expands the scope of legitimacy on corporate governance in GCC countries from an Islamic perspective. In practice, most of the financial sector in these countries claims to be

legitimate through using Islamic principles and the creation of an Islamic board called the Shariah Supervisory Board (SSB). The aim of an SSB in the Islamic financial sector is to offer a report at the end of each year which indicates that the company has adhered to Islamic rules and principles. However, having an SSB may be neglected in the non-financial sector. Most stock markets in GCC countries are also required to use the principles of Islam, for example, zakah “obligatory charity” and Murabahah “A sale contract whereby the institution offering Islamic financial services sells a customer a specified kind of asset that is already in its possession, whereby the selling price is the sum of the original price and an agreed profit margin.” (IFSB, 2017, p.13). Bindabel et al. (2016) explore the stock market in Kuwait and Saudi Arabia which requests disclosure of the zakah formula as a mandatory principle in listed companies. Islamic formulas, such as Murabahah or voluntary Islamic investment are also used in GCC telecom companies.

Telecom companies have been selected based on three reasons; first, most studies have focused on banks. Exploring other entities widens the scope even if one concentrates on the same aspects that arise in the research that has been done on the banks (although in this study there is a concern to explore non-financial aspects too). Second, most studies have focused on banks. It is interesting to consider senses in which other types of entity are governed differently or might be governed differently from the perspective of local constituencies (as indicated by interviewees). Telecoms are in principle different because their activities are different. In the case of telecoms, ‘communications’ are key. One might expect some differences in terms of how they are or might be governed. Third, by studying the GCC we increase the possibility of validating our findings among similar societies while also exploring whether the differences between these societies (e.g., concerning ownership, business activities) is of relevance for the appreciation of governance differences.

## **1.2 Contributions of the Research**

The contributions of this research are theoretical, methodological and practical. The theoretical contribution has four points. Firstly, the concern is to explore and assess the current practice of corporate governance in relation to an Islamic perspective of the Telecommunications Sector in GCC. Secondly, the study tries to fill the gap in the literature for the non-financial sector,

specifically telecom companies, and the link between the period of the Prophet and the current period of the GCC. The period of the Prophet was selected because the Islamic religion was not divided into different sects at that time, compared to the subsequent period in which the Islamic religion, inside and outside these countries, is divided into three sects, Sunni, Shia and Ibadi. Thirdly, the legitimacy theory mainly concerns the social contract between companies and society. This research expands this relationship to look at the Islamic aspect and explore how it can assist companies to be legitimate in the five GCC. Fourthly, this research suggests adding/extending the Islamic aspect into the current Corporate Governance Codes: and related to this it indicates the possibility of unifying corporate governance between telecom companies because the research sample is eleven telecom companies, four of the sample directly own six of the other telecom companies, which could be unified under one law. This could also have benefits for other non-financial sectors.

The study uses a qualitative method, undertaking semi-structured interviews and qualitative content analysis. Most previous research focuses on the Islamic financial sector using quantitative methods and mostly neglects the telecommunications sector (for example, Bhatti and Bhatti 2010; Farook and Farooq, 2011; Garas, 2012; Alkhamees, 2013; Grassa and Matoussi, 2014; Ginena, 2014; Najeeb and Ibrahim, 2014; Othman and Ameer, 2015; Mollah and Zaman, 2015; Hashim et al., 2015; Grassa, 2015; Khalid et al., 2017; Elghuweel et al., 2017; Albassam and Ntim, 2017; Ahmed, 2017; Abd Razak, 2018; Farag et al., 2018; Ullah et al., 2018; Mansour and Bhatti, 2018). Secondly, this research obtained data from semi-structured interviews on the legitimacy aspect of telecom companies, as well as Islamic scholars' views and how these impact the current practice. Thirdly, it obtained in depth information from Islamic scholars about how Islamic perspectives have a definite impact on the classification and legitimacy of telecom companies. Fourthly, it obtained in depth data from telecom members (TMs) about why telecom companies use Islamic principles in their annual reports.

For the practical aspect, the research suggests ways of putting the legitimacy into practice in telecom companies. It teaches TMs how Islamic scholars classify telecom companies through Islamic lists. In the current practice of Islamic scholars, TMs should know which legitimacy aspects they should embrace and which non-legitimacy aspects they should avoid, through



classification. Also, Islamic scholars should divide telecom companies' activities into core activities, such as connection between people, and non-core activities, such as dealing in songs, satellite channels because Islamic bodies classify and decide whether something is legitimate in Islam in telecom companies, based on the investments and incomes of the non-core activities, and this would help them. The Islamic scholars must cover all activities of telecom companies, not only focus on the financial aspects.

### **1.3 Aim of Research and Research Questions**

Most previous research that has discussed an Islamic perspective on corporate governance has done so in relation to the financial sector, including research into GCC countries. This may reflect that the law of corporate governance in the stock market in these countries has not yet formally integrated Islamic law for the non-financial sector. Islamic law through Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) is used in the Bahraini Corporate Governance Code for the financial sector, which applies in Bahrain, Qatar and Oman (Al-Sulaiti et al. 2018), while for other GCC countries, Islam is referred to most obviously in relation to governance (but not yet formally) of the financial sector. The aim of this research is to explore and assess the current practice of corporate governance, in relation to an Islamic perspective, of the Telecommunications Sector in GCC. This is influenced by Islamic text, the literature and actual prescriptions, such as that of AAOIFI. The concern is to explore this in relation to practice and in terms of its potential.

The research aim thus is to explore and assess the current practice, how legitimacy theory can help in this discipline, and how GCC countries can implement better laws and codes for corporate governance, aligning with Islamic principles. In order to obtain insight into the Islamic perspective in corporate governance, the research questions are presented with the associated theory used. The first question explores the legitimacy practices within telecom companies through content analysis of laws, regulations and annual reports. The second explore the practice of Islamic rules in telecom companies, and how these rules can assist telecom companies to be legitimate, through telecom members interviewees. The third question look to the legitimacy practice of Islamic bodies and explores how this practice is related to Islamic religion, through Islamic scholars' interviewees.

The last question looks to strength points in regulations and laws, and how the current regulations can be improved. Thus, these questions are:

- 1- Do GCC telecom companies reference Islamic corporate governance? If so, how?
- 2- Are telecommunications companies in GCC claiming to use the Islamic rules in order to legitimise their operations?
- 3- What is legitimate practice for telecoms from the perspective of Islamic bodies in GCC?
- 4- From an Islamic perspective can laws and codes for corporate governance be strengthened and improved in GCC countries?

#### **1.4 Significance of the Research**

ICG involves identification of the Islamic communities within GCC countries and preserving their interests. The significance of ICG is ostensibly evident from the huge number of Islamic firms operating in GCC countries. Garas (2012) specifies that of the 419 ‘Islamic’ financial companies in the world in 2009, 219 were companies in the GCC. The value of the global Islamic financial sector was \$2.44 trillion at the end of 2019, with 45.4% of global Islamic financial assets in the GCC. (IFSB, 2020, p.1,5). Also, most GCC countries are interested in the Islamic aspect through the spread of the Islamic stock market in Bahrain, Oman and the UAE and these markets classify companies into Islamic or traditional companies. The classification of companies is guidance to know which companies have legitimacy, through explicit compliance with shariah or not follow shariah. As an example, the UAE has the Dubai Financial Market (DFM) Shariah index, which classifies companies according to Shariah law: in 2020, 40 companies were Shariah compliant in both financial and non-financial sectors (DFM, Shariah Classification List, 2021). In Oman, the Muscat stock market has a Shariah index based on AAOIFI which classifies companies. It included 25 companies which were declared in compliance with Shariah in the last quarter of 2020, in both the financial and non-financial sectors, which were declared in compliance with Shariah (Muscat Securities Market, Shariah Compliant Companies, 2021). The last market is the Bahrain stock

market, which has a Shariah index based on AAOIFI. The Shariah index contains 13 financial and non-financial companies (Bahrain Bourse, Bahrain Islamic Index, 2021).

Most Muslim investors and societies in GCC are concerned about Islamic investments because of the spread of Islamic indexes and the increase of interest in the classification of companies. Islamic scholars in interviews perceive telecom companies as not owning real assets such as goods, but only having communication services as their core activity and taking monthly payments for these services and their non-core activities, which include investments income and incomes from songs, tv channels, competitions, packages and music. Islamic scholar interviewees see the core activity of the telecoms sector in terms of legitimacy, but they are concerned about non-core activities such as investments, incomes from songs, competitions and TV channels. Also, All TM interviewees were interested in Islamic scholars classifications because Islamic scholars give confidence to those who want to invest in legitimate companies. Thus, companies should be adamant in delivering socially-desired ends to society as a whole, and politically, socially or economically need to benefit the groups responsible for their power (Shocker and Sethi, 1973).

The current research is concerned with how legitimacy theory can illuminate relations between Islamic communities and telecom companies. This theory mainly concerns the social contract between companies and society. This research expands this relationship to look at the Islamic aspect and how it can assist companies to be legitimate in the GCC. In the literature most studies (see, for example, Othman and Ameer, 2015; Farag et al., 2018; Haridan et al., 2018) focus on Islamic banks, suggesting how these banks gain legitimacy when they use Islamic products that are compatible with the wishes of Muslim society. Che Azmi et al. (2020) use the lens of legitimacy in the non-financial sector, but do not research legitimacy in the telecom sector. However, these studies fail to clarify how telecom companies gain legitimacy in Muslim society through classifications made of Islamic bodies.

In practice, telecom companies in the GCC achieve legitimacy in two ways. First, telecom companies show commitment with Islamic religion indirectly - without disclosure in the annual report - because the Islamic religion is the main source of legislation in GCC countries. However, company laws and corporate governance regulations in these countries have not comprehensively

reflected Islam in this respect. As an example, company laws in Kuwait, Oman and UAE divide laws between two types of companies, Islamic and non-Islamic companies. Also, the corporate governance code in Bahrain divides the code into two types of companies, Islamic and non-Islamic companies. Second, telecom companies reflect Islamic principles in annual reports, in order to classify telecom companies as legitimate companies from Islamic bodies' perspective. The Islamic bodies classify companies' legitimacy based on four criteria; the main activity is legitimate in Islam; secondly, forbidden investments do not count for more than 33.33% of investments; thirdly, traditional loans do not count for more than 33.33%; and last, forbidden income do not count for more than 5% of company income.

### **1.5 Methodology and Method in the Research**

The research methodology depends on the research philosophy, and the philosophy here embraces interpretivism and subjectivism. The method used in this research is a qualitative method using two approaches which are content analysis of company documents and semi-structured interviews. The legitimacy of GCC telecom companies is based on following Islamic religion whether explicitly or implicitly. Content analysis relies on investigation of Islamic aspects in telecom companies' annual reports linked to Islamic principles that exist in the literature and the AAOIFI. The content analysis covers the whole Islamic principles used in telecom companies' annual reports whether financial aspects or non-financial aspects, and making a comparison with the Islamic principles for legitimacy reflected in Islamic bodies' classification. The Islamic bodies classify listed companies into legitimate companies or non-legitimate companies based on four criteria; the main activity is legitimate in Islam; secondly, forbidden investments do not count for more than 33.33%; thirdly, traditional loans do not count for more than 33.33%; and last, forbidden income does not count for more than 5% of company income. Also, exploring how companies in these countries can obtain legitimacy, through the memorandum of establishment in the countries, company laws and corporate governance laws which include corporate governance codes in the stock market, laws on Islamic governance in central banks, AAOIFI and Shariah body in Dubai Financial Market. The investigation in this approach is to explore the impact of Islamic religion on the legitimacy of GCC countries, and how Islamic religion could impact on regulations. This impact is through disclosure and explicitly including Islam in regulations and laws.

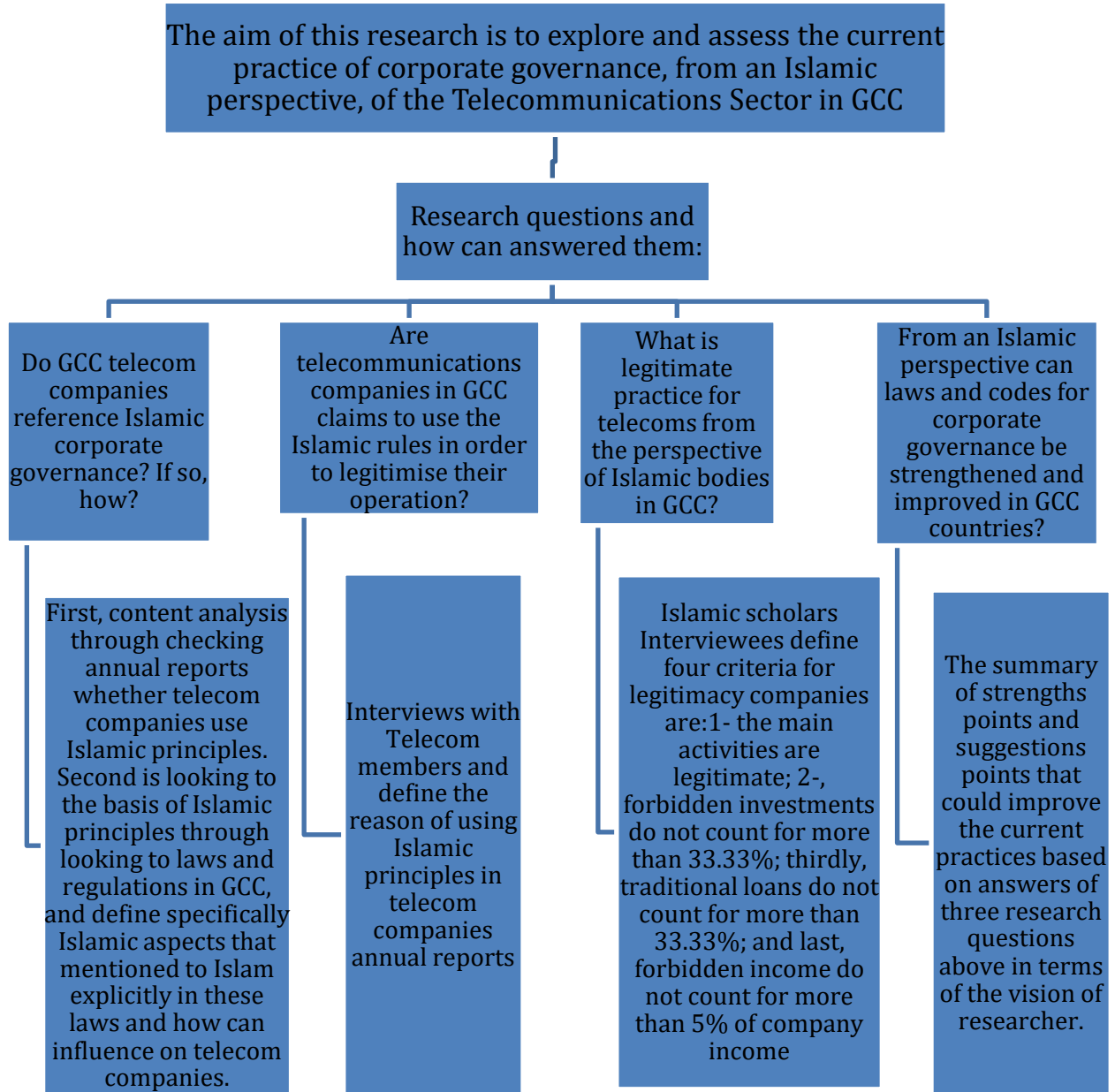
The second approach uses semi-structured interviews with Islamic scholars who are Shariah auditing officers, independent Islamic scholars and Islamic scholars that work in Shariah committees in Islamic banks, and TMs. Twelve TMs were interviewed on the practices that exist in their companies and how they relate to Islamic practices. Nineteen Islamic scholars discuss Islamic principles and how they fit with their classification of companies. The TMs give some insights into current practices of telecom companies, whereas the Islamic scholars give insights into the Islamic character of GCC societies.

Qualitative method approaches assist in exploring the impact of Islamic religion on legitimacy of GCC telecom companies and corporate governance codes. The Islamic perspective draws from analysis of the theory/practice of the Prophet and his companions. It provides a basis of comparison with the actual practice of telecom companies and the current regulations of GCC countries. This comparing between Islamic religion in the period of Prophet and his companions and the current period is because it helps build a generic appreciation of Islamic religion prior to the division into three sects (Sunni, Shia and Ibadi). Al-Hafni (1993), Al-Juhani (1999) and Al-Hamad (2011) confirm that the Islamic religion in the era of the Prophet Muhammad did not contain different sects. It might also be noted here that these sects did not have different perspective in business side. Shubaily (2006), a member of most Islamic Shariah auditing offices in the GCC, explains there is no difference between these sects in businesses side. Also, the Islamic indexes for companies in Oman and Bahrain, both of which adopt AAOIFI standards for companies' classification, do not refer to any differences between sects in business practice, despite the majority sect in Oman being Ibadi and the majority sect in Bahrain being Shia. Boutagouga (2016) gives the percentage of each sect in Islam, and provide the majority sect in Bahrain is Shia make up 48%, while the Sunni are 38% and 14% other religions. The majority sect in Oman is 60% Ibadi, between 20% and 30% Sunni and 5% Shia.

In addition, Islamic scholar interviewees see the period of the Prophet and his companions as the best in reflecting Islamic practice. However, those scholars lack in exploring how to link to the current telecom companies' practice because they focus only on financial aspects such as paying Zakah and forbidding interest in Islamic banks and insurance and telecom companies. If they see

the Islamic religion as comprehensive for the financial sector specifically banks and insurance, they suggest a relative lack regarding telecom companies. Kamla (2009) states that all Muslims see that Islam contains comprehensive principles for all aspects of life, but most practices of Islamic finance focus only on forbidden interest rate and paying Zakah. Thus, this research can develop argumentation here, in exploring how telecom companies may be legitimate in practice. Figure 1.1 shows the research aim and how research questions can be answered through the lens of legitimacy theory.

**Figure 1.1. The Research Aim and ways of Answering the Research Questions**



## 1.6 Outline of Chapters

Chapter Two focuses on theoretical framing and appreciation of prior studies, and is based on legitimacy theory. In this chapter there are five main sections: legitimacy theory definition is the first section. The second is legitimacy theory types. The legitimacy theory strategies is the third

section. The fourth is legitimacy theory challenges. The last section is the legitimacy theory lens for this research which include key studies for this research.

Chapter Three specifies the methodology and method for this research. This chapter covers the research philosophy, strategy and approach. The research uses qualitative methods that include two approaches, which are content analysis and semi-structured interviews. The content analysis includes how to do content analysis and challenges in content analysis. The semi-structured interviews contain three parts: analysis of semi-structured interviews; communication with interviewees; and challenges for the interviews. It discusses validity in qualitative research methods, and elaborates on sampling. Finally, the ethics of this research are discussed before concluding.

Chapter Four elaborates on the context in this research, focusing on GCC countries, excluding Qatar because the political problem between Qatar and GCC countries makes access difficult. This contains sections on primary sources for legislation, covering Islamic religion, culture, language and government by monarchy. The second section is the Islamic law in business which include Islamic companies. The third section is the Islamic religion and ICG. The fourth discusses economy and globalization, covering Islamic economics, its definition, the influence of globalization on the Islamic economy and globalization challenges to the Islamic economy. The fifth section shows four parts: the background to company law and corporate governance codes in GCC countries, ICG in practice; corporate governance in the GCC - includes telecommunications sector and the main differences between ICG and Western corporate governance. The last section is the influence of globalization on GCC companies laws and corporate governance codes.

Chapter Five explores content analysis and is based on using Islamic religion whether explicitly or implicitly in GCC telecom companies annual reports, laws and regulations. Content analysis relies on investigation of Islamic aspects in telecom companies annual reports and linked to Islamic principles that exist in the literature and the AAOIFI. The content analysis covers the whole Islamic principles used in telecom companies annual reports whether financial aspects or non-financial aspects, and makes a comparison with the Islamic principles reflected in the Islamic bodies classification. Also, the content analysis of telecom companies adopts the criteria Islamic bodies



use to classify which companies are legitimate and which non-legitimate in the practice. For laws and regulations, content analysis explores how companies in these countries can obtain legitimacy, through the memorandum of establishment in the countries, company laws and corporate governance laws which include corporate governance codes in the stock market, laws on Islamic governance in central banks, AAOIFI and Shariah body rules on the Dubai Financial Market. The investigation in this approach is to explore the impact of Islamic religion on legitimacy of GCC countries and explore the impact of Islamic religion on regulations through disclosure and explicitly including Islam in regulations and laws.

Chapter Six discusses the semi-structured interviews collected in five GCC countries, as the researcher could not go to Qatar during the data collection period because there was a political issue between three GCC countries, mentioned earlier. Six themes are discussed: 1. the Islamic perspective in the current practice of companies; 2. which types of Islamic formulas are used by telecom companies; 3. Islamic standards for Islamic formulas; 4. the classification of companies on the stock market based on the Islamic aspect; 5. the impact of legitimacy theory; and 6., the Corporate Governance Code in current practice.

Chapter Seven is discussion on a combined analysis of the findings. It is divided into sections: explicit or implicit practice of legitimacy promotion through Islamic reference in the companies; classification of companies by Islamic bodies; and laws and regulations that exist in the current practice of the GCC compared with the time of the Prophet and his companions.

Chapter Eight is the conclusion for this research, covering a summary of the findings, recommendations to improve current practice, limitations of this research and future research.

## **1.7 Chapter Conclusion**

In conclusion, this chapter gives the motivation, aim of the research and the research questions. It describes the significance of this research and the methods used in this research, as well as an outline of the thesis. The next chapter discusses theoretical framing and appreciation of prior studies.

## **Chapter two: Theoretical Framing and Appreciation of Prior Studies**

### **2.1 Introduction**

Legitimacy implies a connection between current social norms and mankind, which may translate into the association between a society and its companies. Epstein (1972) argues that a company's legitimacy stems from two areas, internal to the company and external to the company. He sees the internal legitimacy of companies as being concerned with how the company is managed. This could be how companies gain legitimacy, through legal means, credibility and transparency, and the applying of corporate governance principles. External legitimacy is seen as the association between a society and the companies in that society. This concerns the expectations of a society and how companies avoid behaviour conflicting with those expectations. Shocker and Sethi (1973) indicate that companies can gain legitimacy through dealings in society by two means, providing products that are acceptable to society and dividing the benefits from these acceptable products in society, as society feels the impact of the decisions made by the managers and owners of these companies. These two areas help to show how companies can indicate their legitimacy to society, and how companies can look to improve connections with society. To measure the wishes of a society, a new tool should be established, keeping in mind relevant stakeholders. Five attributes help to measure a company's external environment: the reference specification; appropriate standards selection; the formulation of a description of community work; group priority specification; and, an assessment of the company's practices, with respect to the priorities of the society (Shocker and Sethi,1973).

Moreover, Sethi (1975) sees companies as part of society, and companies' objectives stem from social values. The study indicates that a company's activity in society, does not limit the concept of legitimacy. The concept of legitimacy includes comprehensive aspects, such as a review of decision processes within companies, the external environment to be assessed and the process of accountability to be followed, so that they are acceptable to society. Thus, Sethi suggests that a company can gain legitimacy in a state using three approaches: first, the mandatory approach is through the laws and economic features of a country, but this approach is not enough because it is influenced by social aspects which are not fixed. The second is related to a company's conduct,

which must be compatible with the social values. The last approach is related to accepting that companies can change some of their activities based on social expectations. Hybels (1995) specifies companies gain legitimacy in two ways: acceptance from society and caring about social aspects that yields them legitimacy. If companies comply with social values, this assists them in being successful, although social values change from time to time. Suchman (1995) specifies two reasons for companies managing legitimacy. Firstly, companies look to continue their activities and credibility with stakeholders through support from those who have an interest in company activities, whether stakeholders or shareholders. This reason not only impacts on people that deal with companies, but also impacts on those who understand company activities. Secondly, companies want to gain positive support from society and avoid negative issues from society. It is clear that when companies neglect the public then they may find public opinion is against them, compared to companies who are keen to court the public, who gain positive support. This research takes the Islamic religion, depending on the oneness of Allah, as the reference for legitimacy.

In this chapter, legitimacy theory and prior studies will be analysed. This is divided into six sections. The first section introduces the definition of legitimacy theory. Different types of legitimacy theory are given in Section 2. Section 3 examines the strategy of legitimacy. Section 4 sheds light on the challenges for this theory. The last section is legitimacy theory lens for this research, which includes the reasons why legitimacy theory was chosen and the key studies in relation to this research.

## **2.2 Legitimacy Theory Definition**

Most definitions of legitimacy are linked to the relationship between the social aspects or social values and companies. Dowling and Pfeffer (1975) see legitimacy as an association between a company's activities and the social values that are acceptable within society. They state the definition of legitimacy theory should stem from the three ways that assist a company in gaining legitimacy. First, companies which function within a society can only state that they are legitimate if their goals and approaches conform to societal objectives. Second, companies must connect with society to gain value and be acceptable in that society; legitimacy requires companies to follow structures that are based on societal perceptions. Thirdly, companies must continue to try to

maintain the connection to understand any changes in social values that are expected of companies. The concept of legitimacy within the context of social theory is also shown by Hybels (1995). He also affirms the strong association between legitimacy and the social aspect, and that companies gain legitimacy when there is a positive relationship between them and social values of their society. Sethi (1975) specifies that the definition of legitimacy focuses on the internal and external aspects of companies, which includes accountability to society. In addition, Gray et al. (1995a) show that legitimacy theory is a social theory, and they highlight that this theory is interested in the compatibility between companies and different stakeholder views in society.

No companies or social institutions are excluded from functioning without a social contract that is implied or expressed. Shocker and Sethi (1973) assert that societies and businesses have established these social contracts between themselves. Companies must establish objectives, keeping in mind the society requirements that companies exist in. Richardson (1985) discusses a definition of legitimacy which is based on the contract between actions in society and social values. This study examines legitimacy in medical practice, which looks at legitimacy through two procedures. The first looks at a link between actions and social aspects, provided these are compatible with social values. The second looks at building structures and standards for legitimacy that assist it to be compatible with social values. Legitimacy in practice faces some contradictions with social values. Richardson (1987,p.342) sees legitimacy from an accounting perspective through the link between social values and actions. This perspective specifies the measure of legitimacy, which is based on the moral concept of actions through the “*structural-functionalist, social constructionist, and hegemonic.*” Buhr (1998) gives a definition of legitimacy which is looking for compatibility between social values and company activities, and this can be measured by providing activities to societies and looking at the extent of acceptability these activities have in society. The measure of the extent that goods seem acceptable to a society can be assessed externally to companies. Brown and Deegan (1998) see the definition of legitimacy as depending on the social contract between companies and their societies, and companies must follow the wishes of their society to become successful and continue their operations. Haniffa and Cooke (2005) see legitimacy theory as a theory for expanding the social contract between companies and societies, include other stakeholders that have an interest in company activities, such as general customers and investors.

The concept of disclosure in company reports assists companies in gaining more legitimacy in the eyes of a society; Guthrie and Parker (1989) specify that legitimacy theory depends on the social contract between companies and societies, and companies must have more disclosure to their society in order to give the society a clear idea about them. Social Legitimacy is discussed by Patten (1992, P.472), who portrays it as a tool for companies to become legitimate in a society. If companies have goals that conflict with their society's policy, whether in relation to social, environment or legal aspects, they need more disclosures when their activities conflict with social values. For legitimacy theory in accounting, Deegan et al. (2002) indicate that legitimacy theory happens through the social contract between companies and societies. They examine how the media impacts on legitimacy theory for BHP Ltd. The study finds disclosure helps legitimacy. Greater disclosure in annual reports has an impact on companies' legitimacy and assists in keeping companies still working. The media definitely impacts on the legitimacy of companies through disclosure, which clarifies that companies are looking to be compatible with the social values in a society.

Legitimacy theory refers to accounting through a social contract. Deegan (2002) sees legitimacy theory as a theory for orienting companies in their practices through the social, environmental and accounting procedures. This theory depends on the social contract between companies and societies, because companies are influenced by the societies that they work in. Milne and Patten (2002) specify the definition of legitimacy could stem from two views. The first view is that legitimacy results from the relationship between companies and their societies. The second view of legitimacy stems from institutional pressures from societies which shape threats to companies in practice. O'Donovan (2002) specifies the definition of legitimacy theory in companies stems from societies, but companies can control legitimacy through following the wishes of society. Islam and Deegan (2008) elucidate that the most common theory mentioned in social reporting is legitimacy theory. Legitimacy theory emphasizes that companies must make sure that they function within the norms and standards of the society that they are present within and their activities should be perceived as legitimate by the external parties such as investors. Lawrence and Fernando (2014) see legitimacy theory as based on the link between companies and their societies and companies cannot continue their operations without acceptance from society. Mousa

and Hassan (2015) specify legitimacy theory as a theory for disclosing the activities of companies and the environment of the societies that companies work in. The society's environment is shaped by individuals, whether internal or external to companies, such as customers, investors, media interest, public pressure and workers.

In sum, legitimacy theory depends on the social contract between societies and businesses. Companies must establish objectives, keeping in mind the requirements of the society which they are a part of. According to the definition of legitimacy theory above, the most aggregated definition is that presented by Suchman, who states that legitimacy theory "is a generalized assumption or perception where the entity activities must be proper, appropriate and desirable according to definitions, beliefs, values and norms that have been established through a socially constructed system" (Suchman, 1995, p.574). This section gives the definition of legitimacy theory, concentrating on the social contract and the social values present between societies and companies. For further details about legitimacy theory, the next section discusses the different types of legitimacy theory and how they are related to the definition of legitimacy theory.

### **2.3 Legitimacy Theory Types**

Epstein (1972) suggests that there are two kinds of legitimacy. The first is establishing legitimacy which is present within large companies and established with the help of owners and managers; these processes include monitoring of policies, acts or corporate governance law. The second is social accountability and the procedures for implementing society's wishes by a company. Richardson (1987,P.343) specifies three styles for legitimacy from the accounting perspective: "structural-functionalist, social constructionist and hegemonic". The structural functionalist depends on jobs that assist in maintaining social values in society. The social constructionist depends on the guidelines and rules received from those who are experts in legitimacy, such as legislators and scholars, to introduce social values. The hegemonic view has not been concerned about justice between shareholders and stakeholders, because it is more concerned with the group that has power, i.e., the stakeholders. All these styles depend on the relationship between actions and social values.

Suchman (1995) presents three kinds of legitimacy, “pragmatic, moral and cognitive legitimacy”. Pragmatic legitimacy is the first kind of legitimacy, wherein the effect of association between company and society is mentioned. This legitimacy depends on the people who are related to a company, the public influences companies through activities auditing. Pragmatic legitimacy has been divided into three kinds of legitimacy, which are exchange, influence, and dispositional. The company policies and procedures help predict the exchange legitimacy. These predictions are made on the basis of the expectations of the value of policies and procedures, using a set of components. Societies looking to influence legitimacy do not support this legitimacy as providing a specific aim or exchange to them, but see companies offering them an overall aim. Legitimacy is created when companies integrate components or establish performance standards. Legitimacy may also be attained when the company delegates some sort of authority to the public. In the case of dispositional legitimacy, the modern company is considered to be an independent entity, which has responsibilities and ethical standards, such as honesty, wisdom, trust and independence. The general image of legitimacy of companies is affected by these variables. Hence, a company which maintains an appropriate image would possibly receive a positive outcome, which society accepts.

Moral legitimacy is the second kind of legitimacy. Within this kind, public wishes are considered, and activities are carried out accordingly. Social assessment is used for this kind of legitimacy. This social assessment uses evaluators’ evaluations without ignoring social wishes and the evaluation looks to do actions in the correct way, regardless of the benefit to the evaluators. Furthermore, moral legitimacy includes a logical social concept which is nowhere close to the issue of self-interest. Hence, moral legitimacy maintains the ability to prevent manipulation, as compared to pragmatic legitimacy within the context of self-interest. There are four types of assessment legitimacy in moral legitimacy: Consequential legitimacy, Procedural legitimacy, Structure legitimacy and Personal legitimacy.

Consequential is the first moral legitimacy assessment. Companies issue this assessment using what they try to attain practically. The company achievement is measured on the basis of the products offered by them to society. The public may accept these products based on the value or quality and product bonus volume. Hence, products have output characteristics which can be measured using social attributes. Yet, there are some products which cannot be measured using

social variables or experiment practices, like nuclear aircraft carriers, since these activities do not have clarification regarding their technical product characteristics. It is not possible to know their social influence. Hence, in this stage, the social variable measurement may not be possible. Procedural legitimacy is the second assessment. Here companies manage moral legitimacy through dependency on techniques and procedures which are socially acceptable. The focus of procedural legitimacy is to assess the disadvantages of the company's products and to extract solutions for these disadvantages. Procedural legitimacy is essential for performance appraisal in the case of lack of metric tools. Positive procedures may be established within companies through procedural legitimacy extending appropriate reputation and value to the company, even though it may not be observed as practical. Yet, procedures are unable to extend positive moral values at all times. For instance, entities like hospitals would not lose their legitimacy due to the death of their patients, as it is natural and inevitable. However, they would lose legitimacy in the case of negligence in treating patients. Structural legitimacy is the third assessment. Structural legitimacy extracts the general system features which clarify the company department powers, as well as responsibilities. It also provides a review regarding the company activities and environment, along with how the structures can be implemented, their strengths to be enhanced and any weaknesses to be managed. The beliefs and norms of the society and its environment should be integrated within the company structure. If such a structure is formed, it would be possible for companies to be acceptable within the society along with gaining the public's trust. Personal legitimacy is the fourth assessment which is dependent on the company manager and their leader characteristics. A milestone can be created within the life of the company if the leader attains particular moral characteristics. At times, the company leader's characteristics and features help them avoid certain crises. However, at other times, leaders may blame bad decisions on their employees.

Cognitive legitimacy is the third kind of legitimacy. This does not observe assessment or interest. Two approaches are present as part of cognitive legitimacy, comprehensibility legitimacy and taken-for-granted legitimacy. The comprehensibility approach depicts the social environment as cognitively messy, which is why practitioners must clarify and organize their experiences and work. The direction of the company should be justified through cultural beliefs and norms which function as their general frame. Such a frame helps the company succeed and avoids unnecessary processes or implementations. Various meanings are associated with a comprehensive approach



during application and the meaning cannot be implemented on a general basis. Therefore, all concepts must be based on the public social construct. Taken-for-granted is the second cognitive legitimacy approach: for Suchman (1995, p.582) taken-for-granted means: “legitimacy may involve either affirmative backing for an organization or mere acceptance of the organization as necessary or inevitable based on some taken-for-granted cultural account”. This approach focuses on public policies that already exist in society or the law.

In conclusion, pragmatic legitimacy concerns on the people who are related to a company, the public influences companies through activities auditing, and looks to achieve entity independence through compliance with social ethics. Moral legitimacy relates to the assessment of company activities, and this must depend on society’s wishes. Cognitive legitimacy does not prioritise assessment of the interest of societies, but focuses on the rules and standards that are acceptable in the whole societal system and already exist in society or the law. For companies to be successful, these different legitimacy types should be followed, so integrated activities and concord are attained. The next section will consider the legitimacy strategies.

## **2.4 Legitimacy Theory Strategies**

Suchman (1995) indicates that legitimacy theory depends on two views: strategy legitimacy and institutional legitimacy. Strategy legitimacy portrays legitimacy as the source for operational activities, while institutional legitimacy portrays legitimacy as one of the basic components of norms and beliefs. Company managers look to build strategic legitimacy through looking outside of the company, while for institutional legitimacy, managers in companies look to the wishes of society. For specific dealings between companies and societies, Gray et al. (1995a), Brown and Deegan (1998) and Archel et al. (2009) show the four strategies suggested by Lindblom (1994) that assist companies in gaining legitimacy. Firstly, companies can provide education and awareness to customers about changes in company activities and methods for their performance, and convey this to their stakeholders. Second, companies might change the view of society without changing any of their actions in reality. Third, companies might manipulate the society’s interest and concerns over one issue to change to another. Fourth, companies might change the external forecasting of the society for the company’s performance. Suchman (1995) and Mousa and Hassan

(2015) propose three strategies which are related to the types of legitimacy, namely gaining, maintaining and repairing. Mousa and Hassan (2015) also suggest some strategies for legitimacy by maintaining communication between companies and societies through using annual reports. Four strategies are presented by Tilling (2004); these are establishing, maintaining, extending and defending legitimacies.

Suchman (1995) sees gaining legitimacy in companies as being done in two ways. First, companies have to accept their activities in a domain as new products, and these new products or domains need to be accepted by the society. Another way to gain legitimacy is through company activities being suitable for the workers in a company. Suchman shows three strategies for gaining legitimacy. First, the company environment is adapted to the public's wishes within the same environment. Next is the identification of an environment that is suitable for the present practice. Third is manipulation in society through creating new concepts that change the ideas of this society. Usually, adapting companies try to be in line with their environment. However, the company perception is essential where they consider the kind of legitimacy to be followed, which can be cognitive, moral or pragmatic legitimacy. As compared to repairing and gaining legitimacy, maintaining legitimacy is less complex.

Practically, three issues are faced in maintaining legitimacy. First, regardless of the company, legitimacy and public relationship should be observed, since the public may not have similar perceptions. Second, if companies are similar, but their cultural environment is not, to attain legitimacy, the company managers must establish methods and frames or face obstacles in attaining legitimacy. The third concern is related to the influence and contradictory nature of the institutional company structure, where the managers are unable to manage the comprehensive company concepts. Legitimacy is maintained using two strategies, comprehension of future alterations and management of earlier achievements. To understand alterations, public reflection needs to be observed, along with obstacle expectations. The approach of understanding requires a company to consider society's values. For pragmatic understanding, the interests of the public and their influence on decisions should be known by the company. Through these decisions, the company's cultural environment can be known by the managers. Company moral values should be such that they seem professional. Expectations need to be specified by companies for cognitive

legitimacy. Goodwill is another strategy for maintaining legitimacy. Cognitive legitimacy can also be attained using the social environment and company communication. Gaining and repairing legitimacy are similar where the reflection perceptions are presented for unexpected activities. Repairing legitimacy requires that the company communicate with the relevant public to maintain reliability and truthfulness. Three strategies for repairing are segregation between the basic problems and the whole assessment of the company. Second is re-structuring strategies. The last is company managers that have concerns for applying legitimacy in practice, trying to face these concerns.

O'Donovan (2002) shows three strategies for company legitimacy which can assist in gaining legitimacy in the opinion of society. These strategies are maintaining, repairing and gaining legitimacies. Companies can take any strategy depending on their actions, such as whether companies have new activities that need to gain legitimacy or old activities that need reform to be legitimate in the view of society, or maintaining the company legitimacy that already exists. Companies can maintain communication with society through disclosing annual reports. Islam and Deegan (2008) show the implementation of a disclosing strategy which assists in maintaining and gaining legitimacy from a society. In sum, legitimacy strategies are adopted based on three strategies, which are gaining, repairing and maintaining legitimacies. As an example of these legitimacy issues, when companies have new domains, they need to gain legitimacy, but when companies have products and have gained legitimacy, they need to maintain this legitimacy. The last strategy is if companies have problem in gaining and maintaining legitimacy then they need to repair legitimacy. Overall, these strategies are based on the relationship between companies and societies. The next section will discuss the challenges that might face legitimacy.

## **2.5 Legitimacy Theory Challenges**

The laws and regulations are representative of first challenge. Epstein (1972) asserts that despite the standard of formal law, companies' legitimacy may be at risk due to three issues. The first issue may arise from formal law's concentration on legal aspects while ignoring other aspects that are significant with respect to society. Secondly, although the formal law for social responsibility has been enhanced, it mainly considers passive tasks, for which companies may not be liable.

Lastly, the law neither distinguishes between responsibility and interest nor gives separate solutions for the two. Sethi (1975) portrays companies as possibly facing challenges from a legitimacy aspect if they use only the laws and economic aspects for approval of legitimacy, because these laws and economic aspects are influenced by the social values of a society. Dowling and Pfeffer (1975) indicate the challenge aspect regarding social standards and laws. Social standards and laws do not have a perfect relationship, but they are closely related due to three reasons. Firstly, compared to social standards, laws need more time to change. Secondly, laws are constant, whereas social standards are continually changing, which is a cause of conflict between them. Thirdly, laws provide a practical power which forces society to follow them for fear of getting punished.

Other challenges related to societal expectations and companies' performance are discussed by Shocker and Sethi (1973). There are two types of gap. The first gap may arise when companies are more concerned about profits, instead of focussing on the wide distribution of goods and services to attain social acceptance. In such a case, companies tend to neglect the wishes of society. Hence, the most significant problem for companies is whether they focus on the product that yields more profit or on the one that accords with society's wishes. The second type of gap arises because besides profit, companies' performance may be evaluated on the basis of the relationship between their performance and profits earned. This measurement assists in evaluating the impact of the company on the external environment. The company's profits alone are not evidence that the company is accepted in society. Nevertheless, some parties alter company decisions through acquiring the companies, to which the companies respond positively. In addition, Dowling and Pfeffer (1975) describe the challenges which are associated with the socially accepted values that must be evident in a company's practices for the company to be accepted by society. Thus, when a conflict arises between these values, a threat is imposed on the company's legitimacy. The other challenge faced by companies regarding legitimacy is the competitive market, where huge enterprises rule the market and have the power to make and sustain changes in prices and the values of society through advertisements, news or media in alignment with societal requirements. However, O'Donovan (2002) suggests that companies might lose legitimacy when they do not change their activities based on society's requirements. This could happen for several reasons, social awareness, company crises, society changing priorities, pressures from the media, pressure

from the regulators and pressures from interested stakeholders. These are all causes of threats to companies' legitimacy in practice.

Other challenges to legitimacy could be from some actions of life, whether legitimate or illegitimate; Dowling and Pfeffer (1975) see the situation of legitimacy in companies that provide goods or service as more easily measured through the experience and social values of customers, but legitimacy for legislators in education and hospitals faces some concerns over how measurements can be taken. However, Richardson (1985) states that legitimacy from a medical point of view could have a problem due to people's evaluation of it, although medicine receives legitimacy because humans need it for life. Sometimes, medicine lacks legitimacy, either directly or indirectly, through the lack of clarity of procedures and policies, as well as neglect by medical staff leading to a bad reputation or not having clear regulations for medicine. Although in comparison to formal laws and economic standards, social standards are important, it is not necessary for these standards to provide companies with the capability of continuing their activities legitimately. To be legitimate, companies should have regard for society's wishes, choose the right legitimacy strategies and try to disclose them in annual reports in order to avoid these challenges. The next section discusses the legitimacy lens for this research, which includes the reason for using legitimacy theory in this research.

## **2.6 Legitimacy Theory Lens Including Prior Studies in GCC**

The main reference for legitimacy in this research is religion. Hybels (1995) discusses how legitimacy can be gained through religious power, such as in the case of monarchies in the Middle Ages in Europe, who gained legitimacy through religious power. This religious aspect clearly is relevant in these countries, which depend on the Islamic religion, with the basic sources of Islamic legislation being Holy Quran and the Sunnah. The role of referencing the Islamic religion in constructing legitimacy is explored in this research in terms of how it can assist telecom companies to be legitimate in practice. Al Saud (2000) specifies that the Islamic religion is the most common religion in the GCC countries and the basic principle for legislation in them. Also, Kamla and Roberts (2010) discuss the common principles in GCC countries as being ostensibly based on religion and culture. In practice, the GCC governments declare in the first principle of

memorandums of their establishment, Islam is the main source of legitimacy. Most laws in GCC countries are Islamic in nature, since Islam is the primary source; hence, all GCC countries declare themselves as Islamic, whether they follow it or not and hence the companies that do not adhere to Islamic laws have to make some changes to appear Islamic and desirable in the eyes of GCC society.

However, Kamla (2009) states that Muslims take their values from the Islamic religion because all Muslims see Islam that containing comprehensive principles for all aspects of life, and the Islamic label assists companies to gain legitimacy in Muslim countries. In practice, she argues that most of the literature on Islamic accounting fails to clarify the whole message of the Islamic religion, including Islamic products and how these products can assist in social justice. Islamic finance in practice lacks a fully comprehensive view in terms of social justice of companies' activities and messages to all of society. She argues that Islamic products in Islamic banks have failed to clarify the main difference between Islamic products and conventional products, because the Islamic product appears to be the same as conventional products from the technical side. However, Islamic scholars have amended conventional products to follow Shariah provisions in order to satisfy the Muslim public, and most practice of Islamic scholars in Islamic finance focusing on two perspectives, forbidden interest rate and paying Zakah.

In addition, Kamla (2009) and Kamla and Haque (2019) address the relationship between the AAOIFI and international accounting standards. Both studies state that the AAOIFI announced their standards to be based on Shariah Islamiyah, but in reality, these standards depend on the Western perspective, like the IASB or IFRS. Kamla (2009) refers to Islamic finance laws and regulations that have been established through cooperation between Saudi Arabia, the United States and the United Kingdom. Kamla and Haque (2019) indicate the view of accounting in Islam should be established based on basic Islamic principles, which are: the oneness of Allah, humans as Khalifah, Muslim society as Ummah and accountability of society as Hisba system, and these principles assist in gaining the best idea of ICG. Thus, Kamla (2009) and Kamla and Haque (2019) conclude that the Islamic scholars have failed to find the full vision of Islam based properly on Islamic religion because Islamic scholars focus on financial side in companies, specifically

forbidden riba and paying zakah. Also, Islamic standards such as AAOIFI that exist in the practice are based on the western perspective.

On the other hand, most papers do not directly discuss legitimacy of telecom companies through using Islamic law in the GCC countries. Studies examine the legitimacy of Islamic finance and compare it with international finance, and studies focus only on the financial sector. Rethel (2011) finds that Islamic finance tries to [both] simulate international finance and to focus on the procedural aspects in order to comply with legitimacy. She explains the role of the Shariah Board in Islamic companies. It is a committee that assists Islamic entities to keep legitimacy in business practice; this committee has different procedures in each Islamic country and gains its reputation from the Islamic scholars that sit on it. As an example, both conventional banks and Islamic banks receive deposits and give loans, but conventional banks receive deposits and pay interest, while Islamic banks receive deposits without paying interest. Islamic banks give customers loans in the form of Murabahahs, these Murabahahs in Islamic banks are in the form of commodities. Islamic banks must own these commodities before trading them to customers, because Islamic banks cannot lend money directly as Islam prevents exchanging money against money.

Othman and Ameer (2015) explore legitimacy theory in relation to the requirements of the Shariah audit in the Islamic financial sector and examine the link with the Shariah auditor through adopting AAOIFI Shariah auditing standards. Farag et al. (2018) explore legitimacy in Islamic banks, concentrating on how they make Islamic products compatible with Shariah. They assert that if a company's activities conflict with Shariah, Muslim society could condemn these activities and companies fail to continue to work in practice. Haridan et al. (2018) use the Shariah governance framework of Malaysian Islamic banks assisting the classification of these banks as legitimate. Che Azmi et al. (2020) assess the legitimacy of the non-financial sector through the type of shariah bodies and the percentage of Muslims in each country. The sample only covered three countries of GCC which are Kuwait, Saudi Arabia and UAE, and did not include telecommunication companies in these countries. Also, the article concentrated on paying zakah and Islamic naming, and this article used quantitative method. In sum, Rethel (2011), Othman and Ameer (2015), Farag et al. (2018), Haridan et al. (2018) and Che Azmi et al. (2020) restrict legitimacy theory to financial aspects of Islamic banks and part of the non-financial sector, and establishing the SSB in Islamic

banks. The SSB in Islamic banks classify companies as legitimate or non-legitimate companies, and encourage telecom companies to use considerable Islamic products and formulas in their annual reports. However, the SSB in Islamic banks is set up to guide companies about the requirements of Islamic societies, but this is not disclosed in the above studies. Also, the studies failed to clarify the impact of legitimacy in telecom companies, and lack to mention the impact of legitimacy in relation to Islamic bodies' classification. The Islamic bodies indicate companies as legitimate under their classification of companies as legitimate or non-legitimate.

Hybels (1995) states that four groups assist companies to be legitimate. Firstly, companies which are politically side-by-side with governments, and this could be through laws, regulations and granting companies licenses to work. The second group is the public when they want to deal with companies and are impacted by whether companies have legitimacy or illegitimacy. The third is investor groups who want to make investments in companies. Those investors are impacted by the financial auditing of companies, such as internal company reports or external reports by independent accountants such as the big four accountancy firms. The last group is the media, which focuses on the assessment of companies' activities before societies, as some aspects of annual reports often appear on social media. The points that Hybels makes are reasonable but they do not reference Islam. Similarly, Cho and Patten (2007) indicate that if companies have more disclosure in annual reports, they reinforce their legitimacy, but also they do not reference Islam. Here we expand upon these views by reference to Islamic aspect.

Thus, in this research, the four groups assist telecom companies to be legitimate. First, Laws and regulations in the stock markets of Kuwait and Saudi Arabia require all listed companies to follow Zakah. Second, Islamic bodies classify all listed companies as legitimate or non-legitimate companies. This classification is disclosed on media and Islamic bodies' websites, and this impacts on investors and their decisions and the public in these countries. Company practices may be legally, environmentally or religiously restricted. If a company is carrying out activities that are restricted by society, they must disclose all aspects of these activities so that they become acceptable by society. All the factors discussed above (state, public, financial investment and media) in GCC have a definite effect on legitimacy, as these factors can affect laws and regulations, investors and Islamic bodies. These factors are related to companies and society and their impact



is seen in legitimacy theory whether it is positive or negative in practice. Most telecom companies in GCC implement Islamic principles in the financial reports. These principles are brought from the Islamic religion, whether diligence to Islamic bodies or mandatory from legislation in each country. Thus, this research exploring the Islamic aspect focuses on three areas: content analysis of telecom companies annual reports, laws and regulations, internally in telecom companies through TMs, and externally to telecom companies through Islamic bodies.

Regarding the first group, it relies on using Islamic religion whether explicitly or implicitly, and investigation about Islamic aspects in telecom companies annual reports and are linked to Islamic principles that exist in the literature and the AAOIFI. The Islamic aspects include a comparison between the Islamic principles and those reflected in Islamic bodies classification, and applying Islamic principles whether financial aspects or non-financial aspects. Also, classifications issued by Islamic bodies are the main activity in constructing legitimacy in Islamic society; secondly, forbidden investments do not count for more than 33.33%; thirdly, traditional loans do not count for more than 33.33%; and last, forbidden income do not count for more than 5% of company income. Also, I look at laws and regulations and how these laws can be so far from the pure Islamic religion, and look at the interpretation of the percentages that exist in the current practices of telecom companies and their basis, compared with the basic Islamic religion that existed in the first period of the Prophet Muhammad and the Rightly Guided Khalifahs. These resources include the telecom companies annual reports, memorandum of establishment for each country, company laws and corporate governance codes.

The second group, internally in telecom companies, relies on using Islamic religion whether explicitly or implicitly, through TMs and the study investigated why TMs are using Islamic aspects in telecom companies annual reports, and explores the influence of Islamic bodies, laws and regulation on telecom companies whether mandated by governments or voluntary.

The telecom companies' activities are evaluated for society by the third group, which is Islamic bodies that are external to telecom companies. These bodies classify listed companies based on four criteria that are mentioned above, and the research explores how to classify these companies

through interviews with Islamic bodies. The Islamic bodies disclose the classifications through social media and their websites.

## **2.7 Chapter Conclusion**

The legitimacy theory focuses on the social contract between companies and society, and this theory has three types, pragmatic, moral and cognitive. The pragmatic legitimacy could attain within a company, either by accepting public wishes or allowing the public to partake in organizational decision-making. Furthermore, pragmatic legitimacy can be attained using the company's reputation or the reputation of the company's current manager. Appropriate principles, acceptable to public and society, should be followed to attain moral legitimacy. Societies would be interested in products that are produced for them. Unlike moral legitimacy, pragmatic legitimacy aims to integrate the public and society's wishes. If companies maintain moral and pragmatic legitimacy, they automatically attain cognitive legitimacy by applying standards and frameworks. Cognitive legitimacy does not prioritise assessment of the interest of societies, but focuses on the rules and standards that are acceptable in the whole societal system and already exist in society or the law. The main reference for legitimacy in this research is Islamic religion. Most papers do not directly discuss legitimacy of telecom companies through using Islamic law or reference in the GCC countries. Studies examine the legitimacy focus only on banks and insurances companies. The research uses three resources in adopting legitimacy theory, one group is internal to telecom companies, the other two are external to telecom companies, and the laws and regulations which include annual reports of telecom companies, memorandum of establishment of GCC countries, companies laws and corporate governance codes. The research methodology will be presented in the following chapter.

## **Chapter Three: Methodology and Method**

### **3.1 Introduction**

The research aim is to explore and assess the current practice of corporate governance, in relation to an Islamic perspective, of the Telecommunications Sector in GCC. Chapter two discusses the theoretical framing and appreciation of prior studies that relate to legitimacy theory in the practice. This chapter discusses the methodology and method for the research in eight sections. The first section is the research philosophy. The research strategy is in the second section. Section 3 covers the research approach. The fourth section is the research method which includes content analysis and semi-structured interviews. The content analysis includes the method of analysis and the challenges of content analysis. The semi-structured interviews are described in three parts, which are the analysis of semi-structured interviews, recruiting participants in this research and the challenges of semi-structured interview. Section 5 concerns validity in the qualitative method. The sampling of telecom companies is in Section 6 and Section 7 covers the ethics application with the chapter conclusion in Section 8.

### **3.2 Research Philosophy**

Merriam (2009, p.4) gives the definition of research as: “a systematic process by which we know more about something than we did before engaging in the process.” Merriam specifies four kinds of research which are “pure research (contributing to the knowledge base in a field), applied research (improving the practice of a particular discipline), evaluation research (assessing the value of something) and action research (addressing a particular, localized problem)”. Ponterotto, (2005, p.127) examines the definition of philosophy which “refers to the conceptual roots undergirding the quest for knowledge”. Creswell (2009,p.24) describes four philosophical perspectives that could be selected in the research as: “postpositivism, interpretivism, advocacy/participatory, and pragmatism”. Merriam (2009) divides research philosophy in a similar way to Creswell, with different names for some of these philosophical perspectives: positivist/postpositivist, interpretive, critical, and postmodern/poststructural.

These philosophies have a specific ontology and epistemology. Saunders et al. (2009, p.119) describe ontology as “the researcher’s view of the nature of reality or being”, and epistemology as “what constitutes acceptable knowledge in a field of study”. Ontology has two paths, which are objectivism and subjectivism. Epistemology also has two paths, which are interpretivism and positivism (Bahari, 2010). Subjectivism and interpretivism tend to prefer qualitative methods while objectivism and positivism tend to prefer quantitative methods. For the definition of these philosophies, Bahari (2010, p. 22,23,25) specifies each philosophy as follows: subjectivism “refers to beliefs that social phenomena are created from the perceptions and following actions of those social actors concerned with their existence”. Objectivism “is based on the assumptions that social phenomena and the categories that we use in everyday discussions have an existence that is independent or separate from actors”. Positivism “assumes that there are social facts with an objective reality apart from the beliefs of the individual”. Interpretivism is an “epistemology that it is necessary for the researcher to understand differences between humans in our role as social actors.”

Based on the definition of each philosophy mentioned above, the preferred epistemology and ontology for this research are interpretivism and subjectivism. Interpretivism and subjectivism depend on understanding through interpretation and interpreting the interpretations of others the circumstances and behaviour of society and companies. Interpretivism also depends on understanding here the social contract and different opinions of scholars in Islam about what is allowed in Islamic transactions and dealings. The researcher needs to interpret why a board of directors in a telecom company does not depend on a SSB in the company. Lastly, interpretivism acknowledges multiple realities and that participants in interviews might have different feelings and understandings about the research focus. The approach is concerned with exploring and finding out the reasons why telecom companies do not have an SSB, despite them using Islamic principles in the companies. This philosophy assists in getting in-depth insight about the reasons for using Islamic formulas without the approval of a SSB, and how each Islamic formula is able to be written in telecom companies’ annual reports, without the existence of a Shariah Board.

### 3.3 Research Strategy

The research strategy examines the objectives of the research; this strategy is divided into three strategies; describing, exploring and explanation. The approach for using these strategies could be “experiment; survey; case study; action research; grounded theory; ethnography; archival research” (Saunders et al. 2009, p.141).

This research uses a case study. Merriam (2009, p.46) gives the definition of a qualitative case study as: “an intensive, holistic description and analysis of a single entity, phenomenon, or social unit.” Merriam highlights two types of case study, single and multiple case studies. Benbasat et al. (1987,p.373) shows the benefit of single and multiple case studies and they state that: "single-case study projects are most useful at the outset of theory generation and later in theory testing. A single case used for exploration may be followed by a multiple-case study”. While, multiple-case “designs are desirable when the intent of the research is description, theory building, or theory testing”. Yin (2018, p.60,61) indicates the research design for a case study should be based on five elements. These are: “A case study’s questions; its propositions, if any; its case(s); the logic linking the data to the propositions; and the criteria for interpreting the findings”. The research uses a case study that uses exploration and explanation (Saunders et al. 2009). The case study looks to several sources of data. In this research, a case study was chosen for several reasons:

- I. Baxter and Jack (2008) recommend using a case study because it assists in getting in-depth knowledge about a topic and finding a different perspective on participants in interviews without bias and change. Ritchie and Lewis (2003) recommend using a case study to get several perspectives about a topic from participants. In this research, interviews were recorded with the members of corporate governance in telecom companies, Shariah auditing offices and independent Islamic scholars. Telecom companies use Islamic principles without referring to the SSB. Thus, interviews assist in getting in-depth knowledge about why they did not use an SSB, even though the law in these countries depends on Islam, and Islam is the source of most legislation in these countries. Therefore, this research looks to gain several different views from in-depth interviews about usage of Islamic religion in telecom companies.

- II. Merriam (2009, p.50) states that: "[a] case study is the best plan for answering the research questions; its strengths outweigh its limitations. The case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon". This research finds in-depth knowledge about Islamic practices in companies. This is clarified both through when telecom companies use Islamic formulas, and how these formulas are related to telecom companies; most Islamic financial companies, specifically Islamic banks, usually use Islamic formulas as a way of getting approval from the SSB inside the bank. Most Muslim societies understand the Islamic aspects and are concerned about Islamic or non-Islamic practices only in the Islamic banks because Islamic banks are spread in these countries. However, most investors are careful with their investments, whether in financial or non-financial companies. This Islamic phenomenon affects the majority of society. Most investors in the stock market in these countries wish to invest in Islamic companies, and the case study might assist investors in knowing which telecom companies claim to be Islamic, as well as gaining insights into investors and the investor context.
- III. Based on the questions "how" and "why" in a case study, this research investigates the reasons why the examined telecommunications companies have not developed a SSB in their company, and how telecommunication companies might use an SSB. The strategy of a case study recommends using how and why questions (Meyer, 2001; Gerring, 2004). In addition, Rowley (2002) and Gerring (2004) describe seven types of case study which include "descriptive or causal". Descriptive versus casual is related to this research because this type of research depends on the questions "what, why and how". Yin (2018) mentions that the research questions in a case study tend to be "why, where, how, what, who".
- IV. Rowley (2002) confirms that case studies are distinguished because they use different types of data from different sources, such as interviews, documents and observations. This research uses two approaches. The first is content analysis, including the memorandum law for each country, company law, corporate governance codes and annuals reports for

telecom companies. The second approach uses semi-structured interviews with telecom company members and Islamic scholars.

### **3.4 The openness of the Research Approach**

This research approach is shaped by an appreciation of legitimacy theory. At the same time, the approach is concerned to be finding things out from the field. Thus, the approach has the sort of ‘middle-range’ quality promoted by Laughlin (1995) for his own version of critical theory – it is positioned somewhere near the centre of a continuum of relatively open and relatively closed theories.

An open approach in the research helps here for several reasons; firstly, in exploring the current practice and knowing why SSB is not mentioned in the annual reports of companies. Secondly, interviews assist in solving why, despite using Islamic formulas and principles, companies have no disclosure and transparency and how do they use Islamic formulas or principles. Thirdly, exploring how do these formulas follow Islamic law without the guidance of Islamic scholars? Fourthly, to discover why there is no SSB in the code of corporate governance for the non-financial sector in GCC countries.

### **3.5 Research Methods**

There are, by common classifications, three types of research method, quantitative, qualitative and mixed methods. Quantitative methods are “a means for testing objective theories by examining the relationship among variables”. While the definition of a qualitative method is: “a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2009, p.22). The mixed method is “an approach to inquiry that combines or associates both qualitative and quantitative forms of research” (Creswell, 2009, p.23). This research uses a qualitative method. The reasons for choosing this method was because the research wanted to know in-depth about the views of people in GCC society and how these views might impact on company decisions. Merriam (2009, p.5) asserts that most qualitative researchers focus on “understanding how people interpret their experiences, how they construct their worlds, and

what meaning they attribute to their experiences.” Thus, the research uses this method in order to get further details of human experiences and for document analysis.

The qualitative method in this research depends on two ways of getting data, content analysis and semi-structured interviews. Both ways assist to explore the Islamic law that could be used in GCC telecom companies. The Islamic perspective draw from analysis of the Prophet and his companions in their theory/practice, a basis for comparison with actual practice of telecom companies and the current regulation of GCC countries. However, Kamla (2009) states, most practice in Islamic finance focuses only on forbidden interest rate and paying Zakah. Although, Mansour and Bhatti (2018) also point out that ICG focuses only on the world’s financial sectors. Let us first turn to the qualitatively oriented content analysis of annual reports, laws and regulations of GCC. Then we shall elaborate upon semi-structured interviews with TMs and Islamic scholars.

### **3.5.1 Content Analysis**

Content analysis can be divided into inductive and deductive analysis, and these two use qualitative and quantitative methods (Elo and Kyngäs, 2008). Inductive content analysis examines a topic in a way that is very open in developing a theory of the topic, while deductive content analysis tests a hypothesis (Elo and Kyngäs, 2008). Content analysis describes qualitative and quantitative methods (Sandelowski, 2000). Gray et al. (1995b,p.80) see the most important points of content analysis as “objective, systematic and reliable”. Hsieh and Shannon (2005, p.1278) define content analysis as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns”. It is divided into three types of analysis, which are “conventional, directed, or summative”. These analysis types are used to explore documents and laws to get a quality qualitative approach. Ahmad and Sulaiman (2004) use three steps in content analysis. Firstly, using annual reports from companies; secondly, deciding the approach for the analysis of the data and how it can be measured; thirdly, establishing an in-depth analysis of the data and which data is to be related to the research study.

This research first focuses on qualitative content analysis as the analysis method. The researcher uses content analysis for three reasons; first, content analysis helped to find the themes that assisted



in the semi-structured interviews with telecom companies and Islamic scholars, which were based on the memorandum of establishment for each country, company laws, corporate governance codes in GCC countries, and annual reports, websites and documents of telecom companies. Secondly, it explore the gap between corporate governance laws and telecom companies practices through a comparison. Third, exploring how GCC telecom companies register and write the Islamic principles in annual reports, without referring to ICG.

### **3.5.1.1 Content Analysis Ways**

Kamla and Rammal (2013) address the role of “social justice” in Muslim communities through examining nineteen Islamic banks inside and outside the GCC. The study uses content analysis in a qualitative method. Khalid et al. (2018) discuss content analysis in the context of a qualitative method, with the study using content analysis based on annual reports. This method of analysis depends on the process of coding and looks to certain words in the “social, environment and ethical” dimensions. This approach depends on secondary data, through looking at primary sources of legislation, memorandums of establishment for GCC countries, company law, and corporate governance codes in GCC countries. It also uses the annual reports of eleven telecom companies. The research relied on GCC telecom companies’ annual reports in 2018 and 2019. The reason for selecting these years was because the corporate governance principles were applied in different years in GCC, and the last country applying these principles was Kuwait in 2016. The legislator in Kuwait requested one year’s opportunity for applying corporate governance principles after adopting (Corporate Governance code, Kuwait, 2015). Therefore, the researcher decided to choose two years for telecom companies’ annual reports after the last country in GCC that applied corporate governance principles.

Based on the literature, the Islamic literature, Islamic principles in Islamic Shariah auditing and AAOIFI, the research has taken and checked all articles that exist on the memorandum of establishment of each country and looked at the vocabulary related to Islamic religion in each one. The language used is then compared with laws and regulations under the memorandum, such as company laws and corporate governance codes. The research finds the main source for all legislation in the GCC is Islam, and explores the practice of telecom companies in relation to the

Islamic religion. In addition, it relies on themes of Islamic scholars for classifying companies to legitimacy or non-legitimacy, which depend on four criteria as: the main activity is legitimacy in Islam; secondly, forbidden investments do not count for more than 33.33%; thirdly, traditional loans do not count for more than 33.33%; and last, forbidden income do not count for more than 5% of company income, and take these criteria as lens for checking the telecom companies annual reports. It also examines telecom companies externally through regulations and laws related to them, and looks at the main differences between this period in the GCC and the period of the Prophet. Some company laws reference the Islamic religion, such as the company law in Kuwait, Oman and UAE. They also give the requirements for this type of company, issues of investments and revenue cases. Corporate governance codes rarely have reference to Islam, only for Islamic banks or that for central banks such as the Bahrain Corporate Governance Code. For the annual reports of telecom companies, the research finds that most telecom companies use Islamic formulas such as Zakah, qard Hasan, Murabahah, Tawarruq, Islamic investment and Mudarabah and that Shariah provisions exist in companies. In addition, most of the telecom companies follow principles causing controversy with the Islamic religion from Islamic bodies' perspective, such as paying tax because the Islamic religion impose zakah instead the tax.

### **3.5.1.2 Challenges in Content Analysis**

The researcher faced two challenges in carrying out content analysis. Firstly, some Shariah auditing offices do not announce the conditions for classification of companies, and how can companies become legitimate, or non-legitimate, on their websites. However, the researcher obtained other conditions, which were almost the same, from other Shariah auditing websites in Kuwait, Saudi Arabia, UAE, Bahrain and Oman, and these conditions assisted in classifying a company as Islamic or non-Islamic. Second, the VIVA telecom company (STC) in Bahrain is a closed joint stock company and the system gives it the right to not publish its annual reports. However, the research obtained some details about this company through annual report consolidation STC in Saudi Arabia.

### 3.5.2 Semi-Structured Interviews

Saunders et al. (2009, p.318) specify the meaning of an interview as: “a purposeful discussion between two or more people.” They divide the interview into three types: “structured interviews; semi-structured interviews and unstructured or in-depth interviews”. Saunders et al. (2009, p.320) define these interview types as follows: “Structured interviews use questionnaires based on a predetermined and ‘standardised’ or identical set of questions and we refer to them as interviewer-administered questionnaires”. In a semi-structured interview: “the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview”. The last type is unstructured or in-depth interviews, which means informal.

The semi-structured interviews use three strategies, face-to-face, phone and email for telecom companies and Islamic scholars in these countries. The researcher met all TMs face-to-face in their companies, and the Islamic scholars face-to-face in their offices or in the Islamic banks where the Islamic scholars worked. After conducting semi-structured interviews, the researcher made a transcript of the interviews. Then, the information that had a relationship to the research was sorted. Thirdly, the information was coded for analysis (Creswell, 2009). According to Morse (2000), the best sample size for interviews is between 30 and 60. The reason for selecting between 30 to 60 is getting in-depth insights and much more representativeness.

In this research, semi-structured interviews are used in interviews with members of corporate governance in telecom companies, and Islamic scholars who have classified listed companies, Shariah auditing offices that are related to telecom companies or that are external to telecom companies, and who claim to decide on the legitimacy of telecom companies’ transactions. The interviews were carried out with thirty-one participants and included two types of participant. The first type is (nineteen) Islamic scholars. The second type is (twelve) members of eleven telecom companies in GCC countries. For more details about interviewees see Figure 3.1 and 3.2. Figure 3.1 provides information about Islamic scholars and Figure 3.2 has information about TMs.

**Figure 3.1. Interviewees details of Islamic Scholars**

<b>Islamic Scholars from:</b>						
<b>Country</b>	<b>Independent Islamic scholars</b>	<b>Islamic scholars at university</b>	<b>Islamic scholars in Islamic banks</b>	<b>Islamic broker companies</b>	<b>Islamic scholars from stock exchanges</b>	<b>AAOIFI</b>
<b>Saudi Arabia</b>	2	1	2	1		
<b>Kuwait</b>	3		1	1		
<b>Bahrain</b>	1	1				1
<b>UAE</b>			1	1		
<b>Oman</b>			1	1	1	
<b>sum</b>	6	2	5	4	1	1
<b>Islamic scholars total</b>	<b>19</b>					

**Figure 3.2. Interviewee details of key actors in telecoms**

<b>Country</b>	<b>TMs</b>	<b>Gender</b>
<b>Saudi Arabia</b>	4	Male
<b>Kuwait</b>	4	3 male 1 female
<b>Bahrain</b>	2	1 male 1 female
<b>UAE</b>	1	Male
<b>Oman</b>	1	Male
<b>TMs sum</b>	<b>12</b>	

### 3.5.2.1 Analysis of Semi-structured Interviews

All interviews were conducted in Arabic and audio recorded. After conducting the thirty-one semi-structured interviews, two steps were carried out:

1. Each interview was transcribed into Arabic first then translated from Arabic into English and rewritten as an English transcript.
2. Information that had a relationship to the research was sorted. This was done using three methods:
  - a. The research questions were distributed into four files with each research question put into a separate file. All interview materials related to a particular question were added to the appropriate file. There are four main research questions. These were divided into sub-questions that the interviewees were asked. The first research question has two sub-questions, the second research question has five sub-questions, the third research question has three sub-questions, and the last research question has four sub-questions.
  - b. All interviewees for each research question were grouped together, based on the two groups of Islamic scholars and TMs. Each interview question was asked to both groups; however, some questions were not answered by some TMs or Islamic scholars. There were fourteen questions which were put into four files based on the four research questions. The first file is research question one, and all interviewees answering in relation to this question were put together to see which themes were mentioned by all interviewees in this question. When collecting themes in the first draft there were more than thirty themes in this question.
  - c. After collecting all data into four files, the researcher started to combine all data together in one file. All data related to all research questions was coded and put together in one file. This analysis was done manually for all research questions. In the first draft a lot of themes were found. They were then reviewed, with the research having six final themes, with subthemes under these themes. These six themes relate to legitimacy theory. The three

themes are: internal in telecom companies, external to telecom companies and regulations and laws in GCC countries. These themes encompass what assists companies to be legitimate in their practice and get acceptance from GCC societies.

### **3.5.2.2 Communicating with the Interviewees**

Four ways were used to communicate with participants in this research. First, the Saudi culture bureau in London assisted this research through providing a supporting letter to accomplish collecting the data. Second, communication with participants was made through formal websites, such as telecom company websites or Shariah auditing offices websites or Islamic scholars' emails. The third way was using programs such as LinkedIn or Twitter programs to communicate with participants. Fourth, emails were sent to the stock exchanges in each country looking for communication with participants. The stock exchanges provided information about Shariah auditing offices and Islamic scholars in those countries and offered communication data for these offices.

### **3.5.2.3 Challenges in Semi-structured Interviews**

In this research, the researcher had a good experience through visiting other GCC countries for the first time as he had not visited most of the GCC before the data collection. However, three challenges faced the researcher during this journey. The first was trying to reschedule a lot of flights between GCC countries, as some flights had to be changed to accommodate interviewees that wished to change the date of the meeting. The second was needing good communication skills with participants in Oman, Bahrain and UAE, because those participants were more conservative and might not have trusted anyone outside of their societies. In Oman, society is tolerant compared with other GCC countries, but in this society, it was difficult to get information because the first day of the interview, participants refused to be recorded. They then accepted being recorded, with a condition of promising not to publish any information to the public. Therefore, the researcher stayed around a week to obtain accurate data.

In Bahrain, participants promised to meet on the day of meeting then changed the meeting several times. The researcher stayed around a week to see participants in two telecom companies, Islamic scholars and Shariah auditing offices. The Islamic scholars were more flexible, but the TMs did not agree to a meeting in the first communication. The researcher met with participants twice; the first time they did not accept the meeting being recorded. The second time they felt more relaxed and then gave permission for the interview to be recorded to obtain accurate information, in spite of communicating with them a month before a meeting. Overall, they were worried about any penalty that might be caused because of this research. In UAE, the researcher rescheduled a meeting with some participants several times. They promised to meet, then cancelled until they gave permission for the recording. This was the same case for the TM in Bahrain. We met in a coffee shop and then gave permission for the recording. The last challenge was that although all of GCC society uses Arabic as the official language, there was a difficulty with some dialect words from that specific society. For example, one Islamic scholar participant in Oman used some unfamiliar vocabulary in Arabic. I asked him, what do you mean by that, and he clarified the meaning of these words.

### **3.6 Validity in the Qualitative Method**

Creswell and Miller (2000, p.124) define validity as “how accurately the account represents participants’ realities of the social phenomena and is credible to them”. They indicate that the qualitative method requires some steps to get validity and reported that: "Qualitative researchers routinely employ member checking, triangulation, thick description, peer reviews, and external audits". Mathison (1988) and Golafshani (2003) specify the triangulation method as the best method for qualitative method and Mathison (1988,p.13) states:

“Triangulation has arisen as an important methodological issue in the evaluation literature...In particular, naturalistic and qualitative approaches to evaluation have demanded attention to controlling bias and establishing valid propositions because traditional scientific techniques are incompatible with these alternate epistemologies”.

Mathison (1988,p.13,14) portrays the four types of triangulation as: “data triangulation including time, space and person, investigator triangulation, theory triangulation, and methodological triangulation”. Guion et al. (2011,p.1) define five measurements for validity in qualitative methods: “data triangulation, investigator triangulation, theory triangulation, methodological triangulation, and environmental triangulation.” Guion et al. (2011, p.2) indicate the most benefit of triangulation comes from more trust in the data. They also see it as: “creating innovative ways of understanding a phenomenon, revealing unique findings, challenging or integrating theories, and providing a clearer understanding of the problem”.

Each measure has own definition. This research uses two measurements, methodological triangulation and data triangulation. Guion et al. (2011, p.1,2) assert that “[d]ata triangulation involves using different sources of information in order to increase the validity of a study.”, and that: “[m]ethodological triangulation involves the use of multiple qualitative and/or quantitative methods to study the program. If the conclusions from each of the methods are the same, then validity is established”.

This research uses two approaches to qualitative method to get more validity in the data. The first step is comparing between semi-structured interviews and content analysis. For example, all GCC memorandums confirm Islamic law as the primary source for legislation, and all Islamic scholars and TMs confirmed Islamic law as the primary source of legislation. Thus, this data obtained validity through agreement between the analysis of the memorandums establishing each country and each interviewee in the interviews. Another example is that TMs in Kuwait agreed on the same data found in the content analysis about company law in Kuwait. All TMs agreed that the primary reference for all companies, whether Islamic or non-Islamic, is company law and that article number fifteen pertains to Islamic companies. The researcher checked the company law and confirmed it was the same data obtained from the interviewees.

The second approach used the sample of interviewees and the written Arabic transcripts of the interviews, which were sent to the interviewees to confirm they were the same as they had said. The researcher sent transcripts to one Islamic scholar from Kuwait, Saudi Arabia, Oman and



Bahrain, and to one TM in Bahrain and Saudi Arabia. Thus, all interviewees confirmed that the transcripts were written using the same words that they had said in the interview.

### **3.7 Sampling in five GCC Countries**

Based on the Capital Market Authority this study uses only eleven telecommunications companies in these countries because it excluded seven telecom companies: one telecom company each from Kuwait, Saudi Arabia, Bahrain, UAE and Oman and two telecom companies from Qatar. The reasons for this were that the Ooredoo telecom company in Kuwait and Oman is owned by the government of Qatar, and the researcher excluded all telecom companies owned by Qatar because there was a political problem between GCC and Qatar when the interviews were carried out. Batelco telecoms from Bahrain, Zain from Saudi Arabia and Emirates Integrated Telecommunications Company from the UAE were excluded because they did not respond to being asked to take part in the research. The eleven telecom companies include three companies in Saudi Arabia, four companies in Kuwait, two companies in Bahrain and one company each in UAE and Oman. These companies used some Islamic principles, such as zakah, which is mandatory in Saudi Arabia and Kuwait and used Islamic investments or Murabahah which is voluntary in all GCC countries. Also, other telecom companies used principles which are controversial in Islam, such as tax. Other companies claimed to be Islamic companies.

Four telecom companies in the five GCC have a common relationship with each other through percentages of ownership. The first telecom company is the Saudi Telecom Company (STC), which owns 100% of the shares of VIVA (STC) in Bahrain. It also acquired 51.84% of STC (VIVA) in Kuwait. The second telecom company is the Mobile Telecommunications Company (Zain), headquartered in Kuwait, which owns 37.04% shares of Mobile Telecommunications Company (Zain) in Saudi Arabia, and it acquired 54.78% shares of Mobile Telecommunications Company (Zain) in Bahrain. The third telecom company is Emirates Telecommunications Group Company in UAE, this company possesses 27.99% shares of Etihad Etisalat Company (Mobily) in Saudi Arabia. The last telecom company is Omentel, headquartered in Oman. This company acquired 21.90% shares of Mobile Telecommunications Company (Zain) in Kuwait.

In their use of Islamic principles, each country is discussed separately. First, in Saudi Arabia, the study takes three telecom companies, Saudi Telecom Company, Etihad Etisalat Company (Mobily) and Etihad Atheeb Telecommunication Company. All of them pay zakah based on Saudi regulations, and Saudi Telecom Company and Etihad Atheeb Telecommunication Company used Islamic formulas, such as Murabahah, Mudarabah, Qard Hasan and Tawarruq Islamic financing. In Kuwait, the study takes four telecom companies which are Mobile Telecommunications Company (ZAIN), Aan Digital Services Company (AAN), Kuwait Telecommunications Company (VIVA) and Hayat Communications Company. All of them pay zakah and also pay tax. Mobile Telecommunications Company (ZAIN) has Islamic Murabahah on its subsidiary in Sudan. Aan Digital Services Company (AAN) and Kuwait Telecommunications Company (VIVA) claim to be Islamic companies based on the memorandum of their establishment. Aan Digital Services Company (AAN) has Islamic finance.

In UAE, the study choose one telecom company called Emirates Telecommunications Group Company. This company had not used any Islamic formulas and the regulations did not require any payment for zakah as mandatory. In Bahrain, the study selected two companies, Saudi Telecom Company (VIVA) and Mobile Telecommunications Company (ZAIN). In Oman the study used Oman Telecommunication (Omantel); this company has investments in Saudi Telecom company through Murabahah and bought shares in Zain in Kuwait through qard Murabahah. Also, this company pays tax. All telecom companies that pay tax, create a conflict with Islamic principles because Islamic religion impose zakah instead the tax.

Concerning the concentration of ownership of telecommunications companies in Saudi Arabia, the Saudi Telecom Company is owned by the Saudi Public Investment Fund with a 70% share, whilst it is unclear who owns the rest of the company. Etihad Etisalat Company (Mobily) is owned by the Emirates Telecommunications Group Company (27.99%), General Organization for Social Insurance (6.9%), and other ownership percentages are not clear in the Tadawul. Mobile Telecommunication Company Saudi Arabia (ZAIN) is acquired by Mobile Telecommunications Company Kuwait (37.04%), Faden Trading Contracting Est (5.97%) and other ownership percentages are not clear. Etihad Atheeb Telecommunication Company is owned by Bahrain

Telecommunications Company at 15%, Al-Nahla Trading & Contracting Company 8.88% and other percentages of ownership are not clear in the Tadawul (Tadawul, 2021).

The acquiring of telecommunications companies' ownership in Kuwait, Mobile Telecommunications Company (ZAIN) is possessed by Kuwait Investment Authority 24.22%, Group of Oman Telecommunications 21.90%, Nohoudh Development Trading & Contracting company 5.05% and the rest of the ownership is not available in the stock exchange. National Mobile Telecommunications Company (OOREDOO) is owned by Ooredoo International Investments LLC 92.11% in Qatar, and other percentages of ownership are not available in the stock market. AAN Digital Services Company (AAN) is acquired by Al Madina for Finance and Investment Company, Group (Develop General Trading Company, Real Capita for Gen. Trdg. Co. & Al-Tatweer Capital Real Estate Co.) 14.52%, and other percentages ownership are not available in the stock market. Kuwait Telecommunications Company (K.S.C) is owned by the Saudi Telecommunication Company 51.84%, Public Institute for Social Security 10.89%, Kuwait Investment Authority 6.01% and other percentages of ownership are not available in the stock market. Hayat Communications Company is acquired by several parties which are Emad Habib Hayat 17.68%, Alaa Habib Hayat 15.92%, Alrouyah Comapny Investment and its subsidiary 13.78%, Salwa Yaqub Bu Albanat 9.6%, Abdullmajeed Ali Zalzalah 10.75%, Sayer Bader Mohamed AlSayer 5.20%, and other percentages of ownership are not available in the stock market (Boursa Kuwait,2021).

The telecom companies' ownership concentrations in UAE are as follows: Emirate Integrated Telecommunications Company PJSC (DU) acquired by Emirates Investment Authority 50.11%, Mamoura Diversified Global Holding PJSC 10.06% and the rest of the company owners are not available in the Dubai Financial Market (DFM,2021). Emirates Telecommunications Group Company is owned by Emirates Investment Authority 60%, and the other owners' percentage is not available in the Abu Dhabi Securities Exchanges (ADX,2021).

While, in Bahrain, Bahrain Telecommunication Company (Batelco) is owned by several parties which are Bahrain Mumtalakat holding Company 36.67%, Amber Holding Limited 20%, Social insurance organizations 10.57%, Social insurance organizations pension civil 6.11%, Social

insurance organizations pension military 3.62% and other owners' percentages are not available in the Bahrain Bourse. Zain Bahrain B.S.C is owned by Mobile Telecommunications Company in Kuwait 54.78%, Shaikh Ahmed bin Ali Abdulla Al-Khalifa 16.10%, Gulf International Bank B.S.C. 6.54% and other owners are not declared in the Bahrain Bourse (Bahrain Bourse,2021). STC telecom company (VIVA) is owned by Saudi telecom company 100% (Saudi Telecom Company, annual report, 2020).

Finally, in Oman, there are two telecom companies which are Omani Qatari Telecommunications Company SAOG and Oman Telecommunication (Omantel). Omani Qatari Telecommunications Company SAOG is owned by non-Omani investors in Qatar 64.40%, and Omani investors 35.59%. Oman Telecommunication (Omantel) is owned by Omani investors 96.73% and foreign investors 3.27% (Muscat Securities Market, 2021).

### **3.8 Ethics Application**

In terms of the ethics, Merriam (2009,p.228) specifies the elements that must exist in qualitative method ethics as: "To a large extent, the validity and reliability of a study depend upon the ethics of the investigator". These were all considered as part of research design in this research. This research obtained ethical approval from the Management School and followed the ethical structure set down by the University of Sheffield. Approval was also given for the Consent Form that was given to participants. The Consent Form includes a clarification of the aim and questions of the research, how the researcher would deal with participants' information and how he would keep the names and details of the interviewees private.

### **3.9 Chapter Conclusion**

Epistemology and ontology for this research are interpretivism and subjectivism. The research strategy is a case study exploring why telecom companies use Islamic formulas in practice. The research uses qualitative method. The research approach is concerned to be finding things out from the field. The qualitative method depends on two ways of getting data, content analysis and semi-structured interviews. The content analysis focus on telecom companies annual reports,

memoranda of establish these countries, companies laws and corporate governance principles. The semi-structured interviews focus on twelve telecom members and nineteen Islamic scholars. The next chapter examines the context of GCC countries.

## **Chapter Four: Gulf Cooperation Council Countries' Context**

### **4.1 Introduction**

This chapter contains five sections. First is the history and background of GCC countries, which encompasses: the Islamic religion that include different sects; the culture, official language and government by monarchies. The second section is the basis of Islam in business and Islamic companies. The third section is the basis of Islamic religion on ICG through Islamic principles. The economic background and how it is related to globalization is the fourth section, and has four parts: Islamic economic background; the definition; the influence of globalization on the Islamic economy; and globalization challenges to the Islamic economy. The fifth section shows the companies laws and corporate governance codes in GCC, including four parts: the background to company law and corporate governance codes, ICG in practice, corporate governance including telecommunications sector and the main differences between ICG and western corporate governance. The influence of globalization on GCC companies laws and corporate governance codes is the last section before the chapter conclusion.

### **4.2 The Gulf Cooperation Council Countries (GCC)**

The GCC countries comprise six countries, Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the United Arab Emirates (UAE). This section gives a brief history of each country. The UAE was established in 1971 and contains seven states, which are: Abu Dhabi, Dubai, Sharjah, Ras-Al-Khaimah, Fujairah, Umm-Al Quwain and Ajman. Bahrain has been ruled by the Al-Khalifah family since 1782. Saudi Arabian was established by Mahammad Ibn-Saud as the founder of the first Saudi state in 1744 through signing an agreement with Mahammad-Ibn-Abd al-Wahab, but the current Saudi Arabia has been ruled by Abdalaziz-Ibn-Saud since 1932. Oman has been ruled by the Imam of the current family monarchy, which is called Saiyid-Ahmed, since 1744 after the Persians left Oman. Qatar has been ruled by Ibn-Thani family since 1820. Kuwait was established by Al-Sabah family in 1716 (Al-Muslemani, 1990).

The basis of the political system in the Gulf region depends on two concepts, the Islamic religion and tribalism (Al Saud, 2000). Leaders of GCC countries looked to work together and unite. They signed an agreement on economics to start the cooperation on 25th May 1981. The headquarters for this council is in Riyadh, Saudi Arabia. In 1983, these countries signed a further agreement for a tariff and custom union, making it a free trade area (Laabas and Limam, 2002). The aim of uniting the GCC countries was to create a positive relationship in terms of politics, economics and society between these countries (Ab Rahman and Abu-Hussin, 2009). These countries have the same primary source of legislation, religion and culture, and the same official language. In addition, they have similar governments and the same economic resources, in the form of oil (Al-khoury, 2010). Strong links between the whole of society and the governments exist in these countries.

The next subsections discuss the Islamic religion and the different sects that exist in these countries, and the culture, official language and government by monarchy.

#### **4.2.1 Primary Source for Legislation (Islam)**

The most common religion in GCC countries is Islam, and the basis of Islam is faith in the oneness of Allah, and the monitoring of Allah in life and after death. Haneef (1997) specifies the main concept of the Islamic religion as the oneness of Allah (Tawheed), and all Muslims believe in the existence of one God. Muslims have faith that Allah is omnipotent, omniscient and owns all sources of life in this life. Haneef (1997), Ali and Gibbs (1998), Choudhury (1998), Rice (1999), Haniffa and Hudaib (2002), Uddin (2003), Choudhury and Hoque (2006), Hasan (2009), Choudhury and Nurul Alam, (2013) and Kamla et al. (2006) indicate important factors for business in Muslim societies, which are the oneness of Allah, justice and trusteeship, productive work, freedom and accountability, and how these Islamic principles and ethics have influenced business and corporate governance. Uddin (2003) indicates the framework of business in Islam and the five pillars of Islam which are the oneness of Allah, obligatory prayer, Zakah, fasting and pilgrimage.

Abuznaid (2009) highlights the two foundations of Islamic ethics, which are the worship of Allah alone, and cooperating with people. Therefore, Islamic law takes evidence from the Quran, Hadith

and Sunnah, and discusses the oneness of Allah, which includes the idea that everything is owned by Allah. Grassa (2013) highlights the principles of ICG, which include the oneness of Allah (Tawhid) and Shura, i.e., fairness and justice. Al-Jarhi (2016) addresses the impact of the first principle which is the unity of Allah (Tawhid). Tawhid is the main source of all principles in Islam. The result of the unity of Allah brings the unity of the universe, and this unity of Allah makes all human beings the same, whatever their colour or race. The Quran mentions the justice of Allah when dealing with people, and people are seen as equal in prerogatives and duties. The unity of Allah in Islam requires Muslims to believe in one God. If a person believes in more than one God then that contradicts Islam.

The Islamic religion has a number of different doctrines, such as the Sunni, Shia and Ibadi doctrines. Worldwide, the majority of Muslims are Sunni, including in the GCC countries, but around 10-15% of Muslims are Shia. The majority of Shias are in GCC countries, specifically in Bahrain, with minority numbers of Shias in Kuwait and Saudi Arabia (Blanchard, 2010). There are no official numbers for Sunni, Shia and Ibadi Muslims on the official websites of the GCC governments, and most of the statistics in the literature only discuss the minority and majority percentages for these doctrines.

The Arab Thought Foundation covers each doctrines in Boutagouga (2016). Boutagouga gives the percentage for each doctrines by country. Sunni in Saudi Arabia comprise 95%, while Shia are 5%. In Kuwait the percentage of Sunni is 63%, Shia is 27% and other religions 10%. In Bahrain the Shia make up 48%, while the Sunni are 38% and 14% other religions. The percentage of Sunni in Qatar is 93%, while Shia is 2% and other religions is 5%. In the UAE, the percentage of Sunni is 47%, Shia is 41% and other religions is 12%. Oman is 60% Ibadi, between 20% and 30% Sunni and 5% Shia. Boutagouga also indicates that there is coexistence and acceptance between doctrines in these countries. The report of European Parliamentary Research Service (Kusserow and Pawlak, 2015) gives the percentage of each doctrine in Islam, with Sunni the highest at between 87% to 90% of Muslims worldwide; while the percentage of Shia is between 10% to 13% of Muslims worldwide. The Ibadi doctrine is an exclusive doctrine that exists in Oman, which covers 75% of the Omani population. Cleveland and Bunton (2016) highlight that the Sunni doctrine includes the majority of Muslims in comparison with other Muslim doctrines worldwide.



The Shia doctrine was adopted based on the Prophet's companions. The Ibadi doctrine was based on the followers of the Prophet's companions. Both doctrines were constructed after the Prophet died. This means these doctrines did not exist in the period of the Prophet. The main differences between these doctrines are discussed by Islamic scholars such as Al-Hafni (1993), Al-Juhani (1999) and Al-Hamad (2011) who confirm that the Islamic religion in the era of the Prophet Muhammad did not contain different sects. In addition, the origin of Islam is based on two sources, the Holy Quran and the Sunnah. Cleveland and Bunton (2016) indicate that the division that between Sunni and Shia happened after the Prophet Muhammad died. However, AL-Muslemani (1990) specifies the Sunni doctrine as the formal basis for most governments in the GCC, excluding the government of Oman, which uses the Ibadi doctrine as the main source of legislation. Al Saud (2000) confirms that all governments in the GCC claim the Islamic religion as the primary source of the legal system, based on the Holy Quran and the Sunnah of the Prophet and that the Islamic religion is the main religion in each country. This section discusses the Sunni doctrine, the Shia doctrine and the Ibadi doctrine, which can be found in the GCC, starting with the Sunni doctrine.

#### **4.2.1.1 Sunni Doctrine**

Al-Hafni (1993), Al-Juhani (1999) and Al-Hamad (2011) see the Sunni doctrine as based on the Holy Quran and the Sunnah of the Prophet. They assert that other doctrines such as Shia and Ibadi appeared due to the spread of Islam in the country, and this was at the end of the era of the Rightly Guided Khalifahs. Al-Juhani also explains how the differences arose based on the influence of Greek and Indian books of philosophy. They also state that the Sunni doctrine believes in what was revealed in the Quran and the Sunnah and stops using reason in matters that have been revealed by evidence from the Quran and the Sunnah. This doctrine is faith in all Rightly Guided Khalifahs in Islam, and keeping the rights of preference with Abu Bakr, Umar, Uthman and Ali, may God be pleased with them. All of the Prophet's companions are the best of Islamic ummah after the Prophet. The Sunnah sees Ali as one of the Prophet's companions and his status is high, but he has not arrived at the stage of the Prophet. This doctrine believes what is found in the Holy Quran and the Sunnah of the Prophet without change, distortion or interpretation. The Islamic scholars in the

Sunni doctrine confirm that all Muslims will see Allah on the day of judgment. The Holy Quran is Allah's words, not created by man, but the words of Allah. Al-Hafni (1993, p.75) states the correct practice of the Islamic religion should follow the Prophet and his companions, and he cites a quote from the Prophet: "When asked about the correct squad or sect in the practice of Islam, the Prophet answered what I and my companions make".

Under Sunni doctrine there are four schools of jurisprudence that are used as a tool to understand Shariah provisions, Hanafi, al-Maliki, Shafi'i and Hanbali. These schools of jurisprudence in Islam try to interpret the Shariah provisions. The first school of jurisprudence is the Hanafi jurisprudence, founded by Abu Haniffa, who died in 767 AD in Iraq. This school existed in Turkey, Central Asia, the Balkans, Iraq, Syria, Lebanon, Jordan, Afghanistan, Pakistan, India, and Bangladesh. The second jurisprudence is al-Maliki. This school was founded by Malik ibn Anas, who died in 795 AD. This jurisprudence existed inside and outside of the GCC, for example in North Africa, Mauritania, Kuwait and Bahrain. The third type of jurisprudence is Shafi'i, founded by Muhammad ibn Idris al Shafi'i, and he died in 819 AD. This school existed outside the GCC, for example, in Egypt, Sudan, Ethiopia, Somalia, Yemen, Indonesia, and Malaysia. The last school of Hanbali, was founded by Ahmed ibn Hannibal, who died in 855 AD. This school existed in Saudi Arabia, Qatar, Oman and the UAE. These schools do not have large main differences, but they are used to clarify the Sunni doctrine (Blanchard, 2010). The next section discusses the second doctrine that exists in the GCC, which is the Shia doctrine.

#### **4.2.1.2 Shia Doctrine**

The Shia doctrine was built after the Prophet died in 632 AD, specifically at the end of the third era of the Khalifah Uthman. Some supporters of Ali killed the third Khalifah in 656 AD. Those supporters started with the thought of seeing Ali as the rightful Khalifah after the Prophet died, Ali died in 661 AD (Blanchard, 2010). Supporters of Ali called themselves Shia's Ali, and those supporters later divided into several other doctrines, such as Sabaeyah, Zaidia, Alkisanian and Raafidah (Al-Hamad, 2011). Al-Hafni (1993) divided the Shia into three doctrines: the first doctrine is Shia's extreme love of Ali, and this group contained fifteen sects. The second doctrine is Shia's Umami, which is Raafidah, and this doctrine contains twenty-four sects. The last doctrine

is Shia's Zadeh and this doctrine is divided into six sects. Twelver Shia is the most well-known Shia doctrine in the current period. Twelver Shia is found in some GCC countries as well as in other countries, such as Iran, Iraq and Bahrain. The leader of this doctrine lives in Iran and is called the Ayatollah Khomeini. The second doctrine of Shia is Ismailis, and this is found in Afghanistan, India, Pakistan, East and South Africa. The third type is Zaydis, which is/was found in Yemen (Blanchard, 2010).

Al-Hafni (1993), Al-Juhani (1999) and Al-Hamad (2011) also state that the Shia doctrine, started with the Imamate principle. This Imamate revolved around assertions that Ali was the first Khalifah rather than Abu Bakr. It denies the Imamate Abu Bakr, Umar and Uthman, and sees the Imamate as belonging to Ali, as he was the most deserving of the Khalifah after the Prophet died. The reason for naming the doctrine Imamate was because Imamate is the main issue of the doctrine. It has twelve imams, who are infallible and who are considered among the heirs of Ali. With the passage of time, this doctrine entered into other controversies and sayings that conflicted with the Quran and the Sunnah, and the gap widened between this and the Sunni creed. All Shia doctrines start with Ali having the right to the Khalifah in Islam, and these doctrines expanded through reverence for Ali, until it reached the stage of equating him with the Prophet. Thus, the gap widened with the Sunni. Followers of this doctrine has some beliefs such as that Allah made a mistake in the message and it was supposed to come down to Ali, infallibility, secular knowledge, paranormal customs, reversion, taqiyya and pleasure in marriage, failing to acknowledge the three companions Abu Bakr, Omar and Othman (Al-Hafni, 1993; Al-Juhani, 1999). Also, this Imamate did not exist in the era of Prophet and the era of the three Khalifahs, in first period of Islam. The last doctrine is the Ibadi doctrine, which will be discussed in the next section.

#### **4.2.1.3 Ibadi Doctrine**

This doctrine is attributed to its founder Abdullah bin Ibad Al-Tamimi, who died in 708 AD (Rabi, 2008), but most Ibadi references do not wish to be associated with him and see Jabir bin Zaid as the founder of Ibadi, although the name was attributed to Abdullah Ibn Ibad. Jaber bin Zaid was born in 21E/641 AD and died in 93E/710 AD, but Jaber bin Zaid did not know the Prophet Muhammad, because the Prophet died before he was born (Khulayfat, 1978). Those supporters who

believe Jaber bin Zaid to be the founder, existed in Oman more than 1,000 years ago (Rabi, 2008). Most studies in the current period from Oman, such as Albusaidi (2012), describe Jaber bin Zaid as the founder of the Ibadi doctrine and they are influenced by him. Albusaidi acknowledges the name of the Ibadi doctrine is based on Abdullah bin Ibad al-Tamimi but, this is not genuine, because the name of Ibadi as a label came from people that did not believe in the Ibadi sect.

This doctrine is divided into seven sects, which are Yazidism, Hafsaih, Harithiya, Ibrahimih, Maimonieh, Waqifieh and Al Behiseaah. All the names are based on the person who built the group and all names are in Arabic (Al-Hamad, 2011). Al-Juhani (1999) divides this doctrine into three sects, Yazidism, Hafsaih and Harithiya. Rabi (2008) states that the difference in Ibadi sects depends on what they believe. Ibadi sects are widespread in Oman, because the nature of society in Oman loves calm and isolation. Al-Hafni, Al-Juhani and Al-Hamad discuss the Ibadi doctrine, and that this doctrine believes in aspects that make it different from the Sunni doctrine. These perspectives refute some of the divine attributes. Al-Hafni, Al-Juhani and Al-Hamad present the five main perspectives that make the Ibadi doctrine different from the Sunni doctrine. First, the Ibadi doctrine believes the Quran was created from Allah, rather than actually being the words of Allah. Second, the Ibadi doctrine gives people permission to refuse to follow leaders of injustice. Third, it denies that believers will see Allah on the Day of Judgment. Fourth, the Ibadi doctrine believes the perpetrator of the greatest sin is the infidel and they will face everlasting fire. Fifth, the Ibadi doctrine denies the condition of Quraysh in Imams and it denies the intercession of the Prophet on the Day of Judgment, for those who believe in Islam. Followers of this doctrine use interpretation and invention more than the evidence of the Holy Quran and the Sunnah, because these five issues did not exist in the era of the Prophet's companions.

In sum, the main difference between the Sunnah, Shia and Ibadi doctrines revolves around beliefs and details about the issue of destiny. All these doctrines believe in the oneness of God (Allah) and believe in the final messenger, Muhammad. Shubaily (2006, p.6), who is a member of most Islamic Shariah auditing offices in the GCC, explains the main differences between businesses and faith. He states that: "The basic principle of worship is prohibition except with evidence, and the basic principle for transactions is permissible". Al-Juhani (1999, p.33) writing in Arabic asserts that there is no difference between the three doctrines from the business perspective:

“Islam consecrates the constants and recognizes the changes in human life: beliefs and morals are constants that are not subject to change. Financial, economic and social transactions change according to the time and place, the Prophet Muhammad has entrusted its solution to people (who know more of worldly matters) and requires that they are based within the framework of the Shariah and the purposes of Islam”.

However, Cleveland and Bunton (2016) see the main difference between Sunni and Shia doctrines as revolving around who takes over the political leadership of Muslims. The Sunni doctrine accepts all Rightly Guided Khalifahs, Abu Baker, Umar, Uthman and Ali and the Umayyad State and the Abbasid State, but Shia looks to only one Khalifah, who is called Ali. However, Islam is the common religion in these countries, and there is no difference in thought between the above doctrines from a business and company perspective. The next section discusses the other common principles that link GCC countries, which are the language, culture and government by monarchy.

#### **4.2.2 Culture, Official Language and Monarchy**

Islam is the main source of legislation in GCC countries, and the source of Islam is the Holy Quran and Sunnah, which are both written in Arabic. The culture and Arabic language are the point of a common relationship between these countries (Ismail, 2010). US ARMY (2006) discusses the Arab world, including the Gulf region, highlighting the official language is Arabic, based on the holy book in Islam, the Holy Quran. Governments in the GCC are government monarchies. Boutagouga (2016) discusses the sharing of general cultural features in the Gulf region, such as religion, language, history and many social, economic and cultural habits.

Benbouziane and Benamar (2010), Al-musali and Ismail (2012) and Pillai and Al-Malkawi (2018) also discuss the common principles that link GCC countries, which are ethnicity (Arab), religion (Islam), political regime (monarchy), culture, the traditions of the civil system and a monarchy government. In sum, the culture, language and monarchy are almost the same in these countries, and the societies in these countries have fully impacted the common principles.

In summary for this section, Islam is a common religion of GCC and influences Muslims in all areas of life, whether religious, social, legal or business - and culture, language and ethnicity (Arab) are the same in these countries. In the next section will look to relationship between Islam and business.

### **4.3 The Islamic law in business**

Hamid et al. (1993) discuss the Muslim believer and how Islam can deal with business. Muslims believe that Allah has specific regulations in business and these regulations must conform with Allah's instructions. Hamid et al. (1993) refer that Islam takes the main lead in regulations and policies of Islamic modern countries, such as preventing the making of interest in business, because interest in business dealings exploit those in need to obtain money without any effort and create gaps between people. Interest is called Riba in Islam. Hamid et al. (1993, p.143) clarify the definition of Riba as follows: "Experts on Islamic jurisprudence agree that any increment over and above the amount of capital loaned is Riba". The rules of Islam have an influence on business ethics in companies; the definition of Islamic business ethics "is defined as the code of moral principles that are prescribed by the Quran and Sunnah" (Abuznaid, 2009, p.280). Ali (1992) examines the Islamic work ethic. His study finds that 117 managers out of 180 in Saudi Arabia have an adherence to Islamic work ethics. Islamic work ethics here however do not significantly conflict with western individualism; they are constrained in practice in the context. Companies have even gambled and committed fraud (Ali, 1992).

Haneef (1997) highlights that the Islamic religion is not only focused on the faith and worship styles of a person but also focused on the comprehensive direction of all human behaviour. Shubaily (2006) notes that the Holy Quran asserts Islam as comprehensive religion for all human life. At all times, humans should look to follow the obedience to Allah received by the Prophet. Also, he specifies the understanding and interpreting of the Holy Quran and the Prophet's speeches and deeds is a step in creating new Islamic thoughts about business. These thoughts assist in establishing strategies and procedures for implementation. Also, Shubaily (2006) and Maishanu and Dutsin-ma (2012) see the Islamic perspective in business through buying and selling, which

is permissible in Islam. Maishanu and Dutsin-ma (2012) show the Prophet's view that selling and buying is permissible in general provided that Islamic instructions are followed in the activities of the business, and avoiding Riba.

In conclusion, all Islamic scholars see obedience to Allah as the most important function for human life and any deal, whether business, economic, social or political depends on how a person sees Allah in their life. The action of business is permissible in Islam and must follow Islamic instruction, which is the Quran and the Sunnah. The next part will discuss the basis of modern companies in the view of Islam.

#### **4.3.1 The Islamic Companies**

Hamid et al. (1993) and Wilson (2006) specify the definition of partnerships in Islam which called "*Musharakah*". "*Musharakah*" divides into three types, called "a finance partnership (*shirkah mal*), a labour partnership (*shirkah a 'mal*), and a credit partnership (*shirkah wujuh*)" (Hamid et al., 1993, p.138,139; Wilson, 2006, p.111). Shubaily (2006) clarifies that Islam divides companies into property companies and contract companies, which include unleashed companies and speculative companies (see below). Also, Shubaily (2006) describes the view of Islam in modern companies which is divided into two types: unleashed (*Anan*) companies and speculative companies. He defines the *Anan* companies as when two or more people share their money to work with their bodies and split the profit between them (this like partnership), and the speculative company involves ownership by shares. He see both are permissible. The joint-stock company is a type of speculative company, because it consists of a group of shareholders; the shareholder is the owner of the money, and the board of directors are the workers. Choudhury and Hoque (2006, p.127) define Islamic companies as follows:

"An Islamic corporation is a legal entity of shareholders with principal and proportionate ownership of assets according to individual group equity and profit-sharing capabilities. *Mudarabah* and *Musharakah* contracts and other ones that revolve around these principal development-financing instruments establish the legal validity of the corporation. Absolute ownership within an Islamic corporation

is thus replaced by proportionate ownership according to participation and in view of the extensive co-operative linkages established”.

Maali et al. (2006) describe the social relationship between Muslim societies (called Ummah) and business entities through providing services and sharing in charities and paying Zakah to the community. They discuss how the Islamic banks should be disclosure through five aspects: the activities of banks, which include Islamic and non-Islamic activities; paying Zakah, qard Hasan (loans without interest), charities and other social charities in society; justice to one’s employees; whether customers are late with loan payments, and how the bank deals with these customers, such as imposing penalties or not; and whether what they do is harmful or not harmful to the environment. Maali et al. (2006) have criticized the Islamic banks which are keen not to disclose any activities they have engaged in that are forbidden in Islam. Also, the policy of how Islamic banks deal with bankrupt customers is not disclosed.

Mirza and Baydoun (1999) highlight how Islamic companies can be active in accounting and reporting standards. This activity is through decisions of Shura, disclosure, active accountability, establishing Shariah principles and active contracting. Muneeza and Hassan (2014, p.126) discuss how Islamic companies make decisions based on Shura. The study describes the process as “Shura or consultation and consensus seeking should be the mode of reaching decisions within the Islamic corporation”. Azid et al. (2007, p.15) examine companies from the Islamic perspective and highlight decisions through questions to companies. These questions are “*by whom, for whom and with what resources*”. The answers concern Shura, Hisba and the SSB in Islam.

Moreover, Rosly (2010) discusses the contract from the perspective of Islamic companies, asserting that a contract uses the Islamic product of Murabahah. Azid et al. (2007, p.17) describe three requirements in establishing an Islamic company: “Production of haram (prohibited) goods is zero; Production of goods satisfying needs is higher and of luxuries is lower; Following the Islamic principles, the profit maximization should be moderate”. Rethel (2011, 2018) confirms the emergence of Islam in business through negotiations of buying and selling between people and specifies forbidden activities in Islam. Rethel (2011, p.79) defines forbidden activities as: “alcohol, pork-related products, pornography, gambling, prostitution and activities engaging in riba, maisir



and/or Gharar, such as conventional banking and insurance”. These products are forbidden in the market due to the ethical aspect, which stems from Islamic principles and Shariah provisions.

In sum, the joint-stock company is a type of speculative company, and a speculative company can be legitimate in Islam. The Islamic companies decisions should be based on Shura, Hisba and SSB. Islamic financial companies in practice try to follow Islamic principles through creating ICG principles, and will discuss the basis of ICG in the next section.

#### **4.4 The Islamic religion and ICG**

Siddiqi (2006) portrays the basis of decisions on ICG by Islamic scholars which have a wide aim, called the Maqasid al Shariah. The Maqasid al Shariah looks for justice in society through the prevention of the exploitation of wealth, whether by specific people or through state leverage, and the elimination of poverty. Nienhaus (1982, p.94) clarifies Islamic concepts in economics as: “social justice, equity, moderation and balanced relationships”. The justice principle in wealth and the sharing of rights principle aspire to ensure equal participation of the state and the individual in the economy and society. Beekun and Badawi (2005), Abuznaid (2009), and Murphy and Smolarski (2020) indicate three factors of Islamic ethics from the view of stakeholders, “justice and balance, trust, and benevolence”. They address how business can be dealt with through justice in the work area. Khan et al. (2010, p.29) define seven Islamic principles for dealing with life, which are “brotherhood and benevolence, justice and fairness, fulfilling contract, human rights, fair compensation, cooperation and trust and honesty”.

Also, Maali et al. (2006) discusses three principles that must exist in social reporting: accountability, social responsibility, and justice, ownership and trust. Regarding accountability, Al-Qudsy and Ab Rahman (2011, p.619) gives an example about Khalifah Omar. The Khalifah said: “What I do right, assist me; what I do wrong correct me”. Kahf (2003) shows the concept of accountability and Muslims believe they will be held accountable on the Day of Judgment. Also, Ababneh (2015) highlights good governance in the city of Madinah Al-Munawarah. This study discusses actions by the Prophet Muhammad and actions implemented after the Prophet by the Khalifahs. Islamic law has a positive relationship with corporate governance through the general

principles of corporate governance. Consequently, Wilson (2006) gives an example that Muslims believe accountability for Muslims comes from Allah in life and after death. Also, Haniffa and Hudaib (2002) discuss accounting from the Islamic perspective. Accountants in Islam must observe Allah, the individual and communities. Lewis (2006) and Napier (2009) indicate that the basis of accounting in Islam is “muhasaba”, this being the word accounting. However, Napier describes the main problem being Islamic history, which has been destroyed, and Islamic regulation of accounting is based on Western regulation of accounting.

Kamla et al. (2006) and Kamla and Haque (2019) specify the Islamic principles that are based on the holy Quran and the Prophet’s speech. Kamla et al. (2006, 248) indicate the view of accounting in Islam should be established based on basic Islamic principles, which are: “Tawheed (Unity of God), Khalifah (vicegerency), Ummah (community), Adl (justice), Ihsan (kindness), Hikma (wisdom) and Tawadu (modesty), carry substantive implications concerning the relationship between humankind and the natural environment”. Lewis (2005, 2006) concludes the basic Islamic principles of ICG, which include three components, Shura in taking decisions, Hisba in monitoring decisions of Shura in the market and the SSB covers comprehensive work for Shura and Hisba in modern Islamic companies.

In sum, the basis Islamic principles of ICG are based on three concepts. These concepts are Shura in decisions and monitoring through Hisba and covering comprehensive lens through SSB. These concepts adopt Tawheed (Unity of God), Khalifah, Ummah (community), justice, kindness, wisdom, Maqasid al Shariah, trusteeship, accountability, social justice, equity, moderation and balanced relationships, social responsibility, disclosure brotherhood and benevolence, fairness, fulfilling contract, human rights, cooperation and trust and honesty.

The next section will discuss other common features of the GCC in terms of economy and globalization.

#### **4.5 Economy and Globalization**

The economy in GCC countries depends on oil as the main source of income in each country. Oil is the leading source of economic wealth in these countries (Boutagouga, 2016). Al-Naqeeb (1987) refers to discovering and exporting oil in the gulf region, which happened over a number of years. For example, Saudi Arabia and Kuwait discovered oil in 1938 and Saudi Arabia first exported it in 1950. Kuwait exported oil in 1948. Qatar discovered oil in 1939 and exported it in 1949. Bahrain discovered oil in 1932 and exported it in 1934. Oman first exported oil in 1967 and it was discovered in the UAE in 1969.

In terms of the impact of globalization, Al-Naqeeb (1987) discusses the history of the GCC countries, clarifying with two examples that describe the impact of the Western system. The first example is the relationship between the British government and GCC governments. The British government signed agreements with all GCC governments to protect them from any threats and support them financially. Another example is the revenues from oil that Gulf region governments transferred to the West and the reserves that are maintained in the World Bank. Al-Naqeeb sees the decisions of GCC governments as being impacted by the view of the West; thus, this is seen as a form of colonialism. Saidi and Kumar (2008) highlight the impact of globalization in GCC countries through updating policies and legislation in these countries. This updating of legislation assists GCC countries in their entry to international agreements, such as an agreement with the World Trade Organization (WTO). These countries also have links to international organizations like the International Monetary Fund (IMF) and the World Bank, which could directly or indirectly impact them by changing or updating policies or laws.

Chapra (2000, p.23) emphasises that the economic aspect has some objectives that cannot be omitted, including “human brotherhood and socio-economic justice, mental peace and happiness, and family as well as social harmony”. These objectives include several elements which are: “moral, psychological, social, political, demographic and historical, that determine well-being in this comprehensive sense”. He mentions to check these elements through using two tests: firstly, testing the scope of justice from a social perspective; and secondly testing the scope of achieving cooperation between society and the social perspective. This view looks to ensure the well-being

of society and the individual and tries to reform society and the individual. Also, Al-Jarhi (2016) discusses the impact of the political side of human life, which includes economic policies. He describes how the political side directly impacts on Islamic economics, and amendments, constructing the Islamic definition and using it in practice, should start from the political side. He gives an example from the first period of Islam, when the first political issue occurred. The companions of the Prophet were gathered in the “*Saqifah Bani Sa'ad*”, to select Abu Baker as the Khalifah of the Muslims after the Prophet died. The political side impacts on the economic side through establishing policies, procedures and regulations which then must be performed in practice, and the Islamic political side also added some Islamic principles.

In GCC countries, there has been a direct impact of the Islamic religion through the construction of Islamic entities and non-Islamic entities, such as Islamic banks and traditional banks, as well as both Islamic and non-Islamic entities. Islamic economics are discussed by many Islamic scholars, with most of them finding Islamic economics to be better than Western economics in the justice aspect (see for example: Nienhaus, 1982; Hasanuz Zaman, 1984; Chapra, 2000, 2001; Siddiqi, 2006, 2011; Hefner, 2006). Chapra (2001) asserts that most Islamic scholars believe justice aids faster development, and justice is an important element of the Islamic economics view. Hefner (2006) also compares Islamic economics and Western economics. Islamic economics are seen as better than capitalism and socialist systems, because Islamic economics care about justice and equity, while capitalism and socialism lack equity and concern for the rights of workers. Hefner (2006) refers to Islamic economics are a third method in economics, and this is a new method, established since the 1970s. However, some cases in Islamic economics have a direct relationship with the history of Islam, but other cases do not have this relationship with the history of Islam, such as modern banks. Rethel (2011, 2019) also states that Islamic economics depend on Islamic principles, which include social justice and equity. Rethel specifies the definition of Islamic economics can be seen in two ways, a wide and a tight definition. The wide definition looks at the social practices of economics, such as media and tourism. The narrow definition focuses on which products are forbidden or permissible, such as *riba* and *halal* food.

Islamic economics are an important part of the practices in GCC countries and Islamic economics are tightly linked with Islamic financial companies, such as banks and insurance companies. Thus,

Islamic banks have strong links with ICG in current GCC practices. This is discussed further below. This section has four subsections: the background of Islamic economics, the definition of Islamic economics, the influence of globalization on Islamic economics and the challenges of globalization on Islamic economics.

#### **4.5.1 Background on Islamic Economics**

The Islamic religion is the main source of legislation in five GCC countries. Nienhaus (1982), Zaman (1984), Chapra (2000), Kahf (2003), Rethel (2011), Siddiqi (2006,2011) and Al-Jarhi (2016) see Islamic economics as distinguished by containing the principle of justice throughout life, whether in business, socially, economically or legally. Nienhaus (1982), Haneef (1997) and Kahf (2003) assert that Islamic economics should be based on the primary sources of Islam, which are the Quran and the Sunnah. Nienhaus (1982) specifies three directions in developing a definition of Islamic economics. First, Allah created mankind as Khalifah on the earth, and Allah owns everything in life, and considers mankind to be the servant of Allah. A man can use whatever Allah has created on earth, but this ownership does not contradict Allah's ownership of human life. Thus, Allah holds man accountable for their actions on the Day of Judgment. Second, the sources of people's income should be based on their activities in practice. They must be based on Shariah and avoid illegal work such as gambling and riba. This income should not only concentrate on increasing profits, but should also consider the social aspect of giving to charity such as Zakah. The third direction is using merchandise in the best way, which is caring about the social aspect. Haneef (1997) describes the most important point for Islam is not separating between religious life and daily life. Zaman (1984) specifies that the acquisition and disposal concepts are the main topics of economics, and Islamic economics is looking to prevent the injustice. The aim of economics is to look at the implementation of the requirements of human beings. Zaman argues that Islamic people aspire to achieve obedience to Allah in this life and provide free service to those who need it, because humans were created to worship Allah, and be content with what Allah has provided in this worldly life.

Also, Chapra (2001) describes Islam which concentrates on the social perspective rather than the profit perspective, but people in the practice of business are not concerned with the social, while

they are interested in making a profit. Chapra (2001) sees Islam as comprehensive religion which includes the whole aspect of life. Economics is one aspect to human life, but economics cannot be studied separately from other approaches to human life, such as social, political and moral approaches. Kahf (2003) asserts that Islamic economics is the whole of human conduct whether in relation to the ethical perspective or the religious perspective. The Holy Quran and Sunnah provide the general line for Islamic provisions, but leave the descriptive details to Islamic scholars and Islamic analysts. Siddiqi (2006) highlights the view of Islamic scholars about Islamic economics, which is that Islamic economics should not have interest-rates, and Islamic banking does not represent the Islamic economics generally. Shariah scholars look at Islamic economics as a wider concept compared to Islamic finance. Also, Shariah scholars look to the justice approach in the whole of society. Islamic economics were only developed a few years ago, and any failure should not be taken seriously because Islamic finance was only built and practiced since the middle of the 1970s. Rethel (2011) offers the history of Islamic finance as starting between the 1970s and 1980s. It increased with more trade in the 1990s then developed and was launched in the 21st century. Rethel (2011) asserts that Islamic finance requires legitimacy in all steps of its actions, from its methods to the final results of its products.

Hefner (2006) discusses the stages in which Islamic economics appeared in the modern era. Since its inception, Islamic economics has been through three stages. The first was at the end of Arab socialism in 1967, through the war with Israel. The second was the spread of piety and Islamic discourse, and this perspective was led by Islamic intellectuals through Sayyid Qutab in Egypt, Sayyid Abdul-Ala Mawdudi in Pakistan. Sayyid Qutab and Sayyid Abdul-Ala Mawdudi adopted new Islamic analytical ideas suitable to all areas of human life whether political, social or economic. The third looks at the “Islamization of knowledge”, but most Islamic scholars in Islam do not agree with this. Also, Mahomedy (2013) mentions spread of piety and Islamic discourse practice through three Islamic reformers emerging, Sayyid Qutb in Egypt, Sayyid Mawdudi in Pakistan and Baqir al-Sadr in Iraq. Capitalism and socialism concentrate on the financial perspective, but Islam looks at the wider aspect which includes the financial and social. Islam looks at the human being in Islam as part of Islamic economics.

In addition, Rethel (2011) shows the philosophy of Islamic finance specifies the goods and service that are forbidden in Islam, such as gambling, alcohol and pork. Traditional economics focuses on a product's value based on supply and demand, but Islamic economics adds the justice principle and the values of ethics in society to economics. Also, the Islamic economy has the role of reinforcing social justice, such as imposing Zakah. Islamic finance is distinguished by adding the concept of ethics into business dealings. Rethel (2019) discusses the Islamic economy as 'halal', which should have three concepts: the first concept is consumer segmentation which depends on consumption and demand, the second concept is regime of standards and certification which relies on supply and production, the last concept depends on using Islamic labelling of products such as in using Murabahahs and Islamic investments. Islam in business looks to the voice of Islam through the word of Islam or the practice of Islam in business through trade. The growth of the Islamic economy requires more scrutinizing and development of the political and economic aspects.

In conclusion Islamic economics depend on justice principle and must follow the main source of Islam, which is based on the Holy Quran and the Sunnah. The next subsection discusses the definition of Islamic economics.

#### **4.5.2 Islamic economics: definition**

Most Islamic scholars do not have a unified definition of Islamic economics, but all definitions depend on the main reference being the Quran and the Sunnah. Siddiqui (2011) states that there is unanimity on the basic principles of Islam in different countries, but some details of Islamic principles could be different in practice. Some principles of Islamic economics are the same as capitalist economics. Akram Khan (1984, p.51) states: "Islamic economics aims at the study of human falah achieved by organising the resources of earth on the basis of cooperation and participation". Hasanuz Zaman (1984, p.50) states Islamic economics should be carried out in accordance with Shariah provisions, and gives the following definition:

"Islamic economics is the knowledge and application of injunctions and rules of the Shariah that prevent injustice in the acquisition and disposal of material resources

in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society”.

Kahf (2003) clarifies that there is no consensus on the definition of Islamic economics between Islamic scholars such as Khan, Hasanuzzaman, Muhammad Arif, Seif el Din Tag el-Din, Zaidan Abu al-Makarim, Al-Sadr and Zarqa, but he divides the definition of Islamic economics into two groups. The first talks about the Shariah aspect or the theoretical aspect. The second discusses the conduct of people in practice. Siddiqui (2011, p.141) looks at the definition of Islamic economics and requires it to be defined according to traditional economics definitions. He states that the science of economics is:

“[t]he study of how people in a society, individually and collectively, organize (or could organize) different aspects of production and distribution of goods and services for current and future well-being of its people, given the resources at hand and influenced by the views held by different segments of the society about different aspects of human life. Islamic economics is then, simply, to study economics from an Islamic perspective”.

Mahomedy (2013) discusses Islamic economic philosophy which should stem from the tawhid Allah. The author requires four concepts that should exist in Islamic economics: unity of Allah (tawhid Allah), the human-being is Khalifah of Allah on earth, Allah has a public monarchy in this life, and Allah’s revelation to the Prophet Muhammad which is the basic principle of people’s focus in this life and the hereafter. Islamic economics should follow the guidelines of Allah for humans, and Allah created humans to worship him through using all services to attain the ultimate goal of Allah's creation for humanity, which is to worship him.

Therefore, most Islamic economic scholars have not unified a definition for Islamic economics, although they require the primary source of Islam, which is the Quran and the Sunnah, to be followed. Some of them have agreed to use traditional definitions of economics with the Shariah provisions aspect added into this definition. The definition of traditional economics is one impact



of globalization on Islamic economics, and the next subsection discusses the influence of globalization on Islamic economics.

### **4.5.3 Influence of Globalization on Islamic Economics**

In the first period of Islam, people fully understood the Islamic provisions and did not have any shortage. However, colonials in Muslim countries impacted on the Islamic practice of modern countries. As Chapra (2001) suggests that Islamic countries should support the new global economic structure, but should add justice and fairness into their structure because the new global economic structure lacks adherence to justice. The new global economics is looking to create integrated economics in the world, and this integration is not far from the Islamic religion. The new global economics and Islam are looking at integration in terms of different policies. The new global economic policy relies on negotiation with self-interest, while Islam depends on justice, which relies on moral standards. He clarifies an example for dealing in economics through the justice principle in the practice of modern countries. Developed countries whether industrial or non-industrial, should assist developing countries through giving them the resources to achieve their goals.

Kahf (2003) specifies the influence of the Western perspective in modern countries and colonisation of some Islamic countries by Western countries created a gap in understanding the pure ideas of Islam in economics and business, or Islamic scholars could not link the basis of Islam with current practice in economics. In addition, Kahf (2003) argues that some Islamic scholars look to Islamic economics as having the same meaning as Western economics, because Islamic economics is a branch of economic science, and all instruments of measurement are based on Western economics. Hefner (2006) sees globalization through western laws having directly impacted on Islamic practice because the Islamic scholars of jurisprudence did not evolve company laws and regulations of Islamic banks. Hefner (2006) discusses the framework of Islamic banks that exists in practice as reliant on western laws, despite Islamic banks preventing interest (Riba) in transactions, because the Quran forbids Riba. Islamic banks contain an indispensable condition which is forbidding Riba, and they have evolved the polices of giving loans using two tools, Murabahah and Musharakah. Also, Mahomedy (2013) highlights the impact of the period before

colonisation. Muslims in Islamic countries suffered an impairment due to their political and religious perspectives. However, the colonial occupation of Islamic countries, omitted a lot of Islamic entities that shaped Islamic principles in Muslim communities. This caused the Islamic perspective to disappear and brought Western entities, which were hostile to any Islamic traditions.

Rethel (2011, 2019) discuss four concerns of Islamic economies linked to globalization. The first concern is the emergence of the terrorists of 9/11. Islamic societies sought to respond by promoting entry into the world economy through establishing Islamic entities for the purpose, with Islamic standards and institutions, such as the Islamic Financial Services Board in 2002. The second concern is the credit rating used in all banks worldwide, which depends on the Basel Committee on Banking Supervision (BCBS) principles. The Islamic Financial Services Board makes the standards and roles for monitoring Islamic banks, in the same way as the Basel Committee monitors traditional banks. However, although Islamic finance needs the IFSB, traditional finance does not need the IFSB. Third, the Shariah Board has the main role of monitoring and making sure an entity follows the Shariah provisions. However, Islamic finance cannot take one decision for all Islamic entities in different countries because Islamic scholars in jurisprudence have different opinions about the transactions. Trying to combine those scholars into one decision could create challenges in acceptability for society, Shariah and governments. Fourth, Islamic finance cannot adopt all principles of the international financial system because a classification for Islamic finance does not exist in international practice.

Lastly, Hussain et al. (2002) assert that globalization has definitely directly or indirectly impacted on the present because GCC companies adopt the IAS , for example Islamic banks exist in the GCC which use IAS standards, IAS standards are not concerned with Shariah instructions. Mahomedy (2013) highlights that Islamic scholars have still not properly established Islamic economic concepts and policies based on the Islamic religion; they tend to only apply Western economic concepts that correspond with Islamic concepts. Islamic economists need to rebuild Islamic economics based on Islamic religion to gain local context support. In the next subsection globalization challenges to Islamic economies are further discussed.

#### **4.5.4 Globalization's challenges to the Islamic economy**

Globalization has a direct impact on worldwide laws and regulations, not specifically in these countries. In addition, the world has become smaller because of technology. Haneef (1997) does not see the current period of Islamic economics as separate from traditional economics. Islamic economic can use some of the principles of traditional economic, provided these principles do not conflict with Shariah. However, Chapra (2000) portrays some of the challenges that face Islamic economics in practice. For example, most developed countries place restrictions on the prices of products like oil, which are imported from developing countries, and this prevents these countries from developing products. Another point he raises is that industrial countries have not been given an opportunity to acquire and use sources of education and technology. A further concern is that developing countries do not obtain enough education and technology from industrial countries, which creates failure in practice. Muslim countries still lack the foundations of technology, and governments in these countries have concerns about clarifying accountability and justice in front of society, which poses a threat to the survival of these governments. Chapra (2000, p.22) states: "some governments in Muslim countries consider the resurgence of Islam, with its unmistakable call for political accountability and socio-economic justice, to be a threat to their survival."

Siddiqi (2006) discusses the role of the Shariah Board in developing Islamic economics. Shariah scholars are trusted to make the final decisions in financial companies. However, most of the Islamic public have some concerns due to colonialism, because all financial entities were built under colonisation, such as the traditional banks; the banks now face concerns regarding whether they are Islamic or non-Islamic from a lot of Muslim society, because of the idea that these banks came from Western countries under colonisation. On the other hand, Mahomedy (2013) explains Islamic economics in terms of Islamic scholars. Islamic scholars have not developed their view of Islam through economics, but they focus on denying the Western perspective, without reinforcing the positive ideas in Islamic economics. Some Islamic scholars see Islam as close to capitalism, and other scholars see Islam as close to socialism. Most of them refuse to see Islam as capitalist or socialist, because these ideologies contradict with the basis of the Islamic religion.

Finally, Rethel (2019) asserts that Islamic economics has two challenges: firstly, those who work in business in the view of Islam face different opinions of jurisprudence based on different doctrines in Islam. The second challenge is about the view of Islam after the Second World War, when the world was not concerned about influencing Muslim countries until oil was discovered in the 1970s. The Organisation for Islamic Cooperation (OIC) assisted in establishing the Islamic Development Bank in 1975. This organization has not played a large role in economics, but it shares thoughts on the Islamic religion between membership countries.

Globalization influenced laws and regulations in GCC countries, and the next section concentrates on two types of regulations, which are company law and corporate governance codes in GCC countries.

#### **4.6 Companies Laws and Corporate Governance Codes in GCC**

This section encompasses five subsections: the background to company law is the first section. The corporate governance codes is the second section. The third section examines ICG in practice and this section includes five parts: SSB, the risks of the SSB, auditors in Islamic companies, the value of Islamic companies, and the ICG structure that is used in practice. The corporate governance in the GCC including the telecommunication sector is the fourth section and focuses on four parts related to telecom companies: concentration of ownership structure, accountability, disclosure and transparency, the impact of performance on corporate governance and a uniform corporate governance code in the GCC. The main differences between ICG and Western corporate governance is the last section.

##### **4.6.1 Company Law Background**

Company laws divide companies by type. These are the same types in five GCC countries and have their roots in the Islamic religion. Company law in five GCC countries is based on similar principles, such as the company definitions that exist in five GCC stock markets being the same, albeit with different names for the companies. Company law in the five GCC has almost the same perspective, as company law in each country has different articles, but the laws are similar in their

contents and perspective. Figure 4.1. shows the similarities and difference between company laws in five GCC countries.

Figure 4.1. The similarities and difference between company laws

Country	Number of chapters	Number of Articles	Year used for analysis	Principles that exist in the company laws of the Five GCC
<b>Saudi Arabia</b>	12	227	2015	<ul style="list-style-type: none"> <li>• Types of company</li> <li>• Stages of establishment of joint-stock companies</li> <li>• Board of directors</li> <li>• Committee of shareholders,</li> <li>• Audit committee,</li> <li>• Sukuk issued by a joint-stock company</li> <li>• Policy of establishing any type of company,</li> <li>• Foreign companies,</li> <li>• Consolidated companies</li> <li>• Transferring companies</li> <li>• Liquidation of companies and penalties</li> </ul>
<b>Kuwait</b>	13	306	2016	
<b>Bahrain</b>	16	363	2001	
<b>Oman</b>	5	312	2019	
<b>UAE</b>	12	378	2015	

The research now focuses on the aspects of joint-stock companies that are similar and those that are different based on company law in the five GCC. The reason for selecting joint-stock companies is because all telecom companies are listed on the stock market as joint stock companies, excluding STC (VIVA) in Bahrain, which is a subsidiary of the Saudi telecom company and a closed joint stock company.

First, the definition of joint-stock companies is the same in five GCC countries, but the law in each country has a different name for a joint stock company. The company law in Bahrain, Oman and Saudi Arabia refer to a joint stock company, while the company law in Kuwait calls it a public shareholding company. Under the law in the UAE this is called a public joint stock company. However, all these names have the same definition for public shareholding or joint stock companies in different articles: sixty-three in Bahrain, one hundred and nineteen in Kuwait, fifty-two in Saudi Arabia, eighty-eight in Oman and one hundred and five in the UAE. As an example, for the company definition, article one hundred and nineteen in Kuwait states:

“A Public Shareholding Company is a company whose capital is divided into tradable shares of equal value in the manner prescribed in this law. The responsibility of the shareholder shall be limited to the contribution of the value of the shares subscribed for by him and he shall not be liable for the company's obligations, except to the extent of the nominal value of the shares in which he has subscribed”. (Corporate System Law, Saudi Arabia, 2015, p.20; Federal Law, Commercial Companies Law, UAE, 2015, p.41; The Commercial Companies Law, Oman, 2019, p.27; The Commercial Companies Law, Bahrain, 2001, p.15; Companies Law, Kuwait, 2016, p.16).

The second aspect concerns the components of a joint stock company under company law. All laws have agreed to the establishing of the joint stock company. This type of company must have the following requirements: general assembly, board of directors, audit committee as external auditors and internal control. All these requirements assist in publishing an annual report for the company fairly and transparently. Haddad et al. (2020) state that all company laws request that companies disclose annual reports, and that reports are presented in a fair manner that reflects credibility and transparency in the GCC. Four company laws give permission to issue Islamic sukuk in the case of increasing capital through converting debts to sukuk. This can be found in article one hundred and sixty-seven in Kuwait, article one hundred and forty-nine in Oman, article two hundred and one in the UAE, and article one hundred and twenty-two in Saudi Arabia.

Thirdly, the conditions for capital in joint-stock companies is almost the same in several articles, such as number eighty-four in Bahrain and one hundred and twenty-seven in Kuwait, which specify the minimum capital provided by the founders of a joint stock company is 10%. While article one hundred in Oman and article one hundred and seventeen in the UAE specify the minimum capital provided by the founders of the joint stock company is 30%. Lastly, article fifty-four in Saudi Arabia specifies that the minimum capital provided by the founders of a joint stock company is 25%.

Fourthly, the board of directors in a joint stock company is limited to between three and five members. Article one hundred and seventy-nine in Oman, article one hundred and eighty-one in

Kuwait, and article one hundred and seventy-two in Bahrain specify the number of board of directors members must be at least five, but company law in Kuwait and Bahrain do not specified the maximum number of members on a board of directors. The maximum number of members of a board of directors in Oman is eleven, which is the same as in Saudi Arabia and the UAE. While article sixty-eight in Saudi Arabia and article one hundred and forty-three in the UAE specify the number of members on the board of directors is from three to eleven members. The period of appointment for board members in all joint stock companies is three years, which is found in article one hundred and eighty-one in Oman, article sixty-eight in Saudi Arabia, article one hundred and seventy-two in Bahrain, article one hundred and forty-three in the UAE and article one hundred and eighty-one in Kuwait. The next section discusses the background to corporate governance codes.

#### **4.6.2 Corporate Governance Codes - Background**

Corporate governance codes were implemented as a formal practice in various years in the GCC countries. A corporate governance code was adopted in Oman as the first country of the GCC, then in Saudi Arabia (Buallay et al. 2017). Abdallah and Ismail (2017) and Aljabr (2019) indicate the adoption of corporate governance codes in the GCC started in 2002 in Oman, in Saudi Arabia in 2006, in the UAE in 2007, in Bahrain in 2010 and in Kuwait in 2013. The last updates to corporate governance codes were in different years for each country: Saudi Arabia in 2017, Kuwait in 2015, Bahrain in 2018, Oman in 2016 and the UAE in 2020. This section examines the similarities and differences between current corporate governance codes in five GCC countries. The current corporate governance codes have different names for principles in different countries, but all corporate governance codes suggest that some general principles should exist. These are:

“Rights of shareholders, board of directors, company committees which include (audit committee, risk management committee, remuneration committee, and nomination committee), independent directors, internal control, external auditor, disclosure and transparency and corporate social responsibility”. (Corporate Governance Regulations, Saudi Arabia, 2017, p.2-6; Corporate Governance code, Kuwait, 2015, p.1; Corporate Governance Code, Bahrain, 2018, p.1-3; Joint Stock

Companies Governance Guide, UAE, 2020, p.2; Code of Corporate Governance, Oman, 2016, p.2).

All corporate governance codes in five GCC countries are adopted as principles for corporate governance and show which principles should be complied with or not complied with. They explain any reasons for non-compliance, excluding the UAE, which requires all principles of corporate governance to be complied with or the company has to pay a penalty for non-compliance. All codes have similar requirements for the above principles. In terms of independent members on the board of directors, the corporate governance codes in Saudi Arabia, Oman and the UAE specify one third of board members. Omani and Saudi Arabian corporate governance codes give another option, either one third or two members. Kuwaiti corporate governance requires at least one independent member on the board of directors, and Bahrain requires at least three independent members on the board of directors. Five GCC codes indicate the roles and responsibilities of the chair of the board of directors and the chief executive officer (CEO) separately.

The number of members on the board of directors of a company is not discussed in most corporate governance codes, but the company laws in five GCC countries include this. This excludes the corporate governance codes in Bahrain and Saudi Arabia, which restate the conditions that exist in their company laws. In terms of annual meetings of the board of directors, the corporate governance codes in Saudi Arabia, Oman, Bahrain and the UAE specify at least four meetings annually, while the corporate governance code in Kuwait specifies at least six meetings annually. In addition, the corporate governance codes in Saudi Arabia and Bahrain specify that the maximum number of company boards that a board member can sit on should be not more than five companies in the market. Corporate governance in other GCC countries lacks a discussion on the limit of the number of boards members can sit on in their corporate governance codes, although this is discussed in their company laws. As UAE article one hundred and forty-nine from the Companies Law specifies, a board member may sit on a maximum of five companies' boards, which is the same in Saudi Arabia and Bahrain. Also, companies law in Kuwait, the article number one hundred seventy nine specify the two companies as maximum companies that board member could occupy. Shehata (2015) discusses the similarities and differences between corporate governance codes in the GCC. She finds the main similarities between corporate governance codes are the requirements



for the composition of the board of directors and the audit committees. The main difference between these codes is in the requirements of corporate social responsibility. Eulaiwi (2018) indicates that in GCC countries, corporate governance codes have special characteristics on the religious aspect, culture and social values.

The practice of corporate governance might be different and next section start to discuss the practice of ICG.

### **4.6.3 ICG in Practice**

Bhatti and Bhatti (2010, p.29) discuss the first ICG principle in practice which is Hisba, and define as “verification for the control and observance of Islamic principles”. The practice of Hisba is done through creating a SSB in modern Islamic companies. Abd Razak (2018) define the way SSB assists in getting more disclosure of activities and a better quality of ICG. Ibrahim and Yaya (2005) examine the ICG principles in dealing with people. These involve justice, responsibility, accountability and disclosure. Magalhaes and Al Saad (2013,p.41) highlight seven principles for corporate governance, "discipline; accountability; fairness; independence; responsibility; transparency; and social responsibility". Iqbal and Mirakhor (2004) address the components that impact on ICG through the Islamic economic structure. The study highlights two kinds of ownership in life, ownership publicly by Allah and ownership restriction, which is by the individual.

The most widespread ‘Islamic’ companies in the GCC are Islamic financial companies, specifically banks and insurance, and both sectors are interested in ICG. As an example, in 2009, there were 458 Islamic financial companies in the world and 219 of them were in GCC countries (Garas, 2012). Alnasser and Muhammed (2012) and Grassa and Matoussi (2014) specify the relationship between conventional banks and Islamic banks in normal corporate governance. Islamic banks are more successful than conventional banks in terms of profits and annual rate of growth. CEO duality and scholars with accounting and financial skills have a positive impact on Islamic banks’ performance. Hashim et al. (2015) address the relationship between corporate governance and the practice of sustainability in Islamic financial companies in GCC countries.

They check the corporate governance principles which are size of SSB, the size of board members, the number of independent directors in the Islamic financial companies. They find the Board of Directors has compatible with independent directors, and the size of SSB has incompatible with sustainability of Islamic financial companies. Sulaiman et al. (2015) look at corporate governance in Islamic financial companies in Malaysia. The study gives four aims for corporate governance in Islamic companies. These are protecting investment account holders, establishing a Shariah Board, taking care of Murabahah and Musharakah contracts and establishing a corporate governance framework in order to provide Islamic products that are based on the requirements of the community.

This section has five sub-sections on the practice of ICG in companies, which assists them in becoming legitimate Islamic companies. Section 1 discusses the SSB. Section 2 covers the risks of the SSB. Auditors in Islamic companies are examined in Section 3. Section 4 looks at the value of Islamic companies, and Section 5 discusses the ICG structure used in practice.

#### **4.6.3.1 Shariah Supervisory Board (SSB)**

Alkhamees (2013) and Mollah and Zaman (2015) discuss the impact of the SSB on issues in the Islamic financial industry. They argue that the SSB lacks a law on the duties and responsibility in its work. The SSB lacks independence, accountability, disclosure and transparency. Also, SSB employee do not have enough education and training. The SSB has an impact on decisions and has a positive relationship with the Board of Directors. Hasan and Timimi (2015) mention the three concepts of corporate governance, Accounting, Management and Law. They discuss the concern about the concept from the Shariah Board in a company, and that corporate governance has been linked with Islamic law through Hisba in Islam. The study encourages companies to build an independent Shariah committee and the SSB should have sub-committees in companies. The definition of the SSB stems from an Islamic definition and principles of Islam; therefore, the Shariah Governance System “refers to the set of institutional and organisational arrangements through which an IIFS ensures that there is effective independent oversight of Shariah compliance”. (IFSB, Guiding Principles on Shariah Governance Systems, 2009, p.2). Grassa (2013) describes a SSB and suggests how it can improve performance. The study uses two structure

of the Shariah Board, the GCC structure and the Malaysia/Indonesia structure. Both Structures ostensibly the same through building shariah governance in Islamic financial companies. However, the shariah governance practice in Malaysia/Indonesia have a better performance on the GCC. The study concludes that Islamic financial companies should build shariah governance framework.

Hasan (2010) examines the SSB in the GCC, Malaysia and the U.K. This study finds GCC countries have not been applying the law for a SSB in the code of corporate governance excluding Bahrain and Oman. Bahrain has complemented the Shariah standards of AAOIFI, and Oman has an exclusive code of corporate governance and does not mention the Islamic law in its code of corporate governance. This study highlights five approaches that link on regulatory of shariah governance in these countries. The first is the “Reactive Approach” used in the U.K and Turkey. This approach means “There is no specific legislation governing Islamic Financial Institutions as well as any directive specifying Shari’ah governance framework” (Hasan, 2010,p.2). The second is the “Passive Approach” used in Saudi Arabia, and this approach means “There is no national Shariah advisory board or any institutions to be the sole authoritative body in Islamic finance” (Hasan, 2010,p.2). The third is the “Minimalist Approach” used in the GCC, excluding Oman and Saudi Arabia. This approach means “ allows slight intervention on the part of regulatory authorities” (Hasan, 2010,p.2). The fourth is the “Pro-Active Approach” used in Malaysia, this approach “ has strong faith in regulatory-based approach in strengthening Shari’ah governance framework” (Hasan, 2010,p.3). Finally, there is an approach used in Pakistan, which is the “Interventionist Approach”. This approach means “allows third party institution to make decision on Shari’ah matters pertaining to Islamic finance” (Hasan, 2010,p.3). Also, Grassa (2015) and Bindabel et al. (2016) examine Shariah governance practice in 25 members of the Organization of Islamic Cooperation (OIC), Saudi Arabia, Kuwait, and United Arab Emirates. Both studies find different practices in the SSB, and a lack of a strong Shariah Board system in these countries. There is no regulatory framework for Shariah Boards in most countries. Bindabel et al. (2016) note that Islamic companies in Saudi Arabia and Kuwait must pay Zakah each year, while in the UAE it is not mandatory to pay Zakah.

Garas (2012) examines the relationship of the SSB with the board of directors, and remuneration for members of the Shariah Board in companies in GCC countries. The study finds incompatible

relationships between the SSB and the board of directors, and it specifies the remuneration for a Shariah member to avoid struggle between the board of directors and the SSB. Farag et al. (2018) examine the effect of the board structure on financial performance in Islamic banks and how it is related to the SSB. The board of directors has a positive relationship with the SSB. If the size of the SSB is large, agency costs will be low.

Furthermore, Elghuweel et al., (2017) address the effect of corporate governance and Islamic religion on the profit management of 116 listed companies in Oman. The study looks at the influence of establishing the SSB in 116 listed companies from 2001 to 2011. The reason for this study is to examine companies looking to merge their business with the Islamic religion and the high ownership concentration in this country. The study finds that companies that claim to be Islamic look to have little participation in profits management, while principles of corporate governance, such as board size, have not been related to profits management. However, the study did not concentrate on the role of the SSB when applying the principles of corporate governance. Akguc and Al Rahahleh (2018) compare Shariah enforcement and non-Shariah enforcement in 331 companies from 2000-2014 in GCC countries. The study finds companies with an interest in Shariah make more profit than non-Shariah companies, and this profitability creates more effective management.

In sum, the SSB is a significant body for legitimacy in Islamic companies. In order to have active corporate governance from an Islamic perspective there should be a SSB in an Islamic company. Most studies discuss the SSB in the financial sector specifically Islamic banks, and do not examine non-financial industries specifically telecom companies. The code of corporate governance in GCC countries does not mention the SSB in non-financial sectors, although this code would help stakeholders to monitor their investments through the reports of scholars. The next subsection will discuss the risks associated with SSB decisions.

#### **4.6.3.2 Risks of SSB Decisions**

Farook and Farooq (2011,p.11) note the risk of fatwa where Islamic scholars issue and change fatwas several times such as forbidding usury, and indicate that: “there is no universal framework

of due process that Scholars must follow before they issue public opinions contrary to previous opinions established by themselves or other scholars”. They mention the role of Islamic scholars in Islamic companies and how they can influence decisions in companies. Islamic scholars’ fatwas are concerned with decisions about a company’s activities, referring to Islamic or non-Islamic products. They also mentions the increased cost of Islamic products compared with conventional products. They find Islamic scholars do not have enough education and training, and see the AAOIFI organization as the best way to improve the body of Islamic scholars, through education and giving recommendations to scholars, such as requiring the highest degree for Islamic scholars, such as those who have a PhD in Islamic studies.

Siddiqi (2006) explains fatwas through the Maqasid al Shariah. The Shariah scholars care about Maqasid al Shariah, such that many fataws are built in accordance with Maqasid al Shariah. Fatwas about Islamic banking started at the end of the 1970s and beginning of the 1980s through “Dubai Islamic Bank, Kuwait Finance House and Faisal Islamic Bank in Sudan” (Siddiqi, 2006,p.3). In the 1980s, Dar al-Mal al-Islami and al-Barakah were the sources of fatwas. Siddiqi (2006) specifies challenges that faced Islamic scholars when issuing decisions about Tawarruq in the 1990s. The main concern about Tawarruq is increased debts, such as taking money as a loan from the bank now and paying an increased amount with ‘interest’ in the future. Mahomedy (2013) explains that Shariah provisions are the basis of decisions in Islamic economics, and Islamic scholars explain and interpret the basic guidelines of Islam, deduce the Shariah provisions and notify these provisions to Muslim communities. However, Islamic scholars have some problems, because there are different Islamic scholars, and those scholars give different opinions on Islamic issues, based on their understanding of the issues.

Ginena (2014) discusses the Shariah risks for corporate governance in Islamic banks. Ginena refers to Islamic scholars in different countries having different opinions on the fatwa, and some scholars give a complicated account of fatwas. A fatwa creates a problem for practitioners in companies because the great (complex) knowledge of scholars leaves practitioners misunderstanding the fatwa. However, Ullah et al. (2018) review fatwas through looking at conflict between those responsible in companies and Islamic scholars in Islamic banks. They find managers in Islamic banks look to get the attestation of Islamic scholars for their products in order to get legitimacy

from the support of Islamic scholars. In addition, Islamic banks search for which fatwa is suitable for their products. Islamic scholars in banks claim to be Islamic banks through fatwas that are not reviewed, and also have no control over the full decisions made in companies - they face a struggle with managers and owners.

In conclusion, the main gap between Shariah committees and Islamic scholars is due to the different fatwas, which can create tensions for Islamic companies as well as people in Muslim societies. Islamic scholars might offer decisions without any review of auditing, thus, the shariah auditor in Islamic companies should review fatwas, discussed further next.

#### **4.6.3.3 Auditors in Islamic Companies**

Kasim et al. (2009) and Yahya and Mahzan, (2012) discuss the role of Shariah auditing in Islamic companies in Malaysia, and compare the aspects of theory and practice. Both studies find a gap between the practices of Shariah auditing and what is required of the society, because the members of both the Shariah Board and the auditors do not have enough education about business or Islamic principles. Also, both studies mention Malaysia using Islamic standards based on the Islamic Financial Services Board (IFSB) and AAOIFI, but the Islamic standards of AAOIFI are only used voluntarily in Malaysia.

Najeeb and Ibrahim (2014) and Othman and Ameer (2015) discuss the situation of auditors in Islamic financial companies, and the impact on auditing processes. Othman and Ameer use legitimacy theory. They find the role of an auditor in Islamic financial companies is broader than a conventional auditor because a conventional auditor's role is based on the code of Anglo-American standards. It also compares using Malaysian standards and the AAOIFI through the Shariah Board and using the framework structure of governance from the Bank Negara Malaysia. Corporate governance in Malaysia uses a different Shariah review and audit review compared with AAOIFI. Najeeb and Ibrahim conclude that shariah auditing framework need to review and development. They suggest to develop the shariah auditing framework through cooperation between AAOIFI and IFSB. Lastly, Khalid et al. (2017) examine internal Shariah audits in Islamic financial companies in Bahrain. They depend on AAOIFI standards and use questions sent by

email to 52 Islamic financial companies. They found that Shariah auditing in companies has an impact on performance. The quality of Shariah improves when members of the Shariah have the knowledge and skills to do the tasks and carry out their responsibilities.

In sum the shariah auditing focus on Islamic financial companies, and focus on comparing between the role of the Shariah Board and the board of directors. The shariah auditing lacks in defining uniform standards for reviewing and auditing in the practice. In the next subsection the value of Islamic companies on the stock market is discussed.

#### **4.6.3.4 Value of Islamic Companies on the Stock Market**

The value of Islamic companies in Muslim countries is illustrated by the presence of Islamic indexes in the market such as the three Islamic indexes in the GCC. Hoepner et al. (2011) discuss Islamic stock funds in 20 countries, comparing them with conventional stock funds through the market performance. Islamic funds in GCC counties and Malaysia have the power to compete in the international market. However, the study cannot elucidate which stock funds, Islamic or conventional, are better in performance, but governments in Muslim countries could assist the Islamic stock market to develop. In addition, they do not discuss the influence of the SSB on the Islamic market. Masih et al. (2018) address company performance through two kinds of stocks, Islamic stocks and conventional stocks. They find a mixed impact, but indicate a positive impact on Islamic stocks in Islamic countries. They find companies prefer to use Islamic formulas such as Islamic sukuk in the stock market.

Also, Hayat and Hassan (2017) discuss the impact of the Islamic name on corporate governance in companies on the S&P 500. They finds no difference between Islamic companies and non-Islamic companies in corporate governance quality, but there are different practices in Islamic companies in Muslim countries. Albassam and Ntim (2017) address the effect of voluntary disclosure in Islamic listed companies in Saudi Arabia, and how it is related to corporate governance. Voluntary disclosure in Islamic companies has a positive relationship with corporate governance, and companies with an Islamic label are better in voluntary corporate governance disclosure. Ahmed (2017) discusses the efficiency of corporate governance on the financial

performance of Islamic banks in the UAE. A corporate governance index has impacted the relationship with return on equity, and the corporate governance index has no effect on the return of assets. Nawaz (2017) discusses the influence of the market through knowing the features and the resources of investments in Islamic banks. Human capital investments have a precise relationship with Islamic financial companies, and the structure of investment capital has a precise relationship with the market value of Islamic banks.

In conclusion, companies in the stock market concentrate on Islamic stock and Islamic products only in the financial sector, specifically banks. However, most stock markets in the GCC ostensibly have Islamic products/principles for both financial and non-financial sectors. In next subsection the ICG structure in GCC is discussed.

#### **4.6.3.5 ICG Structure in GCC**

The Islamic structure in practice ostensibly reflects Islamic principles that are mentioned in the literature and the AAOIFI. Mansour and Bhatti (2018) examine the new structure of ICG in GCC, and this structure focus only in the Islamic financial sector. The AAOIFI was established in Bahrain in 1991 and focuses on Islamic standards in the financial sector, specifically banks (Pomeranz, 1997). AAOIFI standards are compulsory in three GCC countries, Oman, Bahrain and Qatar, and this organization has “54 Shariah standards, 27 financial accounting standards, 7 governance standards, 5 auditing standards and 2 ethics standards” (Al-Sulaiti et al. 2018). Pomeranz (1997) highlights the Shariah committee in banks and its audit role. Sarea (2012) discusses adherence to the accounting standards of the AAOIFI by accountants. The study finds adherence to using accounting standards in Islamic banks in Bahrain.

Additionally, Vinnicombe (2010) discusses compliance with AAOIFI standards in Islamic banks. The study finds Islamic banks have a higher ratio in announcing Islamic Murabahah contracts, but a low ratio for adhering to AAOIFI standards of obligatory charity (Zakah) in Islam. However, Al-Sulaiti et al. (2018) investigate the accounting standards of AAOIFI in Islamic banks in Bahrain and Qatar from 2012 to 2015. They check the scope of disclosure, an Islamic principle that uses “Murabahah, Mudarabah”. They find Islamic banks in these countries have adherence through



applying these principles with the AAOIFI standards. Also, Islamic banks in Qatar have a higher adherence compared with Islamic banks in Bahrain. Finally, Kamla and Haque (2019, p.1) address the relationship between the AAOIFI and international accounting harmonisation through the “collaborative theory of imperialism”. The study finds that AAOIFI lacked the full vision, because Islamic standards are based on the IFRS.

The above studies discuss the compliance to accounting and auditing standards issued by the AAOIFI in the Islamic financial sector. These studies do not concentrate on the non-financial sector, despite them practicing the same Islamic principles in the stock market in GCC countries. The next section will discuss corporate governance in the GCC including the telecommunications sector.

#### **4.6.4 Corporate Governance Including Telecommunications Sector**

Most papers do not directly discuss corporate governance in the telecom sector in GCC countries. However, Waverman and Koutroumpis (2011) provide an index for measuring aspects of governance in the telecoms sector in 142 countries. They also discuss measurements in each country, which are obtained through looking at the rule of law and corruption. These are based on high or low political transparency and regulatory governance. This section looks at factors related to the Islamic perspective that apply to corporate governance in conventional companies, and also look at factors that relate to telecom companies.

This section has four sub-sections that relate to telecom companies and the Islamic perspective. The first is concentration of ownership structure. Accountability, disclosure and transparency is the second section. The third is performance and corporate governance. The last sub-section examines having a uniform corporate governance code in the GCC.

##### **4.6.4.1 Ownership Concentration as an Aspect of CG**

Telecom companies in GCC countries have increased concentration of ownership by government, families or institutions and this has affected the disclosure and quality of corporate governance.

For example, the Saudi Telecom Company is owned by a Public Investment Fund which owns 70% of the shares (Tadawul, Saudi Telecom Company, 2021). Haniffa and Hudaib (2002, 2006) assert that Islam does not conflict with ownership concentration, but the majority of shareholders have the power to make major decisions without referring to minority shareholders. This decision might create risks to the interests of minority shareholders. Islam has a standard of behaviour in life, which forbids harm to anyone; Abu Sa'id Sa'd bin Malik bin Sinan al-Khudri (ra) [that the Messenger of Allah said]: "There should be neither harming nor reciprocating harm." (Gharib, 2017,p.372).

GCC countries lack studies on governance regulation of and corporate governance in telecom companies. However, Lehn (2002) discusses the cancellation of regulations in the telecommunications sector and how this influences factors of corporate governance. The cancellation of regulations impacts through a concentration of ownership, high compensation for CEOs and a small board of directors in telecom companies. This study gives evidence from the non-regulation of telecoms and airlines in the U.S. Zambarloukou (2010) addresses the impact of change of ownership and how this influences corporate governance in two industries, banking and telecommunications in Greece. In the telecommunications sector the government in Greece has a monopoly. The study finds the government has an impact on choosing the management of companies. Companies which are semi-private and are related to the government are more dynamic compared to private companies. Moreover, Berg et al. (2012) look at how government influences regulations, describing two regulations, governance regulation and legal regulation, and how the regulations impact corruption in companies. The study finds that when governance regulations are applied, corruption decreases. In addition, competition and telecom companies owned by government assist in monitoring and decreasing corruption.

Additionally, Arouri et al. (2014) and Abdallah and Ismail (2017) examine concentration of ownership in GCC countries. Arouri et al. focus on banks and the impact on performance. This study excludes Kuwait because there was no existing data. They find a positive relationship between concentration of ownership and performance in banks. Abdallah and Ismail found a positive relationship between corporate governance and performance in listed companies in the GCC between 2008 and 2012. This result is the same as Haniffa and Hudaib (2006), who check

corporate governance with performance in the listed companies of Malaysia. Al-Ghamdi and Rhodes (2015) examine the impact of family ownership and non-family ownership on company performance and corporate governance in Saudi Arabia. They find family-owned company performance is better than non-family-owned performance, and the nomination of the CEO is based on who shares more stock. In addition, family companies in Saudi Arabia have a positive relationship between performance and manager ownership, board size, and non-duality, but in non-family companies, there is a negative relationship between performance and non-duality and leverage.

Al-Janadi et al. (2016) and Habbash (2016) discuss the impact of government ownership on corporate governance in Saudi Arabian listed companies. Al-Janadi et al. find governance ownership negatively impacts on corporate governance, but Habbash finds a positive relationship with board independence, government and family ownership, and firm size and age, and a negative relationship with firm leverage. However, government ownership did not impact audit quality. Neither study mentions other concentrations of ownership like family ownership. Alsahlawi and Ammer (2017) mention the effect of ownership structure and corporate governance on the market, and they find no specific effect on market liquidity. The study indicates that the ownership structure in Saudi Arabia is confined to the minority of families and people.

Alfaraih et al. (2012) address the effect of institutional and government ownership on the performance of 134 companies in 2010 of Kuwait. The study uses three measurements, ROA, ROE and Tobin's Q. Companies on the Kuwait stock exchange had an affirmative relationship between institutional ownership and performance, but performance of companies has a passive relationship with government ownership. This study also indicates the weakness of the structure of corporate governance, and this impacts companies' performance. Al Mutairi et al. (2012) examines the issue of corporate governance in Kuwait. The method used in the survey relies on 25 questions and found that managers in companies look to get more profits without caring about the interest of shareholders and stakeholders. Al-Saidi and Al-Shammari (2014) discuss the situation of corporate governance from the point of view of stakeholders in Kuwait. The method uses semi-structured interviews and finds the definition of corporate governance is known by managers, but the law does not support corporate governance.

In sum, the stock markets in these countries have ownership concentrated in families, the government and institutions. Telecom companies in GCC countries have a monopoly ownership in telecommunications. Studies lack in defining concentration ownership's impact in GCC telecom companies. Moreover, most studies choose a quantitative method of analysis. The next subsection discuss accountability, disclosure and transparency vis-à-vis CG.

#### **4.6.4.2 Accountability, Disclosure and Transparency vis-à-vis CG**

Accountability, disclosure and transparency are aspects of the corporate governance code and Islamic principles of corporate governance. Studies in this section lack to define the impact of accountability, disclosure and transparency in GCC telecom companies. McGee (2006) discusses corporate governance in telecom companies through the feature of transparency. The study finds a low level of corporate governance in Russia compared with developing countries. Sutherland (2012) also discusses corruption in the telecommunications sector, specifically in Arab countries, which includes Bahrain as a member of the GCC countries. The study clarifies that most telecom companies in Arab countries are owned by the government or relations of the president in each country. A monopoly of ownership in telecom companies makes corruption widespread in these countries through paying bribes. The study suggests that could minimize the corruption in this sector, it is necessary to use transparency which is an aspect of corporate governance.

Moreover, Baydoun et al. (2013) discuss the corporate governance situation in GCC countries, excluding Saudi Arabia. The study highlights two points in achieving active corporate governance, "trust and honesty". The study looks at the extent to which these are present in three areas "shareholder rights and obligations, internal processes and transparency". UAE and Kuwait have the best performance in "shareholder rights, obligations and transparency". Qatar and Bahrain have the lowest country's performance in "shareholder rights, obligations and transparency". Based on their measurement of corporate governance, Oman is the best performer, then Kuwait, United Arab Emirates, Bahrain and Qatar. Abdallah et al. (2015) check the risk disclosure in 424 companies in GCC countries. The study finds that, in Islamic companies, risk has lower disclosure compared to conventional companies, and GCC countries have different practices for risk disclosure. Elamer et

al. (2020) discuss the influence of the administration of risk disclosure in 10 banks in the Middle East and North Africa. This administration of risk disclosure is measured through looking at the effect of ICG and domestic corporate governance. The study finds ICG and domestic corporate governance have a high percentage of high risk disclosure. Al-Janadi et al. (2012) discuss voluntary disclosure in Saudi Arabia and UAE during the period 2006 - 2007. The study finds both countries had a low level of disclosure, but companies in the UAE had better voluntary disclosure.

Further, in Saudi Arabia, Hussainey and Al-Nodel (2008) examine the extent of corporate governance and disclosure in listed companies. They find the telecom sector has low disclosure compared to the bank sector. Al-Matari et al. (2012) examine the extent of corporate governance in listed companies. They find corporate governance in listed companies has a problem due to a weak system of protecting shareholders and lack of accountability. Al-Bassam et al. (2018) find voluntary disclosure does not have a relationship with government ownership and institutional ownership, but voluntary disclosure has a positive relationship with block ownership, board size, audit firm size and corporate governance committee. Moreover, in Kuwait, Al-Shammari and Al-Sultan (2010) examine the relationship between voluntary disclosure and corporate governance principles in 170 listed companies in 2007. The study uses a quantitative method and finds companies tend to have more disclosure and transparency.

In UAE, Hassan (2012) addresses the impact of disclosure on corporate governance in listed companies. The sampling is 102 listed companies in the Dubai and Abu Dubai stock markets. It finds disclosure is lower in terms of auditing, and the higher aspect is related to transparency of management in companies. ElKelish and Hassan (2015) discuss corporate governance disclosure through value of shares in listed companies, and they look at the influence of whether disclosure is optional or obligatory. The study uses a quantitative method and it finds an influence on the value of stock disclosure which is optional or obligatory in listed companies. Al Tamimi (2012) examines corporate governance practices in national banks using a questionnaire method. Sampling consists of 8 Islamic banks and 15 non-Islamic banks. These banks have an interest in the principles of corporate governance, and they have effective disclosure and transparency with the board of directors. There is no difference in performance between Islamic banks and non-Islamic banks. The study does not discuss the impact of the SSB on Islamic banks and does not

look at the role of the SSB in attracting investors. Finally, Hossain and Hammami (2009) address the index of voluntary disclosure in 25 listed companies on the 2007 of Qatari stock market. The study uses a quantitative method, and it finds a positive relationship between voluntary disclosure and size of companies and assets, but voluntary disclosure has a negative relationship with profitability.

In conclusion, studies above focus on accountability, disclosure and transparency in listed companies, and lack to focus on telecom companies. Only one paper discuss the corruption of telecom companies in Bahrain, and this paper lack to use active corporate governance principles because it suggests using corporate governance principles, to minimize corruption in telecom companies. In next subsection will discuss the impact of corporate governance on performance.

#### **4.6.4.3 Impact of Corporate Governance on Performance**

Pillai and Al-Malkawi (2018) discuss the impact of internal corporate governance on company performance in GCC countries. The study uses 349 stock market listed companies both financial and non-financial. The board size of companies is the main factor in all measurements used in this study and has an impact on companies' performance. The optimum number of board members is between 8 and 11. Dalwai et al. (2015) address the impact of the relationship between corporate governance and company performance in GCC banking sector. This study offers an analysis of studies on the lack of applying corporate governance perfectly and gives recommendations to use more empirical analysis in GCC countries. Al-Sahafi et al. (2015) examine the effect of corporate governance reforms on banks and financial performance in Saudi Arabia. The study finds an affirmative relationship between financial performance and board size, board independence and bank size, but financial performance has a passive relationship with ownership concentration. The effectiveness of corporate governance must be through more disclosure and transparency, to get higher quality companies. Buallay et al. (2017) examine the extent of corporate governance and disclosure in Saudi listed companies using three measurements, ROA, ROE, Tobin's Q, and do not find a relationship between financial and operational performance in listed companies. These measurements did not have a relationship with shareholder ownership.

Likewise, Aktan et al. (2018) address the influence of corporate governance on performance in 15 financial companies listed on Bahrain stock market. These 15 financial companies include 13 banks and 2 insurance companies. This study uses a quantitative method. The best performance in these companies required concentration of ownership, a large board of directors, using one of the big four accountancy companies for auditing and having independent members on the board. Bilal et al. (2018) address the impact of the audit performance on corporate governance performance in Omani listed banks. The sample used 100 banks, and the period was from 2014 to 2016. They find active, strong results that show a relationship between auditing and corporate governance. Finally, Awadallah (2020) discusses audit quality and how it effects corporate governance in Qatar. The sampling used 27 non-financial companies on the stock market, in the period 2013 to 2016. The results find that board of directors, CEO duality and audit committee have a positive relationship with audit quality, while institutional ownership and top management of companies has a negative relationship with audit quality. In addition, the company size has an influence on audit quality in companies. All these studies apply and focus on corporate governance principles in banks.

All studies above lack to focus on corporate governance performance in GCC telecom companies and most of them use quantitative method. In next subsection discuss if there is trying to uniform the corporate governance principles in GCC.

#### **4.6.4.4 Uniform Principles and Standards for Corporate Governance**

In GCC countries there are some attempts to unify the characteristics of corporate governance in the Islamic sector through the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) mentioned above. Al-Malkawi et al. (2014), Shehata (2015) and Pillai and Al-Malkawi (2016) discuss how to build a uniform form of corporate governance index in GCC countries and compare corporate governance rules in these countries. These studies explore the extent of adherence to the corporate governance index in companies in GCC countries and find the same aspects of corporate governance exists in these countries. Thus, all studies above mention to some principles of GCC corporate governance are the same. However, there is no research papers that studied GCC telecom sector, and compared between GCC corporate governance

principles in telecoms. The next section discuss the different between ICG and Western corporate governance.

#### **4.6.5 The Main Differences between ICG and Western Corporate Governance**

Lewis (2005, 2014), Zaitul (2007), Hasan (2008), Kasri (2010), Muneeza and Hassan (2014) and Larbsh (2015) argue that the main difference between ICG and Western corporate governance is in the philosophy of each approach. The main Islamic view of corporate governance depends on the oneness of Allah (Bindabel et al. 2016), while the conventional or Western view of corporate governance depends on rationalism (Choudhury, 1983). The philosophy of decision making is different in a Western corporate governance perspective from an Islamic perspective. Zaitul (2007) discuss the main difference between Islamic and conventional corporate governance is through the framework for corporate governance. The framework for ICG depends on the Islamic religion, but the framework for conventional corporate governance depends on rationalism. Also, Kasri (2010) specifies the aim of conventional corporate governance is to increase shareholders' wealth and profits, and the aim of ICG is based on the oneness of Allah.

Hassan and Christopher (2005, p.37,42) discuss the main differences between ICG and Western corporate governance and they state: "Islamic CG acts through its underlying principles of economic well-being of the Ummah, universal brotherhood, justice and equitable distribution of income". They also highlight two main differences between Islamic entities and traditional entities: "First, and foremost, an Islamic organization must serve Allah. It must develop a distinctive corporate culture, the main purpose of which is to create a collective morality and spirituality, when combined with the production of goods and services, sustains the growth and advancement of the Islamic way of life".

Lewis (2005,p.9) specifies the main differences between ICG and western corporate governance, is related to three approaches to decisions: "the essence of corporate governance: decision-making by whom, for whom and with what resources, the latter governing to whom accountability is due". ICG in legal decision-making (by whom) is through Shura; economic decision making (for whom) is through Hisba and accounting decisions (what resources) govern to whom accountability is due



in SSB auditing. While western corporate governance in legal decision-making (by whom) is through the CEO, senior management and the board of directors. The economic decision making (for whom) is through shareholders and stakeholders. The accounting decisions (what resources) govern to whom accountability is due financial governance by shareholders and suppliers of finance. Also, Mohamad et al. (2015) show different styles of corporate governance, in ICG through Shariah and in Western governance through an Anglo-Saxon American approach. Both corporate governance styles look to transparency, fairness and accountability. However, Shariah governance is interested in accountability in the wider sense, which includes all shareholders and stakeholders and adds accountability to Allah on the Day of Judgment. Figure 4.2 shows the main differences between ICG and Western corporate governance in the above studies.

**Figure 4.2. Comparison between ICG and Western corporate governance**

<b>Decision-making basis</b>	<b>Western perspective in corporate governance</b> Anglo-Saxon approach and the European structures (Alam Choudhury and Nurul Alam, 2006, 2013; Zaitul, 2007; Hasan, 2008; Hasan, 2009; Kasri, 2010; Lewis, 2005, 2014; Muneeza and Hassan 2014; Larbsh, 2015)	<b>Islamic corporate governance (ICG)</b> (Alam Choudhury and Nurul Alam, 2006, 2013; Zaitul, 2007; Hasan, 2008; Hasan, 2009; Kasri, 2010; Muneeza and Hassan 2014; Larbsh, 2015)
<b>The philosophy of the West and Islam</b>	Epistemology: Rationalism	Epistemology: Tawhid, oneness of Allah
<b>The final aim of corporate governance</b>	Managed corporation structure socially responsive corporation	The final aim of ICG is Maqasid Shariah
<b>The practice in companies</b>	Anglo-Saxon structure prioritizes the shareholders' value alone and the European structure protects all the stakeholder's interest and rights	Islamic companies rely on Islamic sources of legislation the Holy Quran and Sunnah
<b>Management board</b>	Most companies depend on laws and regulations, this legislation relies on rationalism and is not based on religion or the oneness of Allah	Two boards
<b>A legal entity: by whom</b>	Anglo-Saxon structure: one board. The European structure: two boards.	Shura
<b>An economic entity: for whom</b>	CEO and senior management & Executive and supervisory processes	Hisba
<b>An accounting concept: What resource</b>	Maximize profits. Maximize share-holder value & Stakeholders	Shariah Supervisory Board (SSB)
<b>An accounting concept: What resource</b>	Financial governance by shareholders and suppliers of finance. Corporate responsibility. Triple bottom line: economic, social and environmental accountability.	

In sum, the main difference between the ICG approach and the conventional corporate governance approach is in the philosophy of each approach. The ICG in legal decision-making is through Shura; economic decision making is through Hisba and accounting decisions is due in SSB auditing. While western corporate governance in legal decision-making is through the CEO, senior management and the board of directors. The economic decision making is through shareholders and stakeholders, and the accounting decisions is due financial governance by shareholders and suppliers of finance. The next section discusses influence of globalization on GCC companies laws and corporate governance codes.

#### **4.7 Influence of Globalization on GCC Companies Laws and Corporate Governance Codes**

Globalization directly or indirectly impacts on laws and regulation in these countries, but the impact lacks research, research papers on the law being few. AL-Muslemani (1990) suggests that four GCC countries, Bahrain, Kuwait, Qatar and the UAE, were under the protection of the British government and so took on British regulations and laws. The legislative authority outside these countries depended on British legislation of 1890 and the agreements made with the leaders of each country. Each country had its own legislation inside the country. On the other side, Al-Rehaily (1992) discusses the first draft enacting company law in Saudi Arabia. In 1961, Saudi Arabia had formed a committee to enact company law, with experts from Saudi Arabia and Egypt, bringing Egyptian company law. This reflected the influence of Egypt through education and citizenship. The law was studied for a period of four years, until 1965, when it was adopted. AL-Rumaihi (1997) also indicates that company law was enacted in 1965 in Saudi Arabia, but he suggests that it did not include the Western view of accounting standards.

Kamla (2007) also gives an example of the impact of the British Empire on Egypt, which was a colony from 1882 to 1956, specifically establishing company law in Egypt. Company law in Egypt stems from UK company law. Company law in Egypt passed into the Gulf region through Egyptian scholars that worked in the Gulf region. Al-Khuwiter (2005) also asserts the impact of Western law on Saudi company law, established in 1965. Hussainey and Al-Nodel (2008) suggest that the basis of the company law established in Saudi Arabia in 1965, was based on British company law enacted in 1948. These studies elucidate the impact of Western countries, specifically the US and

the UK, before and after oil, in the establishment of the regulations and laws of the GCC countries. On the other hand, Napier (2009) discusses the main problem with Islamic accounting regulations is that they depend on Western accounting regulations. Kamla and Haque (2019) assert that the AAOIFI standards depend on the IFRS. Elghuweel et al. (2017) discuss corporate governance in Oman and how the Shariah provisions in Oman and Saudi Arabia prevailed. The Omani corporate governance principles established in 2002, emanated from the Cadbury Report issued in 1992, in the UK.

In sum, information on how these laws were constructed and the impact of globalization is lacking on the official websites of GCC countries, but companies' laws and corporate governance codes in these countries have been, directly or indirectly, impacted by globalization.

#### **4.8 Chapter Conclusion**

The Islamic religion is the main religion in GCC countries. This religion in these countries divides into three doctrines of Sunni, Shia and Ibadi. Yet, all these doctrines believe in the oneness of God (Allah) and believe in the final messenger, Muhammad. These countries have the same language and culture and have similar government by monarchy. The economy in these countries depends on oil. Islamic scholars try to link Islamic religion with the economy. The Islamic economic are cared to build Islamic companies in the practice, and use Islamic principles that stem ostensibly of Islam, but Islamic economic regulation depend on companies' laws and corporate governance codes in these countries. The ICG require to establish SSB, and this body only exist in GCC Islamic banks. However, companies law and corporate governance codes are influenced by globalization: most regulations and laws for companies and corporate governance codes in these countries stem from western laws. Also, none of studies in this chapter focuses on corporate governance in telecommunications companies, and the influence of the ICG on the telecommunications companies, and how can telecom companies gain legitimate in the practice. In the next chapter the research will discuss the qualitative content analysis.

## **Chapter Five: Qualitative Content Analysis**

### **5.1 Introduction**

This chapter uses two approaches that contribute to answering the first research question. The first approach looks to legitimacy of GCC telecom companies practice. This approach is based on following Islamic religion whether explicitly or implicitly on GCC telecom companies annual reports. Content analysis relies on investigation of Islamic aspects in telecom companies' annual reports linked to Islamic principles that exist in the literature and the AAOIFI. The content analysis covers the whole Islamic principles used in telecom companies' annual reports whether financial aspects or non-financial aspects, and making a comparison with the Islamic principles for legitimacy reflected in Islamic bodies' classification. The second approach explore how companies in these countries can obtain legitimacy, through the memorandum of establishment in the countries, company laws and corporate governance laws which include corporate governance codes in the stock market, laws on Islamic governance in central banks, AAOIFI and Shariah body in Dubai Financial Market. The investigation in this approach is to explore the impact of Islamic religion on the legitimacy of GCC countries, and how Islamic religion could impact on regulations. This impact is through disclosure and explicitly including Islam in regulations and laws. As well as understanding practice, this analysis and the interviews analysis can explore the impact of Islamic religion on legitimacy of GCC telecom companies and corporate governance codes explicitly.

In figure 5.1 provide the Islamic principles that use in laws and regulations that relation to the basis of ICG, Islamic principles that assist telecom companies to be legitimate on Islamic bodies perspective and principles that conflict with legitimacy, and the criteria of Islamic bodies use to look at the legitimate of GCC telecom companies.

**Figure 5.1. Islamic scholars’ perspective and Islamic law Principles that assist Telecom Companies to be Legitimate**

<b>Islamic law Principles that assist Telecom Companies to be Legitimacy</b>			
GCC delegations and laws refer to Islamic religion that influence on telecom companies	Islamic principles that use mandatory by law or using voluntary in Telecom companies	Principles that conflict with Islam and using in the telecom companies	Islamic bodies classification has four criteria to be companies legitimacy in GCC
<p>Explore three laws: primary source of legislation in each country, companies laws and corporate governance codes.</p> <p>Explore which subjects and articles that mention to Islamic religion whether financial or non-financial aspects explicitly or implicitly that could be relation to ICG, and also look to subjects that refer to Islamic principles based on the Islamic literature, AAOIFI and Islamic bodies practice.</p> <p>Exploring the Islamic standards that adopt on each country, include entities that issue these standards. As well as check laws and regulations if state decisions have used the Islamic basis of ICG or not, that based on Shura, Hisba and SSB explicitly or implicitly.</p>	<p>Explore Islamic religion aspects that mention in the whole telecom companies annual reports whether financial aspects or non-financial aspects and explicitly or implicitly. This includes looking at: the Islamic environment in terms of disclosure, transparency, justice, Zakah, and gambling Murabahah, Tawarruq, Mudarabah, qard Hasan and Islamic investments.</p> <p>Exploring the Islamic standards that adopt in telecom companies annual reports, which entities influence in telecom companies when preparing the financial statements, through issuing these standards. As well as decisions of telecom companies based on three concepts which are Shura, Hisba and SSB. These concepts are the basis of ICG</p>	<p>Explore any conflict with legitimacy in annual reports such as using tax and loans with interest rate, forbidden investments. forbidden interest rates “riba” and gambling</p>	<ol style="list-style-type: none"> <li>1. The main activity is legitimate in Islam.</li> <li>2. The forbidden investments do not count for more than 33.33%.</li> <li>3. The traditional loans do not count for more than 33.33%.</li> <li>4. Forbidden income do not count for more than 5% of company income.</li> </ol>

## **5.2 Practice for Telecom Companies**

Regarding Islamic practices in telecom companies in the five GCC countries, there are only two companies that call themselves legitimate companies in five GCC countries, and these companies are headquartered in Kuwait and Saudi Arabia. The first legitimate company is the Kuwait Telecommunication Company (STC) VIVA, which appointed an outside Shariah Auditing Office called Al Mashora and Al Rayah for Islamic Financial Consulting. The headquarters of VIVA is in Saudi Arabia. The second is AAN. The headquarters of AAN are in Kuwait, and the company appointed an outside Shariah Auditing Office called Raqaba Shariah Audit and Islamic Financial Advisory as their auditing company to review all transactions in the company. This study covers eleven telecom companies in five GCC countries which are discussed by each country.

### **5.2.1 Saudi Arabia**

Saudi Arabia has three telecom companies, Etihad Etisalat Company (Mobily), Saudi Telecom Company (STC) and Etihad Atheeb Telecom Company. These companies use Islamic formulas, such as Zakah, Murabahah in investments and qard Hasan, these formulas impact on companies legitimacy by Islamic bodies perspective. The financial statements of telecom companies are based on international standards and those of the Saudi Organization for Certified Public Accountants (SOCPA), because the law requires that all companies listed on the Saudi stock exchange have to follow international standards and SOCPA. SOCPA is the entity responsible for adding legitimacy aspects related to the environment, religion and culture of Saudi Arabia. The next section discusses this entity and how it impacts on the annual reports of telecom companies.

#### **5.2.1.1 Saudi Organization for Certified Public Accountants (SOCPA)**

All companies listed on the stock market adopt accounting standards based on the standards of the International Accounting Standards Board (IASB), with amendments deemed acceptable made by SOCPA. SOCPA made some amendments to the standards including based on cultural values and the local environment, such as the legitimacy aspects and legal aspects of society in Saudi Arabia.

These amendments reflect financial statements' user requirements, the Saudi business environment being affected by the Islamic religion in its legislation, specifically in investments and sources of finance for companies. Companies adopt Islamic principles such as Zakah because Islamic principles are adopted as source of legitimacy in companies.

When companies provide more disclosure about their activities and other pertinent information, this allows the users of the financial statements to look at the extent of compatibility of the companies' incomes, investments and sources of finance with Shariah provisions. These disclosures are used to determine (classify) the types of shares, the types of investments and investment portfolios, whether the company is legitimacy or non-legitimacy, and for loans, whether they are traditional bonds or Islamic Sukuk. All these disclosures reflect in some ways views of the investors who are financing, operating and investing in the Saudi environment. Regarding SOCPA and investment in Saudi society:

“The commission is keen to give sufficient time to study international standards from all aspects related to the local environment, including the Shariah and regulatory aspects of the requirements of the standards, as the transformation plan stipulated implementation procedures that focused on in-depth study” (SOCPA regulation, 2018, p.7).

SOCPA is introducing a new standard, which is the Zakah standard. This standard is mandatory in financial reporting for Saudi listed companies. SOCPA requested adding the Shariah aspect to international standards, including:

“IAS 1 presentation of financial statements, specifically investment in shares, IAS 23 borrowing costs, IAS 32 financial instruments: presentation, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IFRS 4 insurance contracts, IFRS 7, Financial instruments: disclosure, IFRS 12 Disclosure of interests in other entities, IFRS 5 Rights to Interests arising from decommissioning, Restoration and Environmental Rehabilitation Funds and IFRS for SMEs” (SOCPA regulation, 2018, p.18,29,32,34,41,45,49).



An example of the Shariah aspect being added, can be seen in the financial instruments' disclosure standard, specifically paragraph 42HA:

“A new paragraph is added after paragraph 42H to require the entity to disclose the contractual arrangements of some of its financing instruments and how their returns or costs are calculated. This additional disclosure is required to provide necessary information to the users of financial statements in Saudi environment whose decisions are affected by the availability of information about the nature and type of the entity's transactions in order to help them to assess the extent to which financing instruments and their return and cost complied with Shariah” (SOCPA regulation, 2018, p.41).

SOCPA particularly focuses on compatibility with shariah provisions in financing, investments and incomes. The shariah is the source of legitimacy in the Islamic bodies perspective. The next part discusses the application side, looking at telecom companies' annual reports.

#### **5.2.1.2 Telecom Companies' Annual Reports in Saudi Arabia**

The legitimacy of telecom companies is based on using Islamic principles explicitly in their annual reports and also depend on the view of Islamic bodies classification. The Islamic bodies classification directly link to main activity (connections between people which is legitimacy), loans, investments and income. Islamic bodies classification focused on legitimacy in telecom companies only on the connection between people, however, telecom companies have main activity and subsidiary activities that clarify on memorandum of company establishment. As example, the Saudi Telecom Company proclaim that:

“The main activities of the Company and its subsidiaries (referred to collectively as the Group) are the provision of communications, information, media, and digital payment services” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.14).

However, the Saudi Telecom Company has fifteen subsidiary activities through subsidiaries companies, under the main activity. In paragraph eight and nine in subsidiaries activities of Saudi Telecom company, Islamic bodies classification lack to check whether these activities are legitimate or non-legitimate:

“The Saudi Telecom company has other activities as: Real estate investment and the resulting activities, such as selling, purchasing, leasing, managing, developing, and maintenance. Company acquire loans and owning fixed and movable assets in order to achieve their objectives” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.14).

Another subsidiary activities in Saudi Telecom company that could be conflict with legitimacy on Islamic bodies perspective such as investments in tv channels and tv music that exist in channels. As example, Saudi Telecom company has been owner of "Arab Satellite Communications Organization (Arabsat)". Arab Satellite Communications Organization (Arabsat) contain songs and music channels:

“The Arab Satellite Communications Organization (Arabsat) was established by the Member States of the League of Arab States in April 1976. Its head office is located in the Kingdom of Saudi Arabia. Arabsat provides a number of services to these member states as well as to all official and private sectors within its scope of coverage, mainly in the Middle East. Services currently provided include regional telephone services (voice, data transmission, fax, and telex), television, regional radio, service restoration services, and capacity rentals on an annual or monthly basis. In April 1999, STC acquired a 36.66% stake in the Arab Satellite Communications Organization (Arabsat) which had a capital of US \$ 500 million, equivalent to about SR 1.875 million at the exchange rate at that date”. (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.21).

The Saudi Telecom Company invested in Cream company and sold their shares in Cream to Uber through bonds without interest (qard Hasan) with the following agreement:

“On 26 March 2019 Uber Technologies (Uber) signed an assets purchase agreement with Careem (the Group holds a direct share of 8.88%) to acquire the net assets of Careem for about USD 3.1 billion (equivalent up to SR 11.6 billion) subject to modifications. The total financial return of the agreement consists of the following: About USD 1.7 billion (equivalent up to SR 6.4 billion) of convertible bonds, unsecured and without interest” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.42).

Also, Saudi Telecom Company only the company provide loans without interest (qard Hasan) to employees and specified that:

“The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 25 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the loans’ finance cost” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.44).

The Etihad Etisalat company has two types of activities which are communication activities and sell phones:

“The company's main activity is to establish and operate mobile wireless telecommunication network, fiber optics networks and any extension thereof, manage, install and operate telephones networks, terminals and communication unit system, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia” (Etihad Etisalat company, 2019, p.14).

However, Etihad Etisalat company has subsidiaries companies that investments in activities not related to communication sectors, and these activities could conflict with legitimacy as:

“Etihad Etisalat company establishes and own companies specializing in commercial activities. Etihad Etisalat company invest funds in shares, bonds and other securities. It owns real estate and other assets necessary for undertaking its activities within the limits pertained by law. It owns or lease intellectual property rights such as patents and trademarks, concessions and other intangible rights to exploit and lease or sub-lease them to its affiliates or to others” (Etihad Etisalat company, 2019, p.15).

Etihad Atheeb Company has one activity which is communication between people:

“The objective of the company is to provide various fixed lines and wireless such as voice, data services, broadband internet services, internet telephony services and fixed telephone line to individual, homes and business” (Etihad Atheeb Company, 2020, p.7)

Also, Etihad Atheeb Company does not have subsidiaries companies could conflict with legitimate (Etihad Atheeb Company, 2020, p.7).

For investment in the Saudi Telecom Company and Etihad Etisalat is deposited cash in banks, both companies annual reports clarify the type of Islamic investments as Murabahahs. The following quote is taken from Etihad Etisalat, which specifies:

“Cash and cash equivalents consist of cash on hand, bank current accounts and Murabahah facilities with original maturities of three months or less from acquisition date” (Etihad Etisalat company, 2019, p.19).

The Saudi Telecom Company loans were three shapes of Islamic products, which are Murabahah, Sukuk and Tawarruq. The Islamic products assist who classify companies to make Saudi Telecom company as legitimate in the practice. The following quote states the Murabahah:

“During 2019, most of the company’s investments in the diversified investment portfolio and Murabahah investments were liquidated mainly and reinvested in the Ministry of Finance Sukuk” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.44).

The Islamic sukuk also have used in Saudi telecom company, and Saudi Telecom company issued these sukuk:

“The company issued a sukuk program with a maximum of SR 5 billion. Sukuk certificates have a nominal value of SR 1 million each, and they were issued with a nominal value for a period of 10 years”. (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.57).

Etihad Etisalat company disclose that taken all loans that commitment with shariah and it is not declare which types of Islamic loans. (Etihad Etisalat company, 2019, p.44-46).

For Islamic formulas in practice, the Etihad Atheeb company does not have Islamic investments, but it has liabilities, which is financing in the form of Murabahah from banks:

“This represent Murabahah financing obtained from local bank (the bank) utilized to meet operation expenditure requirement of the company. The Islamic financing involve the sale and purchase of commodities with the bank as per mutual agreed terms. The company obtained financing at on an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank’s commission of 1.75% per annum” (Etihad Atheeb Company, 2020, p.30).

All telecom companies lack to details disclosure of the legitimate income and non-legitimate income in annual reports. Saudi's regulation did not force companies to disclose the legitimate and non-legitimate income. Also, Islamic bodies did not suggest clear way of how to know legitimate and non-legitimate income.

The Zakah principle is the third pillar of Islamic pillars, and Islamic bodies check annual reports of companies, and make sure pay zakah or not paid. Therefore, companies gain legitimacy front of Islamic bodies when use this principle in practice. Also, all telecom companies are required to pay Zakah based on the laws issued by the General Authority of Zakah and Income Tax in Saudi Arabia, which is 2.5% (Etihad Atheeb Company, 2020, p.35). Telecom companies pay zakah in order to gain legitimacy of the General Authority of Zakah and Income Tax in Saudi Arabia and Islamic bodies classification.

The Saudi Organization for Chartered and Professional Accountants (SOCPA) is the organization that assist company's financial statements to be legitimate in the practice. The basis for preparing financial statements in the Saudi Telecom Company (STC), the Etihad Etisalat Company and the Etihad Atheeb Telecom Company in Saudi Arabia are the IFRS and SOCPA. As an example, the STC acknowledge that:

“The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (IFRS endorsed by SOCPA)” (Saudi Telecom Company, Consolidated Financial Statements, 2019, p.15).

All telecom companies are legitimate in the main activity. However, Saudi Telecom company and Etihad Etisalat company have subsidiaries activities in the subsidiaries companies that could conflict with legitimate. The Saudi Telecom company and Etihad Etisalat company invest in real estate, commercial activities and bonds, and the Islamic bodies lack to check these activities whether legitimate or not legitimate. All telecom companies paid zakah based on law. Also, all

telecom companies use Islamic Murabahahs through taking loans from banks, and the Islamic Murabahahs assist to classify companies legitimate in Islamic bodies perspective. Saudi Telecom company provide qard Hasan to employees. The SOCPA is the regulator for assisting companies to be legitimate in financial statements. All telecom companies do not care for using ICG principles specifically Shura, Hisba and SSB in the practice. The next country to be discussed is Kuwait.

## **5.2.2 Kuwait**

In Kuwait there are four telecom companies, the Hayat Communications Company, the Kuwait Telecommunication Company (STC), the Mobile Telecommunications Company (Zain) and the AAN Digital Services Holding Company. From the legitimacy perspective, according to regulation 58/2007 issued by the Ministry of Finance in Kuwait, all companies must pay Zakah at a rate of 1% of net profit. All telecom companies pay the same percentage required by law, and they pay income tax. None of the telecom companies have any benefit for employees, such as qard Hasan. In Kuwait, the preparation of financial statements for all listed companies is only affected by international standards. No aspects related to the environment are added in this country. The telecom companies' annual reports will be discussed further in the next subsection.

### **5.2.2.1 Telecom Companies' Annual Reports**

Kuwait Telecommunication Company (STC) acknowledges in its memorandum of establishment that company works in accordance with Islamic Shariah. The shariah is source of legitimacy in Kuwait. Article six in the memorandum of establishment of the Kuwait Telecommunication Company specifies that:

“The objectives for which the company is established are to provide all mobile telecommunications services, paging system, without prejudice to the provisions of Islamic Shariah, and pursuant to the regulations set by the Ministry of Communication” (Kuwait Telecommunication Company, 2019, p.13).

Kuwait Telecommunication Company (STC) has some activities that related to the main activity and these activities could be conflict with legitimacy on Islamic bodies perspective because Kuwait Telecommunication Company could invests on any activities without caring the legitimate aspects. Also, Kuwait Telecommunication Company lack to clarify which types of investments whether legitimate or non-legitimate. The Shariah Auditing Office (Al Mashora and Al Rayah for Islamic Financial Consulting) that check Kuwait Telecommunication Company activities lack to check the subsidiaries activities:

“Kuwait Telecommunication Company construct, buy, build and acquire the necessary lands and facilities for achieving the objective (to the extent permit by the law). It utilize the monetary surplus available with parent company through investing the same in portfolios managed by specialized companies and entities and authorize the board of directors to undertake the same” (Kuwait Telecommunication Company, 2019, p.13).

Hayat Communications Company is legitimate on the Islamic bodies perspective in the main activity which is related to communication:

“Hayat Communications Company is contracting of telecommunications electrical devices, is maintenance of telecommunications equipment and device (wire and wireless). Hayat Communications Company utilize trade, installation, management, operation and maintenance of phone device and communication equipment and services for mobile phones and paging systems and other wired and wireless telecommuncion services. It utilize trade, installation, management, operation and maintenance of communication devices and communication networks and the security, safety and surveillance and the establishment of information centres and infrastructure contracting. It use the trade and contracting of telecommunications materials and system (wire and wireless). Also, it utilize trade of communication lines and cards, and is marketing and leasing of electronic communication devices and interior communication networks” (Hayat Communications Company, Kuwait, 2019, p.11).



However, the Hayat communication Company has subsidiaries activities which could consider in conflict with legitimate, and Islamic bodies classify companies whether legitimate or non-legitimate lack to check these activities:

“Hayat Communications Company possess property and real estate to achieve objectives of the parent company. Employees excess funds available with parent company are investing them in financial portfolio managed by specialised companies. Also, Hayat Communications Company is preparation of studies and provide of technical consultancy in the field of communications and information systems and the security service of all kinds” (Hayat Communications Company, Kuwait, 2019, p.11).

Mobile Telecommunications Company (Zain) is legitimate in the main activity:

“Mobile Telecommunications Company and its subsidiaries (the “Group”) along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2018 - Kuwait and 8 other countries) under licenses from the governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone systems” (Mobile Telecommunications Company, Kuwait, 2019, p.10).

Mobile Telecommunications Company (Zain) has subsidiaries activities which stated: “Mobile Telecommunications Company invests surplus funds in investment securities” (Mobile Telecommunications Company, Kuwait, 2019, p.10). Mobile Telecommunications Company (Zain) lack to define which types of investments because Islamic bodies define investments to two types: legitimate investment and non-legitimate investment.

The AAN Digital Services Holding Company acknowledges in its memorandum that its legitimacy work, and is based on Shariah provisions:

“The parent company practices its operations in accordance with Islamic Shariah”  
(AAN digital services Holding Company, Kuwait, 2019, p.12).

AAN Digital Services Holding Company has a report that confirm AAN is legitimate in its annual report, and this report issued by external SSB. The legitimate is based on declare on the annual reports that company is Islamic company. However, the report of SSB lack to cover the whole activities of company and focused only on investments and income. The company has activities that stated:

“AAN Digital Services Holding Company is owning shares in Kuwaiti and non-Kuwaiti shareholding companies and also owning shares or quotas in Kuwaiti and non-Kuwaiti limited liability companies or participating in establishing, managing and guaranteeing both kinds of companies to others which related to communication segment only. AAN Digital Services Holding Company is lending companies in which it holds shares and guaranteeing them to others, providing that the holding parent company ownership percentage in the share capital of the borrowing company must be at least 20%. AAN Digital Services Holding Company is owning industrial property rights of patents or commercial or industrial trademarks, or industrial charge or any other rights relating there to, and leasing to other companies for utilizing inside or outside the state of Kuwait related to communication segment only. AAN Digital Services Holding Company is holding moveable and real estate that are necessary to initiate its activity in according with the law. AAN Digital Services Holding Company is utilizing the surplus funds available for parent company by investing them in financial and real estate portfolio managed by specialization companies” (AAN digital services Holding Company, Kuwait, 2019, p.12).

AAN Digital Services Holding Company has Islamic formulas such as Murabahah in investments, and has taken different financing under Islamic facilities such as Murabahah and Musharakah. As an example, the company has a short-term contract for Mudarabah and Musharakah financing with another party, with repayment due within a year. The company does not take a fixed profit for this

contract until they receive settlement for this contract, based on the fatwa of the SSB. The fatwa of the SSB gave company power to be legitimate front of Muslim society (AAN Digital Services Holding Company, Kuwait, 2019, p.33). Also, these formulas assist to achieve the AAN legitimate in the practice through classification by Islamic bodies.

The Kuwait Telecommunication Company is also required to be legitimate through using Islamic in financial liabilities:

“Financial liabilities comprise of Islamic financing facilities and trade and other payables” (Kuwait Telecommunication Company, 2019, p.21).

The Zakah principle is principle that confirm legitimate of companies in Saudi Arabia and Kuwait stock market. As example, Mobile Telecommunications Company (Zain) acknowledge Zakah based on the Kuwaiti law. Mobile Telecommunications Company (Zain) has a subsidiary in Saudi Arabia and pays Zakah based on Saudi law. Zain combined all Zakah in consolidated financial statements in Kuwait. Zain subsidiary in Saudi Arabia has used Islamic facilities such as Murabahah (Mobile Telecommunications Company, Notes to the Consolidated Financial Statements, 2019, p.39). Hayat Communications Company used an Islamic formula, specifically Zakah, based on the requirement of the law (Hayat Communications Company, Kuwait, p.24).

The cost of finance in the Kuwait Telecommunication Company is linked with the expenses of Islamic financial facilities and it has Islamic deposits that are put in national Islamic financial institutions (Kuwait Telecommunication Company, 2019, p.22,30).

All telecom companies lack to details disclosure of the legitimate income and non-legitimate income in annual reports. Kuwait’s regulation did not force companies to disclose the legitimate and non-legitimate income. Also, Islamic bodies did not suggest clear way of how to know legitimate and non-legitimate income.

All telecom companies prepare financial statements based on those of the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee

(IFRIC), without amendments. The international standards lack to study the legitimate standards that related to Kuwait environment, and legitimate auditing offices lack to define the specific standards that fit with Islamic environment. A quote from Mobile Telecommunications Company (ZAIN) illustrates that company adopt the international standards:

“These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)” (Mobile Telecommunications Company, Kuwait, 2019, p.10).

However, while AAN Digital Services Holding Company and Hayat Communications Company follow the same standards as all Kuwaiti companies (those of the IASB, IFRIC), they also have to carefully follow the requirements and amendments of Kuwaiti company law.

In conclusion, all telecom companies has main activity which is legitimate in the Islamic bodies perspective. However, telecom companies have subsidiaries activities which could conflict with legitimate. Telecom companies use Islamic formulas in annual reports, to assist telecom companies to be legitimate companies by Islamic bodies perspective. These formulas are zakah, Islamic investments and Murabahahs. There are two legitimate telecom companies in Kuwait, the Kuwait Telecommunication Company and ANN. These companies have appointed external legitimate Auditing Offices to check their activities. However, legitimate Auditing Offices focus only on investments and incomes, and both companies had not established internal legitimate Auditing Offices. Also, the external legitimate bodies lack to check the subsidiaries activities of telecom companies. All telecom companies used international standards for disclosing financial statements, but these standards lack to define legitimate aspects that related to Kuwait environment such as lack to find zakah standard in international standards. All telecom companies do not care for using ICG principles specifically Shura, Hisba and SSB except appointment the externally of a SSB, and externally SSB lack to check the whole telecom companies activities. The next country to be discussed is Oman.

### **5.2.3 Oman**

In Oman, there is one telecom company that selected on this study which is Omantel Telecom company. The stock market in Oman has two indexes for classifying company shares, the Islamic index and the general index. The Islamic index is index for giving company legitimate in the practice. The Islamic index is classified based on the AAOIFI standards and classification happens each quarter. Omantel left this index in the third quarter of 2017 (Muscat Securities Market, Shariah Compliant Companies, 2021). The next section discusses the Omantel annual report further.

#### **5.2.3.1 Omantel annual report**

Omantel declare in the annual report the main activity of company, and this activity is legitimacy, and stated:

“The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman” (Oman Telecommunications Company, 2019, p.64).

Islamic bodies classify legitimate companies based on the main activities. The main activity of Omantel is legitimate, but the subsidiaries activities could conflict with legitimacy, and Omantel lack to mention the subsidiaries activities in the “Legal information and activities” as example in the quote:

“Omantel is providing connectivity to more than 120 cities in over 50 countries across the world, Omantel has poured significant investments into its wholesale eco-system over the years. Resultantly, Omantel holds an international investments portfolio of 20+ international subsea cable systems, six diverse landing stations in Oman and France. Omantel is the landing party for the AAE-1 system in France. AAE-1 is one of the largest subsea cable systems in the world spanning from Hong Kong in East to Marseille in West with Oman in the middle. This also makes

Omantel the only GCC operator to have a subsea cable landing station in the EU”  
(Oman Telecommunications Company, 2019, p.34,35).

Omantel disclose the investment in subsidiaries companies in telecom sector as Mobile Telecommunications Company (Zain) in Kuwait and the Mobile Telecommunications Company (Zain) in Saudi Arabia. Omantel mention type of loans in Zain of Saudi Arabia and Kuwait, which is Islamic Murabahahs, although, Omantel lack to mention the zakah principle in Zain of Saudi Arabia and Kuwait. Despite of law in Kuwait and Saudi Arabia has required company to be legitimate that should disclose the zakah in annual reports.

Omantel lacks to give enough disclosure about legitimate income and non-legitimate income in annual reports. Omani’s regulation did not force companies to disclose the legitimate and non-legitimate income. Also, Islamic bodies did not suggest clear way of how to know legitimate and non-legitimate income.

Omantel prepare their annual reports based on IFRS and any amendments issued by the authorities in Oman. The "basis of preparation" for annual reports is stated as:

“The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended”  
(Oman Telecommunications Company, 2019, p.14).

In preparing financial statements in Oman, telecom companies are not affected by the environment, culture or religion, but only by international standards. All companies listed on the stock market prepared their annual reports based on international standards. Also, Islamic bodies in Oman lack to effect companies legitimate through establishing legitimate standards, all bodies adopt the AAOIFI standards for knowing the legitimate.

The main activity of Omental is legitimate on Islamic bodies perspective, and Omental lacks to declare subsidiaries activities. Omental has two subsidiaries companies which are the Mobile Telecommunications Company (Zain) in Kuwait and the Mobile Telecommunications Company (Zain) in Saudi Arabia. These subsidiaries use Islamic formulas, in order to classify companies, legitimate by Islamic bodies perspective. These two companies pay Zakah based on Saudi law and Kuwaiti law. The Mobile Telecommunication Company in Saudi Arabia gets Islamic financing, which is Murabahah and all loans in this subsidiary are based on Islamic principles. The Omental does not pay Zakah, but it pays income tax based on international standards. Islamic bodies in Oman lack to find legitimate standards and the law of Oman lack to force companies to use legitimate principles such as paying zakah that based on Islamic bodies perspectives. In sum, Omental does not care to report Islamic products in their annual report. All Islamic products reported in financial statements are not used by the Omental company, but rather are used by the subsidiaries. Also, Omental do not care for using ICG principles specifically Shura, Hisba and SSB in the practice. The next country will be the UAE.

#### **5.2.4 United Arab Emirate (UAE)**

In the UAE, there are two stock exchanges, the Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX). The DFM has two indexes, the Islamic index for shares and the general index for shares. The Islamic index is index for giving company legitimacy in the practice. DFM Islamic index shows Emirates Integrated Telecommunications Company as an Islamic company, but this company was not included in interviews because it did not cooperate with the researcher. The Emirates Telecommunications Group Company is listed on the ADX index, and this index does not classify companies to be legitimate or non-legitimate companies. The next section will discuss this company's annual report.

##### **5.2.4.1 Emirates Telecommunications Group Company**

The main activity of Emirates Telecommunications Group Company is legitimate activity on the practice:

“The principal activities of the Group are to provide telecommunications services, media and related equipment including the provision of related contracting and consultancy services to international telecommunications companies and consortia” (The Etisalat Group,2019, p.95).

Emirates Telecommunications Group Company declare on the main activity is legitimate, but it has subsidiaries. These subsidiaries are related to investments. As example, Emirates Telecommunications Group Company has investments in real estate, this investment did not classify as legitimate or non-legitimate in Islamic bodies perspective. The Islamic bodies focus on the main activity and classify listed companies based on the main activity; they do not care which types of subsidiaries:

“Investment property, which is property held to earn rentals and/ or for capital appreciation, is carried at cost less accumulated depreciation and impairment loss. Investment properties are depreciated on a straight-line basis over 30 years” (The Etisalat Group,2019, p.108).

Emirates Telecommunications Group Company lacks to give enough disclosure about legitimate income and non-legitimate income in annual reports. UAE’s regulation did not care for Islamic principles as the same Kuwait and Saudi Arabia, listed companies require to disclose the zakah principle in annual reports. UAE’s regulation did not force telecom companies to disclose the legitimate and non-legitimate income. Also, Islamic bodies did not suggest clear way of how to know legitimate and non-legitimate income.

The company’s basis for preparing financial statements depends on the IFRS, and UAE provisions:

“These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the applicable provisions of UAE Federal Law No. (2) of 2015. The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the application of the Group’s accounting



policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4. These consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with the accounting policies set out herein” (The Etisalat Group,2019, p.96).

In preparing financial statements Emirates Telecommunications Group Company is not affected by the environment, culture or religion, but only by international standards. Islamic bodies in UAE lack to effect companies legitimate through establishing legitimate standards, all bodies adopt the AAOIFI standards or Dubai Islamic standards for knowing the legitimate.

In sum, Emirates Telecommunications Group Company has two activities which are connection between people and investments in different types of investments. The Islamic bodies classify as telecom legitimate based on connection between people. Also, the regulations in the UAE do not require to use legitimate principles such as Zakah which used on Saudi Arabia and Kuwait. All loans that the company takes are traditional loans and the company is not concerned with the legitimate perspective in its annual reports, although the company has a subsidiary in Saudi Arabia that uses legitimacy formulas such as Zakah and Islamic investments in Islamic banks. Also, Emirates Telecommunications Group Company do not care for using ICG principles specifically Shura, Hisba and SSB in the practice. The last country is Bahrain, which will be discussed in the next section.

### **5.2.5 Bahrain**

The stock market in Bahrain has two indexes for classifying company shares, the Islamic index and the general index. The Islamic index is based on the AAOIFI standards, and this index contains the Zain Bahrain and Bahrain Telecommunication Company. (Bahrain Bourse, Bahrain Islamic Index, 2021). The Islamic index is index for giving company legitimacy in the practice. The Bahrain Telecommunication Company was not included in interviews because this company did not cooperate with the researcher. Two telecom companies will be discussed in this section, Zain

and VIVA (STC). VIVA is headquartered in Saudi Arabia, and this company is concerned not to take any loans with interest. Zain is headquartered in Kuwait.

#### **5.2.5.1 Telecom Companies' Annual Reports**

The VIVA company is a closed stock company. The annual report is not announced to the public. However, some information was found in STC of Saudi Arabia because STC in Saudi Arabia owns all the shares of this company. This company does not disclose any details.

The Zain company is a subsidiary company of the Mobile Telecommunications Company in Kuwait. The main activity of Zain is communication between people:

“The principal activity of the Company is to provide telecommunication services under various license issued by the Telecommunications Regulatory Authority of the kingdom of Bahrain” (Zain Bahrain, 2019, p.4).

Zain Bahrain received cash; this cash put in banks as investments. Zain cash lack to disclose how can invest in banks, which types of investments. (Zain Bahrain, 2019, p.6).

Zain Bahrain lacks to give enough disclosure about legitimate income and non-legitimate income in its annual reports. (Zain Bahrain, 2019, p.7). Bahrain's regulation did not care for Islamic principles as the same Kuwait and Saudi Arabia, listed companies require to disclose the zakah principle in annual reports. Bahrain's regulation did not force telecom companies to disclose the legitimate and non-legitimate income. Also, Islamic bodies did not suggest clear way of how to know legitimate and non-legitimate income.

The company prepared its financial statements based on company law and IFRS and is defined as follows:

“The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS standards) and the applicable requirement of

the Bahrain Commercial Companies Law and the Central Bank of Bahrain Rule Book” (Zain Bahrain, 2019, p.13).

In preparing financial statements in Bahrain, telecom companies are not affected by the environment, culture or religion, but only by international standards. All companies listed on the stock market prepared their annual reports based on international standards. Also, Islamic bodies in Bahrain and AAOIFI lack to effect companies legitimate through establishing legitimate standards that could use in telecom companies and knowing the legitimate companies.

In conclusion, the main activities of Zain Bahrain is legitimate. The Zain Bahrain did not care for using Islamic principles in the practice, despite of Islamic bodies classify Zain under Islamic index in the stock market which means legitimate company. Also, Zain Bahrain do not care for using ICG principles specifically Shura, Hisba and SSB in the practice.

#### **5.2.6 Summary of Telecom Companies’ Practices**

As clear from the above, Telecom companies is legitimate on the principle activity, but subsidiaries activities of telecom companies could conflict with legitimate such as traditional investments in banks. Telecom companies did not divide income to legitimate income and non-legitimate income. Also, telecom companies do not care for using ICG principles specifically Shura, Hisba and SSB except two Islamic telecom companies in Kuwait which appointment the externally SSB, and externally SSB lack to check the whole telecom companies activities. Telecommunications companies in GCC claim to use the Islamic rules in order to legitimise their operation through two ways: First, telecom companies state that they are legitimate companies in practice, such as STC (VIVA) and AAN in Kuwait. Second, they are implicitly legitimate through using Islamic financial formulas. These formulas make companies legitimate in the view of the Islamic bodies that classify listed companies. In addition, most telecom companies have Islamic financing facilities from Islamic banks, because Islamic banks are common and widespread in these countries. Most Islamic bodies’ classification recommends companies must deal with Islamic banks, because the Islamic banks have legitimate bodies that also classify listed companies. However, some telecom companies have financing facilities, but they do not clarify these facilities as legitimate or non-

legitimate. Most traditional banks have Islamic windows<sup>3</sup> through which the banks are able to provide loans referred to as Islamic to customers. These are based on Shariah Islamiyah as Murabahahs in GCC countries. There are three Islamic indexes for shares in Oman, Bahrain and the UAE. These indexes might assist companies to be legitimate through using Islamic formulas based on the perspective of Islamic bodies. References for decisions in Oman and Bahrain are based on the AAOIFI in Bahrain. Islamic indexes in the UAE are based on the Shariah body that exists in the DFM.

### **5.3 Legitimacy in Five GCC Countries through Laws and Regulations**

This section examines how companies can gain legitimacy through laws and regulations. The telecom companies apply two regulations in practice, the company laws and the corporate governance codes in each country. When looking at how they can comply with company laws, they depend on the basic memorandums of legislation in each country, and the corporate governance code depends on company laws. The way of analysis these laws depend on exploring which subjects and articles that mention to Islamic religion whether financial or non-financial aspects explicitly or implicitly, and these subjects are related to ICG. As well as check laws and regulations if state decisions have used the Islamic basis of ICG or not, that based on Shura, Hisba and SSB explicitly or implicitly. Also, looking to subjects that refer to Islamic principles based on the Islamic literature, AAOIFI and Islamic bodies practice. The section look to explore the primary source of legislation in these countries, companies laws and corporate governance codes. The next subsection start to discuss the source of legislation.

#### **5.3.1 Source of Legislation**

According to the statute of GCC countries, Islamic law is a major source of legislation, and Islamic law is the primary source of legitimacy in these countries. These countries established all laws based on the memorandum of establishment of the country. These countries agree that the basis of legislation depends on Islamic law and they have different articles to indicate that the basis of the

---

<sup>3</sup>An Islamic window in a traditional bank is based on public requirements, and provides loans to customers in the Islamic way, in order to attract investors and customers.

legislation is Islam. Thus, these articles exist in the memorandum of establishment of these countries, such as article seven in Saudi Arabia and the UAE, and article two in Oman, Kuwait, and Bahrain. As an example, article seven in Saudi Arabia states:

“The rule in the Kingdom of Saudi Arabia derives its authority from the holy Quran and the Sunnah of the Prophet, and they rule over this system and all state systems” (Basic Law of Governance, Saudi Arabia, 1992, p.3).

The UAE has a similar definition to Saudi Arabia, but adds the language of the country in the definition in article seven:

“Islam is the official religion of the federation, and Islamic law is a major source of legislation in it, and the official language of the union is Arabic” (The Constitution of the United Arab Emirates, 1971, p.4).

Also, article two of the law in Oman and Kuwait states the same definition of legislation:

“The religion of the State is Islam and Islamic Shariah is the basis for legislation” (Basic Law of the State, Oman, 2021, p.3; Basic Law of the State, Kuwait, 1962, p.1).

Bahrain has a similar definition to Oman and Kuwait but adds the language of the country, in article two:

“The religion of the State is Islam, and Islamic Shariah is the basis for legislation, and the official language is Arabic” (Basic Law of the State, Bahrain, 2002, p.4).

The Shura (consultation) principle is an important principle in Islam. Consolidating this principle concerns how to behave in life, whether in business, socially or economically and the practice of ICG depends on this principle. Only the Omani laws and the Saudi laws discuss this principle in

terms of human life. Article thirteen in Oman, specifically paragraph three, articulates the concept of Shura as the source of Islamic principles and reports that:

“Laying suitable foundations for consolidating the pillars of genuine Shura emanating from the heritage of the Nation, its values and Islamic Shariah, taking pride in its history and adopting the useful contemporary means and instruments” (Basic Law of the State, Oman, 2021, p.6).

Article eight in Saudi Arabia also discusses Shura and how it works politically:

“Governance in the Kingdom of Saudi Arabia is based on justice, Shura, and equality, in accordance with Islamic law” (Basic Law of Governance, Saudi Arabia, 1992, p.3).

Regarding the political, all these countries highlight the Shura principle, for example, article eight in Saudi Arabia and article twelve in Oman. Article twelve in Oman states:

“Governance in the state is based on justice, consultation and equality, and citizens in accordance with this system and the terms and conditions defined by the law...have the right to participate in public affairs” (Basic Law of the State, Oman, 2021, p.5).

Article one in Bahrain and article six in Kuwait indicate indirectly the principle of Shura:

“The system of government in Kuwait is democratic, in which sovereignty resides in the nation, the source of all powers, and the exercise of sovereignty shall be in the manner specified in this constitution” (Basic Law of the State, Kuwait, 1962, p.2).

Moreover, the concept of Shura is not mentioned clearly on the political side in the UAE, but the aim of the union stems from the wishes of the UAE public to form a union. This is shown on the first page of the UAE constitution, but there is no article mentioning the concept of Shura.

The other concept emanating from the Islamic religion is justice principle. This principle is used on Islamic economic, Islamic economic that exist in GCC practice is Islamic finance. Islamic finance is through Islamic banks, Islamic banks are required to have ICG in GCC. All these countries have agreed on justice throughout life, whether economic or social. References for this can be seen in article fourteen in the UAE, articles seven and eight in Kuwait, article thirteen in Oman, article eight in Saudi Arabia and article four in Bahrain. These articles are almost all the same. As an example, article four in Bahrain states:

“Justice is the basis of governance, cooperation and compassion are intimate bonds between citizens, freedom, equality, security, tranquillity, science, social solidarity and equal opportunities among citizens are the pillars of society guaranteed by the state” (Basic Law of the State, Bahrain, 2002, p.4).

Another example, article fourteen of the law in the UAE specifies some Islamic principles based on primary sources in this country:

“Referring to fraternity or solidarity, equality, social justice, providing security and reassurance, equal opportunities for all citizens, from society's pillars, and mutual support and compassion, a trustworthy...close relationship between them” (The Constitution of the United Arab Emirates,1971, p.5).

In dealing with people and their economic rights in these countries, the definitions are almost the same. As an example, article fourteen in Oman and article eighteen in Kuwait have the same definitions of ownership, justice and economic freedom, and discuss the situation of ownership in the state. The distribution of inheritance is also based on Shariah law:

“Private ownership is safeguarded, and no one shall be prevented from disposing of his property except within the limits of the Law. No property shall be expropriated except for the public interest in cases stipulated by the Law and in the manner specified therein, provided that the person dispossessed shall be fairly compensated. Inheritance is a right governed by Islamic Shariah” (Basic Law of the State, Oman, 2021, p.6,7; Basic Law of the State, Kuwait, 1962, p.4).

Also, article twenty-one of the law in the UAE is similar to that in Kuwait and Oman:

“Private property is protected. The law outlines the restrictions that you respond to. It shall not be expropriated from one...except in cases necessitated by the public benefit in accordance with the provisions of the law, through exchange for fair compensation” (The Constitution of the United Arab Emirates, 1971, p.6).

In addition, article seventeen in Saudi Arabia and article nine in Bahrain mention the principles that deal with social and economic issues, provided according to Shariah law. As an example, article seventeen in Saudi Arabia states that:

“Ownership, capital, and labor are basic constituents of the economic and social entity of the Kingdom, are all individual rights with a social function, according to Islamic law”. (Basic Law of Governance, Saudi Arabia, 1992, p.5).

Article nine in Bahrain describes ownership, labour and capital based on Islamic justice and states:

“Ownership, capital, and labor, in accordance with the principles of Islamic justice, are fundamental ingredients of a social state and national wealth. Also, they are all individual rights with a social function regulated by law” (Basic Law of the State, Bahrain, 2002, p.6).



Private ownership and inheritance in Bahrain have the same article as in Oman and Kuwait. However, in Bahrain, the law is stated in two separate articles. The first is about private ownership and the second is about inheritance.

In conclusion for this section, there are five main concepts which all these countries agree on. The first is that the Islamic religion is the main source for legalisation. The Shura concept is the second principle for Islam, and only the Omani laws and the Saudi laws discuss this principle explicitly, and Kuwait, UAE and Bahrain refer to Shura implicitly. The third is the justice principle that is required to be used in all aspects of life, whether social, legal or economic. The justice principle distinguishes Islamic economic, but only focus on Islamic finance in GCC. The Islamic finance is shaped through Islamic banks, and Islamic banks laws require to have ICG. The fourth principle is Hisba and SSB, the law in these countries refer to follow Islam in the main source of legislation and this implicitly refer to follow the Hisba and SSB in the practice. Hisba and SSB will discuss further in next sections of GCC companies laws and corporate governance laws. The last principle is freedom and economic freedom, with private ownership and inheritance according to Shariah law. These principles that are mentioned above stem from the Islamic religion, although they are not explicit in some articles. The next section discusses company law in these countries and how it is related to the memorandum of establishment of each country.

### **5.3.2 Company Law**

In this section explore the Islamic approaches that exist in companies laws. The first approach explore the main difference between definition of Islamic companies and traditional companies. The second approach examine the difference types of partner in a company and how deal with profits and loss in companies. The third approach explore which GCC laws divide the law to Islamic companies and traditional companies explicitly because the Islamic companies are companies, can gain legitimacy in Islamic bodies perspective. The fourth approach is Islamic principles that use in companies practice such as Murabahah, Islamic sukuk, and these principles assist to become companies legitimacy. The fifth explore which debt tools could conflict with legitimate such as preferred shares and issuing bonds in the Islamic bodies perspective, and explore the differences between debt tools in Islamic companies and traditional companies.

The definition of a company is the same in GCC countries, indicated in article one in Bahrain, article three in Kuwait and Oman, article two in Saudi Arabia and article eight in the UAE. All these articles give the following definition:

“A company is defined as a contract under which two or more persons undertake to participate in an enterprise for profit, by contributing a share in the form of money or work, with a view to dividing any profits (realized) or losses (incurred) as a result of such enterprise” (Corporate System Law, Saudi Arabia, 2015, p.4; Federal Law, Commercial Companies Law, UAE, 2015, p.8; The Commercial Companies Law, Oman, 2019, p.4; The Commercial Companies Law, Bahrain, 2001, p.3; Companies Law, Kuwait, 2016, p.3).

This definition is the same that exists in Islamic jurisprudence. The Islamic view of different types of modern companies depends on Islamic principles and foundations, which restricts them to two types, Annan and Mudarabah companies. Shubaily (2006) specifies the definition for the two types as:

“An Annan company means the subscription of two or more partners’ money, to do physical work and share the profit between them. A Mudarabah company means paying money to a tradesman, he or she works for this money, then the profit is shared between them” (Shubaily, 2006, p.7,8).

Company laws in GCC countries mention different types of modern companies that exist in law, and these types are based on Islam. For example, in Saudi Arabia, article three of the Companies Law specifies some restrictions on companies in paragraph one; companies must be divided into five types of company. The same article specifies that companies must be divided based on these types and restricts the view of Islamic jurisprudence to companies based on these types. This article states:

“Unlimited Liability Company, Limited Partnership, Partnership, Joint-stock Company, Limited Liability Company. The provisions of the Law shall not apply to companies known in Islamic jurisprudence, unless they take the form of one of the companies set forth in paragraph 1 of this Article” (Corporate System Law, Saudi Arabia, 2015, p.4,5).

In the UAE, article nine discusses different types of companies, which are similar to the types of companies in Saudi Arabia, with one type added, which is a “Private Joint Stock Company”, which exists in the UAE (Federal Law, Commercial Companies Law, UAE, 2015, p.9).

In Oman, the company law has similar types of companies as in Saudi Arabia, and a company must be established under one of the names mentioned in article four, which states:

“Commercial companies must adopt one of the following forms: General Partnership, Limited Partnership, Joint Venture, Joint Stock Company (public / closed), Holding Company, Limited Liability Company, One-Person Company” (The Commercial Companies Law, Oman, 2019, p.4,5).

In Kuwait, article four and in Bahrain article two mention different types of companies that can be established in law, which are exactly the same as the types of company that exist under the Companies Law in Oman (The Commercial Companies Law, Bahrain, 2001, p.3; Companies Law, Kuwait, 2016, p.4). Therefore, in these countries, new companies should be established as one of these types. In Islamic jurisprudence there were different types of companies, but the differences were not far from modern companies. Thus, these types of modern companies are based on the comprehensive view of Islam. Article five of the Companies Law in Saudi Arabia, article nine in Bahrain, article twenty-one in Oman, and article seventeen in the UAE and Kuwait, all present three types of partner in a company. This share is either “cash, in-kind or work”. For example, article nine in Bahrain states:

“The partner’s share may be an amount of money (cash share) or an in-kind share. It may also be in the form of work in cases not specified in the provisions of this

law. However, the partner's share shall not be in the form of his influence or financial standing. Cash and in-kind shares only form the capital of the company” (The Commercial Companies Law, Bahrain, 2001, p.5).

For profits and losses, article eleven in Saudi Arabia, article twenty-seven in Oman, article nineteen in Kuwait, articles fifteen and sixteen in Bahrain and article twenty-nine in the UAE all mention the distribution of profits and losses based on the memorandum of establishment of the company. If the company's memorandum does not mention this, it should be divided based on the proportion of capital of each partner, and each partner should bear the same percentage of profit and loss. For example, article fifteen in Bahrain states:

“If the company's memorandum of association does not define each partner's dividend in profit and loss, such dividends shall be determined in proportion to the partners' respective shares in the capital. If the memorandum of association specifies only each partner's dividend in the profit, the same dividend shall apply to the loss, and vice versa. If a partner's share is in the form of work and the company's memorandum of association does not specify his dividend, he may request for an evaluation of his work, and his dividend shall be determined on the basis of this evaluation unless otherwise provided in an established custom. If a partner provides cash or an in-kind share, in addition to work, he shall receive a dividend for his work and another for the other share” (The Commercial Companies Law, Bahrain, 2001, p.6).

However, article eleven in Saudi Arabia also highlights an interesting point about the division of proportions for each partner. This can be changed, if it is stated in the company's memorandum of establishment, provided that the changes are not far from the Shariah provisions. It states that:

“A partner's share in profits or losses shall be proportionate with his contribution to the capital. However, the company's articles of incorporation may provide otherwise, subject to Shariah” (Corporate System Law, Saudi Arabia, 2015, p.7).

Not all articles give permission for a partner to receive a fixed interest rate. For example, article eighteen, specifically paragraph three, in Kuwait states that:

“Any provision granting a partner a fixed interest income for his share in the company shall be null and void” (Companies Law, Kuwait, 2016, p.6).

Despite of Islamic companies definition is the same of GCC companies definition in the company laws, three countries out of five have divided companies to be Islamic companies and traditional companies. These countries are covered by article one hundred and twelve in Oman, article fifteen in Kuwait, and article eleven and two hundred and sixty-one in the UAE. All these articles agree that disclosure must be made in the case of companies operating in accordance with Shariah provisions. Companies operating in accordance with Shariah should appoint members of an SSB. Also, companies should clarify their situation and the members of the Shariah Board. As an example, article fifteen in Kuwait states:

“...companies whose objectives are set to be in accordance with Islamic Shariah shall perform their activities in compliance with Islamic Shariah. Such companies shall form an independent Shariah Supervisory Board to supervise the company’s operations. The members of this Supervisory Board shall not be less than three and shall be appointed by the partners' meeting. The Company Contract shall refer to this Supervisory Board, set out the method of its formation, its competencies, and the way it functions. In case any dispute arises between the members of the Shariah Supervisory Board in respect of any Shariah provision, the company may refer such dispute to the Fatwa and Legislation Department at the Ministry of Awqaf and Islamic Affairs, which shall be considered the final arbiter in the matter” (Companies Law, Kuwait, 2016, p.5).

In terms of referencing Islamic companies, only article eleven in the UAE and article fifteen in Kuwait specify requirements for companies that work in accordance with Shariah provisions. As an example, article eleven, specifically paragraph three, in the UAE specifies:

“The Cabinet shall issue a Decision determining the formation and qualifications of the members of the Internal Shariah Control Committees and the Shariah Controller of companies incorporated inside the State and which conduct their activities in accordance with the provisions of the Islamic Shariah. The Decision shall determine the conditions of operation of such committees. Such companies must, following their incorporation and prior to the commencement of activities, obtain the approval of the Internal Shariah Control Committees” (Federal Law, Commercial Companies Law, UAE, 2015, p.4,5).

For more details about the SSB, only Kuwait and the UAE mention the SSB in their laws. Both laws in these countries agree that companies that work in an Islamic way should have requirement. If a company works according to Shariah provisions, it is required to appoint an SSB, and this appointment is one of the functions of the Constituent General Assembly. As an example, article one hundred and seventy-seven in the UAE, specifically the first paragraph and paragraph four of this article highlight:

“The report prepared by the Board of Directors in respect of the activity and the financial position of the company during the year, the auditor’s report and the report of the Internal Shariah Control Committee, if the company conducts its activity in accordance with the provisions of the Islamic Shariah, and their ratification; if the company conducts its activity in accordance with the provisions of the Islamic Shariah, the appointment of the members of the Internal Shariah Control Committee” (Federal Law, Commercial Companies Law, UAE, 2015, p.32).

Article fifteen in Kuwait mentions including the Shariah Board report in the company annual report. It states:

“The Shariah Supervisory Board shall submit an annual report to the company’s general meeting or partners' meeting. Such report shall state the Supervisory Board’s opinion to what extent the business of the company is compliant with

Islamic Shariah in addition to any other remarks it may have. This report shall be included in the company's annual report" (Companies Law, Kuwait, 2016, p.5).

Article three hundred and fifty-one in the UAE mentions the punishment for non-compliant Shariah members in an Islamic company:

"The Shariah Supervisor and every member of the Shariah Internal Control Committee of companies operating in accordance with the provisions of Islamic Shariah who do not abide by Shariah law in their work, that are issued by a decision of the Council of Ministers, shall be punished with a fine of no less than ten thousand dirhams and not exceeding fifty thousand dirhams" (Federal Law, Commercial Companies Law, UAE, 2015, p.130).

Only article eleven in Oman discusses which activities a company should carry out. These activities must not be opposed by the public or against morals in the country. The article states:

"The objective of the company must be lawful, and every company whose objective is inconsistent with the law, public policy or morality shall be considered null and void, and every interested person may assert its nullity and the court may of its own accord pass a judgment to that effect" (The Commercial Companies Law, Oman, 2019, p.6).

This article provides public ethics for an Islamic environment in Oman, because the legislation stems from the primary source of Islam. Also, Islamic law has a direct or non-direct influence on public ethics.

To register a company's founding contract, all countries require companies to get approval from the Ministry of Trade and Industry or central banks. All contracts must be written in Arabic. As an example, article fourteen, specifically paragraph one, in the UAE covers registration of contracts, which must be recorded by a notary. It specifies:

“The founding contract of the company and every amendment made to it must be written in the Arabic language and documented before the notary public, otherwise the contract or amendment will be void” (Federal Law, Commercial Companies Law, UAE, 2015, p.11).

Contract registration exists in the Quran and Sunnah and is the basis for financial dealings in Islamic law. A notary is also an integral part of the Shariah courts in GCC countries. Company laws in Saudi Arabia and Bahrain do not mention which activities are acceptable in Islamic or non-Islamic companies, but they are required to get the approval of the Ministry of Trade or the central bank in their state when establishing a new company. Article sixty, specifically paragraph one, in Saudi Arabia puts it as follows:

“A license incorporating a joint-stock company shall be pursuant to a decision issued by the Ministry, including companies wholly or partially incorporated by the State or other public legal persons. If the company’s business requires an approval or authorization from the relevant agency prior to licensing its incorporation, the decision to license the company’s incorporation shall be issued only after obtaining such approval or authorization”. (Corporate System Law, Saudi Arabia, 2015, p.21).

Another point covered in these laws is preferred shares. Islamic scholars have contrasting opinions about whether preferred shares are prohibited or permissible based on Islamic jurisprudence and most Islamic scholars forbid preferred shares in Islam, such as Shubaily (2006). These shares are covered in article one hundred and fourteen in Saudi Arabia, article one hundred and eighteen and article one hundred and twenty-two in Oman, article one hundred and fifty-three in Kuwait, article one hundred and eleven in Bahrain and article two hundred and six in the UAE. These articles have different opinions about preferred shares, but give permission for the issuing of preferred shares under the condition that the provision exists in the memorandum of establishment of the company. Article one hundred and fourteen in Saudi Arabia requests a condition for issuing these shares, specifying that:



“Preferred shares shall have no voting rights in shareholder general assemblies. Holders of preferred shares shall be entitled to a higher percentage of the company’s net profit than holders of ordinary shares, after setting aside statutory reserve” (Corporate System Law, Saudi Arabia, 2015, p.44).

Article one hundred and fifty-three in Kuwait has one conditions for issuing these shares:

“The Company Contract may provide for the granting of certain privileges to certain types of shares with respect to voting, profits, liquidation proceeds or any other rights, provided that shares of the same type shall be equal in respect of the rights, privileges and restrictions” (Companies Law, Kuwait, 2016, p.20).

Also, article one hundred and twenty-two in Oman provides the permission for issuing some shares that have some advantage, and stated that:

“The articles of association of a company may establish certain privileges for some of the shares with respect to voting, dividends or proceeds of liquidation or such other rights, provided that the shares of the same class shall have equal rights, privileges and limitations and the rights, privileges and limitations related to any class of shares shall not be amended except by a resolution of the extraordinary general meeting and with the approval of two thirds of the owners of such class of shares” (The Commercial Companies Law, Oman, 2019, p.35.36).

In Bahrain, article one hundred and eleven covers who is able to issue preferred shares in companies. It states:

“The Minister of Commerce and Industry shall decree the provisions, requirements and conditions of issuing preferred stocks” (The Commercial Companies Law, Bahrain, 2001, p.32).

However, article two hundred and six in the UAE contains two contrasting points about rights of shareholders and classes of shares:

“Unless otherwise provided for in this Law, the shareholders of the company shall be equal in the rights attached to the shares. The company shall not issue different classes of shares. Notwithstanding, the Cabinet may, on proposal by the Chairman of the Authority, issue a Decision determining other classes of shares and the conditions of issuing the shares, the rights and obligations arising from such shares and the rules and procedures regulating them. Shareholders may not demand to recover their contributions to the capital of the company” (Federal Law, Commercial Companies Law, UAE, 2015, p.36,37).

According to Islamic principles some articles provide that it is not acceptable to issue different classes of shares. Other articles give the reverse opinion about issuing different types of shares, which means issuing preferred shares and ordinary shares. Preferred shares are forbidden based on the Shariah Islamic provisions (Shubaily, 2006). Therefore, the preferred shares contrast with Islamic law because they contradict with the company definition that relates to profit and loss sharing. In addition, some committees of Islamic jurisprudence ban these shares for Islamic law reasons.

Another area in relation to companies, whether Islamic or non-Islamic, is debt tools. Debt tools in Islamic companies are different from traditional companies in these countries. This can be seen in article one hundred and twenty-one in Saudi Arabia, article one hundred and forty-nine in Oman, article one hundred and fifty-nine in Kuwait, article one hundred and thirty-eight and article one hundred and forty-nine in Bahrain and article thirty-one, one hundred and ninety-five and two hundred and one in the UAE. These articles all have disparate opinions about issuing bonds as a tool of debt, but most of them agree on issuing bonds and transferring shares to bonds, such as article one hundred and forty-nine in Oman, which gives the opportunity for companies to issue bonds:

“A company may in consideration of the amounts borrowed by it, issue tradable securities or bonds pursuant to the provisions of the Capital Market Law and the rules specified by the Regulations” (The Commercial Companies Law, Oman, 2019, p.43).

However, article one hundred and twenty-one in Saudi Arabia requires Shariah provision as a condition for issuing debt tools and states that:

“A company shall observe Shariah provisions governing debts upon issuance of and trading in debt instruments” (Corporate System Law, Saudi Arabia, 2015, p.46).

On the other hand, for conversion of shares to bonds, article one hundred and twenty-three in Saudi Arabia, article one hundred and fifty-nine in Kuwait, article one hundred and forty-nine in Bahrain and article two hundred and one in the UAE, all give permission to convert bonds or Islamic Sukuk to shares, as an example, article two hundred and one in the UAE presents an option to convert bonds, Islamic Sukuk into shares and reports that:

“Conversion of bonds or Sukuk into shares shall be in accordance with what is determined by the prospectus and the conditions agreed upon by the Authority, and the approval of the Central Bank must be in the case of companies licensed by it” (Federal Law, Commercial Companies Law, UAE, 2015, p.75).

Consequently, Sukuk and shares are acceptable in Shariah provisions, and Sukuk is used in Islamic companies rather than bonds, which are used in traditional companies. In addition, bonds are not acceptable based on the Shariah provisions (Shubaily, 2020). Looking at ways of increasing capital in companies, article one hundred and ninety-five in the UAE, article one hundred and thirty-eight in Saudi Arabia, article one hundred and thirty-six in Oman, article one hundred and fifty-nine in Kuwait and article one hundred and twenty-six in Bahrain all agree that capital can be increased by issuing new shares as cash or in-kind, conversion bonds to shares or conversion of the reserve amount to capital. For example, article one hundred and ninety-five in the UAE defines:

“The capital of the company may be increased in any of the following ways: Issue of new shares; Capitalize the reserve; or Convert the bonds or Sukuk issued by the company into shares” (Federal Law, Commercial Companies Law, UAE, 2015, p.73).

All sets of articles also require getting approval for increased capital by the general assembly and board of directors in a company. However, article one hundred and fifty-nine, specifically paragraph three, in Kuwait shows that the capital could be increased by transferring Sukuk to shares. It states: “Conversion of the company's debts, bonds or Sukuk into shares” (Companies Law, Kuwait, 2016, p.20).

Article one hundred and thirty-six and one hundred and thirty-seven in Oman specify conditions for increasing capital and report that:

“The extraordinary general meeting may resolve to increase the authorized share capital of the company, or its issued share capital if it has no authorized share capital. The board of directors may resolve to increase the issued share capital if the company has an authorized share capital, provided that the increase shall be within the limits of the authorized share capital. Also, the issued share capital may be increased by means of making contributions in kind or conversion of the company’s debts to shares” (The Commercial Companies Law, Oman, 2019, p.39).

In sum, GCC companies laws agree on the definition of a company, and this definition is ostensibly originate from Islam. The legitimacy companies in GCC are Islamic companies, and Islamic companies definition is the same GCC companies definition that exist in GCC companies laws. However, companies laws in UAE, Kuwait and Oman declare to explicit companies to be Islamic companies and traditional companies, and lack explicit instructions for Islamic companies. Also, all GCC companies laws lack to divide companies activities to be legitimate and non-legitimate activities in Islamic companies or traditional companies. Defining how Islamic companies run in other GCC countries, is not stated explicitly, but is implied based on the Islamic state and the primary source for legislation being Islam. Therefore, they do not need to specify the company as

Islamic or non-Islamic. However, all these countries specify whether a bank is an Islamic bank or a traditional bank, based on two laws, the central bank law and the corporate governance code, such as the Bahraini code. For dividing profit and loss between partners, all company laws have almost the same percentage of distribution between partners, which is based on a percentage of shares for each partner. This distribution is the same allocation that exists in Islamic law. For debt tools used by companies, some of the laws conflict with Islamic law in some Islamic scholars perspective through permits to issue bonds or preferred shares and some of them follow Islamic instruction through issuing Islamic Sukuk or shares. Next, the corporate governance code in these countries is discussed.

### **5.3.3 Corporate Governance Codes**

The Islamic companies require to have ICG in GCC corporate governance codes because legitimate companies in these countries are Islamic companies on Islamic bodies perspective. Corporate governance codes in five GCC countries do not mention Islamic companies except in the Bahrain corporate governance code, which states in principle nine: “Companies which offer Islamic services shall adhere to the principles of Islamic Shariah”. Other GCC countries look to the basic activity of companies, and whether these types of activity are legitimate or non-legitimate. According to this view, the telecom sector is legitimate, and does not need disclosure. The Islamic view, for the Shariah corporate governance codes, is only found in the law on central banks, Islamic banks or window law<sup>4</sup> in each country. Corporate governance has various definitions in each country, but all of them focus on protection of shareholders’ and stakeholders’ interests. The definition of corporate governance in Kuwait, Saudi Arabia, UAE, and Bahrain is similar. As the first indication of the aim of a corporate governance code is building an effective system for governance, the corporate governance definition in Saudi Arabia is:

“Rules to lead and guide the Company that includes mechanisms to regulate the various relationships between the Board, Executive Directors, shareholders and stakeholders, by establishing rules and procedures to facilitate the decision-making

---

<sup>4</sup> An Islamic window in a traditional bank is based on public requirements, and provides loans to customers in the Islamic way, in order to attract investors and customers.

process and add transparency and credibility to it with the objective of protecting the rights of shareholders and stakeholders and achieving fairness, competitiveness and transparency on the Exchange and in the business environment” (Corporate Governance Regulations, Saudi Arabia, 2017, p.7).

In Kuwait, the definition of corporate governance code given in the second paragraph of Appendix One is:

“The corporate governance rules are the principles, systems, and procedures that achieve the best protection and balance between interests of management companies, and those of shareholders, and other stakeholders related thereto. The key goal of applying corporate governance is to ensure that companies are in line with the shareholders’ goals, in a manner that enhances the confidence of investors in efficiency of company performance and ability to face crises” (Corporate Governance code, Kuwait, 2015, p.42).

The definition of corporate governance in Bahrain is given in the first chapter of definitions:

“A methodology to lead, guide and control the company’s business. It includes mechanisms to regulate the various relationships between the BOD, executives, shareholders and stakeholders by establishing special rules and procedures to facilitate decision making as well as follow-up foundations to evaluate and monitor performance and to ensure transparency and credibility, for the purpose of protecting the rights of shareholders and stakeholders and achieving justice, competitiveness and transparency” (Corporate Governance Code, Bahrain, 2018. p.4).

In the UAE, corporate governance is mentioned in Chapter One of the definitions:

“A set of controls and rules that ensure institutional discipline in relationships and management in the Company in accordance with international standards and

methods through identifying the responsibilities and duties of the Board members and the Senior Executive Management of the Company, taking into account the protection of the rights of shareholders and Stakeholders” (Joint Stock Companies Governance Guide, UAE, 2020, p.4).

In Oman corporate governance has fourteen principles and the first principle portrays the domain of corporate governance as:

“The purpose of Corporate Governance is to set out processes by which businesses are controlled and directed to create efficient enterprises contributing to building a strong, transparent and competitive national economy. The aim of such a process is to mitigate any adverse impact on the national economy, the stakeholders and the local community arising from failure to comply with corporate governance best practices” (Code of Corporate Governance, Oman, 2016, p.4).

The domain for corporate governance contains two corporate governance laws in these countries. The first law was built by the stock market authority in each country for all companies and the second law was established by the central banks for Islamic banks. As an example, Chapter One of the Kuwaiti corporate governance law, specifically article three, discusses the domain of this law in companies listed on the stock market, excluding banks and foreign companies:

“This Module shall be applied to Companies Listed in the Exchange and licensed shareholding companies, whether they are listed or unlisted, except the Units Subject to the Supervision of the Central Bank as well as non-Kuwaiti companies which are listed in the Exchange upon the issuance of this Module” (Corporate Governance code, Kuwait, 2015, p.4).

So, the Islamic banks have specific Islamic standards build by the central bank and all Islamic banks must follow them. Most telecom companies deal with Islamic banks through investments and incomes of services. In the UAE, the corporate governance code covers three areas, “institutional discipline standards, corporate governance and general provisions” (Joint Stock

Companies Governance Guide, 2020). Corporate governance applies to all sectors that already exist in the stock market, excluding the financial sector. The corporate governance code also highlights some issues based on company law, which is against Shariah provisions, such as preferred shares and bonds. Article eleven paragraph seven, in Saudi Arabia, address how preferred shares can be issued and specifies that:

“Issuing preferred shares or approving their buying or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies” (Corporate Governance Regulations, Saudi Arabia, 2017, p.13).

For issued bonds, corporate governance codes give permission for Sukuk in most GCC countries. Article eleven, specifically paragraph eight, in Saudi Arabia mentions a non-ordinary general assembly for companies for:

“Issuing debt instruments or financing deeds convertible into shares and stating the maximum number of shares that may be issued against these instruments or deeds” (Corporate Governance Regulations, Saudi Arabia, 2017, p.13).

In Kuwait, chapter nine discusses the “rights of shareholders”, specifically article seven, paragraph two refers to bonds and Sukuk:

“Create and keep a special register at the Clearing Agency, in which names, nationality, domicile of Bond or Sukuk and number, value and type of Bonds or Sukuk owned by each Bond or Sukuk holder shall be recorded. Such record shall be recording any changes to the registered data according to the data received by such company or the Clearing Agency. Any party with a relevant interest may request such company or the Clearing Agency to be provided with data from such record” (Corporate Governance code, Kuwait, 2015, p.29).



Also, in the UAE, article forty-six discusses twenty-two decisions issued by the general assembly in companies and paragraph two specifies issuing bonds and Islamic Sukuk as: “Issuance of bonds or Sukuk” (Joint Stock Companies Governance Guide, 2020. p.34). The Sukuk in this part means one of the Islamic types of investment. The corporate governance code for Islamic companies is only mentioned in the corporate governance code in Bahrain. Article nine states:

“Companies that provide Islamic services shall be subject to the principles of Islamic Shariah and shall be committed in their core systems to additional governance and disclosure requirements to provide assurance to shareholders that they are adhering to Islamic Shariah principles” (Corporate Governance Code, Bahrain, 2018, p.29).

For Shariah governance, there are two steps in building an SSB. These are defined as firstly, the “establishment of an SSB”, which consists of three Islamic scholars in Shariah. Second is the “establishment of a Corporate Governance Committee”. This covers two things, the “composition of the Corporate Governance Committee” and the “competences of the Corporate Governance Committee” (Corporate Governance Regulations, Bahrain, 2018. p.29,30). However, article ninety specifically paragraph thirty-seven, in Saudi Arabia, mentions the board of directors’ report, and requires an existing principle of Islam, which is Zakah or tax principle, to be contained in the report, stating that:

“A statement of the value of any paid and outstanding statutory payment on account of any Zakah, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor” (Corporate Governance Regulations, Saudi Arabia, 2017, p.50).

Article seventy-six, specifically paragraph five, in the UAE, covers the Islamic aspect of companies in terms of disclosing an integrated report which includes the SSB report:

“The integrated report shall include the following: Board Report, Auditor Report, Annual financial Data and their notes, Governance reports and Shariah Control Committee Report” (Joint Stock Companies Governance Guide, UAE, 2020, p.54).

In sum, all corporate governance codes in GCC countries, rely on the company law in each country and the company law depends on the primary source for legislation, which is Islam. Generally, most corporate governance codes have been built by the capital market authority in each country for all sectors, whether Islamic or non-Islamic. In addition, most of these codes have been established based on company law, which was established by the Ministry of Trade in each country. As an example, article two paragraph three in Saudi Arabia highlights:

“Without prejudice to the provisions of these Regulations, laws and instructions of other supervisory authorities apply to companies that are subject to them” (Corporate Governance Regulations, Saudi Arabia, 2017, p.9).

The corporate governance aspect covers quality and monitoring the performance of companies, and companies follow these aspects, whether they are Islamic or non-Islamic companies. Only corporate governance code in Bahrain mention to Islamic companies, and Islamic companies are companies that be legitimate companies in Islamic bodies perspective. All corporate governance codes focus on using Islamic financial principles in companies practice such as zakah, Islamic sukuk and murabahah, but they lack to define which activities could be legitimate or non-legitimate in the Islamic bodies perspective. Also, these codes lack to separate which Islamic financial principles and traditional financial principles in companies annual reports. Islamic bodies decisions lack to effect on corporate governance codes such as most Islamic bodies lack to find which accurate legitimate incomes in telecom companies. Thus, these bodies required of telecom companies that should be more disclosure about income and should divide this income to legitimate income and non-legitimate income. However, telecom companies did not care for Islamic bodies requirement because the corporate governance codes did not enforce companies to clarify which legitimate income and non-legitimate income. Despite of corporate governance codes in these countries have divided two types of financial products, Islamic financial products

and traditional financial products. These products are dividing based on wishing of users of financial statements.

All GCC countries have special Islamic governance laws used in the Islamic financial sectors, such as banks and insurance. Thus, if a company wants to follow an Islamic structure for corporate governance, they should look to follow ICG in Islamic banks or take recommendations for converting their company into an Islamic company from Shariah scholars or the Shariah Auditing Offices. The next section looks at ICG developed in the GCC by central banks or individual Islamic banks. Most external Shariah auditing in the GCC looks to AAOIFI for guidelines in applying Islamic standards, but only checks the sources of financing and the uses of finance. The reason for discussing the SSB in Islamic banks in these countries is because all telecom companies have telecommunication fees and other services fees, put them deposits in banks, whether these are Islamic or traditional banks. Most Islamic bodies that classify companies base this on the main activities which reflected in investments and incomes. The next subsection discusses Islamic governance in central banks.

### **5.3.3.1 Laws on Islamic Governance in Central Banks**

The aim of Shariah governance in business is follow Islamic instruction, and the basis of that is religion. Paragraph two in the section on "business conduct" in chapter two of the Islamic banking regulatory framework in Oman states that the basis of Islamic banking is:

“Islamic banking is faith based. Licensees are obliged to have appropriate conduct of business based upon strong ethical principles, practices and conviction. There are many stakeholders, besides the shareholders and including Investment account holders, looking for and sensitive to Shariah compliance. Islamic banking is collaborative banking; financial inclusion, fairness and risk sharing are some important hallmarks. It is not profit sharing per se but profits sharing with values, and where principles come before profit” (General Obligations and Governance, Oman, 2012, p.3).

However, in these countries Islamic governance focuses only on the financial sectors, whether banks or insurance. Thus, Islamic governance was established by the central banks in each country. The central banks provided the ICG law in each country, but most of the principles in these laws are similar across these countries. An example that exists in the guidelines of Shariah governance in the Kuwaiti Islamic banks, which shows the character of Shariah governance in the Islamic financial sector is stated in the first paragraph of this law:

“The Islamic financial industry is characterized primarily by the presence of the Shariah control component, then from the progress of this industry has emerged Shariah auditing. The Islamic financial industry is an art that has origins, standards and policies that must followed” (Governance of Islamic Banks Regulations, Kuwait, 2016, p.3).

Islamic banks should confirm that their aims and operations are compatible with Islamic provisions and stress the establishing of Shariah auditing departments, both internally and externally. In addition, the central bank in Oman shows the statute of an Islamic bank and any Islamic financial institution must stipulate its operating in accordance with Shariah provisions. An Islamic company should have a license as Islamic and must create and maintain Shariah compliance in its operations and activities (General Obligations and Governance, Oman, 2012). Moreover, just having a licence is not enough for an Islamic bank, the Islamic bank should also have some of the other components that are mentioned as examples in the law of the Saudi Arabian Monetary Authority. This authority specifies the aim of the Shariah governance framework in article two, specifically paragraph one, as:

“This framework aims to enhance the environment for adherence to the provisions and Shariah principles of banks in general, and define the tasks and responsibilities of the Council in relation to the implementation and management of internal audit, risk management, compliance management, the Shariah Committee, executive management, management requirements of this framework” (Saudi Arabian Monetary Authority Regulation Corporate Governance, 2020, p.3).

On the other hand, when establishing an Islamic bank in the UAE, owners should take notice of the guidance and directions issued by the higher Shariah authority and coordinate with the board of directors in order to implement the decisions of the Shariah committee. In addition, Islamic financial services are services that follow Shariah principles, whether these services are provided by an Islamic bank or a traditional bank (Corporate Governance Regulation for Banks, UAE, 2019).

The most frequently used guides for Shariah provisions in Islamic banks are the AAOIFI, IFSB and CIBAFI organizations. For example, in Kuwait, the Regulations discuss the basis for establishing Islamic standards and specify:

“Directions in building Islamic standards are guided by the instructions issued by the Islamic Financial Services Board (IFSB), the governance standards issued by the Islamic Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic standards issued by central banks in Arab countries as instructions in this regard” (Governance Islamic Banks Regulation, Kuwait, 2016, p.4).

Some GCC countries, such as Oman and Bahrain, rely on AAOIFI standards in Islamic banks. In Bahrain, the central bank has a commitment to apply AAOIFI standards in all Islamic banks and most external Shariah Auditing Offices in Bahrain rely on applying AAOIFI standards for the classification of listed companies, whether financial or non-financial. In Oman, financial reports for Islamic banks and Islamic bank branches should be prepared based on AAOIFI standards, as stated in the first chapter of General Obligations and Governance, specifically the fifth section, paragraph three:

“Banks offering Islamic financial services through Islamic windows, a branch or a number of branches that have separate accounts from their conventional branches, shall group those branches offering Islamic financial services together for financial reporting and shall prepare a consolidated supplementary set of accounting statements as per the standards issued by the AAOIFI. These supplementary

financial statements shall be published as an appendix in the notes to the financial statements of the institution” (General Obligations and Governance, Oman, 2012, p.5).

To be monitored, Islamic banks are required to have an SSB. Most Shariah committees in the laws of corporate governance in central banks focus on building the SSB, internal Shariah auditing and external Shariah auditing. The reason for establishing the Shariah committee is to monitor Islamic banks in the implementation of Islamic provisions in all bank operations. For example, in Oman, the General Obligations and Governance, specifically chapter two, in the section on Shariah governance, paragraph four, indicates four main elements to build Shariah governance as a framework:

“The Shariah Supervisory Board has a licence for practicing, internal Shariah audits in the Department of Shariah Commitment and Department of Shariah Auditing” (General Obligations and Governance, Oman, 2012, p.7).

In addition, article fourteen in the UAE discusses Islamic banking and the requirements for corporate governance with Islamic practices:

“Internal Shariah review and Shariah governance reporting to ensure compliance with Shariah rules; the role of the internal Shariah control committee in the governance of the bank; the rights of investment account holders and the processes and control for protecting their rights in line with the general terms and conditions for accounts and Islamic financial services; and transparency of financial reporting in respect of investment accounts” (Corporate Governance Regulation for Banks, UAE, 2019, p.98).

The SSB consists of several members and determining the number of members depends on many aspects, such as the size of the banks. As an example, article seven, paragraph one, in Saudi Arabia, discusses forming the Shariah committee and defines how many members should be on this committee:

“The number of members on the Shariah committee depends on the size and nature of the bank's activity, but it should be not less than three and not more than five” (Saudi Arabian Monetary Authority Regulation, 2020, p.7).

Another example, from Oman, is in chapter two of the General Obligations and Governance, the section on Shariah governance, specifically the SSB. In paragraph two, the SSB is required to consist of at least three members; one member should be from Islamic jurisprudence, and the other members, who know Islamic banking with a specialist in subjects such as accounting, economics, finance and law. However, they cannot vote on any company decisions. Further, this committee tries to guide banks to work in accordance with Shariah provisions and the fatwas of this committee are binding on the Islamic bank (General Obligations and Governance, Oman, 2012, p.8). The SSB in Kuwait also requested the addition of some requirements:

“It is necessary to know precisely the jurisprudential curricula of inference fatwas of Shariah, and being familiar with and familiarity with provisions and purposes of Islamic law that apply to the activities of the bank. The members of the Supervision Board are required to have experience of not less than five years in the field of Shariah supervision. Also, they should have enough knowledge in the Shariah and supervisory framework of the Central Bank in Kuwait that relates to the tasks entrusted with its performance. They should have good knowledge of the Arabic language, as they need to have sufficient knowledge of the basic Shariah sources. Hence, it is better for members of the Supervision to speak English as well, as this assists in improving communication between them and interests in the bank. Finally, members of the Supervision should understand the technical aspects and economic effects of services and financial products within the purposes of Islamic law” (Governance Islamic Banks Regulation, Kuwait, 2016, p.24).

There are conditions for appointing Shariah committee members. Article seven, specifically paragraph four, in Saudi Arabia specifies the conditions for the appointment of a Shariah member:

“The bank may not appoint any member to work on the Shariah committee that is serving on the Shariah committee of another bank operating in the Kingdom. This is to ensure member focus, avoid conflicts of interest and keep information confidential” (Saudi Arabian Monetary Authority Regulation, 2020, p.8).

Also, in Oman for example, paragraph one specifies that SSB members should not be employed by more than one competing company, but they may hold the membership of an Islamic bank and a takaful company, for instance. The membership period of a SSB member should not exceed three years, with membership renewable for another three years. Committee members could serve in any Islamic company for only two periods (General Obligations and Governance, Oman, 2012, p.14). For recruiting and appointing SSB members in Kuwait, there are four conditions:

“First, the general assembly are responsible for the appointment of Shariah members based on the nomination of the board of directors. Second, the Shariah member should not participate in the membership of the SSB for more than three Islamic banks in the State of Kuwait. Third, the SSB consists of at least three members of Islamic scholars who are known for their competence and experience, especially in the jurisprudence of transactions. Fourth, the SSB may not include in its membership any of the members of the Board of Directors or the executive management of the bank or shareholders with effective influence. The shareholders with effective influence means those who own 5% or more of the bank's capital” (Governance Islamic Banks Regulation, Kuwait, 2016, p.16).

The lower limit on the number of meetings the SSB must hold in Saudi Arabia, Oman and Kuwait is four per year. For example, the lower limit of meetings in Kuwait is defined as follows:

“The Shariah Supervisory Board will meet at the bank’s headquarters periodically, provided that it is not less than four meeting in a year, and it may hold its meetings outside the bank” (Governance Islamic Banks Regulation, Kuwait, 2016, p.18).



In Kuwait, paragraph eight discusses requirements relating to SSB meetings. Economic and social circumstances are to be considered when making decisions:

“The members of the Shariah Supervisory Board must consider the economic and social aspects as well as other aspects for the products and services under discussion. To issue a Fatwa, it must be appropriate for the purposes of Islamic law” (Governance Islamic Banks Regulation, Kuwait, 2016, p.19).

For urgent meetings of the SSB, which may be required by Islamic banks, the Islamic banks’ General Obligations in Oman mentions in the section on meetings of the SSB, specifically paragraph one, that if the Islamic bank wishes to meet urgently, and needs the SSB’s view on a specific issue, the bank can invite the committee to meet (General Obligations and Governance, Oman, 2012, p.46).

In terms of SSB auditing, all committees of Shariah auditing depend on the decisions of Shariah departments in Islamic banks, such as in Saudi Arabia and the UAE. However, some of the central banks in the GCC depend on AAOIFI as the basis of Islamic law, such as in Bahrain or the Shariah committee of the central bank, such as in Oman. The Shariah auditing offices check every operation in companies and cover internal and external Shariah auditing. The internal and external Shariah auditing in Kuwait requires having a professional certificate from AAOIFI, IFSB or CIBAFI, and external Shariah auditing is an independent oversight institution through the offices of external Shariah auditing in the state. The external Shariah auditing offices that wish to work in Kuwait are also required to do the following:

“The office must have a license from the Ministry of Trade and Industry to practice the profession of external Shariah audit. The Shariah member for auditing should have the qualification of a bachelor’s degree in Shariah or jurisprudence and have certificate from AAOIFI or IFSB. For the period of appointment, the Shariah auditing the law is specified as: The office of external Shariah audit is appointed by the bank for a period of one year, renewable for a maximum period of four

consecutive financial years. It is not reappointed after that until at least two financial years have passed” (Governance Islamic Banks Regulation, Kuwait, 2016, p.31,32).

The risk for management includes not being compatible with Shariah provisions, as this is the responsibility of the management in Islamic companies. As an example, the SSB in Oman is responsible for expressing an opinion on the extent to which a bank is in compliance with the Shariah provisions. The responsibility for carrying out the compliance is the task of the bank’s management (General Obligations and Governance, Oman, 2012, p.26). In addition, article two on the responsibilities of the board of directors, specifically paragraph two, in the UAE, discusses the case of the responsibilities of the board of directors in an Islamic bank in practice:

“In the case of offering Islamic financial services, a bank must fully comply with Shariah rules and establish a sound and effective Shariah governance framework with the key mechanisms and functionalities to ensure effective and independent Shariah oversight, as per the requirements set out by the central bank and the higher Shariah authority” (Corporate Governance Regulation for Banks, UAE, 2019, p.87).

Under the requirements of Shariah governance in Kuwait, the risk committee has responsibility for confirming that Islamic banks follow Islamic standards and Basel standards:

“The risk management committee in each Islamic bank in the state of Kuwait has monitored the extent of commitment to Islamic standards and international standards which were issued by the Islamic Financial Services Board (IFSB) and the Basel committee. The Islamic standards and international standards are implemented in parallel, without conflicting with the principles and provisions of Shariah, in accordance with the decisions of the SSB. Also, the instruction issued by the central bank in Kuwait”. (Governance Islamic Banks Regulation, Kuwait, 2016, p.12).

To attract investments, article one in Saudi Arabia mentions the benefit of Shariah governance in the Islamic banking industry and specifies in paragraph four and seven the impact of attracting foreign investment:

“Shariah governance has become an important requirement in the Islamic banking industry. Its effectiveness can lead to achieving a number of benefits, the most important of which are: Attracting foreign investment in Shariah-compliant assets, Strengthening relations with depositors, investors, and financiers” (Saudi Arabian Monetary Authority Regulation, 2020, p.3).

Islamic banks provide Islamic loans through the Saudi Organization for Certified Public Accountants standards, which is discussed above. In addition, Islamic banks should strictly avoid forbidden activities. In Oman, a bank with a license as an Islamic bank must exclude income that is contra to Islamic activities and convert any such income into charity funds (General Obligations and Governance, Oman, 2012, p.11).

In conclusion, Islamic banks are widespread in GCC countries. ICG was established by the central banks in each country, and the aim of ICG is follow Islamic instruction. The central banks provided the ICG law in each country, but most of the principles in these laws are similar across these countries. In Oman and Bahrain have commitment to apply AAOIFI standards in the whole Islamic banks and most external Shariah Auditing Offices in GCC rely on applying AAOIFI standards for the classification of listed companies, whether financial or non-financial. Islamic bodies check annual reports of telecom companies, which assists them in classifying telecom companies on the stock market, and review different types of investments and incomes. Companies listed on the stock exchange in Oman are classified based on AAOIFI through IdealRatings. Companies listed on other stock exchanges are classified through a Shariah body, as in the Dubai financial market. The research discusses these further in the next section, covering different Shariah bodies, starting with AAOIFI.

### **5.3.3.2 AAOIFI**

The AAOIFI was specifically constructed for Islamic financial companies and most Islamic scholars and Shariah auditors use the principles from this organization as a guideline for their work. This organization asserts seven principles: “the appointment of a Shariah Supervisory Board (SSB); the reclassification of the SSB; the internal Shariah committee; the committee of governance and auditing for Islamic financial institutions; the independence of the SSB; a statement of principles governance in Islamic financial institutions; and corporate social responsibility in Islamic financial institutions” (AAOIFI, 2015, p.8).

The main focus of this organization is checking the internal and external Shariah auditing and reviewing their decisions. This organization concentrates on the financial sectors, specifically banks and insurance, and most Shariah auditing offices and Islamic scholars use these standards for financial and non-financial sectors covering incomes and investments. However, this organization is not suited to telecom companies, because it does not look at the main activities and contracts not following Shariah principles. The next section will discuss the other body used to classify a business as legitimacy or non-legitimacy in GCC countries.

### **5.3.3.3 Shariah Body in Dubai Financial Market**

The Dubai financial market uses a SSB to study the market and this body has three criteria for classifying companies as legitimate or non-legitimate:

“DFM has three standards for Shariah compliance for the classification of companies: the Issuing, Acquiring and Trading Shares which has seven sections as The Shariah Parameters for Acquiring Shares, Acquisition of Shares of Companies of Mixed Activities, Shariah Parameters for the Trading of Shares, Subscription to the Shares of Companies not Fulfilling Shariah Parameters for the Purpose of their Conversion of Rectification, Exclusion of Prohibited Income, Issuance and Subscription to Shares, Unlawful Transactions in Acquiring and Trading of Shares. The second is DFM Standard for Issuing, Acquiring and Trading Sukuk which have

six sections as: Types of Sukuk, Issuance of Sukuk, General Principles for the Issuance of Sukuk, Shariah Rules for the Issuance of Sukuk, Sukuk Guarantees and Details of the Sukuk Rules. The last is DFM Standard for Hedging Against Investment and Finance Risks which contains four factors as Standard Scope, Hedging: Rules, Mechanisms, Contracts and Requirements, Definitions and Risk types according to their nature”. (Dubai Financial Market, Shariah Standards, 2021).

In conclusion for the above sections, the figure 5.2. concludes the Islamic principles and concepts that have find in GCC memorandum of their establishment, companies laws, corporate governance codes and telecom companies annual reports. The Islamic principles is related to this research focus on ICG, and assist telecom companies to be legitimate in the practice.

**Figure 5.2. Discussion and summary of the content analysis**

<b>Memoranda of establishment of GCC</b>		
<ol style="list-style-type: none"> <li>1. The Islamic religion is the main source for legalisation. ICG depend on three principles: Shura, Hisba and SSB.</li> <li>2. The Shura concept is the second principle for ICG, and Only the Omani and Saudi laws discuss this principle explicitly in political and economic sides, and Kuwait, UAE and Bahrain refer to Shura implicitly in political and economic sides.</li> <li>3. The law in these countries refer to follow Islam in the main source of legislation and this implicitly refer to follow the Hisba and SSB in the practice.</li> </ol>		
<b>Companies Laws</b>	<b>GCC ICG</b>	<b>GCC Telecom companies practice</b>
<ol style="list-style-type: none"> <li>1. The legitimacy companies in GCC are Islamic companies, and Islamic companies definition is the same GCC companies definition that exist in companies laws.</li> <li>2. Companies laws in UAE, Kuwait and Oman declare to explicit companies to be Islamic companies and traditional companies, and lack explicit instructions for Islamic companies.</li> <li>3. All GCC companies laws lack to divide companies activities to be legitimacy and non-legitimacy activities in Islamic or traditional companies.</li> <li>4. Islamic companies run in other GCC countries is not stated explicitly, but is implied based on the primary source for legislation being Islam. however, all these countries specify whether a bank is an Islamic bank or a traditional bank, based on ICG in the central bank law.</li> </ol>	<ol style="list-style-type: none"> <li>1. Only corporate governance code in Bahrain mention to Islamic companies. Islamic companies are companies that be legitimate companies in Islamic bodies perspective.</li> <li>2. All corporate governance codes focus on using Islamic financial principles in companies practice such as Islamic sukuk, but they lack to define which activities could be legitimate or non-legitimate in the Islamic bodies perspective.</li> <li>3. These codes lack to separate which Islamic financial principles and traditional financial principles in companies annual reports.</li> <li>4. All Corporate governance codes did not enforce companies to clarify which legitimacy income and non-legitimacy income. Despite of corporate governance codes in these countries have divided two types of financial products, Islamic and traditional financial products.</li> <li>5. All GCC countries have special ICG laws used in the Islamic banks and insurance. Thus, if a company wants to follow an Islamic structure for corporate governance, they should look to follow ICG in Islamic banks.</li> </ol>	<ol style="list-style-type: none"> <li>1. Telecom companies is legitimate on the principle activity, but subsidiaries activities of telecom companies could conflict with legitimacy such as traditional investments in banks.</li> <li>2. Telecom companies did not divide income to be legitimate income and non-legitimate income.</li> <li>3. Telecom companies do not care for using ICG principles except two Islamic telecom companies in Kuwait which appointment the externally SSB, and externally SSB lack to check the whole telecom companies activities.</li> <li>4. Telecom companies in GCC claim to use the Islamic rules in order to legitimise their operation through two ways: <b>First</b>, telecom companies state that they are legitimate companies in practice such as AAN and VIVA in Kuwait. <b>Second</b>, they are implicitly legitimate through using Islamic financial formulas such as Zakah and Murabahahs. These formulas make companies legitimacy in the view of the Islamic bodies that classify listed companies. The law of Saudi Arabia and Kuwait are forced listed companies in the stock market to disclose the zakah.</li> <li>5. Telecom companies formulas write in annual reports based on SSB in Islamic banks. On the other hand, some telecom companies have financial formulas, but they do not clarify these financial formulas as Islamic or non-Islamic.</li> </ol>

## 5.4 Chapter Conclusion

The primary source of legislation in GCC countries states that Islam is the main source of legislation, and this source is used to explore legitimacy companies in the Islamic bodies perspective. However, any clarification of the Islamic perspective in the non-financial sector is lacking, as with specifically telecom companies. Telecom companies is legitimate on the principle activity, but subsidiaries activities of telecom companies could conflict with legitimacy such as traditional investments in banks. Telecom companies did not divide income to be legitimate income and non-legitimate income. Also, most telecom companies lack to define which investments be legitimate or non-legitimate.

Telecom companies fall outside the financial sector, which covers specifically banks and insurance. In addition, laws and regulations in the GCC fail to mention the Islamic aspect regarding the non-financial sector and only concentrate on the financial sector by issuing Islamic governance for Islamic banks by the central banks in these countries. However, two telecom companies in the GCC have declared themselves to be Islamic companies in these countries. They have appointed external Shariah auditing offices, and these companies do not depend on Shariah governance from corporate governance, rather they depend on Shariah governance in the central bank. Most telecom companies use Islamic formulas, whether these are mandated by the government, such as Zakah in Kuwait and Saudi Arabia, or optional Islamic formulas, such as Islamic investments or Murabahahs, because all telecom companies deposit the money, they earn from service fees in banks. Thus, telecom companies use Islamic formulas whether explicitly or implicitly in order to be legitimate in GCC society and those who interested in Islamic investments.

Also, external Shariah auditing offices for Islamic telecom companies have not checked which activities are legitimate or non-legitimate in the telecom companies. The main reference of the external Shariah auditing offices is AAOIFI, and use Islamic standards that are suitable only for banks and insurance companies and not suitable for telecom companies. Most telecom companies use Islamic principles that assist them to be legitimate listed companies, validated by Islamic bodies, either explicitly or implicitly, but the main gap here is that Islamic scholars do not have

enough knowledge about telecom companies' activities, or they are not concerned about the Islamic perspective in telecom companies. Also, Muslim societies might only be concerned about the financial sector, because most Islamic bodies announce that forbidden activities are only found in the financial sector. The next chapter is the semi structured interviews with the Islamic scholars and TMs to explore the Islamic scholars perspective in telecom companies and which Islamic aspects that should telecom companies care in the practice and exploring TMs view in Islamic formulas and how use Islamic formulas in the practice.



## **Chapter Six: Semi-Structured Interviews**

### **6.1 Introduction**

In this chapter, the research discusses the analysis of interviews from five GCC countries. The analysis in this chapter stems from the perspectives that came from legitimacy theory. The research looks to answer the second research question and third research question that given in Chapter One. The second research question explore the practice of Islamic rules in telecom companies, and how these rules can assist telecom companies to be legitimate, through TMs' viewpoints on the Islamic perspective and why Islamic formulas are used in telecom companies annual reports. The third research question explore the legitimacy practice of Islamic bodies and how this practice related to Islamic religion, through classification of Islamic bodies.

Six themes were found relating to the internal and external exploration of telecom companies. These themes show how TMs work to gain acceptance from society. The themes also assist in seeing how Islamic bodies deal with the Islamic aspects in the face of society. The themes found in this research are:

1. Impact of the Islamic perspective on the company practice.
2. Islamic products used by telecom companies.
3. Islamic standards for Islamic formulas.
4. Islamic Classification of Companies on the Stock Market.
5. Lens of Legitimacy in Five GCC countries.
6. Corporate governance codes.

### **6.2 Impact of the Islamic Perspective on the Company Practice**

This theme discusses seven sub-themes covering the views of Islam on companies, the wishes of company owners, the requirements of investors in GCC countries, the basic activities of telecom companies, activities forbidden under Islam in telecom companies, the purification of forbidden activities and the disclosure of forbidden and permissible activities in telecom companies.

### **6.2.1 View of Islam on Companies**

Most Islamic scholars see companies as permissible under Islam. However, six of the Islamic scholars had slightly different thoughts about companies, selling and buying under Islam. Participant IS.M.SA.2 discussed establishing a company when this first started to become well-known in Muslim countries:

At first, companies were not originally known. Some people did not see the license of the joint-stock company first, then after a while the joint-stock company was permissible. If you read the research of Issa Abdah, he said the joint-stock companies and shares trading will be a game and not a company. (IS.M.SA.2).

Another Islamic scholar discussed the impact of establishing the Saudi Telecom Company (STC), with Islamic scholars having different opinions about whether the Saudi Telecom Company was Islamic or non-Islamic:

The first company to go public was STC and it was around 2006. Islamic scholars at this time raised many opinions about it. Is it an Islamic company or not? Shares were offering services, some of which are considered Islamic services, which may be classified as a type of gambling competition. Also, telecom companies received fees and they used these fees in huge transactions of financing and investments. The Islamic scholars had different opinions about these transactions because this telecom sector provided services and how could it be about investment or finance in practice? There was a huge uproar between Islamic scholars, with different fatwas. In sum, the general fatwa became a percentage of forbidden transactions, which is a small percentage. (IS.AN.SA.3).

Participant IS.MK.UE.17 highlights that companies should know how to sell and buy under Islam, and reported:

In Shariah...: “Ubida b. al-Simit (Allah be pleased with him) reported Allah's Messenger (may peace be upon him) saying: Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt, like for like and equal for equal, payment being made hand to hand. If these classes differ, then sell as you wish, if payment is made hand to hand”. (IS.MK.UE.17).

However, another Islamic scholar discussed how making transactions in telecom companies was the same as other transactions under Islam:

In the case of telecommunications companies, they provide a service to the community, and this service is a telecommunications service for a certain fee. The nature and transactions of telecommunications companies are conducted in a similar manner compatible with the jurisprudence of Islamic transactions, the nature of those transactions does not need a Shariah regulatory body. (IS.N.OM.16).

Participant IS.A.OM.5 highlighted the impact of Islamic companies on the economy. Islamic companies are established as one of the cycles of the economy, and reported that:

One advantage of Islamic investment or Islamic companies is always back to assets...this means Islam looks to deal with real assets such as real estate or cash. This is their impact on the economy. I expect that the economic system or the cycle system itself will be integrated by an Islamic entity, which actually operates according to standards. For example, the Islamic bank is not a bank like a traditional bank because any risk that a customer faces is shared with the customer completely. The second cycle is the takaful companies and then the second companies that are involved in risk, Finally, is Qard Hasan. When this cycle is completed here it is possible to tell you, it has an impact on the economy and also influences the decisions that are actually made. (IS.A.OM.5).

The last Islamic scholar specified that adhering to ethical business practice is better than adhering to Islamic principles:

I believe that any company is better off adhering to strong ethical business standards generally. This will ensure that its business is built on sound practices and its performance will be better. Adhering to Islamic Principles in Islamic communities and countries might seem to be helpful, but will not necessarily give it the edge, it desires. People and societies are happier to get the services of companies delivered in an ethical manner, whether through Islamic principles or otherwise. (IS.S.BA.14).

On the practical side, none of the TMs knew enough about the basics of Islamic or non-Islamic companies. Most of them stated that there was no relationship between Islam and the services that are provided by telecom companies. The most well-known companies or entities that TMs know about in terms of Islam are banks and insurance companies, and those members indicated that banks and insurance companies must have a SSB in practice. However, two TMs discussed the situation of Islamic principles and ethics in companies. They also had different opinions about that. The first TM presents the best practice for using Islamic principles in a company, stating:

Following Islamic principles in the company will have a good impact on the company, the rules of Islamic principles, including ethical standards, ethical and social values, and responsibility for business risks always aims to achieve integrity, fairness and equity in the company, leading to a lack of corruption and continuity of the company. (TM.M.SA.4).

However, the second TM suggested that Islamic ethics are not suitable in Bahrain, reporting that:

I believe that in Bahrain the Islamic principles are fluctuating, and their business ethics application varies from entity to entity. (TM.R.BA.9).

In sum, Islamic scholars define the primary source of legitimacy in companies practice is using Islamic law in these countries, and they see companies as legitimate, if the main activities are legitimate in Islam. The Islamic scholars mentioned that the general fatwas on joint stock

companies in the first period shaped them as gaming or gambling; then the fatwas changed to making it legitimate under Islam because the non-legitimate percentage is small portion of the whole company activity. As example, in 2006, STC shares go to subscribe by public and Islamic scholars lacked to understand whether legitimate shares or non-legitimate shares because Islamic scholars did not study telecom shares as legitimate or non-legitimate. The TMs do not have enough knowledge about the basics of Islamic companies and see business ethics as best for companies, but these ethics differ from company to company, although they are not far from the Islamic provisions. The next subtheme mention to companies orientation in the practice.

### **6.2.2 Orientation for Companies**

In this theme will discuss the Islamic orientation in companies, and who could be affected by this orientation. Six of the Islamic scholars mentioned the influence of the orientation of the company owners. Three of them had different opinions about the orientation of companies. The first Islamic scholar highlighted control in companies and who is able to push the company into taking any side, and reported that:

Islamic orientation is based on the tendency of the owners of the bank or the entity. The owners of any bank or company have a certain tendency, and the majority of them want profitability in the first degree. No one wants to open a bank as a charity, and all banks seek profitability, even Islamic banks (IS.A.SA.4).

Another Islamic scholar showed the impact of top management, company owners and the SSB on the existence of Islamic formulas and the orientation of a company. He stated that:

The activation of these Islamic financial formulas, in particular the financial formulas depend on two things. First it depends on the management of the Islamic financial institution in the first place, because it is responsible for the commitment to Shariah and working in accordance with the provisions of Islamic law. Second is the SSB in its guidance role for the institution and supervision of the institution,

and the subject depends on the management of the Islamic company. (IS.M.KW.12).

The last Islamic scholar sees the orientation of companies might be due to the government, stating that:

If the influence of governments is not advice, when it wants to intervene, the government issues a decision from a higher authority in the state that is stipulated in the statute. If it is not stipulated in the articles of association, the internal accounting system looks at these aspects. It can be the impact of laws and possible impact of the General Assembly and they are the owners of the company and this often happens. (IS.F.BA.1).

Five TMs discussed the orientation of telecom companies, and most of them mentioned the positive influence of owners and top management, as well as laws, on companies when choosing their orientation. Two TMs had different opinions. One participant explained the impact of laws and regulations on telecom companies, and how these laws impact in practice:

The only ones who are required to determine the orientation of activities are banks, insurance companies and investment companies. These entities are the ones who have to choose their orientation. All the activities we do as a telecommunications company in Kuwait are Halal activities in Islam, and most Islamic bodies classify companies by financial statements. The public and investors could wonder about investing or not investing in telecom companies and whether telecom companies are compliant with Shariah or not. However, the orientation of the company to Islam is not mentioned in the founding contract. (TM.A. KW.7).

Another TM explained the impact of ownership and top management on the orientation of telecom companies:

In terms of Islamic law, its impact is very limited and can only be seen in financing and promoting products. The statutes determined by the owners are those which determine the company to operate something, and whether the orientation of the company is Islamic or non-Islamic. The basis of the company's business is exactly what the company limits its activities to. This is the same for all owners who determine it, based on being consistent with the Kuwaiti Companies Law. (TM.Y. KW.8).

In conclusion, the orientation of a company to be legitimate or non-legitimate only exist in laws of financial sector. GCC laws do not enforce telecom companies to be legitimate in the practice. Also, the orientation of a company comes from the top management and the owners of the company, although financial companies must select their orientation based on the laws and regulations that exist in GCC countries. Investors could influence on companies orientation and will discuss further in next subtheme.

### **6.2.3 Tendency of investors**

Ten of the Islamic scholars mentioned the impact of investors' decisions on whether to choose an Islamic investment or a traditional investment. All participants stated that Muslim investors in these countries are influenced by Islamic lists and look at shares in these companies when they wish to invest in telecom companies. The investment would be through Islamic brokerage companies in most of the GCC. Three Islamic scholars discussed this subject giving different opinions:

Societies in Oman and other GCC countries impact on the decisions of investors in these countries, and some investors care about if an investee is Islamic or non-Islamic and some investors do not care. If a company acts in accordance with Shariah compliance, this company could attract any investors who care about Shariah activity. Shariah compliance means that is an Islamic company. (IS.A.OM.5).

However, another Islamic scholar explained how investors look to invest in companies whether Islamic or non-Islamic:

In terms of the segment of companies and treasury dealers having different tendencies, money has its own charm. You may find some dealers who deal with various types of transactions. Some of them look to the proportion, whether low, whether Islamic or non-Islamic. They only care as much as it returns to them in this area. There was a large assimilation of Muslim merchants and they seemed to be turning to Islamic banks and benefiting from their services. (IS.A.SA.4).

The last Islamic scholar discussed how to invest in Islamic companies through brokerage companies:

The reflection of the wishes of communities in Bahrain as an example is clearly through Shariah compliance, and this compliance assists companies in how they deal with shares, whether individually or as investors. Also, I found Muslim investors or Islamic companies in the current practice keen to invest in Islamic funds. Therefore, dealing with investors is through disclosure. This disclosure will be through investment in Islamic brokerage firms that assist them in feeling relaxed on the investors' side, about where they put their money. (IS.R.BA.8).

On the practical side, seven TMs saw the direct impact of investors in the stock market. They mentioned the positive impact of the company's compliance with Shariah, and how they could obtain more investment, because all societies are Muslim societies. Three TMs had different opinions. One participant stated that:

We are keen and trying to attract investors who love companies compliant with Islamic law, we want to attract all categories. We want to attract all investors, whether foreign non-Muslims or those keen to comply with Islamic law. Whatever happens in stock trading, this is a positive thing through attracting investors. If those who only invest in Islamic companies hear the percentage of traditional loans and



investments is under what is permissible in Islam, then those people who want to comply with Islamic law have a greater chance of becoming the highest investors. (TM.A. KW.7).

However, the second participant discussed the concerns of using Islamic Sukuk in the current practice of companies, because the prices for these formulas was down, and all foreign investors sold these formulas:

I am an investor and invested in Islamic Sukuk. Usually, Islamic Sukuk are traded here. The interest rate is 7.5%, and when you do not make a payment after three years, the interest rate increases to 9%. The condition for this is that after five years they will refund the original amount and profits. If a company that I invested in, after three or four years, said I cannot pay the original amount and profits, then the Islamic Sukuk becomes unprofitable. Therefore, the Islamic Sukuk value will go down and the non-Muslim foreigner investors will be sold the Sukuk terribly. Therefore, people buying this Sukuk are only those interested in the Islamic perspectives (TM.M.UE.12).

The last participant mentioned Islamic investment and investment from a legitimate perspective:

In investment, the non-Muslim person justifies the end, without caring about the means. However, as Muslims the means of getting money is important, and must be done in a halal way to justify the product and the profit that comes of the product. (TM.I.OM.11).

Islamic scholars declare GCC Muslim investors have an impact on the value of companies because Muslim investors adopt Islamic religion as source for knowing which types of investment. Islamic scholars confirm the Islamic religion is interested in the means used to obtain monies, which must be done in a legitimate way. TMs care about Muslim investors because most muslim investors look to invest in legitimate companies that based on Islamic scholars classification. The basis activities of telecom companies will examine in next subtheme.

#### **6.2.4 Basic Activities of Telecom Companies**

Eleven Islamic scholars agreed that the primary activities of a telecom company are legitimate. Two Islamic scholars had different opinions. One presented what the company focuses on in practice, and stated that:

Islamic financial or economic institutions act as an intermediary between supply and demand: the availability and effective demand for Shariah-compliant products and services, and this intermediation play an important role in meeting the needs of a large segment of the population in Muslim countries or small communities in other countries. This is also a business opportunity on the supply side. It is very important to focus on the source of the demand: the need of investors and customers for products and services that achieve Shariah compliance. (IS.AFI.BA.19).

Another Islamic scholar discussed permissible and forbidden activities in telecom companies, reporting that:

For telecom companies, the main activity is legitimacy, but the ratio of forbidden revenue is limited. Now STC specifically has shariah advisors who specify which products are Islamic or non-Islamic. The forbidden activities in telecoms could be through non-core activities such as competitions, voting, who will win the million, and TV channels. (IS.AN.SA.3).

On the practical side, all TMs asserted that there is no relationship between telecom companies and Islamic law because all services in telecom companies are based on best practice and are legitimate in Islam. Most of them clarified that Shariah bodies in the GCC system are requested to be in the financial sectors. Four TMs had different opinions about this. The first participant covered the activities of telecom companies and how they could be related to Islam:

The company is one of the largest telecom companies that have cash deposits and financial reserves in Saudi banks. The financial reserve is the deposits that STC has in the bank, and STC do not expect any interest on these deposits. The company is keen to be a 100% Islamic company (TM.A.SA.1).

The second argument suggested that it is not enough to state the activity is legitimate:

I will talk to you about our company, STC (VIVA) telecom company in Kuwait, our commitment to Islamic Shariah came from two sides: an internal body which is in the company's articles of association and the Memorandum of Association. It was established as operating within the framework of Islamic law and its determinants. For example, taking a loan from the bank - you cannot take a loan from a conventional bank, but you can take a loan from an Islamic bank, such as Murabahah or other things. In the case of dealing in a particular matter, for example, then products or offers etc must be passed by a Shariah body to allow this offer or product. (TM.Y. KW.8).

Another TM discussed the basic activity of telecom companies and competition. TM.I.OM.11 asserts that if one telecom company mentions that a certain product is legitimate and stamps legitimate on its product, this makes an accusation against other companies which provide the same product in GCC countries:

It already depends on what product or service you really want to market or try to offer to the community. If you have halal products, such as biscuits or food, or telecom services and you stamp that product as halal, and you are in a Gulf country, I think it is not useful. However, if this product is marketed to a Muslim community in a non-Muslim country, the halal declaration will be given a special consideration. Therefore, I think it is reprehensible, using a halal stamp in an Islamic country, at the same time you are giving an indirect accusation that other products competing with your product have non-halal materials. (TM.I.OM.11).

The last participant discussed activities not related to being Islamic or non-Islamic and stated that:

I will talk to you about our company, which is listed on the Kuwaiti Stock Exchange. We are a company that provides infrastructure for operators such as Zain and VIVA and we do not have a relationship with Shariah. Also, we are not committed, or we do not have Islamic control, religious control, whether through dealing in the Stock Exchange or as a public company offered to shareholders. (TM.N.KW.5).

All Islamic scholars declare the main activity of telecom companies legitimate. Islamic scholars lack to check on the main activities of telecom companies, and only focus on the financial aspects. TMs see telecom companies' activities are legitimate, based on the view of Islam. Also, TMs lack to know how Islamic scholars could link between Islamic religion and telecom services, because the service is based on best practice. TMs lack to have knowledge about the Islamic aspect in business, because Islam has a direct or indirect impact in GCC societies, whether from a business perspective or on the whole of human life. The next subtheme discuss the forbidden activities in telecom companies.

### **6.2.5 Activities forbidden in Telecom Companies**

Eight Islamic scholars discussed forbidden activities in telecom companies. All participants specified the impact of forbidden activities on the values of telecom companies in the stock markets. Three Islamic scholars had different opinions. The first Islamic scholar mentioned the impact of dealing with halal activities in Muslim countries:

There are many facets of difference between Islamic activities and forbidden activities, specifically on the gain and spending sides. For an institution is not interested in investing in "halal" earning methods that are free from illicit benefits and profits, and this is reflected in the environment in which the institution operates. Thus, the Islamic and non-Islamic environment leads the market through institutions, and institutions based on the environment to look to activities that are

appropriate in the environment. For example, Islamic institutions deal with halal activities based on the Islamic environment, and vice versa. (IS.AFI.BA.19).

Another Islamic scholar mentioned the influence of forbidden activities on the practice of their Shariah auditing office, how they could find solutions for Islamic telecom companies in order to compete with non-Islamic companies, and how telecom companies can invest or obtain loans:

The media in telecom companies could enter into prohibitive activities through advertising messages and contests, for example sending a message at a certain cost; if you answered correctly, you might win or not, so this assists entry into trickery and gambling. In Islamic telecom companies, they found a solution for these competitions, through not only paying for the competition but with the message that you send you can get some general information, sports information or some data. Also, the proof of its dealings with people, sometimes we find an Islamic company that took a conventional loan. This loan has a legal effect and an impact on the shareholders. As shareholders, we consider it to be an Islamic company and that our money is halal and we are surprised that the company is taking something forbidden (Muharram), which has the opposite effect. (IS.AS.KW.7).

The last Islamic scholar discussed the practical side and how forbidden activities can be found in the article of association for a company:

If I look at companies, I look at the company's articles of association. If the company's articles of association granted the possibility of issuing bonds, I give them a line, that is haram. If there is the possibility of issuing preferred shares, most of the preference shares are haram. Now the Saudi companies are not issuing bonds, and the Saudi government is now issuing Islamic Sukuk. Now, one of the things we compare are the basic documents of establishing a company. The most important document is the statute of partners and what it is based on. If you enter some of the systems of non-Arab and non-Muslim companies, you may find a malfunctioning system. (IS.M.SA.2).

Six interviewees from telecom companies in GCC countries discussed the situation regarding the impact of forbidden activities in companies. Most of them agreed that songs, channels and ringtones are forbidden activities. Three TMs provided different thoughts. The first TM mentioned how STC deal with activities in practice, specifying that:

STC has investments and is keen on investments, where there is no suspicion of haram. STC contributes to companies such as Karim and it merged with Uber. There were opportunities in other companies that STC had the ability to contribute to, but STC avoided them possibly for religious reasons. Also, activities related to forbidden activities, for example, the services of Envision, as there are some channels, such as music channels, which are present in Envision, a receiver operating on the Internet. In order to avoid forbidden activities, STC gives the topic of ringtones and songs to the operator company, and the operator company does not have any relationship with STC. (TM.A.SA.1).

Another participant mentioned that forbidden activities are rare in telecom companies:

The core activities of telecommunications companies (connection between people) are mostly in accordance with Shariah. Non-core activities in telecoms could conflict with Shariah such as voting, who will win the million, TV channels, and competition in games or some lotteries...these activities could lead to gambling. However, the non-core activities do not effect legitimacy of telecoms. These activities represent a small percentage of telecom activity as compared with the main part of telecom companies. These activities could be outside the scope of Islamic law, and all be promotional offers for products. However, these activities are rare, and this does not affect the main activity of the company. As an example, when a company has a product, such as buying in dinar and taking two dinars. If the Shariah body says it is acceptable to deal with this product, that's okay. If this product is not acceptable through the memorandum, and we refuse the decision of the Shariah body, then the Shariah body will report us to the General Assembly. In

the end, if the company does not adhere to some of the requirements of Islamic law, it must determine the details in issues of whether the company is actually committed to the requirements of Islamic law or not. (TM.Y. KW.8).

The last TM mentioned some activities done by telecom companies could be related to forbidden activities:

In Bahrain, VIVA and Batelco telecom companies have issued the new card machine that exist in some stores and cafes called Batelco and VIVA cash, but the Zain has not. The Batelco and VIVA cash machine links customers, telecom companies and banks. This machine gives customers an option for paying their purchases from their mobile numbers. I think this card machine might enter forbidden activity in Islam. However, this card machine must have the approval of the Shariah body. (TM.A.BA.10).

In sum, telecom companies could enter into non legitimate activities through their non-core activities such as channel satellite, competitions, and various investments/incomes. Islamic scholars have not reviewed which of these activities are suitable under Islam because the Islamic scholars focus on the main activities of telecom companies which is legitimate. The next subtheme discuss the purifying of forbidden activities.

### **6.2.6 The Purification of Forbidden Activities**

In terms of the situation for purifying forbidden activities in companies, two Islamic scholars discussed how forbidden activities can be purified. The first Islamic scholar highlighted how purification of forbidden activities happens in practice:

All Saudi banks and some non-financial companies have CSR which comes from purification of money. The purification could come from fines and penalties, but Islamic scholars have different opinions about penalties and fines. These fines and penalties could get when banks deals with their customers. E.g., customers take

loans from banks and they cannot pay monthly payments on the date of payment, then banks impose a delay fine on the customers. The Islamic scholars have two opinions about fines; the first opinion said to banks, fines are haram because these fines are Riba. I was one of the people who deprived it. Banks said they wanted to take the fines, and we said you cannot put fines on customers. Banks said how could they get control? We said in any other way, but not through Riba. The second opinion of Islamic scholars, including AlManea and Almutlaq, they allowed banks to take fines. However, they request from banks to take out the fines through printed Islamic books, sending students for studying. (IS.M.SA.2).

Another Islamic scholar discussed the activity of companies and said that they must know the limit of halal and haram. The company must purify itself from haram, and then any shareholder can buy shares from the company:

There is an opinion that as long as a company is partly haram, in some activities, it is not permissible to invest in them. There is another thought, which is mostly found in the Shariah bodies including AAOIFI, that it is permissible to invest in them on condition that the haram does not reach a very high limit, and the haram is avoided. This means that your share of the existing haram must be avoided. It has not become halal, but it has become mostly halal with a little haram at the same time. Thus, shares that are haram must be cleansed to charity. They call for the purification of your property from the haram shares. These percentages are found in contemporary jurisprudence. The reference for these percentage is the hadith of the Prophet “one-third, one third is so much” meaning that one-third refers to the beginning of too much haram. (IS.AM.KW.9).

For purification activities in telecom companies, most care about the decisions of the Shariah bodies and Islamic scholars. These decisions are issued through the Shariah listed companies. Most Islamic scholars look to purify forbidden activities using charities, printing Islamic books. Islamic scholars face difficulty in measuring forbidden activities and incomes from these activities in



telecom companies, because there is not enough disclosure in their financial statements. Therefore, the next subtheme will discuss the situation of disclosure in companies.

### **6.2.7 Disclosure of Forbidden & Permissible Activities by Telecom Companies**

Five Islamic scholars highlighted that disclosure is an important point in business practice, and disclosure should be clear in the case of companies. Three Islamic scholars had different opinions. The first Islamic scholar discussed how companies can become more Islamic, and specifies Islam would assist in transparency, credibility and integrity:

Islam is a comprehensive religion of all aspects of life, which includes business dealings. If companies comply with Islamic principles, that is a good way of having compliance in work ethics. Islam calls for credibility and integrity, so, the Islamic principles assist in creating a good and organized work environment. In my view, disclosure is very important in the reports of the Board of Directors, and all aspects should be mentioned in these reports, so that these transactions are based on transparency for all. Companies that naturally disclose are better than companies that do not disclose on the level of long-term investment. (IS.N.OM.16).

The second participant presented some concerns about disclosure for the Shariah body:

According to the law, the company cannot say that it operates in accordance with the provisions of Islamic Shariah without having an SSB. The existence of a SSB is legally binding in the State of Kuwait. Therefore, disclosure is very important, but the form of the reports of the Shariah bodies suffers due to only a small amount or complete absence of disclosure. The problem lies in the lack of knowledge of what is a legitimate reference number 1, and number 2 is in the inability to access a Shariah reference, and number 3 is the lack of practicing legitimate audit professionally, and a gap in disclosure in the end. Here we are facing a problem and linked with it is the issue of non-disclosure of standards sufficiently, and the absence of a generalization of the audit results is due to restricting the audit result

in terms of what has been found. Here lies the problem in the telecommunications companies. As an example, in some telecommunications companies they do not know how much income of their operations is compliant or not compliant with the provisions of Islamic law. (IS.M.KW.12).

The third participant discussed a comparison between the Islamic side and the West, in terms of humans:

Serving institutions and existing institutions result from the prevalent system of civilization. Now in Western civilization the things related to human life are meticulous and organized matters. Also, those countries are disciplined and accurate. The telecom sector is one of serving institutions and the core activity in this sector is based on Shariah standards. Shariah came to agree with the instinct of human life. A large part of these standards and these controls are legitimized in the nature planted in human beings. Disclosure, transparency, clarity, workmanship and accuracy are standards which exist in international standards. These standards are not far from the concept of Islam. I see the international standards adopted and work out; I do not see it as problematic, only in the parts which clearly contradict Shariah. We want to add some aspects from Shariah standards to international standards, which international standards may overlook which they did not pay attention to or which they did not reach understanding of. (IS.F.BA.1).

Five TMs mentioned the important of disclosure and transparency in a company. Three TMs had different opinions; the first TM stated that:

STC cares about disclosure, because it will increase integrity and transparency. I will tell you a story about the subject of governance, which happened two or three years ago. The Saudi stock market suspended the stocks of Mobily telecom company...and there was a decline in the value of its stocks. It punished its Chairman of the Board of Directors and its CEO at the time. All these problems came as a result of lack of governance. They have manipulated corporate

governance principles, specifically disclosure and transparency, this affected the value of suspending the stock in the market. (TM.A.SA.1).

Another TM discussed the situation of Islam, and how disclosure impacts on current practice:

The first thing about governance is integrity and the criteria for choosing the board of directors. If you want to choose them from a religious point of view, you will definitely take into account what religious culture they have and the duty of honesty you have or your Islamic conscience. However, at the moment and in fact, companies control some of the members of the Board of Directors and one constitutes the Board. This member brings all their relatives and friends as well to remain dominant, but he does not bring a stranger. If you check the standard of Islamic conscience, they are certainly more interested in the selection of directors and thus achieve the principles of original governance. They have standards of stakeholders, you never adjust, you need additional conscience or awareness. I see if an Islamic code of governance raises the standards of integrity and disclosure, anything Islamic will raise standards of quality. (TM.M. KW.6).

The last TM discussed the situation of disclosure in the corporate governance code:

Today, we need to amend the Corporate Governance Law in order to amend the governance environment in the company. In Saudi Arabia and Kuwait, our laws have not reached a global standard and only reached up to 40%. However, when you see the law of the U.K., the law is more sophisticated, they have more transparency. (TM.A.KW.7).

In conclusion, Islamic scholars lacked a specification of enough disclosure for which legitimate incomes and non-legitimate incomes in telecom companies. They were stated that telecom company activities should be more transparent. TMs argue that most GCC corporate governance codes lack to have enough disclosure and transparency in the practice. Telecom companies use Islamic formulas in their annual reports. The next theme examines the types of Islamic formulas.

### **6.3 Islamic products used by telecom companies**

This theme will look at the Islamic formulas, loans without interest (Qard Hasan) and the Zakah principle, and the Islamic contracts for these formulas. It will examine each sub-theme separately.

#### **6.3.1 Islamic Formulas**

In terms of Islamic formulas used in telecom companies, twelve Islamic scholars discussed the interest of using these formulas in business. All participants stated the impact of using these formulas through attracting investors to companies and the classification of these companies by Islamic bodies. Four Islamic scholars had different opinions about current practice. The first Islamic scholar gave the background to these formulas and how important they are in business practice, and stated that:

In order to implement these formulas, it is necessary to identify areas of optimal use commercially and legitimately. Each formula has many areas both in its simple form and in its use in structuring financial and investment products. The implementation of these formulas comes through the following: empowering Islamic financial and economic institutions, whether by facilitating their establishment and subjecting them to a set of regulatory or market controls that consider the nature of their work and enable them to compete with other institutions without restrictions or obstacles; adopting the necessary technical and Shariah standards, which provide the intellectual and Shariah framework, to help these institutions to do their part by providing the foundations of Shariah-compliant transactions; in addition, to helping them prepare their financial strengths and build effective governance systems on effective Shariah compliant foundations; promote community awareness of the importance of products and services provided by these institutions, and benefit from the availability of public confidence in the role played by these institutions in the economic and social field, etc. (IS.AFI.BA.19).

The second Islamic scholar discussed how telecom companies can invest in banks. He asserts that the Saudi Telecom Company (STC) has a lot of money and it should invest this money in Islamic or non-Islamic banks:

In terms of using Islamic formulas, it is down to the Shariah body of each bank. For example, STC deal with almost 12 banks, I go to the Riyadh bank or I go to the French bank. STC has a lot of money. Every day STC gets money, and it is difficult to say that I have not put my money anywhere except in the Albulid Bank. The French bank doesn't even have a Shariah advisor, and the work is not perfect. As a legal accountant, if you read the written lists in traditional banks, and wonder which loans are which, you will find all Islamic Murabahahs. However, we trust the chartered accountant about written lists, but do I have a hundred percent conviction that these are Islamic Murabahahs? Definitely I am not sure about these lists, whether Islamic Murabahahs or traditional loans. (IS.M.SA.2).

The third Islamic scholar mentioned the case of Islamic telecom companies:

Islamic telecom companies use Islamic formulas whether borrowing through Murabahah or investments in banks. For example, VIVA telecom company is Islamic...and all fundings and formulas used in this company are Islamic formulas such as the qard Hasan and Murabahah. Also, the Islamic banks cooperate to provide Islamic formulas to VIVA telecom company and other Islamic companies. (IS.D.KW.13).

The last Islamic scholar shows some Islamic formulas are not acceptable in all GCC countries, such as the Tawarruq formula. This formula is not acceptable in Oman:

Islamic formulas are not an open area. The first thing, Tawarruq is forbidden by the central bank in Oman. Whether in Islamic banks or Islamic windows, it is not possible in any case to offer Tawarruq. Islamic banks or Islamic windows have Murabahah, Salam, rented ownership and participation, but Tawarruq is refused by

the central bank. Also, the Shariah body was very conservative about it. (IS.I.OM.15).

In terms of telecom companies, six TMs discussed Islamic formulas. They mentioned that telecom companies use these formulas, whether taking loans or investing in banks. They disagree about these formulas in practice; the first TM.M. KW.6 presents the background of these formulas and compares this with the current practice:

The Islamic formulas give us more flexibility in dealing and are the tools of dealing between one person and another. There is an important thing that is needed in Islamic finance, you must know your exact role in the practice. Also, the Islamic formulas give you more ability to properly obtain money. They assist in knowing the role of everyone in the debt that happens. The Islamic formulation raises the efficiency of capital utilization or financing as required. (TM.M. KW.6).

Another TM argued for the current practice of using these formulas by most banks in the GCC. TM.F.SA.2 covers the practice that exists, which is not the same practice as in the period of the Prophet, and specified that:

For me I saw Islamic formulas as means of manipulation by Islamic banks, and failing to follow Islamic provisions. Instalment companies aspire to this product to pull people in. How are its applications on the ground, is it really applied in the correct Islamic way? I mean we lie to ourselves if we say it is applied in the correct Islamic way. However, their method is currently only to delude people that we are Islamic. (TM.F.SA.2).

The third participant suggested that these formulas are new because the Islamic banks and Islamic windows in Oman are modern:

Murabahah and Islamic formulas are not widely available in the financial statements, but we as a company take and invest in Islamic and non-Islamic banks, because Islamic banks in Oman are modern. (TM.I.OM.11).

However, the TM.M.UE.12 did not see a difference between Islamic formulas and conventional formulas in practice:

I think at this point there is an impact on society regarding the application of these Islamic formulas, but I think there is no difference between the Islamic and non-Islamic product. Companies only turn to the Islamic in order to gain the acceptance of the community. In my view, there is no difference between conventional and Islamic loans. For example, when I took the loan and I wanted to make an early payment for this loan, the Islamic bank and conventional bank told me, there is no acceptance for payment except to pay a fine. (TM.M.UE.12).

The other participant specified their company used Islamic formulas:

We do not have Islamic formulas because we take loans when we need them from a bank. However, we have taken all loans from conventional banks. That means we don't have a regulation in the company which prevents us from dealing with an Islamic bank, but we deal in fact with conventional banks, whether here in Kuwait or our branches in the other Gulf countries. Our branch in Saudi Arabia deals with an Islamic bank. (TM.N.KW.5).

The last TM discussed the Islamic formulas used in STC. All finances or investments in STC were in banks in the form of an Islamic formula:

If we look to all annual lists, we have Murabahah, Tawarruq and Sukuk, and all are Islamic. Most of the loans that we have are qard Hasan, whether cars or housing loans. Housing loans existed in the past. In terms of banks, the majority of loans

offered in this area are either Murabahah or Islamic Tawarruq through leases ending ownership, and all are Islamic loans. (TM.M.SA.4).

In sum, Islamic formulas are used by telecom companies, whether through taking from or giving to Islamic banks or Islamic windows in traditional banks. All Islamic scholars mentioned that telecom companies have a high percentage of deposits in banks, and some telecom companies use these deposits in Islamic formulas and some of them use these in traditional formulas. The Islamic scholars used Islamic formulas in the GCC, and they do not have a uniform structure for Islamic formulas acceptable in these countries. Also, Islamic formulas have not all gained acceptance in all GCC countries, for example Tawarruq, and there is a gap between the Islamic aspect and practitioners in telecom companies. All telecom companies use Islamic formulas based on the Islamic bodies decisions that exist in each GCC Islamic bank, and most telecom companies put their deposits in Islamic banks. In terms of current practice, most TMs criticize the current practice of using Islamic formulas and see this practice is not the same practices of the first period of Islam. The next subtheme examines the other Islamic formula, which is qard Hasan.

### **6.3.2 Loan without Interest (Qard Hasan)**

The qard Hasan is one of the formulas used in Islamic companies. Five Islamic scholars discussed using this formula in Islamic companies. All participants specified the impact of using this formula through keeping employees and customers dealing with the company and gaining loyalty and satisfaction from both. On the other hand, some companies provide loans as qard Hasan to employees or customers and the motivation for these loans is not Islamic, but symbiotic and cooperative, and comes from the social side. Three Islamic scholars had different opinions about this. The first Islamic scholar discussed three types of qard Hasan in an Islamic bank, and the motivation for establishing qard Hasan:

In the Dubai Islamic Bank, we have three things, which are, first thing is social benefits funds, and a social solidarity fund for employees to serve employees. If any employee needs a certain amount for marrying or anything, we give him a loan without interest, or if he/she wants anything else, we help in these matters. In terms



of human resources, we have a loan without interest for all employees, not only the subscribers to the social solidarity fund. Then we have a loan without interest for customers. If one of the clients or people are in a difficult financial situation, we give them a loan without interest from the bank, in the sense of the level social solidarity fund. However, companies and government agencies that do this show me that the social side is more than a Shariah side because they want to emerge as an Islamic entity. In our Dubai Islamic Bank, we did this because it was a Shariah duty and not a social duty, especially for clients, because it is a fund for a loan without interest, and the motivation for a loan without interest has a Shariah side. (IS.MK.UE.17).

Another Islamic scholar discussed the situation of loans without interest for the STC, reporting that the STC has different types of loan without interest:

Loans without interest exist in the Saudi Telecom Company. This is good behaviour from companies, and we should be encouraging this. Companies generally give an employee in financial hardship up to a salary. Also, they give them a million loan without interest and repayment over a period of twenty years, which is for senior staff. In Saudi Arabia we are a social capital, like Britain, and there has to be mercy for others. (IS.M.SA.2).

The last Islamic scholar discussed qard Hasan in Islamic companies and how Islamic companies deal with customers and employees:

...companies sold goods, products to clients, some clients default, should I impose fines? The Islamic perspective instructs us how to deal with clients that cannot pay their debt. This could be through overlooking the debt...which is...qard Hasan. Also, the Islamic side requests employers to give employees their wages on the date of finishing their work. As Islam is a whole system for life, the Prophet peace be upon him said, "I was sent to perfect good character." (IS.A.OM.5).

In terms of the practical side, eight TMs confirmed there is no programme of qard Hasan in the current period, but qard Hasan existed in most companies in the past. As an example, the TM.N.KW.5 said:

The qard Hasan service is not available to us and there are no support programmes for employees. Also, I think it does not exist in Kuwait, even in operator companies such as Zain, VIVA and Ooredoo. (TM.N.KW.5).

However, another TM stated that qard Hasan existed in their company:

Qard Hasan exists in fact. Our housing loans in VIVA are calculated from our salaries. The company gives as an aid to the employee two or three times their salary as an assistance. If the employee needs it and this is usual, and the company wants to help the employee and make him loyal to the company, the company gave the employee a loan that was held for two years in the future and does not affect the business of the company. If the loan affects the business of the company, the company will not give a loan to anyone. (TM.Y.KW.8).

Another TM mentioned some cases of qard Hasan that exist in STC:

The company offers features to its employees, such as a housing loan, Murabahah and a car loan, and all these are qard Hasan. Employees return the loan with the same value, without interest. However, all loans for employees will be exempt in case of disability or death. There is a service that already exists in the STC, and few clients know about it, which is the exemption of the deceased. Any deceased person in this country who has indebtedness or invoices with STC, have all debts cleared with a death certificate, and it is considered to be a community contribution of STC. (TM.A.SA.1).

The qard Hasan is one Islamic formula, and most Islamic scholars encourage the use of this formula because Islamic scholars acknowledged qard Hasan stems from the Shariah side.

However, the practice for telecom companies stems from the social aspects rather than the religious aspects. Most TMs assert that there is no qard Hasan in current practice, although there are some cases in telecom companies that provide qard Hasan to employees or have special clauses such as clearing a deceased person's loan. The next formula to be discussed is Zakah.

### **6.3.3 Zakah**

Nine Islamic scholars discussed the most important religious principle in life, whether business or social, is Zakah, which must be paid annually. As an example of the Zakah principle, the participant IS.AN.SA.3 stated that:

The International Accounting Standards adopted in Saudi Arabia and the Saudi Organization for Certified Public Accountants are required to be in accordance with Islamic law. Also, SCOPA is very focused on this subject. The Saudi market is interested a lot in the standard of Zakah, does this company pay Zakah or do they not pay Zakah? Zakah is a transaction. Zakah is due on the shareholder. Companies were looking to Zakah as the acceptable face of Shariah and are discharged if there is embarrassment. Then these companies were keen to pay Zakah to have a legitimate face. In STC Sheikhs Shubaily and Osaimi were appointed as consultants for the calculation of Zakah. Thus, that gives reassurance to investors. (IS.AN.SA.3).

In terms of the practical side, seven TMs mentioned the enforcements for paying Zakah come from the law and government in only two GCC countries, Saudi Arabia and Kuwait. Four TMs in both countries discussed different points about the Zakah. The first TM explained the impact of government:

In terms of the Zakah principle, if the state has not compelled a company, no one will commit to it once and for all. Everyone in companies says why give Zakah? We want to take one hundred percent, and all companies deal with this principle. Let us be logical, I never heard any interest in paying Zakah from the top

management level in different kinds of company, and that includes our telecom company. (TM.F.SA.2).

Another TM.A. KW.7 discussed the percentage of Zakah in practice in the telecom company, specifying that:

The Zakah law in Kuwait is 1%. Zain was taking finance on a Shariah basis, and Zakah was required at 2.5% on the basis of Shariah. Non-Muslim foreign investors buy or sell shares on the stock market whether in telecom companies or shares from other companies, and those investors have not recognized Zakah. Regulators faced some pressures from non-Muslim foreign investors because Zakah is part of the Muslim faith in accordance with Islamic law. Non-Muslim foreign investors do not accept giving this percentage of their profits and they do not believe in it. Therefore, the Regulators said that the law for Zakah is only 1% which must be paid by companies, and the other 1% of Zakah is left to the shareholder, although the basis of Shariah is 2.5%. In terms of taxes, the labour support tax in Kuwait here is 2.5%, and this standard exists. Zakah is 1% and scientific progress is 1%. These ratios are found in the Kuwaiti commercial law. (TM.A. KW.7).

Another TM discussed how laws require adopting Zakah as mandatory in annual financial statements of companies:

All companies listed and non-listed, and also other shareholding companies pay a certain percentage of their profits to the Zakah House. Zakah here is binding and cannot be postponed. If a company want to postpone Zakah, your budget is not approved. Therefore, your General Assembly will not be conducted. Therefore, all dealings in the state will stop. (TM.Y. KW.8).

The last TM.M.SA.4 mentioned using Zakah and how it can be related to international standards, reporting that:

There is no Zakah in international standards and yet the chartered accountants here in Saudi Arabia issued a standard for Zakah, which is how Zakah is dealt with... (TM.M.SA.4).

All Islamic scholars state that Zakah is a mandatory principle of the Islamic religion, and this principle is the third pillar of the Islamic religion. TMs assert that the Zakah principle only appears in the laws of Kuwait and Saudi Arabia and must be paid annually. Zakah does not conflict with international standards, and most Islamic bodies in the GCC, which use the AAOIFI, have a Zakah standard and the Saudi Organization for Certified Public Accountants has a Zakah standard. The Islamic contract for these formulas will be discussed in next subtheme.

#### **6.3.4 Islamic Contracts in Telecom companies including these Formulas**

In terms of Islamic contracts when using Islamic formulas, different opinions about these formulas were discussed by three Islamic scholars. The first Islamic scholar mentioned that it is important to be careful when contracting for any transactions and not to do a transaction with another transaction in the same contract:

The Islamic bank in banking transactions has some kind of complexity, and the subject needs a long time to complete. In the area of Shariah everything must be written, the same transactions, when they happen, the time and date. In the case where it is a transaction that precedes another transaction, and it was directed by a Shariah mistake, the bank is considered to have done the wrong transaction legitimately, and it is binding that all its benefits go to the voluntary fund. (IS.I.OM.15).

The second Islamic scholar suggested that general contracts in telecom companies sometimes have prohibited activities, and these activities include services provided by telecom companies:

The impact will be on two aspects on the side of the company, what you get and what they offer. The company gets revenues from different services. In the field of

communications, especially there is a variety of services and there are some services that have a Shariah question mark. Certain cases, identified by the company, use a third-party provider, a service to be contracted while making other contracts. These services contain music or services to participate in contests. In these cases, institutions do not make a contract directly with the company that you want this service, but put someone between him and a third party on this subject. (IS.M.KW.12).

The third Islamic scholar discussed how to audit contracts in the VIVA telecom company, reporting that:

As we are checking and scrutinizing everything in the VIVA telecom company. We have a duty to check contracts that are concluded to see whether they are in accordance with the provisions of Islamic Shariah or not. Also, there may be fines for violations, and there may be things that are forbidden. We check for that. On securities in general, whether they are stocks or companies, or if you are an investor in unlisted companies, we take their budget and consider if you are in a fund or in a portfolio. We see the components for a fund or a portfolio. We also scrutinize the profits taken by the company, from where were they obtained and what was the source? We scrutinize almost all the new products that are issued, whether or not Shariah decisions have been issued on these products for the company. We also scrutinize the procedures and policies of the companies. We check everything that the company does. (IS.AS.KW.7).

In terms of the practical side in telecom companies, they should care about Islamic contracts. Two TMs that know about Islamic contracts had different thoughts. The first TM indicated that employees in telecom companies need to know the Islamic contracts, and opined:

There special types of Islamic contracts and these offer financing services with a loan contract, Murabahah contract or Mudarabah contract. In the end, all loans, whether Islamic or non-Islamic that are offered to customers, represent one service,

which is finance. However, in Islamic finance, the bank enters into a partnership with you, and based on the degree of partnership, we make a speculation contract, a salam contract, Istisnaa contract or Murabahah contract. As a bank, I arrange a contract of participation. As a bank, my role is arranging the transaction. I bring to you an offer from a contracting company that will build the specifications which you want. As a bank, I enter with you as a partner, and I am exactly a partner. I bring the contractor, or you bring the contractor. (TM.M.KW.6).

However, another TM did not know the difference between Islamic contracts and non-Islamic contracts:

I would say that Islamic companies and traditional companies are almost the same. The only difference is in the nomenclature, such as Murabahah facilities or interest-free loans. Also, there is no advantage in naming a company as an Islamic company. This depends on the fact that some companies have succeeded in the field of telecommunications, real estate or investment, and there are Islamic companies which have not succeeded. If it is an Islamic company, that does not mean it will keep this company at the top. This depends on the company's activities and the company's goals. (TM.A. KW.7).

The Islamic scholars mentioned that care must be taken when banks or companies use Islamic contracts. The Islamic banks cannot concurrently make two contracts for one transaction for a customer, and these contracts could directly conflict with the legitimacy. Thus, Islamic banks consider having wrong transactions in Shariah with all benefits of this going to a charity fund. For knowing Islamic contracts, none of the TMs knew how these Islamic contracts could be used in practice and some of them did not see any difference between Islamic contracts and traditional contracts. Also, TMs depend on Islamic bodies to validate these contracts. The Islamic bodies and TMs need to check which standards are suitable for the Islamic formulas, and the next theme will examine the Islamic standards for Islamic formulas.

#### **6.4 Islamic standards for Islamic formulas**

Four Islamic scholars' arguments showed how Islamic standards can deal with different beliefs. As an example, the first Islamic scholar discussed the use of Islamic standards if companies do not have a Shariah body:

Standards are a means or a constitution for those who do not have a Shariah body. Some banks or companies say that the existence of a Shariah body is not important, but are satisfied to use the Shariah standards. This is a trend and work by some banks and companies takes standards as a reference, without reference to another Shariah body. However, Islamic banks here have a Shariah body independent of any Shariah standards, or international or local jurisprudence. Sometimes a company cites when studying some of the products, what is contained in the standards. However, the origin is the diligence of the Shariah bodies in these banks. (IS.A.SA.4).

Another Islamic scholar suggested that Islamic standards should exist for Islamic formulas and Islamic standards must be specified through some criteria:

Islamic products require standards. Standards must be based on defining products that would have validity of purpose, meaning that their ultimate consequences do not contradict Shariah. In addition to formal validity, the product must fulfil certain Shariah required formalities. An example of formal validity is the conditions that a sale contract must fulfil, like defining the contract parties, the commodity sold, the price, and whether one of the two counter-values (not both) is deferred or not. The validity of purpose requires that the ultimate consequence would not violate Shariah maqassad. (IS.MA.UE.18).

The third Islamic scholar emphasised dependence on the decisions of the Shariah body, and did not care about standards:



We do not check what the standards are, we check the decisions of the Shariah Board, because the standards are not approved by us. As an example, the AAOIFI standards are not certified to this day in Kuwait. However, we have adopted the decisions of the Shariah boards in companies, and this is what we check. (IS.AS.KW.7).

The last Islamic scholar mentioned there are different contracts between Islamic or non-Islamic, and these contracts need specific standards:

The Islamic contracts need special standards. These standards are identical to the financial statements of Islamic companies and they are in line with how to evaluate assets. For example, when it comes to say, Murabahah, you have to use the accounting standards for Murabahah, which is how you evaluate assets. Murabahah moves from the aspect of evaluation of assets to the structure for contracts. Therefore, there is no conflict of standards. (IS.A.OM.5).

In terms of the practical side, five TMs specified how companies can impact the Islamic standards and discussed different areas. As an example, the first participant said:

In terms of adherence to the Islamic principles in the company, it will have a good effect on the financial stability, because usury principles are fluctuating and may result in the exploitation of usury. For example, the payment of arrears of debts for the application of fixed fees, which stems from Islamic standards and is based on a fixed monthly principle. Our Ministry of Commerce in Bahrain sets Islamic standards and determines the extent to which companies apply them. As is the case with the Bahrain Bourse and the Central Bank of Bahrain. However, in most Bahraini shareholding companies, by looking at their mandatory disclosures, Shariah standards are not applied, although there are attempts, but they are partial. (TM.R.BA.9).

Another TM mentioned the Islamic standards that are used in a company that are based on the view of the Alrajahi Bank in Saudi Arabia:

Zain telecom does not have a Shariah body. The standard of loan and debt stems from Shariah bodies in Saudi Arabia, such as Al Rajhi Bank, and the Shariah bodies in Saudi Arabia are considered as reference for companies. (TM.A. KW.7).

The third TM also saw the current practice for Islamic companies as lacking the message of the Islamic religion:

There are no better than Islamic standards and this is not a prejudice to religion, but...the practical reality. You are in an Islamic company committed to transparency, and you have a message. I speak of a company that has a message, when you have a message, you work in an Islamic way. You have to be honest with the client in all the news that you convey to them. Your governance message is that the Executive Management Secretariat is firmly committed to the requirements and needs of the board of directors and shareholders. Therefore, the commitment to the mission of Islamic business gives you the highest standards, and will leave your standards higher than current governance standards. (TM.M. KW.6).

Another TM mentioned following standards that do not conflict with Islamic law:

We are committed to international standards in a manner that does not contravene Islamic law. We care about applying the relevant laws and regulations in force in Saudi Arabia...the accounting laws issued by the Saudi Organization for Certified Public Accountants indicate...that the standards are complied with according to Islamic law. (TM.K.SA.3).

The last TM discusses the extent of following Islamic or non-Islamic standards:

The Shariah body deals with the subject of investments and a few other things. In terms of the extent of following up on the international Islamic standards applied in AAOIFI or others...we are in telecom company and do not have any...[formal]...responsibility to follow Islamic standards. Compliance with Islamic standards comes from two sides...the auditor of the Shariah body and the private auditor. The Shariah auditor must follow the Shariah whether using standards or fatwa. However, the Shariah auditor has responsibility for reflecting Shariah adjustments to our budget and our legitimacy. (TM.Y. KW.8).

All Islamic scholars above agree that Islamic formulas need Islamic standards in practice, and these formulas do not exist in the international standards. Islamic scholars required use of better Islamic standards in companies, if companies do not have a Shariah body. TMs discuss following the Shariah bodies that exist whether in Islamic banks or Shariah auditing offices, but TMs did not know how Islamic standards relate to their work. The Zakah principle does not exist in international standards, but most Shariah bodies in GCC countries have built Zakah standard, such as AAOIFI and SOCBA. In next subtheme will discuss further about AAOIFI.

#### **6.4.1 AAOIFI**

Six of the Islamic scholars agreed if companies do not have a Shariah body, they must use AAOIFI standards. As an example, the first Islamic scholar specified that the AAOIFI organization was the most important body for establishing Islamic standards, and there are no Islamic standards in the GCC except the Islamic standards issued by AAOIFI.

The AAOIFI is the body that issues Islamic standards in the Gulf countries. (IS.A.OM.5).

However, two Islamic scholars highlighted that it is not acceptable to use AAOIFI in the non-financial sector, specifically for telecom companies.

I disagree with the use of AAOIFI standards. Standards set for banks cannot be used to apply to communications. It is not straightforward because communications standards are not. The financial aspects of a non-financial company can be verified by AAOIFI standards. There are no forms because it is the financial aspect. The AAOIFI standards fail to address any issue that relates to the communications sector, such as if two people make a request at the same time, is it permissible to buy and sell balances? None of these things are talked about at length by the AAOIFI standards. I think AAOIFI is sufficient for the financial aspects of a company but in the aspect of the activity itself, it is insufficient. (IS.MK.UE.17).

The last Islamic scholar mentioned the AAOIFI context, reporting:

They consider the importance of the existence of the Shariah standards that are used, and the Shariah standards in the first place are the standards of AAOIFI. If it is not the standards of AAOIFI, but with the presence of fatwas, Shariah control, oversight is clearly defined and issued. As for how the AAOIFI standards emerge, this is another point, and we should not neglect that the most influential factor in the standards is the decisions of the Fiqh Councils, the decisions of the International Islamic Fiqh Academy and the Assembly of the Muslim World League. AAOIFI could face some problem in practice; as an example, the AAOIFI report is an old report issued nineteen years ago, which is a very long time and is unacceptable. Therefore, we are facing a big problem. Does the AAOIFI report meet sufficient disclosure standards? Because there are many entities when you talk to them or clarify whether it's this thing, they say we are taking a report from AAOIFI. AAOIFI issue a report on time and in certain circumstances, but it is usual for audit standards to be reviewed periodically or every three or five years. They must review audit standards to meet all the requirements of governance and best professional practices in this area. (IS.M.KW.12).

In terms of the practical side, six TMs mentioned there was no effect of using AAOIFI standards, because companies must depend on international standards based on company law in GCC countries. For example, a TM discussed the situation of standards in a telecom company, reporting that:

There was no accreditation or reliance on the standards of the AAOIFI. I am responsible for quarterly disclosures and reviews, based on the most important accounting standards, and we do not touch on these things. Telecommunications services originally did not conflict with Shariah provisions. (TM.M.SA.4).

Another TM discussed whether telecom companies have a commitment to the AAOIFI standards:

However, I see in particular, such as in the telecommunications sector, there is no alternative telecom operator. If in a country, there are three or four operators and all operators are observed to adhere to the Shariah standards of AAOIFI, as a consumer, what is your choice? And there is no option other than these operators. I think telecom sector is Halal as a general fatwa, because this sector helps communication between people. (TM.I.OM.11).

The Islamic scholars acknowledged that AAOIFI is the only entity that has established Islamic standards in the GCC, but most Islamic scholars did not recognize the use of the AAOIFI standards for telecom companies. Also, TMs lack to have a background in Islamic standards including AAOIFI and all members of telecom companies in practice focused only on the international standards. The next subtheme examines if there is another Islamic structure used in the GCC.

#### **6.4.2 Other Islamic Standards or Structure**

Three Islamic scholars discussed what was the best Islamic structure considering AAOIFI, national Shariah bodies or those made mandatory by governments. For example, the first Islamic scholar specified that there is another Shariah body, but it is not the same as the AAOIFI and the AAOIFI is the best for Islamic standards:

The most well-known in the GCC is AAOIFI, and there are other bodies, but they are not as well-known as the AAOIFI and do not have as much power or as many standards as AAOIFI. (IS.AS.KW.7).

Another Islamic scholar asserted there is another structure from the national SSB in each country and they do not agree with using financial standards such as AAOIFI, because the AAOIFI standards were established for the financial sector.

There is another Islamic structure like the national Shariah Supervisory institutions that are not self-regulatory. Telecom companies require special standards due to the nature of their products. Communication services can be used for non-Shariah compliant purposes. Whether this can be controlled by telecom companies is an open question. It is desirable to make sure that telecom companies do not provide products that can be used in a way contrary to Shariah. However, since such products are flexible and can be used for a multitude of purposes, and since their control would not always be possible, their restrictions may not fulfil the Shariah purposes and may inhibit the freedom to communicate, which is a basic Shariah human right. (IS.MA.UE.18).

However, the last Islamic scholar discussed the best government–regulated structure for telecom companies:

Please note that telecoms deal with services that are changing every day in the way they are presented and sold to customers. The best thing is for governments to have in place a set of regulations within international standards to ensure that telecoms work within those standards. An Islamic structure would not change these facts. (IS.S.BA.14).

In terms of the practical side, four TMs discussed the situation of other structures that relate to national governments, because governments in these countries have adopted Islamic law. All of

them mentioned entities that exist in each country, such as the Ministry of Commerce, the Capital Market Authority and the Telecommunications Authority. However, no TMs recognized any Islamic structures in their business practice. For example, TM noted four entities that telecom companies have to be concerned in Saudi Arabia:

We have many related bodies such as the Ministry of Commerce, the Capital Market Authority, the Telecommunications Authority and the Ministry of Labour. These four entities are the ones who organize our work and govern our work. (TM.F.SA.2).

All Islamic scholars recognized an Islamic structure based on national Shariah bodies, governments or AAOIFI. AAOIFI focuses on financial aspects in companies. Most TMs recommended using national standards in each country and have not adopted the AAOIFI in their annual reports for telecom companies. No TMs recognized any Islamic structure in their business practice, and recognized three entities that they depend on in their business practice, the Ministry of Commerce, the Capital Market Authority and the Telecommunications Authority in each country.

#### **6.4.3 Conflict between Islamic Standards and International Standards**

Thirteen of the Islamic scholars did not see a conflict between the Islamic standards and the international standards, whilst five Islamic scholars had some different opinions on that. The first Islamic scholar discussed how to deal with the IFRS related to Islamic standards. Amending the IFRS is done through adding aspects of Shariah:

There is no conflict between the Shariah aspects and international standards. We talked to international standards. They welcomed us and said give us feedback, never contrary to international standards. When we worked with IFRS, we said we want to put in the main indicators of Islamic contracts. You are accountants, you must look at the indicators for knowing which are Islamic contracts. We still work

on establishing these indicators, but still face some difficulty in the stock market... (IS.M.SA.2).

Another Islamic scholar specified that international standards were used more for the (financial) accounting aspects:

International standards are usually accounting standards more than Shariah standards. In auditing companies, there is no conflict with international standards because we look to the simple concerns in accounting. There are standards that we have in Shariah and they are approved in some countries, but not all countries, such as the Shariah standards for AAOIFI. (IS.AS.KW.7).

However, another Islamic scholar asserted that there were no Islamic formulas appearing in international standards. Therefore, they must use Islamic standards in practice:

International accounting standards are adopted in many countries, but do not cover how the Islamic process is proven in the books. It covers conventional loans, mortgages and leasing. Mortgages are not Islamic, because it is a mortgage against a loan. As a result, the Islamic banks have no reference or benchmark to apply international standards to Murabahah, Salam, Istisna'a and Ijara. However, Islamic banks use the international standards with their own standards for Islamic formulas such as Al-Rajhi Bank. The Al-Rajhi Bank uses international accounting standards in addition to the Islamic standards issued by AAOIFI, and they cover the gap with the Islamic accounting standards. Also, Islamic accounting standards do not state they contradict international standards but that they that fill the gap. In the international accounting standards, there are no names like Murabahah, lease and Istisnaa, they are all called loans. (IS.AM.KW.9).

Another Islamic scholar opined that they should follow Islamic standards because they are based on divine law:



In my view, it is better to follow Islamic standards because they are based on divine foundations in commercial transactions. Islamic transactions have been passed on for decades and are still used in those commercial transactions. The global financial crises demonstrate the success of the implementation of the commitment to Islamic principles and the success and continuity of these companies. (IS.N.OM.16).

One Islamic scholar mentioned problems with using Islamic standards such as AAOIFI in telecom companies, because the AAOIFI focuses on the financial sector, specifically banks and insurance companies:

Islamic transactions are limited to telecommunications companies' activities that are about financing and investments. The method of activity and operation of the company's system does not relate to Islamic standards, but international standards or those from the Telecommunications Regulatory Authority. The international standards are financial standards about your financial information. The IFRS, an international accounting standard...tells you how to report your financial dealings. If you see the AAOIFI, it has the accounting standards, and the accounting standards are used especially for financial companies, insurance companies, asset management companies and banks. Telecommunications companies are not subject to these standards. The AAOIFI are not interested in non-financial companies. (IS.R.BA.8).

In terms of the practical side, all TMs suggested that telecom companies used international standards which were enforced by law. Most of them saw no conflict between Islamic formulas and international standards. For example, a TM highlighted this point:

We do not have a conflict between Islamic formulas and international standards in the application because we do not follow the Islamic Shariah. However, we are obliged to follow international standards in Kuwait. There is no conflict in information, and all information comes from branches in Saudi Arabia, Qatar or the

UAE and all pour into our headquarters here...And we disclose the Islamic formulas using the names of the formulas as they are. (TM.N.KW.5).

Another TM highlighted the compatibility of Islamic formulas with international standards in Islamic companies:

The financial items in almost all financial statements of companies have the same characteristics differing only in one or two aspects. The International Accounting Standards (IAS) must meet compliance through external audit offices, who audit the company's accounts. Consequently, these standards are for disclosure and conformity with IFRS 16 and IAS. Certainly, Islamic financial instruments impose certain aspects on IAS which do not exist in these standards. For example, Murabahah does not exist in IAS. However, when there are Islamic instruments, such as Murabahah and Tawarruq, we can find a meaning for them in IAS. (TM.Y. KW.8).

In sum, Islamic scholars and TMs do not see a conflict between Islamic standards and international standards because international standards deal with how information is disclosed in annual reports. Islamic scholars and Shariah bodies such as AAOIFI establish Islamic standards for Islamic formulas. Most TMs do not have enough knowledge about legitimate aspects, but they use Islamic formulas and are not concerned using Islamic standards, because these standards are not required by law or regulations. The next theme will discuss the Islamic bodies classification.

## **6.5 Islamic Classification of Companies on the Stock Market**

Seven Islamic scholars discussed mechanics of classification of companies, and four Islamic scholars discussed different issue of classification in GCC. One Islamic scholar highlights the basic context of Islam for companies' activities and how these activities shape classification, and how this classification potentially impacts on attracting investors:

When an institution declares its commitment to Shariah principles and provisions, it must fulfil that obligation, because it affects the company's message and reputation...therefore, the trust of stakeholders in its products and services. The good impact on the company comes first from the company's commitment to something it has taken upon itself. Secondly, from a standpoint of supporting the adoption of the principles of Shariah and its provisions in transactions, and the resulting standards of Shariah, accounting and others. Shariah emphasizes the confinement of sources of income and objects of expenditure to all that is permissible according to Shariah, such as transactions that are free of usury or gambling. This will enhance the confidence of investors, customers and other stakeholders in this company, especially in countries where there is a large base of dealers who are interested in provision of the elements of Shariah commitment in the work of the institution. Thus, the investor is consistent with his faith and religious convictions, which reassure him about the absence of risk of non-compliance in business and company activities. (IS.AFI.BA.19).

Another Islamic scholar discussed the current issue of classification in the stock market exchange, and stated that:

The classification of companies is influenced by society in GCC countries. In 2005, the number of pure companies (Islamic companies) in the Saudi market was approximately 20% and the rest were traditional companies. Continuing to issue Shariah lists from several offices of Shariah auditing contributed to reversing the equation. Thus, now the pure companies are 80% of companies in the Saudi market, and work in accordance with the rules of Shariah. The rest are only about 20% of companies. The Shariah lists made Shariah controls, and controls engendered the acceptance of people through contributing to companies' approval through Shariah controls. (IS.A.SA.4).

A third Islamic scholar also mentioned the classification of companies in GCC countries causing different degrees of change, because Saudi Arabia, for example, has a different environment than the UAE:

Saudi Arabia has a different environment from the UAE, because Saudi Arabia has 22 pure companies, while the UAE has only 7 pure companies. There should be a differentiation between the two things, which are Islamic companies and companies having permission for people to buy their shares, and here, there are big differences. An Islamic company has the Shariah Authority and Shariah Administration and Shariah auditing, and this makes companies Islamic companies, also called pure Islamic companies. Companies whose main activity is halal, such as telecom companies, have permission for people to buy their shares. (IS.MK.UE.17).

A further Islamic scholar highlighted how classifications in most Islamic countries are made:

The classification is not according to the Capital Market Authority or our offices, but reflects criteria for the classification of companies. It is a standard of people, it is based on how interested parties are interested in this activity, such as Dr. Mohammed Al-Osaimi...he issues a list based on his study of companies and classified these companies as pure companies, mixed companies or forbidden companies. (IS.AN.SA.3).

On the business side, three TMs suggested that there was no need to establish an SSB, because their activities are legitimate (halal) and cannot be classified as Islamic or non-Islamic. One TM elaborated on the telecom companies in Saudi Arabia:

I think about the shares and lists issued by the Islamic scholars, such as Shubaily and others. All telecom companies are mixed companies. There is a percentage of halal and haram. However, from my point of view, regarding financial transactions, I think in the STC, all transactions are halal, and there is nothing in them. As products we have things like envision and tones which use songs, I think these

things have suspicions, but these things will not affect the main activity of STC. I think there was a loan taken from SABIC which was not Murabahah. (TM.M.SA.4).

The second TM suggested that it is not possible to specify a telecom company as Islamic or non-Islamic:

There are activities that cannot be classified as Islamic or non-Islamic, such as telecommunications companies, including telecommunications companies in Kuwait. Also, no telecom company says I am an Islamic company in Kuwait, because communications are not activities classified as Islamic or non-Islamic. However, the company could become like an Islamic company in terms of money through investment companies. (TM.A. KW.7).

However, the third TM suggested that Islamic scholars' decisions in the past had more impact than they do today. This TM thought that the classification of companies would assist in educating customers and employees about the Islamic side. An Islamic company provides good feedback:

In terms of classification, the main difference between Islamic and traditional companies is in honesty. I think an Islamic company is distinguished through educating the client. There is an important need in marketing, which is that the client understands the Islamic products that I have. Also, the company should have to learn and teach the customer about the best Islamic products, and this strengthens the relationship between company and client. Islamic products in Islamic companies project a good image for the client, and customer presence is important to Islamic companies because it not only makes profit for Islamic companies, but the customer brings the message that it is an Islamic company. However, I see Shariah scholars' decisions lack effect in some societies. Most Shariah scholars know about companies' mistakes, as they are employees in these companies. Also, they lack legitimate control and independence, because they receive salaries and bonuses from companies. (TM.M. KW.6).

Overall, the Islamic scholars saw the direct impact of classification in most companies changing from traditional companies to Islamic companies, and this classification influenced an increase in the number of Islamic companies in the GCC market. The Islamic companies which is legitimate companies in the Islamic bodies perspective. The classification of companies has a direct impact through increasing Islamic companies on the stock market, and the classification does not have uniform standards for final decisions on classification, and Islamic bodies classify companies based on their own standards. Also, governments laws and regulation do not require the classification of companies on the stock market, but it is based on the wishes of GCC societies. TMs saw no effect of classification in practice, because the main activity of telecom companies is legitimate. The next subtheme will examine how this classification influenced companies.

### **6.5.1 Influence of Classification on Company Values**

Five of the Islamic scholars suggested that they had directly impacted on business practice. Those Islamic scholars had different views. The first Islamic scholar mentioned the benefit of classification without legal requirements, and explained how the Saudi market changed from forbidden companies to Islamic companies:

The Shariah classification itself without a system has been beneficial, how would it be if there is a legal requirement? The classification of the Shariah is the list of companies which includes Islamic companies, mixed companies and illegal companies. The classification of companies was issued from 2003. The classification of Shariah listed companies has built competition to be Islamic between companies. Most mixed companies and illegal companies try to become Islamic companies and fulfil all requirements of becoming Islamic companies. (IS.M.SA.2).

Another Islamic scholar asserted that if a company left the Shariah list, the stock price would go down:

Today, telecom companies are listed on the stock market. The stock market in the Dubai Financial Market has a list of companies compliant with Islamic law. They note that any company listed as Islamic experiences related increases in its share price or buying and selling its shares. If you leave the list, the value of the shares will go down, not a full decline, but a significant drop. Companies are very keen to cooperate with us, and we work on this list and we work at the Dubai Islamic Bank. Companies give you all their data on the basis of convincing you that they are working in an Islamic way. (IS.MK.UE.17).

However, another Islamic scholar highlighted a lot of traditional companies shift to Islamic companies, and reported that:

There is a big shift from traditional to Islamic companies. Kuwait international bank shifted from traditional bank to Islamic bank. Kuwait Finance House has bought more than 51% of Boubyan Bank. It has transformed traditional banks, and traditional companies have shifted from traditional to Islamic, upon the wishes of society. (IS.D.KW.13).

A further Islamic scholar discussed the practice side vis-à-vis contracting with traditional companies in Saudi Arabia:

We have a contract with Petro Rabigh and Arabian Roots Company in Saudi Arabia. They appointed us as Shariah advisors for the stocks, and we give them advice to become a company in accordance with being Shariah compliant. If the company wants the stocks to be classified as Shariah-compliant, it will work for that. (IS.R.BA.8).

The last Islamic scholar explained the success of Islamic companies through the crisis in 2008:

In 2008 when the world crisis hit, the impact of this crisis was felt by non-Islamic companies but did not have an impact on Islamic companies, because Islamic

companies work in accordance with Islamic principles derived from the Islamic religion (IS.N.OM.16).

In terms of the practical side, the influence of classification was not clear in the practice of most TMs, and most TMs saw the classification directly impacted on Islamic investments companies but was not related to telecom companies. Although they saw compliance with Shariah as attracting more investors. Two TMs had different views; the first TM discussed their company, which is an Islamic company:

The main difference between Islamic and non-Islamic companies is the presence of the Shariah Board report. This report is the third item in the annual report of VIVA. If an Islamic telecom company applies Islamic principles, the company gains positive value from society. To clarify the impact of the application of Islamic principles here in Kuwait, the Islamic principles have not impacted on the telecom sector because telecom companies do not have a legal mandate to declare their direction as Islamic or non-Islamic. However, investment companies could have a negative impact if these companies fail to declare their direction, because in investment companies their orientation is purely investment. (TM.Y. KW.8).

The other TM discussed the brokerage companies that exist in Kuwait and the influence of these companies in the stock market:

The Shariah bodies evaluate and classify Islamic companies based on their money and the source of this money. Also, the Shariah bodies look at companies' activities, deciding whether they are usury or not. There are two important things, which are the company activity and products, and the source of money inside the company. In Kuwait, the Islamic brokerage companies are given a legal percentage of investment in Islamic companies, and the Islamic brokerage companies only invest in Islamic companies. Thus, you cannot trade yourself directly, you need to go to a brokerage company and trade using that. (TM.A. KW.7).



In conclusion, the Islamic scholars acknowledged the direct influence of classification on the stock market of the GCC, and this influence can clearly be seen when Islamic companies' share prices increase on the stock market. Some TMs see Islamic scholars' decisions as not impacting on companies, as they did in the past in Muslim countries. Although TMs have not seen the direct influence of classification in their practice, they take this classification into account in loans and investments. The next subtheme discuss the practitioners awareness in Islamic aspects.

### **6.5.2 Awareness of Islamic Aspects by Practitioners**

Awareness of the Islamic perspective in business plays an important part, because there is a gap in awareness between TMs and Islamic scholars. Three Islamic scholars had different ideas about awareness in companies. One highlights a general idea about customer awareness, which assists with quality of service in a company:

If societies find a mistake such as quality of service in telecom companies as an example, then they turn a blind eye to them, and don't mention that telecom company in their feedback. Therefore, people's awareness is very important, and people must be positive and when they find a fault alert people about it. Whenever companies are alerted, the quality will be better, because everybody wants to win this customer in the end. We go to the company which has the best services for us. (IS.F.BA.1).

The second Islamic scholar mentioned that there is no awareness in the general community of the difference between Islamic and non-Islamic:

The Islamic banks in Oman are a new sector, and practitioners and Muslim society needs some time to understand the main ideas of Islamic banks. Even legislators themselves, Islamic scholars in Shariah bodies, fatwas, and other legal references...need some time to explain the main ideas about Islamic banks to society. In the past, some Islamic banks in Muslim countries failed to be successful, the reason for that may be because usually ordinary people look for the easy way to

do things and try to avoid some sort of complexity especially if the same interest rate is found here in the Islamic Bank and the same in the Commercial Bank. Transactions in a commercial bank are easier and take two or three days, while in the Islamic Bank, it takes a week or weeks. (IS.I.OM.15).

The last Islamic scholar discussed the problem in most companies, which he saw as connected to a lack of awareness in the workers in the business:

The problem is that the executives or people who hold leadership positions, especially in the case of industrial and service companies, do not have sufficient knowledge of Islamic finance. It is a true that they maintain a connection between the SSB and management in these topics and this is the first thing. The second thing is the existence of a training plan, which was an obligation from the Executive Regulations of the Capital Markets Authority for investment companies and persons licensed to have professional certificates in Islamic finance obtained by the executives. Thus, knowledge about Islamic financial matters helps the executive management to be compliant with Islamic financial instruments. (IS.M.KW.12).

On the practical side, three arguments were found in the telecom companies. The first TM opined that Islamic companies should provide training and education for their employees about Islamic aspects of knowledge in business and life:

A Muslim has the chance to learn and add knowledge. This knowledge should be about the culture and knowledge of the gems that our religion has for us. If you ask someone at the top level of management in an Islamic bank, “what is the difference between Islamic and non-Islamic finance?”, they might tell you there is no difference, and this shows the pinnacle of ignorance. However, they should be interested in education, and know the culture of Islamic work. An Islamic company must educate its employees through courses about Islamic work. Occasionally, companies and regulators should show interest in Islamic work in practice, but this did not happen in the past. (TM.M. KW.6).

The second participant discussed the impact of Islam on GCC society, asserting that people know Islamic companies only in banks, reporting that:

As for the society, I think that the society knows Islamic companies only in Islamic banks such as taking loans. However, most companies that include our telecom company do not care for the desire of the community because they believe the desire of the community complicates matters...and it does not give a company any more profit. (TM.A.BA.10).

The last participant suggested that most of the public in the GCC do not know how to read financial statements in terms of the Shariah:

In terms of here in Kuwait and the Gulf countries, generally a group of people are interested in matters that comply with the Shariah...they have not had knowledge of the financial statements and do not have the experience to read the financial statements, such as elderly people or people who lack knowledge of how to classify Shariah listed companies. They went to the brokerage companies, and these companies invest with Islamic trading companies. (TM.A. KW.7).

Islamic scholars lacked awareness of how modern business and activities can be linked with the basic ideas of Islam. Most Islamic scholars focused on the financial sector for distinguishing legitimate and non-legitimate companies, which meant they failed to find experts in telecommunication sector. TMs lacked awareness to know the Islamic aspects that relation to telecom companies. Also, TMs were not educated enough about how the Islamic aspects relate to issues of business and telecom activities. The Islamic scholars steps for classification will be discussed in the next subtheme.

### 6.5.3 Steps for Classifying a Company

All Islamic scholars from the GCC countries agreed on the analysis steps taken in practice. The analysis depends on the conditions/criteria set by Shariah bodies or AAOIFI. It requires four steps: examination of the main activities, investments, loans and incomes. For example, the Islamic scholar highlighted steps for analysing companies, reporting that:

There are some companies where the origin of the activity is permissible. The problem for these companies is the source of funding. We issue quarterly studies of the Saudi market and the Gulf Cooperation Council market, and this includes listed companies classified from the point of view of Shariah. This study divided companies into pure and mixed or contrary to controls. The study depended on four factors to give decision about any company: (1) the origin of the activity is legitimacy, (2) conventional loans do not exceed 33.33% (3) forbidden investments also do not exceed 33.33% (4) forbidden income does not exceed 5%. If a company is able to meet these conditions, then the company becomes legitimacy in the view of Shariah. The origin of the percentages is the Hadeeth of Saad Ibn Abi Waqas (may Allah be pleased with him), when he said to the Prophet (peace and blessings of Allah be upon him) "I donate all my money to charity...the Prophet said one-third, one third is so much.... Hadith". They set out to determine the maximum percentage of the amount and the minimum percentage of the amount (IS.A.SA.4).

In terms of the practical side, four TMs cared about the percentage issued by Islamic scholars on the subjects of investments, incomes and loans. For example, the TM explained the current percentage of forbidden investments and incomes mattered to a caring telecom company in practice:

In the Capital Market Authority in Kuwait, there is no requirement that your loans are Islamic or non-Islamic. We are keen that the subject matter of the scope is compatible with Shariah, that is almost 30%, and we are in Zain to apply that

conventional loans should not be more than 30% of total loans. This percentage is based on the compatible percentage for most Shariah bodies (TM.A. KW.7).

In sum, the classification of companies in the GCC depends on four criteria; the main activity must be legitimate, forbidden investments should not be more than 33.33%, traditional loans should not be more than 33.33% and forbidden income not more than 5%. These percentages are the diligences (Collective decisions of Islamic scholars on specific issues) of Islamic scholars and Islamic bodies in the GCC, such as AAOIFI, Al Rajhi Bank and other Islamic bank bodies. However, no Islamic bodies have divided the activities of companies such as telecom companies that have main activities and non-main activities. TMs adopt the classification of Islamic scholars to know the percentage of forbidden loans, investments and incomes. However, TMs lack to know how Islamic scholars build these percentages. The next theme will examine how companies can obtain legitimate through laws, society and religious aspects.

## **6.6 Lens of Legitimacy in Five GCC countries**

In this theme the impact of legitimacy in five GCC countries is examined using three perspectives, the impact of legitimacy in relation to regulations and laws, the legitimacy and society, and the legitimacy and Shariah law.

### **6.6.1 Impact of legitimacy on Governments and Laws**

All Islamic scholars and TMs agreed on the direct impact for governments of establishing laws and regulations based on Islamic law. This theme will clarify two areas, government requirements for establishing a company and the company licence.

#### **6.6.1.1 Government Requirements for Establishing Companies**

Four Islamic scholars mentioned that there are no regulations for Islamic telecom companies in the GGC. They had a few different thoughts about this. The first Islamic scholar discussed how companies can obtain legitimacy:

Legal legitimacy will be from the state, for example, the license of the Islamic bank is different from the license of the traditional bank. The origin in the GCC is the main source of legislation is Islam. As long as we live in Islam, everyone should be keen to apply it and not to lose sight of it. This is the theoretical side, but the reality is not like the theoretical side. (IS.F.BA.1).

Another Islamic scholar asserted that there were no laws in Saudi Arabia that could force telecom companies to be Islamic, but mentioned that a company must disclose if calling itself an Islamic company and they must put in place a Shariah Body:

Laws, the state does not intervene, the state adheres if you declare an Islamic company, they must determine the mechanism you choose as an Islamic company. Also, they should announce who is their SSB. As a structure the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority requested a Shariah body, and there must be disclosure about this body. This is specifically only for financial companies (IS.AN.SA.3).

Another Islamic scholar indicated a gap in the law, which does not define which companies are Islamic or non-Islamic in the current company law:

According to the Companies Law, they are divided into several sections without considering Shariah-compliance or non-Shariah-compliance. For example, Islamic insurance companies, which are called Takaful insurance companies, came in due to the requirements of society, at the request of the market. However, the law in Oman does not make them into separate Shariah and non-Shariah companies. This does not exist in the law (IS.I.OM.15).

The last Islamic scholar discussed company law and suggested that there was no effect of using Islamic principles in the law, even in Bahrain.

There is no compulsion from the regulatory authority or compulsion from a central bank because it is not subject to the central bank. Also, it is not compelled by the telecommunications authority. There can be an impact of Islamic law but there is no compulsion from any party. However, the Board of Directors of the company or an Islamic bank might own a stake in the telecommunications company, forcing it to deal with Islamic transactions. (IS.R.BA.8).

On the practical side, all TMs agreed on the impact of government and official authorities that relate to telecom companies in each country. However, five telecom participants had some different thoughts on gaining legitimacy. For the first TM, telecom companies gain legitimacy through the Telecommunications Authority:

The advantage of the Saudi telecom market is the existence of the Telecommunications Authority, and the regulations it puts forward in practice. However, the advantage is in the protection of the Communications Authority, which protects start-up companies and those who just entered the market. In STC the Islamic aspect is mentioned in the founding contract, and it provides for Islamic Murabahah and Tawarruq. Also, it is not linked to deposits with interest-based loans etc. This was all in the system of incorporation for STC. The difference is that a traditional company will lose a segment of society who are interested in the Islamic side and is keen on it. (TM.A.SA.1).

For a second TM, regulations of Islamic banks have a direct impact on telecom companies, because telecom companies invest in Islamic banks and use Islamic principles from Islamic banks:

The company is committed to Islamic principles because it adheres to the laws and legislation in the Kingdom. These laws and the legislation issued by the relevant authorities derive from its internal procedures and governance by adhering to the regulations and legislations of the state within the available limit. As for its financial transactions, all dealings in Mobily depend on the decisions of the Shariah authority that already exists in Islamic banks in Saudi Arabia (TM.K.SA.3).

The third TM discussed how companies can obtain legitimacy, and the impact of the Capital Market Authority on legitimacy:

Companies get legitimacy from the Capital Market Authority and those who are interested in financial matters. The UAE Telecommunications Authority is not only interested in financial matters but also concerned with the regulatory and procedural aspects. (TM.M.UE.12).

The fourth TM discussed how companies can gain legitimacy, and mentioned that three entities assist in gaining legitimacy:

The company obtains legitimacy by submitting an application to the Central Bank of Bahrain and/or the Ministry of Commerce, Industry and Tourism in the Kingdom of Bahrain and the Communications Authority. There is an axiomatic effect of Islamic laws on governance. However, the approval of these entities entails the obligation of these companies to disclose the application of Shariah standards and Islamic principles. Regarding corporate governance, it has recently started in VIVA Company Bahrain. (TM.R.BA.9).

For TM.Y. KW.8, his company is the only one that works based on Islamic law in the telecoms sector:

We are in Kuwait, which has not left companies with many options in this matter. The VIVA company operates within the requirements of Islamic law. The impact of Islamic law may be more of a positive for a telecommunications company than a negative, positive because our dealings with the Islamic Shariah almost never have a negative impact on the company itself. The Shariah body for example says we must only borrow from an Islamic bank, so Islamic banks exist. I think the only company that operates under Islamic law is VIVA...as long as we are an Islamic



company, our transaction should be in line with Islamic law, in terms of financial transactions, loans and customers. (TM.Y. KW.8).

All Islamic scholars confirmed that laws and regulations lack to mandate telecom companies to be Islamic companies. The Islamic scholars specified that legislation in the current period has a gap in establishing Islamic law in the non-financial sector. If a company wants to be legitimate, they must have a Shariah body, which comes from the law based on the Shariah body in the central bank in each GCC country. Most TMs in most of the GCC clarified that there were no laws or regulations on the Islamic side for telecom companies, but if telecom companies use Islamic formulas they depend on Islamic bodies in Islamic banks or Islamic windows. TMs and Islamic scholars agreed there should be laws and regulation for each type of company, whether legitimate or non-legitimate. TMs mentioned three entities that are responsible for laws and regulations, the Communications Authority, the stock exchange in each country and central banks. Regulations and laws are not obligatory for a company to orient itself as Islamic. Only the company law in Kuwait mentions Islamic companies. The company licence will discuss in the next subtheme.

#### **6.6.1.2 Company Licences**

In terms of company licences, three Islamic scholars suggested that companies should have licences based on the law. The first Islamic scholar suggested that a company follow the regulations of the state and must be based on these regulations:

We should know the behaviour of investors in Saudi Arabia because Saudi Arabia depends on Islamic law as its primary source of legislation. Thus, Saudi Arabia follows the Islamic approach to economic development which depends on the Statute of Judgment issued by Royal Decree No. A/90 in 27/8/1412. Companies should observe the provisions of Islamic law when issuing debt instruments and develop products that are consistent with Islamic law, because any product issued which goes against Islamic law will be an infraction of the companies' law in Saudi Arabia. The development of finance products and debt products does not contradict Islamic law. (IS.ASJ.SA.6).

Another Islamic scholar highlighted that a company must have a licence. If the company follows Shariah, they should have a licence as an Islamic company:

In Kuwait the government established the company law which includes specifying which type of company it is. If a company identifies as an Islamic company in their memorandum and articles of association, they should have legitimate oversight based on article 15 in the company law of Kuwait. (IS.M.KW.12).

The last Islamic scholar discussed they must not request that a company necessarily follow Shariah or not follow Shariah, but that the company does not pursue any objectives that conflict with Shariah:

Generally, we require that companies not list non-Shariah compliant objectives. If the company goes further to declare explicitly its Shariah commitment, it will indicate it is more committed to Shariah. However, we must make sure that such a commitment is reflected in the company's financial statement. If the company produces and sells commodities (goods and services) to the public, its declaration of Shariah commitment would be a reflection of its desire to please its customers. This would be an indication that the community is aware of Shariah requirements and desirous of their implementation. It could remain Islamic, if its financial indicators do not reflect Shariah violations. In addition, its activities would remain within Shariah boundaries. The mere declaration of intention to follow Shariah is not enough. Further, declared commitment needs proof of proper implementation. (IS.MA.UE.18).

On the business practice side, three TMs presented the impact of regulations. They wanted laws and regulations to be required by the government. For example, a TM discussed the situation with regards to the government in Bahrain:

The difference lies in the legal dimensions and regulatory obligations placed on licensed companies vis-à-vis the government authorities. It determines the specifications of companies of an Islamic nature. (TM.R.BA.9).

All Islamic scholars acknowledged that companies must have a licence for work such as Islamic banks and traditional banks. TMs mentioned that the company license specifies the company's orientation as Islamic or non-Islamic. However, license and following government requirements for establishing companies have not assisted being Islamic or non-Islamic in the non-financial sector, such as specifically in telecoms. In the next subtheme examine the legitimacy and society.

### **6.6.2 Legitimacy and Society**

Seven of the Islamic scholars mentioned the positive influence of Muslim society in different ways, but four of the Islamic scholars held different opinions about GCC society. The first Islamic scholar specified the impact of legitimacy on society. This scholar thought all business employees should learn how to work in an Islamic bank, because the Islamic principles would show them how to operate in business. In addition, Muslims should learn about non-legitimate practices in order to avoid:

Legitimacy comes more from the community, because the law in Oman does not define which company is Islamic or non-Islamic. The Islamic religion has no effect in practice for Omani companies; it is a feeling in society. For example, if a Muslim is specified a goal in this life and the hereafter, it is working on this subject on the grounds of being Islamic Shariah compliant. However, there is a Sheikh of Al-Azhar who says if we all refused to work in Riba-based banks, how could you learn how to work in a bank? It is necessary to learn to avoid haram activities, because Muslims must establish and know how banking works. If we all say haram...haram...haram and no one works in this sector, we will not know how to work in a halal way. Also, we have here in the stock market in Muscat an Islamic index. There have laws and conditions to follow and be entered as an indicator, including that the percentage of interest-based loans taken are not more than a

certain percentage. The ratio of forbidden profits is not more than a certain percentage. What is the activity of the company? There are certain percentages issued by AAOIFI. The Islamic index in the market is established on the wishes of Islamic society. (IS.A.OM.5).

Another Islamic scholar discussed the impact of conservative Muslim society:

In Kuwait, we are a conservative society, and my society loves the Islamic approach. The strongest proof that exists in Kuwait, for example, people who are representatives in the Kuwait National Assembly; whenever a person with Islamic direction stands, they will gain a seat in the Kuwait National Assembly. The second proof is some non-Islamic companies issue Islamic advertisements and propaganda; some traditional banks acquired Islamic banks because Islamic principles have a positive impact on the Kuwaiti community. (IS.AS.KW.7).

The third Islamic scholar discussed changes in the way society thought and how this engendered change in a number of standards:

Society affects things the most, and I see today that many of the standards are different. Thus, the community is the primary influence and not the company. (IS.A.SA.1).

The last Islamic scholar asserted that legitimacy comes from society before the law:

In a sense, it is possible that banks or companies get a legitimate identity through society. Society is the body that adds legitimacy to companies and the law comes later. For example, a draft standard called the legitimate governance from the Central Bank of Islamic banks in the UAE...proposes the way of the Islamic banks and their Shariah administrations, and their legal bodies deal with each other, with the General Assembly, with the Board of Directors, with senior management, with the Central Bank. According to Muslim society in the UAE, the lawmakers saw that

after 45 years of Islamic banks...that there was a need to establish a law and a need to set standards (IS.MK.UE.17).

On the practical side, five TMs referred to the impact of Muslim society in these countries on different measurements. The first TM mentioned that companies can be dressed up as and be shown to be Islamic in order to win over Saudi society:

From my point of view, it's very beautiful that the company adheres to the Islamic principles. I note all companies including telecoms are dressing with the Islamic label because society wants Islamic companies in practice. Society divides into two categories, one is not interested in companies being Islam, the second is interested. Thus, companies look to the market, they want to gain both categories of society. (TM.F.SA.2).

Another TM discussed how telecom companies were not sure that their services would be accepted or gain legitimacy from society, and there should be training in Islamic communities:

In terms of Islamic law, there is a certain impact in the dealings of companies through the influence of Islamic societies as we are in an Islamic country. For me, when a company or a service provider is closer to the Islamic side, the more you gain confidence in general. Regardless of the service you offer. No doubt that any service close to Islamic principles is a very suitable for the Muslim community no matter where this community is. The culture that we are all Muslims and we live in a Muslim environment influences us. However, all of the services provided by telecom companies are not guaranteed to be accepted by society or...used because we follow Shariah or not, most of society looks at quality of service. (TM.I.OM.11).

The third TM member discussed the impact of Islam on their life, because the community is Muslim:

Islam in business exists in all our lives, whether working in an Islamic company or a non-Islamic company. If I work with the Islamic religion, it also has a strong impact within companies and outside of companies, because our society is an Islamic society. An example of this is the issue of Eid leave in Muslim countries. We are in the community inside and outside of the company, and the community agrees on things and rejects things. (TM.N.KW.5).

Another TM discussed the increased percentage of non-Muslim people:

From my point of view, the focus of the community on the Islamic side is only on loans. If we assume that there is a company that follows the Islamic way and a company that does not follow the Islamic way, at the end of the day, the customer will look for the cheapest. Also, in Bahrain the number of foreigners (non-Muslims) has increased. Thus, there is no reason for calling something Islamic and the proportion of foreigners you have is many and you will lose an important part. (TM.A.BA.10).

The last TM discussed how the company was very keen on society through making investments in things that gained the most acceptance from society:

The whole goal is that we care about the investors who invest with us, and we care about not having losses in the Gulf region. In the society of the Gulf Region, they talk about an Islamic company and a non-Islamic company or a compliant or non-compliant company. It is a requirement here that a company must be compatible with Shariah in the Gulf region. If the ratio has increased more than 30%, and the company has become incompatible with Shariah, then, people here will sell their shares and leave our company. We are keen on this percentage of loans, but it is not a legal or procedural requirement here in Kuwait or even in Saudi Arabia. (TM.A.KW.7).

Islamic scholars asserted that Islam had an impact on the motivations of Muslims, which led them to use anything related to their Islamic religion. Islamic scholars confirmed the GCC countries build laws and regulations for Islamic entities based on wishing of GCC society. All TMs see GCC Muslim society that were interested of investment aspect in Islamic companies. TMs confirmed that most telecom companies claim to be Islamic companies in front of GCC society. Also, TMs are concerned about the acceptance of their services by GCC society, because the Islamic scholars decisions sometimes effect on accepting services in GCC society. The legitimacy and the shariah will discuss in the next subtheme.

### **6.6.3 The Legitimacy and the Shariah**

This theme will discuss five sub-themes, the influence of fatwas, concerns about fatwas, the SSB, the number of members and the duration of the Shariah body and the weakness of the SSB.

#### **6.6.3.1 The Influence of Fatwas**

Islamic scholars have directly impacted on company legitimacy through fatwas, because Shariah bodies have adopted Islamic scholars' decisions. For example, the Islamic scholar discussed the impact of a fatwa on the classification of companies in practice:

Islamic fatwas have a great influence through lists of companies, which are issued by Islamic scholars (Sheikhs) and Shariah offices. This is the biggest proof of this and they were all unofficial. So, how? If their opinion is credited and the company does not enter the stock market and stop all dealing in the country until after the approval of...this company in the market by Islamic scholars. (IS.M.SA.2).

Another Islamic scholar suggested that fatwas lead to competition between companies:

The different fatwas lead to competitiveness between companies. Sometimes they also affect the public. The reason for differences in fatwas in Islamic countries is

because it is the duty of more than twenty scientists from different countries and also from the four different doctrines. (IS.F.BA.1).

The other Islamic scholar discussed how a fatwa could influence the reputation of an Islamic company in practice:

I am convinced that if it is a company that adheres to the Shariah, whether in all its aspects or only in its financial aspects, people with their religious feelings will accept it and will spread its reputation as an Islamic company, and it will set an example for others and will be followed by others. If a company adopts this vision and is followed by people, all companies will follow. There are people who are interested in the Islamic economy. (IS.MK.UE.17).

The last Islamic scholar explained the influence of fatwas issued by the Mufti (Grand Islamic scholar) on people:

They have a very strong influence if the Mufti of the Sultanate issued a fatwa on the sanctity of something. All people leave this thing alone and follow the words of the Mufti, such as I put between me and the fire as a scholar. (IS.A.OM.5).

In terms of business practice, all TMs recognised the direct impact of fatwas in GCC countries, but thought that fatwas definitely only impact on the investment side. Three arguments were discussed on the impact of Shariah in telecom companies, with some differences of opinions. The first TM asserted that his telecom company has a SSB that approves company activities:

Our financial dealings are almost all approved by the SSB, so our financial dealings are intact, unless the Shariah Board deliver another decision about our dealings. The Shariah authority has a way to follow...the company's transactions, and make sure the company follows the Islamic provisions. (TM.Y.KW.8).



Another TM discussed the situation of legitimacy in Oman and specifically in the telecom company:

A well-known person, who is known in a Shariah body, will give them legitimacy, and this exists in Oman. Currently, we are studying the telecommunications and services sector in general. In the telecommunications company, we have 95% to 98% communication services, which are legitimate services. A service that connects you, for example, through a specific program, so you do not need to take a fatwa to the legitimacy of this service. However, technology has negative aspects, even if it is legitimate to use it, it can be used for negative things. There is another thing about the situation we have in Oman, which is that it depends on the legislator as to who gives the operator's commercial license. This is also a big part and so we have to pay attention to it for the investment standard. Also, it is possible a fatwa will be issued by a certain Islamic scholar in the media or in the pulpit of a mosque, and he has the proof that this service is forbidden. Therefore, there are no guarantees that everything reported by the Shariah committee will be accepted by the community. (TM.I.OM.11).

The last TM covered the impact of Islamic scholars on a company and how the company was concerned about their decisions:

Certainly, STC look at Islamic lists, especially as they are keen on the value of the stock in the Saudi market and it has a high impact. The Shariah committees have a positive impact on the market and through the issuance of legitimate lists of companies. Also, I remember and understand that the company discloses in its financial statements to all scholars who have these lists of Islamic companies such as Osaimi and others. The company is trying to communicate with them and disclose to them so that it proves that it is a Shariah company. (TM.A.SA.1).

All Islamic scholars thought fatwas had an effect on Muslim society and on all aspects of life whether social, legal or business. Islamic scholars highlighted the positive impact of fatwas issued

by Islamic scholars on business, even if they came from different sects. The Islamic scholars fatwas are primary source of legitimacy decisions. These fatwas are based on different Islamic scholars' perspectives. The TMs acknowledged that fatwas issued by Islamic bodies or Islamic scholars definitely impacted on a companies' orientation in these countries. The next subtheme examines some issue of concern about fatwas.

### **6.6.3.2 Fatwa Concerns**

Most Islamic scholars recognize the positive influence of fatwas on GCC societies. The Islamic scholars had two arguments that determined their interest in fatwas. The first Islamic scholar spoke about the state of fatwas in Bahraini society, as some people seek advice from more than one Islamic scholar in order to find a fatwa that suits his/her temperament:

The commitment in Islam is a subjective issue, the cause stems from the same human beings. For example, some people ask more than one Islamic scholar about an issue until they get a fatwa that is appropriate for them, this is our community. Therefore, I point out that we are Muslims and fill our mosques, but people vary in the practice of Islam. (IS.F.BA.1).

Another Islamic scholar mentioned how fatwas can be problematic due to the different opinions of Islamic scholars:

The other perplexing issue in the fatwa is that the possibility of a SSB member exists in many places. Also, the members of a SSB have three or four opinions everywhere, and these opinions could be for a single product. Therefore, it is not healthy or logical for the Islamic financial industry to have such a big difference. I envisage the existence of a unification in the Shariah authority that helps in the sustainability of the Islamic financial industry. (IS.M.KW.12).

On the practical side, most participants discussed the situation of there being some problems with fatwas. Two TMs mentioned problems with the Islamic scholars, and they suggested that some

Islamic scholars do not have enough knowledge about business practice cases. The first one discussed the image of Islamic scholars in society:

The image of the Islamists themselves has become bad and the Islamists mostly do not have enough culture or haven't learnt enough. Some of them only read simple books then call themselves scholars. The reason for this is the lack of Islamic culture, and this generates extremist people and terrorists, and politicians are not qualified. This means that unqualified people are placed in important roles. (TM.M.KW.6).

The last TM representative discussed the situation regarding Islam, and how society is not very concerned about Islamic scholars' decisions:

I think they have an impact as the society is Islamic and influenced by their jurisprudence and opinions, but here in the UAE I think the Islamic scholars fatwas do not have much influence in our telecom company practice. (TM.M.UE.12).

Islamic scholars see two sources of concerns about fatwas. Firstly, society, as some people ask the opinion of more than one Islamic scholar in order to obtain an appropriate fatwa. Secondly, Islamic scholars themselves, because most Islamic scholars are appointed to more than three companies, where they carry out the same activities and an Islamic scholar may have different opinions on the same issue in each company. Both Islamic scholars and TMs acknowledged that changing a fatwa created problems in practice. TMs see fatwas that change all the time as creating a bad image of Islamic scholars. Those Islamic scholars shape the SSB, which is discussed in the next subtheme.

### **6.6.3.3 Shariah Supervisory Board (SSB)**

All Islamic scholars acknowledge that any company can say it is an Islamic company when this company has a SSB where it must have Shariah auditing for all its decisions. All Islamic scholar interviewees saw the Shariah body as a means of giving confidence in the transactions of an Islamic company. For example, Islamic scholar discussed the benefit of the SSB:

The existence of the SSB is a means for increasing confidence in the application of Islamic transactions and not a condition for them. When banks say we are Islamic banks, it may be because banks carry out a bad activity and they need to prove that their activities are in accordance with Shariah. Although it has a Shariah body, it still has failures, it needs to prove the documents. Otherwise, telecom companies, have a typical product which is halal, so do not need to be witnessed by anyone and do not need to say that they adhere to Islamic law. (IS.AN.SA.3).

Another Islamic scholar suggested that the existence of the Shariah committee is enough for Islamic companies:

If companies have a group of Islamic scholars who are confident as an official committee, and they say that we are Islamists because we have a committee, that I think is enough. The committee has the responsibility to find the appropriate systems and cadres to ensure their adherence to the Shariah. The committee in my view is sufficient and we do not need to ask more. (IS.MK.UE.17).

However, another Islamic scholar highlighted that the SSB in Islamic companies has not been enough in business practice:

The company has Shariah by licensing, and this is not enough. In the sense that it has two points: (1) its license is Islamic (2) Islamic governance. Then, it has a Shariah body, a Shariah audit, and a report issued at the end of the year that the company is committed to Shariah, and accordingly...Islamic. The company may have an Islamic license, but it is not compliant with Shariah. Therefore, if there is no independent Shariah audit report at the end of the year, it cannot be judged that the company is Islamic. The name of the company may be Islamic, but it practices sin like some Muslims. (IS.AM.KW.9).

The fourth Islamic scholar clarified that some companies use Islamic products in order to get approval as an Islamic company:

Owners of Islamic companies or banks tend to restrict their products to being Islamic and achieve this through two things: first, the establishment of a Shariah body for the transactions of the bank to consider and control; second, giving the right or power to the Shariah Board to audit the business of the bank. The Shariah Board will give a company or bank product approvals when the fatwa issued by a Shariah body is binding. The Shariah oversight body there must audit this fatwa, and make sure that it is properly applied. The distinguishing thing about Islamic banks is the existence of a Shariah Supervisory Body. This Body makes sure that the bank is applying the decisions of the Shariah board and its advisory opinion. Also, when looking at the reports of the Shariah body, these reports are important for investors. Most telecom companies look to attract investors through Islamic applications. Services here can be as diverse as Islamic services, such as service of communications, Renan services, Hajj and Umrah services, message services and Hajj awareness services that are an initiative of the Saudi Telecom Company. Some companies have provided applications as a means to serve a segment of customers. These services promote loyalty to this company, which increases production of these types of services. (IS.A.SA.4).

However, the last Islamic scholar suggested that if companies followed Islamic standards and fatwas then they do not need a Shariah Body in practice:

Shariah is applied in a sound manner according to Shariah standards such as AAOIFI or the application of fatwas and resolutions, with the need to adopt mandatory standards of legitimacy, and accounting for Islamic transactions. The impact of the laws has begun to emerge with the transformation of establishments to comply with Islamic Shariah (IS.ASJ.SA.6).

On the practical side, most TMs acknowledged that most activities of telecom companies were legitimate. Four TMs had different arguments on some points. The first TM rejects the work of a SSB in practice:

The AAN company has an external SSB. Shariah control companies come to a company to check how this company works, but a company can work in any activity...there is no restriction on that. Shariah control companies come to a business at the end of the financial year, and they sign a routine signature at the end. I do not just consider the company that I work in, I speak about the whole market. Our group is one of the best groups. The practice in most companies is not good in cases of applying Islamic principles. (TM.M.KW.6).

Another TM also mentioned their company not having an SSB. However, their company depended on the Shariah body from Islamic banks:

We are in the Zain telecom company, in terms of the application of Islamic law, we do not need a Shariah authority and a license from the Shariah Board. We do not use financial instruments, only to classify as an Islamic company or be Shariah compliant we look to the proportion of loans, which must be compatible with the Shariah ratio, which means not more than 30% of usury loans. Also, most Shariah bodies that depend on this percentage of forbidden investments and incomes, such as Al Rajhi, are the largest bodies in the Gulf, and we depend on this body. (TM.A.KW.7).

The third TM discussed the Shariah bodies that already exist in the GCC and suggested there should be changes to the Shariah body in terms of economics, coming from the head of the country:

I believe that the Shariah bodies do not have economists, I mean a religious Shariah body. The Shariah body must establish a Shariah economy on religious grounds. We need to see the Shariah basis for economic measures in order to build a strong Islamic economy. These economic measures need to start from the head of state in

the sense of the pyramid of the state and after the application of economic activities. However, Islamic systems cannot work separately from global systems. (TM.N.KW.5).

The last TM presented the impact of the Shariah Board in practice. They saw the existence of the Shariah body as a way of marketing, reporting that:

I think, by virtue of working in an insurance company previously, that the existence of the Shariah is a method of marketing, because the majority of our products are either mobile or requesting a service, which causes great suspicion from the Shariah, while the telecom company's services are mostly halal products. Also, the STC assess itself as Islamic through initiatives developed by the company, the way the company contributes to society and its trends and strategy. It could find that investments were lost to STC where there were suspicions or services were prohibited. (TM.M.SA.4).

All Islamic scholars acknowledge any company can say, it is a legitimate company in GCC when this company has an SSB and Shariah auditing for all its decisions. However, Islamic scholars confirmed that Shariah bodies exist in business practice, but this body is not mandatory to ensure that all company activities are done in the correct Islamic way. TMs acknowledged that the Shariah body has definitely impacted on their practice and companies should care about the Shariah body's decisions in order to gain acceptance in GCC society. The number of members and the duration of the Shariah body will be discussed in the next subtheme.

#### **6.6.3.4 Number of members and duration of the Shariah Body**

Eight Islamic scholars suggested that the best number of members for a Shariah body was between three and seven. That number was defined for the financial sector, specifically banks and insurance companies. The non-financial sector in the GCC did not request a Shariah body. Three Islamic scholars had different ideas about these bodies. The first Islamic scholar specified how the number of members was determined:

The Shariah bodies that exist in Dubai request 3, 5, or 7 people in the Shariah councils. The Shariah councils choose odd numbers to vote, if there is a vote. (IS.MK.UE.17).

Another Islamic scholar discussed the period a Shariah body is allowed to be appointed:

In the Capital Markets Authority in Kuwait, a decision is issued in the case of signing with an external Shariah audit office or a Shariah authority for the length of four years. After four years, the company has a duty to change to another Shariah board, another internal auditor or another external auditor and cannot sign with the former auditor for two years. (IS.AS.KW.7).

The last Islamic scholar defined the limit on Islamic scholars working on a committee in more than one company carrying out the same business:

The Shariah bodies in each bank are different from the other banks because of conflict of interest. Also, in the Omani Companies Law a member of the Shariah body may not be a member of two companies practicing the same activity, to avoid conflicts of interest. Therefore, companies law prohibits membership of more than one entity doing the same activity. (IS.I.OM.15).

Four TMs highlighted the best number of Islamic scholars in a Shariah body was three. For example, for one TM:

The Shariah body consists of three persons who are specialized as doctors in the Shariah economy. This is the appropriate structure. Also, they are accredited in the body and have a specific list in the Capital Markets Authority. (TM.Y. KW.8).

All Islamic scholars saw the optimum number of members for Islamic bodies as between three and seven. The duration of appointment for a Shariah body is four years in Kuwait. In Oman, Islamic



scholars should not be appointed in more than two companies engaging in the same activity. TMs specified that there are three members of a Shariah body. In next subtheme will discuss the weakness of SSB

#### **6.6.3.5 Weaknesses of SSB**

Four Islamic scholars highlighted weak points in specifying issues related to the Shariah body. For example, the first Islamic scholar reported his main concern was how the best number of members of the Shariah body could be specified:

We are working to look at what is the best number of Islamic scholars. This is difficult in the sense of what is the optimum limit for Shariah scholars in terms of numbers. What are the characteristics of Shariah committee members, only those with a background as Islamic scholars or should experts in economics, law, finance, accounting be added? Most Shariah bodies depend on three members, but I think it is not acceptable to have three Islamic scholar members that are the same in reality. There should be a member who knows about contracts for telecommunications companies, knows the services provided by the company, and sees the vision of the company on any topic. Islamic jurisprudence is built on two main functions, which are the Islamic background, and bringing evidence from the Quran and Sunnah and their analysis and linking that evidence with the current reality. If the reality is not known, then how do we know how to apply this evidence? The problem is that Islamic scholars expect if they return to the old evidence from the Quran and the Sunnah, they will find a solution. This is not true. (IS.M.SA.2).

The second Islamic scholar saw the weakest part of the Shariah board as related to their appointment by companies, suggesting appointments should be made by the Communication Authority:

Legitimacy depends on the verification of Shariah compliance. Such verification requires independent Shariah boards. When such boards are appointed by a national

regulator, this ensures legitimacy. Laws ensure legitimacy if properly formulated and applied. Governments improve legitimacy when set national bodies replace self-regulation. Membership of Shariah boards should include Shariah scholars, economists, legal and finance experts. They should not be hired by the company in question. A national communication regulator should make the appointment and decide on the remuneration, to insure the independence of Shariah boards. A central board established by the regulator would be a better arrangement, in order to avoid self-regulation. (IS.MA.UE.18).

Another Islamic scholar mentioned another concern about the Shariah body, which is a problem due to not having different jurisprudence. He asserted that they are not concerned about having different jurisprudence in the Shariah body, only organizations like AAOIFI care about this:

The diversity of opinions in the Shariah body is intended to enrich the subject, so that it is not limited to one opinion but rather to bring more opinions into the subject. However, the Shariah body does not care about the different sects such as Hanbali and Shafi'i, but the Shariah Council in AAOIFI, which issues the standards, depends on the existence of diversity. (IS.AM.KW.9).

The last Islamic scholar asserted that there was not enough disclosure when the Shariah body made decisions:

We must admit that there is weakness in the issue of Shariah disclosures in the GCC countries with regard to Shariah disclosures that governance does not reach. One of the things that should be integrated into governance is the inclusion of all these elements of Shariah control, the subject of Shariah and opinions and the subject of Shariah disclosure, so that the information is known. It often happens that the presence of a Shariah control body does not necessarily mean the existence of quality in the secretariat of the Shariah Audit. Therefore, in many reports of Shariah bodies you find that the opinion is limited by the scope of access. Thus, you cannot say that it is Islamic. However, the Shariah body that looks at everything in a

company can then say that it is Islamic. This is a major problem when we are supposed to be auditing at a high professional level. (IS.M.KW.12).

All Islamic scholars had concerns about how to specify the best number of members in the Shariah body, as well as other concerns related to lack of appointment by a central authority and not having enough disclosure. However, there were also some concerns about number of members in the Shariah body and the characteristic of Shariah body members lacks uniformity in all Islamic bodies in GCC. No TMs knew of any weaknesses in Shariah bodies, because they follow the regulations and laws in GCC countries which do not require TMs to know information about the Shariah bodies. In the next theme will explore the corporate governance codes in GCC countries.

## **6.7 Corporate Governance Codes**

Nine of the Islamic scholars thought it was unnecessary to build a new corporate governance for Islamic companies, but they suggested that the Islamic perspective could be added to the current corporate governance. They also confirmed that the ICG laws for Islamic companies in GCC countries were established by the central bank in each country. In terms of clarifying the laws and regulation in GCC countries, the Islamic scholar discussed two regulations that were established in the GCC:

The current situation is the existence of two laws means talking about Shariah governance in companies. These laws are issued by the ministries of commerce and industry in GCC countries. We do not talk about what is issued by the Capital Markets Authorities, Central Banks or Insurance Supervisory Authorities in the countries, but we are talking only about what is issued by the Ministry of Commerce and Industry. Kuwait has paragraph or clause 15 of Law No., 1 of the Companies Law, issued in 2016. The State of Bahrain has a law issued in 2018 covering governance and if the company states that it trades in accordance with the provisions of Islamic law, refers to the conditions for the appointment of the SSB and so on. (IS.M.KW.12).

Another Islamic scholar discussed two laws in Oman which refer to the Shariah body. The situation in Oman is almost the same in Saudi Arabia, the UAE, Kuwait and Bahrain. All these countries have Shariah governance law which comes from the central bank for Islamic banks or diligence from Islamic scholars in Islamic banks. He reported that:

In terms of the laws in Oman, we have two separate needs, the central bank laws apply to all banks, whether Islamic or non-Islamic. All laws of the Central Bank are binding on all banks whether Islamic or non-Islamic. The second point, we have the SSB which is in the Central Bank and is a reference body for Islamic banks only. Also, there is a Shariah body in each bank which is specific to the bank. There is a public Shariah body in the central bank, and it is a reference for all banks. In the situation of issues or problems in terms of Shariah, the body of each bank refers to the Shariah body, and the final say is the SSB of the Central Bank. Every Islamic window in any bank has its own Shariah supervisory authority (IS.I.OM.15).

Three TMs discussed the impact of the law and regulations on telecom companies, with those members having some different thoughts. For example, for the first TM:

Company law in Kuwait is an external thing that organizes policies and links us to Islamic law. This law has article number 15, that any company operating within the scope of the Islamic law, must have a Shariah body, whether external or internal according to the size of the company. This Shariah body submits an annual report to the general assembly on the extent of the company's compliance with the requirements of Islamic Shariah, and this is among the items of the general assembly annually. If this item is not on the agenda of the general assembly, the general assembly cannot approve all the requirements of the meeting, and a report must be provided to the general assembly about that. (TM.Y. KW.8).

However, another TM talked about the authorities that relate to telecom companies:

Here in Kuwait, every commercial institution has a certain list of regulators. In terms of our Hayat telecom company, there is a monitor from the Capital Markets Authority and Kuwait Stock Exchange Company, because we are a joint stock company and there is no request to establish Shariah control over us from these sectors. (TM.N.KW.5).

The last TM discussed the situation of corporate governance that already exists in practice:

The Kingdom of Bahrain has issued its Corporate Governance Handbook, which includes some conditions relating to the clarification of the Company's status and its application of the provisions of Islamic Shariah (if applicable). The Ministry of Commerce, Industry and Trade acts as a body to supervise the application of Islamic Shariah principles. (TM.R.BA.9).

Islamic scholars confirmed the corporate governance codes in GCC countries failed to mention Shariah bodies for Islamic companies, excluding the corporate governance code in Bahrain, which mentions Islamic companies. Also, Islamic scholars confirmed there are no laws or regulations on ICG in the non-financial sector, specifically in the telecom sector, and the codes address ICG in the financial sector only, specifically banks and insurance companies, which is adopted based on the central bank for each country. TMs asserted that there is no obligatory system which forces companies to appoint a Shariah body. This section has two subthemes: the feasibility of amending the corporate governance code in the five GCC and concerns about current corporate governance codes.

### **6.7.1 Feasibility of Amending the Corporate Governance Code**

Six of the Islamic scholars believed that corporate governance should be added to and amended based on current practice. These Islamic scholars asserted that the Shariah body should be added into the current code of corporate governance. However, they had different ideas about how the code should be amended. The first Islamic scholar suggested the basis for requiring Shariah governance in Islamic companies:

Shariah governance is a reality. It combines the system of governance or good governance in its general sense, and it takes its rules, if it does not contradict the requirements of Shariah. It also combines the requirements of Shariah governance in terms of principles, foundations and devices. If there is the best application of this at the institutional level, the benefit will be tangible in terms of promoting integrity, quality and other foundations of governance. It is important here to enable the system of Shariah governance to achieve efficiency and eliminate cases of conflicts of interest, violations and abuses that impede institutional work and lose elements of fair and impartial treatment. (IS.AFI.BA.19).

The second Islamic scholar discussed corporate governance amendments in Saudi Arabia based on the memorandum of establishment of this country:

It is necessary to amend the Corporate Governance Regulations to be consistent with the main source of legislation in the state. (IS.ASJ.SA.6).

However, another Islamic scholar suggested that there is need to add the Shariah body into the law for corporate governance:

We must improve the laws by adding Shariah bodies and this is the most important thing. If you put a Shariah body overseeing the company's core activity you will ensure that the legitimacy of the company's activity is compliant with the Shariah and will not be subject to AAOIFI. They know that the AAOIFI does not deal with these matters and issues. However, the Shariah body will return to the books of jurisprudence standards for these new companies. (IS.MK.UE.17).

On the other hand, the fourth Islamic scholar argued there was no need to establish corporate governance code for Islamic companies, but asserted that there was a need to add the details to policies:

When we come to the Governance Law in detail on the subject of companies or institutions that are compatible with or incompatible with Islamic Shariah, I am explicit in my point of view on the subject of governance, we do not need to establish the law of governance. If I read the law based on principles originally compatible with the Shariah, transparency and honesty, each principle in governance is already compatible with the things ordered by the Islamic religion. They apply both to Islamic and non-Islamic companies. I see what is meant by the law of governance in general as an umbrella covering all companies in general better. The detail comes in the issue of policy, and policy development in these things that govern the work of this category of companies or this category of the sector. (IS.I.OM.15).

Another Islamic scholar thought that the corporate governance code or company law could be amended based on the situation of each country:

It is possible to improve the law through creating an SSB. There are several methods to measure what structure can be put in place on the subject of Shariah governance, according to the rule that there is not one single standard which fits all institutions in the market. Therefore, it is possible to do it according to each institution or similar. We do not say that there should be a law on Shariah governance, but it is possible to add to the current governance law, or there may be an amendment to the current law of companies by adding what is commensurate with the situation in the country. (IS.M.KW.12).

However, the last Islamic scholar discussed amending the code based on international practice, and stated that:

The Governance codes in the GCC are continuously amended as GCC countries take into account the changes of Corporate Governance practices worldwide. The improvement in these codes is due to changes in international practices and certainly not due to any contribution by any SSB. (IS.S.BA.14).

In terms of business practice, there were four arguments from TMs. The first TM covered the impact of the communication authority in establishing Shariah governance. This member discussed the situation of monitoring the regulations that exist from the Communication Authority:

I see it from the point of view of the Telecommunications Authority, if it had a Shariah reference for the issuance of permits. If I come today as an example, and I want to offer a service that I need to obtain the approval of the Telecommunications Authority for, I cannot offer a service, without the approval of the Authority. Any company in the Saudi market cannot offer a service without the approval of the Telecommunications Authority. The Telecommunications Authority is assumed as a point of view and it is proposed that they have a Shariah reference or administration, for example, that analyses the service itself and shows its dimensions and its impact on society and its acceptance, because it is like a legislative and supervisory body. (TM.A.SA.1).

However, the second argument TM asserted that the Ministry of Commerce has the authority for establishing Shariah governance, and reported that:

The Ministry of Commerce is the body interested in governance law. I think it needs the Capital Market Authority to be concerned with disclosure and interested in matters that raise company shares and reduce company shares (TM.F.SA.2).

The third argument suggested amendments to corporate governance should be based on the community's culture:

The area of improvement in legislation is a process that must be in line with religious and societal requirements and international standards. (TM.K.SA.3).

The last TM thought that amendments to corporate governance should follow the message of the company:



I see the separation of the Shariah board from the other regulatory authorities will give it greater authority. There is a difference between the work of the supervisory bodies and the SSB. The supervisory bodies such as the Capital Markets Authority talk about the operational aspects and reports submitted and give a copy to the body. However, the SSB revolves around and looks at the direction of the company. However, the monitoring regulatory bodies are busy with how the company works. In short, all supervisory bodies focus on how the company operates, while the SSB focuses on the direction of the company, as well as looking at whether the direction is in line with your message or not. (TM.M. KW.6).

All Islamic scholars confirm amending the law important for adding the Islamic aspect through Shariah body whether company law or corporate governance code for non-financial sector specifically telecom companies. Some Islamic scholars confirmed having amendments to the corporate governance code based on the primary source for regulation in GCC countries. TMs have different opinions about the amendment of corporate governance, but all of them link it to different legislation authorities in each state such as Telecommunications Authority, The Ministry of Commerce. Also, amendment could be based on societies requirements or if the company has Islamic message. Some Islamic scholars and TMs are concerned to amend the corporate governance code and will discuss that in next subtheme.

### **6.7.2 Concerns about Amending Corporate Governance Code**

Three Islamic scholars who had concerns about adding the SSB into the code of corporate governance, saw this code as applicable to both Islamic and non-Islamic companies. The first Islamic scholar specified some concerns about GCC laws:

The current situation is the existence of two laws means talking about Shariah governance in companies. These laws are issued by the ministries of commerce and industry in GCC countries. The problem is in two things, namely, the first is the absence of Shariah governance from many of the regulations and laws in GCC

countries for companies. The other thing, even if governance exists, puts the focus on one element of Shariah governance and overlooks the rest of these elements and these are the two main problems. (IS.M.KW.12).

Another argument discussed concerns the possibility of a central Shariah Board in the state, and this Shariah body had one doctrine. This could create a problem in practice:

There is a difficulty in founding a central Shariah body, because doctrinal opinions are different. It is difficult to force people to have one jurisprudential opinion. This one has a certain jurisprudential opinion, and another person has another jurisprudential opinion, because the Islamic scholar who holds a certain jurisprudential opinion can adapt it in a particular bank based on his point of view. (IS.A.SA.4).

The last Islamic scholar asserted that the state was not responsible for saying this is legitimate or non-legitimate:

I do not think it is the job of the government of Saudi Arabia to say, this is Halal or Haram, but the issue is societal, intellectuals and scholars are the ones who determine things. Islamic law depends on Islamic scholars to clarify the role of Shariah in Halal and Haram activities, as well as things that are subject to diligence, as well as the state not being able to enter into Shariah issues in detail, because these issues depend on Islamic scholars. (IS.AN.SA.3).

Three TMs discussed concerns about corporate governance. The first TM asserted:

I do not see it making a difference here. The existence of the SSB does not add a lot to companies. For example, the Capital Markets Authority (CMA) fail to apply corporate governance in the correct way and some companies escape monitoring from other supervisory bodies. (TM.M. KW.6).

Another TM covered an important point in Shariah governance, highlighting that it is not necessary to create new Shariah governance because this makes business practice more complex:

The governance side is comprehensive and is not specific to a particular activity. Thus, if Governance is not specialized in a particular activity, why would I separate Islamic and non-Islamic, and create a type of inconsistency in this information? The Governance Philosophy is to clean the company out of its procedures and these matters have nothing to do with the Islamic side, and it can work on the Islamic and non-Islamic. Thus, there is no reason to separate Islamic and non-Islamic corporate governance. (TM.Y. KW.8).

The last TM, concerned about amendments to the law on corporate governance, discussed developments in world communication:

...one of the important things that we are supposed to think about in the telecommunications sector is the quality of service. You see the telecommunications sector is renewed and there is a challenge between the legislation and the speed of development in the telecommunications sector. Is the current legislation sufficient and keeping pace with the pace of development and modern technology? I think insufficient. Thus, if you try to legitimize your laws and work, Islamic governance means you have a lot of weight in the service you provide compared to the world around you. Also, the jurisprudence legislation at the level of the Gulf States is supposedly at one level, you have halal and I have haram, or you have haram and I have halal. (TM.I.OM.11).

Both Islamic scholars and TMs had concerns about amendments the corporate governance code because this code is used for both Islamic and non-Islamic companies. Islamic scholars confirmed the corporate governance principles are not distinctive for Islamic law although they see these principles are compatible with Islamic law. However, some TMs confirmed the regulations and law for the communication sector are not keeping pace with the rapid development of communications, comparing the current regulations with the international regulations.

## 6.8 Chapter Conclusion

This chapter covered thirty-one interviewees in GCC countries excluding Qatar. Islamic scholars define the legitimate companies is based on using Islamic principles in the company practice. Islamic scholars declare the main activity of telecom companies legitimate, but most non legitimate activities in telecom companies could be from non-core activities such as channel satellite, competitions, and various investments/incomes. Islamic scholars lacked a specification of which legitimate income and non-legitimate income in telecom companies; it was stated that telecom companies annual reports should be more disclosure and transparent. Telecom companies used Islamic formulas (Zakah, qard hasan, Murabahah), through taking from Islamic banks or Islamic windows in traditional banks. The Islamic bodies used Islamic formulas in the GCC, and they do not have a uniform structure for Islamic formulas acceptable in these countries. All telecom companies use these principles based on the Islamic bodies that exist in each GCC Islamic bank. None of the TMs knew how these Islamic contracts could be used in practice and some of them did not see any difference between Islamic contracts and traditional contracts. All Islamic scholars agree that Islamic formulas need Islamic standards in practice, and these formulas do not exist in the international standards such as zakah standard which established on AAOIFI and SOCBA. All Islamic scholars confirmed there was no conflict between Islamic standards and international standards.

Islamic scholars declare the classification of companies assist to increase the number of legitimacy companies on the GCC stock market. However, Islamic scholars classify companies based on their own standards, and they lack to have uniform standards for final decisions on classification. Also, governments laws and regulations do not require the classification of companies on the stock market, but it is based on the wishes of GCC society. The classification of companies in the GCC depends on four criteria. The main activity must be legitimate, forbidden investments should not be more than 33.33%, traditional loans should not be more than 33.33% and forbidden income not more than 5%. These percentages are the diligences of Islamic scholars and Islamic bodies in the GCC. However, no Islamic bodies have divided the activities of telecom companies to core activities and non-core activities, and Islamic scholars focused on the financial sector for

distinguishing legitimate and non-legitimate companies, which meant they failed to find experts in telecommunication sector. All Islamic scholars confirmed that laws and regulations lack to mandate telecom companies to be legitimate companies. However, if companies want to be legitimate companies, they need to have a Shariah body, which comes from the law based on the Shariah body in the central bank in each GCC country. The corporate governance codes in GCC countries failed to mention legitimate or non-legitimate in companies, excluding the corporate governance code in Bahrain, which mentions legitimate companies. However, the codes address ICG in the financial sector only, specifically banks and insurance companies, which is adopted based on the central bank for each country. In next chapter will be discussion on combining analysis of the findings.

## **Chapter Seven: Discussion on A Combined Analysis of The Findings**

### **7.1 Introduction**

The research takes the lens of legitimacy theory as a framework for the orientation of the research, and Islamic religion is the primary source for companies legitimacy in GCC countries. Legitimacy in companies is obtained when companies provide products that are acceptable to the public. Shocker and Sethi (1973) define two options that assist companies to become socially acceptable - goods and services should be based on societal wishes, and the power sources within the organization must attain societal acceptance. This chapter discussion the combining of findings from content analysis and semi-structured interviews to analyse legitimacy in telecom companies. The chapter also builds on this to compare current regulations and laws with the time of the Prophet. Considering current regulations and laws compared with the time of the Prophet and Rightly Guided Khalifahs, I shall explore the theoretical and practical acts that were done by the Prophet and his companions and how these acts might be related to the current practice of ICG.

To clarify, the content analysis approach assists in answering the first research question; content analysis is the first approach and has two ways of recognizing legitimacy in telecom companies. First, it reviews and checks the telecom companies' annual reports and looks at their internal Islamic practices. Second, it looks at telecom companies from an external view, focusing on regulations and laws that are influenced by telecom companies in practice. These regulations are the memoranda of establishment for each country, company laws and corporate governance codes.

Using semi-structured interviews approach to answer the second research question and third research question, there are two ways that assist exploring telecom companies in relation to gaining legitimacy. First, conducting semi-structured interviews with telecom company members. Second, conducting interviews with Islamic scholars in Islamic banks, in Shariah auditing offices, or independent Islamic scholars in academia.

By comparing between current practice and the time of the Prophet and his companions, I explore the differences between Prophet period and corporate governance in GCC countries, specifically

Telecommunications companies because the research aim is to explore and assess the current practice of corporate governance, in relation to an Islamic perspective, of the Telecommunications Sector in GCC. Both content analysis and semi-structured interview methods will assist in finding answers to the research questions stated in Chapter One. These questions are:

- 1- Do GCC telecom companies reference Islamic corporate governance? If so, how?
- 2- Are telecommunications companies in GCC claiming to use the Islamic rules in order to legitimise their operation?
- 3- What is legitimate practice for telecoms from the perspective of Islamic bodies in GCC?
- 4- From an Islamic perspective can laws and codes for corporate governance be strengthened and improved in GCC countries?

## **7.2 Internal to Telecom Companies**

Telecom members (TMs) represent the practical side of telecom companies and Islamic scholars represent the views that influenced the decisions of Muslim society. Both TMs and Islamic scholars decided not to mention the Islamic side in the telecom sector. Islamic scholars believe the main activity of telecom companies to be legitimate; this activity is a service for connecting between people and taking a monthly payment for this service, which is legitimate in Islam. Also, TMs see the telecom sector as not having any relation to being Islamic or non-Islamic and all services that exist in telecom companies are definitely Islamic in general voice. TMs indicate if a telecom company calls itself an Islamic company, this creates problems within Muslim society in suggesting that other telecom companies might provide non-Islamic services. TMs see the SSB as unnecessary for following Shariah provisions, because they see the main activity of telecoms as legitimate in Islam. Kahf (2003) highlights the *Muqaddimah Ibn Khaldun*. Ibn Khaldun indicates that it is not necessary to have an Islamic system or Islamic label, but they could be Islamic without saying they are Islamic when following Islamic provisions. The Islamic religion is suitable for all perspectives of human life. Thus, when saying this is Islamic or non-Islamic, this conflicts with

the main idea of Islam. Bindabel et al. (2016) indicate that most GCC companies legally follow Islamic law, but the practice of companies is based on the interpretation of Islamic scholars as to whether activities are Islamic or conflict with Islam.

However, the legitimacy of telecom companies in practice depends on laws and regulations that specify their orientation. These regulations clarify either explicitly or implicitly the orientation of companies through two approaches. Firstly, telecom companies claim to be legitimacy telecom companies in all activities and this was found in the annual reports of telecom companies and the semi-structured interviews. O'Donovan (2002) examines the annual reports of three Australian companies, and looks at how they are related to the lens of legitimacy theory from the disclosure, social and environment perspectives. The study finds the annual reports reinforce legitimacy through the disclosure, social and environment perspectives. The telecom companies' annual reports reinforce the impact of the GCC environment through applying the Islamic side. Kamla and Roberts (2010) explore GCC companies' annual reports and clarify the impact of Islamic principles in companies practice. In the GCC there are only two telecom companies that explicitly declare in their annual reports that they work based on Shariah Islamiyah, the AAN and VIVA telecom companies in Kuwait. Companies that work based on the Shariah, should have a licence that acknowledges they follow Shariah through requiring the existence of a SSB as representatives of the Islamic law in practice. Secondly, telecom companies implicitly indicated that they were Islamic companies to satisfy GCC society and the Islamic bodies that classify companies in practice. This can be seen through using Islamic formulas in their financial statements, such as Islamic investments, Mudarabah, Murabahahs, Zakah and qard Hasan.

Suspicious telecom company activities in Islam are seen in investment deposits in banks, incomes from non-core activities such as songs, some TV channels, competitions. Telecom companies provide services of communication between people and they take a monthly payment, with customers making these monthly payments to telecom companies. Telecom companies deposit these payments as investments in Islamic or traditional banks. If telecom companies invest in traditional banks or forbidden investments, they need to be reviewed and purified from the forbidden activities. Purification from suspicious activities can be through printing Islamic books or any other acts of charity. Most Islamic scholars clarified that telecom companies do not have



separation of incomes into income from communication, songs, channels or other activities that could face concerns under Islam. In order to monitor telecom companies' activities, the activities should be restructured based on what is appropriate for the GCC environment. Suchman (1995) describes the methods which assist companies in gaining legitimacy in practice using two options: 1. restructuring the environment by changing a few methods or strategies used by companies; 2. establishing standards that are appropriate for the companies' environment.

To avoid conflict with the Islamic side and gain acceptance from Muslim society, telecom companies should be concerned with building a representative entity for Islamic law like the SSB in the financial sector of GCC countries. Mansour and Bhatti (2018) indicate the aim of ICG is to improve and monitor the financial aspect of companies whether they are financial or non-financial companies. However, most papers in the literature on ICG only focus on the financial sector, specifically Islamic banks or insurance companies. For example, Bahari and Baharudin (2016) specify that Shariah governance is the most distinguished but is limited only to Islamic financial companies compared with traditional companies. Nomran and Haron (2020) discuss 21 literature papers of Scopus between 1999 and 2018. They find all papers concentrate on the SSB in Islamic banks, whether inside or external to GCC countries. The aim of the SSB is to monitor and observe all operations in Islamic banks and make sure their operations are compatible with Shariah provisions. Khalil and Taktak (2020) determine that the reason for establishing Shariah governance was due to the increase in the number of Islamic financial companies. The SSB is the body that represents Islam in modern companies. This board is necessary for monitoring the activities of telecom companies, which will be discussed further in the next section.

### **7.2.1 Shariah Supervisory Board (SSB)**

The SSB is a representative body for confirm of legitimacy in modern Islamic companies and the most important body for ICG that must be established in the telecom sector. Elghuweel et al. (2017) indicate that merging the Islamic religion with corporate governance is done through establishing a SSB. The SSB is an important body for monitoring company activities and making sure these activities follow the Shariah. Grassa (2013) portray the most important body for Islamic banks as the SSB. Thus, Islamic telecom companies in Kuwait rely on the external SSBs' offices to review

their activities, as all telecom companies lacked an internal SSBs. However, external SSBs working with Islamic telecom companies in Kuwait fail to divide telecom activities into those which are Islamic and non-Islamic. The TMs in both of the Islamic companies stated that the function of the external SSB was to only focus on the contracts that they sent to customers and external Shariah bodies do not check all telecom company operations. Moreover, external SSBs focus only on the financial perspective for Islamic telecom companies, but fail to specify which incomes are compatible with legitimacy and which incomes conflict with legitimacy.

The SSB must look at telecom activities in more depth, to see which activities follow/ conflict with legitimacy; it should have a comprehensive view on Islam through reviewing everything in a telecom company. Although the main activity of telecom companies is seen as legitimate in Islam, they should check the basis of contracts between telecom companies and customers - the extent to which these contracts follow Islamic instruction and how these contracts are similar to the pillars of contracts in Islam. Another point about contracts arises in the monthly payment for communication fees; if customers defer payment, they may incur penalties - how do Shariah bodies see these penalties from an Islamic perspective? Shariah bodies lack to measure penalties that could be imposed on customers by telecoms, they use the Shariah bodies' perspective specifically built for Islamic banks in the GCC.

Analogous to deferring monthly payments in the telecom sector, the only Islamic sector that provides products with monthly payments in practice is Islamic banking in GCC. Islamic banks provide loans to customers with monthly payments, and customers sometimes defer the monthly payments. Deferring a monthly payment in a bank imposes penalties on customers. However, the Islamic scholars interviewees asserted that these penalties conflict with Shariah, decisions in SSBs about this are split into two. Some SSBs refuse to accept penalties and do not give permission for Islamic banks to take penalties from customers because these penalties conflict with the Islamic religion and are the same as Riba. Other SSBs accept the taking of penalties, but Islamic banks must purify these penalties and transfer them to charities. The third point about contracts covers telecom companies who sell phones to customers and take monthly payments. How are these contracts related to Islamic contracts? All these activities are related to the main activity of telecom companies, which is connecting between people.

Siddiqi (2006) asserts the Islamic scholars in SSBs rely on the Maqasid Al-Shariah (purposes of Shariah) in most of the decisions that they issue. Siddiqi confirm Islamic scholars lack to concentrate on the comprehensive view of Maqasid Al Shariah because Islamic scholars only focusing on the technique aspect, such as forbidding interest and paying Zakah. Siddiqi mention that Islamic scholars have good training on the techniques aspect but this training does not fit with the current environment, as the practice aspect is different compared to the theoretical aspect. On the other hand, Al-Kandari and Dashti (2014) elaborate different fatwas about using the internet in 1999 in Saudi Arabia. These fatwas gave different Islamic scholars perspective and they have arrived 34 of different fatwas, are made on accordance with Maqasid al Shariah in Islamic scholars perspective. These fatwas involve three groups of Islamic scholars. The first is 11 Islamic scholars permitting internet usage. The second is 11 refusing such permission. The third group is 12 Islamic scholars permitting internet usage with conditions, entailing avoidance of using the internet for forbidden activities in Islam.

The SSBs depended on Islamic scholars with specialities in ‘pure’ Islamic backgrounds, and they lack different specialities, such as economics, accounting, finance or Islamic finance. However, telecom companies need a SSB that has knowledge about the telecom sector, and this SSB should be a mix of disciplines, such as telecommunications, law, accounting, economics, finance and Islamic background. The SSB assists in developing new regulations for specifying core and non-core activities of telecom companies. This assists all stakeholders in knowing which are legitimate telecom companies and non-legitimate telecom companies in practice. In telecommunications companies, the operation was split into two primary sectors: core business activity, which is connecting between people (this is a legitimacy activity in Islam) and supporting or secondary activities also known as non-core activities comprising satellite channels, songs, competitions and other activities related to investments and incomes as income earned from musical services (most Islamic scholars see the non-core activities as non-legitimate in Islam). However, Islamic scholars were diligent in establishing certain percentages of forbidden non-core activities, whether investments or incomes. To evaluate such practices, Islamic scholars reflect on the decisions of operations of telecommunications companies and the plurality of Islamic companies and investors in GCC countries. If telecommunications companies would like to be a Shariah corporation, based

on the criteria of certain countries, legitimacy will be obtained when companies are listed on the Islamic bodies lists of each country. Also, Islamic telecom companies should have internal SSBs that reviews all company activities, and these bodies would show telecom companies to be explicitly Islamic companies.

In sum, the SSB is the most important board and should be established internally in telecom companies, because telecom companies care about their investors and most of the public and investors in the GCC are Muslim. Also, most telecom companies use Islamic formulas in current practice in order to be seen to be legitimate companies in the view of Islamic scholars. Telecom companies used Islamic formulas to satisfy Islamic bodies, which is representative of the Islamic side implicitly, and these formulas are founded by Islamic banks and will be discussed further in the next subsection.

### **7.2.2 Islamic Formulas**

Most telecom companies use Islamic formulas either mandatorily or voluntarily. In Saudi Arabia and Kuwait, Zakah is a mandatory formula by law. This formula is mandatory for all listed companies in both countries. Bindabel et al. (2016) give an example of the Zakah principle being mandatory in the law of Kuwait and Saudi Arabia compared to Zakah not being mandatory in the UAE. Other Islamic formulas such as Murabahahs, Tawarruq and Islamic investments are used by telecom companies to gain approval from the SSBs that exist in Islamic banks. Islamic banks are widespread in GCC countries and typically deemed legitimate by all Muslims in society whether individuals or investors. In addition, most telecom companies receive fees daily or monthly and put these deposits into Islamic banks in order to become Islamic companies in the view of Islamic scholars. The role of Shariah governance in most Islamic banks avoids all formulas which contradict with Shariah Islamiyah such as loans and bonds. Thus, Islamic banks use Islamic formulas such as Murabahahs and Islamic Sukuks instead of loans and bonds. Bahari and Baharudin (2016) assert that Shariah governance must avoid all activities and formulas that contradict with Shariah provisions, such as Riba, Gharar, Maisir, and any other formulas that conflict with the Islamic religion. Shariah governance in Islamic banks should also have Shariah auditing and Shariah reviews of all transactions issued by Islamic companies.

Responsibility for using Islamic formulas in telecom companies depends on the orientation of the owners, board of directors and top management of telecom companies which are looking to be listed under legitimate (Islamic) companies in lists issued by Islamic bodies. Maishanu and Dutsinama (2012) give an example using the stock market in Muslim society, where business owners try to follow Islamic instruction in the market to avoid accountability to Muslim society. Responsibility for adherence to Shariah provisions not only falls to Shariah members of the SSB, but it is the responsibility of all stakeholders that want to work in Islamic companies. Thus, companies' owners and the board of directors are responsible for adopting Islamic instructions to satisfy investors, so they do not need a SSB. Alam et al. (2019) discuss how the board of directors in Islamic banks in Bangladesh practice the role of SSB without needing an SSB. Also, the SSB is widespread and exclusive in Islamic banks in most Islamic finance that exists in the world. Fatmawati et al. (2020) mention that Shariah governance is used in a limited way in Islamic financial companies; adherence to following Shariah law is not only the responsibility of members of Shariah bodies, but is also the responsibility of all stakeholders, such as investors, customers and employees.

When recording these formulas in financial statements, all interviewees, whether Islamic scholars or TMs mentioned that telecom companies record Islamic formulas based on how Islamic formulas are recorded in Islamic banks. These formulas do not conflict with international standards in the registration in the financial statement. However, Dowa et al., (2017) and Arwani (2019) suggest there is some conflict between Islamic religious principles and IFRS standards, and that Islamic financial companies cannot be fully compatible with the IFRS, because Islamic religious philosophy is different from Western philosophy. The ICG philosophy depends on the oneness of Allah, while conventional corporate governance is based on rationalism. Despite telecom companies preparing financial statements based on international standards, none of the Islamic scholars or TMs saw a conflict in using ISAB or IFRS, because Islamic scholars and TMs confirmed these standards look at how to disclose financial aspects of a business. Also, the Islamic law is directly related to disclosure of investments and incomes perspectives. For example, telecom companies in Saudi Arabia depend on preparing financial statements based on international standards but add some perspectives related to the Islamic environment through the Saudi

Organization for Certified Public Accountants (SOCPA). However, the Islamic perspectives that are added only concentrate on investments and incomes. SOCPA also added a new standard, the Zakah standard, which is the same as the AAOIFI standard.

Owners and boards of directors in telecom companies must provide training and educate TMs about the Islamic perspectives in business, because TMs do not have enough education on the Islamic perspectives and how these perspectives can be linked to the Islamic side. Islamic scholars should also provide teaching and training for practitioners on the main differences between Islamic formulas and traditional formulas, such as Murabahah, Tawarruq, Islamic investments and Mudarabah. These formulas exist in Islamic banks and most telecom companies use them in practice. Islamic scholars should declare the basis of references for decisions and the main difference between them, to allow practitioners and other stakeholders to know the main differences between Islamic and traditional formulas, because TMs do not see any differences between Islamic formulas and traditional formulas. Kamla (2009) discusses how Islamic products in Islamic banks have failed to clarify the main difference between Islamic products and conventional products, because the Islamic product appears to be the same as conventional products from the technical side. She also suggests that the Islamic literature indicates that Islamic finance is almost the same as conventional finance, but Islamic scholars have amended conventional practices to follow Shariah provisions in order to satisfy the Muslim public.

In sum, telecom companies use these formulas in order to be legitimate companies in Islamic bodies perspective, and will discuss Islamic bodies perceptives and how telecom companies are classified in the next section.

### **7.3 External to Telecom Companies**

To gain external legitimacy in telecom companies, there are two parties that have an effect on share values and the legitimacy of telecom companies in the GCC stock market. The first is the Islamic scholars' view in classifying telecom companies as Islamic listed companies. This classification impacts on the way society deals with telecom companies. Companies classified by Islamic scholars are dependent on using an Islamic perspective in practice, whether explicitly or

implicitly. The second is the impact of telecom companies' owners and board of directors in their orientation and applying Islamic perspectives in current practice. However, Islamic scholars perceive telecom companies as not owning real assets such as goods, but only having communication services as their core activity and taking monthly payments for these services and their non-core activities, which include investments and incomes from songs, tv channels, competitions, packages and music.

Islamic scholars in Islamic bodies classify companies as legitimate or non-legitimate companies based on the core activity. For telecom companies, Islamic bodies concentrate on investments and incomes for classifying them and they have not reviewed non-core activities and how to make these activities follow Islamic instruction. These bodies also see some non-core activities in telecom companies as forbidden in Islam. Telecom companies' owners and board of directors implicitly indicate their Islamic side and that they are using Islamic formulas in their telecom companies because they want to attract Islamic bodies that classify companies as Islamic to satisfy investors who are interested in investing in Islamic companies. The classification is important for company owners in GCC countries for two reasons. First, most investors that invest in these companies are from the public, who are Muslims. Bugshan et al. (2021) examine the extent of Shariah compliance of cash holding in non-financial companies during the period 2005 to 2016 in GCC countries. Companies with shariah provisions have a positive relationship with the cash holding position, compared to companies that were not compliant with Shariah provisions. Second, Islamic scholars who declare company classifications in the media, can make Muslim society actively respond, whether positively or negatively. Shocker and Sethi (1973) define the extent of company legitimacy as very much dependent upon strong communication between companies and their society. Moreover, Islamic scholars have influenced investments in telecom companies; thus, telecom companies care about Islamic scholars' decisions. Investors are one of the stakeholders effecting corporate governance.

Islamic bodies that classify listed companies focus only on the financial perspectives of financial companies and non-financial companies and use the same standards in their measurements. Islamic bodies recognize the main reference for their decisions is the SSBs that work in the central banks, the Islamic scholars who work with them and AAOIFI. The AAOIFI has standards as a reference

for Islamic scholars in the GCC which are used for the financial and non-financial sectors. Islamic scholars and Islamic bodies have agreed to use AAOIFI standards in examining the financial aspects of telecom companies, but they are not acceptable for checking or reviewing other types of activities in telecom companies, because the AAOIFI standards were founded by Islamic banks (Pomeranz, 1997). Hamza (2013) and Ullah et al. (2018) state that the reference for Shariah governance decisions is based on the AAOIFI and IFSB. Both studies show the AAOIFI standards and IFSB standards were both established based on the requirements of Islamic financial companies, specifically Islamic banks. In addition, Kamla and Haque (2019) show the effort of AAOIFI to develop accounting standards through connecting between Muslims in the East and West. AAOIFI is not an effort for a country with one Islamic sect, but the Islamic standards, decisions and rules that were developed in AAOIFI are the effort of combining the opinions of a lot of Islamic sects from inside and outside the GCC. They provide the AAOIFI, which is the only body that looks at developing accounting standards in accordance with Shariah Islamiyah, but AAOIFI concentrates on Islamic banks.

The classification depends on percentages issued by Islamic scholars, Shariah auditing offices and some other organizations, such as the AAOIFI. These percentages are for companies whose primary activity is legitimate (halal in Islam), because Islamic scholars interviewees confirmed they cannot find pure Islamic companies in the current practice. Habib and Ahmad (2017) explain the reason for establishing Shariah measurements through standard number 21 in AAOIFI, because in current practice, it is difficult to find 'pure' Islamic companies. However, there are companies which have the main activity legitimate in Islam. These are not classified as Islamic companies because they violate the Islamic perspective in their work. For example, these companies might take forbidden loans or forbidden investments.

However, most Islamic bodies' classification criteria in GCC countries depend on using the AAOIFI standards for Islamic financial institutions, although these bodies do not explicitly state that in their reports. The reference for this classification specifies two percentages which must be followed. Firstly, not more than 33.33% comes from the diligence (collective decision of Islamic scholars on a specific issue) of Islamic scholars, and is based on the Hadith of the Prophet in which the Prophet said "one-third, one third is so much". Secondly, the reference to 5% is also based on



the diligence of Islamic scholars. Ayedh et al. (2019) specify a percentage of not more than 33.33% of traditional loans, forbidden investments and 5% of forbidden income, which is the consensus of most Islamic indexes in the world, such as that of the AAOIFI, Dow Jones Islamic Market Indexes (DJIMI), Kuala Lumpur Shariah Index (KLSI), Financial Times Stock Exchange Shariah Global Equity Index (FTSE), Standard & Poor's Shariah Indices (S&P), Morgan Stanley Capital International World Islamic Indices (MCSI), Thompson Reuters, Ideal Ratings Islamic Indices, The STOXX Europe Islamic Index and ISRA Bloomberg Shariah Stock Screening Indices. Also, all these indices specify forbidden activities in Islam such as “[u]sury, trading in uncertainty/risk (Gharar), gambling, games of chance (Maysir), liquor, pork and prostitution, alcohol, conventional financial services based on interest-based banking, cinema, pornography, music” (Ayedh et al. 2019, p.151). The AAOIFI describes the basis for these conditions in paragraph three in the section on trading in shares (AAOIFI, Shariah standards, standard number 21, 2015, pp.573,574):

“The main reference for exemption trading in shares of corporations that deal with forbidden loans, investments and income in Islam, despite of main activity halal, based on three reasons. First, Islamic religion relies to the issue of separation of transactions in the business because Islamic religion avoid making two transactions at the same contract and time for Shariah reasons. Therefore, Islamic jurists adopt the view of separating halal and haram activity in corporations. Second, the Islamic rule application is removing hardship and acknowledging of general need by companies and people, and general affliction with the problem of spreading haram in the current practice. Third, Islamic jurists determine the few percent of haram based on hadith of Prophet in bequest (alwasia), bequest means a transfer of ownership after one's death. Islamic jurists determine not more than 33.33% of haram in investments and debt and not more than 5% income in corporations. These reasons are upheld by most fatwa issuing organizations, as well as Shariah supervision of Islamic banks”.

On the other hand, there is an Islamic index in the stock market of Oman and Bahrain, and these indexes are dependent on the AAOIFI standards for classification. Oman and Bahrain adopt the AAOIFI standards used in Islamic banks as mandatory. Al-Sulaiti et al. (2018) indicate that

AAOIFI was developed for the Islamic financial sector; the accounting standards of AAOIFI are used as mandatory in Oman, Bahrain, Sudan, Syria and Qatar, and used as voluntary in Brunei, Egypt, France, Kuwait, Lebanon, Malaysia, Saudi Arabia, South Africa, United Arab Emirates and the UK. The percentages of forbidden debts, investments and incomes that exist in Islamic indexes require purification from Islamic scholars. The purification has required giving the forbidden percentage of forbidden debts, investments and incomes to charities or printing Islamic books or helping poor people. Mulcahy (2014, p.473) defines purifying activities in companies and stated that: "Purification refers to the need to quantify and donate to charity all impure components deemed unacceptable under Shariah principles and teachings".

AAOIFI classifies listed companies based on the Shariah Standard 21, Financial Paper, Shares and Bonds in Modern Companies. This standard specifies four conditions for investments and buying shares in companies to be legitimate. These conditions are not more than 30% of forbidden investments, traditional debts and traditional loans. Forbidden income is requested to be not more than 5% of total income. Mahfooz and Ahmed (2014) clarify the AAOIFI conditions for measurements. The total debts with interests and deposits with interest are not to be more than 30% of total debts and deposits. Forbidden income should not be more than 5% of total income. Also, they mention four global Islamic indexes, which are Dow Jones (DJ), Financial Times Stock Exchange (FTSE), Standard & Poor's (S&P) and Morgan Stanley Capital International (MSCI). For total debts with interest and deposits with interest, Dow Jones, FTSE, S&P and MSCI required between 33% and 33.33% of total debts and deposits. All four Islamic indexes request that forbidden income is not more than 5% of total income.

The above percentages are not unified in all Islamic bodies and all independent Islamic scholars in these countries. Some Islamic bodies do not accept any percentage of forbidden activity. Most Islamic bodies, such as the AAOIFI, start from 30% of total debts and investments and change based on the perspective of Islamic scholars or Shariah auditing offices. Some Islamic scholars admit to facing difficulties in failing to clarify the basic reasons for these percentages with practitioners in companies. Also, the difference in percentages of Islamic scholars of between 30% and 33.33% creates a gap between Islamic scholars and Shariah auditing classification, which can be seen by telecom companies, official regulators and the public. There should be uniform

standards and rules for classification in these countries, because the main idea of classification is about being Islamic or non-Islamic, and this is influenced by Islamic society and the environment in these countries. Bindabel et al. (2016) discuss different Shariah practices based on different Islamic scholars' opinions in GCC countries. They suggest that this difference in opinions could create different Shariah practices, and this impacts on how we can know whether companies are Islamic or non-Islamic.

The result of classification gives three types of companies, Islamic companies, mixed companies and non-Islamic companies (forbidden companies). The classification states that the best company is a company that has been established in accordance with the Shariah provisions, taking into account that all its dealings are 100% legitimate.

To clarify the definition of each type of company mentioned above. Islamic companies (pure Islamic companies) are companies that have legitimate activity, and the source of their money is legitimacy (halal) such as the owner's money or loans as Murabahahs, and the uses of money are legitimacy, such as Islamic investments in Islamic banks, also, incomes must come from legitimate activities. The second type is mixed companies, in which the main activity is legitimate, but these companies use forbidden loans and invest in some forbidden investments, provided these are not more than 33.33% of forbidden loans and forbidden investments, and they do not have more than 5% forbidden income. The third type is forbidden companies, and this type could be forbidden in two ways, firstly, the main activity of the company is prohibited, such as gambling, alcohol, riba. Thus, it is classified as a forbidden company because of its main activity. Secondly, companies that have legitimate activities, but their investments and incomes are forbidden. For example, if a company has a legitimacy activity, but has investments in forbidden activities which are more than 33.33%, then the company is classified as a forbidden company. Also, if the company has a legitimacy activity and has received incomes from a forbidden activity which are more than 5% of its total income, then the company becomes a forbidden company. Most Islamic scholars in interviews argue that most stock markets in GCC countries had increased the percentage of Islamic companies in the stock market compared with the preceding periods. Ayedh et al. (2019) discuss the Islamic perspective on the definition of modern companies. Islamic companies are specified as those which do not deal with an activity that has usurious interest. This includes taking a loan with

interest, investments with interest, and not taking any income that conflicts with the Islamic perspective.

However, the percentages of legitimacy issued by GCC Islamic scholars in the AAOIFI do not fully reflect the Islamic religion because AAOIFI depends on the Western perspective in building the AAOIFI standards. Kamla (2009) states that the AAOIFI announced that their standards are based on Shariah Islamiyah, but in reality, these standards depend on the Western perspective, like the IASB or IFRS. AAOIFI standards focus on two perspectives, forbidden interest rate and paying Zakah. Also, AAOIFI decisions focus on the financial sectors. AAOIFI do not have enough knowledge to be representative as Islamic, because it focus only on the financial sector and was established by Islamic banks. Islamic scholars and Shariah auditing offices could use these percentages in the non-financial sector, specifically for investments and incomes. Therefore, the Islamic scholars, national Shariah bodies and AAOIFI are not able to check on the activities of telecom companies, such as fees for connecting people, contracts between companies and customers and penalties for deferred payments because these bodies lack to have experts of telecom companies. Also, the classification by the Islamic bodies focuses on the whole activities of Islamic banks, but the telecom companies focus on whether the core activity is legitimate or non-legitimate, and only review investments and incomes in the telecom sector. Mansour and Bhatti (2018) assert that ICG focuses only on the financial sectors of the world, because assets are related to the Shariah, which has been restricted to the financial sector.

The next section examines the third way of gaining legitimacy in telecom companies, which is regulations and the law in GCC countries. It compares current laws and regulations with the pure Islamic laws that existed in the era of the Prophet and his companions.

#### **7.4 Comparison of Islamic Laws in the Era of the Prophet & in the Current GCC**

Laws and regulations for ICG have been developed by political leaders in each country. To compare between the current practice and the Islamic religion, I will examine the political view, because the ICG literature is related to decisions in companies, whether legal (Shura), economic (Hisba) or about accountability (Shariah Supervisory Board). This section has two sub-sections,

the theoretical and practical side in the era of the Prophet and Rightly Guided Khalifahs from a political perspective, and the current theoretical and practical side of the laws, including ICG laws, in the GCC. The reason for choosing the era of the Prophet and Rightly Guided Khalifahs is because the Islamic religion was not divided into different sects at that time, compared to the subsequent period in which the Islamic religion, inside and outside these countries, is divided into three sects, Sunni, Shia and Ibadi.

#### **7.4.1 Theory & Application in the Era of the Prophet and Rightly Guided Khalifahs**

The Islamic religion began in the Arab peninsula specifically Makkah, and the founder of the Islamic religion was the Prophet Muhammad (peace be upon him). Before the Prophet died, Islam had no formal political leadership because all the companions took the guidelines and rules from the actions of the Prophet. However, the Prophet had built the first Islamic state in Madinah; this is considered the date of the first period of Islamic politics and has the Madinah document (Constitution of the Islamic State). This constitution contains guidelines for dealing with people whether Muslims, non-Muslims or Jewish in Madinah. The Prophet stated that all acts of human life must be based on the Holy Quran and his Sunnah. Baydoun and Willett (1995) and Williams (2008) show that in the Islamic religion there is no separation or distinction between religious and general life affairs. The Islamic scholars assert that this constitution contains different articles and subjects, which give a comprehensive Islamic view on all aspects of life. As Khan (2001), Al-Awa (2006), Arjomand (2009), Zraik (2015) and Al-Lahibi (2019) specify, this constitution has six aspects:

“Determining the basis of citizenship in the Islamic state that includes the concept of nation, defining the person of the head of state which is Prophet Muhammad (may God bless him) which is the supreme reference for Allah and his Prophet (may God bless him), report principles of justice and equality, determining the principle of commitment to treaties after signing them, freedom of religious belief in the Madinah that includes the territory of the state, freedoms and human rights, and the population of the state is one people in the sense of the unity of the people which includes security being everyone's responsibility”. (Khan, 2001,p.4; Al-Awa, 2006,

p.49-54; Arjomand, 2009,p.562-564 ; Zraik, 2015,p.43-47 and Al-Lahibi, 2019,p.191-197).

This constitution clarifies how the Prophet dealt with the community in Madinah, which included different faiths, such as Muslims, non-Muslims and Jews (Demirel, 2013). As an example of this constitution, Arjomand (2009,p.567) portrays it as the best legislation for human life, and presents article thirteen, which describes any problems that Muslims face should be told to Allah and the Prophet Muhammad:

“This article establishes the judicial authority of Muhammad on behalf of God. There is, needless to say, no differentiation between ordinary legal and constitutional disputes, but coming immediately after the requirement of constitutional loyalty, the latter are undoubtedly comprised in the jurisdiction. Muhammad proceeded with the institution of his judicial authority by holding his court hearings in his newly built mosque and regularizing the procedure of taking oaths beside the pulpit (Minbar)”.

The Prophet Muhammad dealt with the Islamic state in Madinah and constituted the primary source for all legislation. The Prophet did not specify how rulers should deal with Muslims after he died, but he gave general guidelines and principles based on the Quran and Sunnah. For example, the guidelines of the Madinah constitution contain the justice principle, the equity principle and freedom of believers. He also indicated the Shura (consultation) principle in decisions. Mohiuddin, and Islam (2016) show an example of the Shura principle in practice during the era of the Prophet and his companions. The Prophet used the Shura principle with his companions, and he appointed members for Shura who had knowledge of the political perspectives, and economic and social perspectives. He recommended that his companions use the Shura principle in their decisions. On the practical side, the Prophet practiced using the second Islamic principle, which is Hisba to monitor the Madinah market. For example:

“The Messenger of Allah (ﷺ) happened to pass by a heap of corn. He thrust his hand in that (heap) and his fingers felt wetness. He said to the owner of that heap

of corn, "What is this?" He replied: "O Messenger of Allah! These have been drenched by rainfall." He remarked, "Why did you not place this (the drenched part of the heap) over the corn so that people might see it? He who deceives is not of us". (The Book of the Prohibited Actions, Riyadh as-Salihin, Hadith 1579).

The Prophet supports and promotes the best practices that serve human life and aid people in worldly matters, that do not contradict with Islamic law. The era of the Prophet and his companions led people by establishing a constitution and laws that were appropriate for their period. The Prophet acknowledged positive acts in business practice, which did not contradict Islamic law as shown in the story of the Prophet with his companions on the issue of date palm pollination:

“Anas reported that Allah's Messenger (ﷺ) happened to pass by the people who had been busy in grafting the trees. Thereupon he said: If you were not to do it, it might be good for you. (So, they abandoned this practice) and there was a decline in the yield. He (the Holy Prophet) happened to pass by them (and said): What has gone wrong with your trees? They said: You said so and so. Thereupon he said: You have better knowledge (of a technical skill) in the affairs of the world”. (Sahih Muslim, Hadith 2363).

The first issue in using Shura after the Prophet died was the issue of selecting a Khalifah (leader) for Muslims. The companions met together to choose a Khalifah in *Saqifah Bani Sa'ad* (the place where companions met). This is considered the first political act after the death of the Prophet, and this was through the concept of Shura (consultation) between the companions. Al-Kathiri (1980) confirms the method of Shura was used to choose the second, third and fourth Khalifahs in Madinah, and this time is the best era of Islam, called the era of the Rightly Guided Khalifahs, between 632 AD and 661 AD (Al-Kathiri, 1980). In the era of the companions, the concept Khalifah of Allah the Prophet had stemmed from the word Istikhlaf in the Holy Quran. Shallah (1989, p.18) refers to the definition of Istikhlaf extracted from the Holy Quran and stated as: “The concept of Istikhlaf (vice-regency) indicates that Allah created Adam, representing the human being, to act as his vice-regent on earth. Many constructs of Islamic economic philosophy have been primarily drawn from this concept”.

Thus, the Khalifah (leader) in Islam is the person who can apply laws and regulations to deal with the different aspect of life, whether economic, social or legal. This law is based on the instructions of the Quran and the Prophet's guidelines. Maishanu and Dutsin-ma (2012) display the main rules for Muslim dealings in the whole of life, which are Khalifah or Istikhlaf on the earth, Tawheed (oneness of Allah) and Muslim brotherhood. Hoque et al. (2013) assert that Abu Bakr announced that the legitimacy of the Khalifah was based on compliance with Shariah, and said: "Obey me as long as I obey Allah and His Messenger, when I disobey Him and His Messenger, then obey me not" Hoque et al. (2013, p.208). When the companions chose Abu Bakr as Khalifah of the Muslims through Shura (consultation), this was the political side in the first period of Islam after the Prophet died. Abu Bakr and other Rightly Guided Khalifahs depended on the Shariah Islamiyah provisions for all decisions of life.

The main source of Shariah and human life legislation is the Holy Quran and the Sunnah of the Prophet. Al-Dewaish (2004) investigates the *Muqaddimah Ibn Khaldun*. Ibn Khaldun confirms that the Islamic law in the first Islamic era is distinguished by being derived from divine law, which human beings did not interfere with in its manufacture or production. After the companions made the decision for Abu Bakr to be Khalifah, Abu Bakr's first act was to deal with the social and economic life of Muslims in Madinah. Al-Jarhi (2016) asserts Abu Bakr requested to collect Zakah from Muslims and this is the social and economic aspect. Al-Jarhi confirms the policies and procedures of Abu Bakr were established based on his perspective on the religious aspect. The view of Islam has strong links with human life whether the financial aspect, the religious aspect or the social aspect. Maali et al. (2006,p.286) describe the Islamic religion and include all perspectives on life, whether Islamic or financial, and specify: "As a religion and a culture, Islam presents an absolute ethical code". Abu Bakr also used the Shura principle in practice, with the Prophet's companions:

"Whenever some important problem was broached with Abu Bakr, may Allah be pleased with him, he called on the Muhajirin and Ansar and invited in particular Umar, Ali, Uthman, Abu Ubaydah, Abdal-Rahman bin Auf, Muadh bin Jabal, Ubayy bin Ka'b, and Zaid bin Thabit, may Allah be pleased with them, for



consultation. These counsellors pronounced verdicts on questions of law during the reign of Abu Bakr and the people relied on them in respect of their legal opinion”. (Mohiuddin and Islam, 2016,p.82,83).

After the era of the Rightly Guided Khalifahs, Al-Kathiri (1980) confirms the method for choosing the Khalifah changed during the period of later Islamic states, such as the Umayyad state and the Abbasid state. It is reflected in current Islamic states, such as those in the Gulf region. This change has definitely impacted on the Shura principle, because the Shura principle suggests that selecting a Khalifah should be based on Shura between Muslims; this selection made Muslims share with the Khalifah in their human life decisions whether economic, social or legal. Also, Al-Kathiri (1980) explains the way of Muslims to select the Khalifah, based on characteristics such as piety, justice, sincerity and honesty. The change in practice touched the justice principle in the constitution of Madinah. Justice is a comprehensive principle for life, whether selecting a Khalifah or other practices in life. The Khalifah will be concerned about the justice principle when building laws and regulations, without bias to his relatives, because the Khalifah is monitored by Allah in all acts in this life. Al-Jarhi (2016) discusses the situation of building ICG should be adopted from governments in Islamic countries. He gives the example of the case of choosing a Khalifah in the first era of Islam. When looking at the first period of Islam, the first political issue occurred when the companions of the Prophet gathered in the “*Saqifah Bani Sa'ad*”, to select between themselves Abu Bakr as Khalifah for Muslims after the Prophet died. Al-Jarhi confirms the political side impacts on the economic side through establishing policies, procedures and regulations that must be performed in practice. Although changing the practice has not touched the primary sources of the Islamic religion which are the Holy Quran and the Sunnah, Al-Kathiri, (1980, p.11) gives an example of changes between naming the Khalifah in the era of the Rightly Guided Khalifahs and in the Abbasid state:

“The Abbasid Khalifah al-Mansur (754-775) claimed a divine right and called himself a successor of God. The orthodox Khalifah Abu-Bakr, on the other hand, refused to be called successor of God. He called himself successor to the Apostle of God”.

In the first period of Islam, Al-Dewaish (2004) investigator which Ibn Khaldun in *Muqaddimah* confirms the companions of the Prophet conveyed the Islamic provisions which included the Quran and Sunnah, but they were not intellectuals or analytical. All of the companions received the Islamic religion from the Prophet and applied this religion as in the time of the Prophet, because the companions' time was close to the time of the Prophet, and they did not need to be intellectuals and create new themes and ideas. Ibn Khaldun describes jurisprudence in the first period of Islam, when the Arabs were illiterate and depended on whoever could perfectly recite the Quran, called the writer. Ibn Khaldun mentions writing in Islam which is the first step towards knowledge and establishing Islamic jurisprudence, which was then completed and divided into two. Ibn Khaldun divides two ways were the way of people of opinion and measurement<sup>5</sup> that existed in Iraq and the way of people of hadith that existed in Hijaz (Makkah and Madinah). The sources for jurisprudence are the Quran and the Sunnah. The consensus of the companions was based on the evidence from the Quran and Sunnah and measurement.

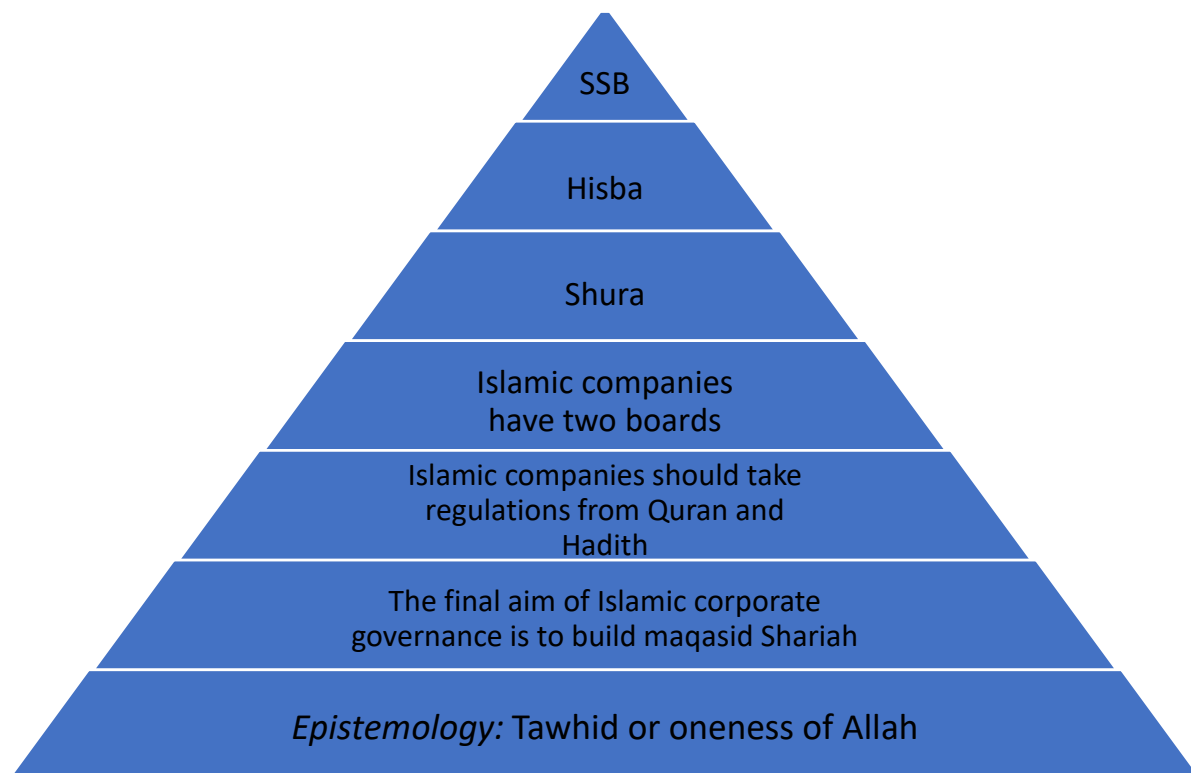
In conclusion, the Khalifah, which was the traditional name for Islamic leaders in the past, was no different from the leader of Muslim countries in the first Islamic era or the current time. The Khalifah or leader was required to follow Shariah provisions in the first era of Islam, just as he is today. Throughout the history of Islamic religion, the application of Islamic teachings has varied from the era of the Prophet and his companions, compared with the present day. Islam has not prevented development and improvements on the theoretical side, provided that they do not conflict with Islamic law. The best principles stem from the Islamic religion that existed at the time of the Prophet Muhammad and his Rightly Guided Khalifahs. Lewis, (2005), Zaitul (2007), Hasan (2008), Kasri (2010) and Larbsh (2015), Choudhury and Nurul Alam (2006; 2013) indicate that ICG should be based on three aspects that assist companies to follow Islamic instruction in practice. The political aspect in Islam should be based on Shura and build theoretical laws and regulations. The economic aspect in Islam should be based on Hisba and monitor acts and the extent of being compatible with Shariah provisions. The accounting aspect in Islam should be

---

<sup>5</sup> Islamic scholars use measurement for issues that do not have evidence in the Quran or the Sunnah. Measurement started with evidence that was found in the Quran and the Sunnah. The evidence is analysed and linked to current issues that people seek to answer. In addition, Islamic scholars bring similar current issues from the Quran and the Sunnah, and try to make appropriate decisions based on the Quran and the Sunnah.

based on the SSB. The strongest pattern for exploring Islamic aspects is described in Figure 7.1 as suggested by the earlier chapters on literature analysis. The epistemological paradigm of Islam is the unification of Allah. The Islamic law decisions is based on the principle of Maqasid Shariah. The basis of Maqasid Shariah is the sacred book of the Quran and the Sunnah of the Prophet. Additionally, there are two boards in an Islamic corporation, the SSB and the board of directors, who examine operations in a business. Shura is an approach for deciding the ultimate verdict under the evaluation of Hisba. Hence, in contemporary Islamic organizations, the SSB performs these functions.

**Figure 7.1. ICG based on the view of Islamic Religion and the literature**



The next section discusses current ICG in the laws and regulations of the GCC, comparing them with the theory and practice in the era of the Prophet and his companions.

#### **7.4.2 Current Laws that Include ICG**

Governments in GCC countries confirm in their memoranda of establishment that the Islamic religion is the main source of all legislation. All regulations and laws, whether company laws or corporate governance codes, indicate that they stem from the memorandum of establishment of each country. Shubaily (2006,2020) confirms Company laws in GCC countries contain almost the same definition of a company, which is the same as the Islamic company definition. Company laws fail to differentiate between whether companies are legitimate (Islamic) or non-legitimate (non-Islamic) in most GCC countries, because they look to avoid conflict with the main idea of Islam, which states Islam is suitable for all aspects of human life. In current practice, companies need to clarify whether they are legitimate companies or non-legitimate companies, because most company activities in these countries follow Islamic provisions in general, but the main focus is related to financial and investment activities. In addition, Islamic bodies classify listed companies to be Islamic, mixed and forbidden companies.

Telecom companies are impacted by company laws and corporate governance codes in all GCC countries, but only in Kuwait, the UAE and Oman does the company law request the declaration of the position of each company as legitimate (Islamic) or non-legitimate (non-Islamic) when established. If the company wants to be legitimate as Islamic, they need to follow the instruction for Islamic companies built by the stock exchange or central bank, and this instruction requires establishing a SSB as a representative board for Islam in legitimate (Islamic) company. In corporate governance, only the Bahraini corporate governance regulation issued by the central bank mentions Islamic companies, and this code regulation is limited in reflecting Islamic religion. Bindabel et al. (2016) refer to the lack of development of regulations and laws on ICG based on an Islamic perspective in these countries. Also, Kamla (2009) refers to Islamic finance laws and regulations that have been established through cooperation between Saudi Arabia, the United States and the United Kingdom. These countries support the development of Islamic finance regulations worldwide, although Malaysia and Indonesia have also made efforts to develop Islamic finance.

All GCC countries laws and regulations on ICG focus only on Islamic banks and Islamic insurance companies, and have regulations for the ICG under the central bank, and Islamic finance, which is focused only on Islamic financial companies. Hidayah et al. (2019) suggest the aim of building Islamic financial companies is to keep the religious aspect working in practice. They see the epistemology of Islamic financial companies as different from the epistemology of traditional companies. However, the law and regulations fail to explain how Islamic companies could disclose data, and this is based on different Islamic scholars' opinions in different GCC countries. Bindabel et al. (2016) conducted semi-structured interviews with forty people in Kuwait, Saudi Arabia and the UAE. They find these countries have a tough and effective relationship in terms of Islamic religion and culture, but there are different Islamic religious practices in these countries. Most Islamic Shariah auditing offices use the regulations issued for Islamic banks and insurance companies for both financial and non-financial sectors, but these standards focus only on the financial perspective.

No official entity has adopted legitimate (Islamic) standards to apply them in the telecom sector. The SSBs in all GCC countries have failed to unify references for Shariah decisions in the financial sector, and they concentrate on the financial aspect of telecom companies. The diligence of Shariah scholars (the collective decision of Islamic scholars on a specific issue) provides legitimacy (Islamic) lists for companies on the stock market and each scholar sets his own standards. The lack of regulations for Shariah governance creates conflict between practitioners and the public and creates some concerns for Shariah governance in practice. Fatmawati et al. (2020) discuss Shariah governance law in the Islamic banks of eleven countries, which include GCC countries. They state that most countries are looking to develop regulations for Shariah governance in the financial sectors, specifically Islamic banks. They find three paths to developing the Shariah governance laws in GCC countries, which are a "strict path in Oman, Bahrain and Kuwait, a moderate path in UAE and a flexible path in Saudi Arabia" (Fatmawati et al., 2020, p.12).

There is a gap between the current laws on corporate governance and the memoranda of establishment in GCC countries, which is clear in the current legislation, which only focuses on financial sectors, through central banks in the GCC. Kamla (2009) states that all Muslims see that Islam contains comprehensive principles for all aspects of life, but most only practice this in

Islamic finance focusing on two perspectives, forbidden interest rate and paying Zakah. Also, the classification of companies has not been accurate, because uniform references or standards that could be used as references when needed do not exist. Al-Sartawi (2020) shows that Shariah governance does not have central regulations for Islamic financial companies in the GCC. They recommend uniform Islamic standards and regulations in Islamic banks, because Islamic scholars have different opinions about certain issues in these countries. These opinions could create a gap in Islamic banks' performance. On the other hand, Islamic scholars interviewees concerning classification suggests lack of uniform decision on Islamic aspects of companies practice. Bahari and Baharudin (2016) discuss the issue of the opinions of Islamic scholars in Islamic banks, and suggest that each Islamic scholar makes a different decision based on his understanding. Therefore, these decisions could create a gap with practitioners in the Islamic sector. Most Islamic scholars interviewees confirms that Islamic banks can also appoint an Islamic scholar to more than one SSB in different Islamic banks, and this Islamic scholar could give separate and different opinions on the same issue in each different SSB. Therefore, the opinions of this scholar could create a conflict of interest for him in each bank.

## **7.5 Chapter Conclusion**

Islamic religion is the primary source for companies' legitimacy in GCC countries. The ICG literature depends on three concepts SSB, Shura and Hisba. The SSB assists telecom companies through decisions stemming from the Shura concept. Shura is the second Islamic concept that must exist in practice, and this concept is based on Islamic scholars, who must have a full understanding of the view of telecom activities whether core or non-core activities. This could be through appointing telecom experts to Shariah bodies in order for them to know the basics of these activities. After the SSB has established policies and procedures and Shura is established between Islamic scholars and telecom experts, the third concept, which is Hisba, needs to be built. The Hisba concept is about controlling and monitoring the implementation of policies and procedures requested by Shura. For these three concepts in practice there needs to be uniform standards and education for TMs and Islamic scholars about the link between Islamic perspectives and business because telecom companies are keen to be legitimate in practice whether implicitly or explicitly. TMs should know in practice Islamic scholars' classification; TMs clarify which activities/income

follows and does not follow Shariah. Therefore, dividing activities and income assists to know how Islamic scholars adopt classification in practice. Corporate governance codes in these countries lack ICG for non-financial companies, specifically telecom companies.

## **Chapter Eight: Conclusion**

### **8.1 Introduction**

This research is about corporate governance from an Islamic perspective. It explores the telecommunications sector in five GCC countries, Saudi Arabia, Kuwait, Oman, Bahrain and the UAE. The research excludes Qatar due to access problems in the political context. The aim of this research is to explore and assess the current practice of corporate governance, in relation to an Islamic perspective, of the Telecommunications Sector in GCC, using three methods. First, exploring current practices and compared with the theory/practice of the period of the Prophet and his companions. Second, exploring how practitioners in telecoms link telecom operations with Islam. Third, it explores the view of Islamic scholars on the classification of listed companies and conditions for the classification.

The literature and Islamic scholars interviewees confirmed the basis of ICG for legitimate companies reflects three Islamic concepts: an internal SSB, Shura (consultation) and Hisba. The SSB would oversee all activities of companies, whether financial or non-financial. Decisions of this Board stem from the concept of Shura. Shura was based on an in-depth review and analysis of the evidence of the Quran and the Sunnah by Islamic scholars, and Islamic scholars could create new versions of policies and procedures for ICG, and taking the consultation of practitioners in companies, to understand the gaps between the views of Islamic scholars and the companies practice. Thus, Islamic scholars could create new versions of policies and procedures for ICG. These policies and procedures should be monitored and controlled by a third concept which is Hisba, and Hisba specifies the implementation of tools for monitoring and controlling. However, the telecom companies formally lack to be interested in ICG, but use Islamic side whether explicitly or implicitly. Explicitly is through the declaring of two telecom companies as Islamic and implicitly through using Islamic formulas in annual reports.

The research used qualitative methods to answer the research questions, using forms of content analysis and semi-structured interviews. Content analysis was used to analyse three types of legal documents, the memorandum of establishment in each country, company laws and corporate



governance codes. In addition, content analysis was used to review the annual reports of telecom companies. In the telecom companies' annual reports, the analysis looked at the extent the Islamic side of telecom companies was indicated, whether explicitly or implicitly, and using Islamic bodies criteria that classify companies as legitimate or non-legitimate. The second approach used semi-structured interviews with thirty-one interviewees. The interviewees were nineteen Islamic scholars in Shariah Auditing Offices, Islamic banks and working independently as Islamic scholars, and twelve TM interviewees from eleven telecom companies.

The next sections cover the findings for each research question with the recommendations that follow, the limitations of this research and future research.

## **8.2 Review of the Findings**

This section discusses more details about the findings in relation to the research questions based on qualitative content analysis and semi-structured interviews.

### **Research Question 1: Do GCC telecom companies reference Islamic corporate governance? If so, how?**

In terms of telecom companies' practices in GCC countries, exploring these practices showed that they depend on the legal perspective in each country. At the same time the law does not request to use ICG, but the telecom companies use Islamic aspects that render them Islamic companies from the Islamic bodies perspective. The Islamic companies in these countries only are Islamic banks and insurance, and the law required to have ICG for Islamic banks and insurance. Telecom companies have not established internal ICG to give them approval that their activities are legitimate in Islam, despite two telecom companies in GCC declaring they are Islamic companies. These Islamic telecom companies have appointed external Shariah Auditing Offices, and these offices classify both companies as Islamic companies. The external shariah auditing offices did not request from telecom companies to establish ICG internally. However, the external shariah auditing offices use ICG in telecom companies implicitly through confirming these companies as Islamic. The external shariah auditing offices classified the Islamic telecoms as Islamic companies

based on core activity. However, those offices lack to divide Islamic telecom companies activities which are core activity that relate to connection between people (this activity is legitimacy in Islam), and non-core activities that relate to investments, incomes from songs, satellite channels and competitions (some of these activities conflict with legitimacy in Islam).

Most Telecom companies used ICG implicitly through Islamic bodies classification. This classification assist companies to use ICG implicitly or explicitly through using Islamic formulas in practice. The telecom companies used an Islamic ‘front’ in their practices disclosing Islamic instruments in their annual reports such as those reflecting the zakah and Murabahah principle.

**Research Question 2: Are telecommunications companies in GCC claiming to use the Islamic rules in order to legitimise their operation?**

In companies, the owners and the board of directors have different concerns about the Islamic perspective, and all of them agree Islam as source of legitimacy for companies. The first concern is that companies declare themselves to be Islamic companies in their memorandum of establishment. Two telecom companies in Kuwait are explicitly Islamic companies, because these companies were established based on article fifteen in the Companies’ Law. Other telecom companies are concerned with giving high quality of services and fulfilling the legal requirements of each country, but they also care and monitor how Islamic scholars classify telecom companies. Most telecom companies wish to be listed under the Islamic classifications because they want to attract customers who are interested in the Islamic perspective from the whole of society in these countries. Most telecom companies have direct communication with the Islamic scholars that classify companies. Telecom companies monitor the Islamic scholars’ lists, because they feel some impact on the market share price when Islamic scholars remove a company from their list.

However, most TMs do not have enough education about the Islamic perspective in business and how the Islamic perspective impacts on the business practices; they only see what the Islamic bodies declare in their lists. The TMs understand the Islamic perspective in Islamic banks or Islamic insurance companies, because these sectors are widespread in GCC countries and most

Islamic bodies focus on forbidden and permissible practices when they evaluate the financial sector.

### **Research Question 3: What is legitimate practice for telecoms from the perspective of Islamic bodies in GCC?**

Legitimacy in the current practice exists in telecom companies from two perspectives. The first aspect is obtaining licences and fulfilling all legal requirements for practicing their activities. The second is gaining legitimacy from Islamic bodies that classify companies in practice. In terms of the legal aspect, all companies follow the instruction for their activities based on company law and stock market requirements in each country. Some laws require companies to use an Islamic principle as mandatory in their practice, which is Zakah. Zakah is required by market securities exchanges in the company law of Kuwait and Saudi Arabia. These Islamic bodies have a direct impact on the final decision of people who are interested in investing from an Islamic perspective. Islamic scholar interviewees confirm that most investors reflect the final decisions of the Islamic bodies in investing or not in a company. In addition, investors and the public influence the Islamic orientation, e.g. the developing of Islamic banks or Islamic windows in traditional banks in GCC countries. Miniaoui et al. (2015) indicate the interest of GCC investors in Shariah, which is clear from the spread of Islamic banks in these countries.

The Islamic bodies' classification of companies depends on four criteria. Firstly, the main activity of a company should be legitimate (halal) in Islam. When a company passes the first condition, the second condition looks at loans. No more than 33.33% of all loans can be forbidden loans. The third condition is investments, of which no more than 33.33% can be forbidden investments. The sum of 33.33% is based on the Hadith of the Prophet which said "one-third, one third is so much". The fourth condition is income, which must not be more than 5% of forbidden income as seen through the diligence of Islamic scholars.

The classification of companies divides companies into three types: Islamic, mixed and forbidden companies. Islamic companies are companies which have legitimate activities, and all financing and investments are legitimate in Islam. Mixed companies are companies which have legitimate

activities, but these companies also take traditional loans (loans with interest), invest in traditional investments, and have income conflicting with legitimacy (whether, e.g., income from traditional loans or gambling). Traditional loans and investments are required to be not more than 33.33% of total loans and total investment, and forbidden income required to be not more than 5% forbidden income. The third type is forbidden companies, and this type could be forbidden in two ways, firstly, the main activity of the company is forbidden, such as gambling, alcohol, riba. Thus, it is classified as a forbidden company because of its main activity. Secondly, companies that have legitimate activities, but traditional loans and forbidden investments are more than 33.33% and forbidden income is more than 5% then companies become forbidden companies due to the increased traditional loans, investments and incomes. This classification does not divide which activities telecom companies should follow or avoid in their current practice.

**Research Question 4: From an Islamic perspective can laws and codes for corporate governance be strengthened and improved in GCC countries?**

Four corporate governance codes out of the five GCC countries do not mention ICG in their codes; only the corporate governance code in Bahrain mentions Islamic companies. There is a gap between corporate governance codes and the memorandum of establishment in each country, because these codes adopt the Islamic perspective only in the financial sector, specifically in banks and insurance. This adoption is through the central bank in each country. Central banks consist of two types of bank, Islamic banks and traditional banks. There is ICG for Islamic banks and how each Islamic bank must deal with its activities. However, telecom companies have link with banks, because all telecom companies have services of communication provided to the public; these services take fees which are deposited in Islamic or traditional banks. Some telecom companies invest these deposits in Islamic banks and some of them do not care and invest in traditional banks.

To develop current corporate governance laws, ICG should be added to the current codes, because all sectors, whether telecom companies or companies in other sectors, need to deal with banks. Most banks have Islamic formulas through Murabahahs that are provided to customers through loans or investments. The Islamic banks and Islamic windows in traditional banks are widespread in GCC countries. ICG is important for classifying companies in the current practice, because all

telecom companies look to become acceptable in GCC society, which is widely interested in companies that are listed under Islamic bodies.

### **8.3 Recommendations for Improving Current Practices**

This section provides six recommendations that assist in improving current laws and regulations, and provides steps for improving current practices of telecom companies.

1. Islamic scholars' opinions are the main potential influence on legitimacy in relation to ICG. Islamic scholars empowered and entrusted companies offering Islamic transactions when legitimate Islamic companies were first developed. The main concern here is how to make these opinions of scholars fit with the current environment, and Islamic scholars must better communicate with practitioners. Islamic scholars elucidate Islamic perspectives and overlook linkage to theoretical perspectives within current business. Most Islamic scholars connect current reality with specific issues that manifested for the Prophet and his companions. However, they should rest on the whole ideas of the Prophet and his companions beyond these issues. The Prophet promotes developing a lifestyle that does not conflict with Shariah provisions, reflecting the Holy Quran and the Sunnah of the Prophet.
2. Lacking linkage to the current period in the above sense can result in Islamic scholars creating fatwas on very particular issues, these fatwas being changed often, which can reduce society's confidence in the scholars. Similarly, as Bindabel et al. (2016) note, Islamic scholars have different opinions on Islamic jurisprudence matters. This could be an obstacle to Islamic company practice and create differences in, e.g., Saudi Arabia, Kuwait and the UAE. Thus, Islamic scholars should try to give clear Islamic guidelines while reflecting the substance of the Quran and the Sunnah. From their analysis of Islamic sources, Islamic scholars can make new version of fatwas that are appropriate to the current reality and gain wider acceptance in Muslim society. Kamla (2009) suggests that most literature on Islamic accounting also fails to clarify the whole message of the Islamic religion.

3. The current evaluation of external Shariah auditing offices of two Islamic telecom companies in Kuwait is lacking in its focus on four Islamic aspects. The first is the relative focus on paying Zakah. The second is only checking the financial aspects of both telecom companies. Third, Islamic scholars classifying listed companies look at Islamic references for their decisions, based on ICG codes that exist in central banks in each country, or they use their own standards or AAOIFI. However, this is not enough, because the main activity of Islamic banks is different from that of telecoms, if they may converge on financial aspects. Islam covers all aspects of life, so ICG should not be restricted only to financial aspects or sectors. Fourth, Islamic scholars lack in defining telecom companies' incomes because telecoms fail to provide enough disclosure of which income is forbidden or permissible in Islam in order to assist Islamic scholars with accurate classifications of these companies. The telecoms sector should provide the disclosure to facilitate this.
4. In the appendix, the research suggests establishing regulations based on the three Islamic concepts Shura, Hisba and SSB. These concepts can help extend the Islamic view about telecoms and look to other areas to be deemed legitimate or non-legitimate in Islam. External Shariah auditing offices or Islamic bodies should check and focus on the type of activities provided by telecoms. Also, the Islamic bodies do not check contracts and details of contracts between telecom companies and customers: they should study whether telecom company contracts are based on Islamic provisions. This could be the first step in dividing the main activities of telecom companies and could have a benefit for other non-financial sectors to look at dividing their activities in practice.
5. Thus, Islamic bodies must cooperate with the regulators and decision-makers in GCC countries to build new regulations which assist in knowing the core activities and non-core activities of telecom companies. These regulations would assist all telecom company practitioners to gain insights into which Islamic activity they should follow and which non-Islamic activity they should avoid and align their practice with legitimacy in the public's eyes. Also, these regulations would assist Islamic scholars in classifying non-core activities, which could be legitimate or non-legitimate and on the Islamic lists. Cooperation through conferences and seminars to clarify telecom companies' activities should be provided and try

to link with Islamic scholars about all products. This assists Islamic scholars in building new categories for these activities in telecom companies. Therefore, there should be teaching and training and a review of all Islamic products issued by Islamic banks, clarifying for telecom companies how these can be related to the Islamic perspective. Alnori and Alqahtani (2019) recommend that regulators and policymakers in Saudi Arabia should create an easier way to establish Islamic products and unify procedures, provided they follow Shariah instructions, such as Murabahah and Islamic sukuk, helping to attract customers who look to use these products, whether they are other companies or investors.

6. Finally, most TMs lack knowledge about the Islamic aspects that relate to telecom companies. TMs do not yet appreciate which forbidden activities to avoid in their practices and how Islamic bodies classify telecom companies. Also, the telecoms sector lacks accurate ways to follow Islamic instructions through more disclosure. New regulations of ICG consistent with the above recommendations that would facilitate companies concerned to follow allow activities forbidden in Islam to follow Islamic instructions including through adding or editing requirements. Also, these regulations assist in creating competition between telecom companies through building new products and services following Shariah provisions.

#### **8.4 Limitations of the Research**

In this section there are seven limitations which relate to the context and methodology used in this research and the telecom sector because the literature, GCC regulations and Islamic bodies practice fail to discuss the Islamic religion perspective in telecom companies:

1. Although the primary source of legislation in these countries is the same, there is a dearth of papers that discuss the comparison between company laws in GCC countries and corporate governance codes for these countries.
2. The primary source of legislation is ostensibly Islam, but companies' laws and corporate governance codes in these countries fail to follow Shariah because these laws used some

principles conflicting with Shariah from Islamic bodies' perspective such as permitting issue of preferred shares and bonds. Islamic bodies fail to discuss these issues and focus only on the main activity of telecoms. All decisions of these bodies fail to check how this conflict can be resolved.

3. Islamic scholars fail to determine the accurate percentage of forbidden investments in financial and non-financial sector, even though Islamic scholars specify to accept few percent of forbidden investments in companies which between 30% to 33.33%. However, this percentage is not referring to few percent of forbidden investments in telecom companies because telecom companies have high investments in banks, and this percentage could be high when comparing with other sectors.
4. The context in this research does not cover all telecom companies in the GCC as the research excluded seven telecom companies for two reasons. Firstly, four telecoms are owned by Qatari telecom companies. Secondly, three telecom companies were not interested in the research. The researcher did not communicate with the Qatari telecom companies because of the political context. The researcher tried to interview TMs from two telecom companies, in Kuwait and Oman, owned by a Qatar telecom company, but these companies refused to accept any interviews based on the political issue.
5. The research failed to define how Islamic scholars deal with activities that might be a concern in Islam, such as how Islamic Sukuk issued in dollars in some telecom companies could be related to the Islamic perspective, how medical insurance could be related to the Islamic perspective, how the tax that Islamic telecom companies in Kuwait pay could be related to the Islamic perspective and how telecom companies should deal with different currencies and compensation from foreign telecom companies. Also, Islamic scholars have not focused on telecom companies' contracts with customers, and how this might be related to Islamic law.
6. The semi-structured interviews approach might lead to a gap through only focusing on two groups, Islamic scholars and TMs. If other stakeholders that deal with telecom companies,



such as general customers from the public, were interviewed, this could get interesting findings about the quality of services, customer satisfaction and how to get new ideas about linking the Islamic aspect with the telecoms sector.

7. The research method only used a qualitative method with two approaches, content analysis and semi-structured interviews. If the research was extended using quantitative methods through surveys or questionnaires, this could assist in obtaining interesting findings.

## **8.5 Future Research**

In terms of future research, ICG could have a comprehensive view of Islam and try to link the Islamic background with current practices in the non-financial sector. There are seven areas that could be looked at in future research:

1. GCC countries depend on Shariah Islamiyah as the main source of legislation, but current practices do not focus on the Islamic religion as a comprehensive concept covering all aspects of human life. As Islamic economics is distinguished by being concerned with the justice principle in dealings between people, the regulators and decision makers in GCC countries should build policies and procedures to develop regulations based on the primary source of the legislation, which is Islamic law. Islamic scholars must depend on the evidence in the Holy Quran and the Sunnah from a comprehensive analysis. Islamic scholars can look at this evidence and extract new Islamic ideas based on the principle of justice and link this with corporate governance, provided it does not link any Islamic decisions on specific issues with what happened in the era of the Prophet. For example, the specification that the percentage of forbidden loans and forbidden investments should not account for more than 33.33% is based on one of the Hadiths in the Sunnah. Islamic scholars state that the Islamic religion is suitable for all life issues, and they should see the Islamic religion as comprehensive and not depend on one Hadith. Thus, Islamic scholars should reanalyse and study all Islamic sources to extract new versions based on a comprehensive view of the Islamic sources, the Quran and Sunnah.

2. To obtain sound ideas on what is suitable for this period, Islamic scholars in future research should measure these ideas in practice through taking advice from practitioners in non-financial companies, specifically telecom experts. This advice will assist in understanding the reality of the telecoms sector. There is a jurisprudential rule which says, “Judging a thing is a branch of its perception” (Al Gammal et al., 2020, p.1238). This rule should be used by Islamic scholars to understand the reality of current modern practices. For example, Islamic jurisprudence requires Islamic scholars to understand the issues on which they want to build fatwas whether on the religious side or in general life. After Islamic scholars understand the concerns, then they can issue a suitable fatwa on this question.
3. As mentioned above in the limitations of the research, there is a dearth of papers that discuss the comparison between company laws and corporate governance codes for these countries. Future research could expand to fill this gap.
4. Companies laws and corporate governance codes have some principles conflicting with Shariah such as issuing bonds. In future research will clarify these principles to Islamic bodies and regulators in these countries and try to cooperate with these organizations to fix these principles to follow Islamic provisions.
5. As mentioned above in third point of limitations, Islamic scholars have determined the few percent of forbidden investments in Islam between 30% to 33.33%. Further research is needed to do in-depth analysis for defining the forbidden investments percentage in Islam and clarify to Islamic scholars, how this percentage lack to refer few forbidden investments when using in telecom companies.
6. This research focused on only one sector of the non-financial sector in the GCC, which is telecom companies. Future research could expand this to another non-financial sector and compare the results with those found in the telecoms sector, which might yield interesting findings.

7. Future research could also expand semi-structured interviews to other stakeholders related to the telecoms sector, which might include customers, investors and governments legislators.

## **8.6 Chapter Conclusion**

This chapter gives a summary of the findings for each research question and discusses the recommendations that could improve the current practice. It also elaborates limitations of this research and makes some suggestions for future research.

## References

- AAN digital services Co., (2019). AAN digital services holding Company, Consolidated Financial Statements. [online]. Boursa Kuwait. [viewed 14.04.2020]. available from: [https://cis.boursakuwait.com.kw/Portal/FData/621\\_BL\\_2019\\_9\\_E\\_1442020122150849.pdf](https://cis.boursakuwait.com.kw/Portal/FData/621_BL_2019_9_E_1442020122150849.pdf)
- AAOIFI., (2015). *Accounting, Auditing and Governance Standards, Governance chapter*. Manama, Kingdom of Bahrain: DarAlmaiman for Publishing and distribution. Riyadh, Saudi Arabia.
- Ab Rahman, A. B. and Abu-Hussin, M. F., (2009). GCC economic integration challenge and opportunity for Malaysia. *The Journal of International Social Research*. **2**(9), pp.43–55.
- Ababneh, M., (2015). Good Governance in the Islamic Political System of the First Al-Madina AL-Munawrah state. *Al Hijaz International Refereed Journal for Islamic & Arabic Studies*. (10), pp.35–117.
- Abd Razak, A., (2018). Centralisation of corporate governance framework for Islamic financial institutions: Is it a worthy cause? *ISRA International Journal of Islamic Finance*. **10** (1), pp.36–51.
- Abdallah, A. and Ismail, A. K., (2017). Corporate governance practices, ownership structure, and corporate performance in the GCC countries. *Journal of International Financial Markets, Institutions and Money*. **46**, pp.98–115.
- Abdallah, A. et al., (2015). Islamic financial institutions, corporate governance, and corporate risk disclosure in Gulf Cooperation Council countries. *Journal of Multinational Financial Management*. **31**, pp.63–82.
- Abu Dhabi Securities Exchange (ADX), (2021). Etisalat Telecommunication Company (ETISALAT GROUP). [online]. ADX. [viewed 18.01.2021]. available from: [https://www.adx.ae/english/pages/productsandservices/securities/selectcompany/company-info.aspx?listedcompanyid=aee000401019&pnavtitle=%d8%b4%d8%b1%d9%83%d8%a9%20%d9%85%d8%ac%d9%85%d9%88%d8%b9%d8%a9%20%d8%a7%ef%bb%bb%d9%85%d8%a7%d8%b1%d8%a7%d8%aa%20%d9%84%d9%84%d8%a7%d8%aa%d8%b5%d8%a7%ef%bb%bb%d8%aa\(%d9%85%d8%ac%d9%85%d9%88%d8%b9%d8%a9%d8%a7%d8%aa%d8%b5%d8%a7%ef%bb%bb%d8%aa\)%d8%b4%20%d9%85%20%d8%b9](https://www.adx.ae/english/pages/productsandservices/securities/selectcompany/company-info.aspx?listedcompanyid=aee000401019&pnavtitle=%d8%b4%d8%b1%d9%83%d8%a9%20%d9%85%d8%ac%d9%85%d9%88%d8%b9%d8%a9%20%d8%a7%ef%bb%bb%d9%85%d8%a7%d8%b1%d8%a7%d8%aa%20%d9%84%d9%84%d8%a7%d8%aa%d8%b5%d8%a7%ef%bb%bb%d8%aa(%d9%85%d8%ac%d9%85%d9%88%d8%b9%d8%a9%d8%a7%d8%aa%d8%b5%d8%a7%ef%bb%bb%d8%aa)%d8%b4%20%d9%85%20%d8%b9)
- Abuznaid, S. A., (2009). Business ethics in Islam: the glaring gap in practice. *International Journal of Islamic and Middle Eastern Finance and Management*. **2**(4), pp.278–288.
- Ahmad, N.N. and Sulaiman, M., (2004). Environment disclosure in Malaysia annual reports: A legitimacy theory perspective. *International Journal of Commerce and Management*. **14**(1), pp.44–58.
- Ahmed, I. E., (2017). The Impact of Corporate Governance on Islamic Banking Performance: The Case of UAE Islamic Banks. *Journal of Banking & Finance*. **2017**(09), pp.1–10.

- Akguc, S. and Al Rahahleh, N., (2018). Effect of Shariah Compliance on Operating Performance: Evidence from GCC Countries. *Emerging Markets Finance and Trade*. **54**(12), pp. 2874-2896.
- Akram Khan, M., (1984). Islamic Economics: Nature and Need. *Journal of King Abdulaziz University: Islamic Economics*. **1**(2), pp.51–55.
- Aktan, B. et al., (2018). Corporate Governance and Performance of the Financial Firms in Bahrain. *Polish Journal of Management Studies*. **17**(1), pp.39–58.
- Al Gammal, M. et al., (2020). The Most Important Electronic Fatwas of Covid19 in Light of the Objectives of Sharia and Taking into Account the Circumstances. *PalArch's Journal of Archaeology of Egypt/Egyptology*. **17**(9), pp.1237-1243.
- Al Mutairi, M. et al., (2012). Corporate governance and corporate finance practices in a Kuwait Stock Exchange market listed firm: a survey to confront theory with practice. *Corporate Governance: The international journal of business in society*. **12**(5), pp.595–615.
- Al Saud, F. M., (2000). *Political development in the kingdom of Saudi Arabia: an assessment of the Majlis Ash-Shura*. Ph.D. thesis, Durham University. [viewed 01 March 2021]. Available from: [http://etheses.dur.ac.uk/4512/1/4512\\_1976.pdf?UkUDh:CyT](http://etheses.dur.ac.uk/4512/1/4512_1976.pdf?UkUDh:CyT)
- Al Tamimi, H. A. H., (2012). The effects of corporate governance on performance and financial distress the experience of UAE national banks. *Journal of Financial Regulation and Compliance*. **20**(2), pp.169–181.
- Alam, K. et al., (2019). Shariah governance framework of Islamic banks in Bangladesh: Practices, problems, and recommendations. *Asian Economic and Financial Review*. **9**(1), pp. 118–132.
- Al-Awa, M. S., (2006). *In the political system of Islamic state*. 2th ed. Egypt Dar Shorouk.
- Albassam, W. M. and Ntim, C. G., (2017). The effect of Islamic values on voluntary corporate governance disclosure: The case of Saudi-listed firms. *Journal of Islamic Accounting and Business Research*. **8**(2), pp.182–202.
- Al-Bassam, W. M. et al., (2018). Corporate Boards and Ownership Structure as Antecedents of Corporate Governance Disclosure in Saudi Arabian Publicly Listed Corporations. *Business & Society*. **57**(2), pp.335–337.
- Albusaidi, S. A., (2012). The Reading of the Quran, Sunna and Akhbar in Early Ibadī Sources. In: University of Naples L'Orientale. *Ibadī Theology: Rereading Sources and Scholarly Works, 28th- 30th May 2012, Sala Conference, Palazzo Du Mesnilpp, Italy*. University of Naples L'Orientale. pp.1-19 [viewed. 01.March.2021]. Available from: <https://www.unior.it/ricerca/7003/3/detailed-programme.html>
- Al-Dewaihi, A. R., (2004). *Muqaddimah Ibn Khaldun*. Damascus Dar Yaroub.
- Alfaraih, M. et al., (2012). The Influence of Institutional and Government Ownership on Firm Performance: Evidence from Kuwait. *International Business Research*. **5**(10), pp.192-200.

- Al-Ghamdi, M. and Rhodes, M., (2015). Family Ownership, Corporate Governance and Performance: Evidence from Saudi Arabia. *International Journal of Economics and Finance*. **7**(2), pp.78–89.
- Al-Hafni, A. al-M., (1993). *Encyclopaedia of doctrines, groups, and Islamic sects*. Cairo Dar Rashad.
- Al-Hamad, A. S., (2011). *Religions, sects, and contemporary doctrines*. 4th ed. Riyadh Indexing of Fahad National Library during publication. Dar Al Zaman Library Publishing and distribution. Riyadh, Saudi Arabia.
- Ali, A. J. and Gibbs, M., (1998). Foundation of business ethics in contemporary religious thought: The Ten Commandment perspective. *International Journal of Social Economics*. **25**(10), pp.1552–1564.
- Ali, A. J., (1992). The islamic work ethic in Arabia. *The Journal of Psychology*. **126**(5), pp.507–519.
- ALJabr, N. I., (2019). *Ownership Structure, Board Attributes and the Level of Voluntary Disclosure in GCC Listed Firms*. Ph.D. thesis, The University of Sheffield. [viewed. 21.03.2021]. Available from: <http://etheses.whiterose.ac.uk/27034>
- Al-Janadi, Y. et al., (2012). The level of voluntary disclosure practices among public listed companies in Saudi Arabia and the UAE: Using a modified voluntary disclosure index. *International Journal of Disclosure and Governance*. **9**(2), pp.181–201.
- Al-Janadi, Y. et al., (2016). Does government ownership affect corporate governance and corporate disclosure? Evidence from Saudi Arabia. *Managerial Auditing Journal*, **31** (8/9), pp.871–890.
- Al-Jarhi, M. A., (2016). The Islamic Political System: A Basic Value Approach. [online]. Munich Personal RePEc Archive. [viewed. 21.03.2021]. Available from: <https://mpra.ub.uni-muenchen.de/72702/>
- Al-Juhani, M. H., (1999). *The Facilitated Encyclopaedia of Religions, Sects and Contemporary Parties*. 4th ed. World Assembly of Muslim Youth. Dar of the global symposium for printing, publishing and distribution. Riyadh, Saudi Arabia.
- Al-Kandari, A.A. and Dashti, A., (2014). Fatwa and the internet: a study of the influence of Muslim religious scholars on internet diffusion in Saudi Arabia. *Prometheus*. **32**(2), pp.127-144.
- Al-Kathiri, F. H., (1980). Succession to the caliphate in early Islam. M.A. Dissertation, Portland State University.
- Alkhamees, A., (2013). The impact of Shariah governance practices on Shariah compliance in contemporary Islamic finance. *Journal of Banking Regulation*. **14**(2), pp.134–163.
- Al-Khuwiter, A. M., (2005). *Environmental accounting and disclosure in Saudi Arabia*. Ph.D. thesis, The Cardiff University. [viewed. 21.03.2021]. Available from: <https://ethos.bl.uk/OrderDetails.do?did=1&uin=uk.bl.ethos.583620>
- Al-Lahibi, S. M. Z. M., (2019). Legalizing peace in the era of the Prophet message, a study in the Al-Madina AL-Munawrah document. *el Maaref journal for Researches and Historical Studies*. **5** (4), pp.189–215.

- Al-Malkawi, H. N. et al., (2014). Corporate governance practices in emerging markets: The case of GCC countries. *Economic Modelling*. **38**, pp.133–141.
- Al-Matari, Y. A. et al., (2012). Corporate Governance and Performance of Saudi Arabia Listed Companies. *British Journal of Arts and Social Sciences*. **9**(1), pp.1–30.
- Al-Musali, M. A. K. and Ismail, K. N. I. K., (2012). Corporate governance, Bank specific characteristics, Banking industry characteristics and intellectual capital (IC) performance of Banks in Arab Gulf Cooperation Council (GCC) Countries. *Asian Academy of Management Journal of Accounting and Finance*. **8**(1), pp.115–135.
- AL-Muslemani, A. A., (1990) *The Legal Aspects of the Gulf Cooperation Council*. Ph.D. thesis, The University of London. [viewed. 21.03.2021]. Available from: <http://etheses.lse.ac.uk/1207/>
- Al-Naqeeb, K. H., (1987). *Society and the State in the Gulf and the Arabian Peninsula*. 2th ed. Beirut Lebanon: Center for Arab Unity Studies.
- Alnasser, S. A. S. and Muhammed, J., (2012). Introduction to corporate governance from Islamic perspective. *Humanomics*. **28**(3), pp.220–231.
- Alnori, F. and Alqahtani, F., (2019). Capital structure and speed of adjustment in non-financial firms: Does sharia compliance matter? Evidence from Saudi Arabia. *Emerging Markets Review*. **39**(2019), pp.50–67.
- Al-Qudsy, S. H. S. I. and Ab Rahman, A., (2011). Effective Governance in the Era of Caliphate Umar Ibn Al-Khattab (634-644). *European Journal of Social Sciences*. **18**(4), pp.612–624.
- Al-Rehaily, A. S. F., (1992). *The Evolution of Accounting in Saudi Arabia- A Study of its Relevance to the Social and Economic Environment*. Ph.D. thesis, The University of Hull. [Viewed. 21.03.2021]. Available from: <https://hydra.hull.ac.uk/resources/hull:4585>
- AL-Rumaihi, J. S. H., (1997). *Setting accounting standards in a non-Western environment: with special reference to the Kingdom of Saudi Arabia*. Ph.D. thesis, University of Dundee. [Viewed. 21.03.2021]. Available from: <https://ethos.bl.uk/OrderDetails.do?uin=uk.bl.ethos.390411>
- Al-Sahafi, A. et al., (2015). Does Corporate Governance Affect Financial Performance in the Banking Sector? Evidence from Saudi Arabia. *International Journal of Economics, Commerce and Management*. **3**(3), pp.1–26.
- Alsahlawi, A. M. and Ammer, M. A., (2017). Corporate Governance, Ownership Structure and Stock Market Liquidity in Saudi Arabia: A Conceptual Research Framework. *Accounting and Finance Research*. **6**(4), pp.17-30.
- Al-Saidi, M. and Al-Shammari, B., (2014). Corporate governance in Kuwait: An analysis in terms of grounded theory. *International Journal of Disclosure and Governance*. **11**(2), pp.128–160.
- Al-Sartawi, A. M. A. M., (2020). Shariah Disclosure and the Performance of Islamic Financial Institutions. *Asian Journal of Business and Accounting*. **13**(1), pp.133–160.

- Al-Sulaiti, J. et al., (2018). The compliance of disclosure with AAOIFI financial accounting standards: A comparison between Bahrain and Qatar Islamic banks. *Journal of Islamic Accounting and Business Research*. **9**(4), pp.549–566.
- Archel, P. et al., (2009). Social disclosure, legitimacy theory and the role of the state. *Accounting, Auditing and Accountability Journal*. **22**(8), pp.1284–1307.
- Arjomand, S. A., (2009). The constitution of Medina: A sociolegal interpretation of Muhammad’s acts of foundation of the Umma. *International Journal of Middle East Studies*. **41**(4), pp.555–575.
- Arouri, H. et al., (2014). Effects of board and ownership structure on corporate performance: Evidence from GCC countries. *Journal of Accounting in Emerging Economies*. **4**(1), pp.117–130.
- Arwani, A., (2019). The implementation of IFRS in Indonesian Islamic accounting. *Journal of Economics, Business, and Accountancy Ventura*. **21**(3), pp.361–371.
- Awadallah, E., (2020). Measuring the effectiveness of selected corporate governance practices and their implications for audit quality: evidence from Qatar. *Afro-Asian J. Finance and Accounting*. **10**(1), pp.24–47.
- Ayedh, A. M. A. et al., (2019). Shariah Screening Methodology: Does It “Really” Shariah Compliance? *Iqtishadia*. **12**(2), pp.144–172.
- Azid, T. et al., (2007). Theory of The Firm, Management and Stakeholders: An Islamic Perspective. *Islamic Economic Studies*. **15**(1), pp.1–30.
- Bahari, N. F. and Baharudin, N. A., (2016). Shariah governance framework: The roles of Shariah review And Shariah auditing. *Proceeding of the 3rd International Conference on Management & Muamalah 2016 (3rd ICoMM), 31st October - 1st November 2016, Kolej Universiti Islam Antarabangsa Selangor (KUIS), Bandar Seri Putra, 43000 Kajang, Selangor, Malaysia*, pp.375–382.
- Bahari, S. F., (2010). Qualitative Versus Quantitative Research Strategies: Contrasting Epistemological and Ontological Assumptions. *Jurnal Teknologi*. **52**(1), pp.17-28
- Bahrain Bourse., (2021). Bahrain Islamic Index. [online]. Bahrain Bourse. [viewed 14.01.2021]. available from: <https://bahrainbourse.com/indices?mkey=BIX>
- Bahrain Bourse., (2021). Bahrain Telecommunication Company. [online]. Bahrain Bourse. [ viewed 18.01.2021]. available from: [https://www.bahrainbourse.com/sysimages/majorshareholder/BATELCO\\_MajorShareholder\\_115537172.pdf](https://www.bahrainbourse.com/sysimages/majorshareholder/BATELCO_MajorShareholder_115537172.pdf)
- Bahrain Bourse., (2021). Zain Bahrain B.S.C. [online]. Bahrain Bourse. [ viewed 18.01.2021]. available from: [https://www.bahrainbourse.com/sysimages/majorshareholder/ZAINBH\\_MajorShareholder\\_10371116.pdf](https://www.bahrainbourse.com/sysimages/majorshareholder/ZAINBH_MajorShareholder_10371116.pdf)



- Bahrain., (2001). The Commercial Companies law. Economic Development Board, Commercial laws. Commercial Companies Law [online]. Bahrain [viewed 19.01.2021]. available from: <https://bahrainbusinesslaws.com/laws/Commercial-Companies-Law>
- Bahrain., (2018). Ministry of Industry, Commerce and Tourism, Corporate Governance code. [online]. Bahrain, [viewed 26.01.2021]. available from: <https://www.moic.gov.bh/en/Tiles/BusinessServices/Commercial%20Registration%20and%20Companies%20Control/corporate%20governance/Documents/Corporate%20Governance%20Code.pdf>
- Basic Law of Governance, Saudi Arabia., (1412 H, 1992). Royal Order No. A / 90 dated 27/8/1412. [viewed 25.01.2021]. available from: <https://laws.boe.gov.sa/BoeLaws/Laws/LawDetails/16b97fcb-4833-4f66-8531-a9a700f161b6/2>
- Basic Law of state, Bahrain., (2002). Constitution of the State of Bahrain. [viewed 25.01.2021]. available from: <https://www.legalaffairs.gov.bh/102.aspx?cms=iQRpheuphYtJ6pyXUGiNqq6h9qKLgVAb>
- Basic Law of the State, Kuwait., (1962). Constitution of the State of Kuwait. [viewed 25.01.2021]. available from: <http://www.kna.kw/clt-html5/run.asp?id=2024>
- Basic Law of the State, Oman., (2021). Royal Decree No. 6/2021. [viewed 25.01.2021]. available from: <https://mjla.gov.om/basicstatute.aspx>
- Baxter, P. and Jack, S., (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report*. **13**(4), pp.544–559.
- Baydoun, N. and Willett, R., (1995). Cultural Relevance of Western Accounting Systems to Developing Countries. *Abacus*. **31**(1), pp.67–92.
- Baydoun, N. et al., (2013). Corporate governance in five Arabian Gulf countries. *Managerial Auditing Journal*. **28**(1), pp.7–22.
- Beekun, R. I. and Badawi, J. A., (2005). Balancing ethical responsibility among multiple organizational stakeholders: The Islamic perspective. *Journal of Business Ethics*. **60**, pp.131–145.
- Benbasat, I. et al., (1987). The case research strategy in studies of information systems. *MIS Quarterly*. **11**(3), pp.369–386.
- Benbouziane, M. and Benamar, A., (2010). Could GCC Countries Achieve an Optimal Currency Area? *Middle East Development Journal*. **2**(2), pp.203–227.
- Berg, S. V. et al., (2012). Regulation and corporate corruption: new evidence from the telecom sector. *Journal of Comparative Economics*. **40**(1), pp.22–43.
- Bhatti, M. and Bhatti, M. I., (2010). Toward Understanding Islamic Corporate Governance Issues in Islamic Finance. *Asian Politics and Policy*. **2**(1), pp.25–38.
- Bilal, Z. O. et al., (2018). The Influence of Internal Auditing on Effective Corporate Governance in the Banking Sector in Oman. *European Scientific Journal*. **14**(7), pp.257–271.

Bindabel, W. et al., (2016). The Challenges Faced by Integrating Islamic Corporate Governance in Companies of Gulf Countries with Non-Islamic Companies Across Border through Merger and Acquisition. *Australasian Journal of Islamic Finance and Business*. **3**(1), pp.29–38.

Blanchard, C. M., (2010). Islam: Sunnis and Shiites. [online]. Washington: DC Congressional Research Service. [viewed 22 March 2021]. Available from: [https://www.everycrsreport.com/files/20100303\\_RS21745\\_6179770861aba183b44ce9c7371e89a7cafc0725.pdf](https://www.everycrsreport.com/files/20100303_RS21745_6179770861aba183b44ce9c7371e89a7cafc0725.pdf)

Boursa Kuwait., (2021). AAN digital services Co. [online]. Boursa Kuwait. [viewed 17.01.2021]. available from: <https://www.boursakuwait.com.kw/en/stock/profile#621>

Boursa Kuwait., (2021). Hayat Communications Co. (K.S.C). [online]. Boursa Kuwait. [viewed 17.01.2021]. available from: <https://www.boursakuwait.com.kw/en/stock/profile#649>

Boursa Kuwait., (2021). Kuwait Telecommunication Company (K.S.C). [online]. Boursa Kuwait. [viewed 17.01.2021]. available from: <https://www.boursakuwait.com.kw/en/stock/profile#822>

Boursa Kuwait., (2021). MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.(ZAIN) [online]. Boursa Kuwait. [viewed 17.01.2021]. available from: <https://www.boursakuwait.com.kw/en/stock/profile#605>

Boursa Kuwait., (2021). National Mobile Telecommunications Co. (K.S.C.) (OOREDOO). (K.S.C). [online]. Boursa Kuwait. [viewed 17.01.2021]. available from: <https://www.boursakuwait.com.kw/en/stock/profile#613>

Boutagouga, M., (2016). *Culture integration in the GCC countries, policies, institutions, and manifestations*. Anthropology of the Gulf Human: The Genius of Cultural Adaptation. The Ninth Arab Report for Cultural Development. Beirut: Arab Thought Foundation.

Brown, N. and Deegan, C., (1998). The public disclosure of environmental performance information - A dual test of media agenda setting theory and legitimacy theory. *Accounting and Business Research*. **29**(1), pp.21–41.

Buallay, A. et al., (2017). Corporate Governance and Firm Performance: Evidence from Saudi Arabia. *Australasian Accounting, Business and Finance Journal*. **11**(1), pp.78–98.

Bugshan, A. et al., (2021). Shariah compliance and corporate cash holdings. *Research in International Business and Finance*. **56**, pp.1–16.

Buhr, N., (1998). Environmental performance, legislation and annual report disclosure: The case of acid rain and Falconbridge. *Accounting, Auditing and Accountability Journal*. **11**(2), pp.163–190.

Chapra, M. U., (2000). Is it necessary to have Islamic economics? *The Journal of Socio-Economics*. **29**(1), pp.21–37.

- Chapra, M. U., (2001). Islamic Economic Thought and the New Global Economy. *Islamic Economic Studies*. **9**(1), pp.1–16.
- Che Azmi, A. et al., (2020). Patterns of social reporting from an Islamic framework and the moral legitimacy factors that influence them. *Business Ethics*. **29**(4), pp.763–779.
- Cho, C. H. and Patten, D. M., (2007). The role of environmental disclosures as tools of legitimacy: A research note. *Accounting, Organizations and Society*. **32** (7-8), pp.639–647.
- Choudhury, M, A. and Hoque, M, Z., (2006). Corporate governance in Islamic perspective. *Corporate Governance: The international journal of business in society*. **6**(2), pp.116–128.
- Choudhury, M, A. and Nurul Alam, M., (2013). Corporate governance in Islamic perspective. *International Journal of Islamic and Middle Eastern Finance and Management*. **6** (3), pp.180–199.
- Choudhury, M, A., (1998). Regulation and Deregulation in the Islamic Political Economy: Comparative Perspectives. *Humanomics*. **14**(4), pp.49–78.
- Choudhury, M. A., (1983). Principles of Islamic Economics. *Middle Eastern Studies*. **19**(1), pp.93–103.
- Cleveland, W. L. and Bunton, M., (2016). *A History of the Modern Middle East*. 4th ed. U.S. Westview Press: Library of Congress Cataloging-in-Publication Data.
- Creswell, J. W. and Miller, D. L., (2000). Determining validity in qualitative inquiry. *Theory into Practice*. **39**(3), pp.124–130.
- Creswell, J. W., (2009). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. 3th ed. U.S. SAGE Publications, Inc.
- Dalwai, T. A. R. et al., (2015). A critical review of relationship between corporate governance and firm performance: GCC banking sector perspective. *Corporate Governance*. **15**(1), pp.18–30.
- Deegan, C. et al., (2002). An examination of the corporate social and environmental disclosures of BHP from 1983-1997: A test of legitimacy theory. *Accounting, Auditing and Accountability Journal*. **15**(3), pp.312–343.
- Deegan, C., (2002). Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation. *Accounting, Auditing and Accountability Journal*. **15**(3), pp.282–311.
- Demirel, S., (2013). The Prophet Muhammad’s Models of Coexistence and the Constitution of Medina. *The Journal of Rotterdam Islamic and Social Sciences*. **4**(1), pp.1–10.
- Dowa, A. et al., (2017). Main Worldwide Cultural Obstacles on Adopting International Financial Reporting Standards (IFRS). *International Journal of Economics and Finance*. **9**(2), pp.172–179.
- Dowling, J. and Pfeffer, J., (1975). Organizational Legitimacy: Social Values and Organizational Behavior. *The Pacific Sociological Review*. **18**(1), pp.122–136.

Dubai Financial Market (DFM)., (2021). Emirate Integrated Telecommunications Company PJSC (DU). [online]. DFM. [viewed 17.01.2021]. available from: <https://www.dfm.ae/issuers/listed-securities/securities/company-profile-page?id=DU>

Dubai Financial Market., (2021). Shari'a Classification List. [online]. Dubai Financial Market. [viewed 14.01.2021]. available from: <https://www.dfm.ae/sharia/companies-classification>.  
<https://www.dfm.ae/sharia/sharia-standards>

Elamer, A. A. et al., (2020). Islamic Governance, National Governance, and Bank Risk Management and Disclosure in MENA Countries. *Business and Society*. **59**(5), pp.914–955.

Elghuweel, M. I. et al., (2017). Corporate governance, Islamic governance, and earnings management in Oman. *Journal of Accounting in Emerging Economies*. **7**(2), pp.190–224.

ElKelish, W. W. and Hassan, M. K., (2015). Corporate governance disclosure and share price accuracy. *Journal of Applied Accounting Research*. **16**(2), pp.265–286.

Elo, S. and Kyngäs, H., (2008). The qualitative content analysis process. *Journal of Advanced Nursing*. **62**(1), pp.107–115.

Emirates Telecommunications Group Company PJSC., (2019). Report and consolidated financial statements. [online]. Etisalat group. [viewed 17.02.2020]. available from: <https://www.etisalat.com/en/system/com/assets/docs/annual-report/2019/etisalat-group-annual-report-english-2019.pdf>

Epstein, E. M., (1972). The Historical Enigma of Corporate Legitimacy. *California Law Review*. **60**(6), pp.1701–1717.

Ethihad Atheeb company., (2020). Financial statements. [online]. Saudi Arabia. Tadawul. [viewed 30.06.2020]. Tadawul. available from: [https://www.tadawul.com.sa/Resources/fsPdf/483\\_0\\_2020-06-30\\_14-03-17\\_En.pdf](https://www.tadawul.com.sa/Resources/fsPdf/483_0_2020-06-30_14-03-17_En.pdf)

Ethihad Etisalat company., (2019). Ethihad Etisalat company, Consolidated Financial Statements. [online]. Saudi Arabia. Tadawul. [viewed 19.02.2020]. available from: [https://www.tadawul.com.sa/Resources/fsPdf/481\\_2020-02-18\\_16-54-26\\_Eng.pdf](https://www.tadawul.com.sa/Resources/fsPdf/481_2020-02-18_16-54-26_Eng.pdf)

Eulaiwi, B. I., (2018). *Four Essays on Corporate Governance, Ownership Structure and Capital Structure of GCC Firms*. Ph.D. thesis, Curtin University. [viewed. 21.03.2021]. Available from: <https://espace.curtin.edu.au/handle/20.500.11937/81265>

Farag, H. et al., (2018). Corporate governance in Islamic banks: new insights for dual board structure and agency relationships. *Journal of International Financial Markets, Institutions and Money*. **54**, pp.59-77.

Farook, S. Z. and Farooq, M. O., (2011). Shariah Governance for Islamic Finance: Challenges and Pragmatic Solutions. *SSRN eLibrary*. [online]. 1-19. [viewed 25 December 2020]. Available from: [https://d1wqtxts1xzle7.cloudfront.net/7596022/Shariah%20Governance%20for%20Islamic%20Finance%](https://d1wqtxts1xzle7.cloudfront.net/7596022/Shariah%20Governance%20for%20Islamic%20Finance%20)

20challenges%20and%20pragmatic%20solutions.pdf?1326660359=&response-content-disposition=inline%3B+filename%3DShariah\_Governance\_Challenges\_and\_Pragma.pdf&Expires=1617613919&Signature=daLBvq1SzAy7bNKpDg9NgLgYjsA28Z96BPc79RkvUdKwG5DHZAd4yYQUidtrAV1B2rUPIAhNsdBHGDSSHY~DIVBTT8d4ltywsFvh-qZBWPfWxNFAidPOLQZ5aXtR~phxWZSUyMi0EBOBoyRvmWx8LnHw9niG1Ezo4XdS5gC3IiPJJUI1EQeWVShZjK~XAk5XoCHVKAYbi1hyWLuCGXpqP5GuBPH4fd22TKK7yyPQbA8zLp5HpyMk1voRIQyV50ThXDHDUIZTAdTTYPC0~8W3uY4hKoU5RzYtOsFNITyetkZffUjyOMctLaB1biaDBw7HU2Xx8zMA7YGtEeLOCTroKA\_\_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA

Fatmawati, D. et al., (2020). Shariah governance in Islamic banks: Practices, practitioners and praxis. *Global Finance Journal*. [online]. 1-20. [viewed 22 March 2021]. Available from: <https://www.sciencedirect.com/science/article/abs/pii/S104402831930359X>

Fernando, S. and Lawrence, S., (2014). A theoretical framework for CSR practices: integrating legitimacy theory, stakeholder theory and institutional Theory. *The Journal of Theoretical Accounting*. **10**(1), pp.149–178.

Gambling, T. E. and Karim, R. A. A., (1986). Islam and Social Accounting. *Journal of Business Finance and Accounting*. **13**(1), pp.39–50.

Garas, S. N., (2012). The conflicts of interest inside the Shari'a supervisory board. *International Journal of Islamic and Middle Eastern Finance and Management*. **5**(2), pp.88–105.

Gerring, J., (2004). What Is a Case and What Is It Good for? *American Political Science Review*. **98**(2), pp.341–354.

Gharib, R. Y., (2017). Preservation of built heritage: an Islamic perspective (1). *Journal of Cultural Heritage Management and Sustainable Development*. **7**(4), pp.366–380.

Ginena, K., (2014). Shariah risk and corporate governance of Islamic banks. *Corporate Governance*. **14**(1), pp.86–103.

Golafshani, N., (2003). Understanding and Validity in Qualitative Research. *The Qualitative Report*. **8**(4), pp.597–607.

Grassa, R. and Matoussi, H., (2014). Is corporate governance different for Islamic banks? A comparative analysis between the Gulf Cooperation Council and Southeast Asian countries. *International Journal of Business Governance and Ethics*. **9**(1), pp.27–51.

Grassa, R., (2013). Shariah supervisory system in Islamic financial institutions: new issues and challenges: a comparative analysis between Southeast Asia models and GCC models. *Humanomics*. **29**(4), pp.333–348.

- Grassa, R., (2015). Shariah supervisory systems in Islamic finance institutions across the OIC member countries an investigation of regulatory frameworks. *Journal of Financial Regulation and Compliance*. **23**(2), pp.135–160.
- Gray, R. et al., (1995a). Corporate social and environmental reporting A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal*. **8**(2), pp.47–77.
- Gray, R. et al., (1995b). Methodological themes: Constructing a research database of social and environmental reporting by UK companies. *Accounting, Auditing and Accountability Journal*. **8**(2), pp.78–101.
- Guion, L. A. et al., (2011). Triangulation: Establishing the Validity of Qualitative Studies. *EDIS*. (8), 1–3.
- Guthrie, J. and Parker, L. D., (1989). Corporate Social Reporting: A Rebuttal of Legitimacy Theory. *Accounting and Business Research*. **19**(76), pp.343–352.
- Habbash, M., (2016). Corporate governance and corporate social responsibility disclosure: evidence from Saudi Arabia. *Social Responsibility Journal*. **12**(4), pp.740–754.
- Habib, F. and Ahmad, A. U. F., (2017). Revisiting the AAOIFI Shariah Standards' Stock Screening Criteria. *International Journal of Business and Society*. **18**(S1), pp.151–166.
- Haddad, A. E. et al., (2020). Voluntary disclosure of accounting ratios and firm-specific characteristics: the case of GCC. *Journal of Financial Reporting and Accounting*. **18**(2), pp.301–324.
- Hamid, S. et al., (1993). Religion: A Confounding Cultural Element in the International Harmonization of Accounting? *Abacus*. **29**(2), pp.131–148.
- Hamza, H., (2013). Sharia governance in Islamic banks: effectiveness and supervision model. *International Journal of Islamic and Middle Eastern Finance and Management*. **6**(3), pp.226–237.
- Haneef, M. A. M., (1997). Islam, the Islamic worldview, and Islamic economics. *IIUM Journal of Economics and Management*. **5**(1), pp.39–65.
- Haniffa, R. and Hudaib, M., (2006). Corporate Governance Structure and Performance of Malaysian Listed Companies. *Journal of Business Finance and Accounting*. **33**(7–8), pp.1034–1062.
- Haniffa, R. M. and Cooke, T. E., (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy*. **24**(5), pp.391–430.
- Haniffa, R. and Hudaib, M., (2002). A theoretical framework for the development of the Islamic perspective of accounting. *Accounting, Commerce and Finance: The Islamic Perspective Journal*. **6**(1,2), pp.1–71.
- Haridan, N. M., et al., (2018). Governance, religious assurance and Islamic banks: Do Shariah boards effectively serve?. *Journal of Management and Governance*. **22**(4), pp.1015–1043.
- Hasan, A. and Al Timimi, H. A. H., (2015). Corporate Governance in Shareholding Companies: Comparing Legal Perspective and Position of Shariah. *Committee on Publication Ethics (COPE)*. **5**(2), pp.123–135.

- Hasan, Z., (2008). Corporate Governance of Islamic Financial Institutions. *Conference on Malaysian Study of Islam, 28th-29th June 2008, University of Wales*. Lampeter. United Kingdom, 1-14. Available at: <https://zulkiflihasan.files.wordpress.com/2008/06/microsoft-word-lamperter-conference.pdf>.
- Hasan, Z., (2009). Corporate Governance: Western and Islamic Perspectives. *International Review of Business Research Papers*. **5**(1), pp.277–293.
- Hasan, Z., (2010). Regulatory Framework of Shariah Governance System in Malaysia, GCC Countries and the UK. *Kyoto Bulletin of Islamic Area Studies*. **3**(2), pp.82–115.
- Hashim, F. et al., (2015). Corporate Governance and Sustainability Practices in Islamic Financial Institutions: The Role of Country of Origin. *Procedia Economics and Finance*. **31**, pp.36–43.
- Hassan, M. K., (2012). A disclosure index to measure the extent of corporate governance reporting by UAE listed corporations. *Journal of Financial Reporting and Accounting*. **10**(1), pp.4–33.
- Hassan, S. and Christopher, T., (2005). Corporate governance statement disclosure of Malaysian banks and the role of Islam. *Asian Review of Accounting*. **13**(2), pp.36–50.
- Hayat Communications Co., (K.S.C.), (2019). Hayat Communications Company, Consolidated Financial Statements. [online]. Boursa Kuwait. [Viewed 01.04.2020]. available from: [https://cis.boursakuwait.com.kw/Portal/FData/649\\_BL\\_2019\\_9\\_E\\_142020142359869.pdf](https://cis.boursakuwait.com.kw/Portal/FData/649_BL_2019_9_E_142020142359869.pdf)
- Hayat, R. and Hassan, M. K., (2017). Does an Islamic label indicate good corporate governance? *Journal of Corporate Finance*. **43**, pp.159–174.
- Hefner, R. W., (2006). Islamic economics and global capitalism. *Society*. **44**(1), pp.16–22.
- Hidayah, N. N. et al., (2019). Accounting and pseudo spirituality in Islamic financial institutions. *Critical Perspectives on Accounting*. **61**, pp.22–37.
- Hoepner, A. G. F. et al., (2011). Islamic mutual funds' financial performance and international investment style: Evidence from 20 countries. *The European Journal of Finance*. **17**(9–10), pp.829–850.
- Hoque, N., et al., (2013). Organisational culture: features and framework from Islamic perspective. *Humanomics*. **29** (3), pp.202-219.
- Hossain, M. and Hammami, H., (2009). Voluntary disclosure in the annual reports of an emerging country: The case of Qatar. *Advances in Accounting, incorporating Advances in International Accounting*. **25**(2), pp.255–265.
- Hsieh, H. F. and Shannon, S. E., (2005). Three approaches to qualitative content analysis. *Qualitative Health Research*. **15**(9), pp.1277–1288.
- Hussain, M. et al., (2002). Accounting standards and practices of financial institutions in GCC countries. *Managerial Auditing Journal*. **17**(7), pp.350–362.
- Hussainey, K. and Al-Nodel, A., (2008). Corporate governance online reporting by Saudi listed companies. *Research in Accounting in Emerging Economies*. **8**, pp.39-64.

- Hybels, R. C., (1995). On legitimacy, legitimation, and organizations: A Critical Review and Integrative Theoretical Model. *Academy of Management Proceedings*. **1995**(1), pp.241–245.
- Ibrahim, S. H. M. and Yaya, R., (2005). The emerging issues on the objectives and characteristics of Islamic Accounting for Islamic business organisations. *Malaysian Accounting Review*. **4**(1), pp.75–92.
- Iqbal, Z. and Mirakhor, A., (2004). Stakeholders Model of Governance in Islamic Economic System. *Islamic Economic Studies*. **11**(2), pp.43–63.
- Islam, M. A. and Deegan, C., (2008). Motivations for an organisation within a developing country to report social responsibility information Evidence from Bangladesh. *Accounting, Auditing and Accountability Journal*. **21**(6), pp.850–874.
- Islamic Financial Services Board., (2009). *Guiding Principles on Shariah Governance Systems for Institutions Offering Islamic Financial Services*. 1-39. IFSB, Malaysia.
- Islamic Financial Services Board., (2017). *Islamic Financial Services Industry Stability Report 2017*. [online]. IFSB, Bank Negara, Malaysia. [viewed 25 March 2021]. Available from: <https://www.islamicfinance.com/wp-content/uploads/2017/06/IFSB-IFSI-Stability-Report-2017.pdf>
- Islamic Financial Services Board, (2020). *Islamic Financial Services Industry Stability Report August 2020*. [online]. IFSB, Islamic Financial Services Industry Stability Report, Bank Negara, Malaysia. [viewed 25 May 2021]. Available from: <https://www.ifsb.org/sec03.php>
- Ismail, M. S. M., (2010). *The Gulf Cooperation Council in the balance*. DarAlaloom Publishing and Distribution. Cairo, Egypt.
- Kahf, M., (2003). Islamic Economics: Notes on Definition and Methodology. *Review of Islamic Economics*. (13), pp.23–47.
- Kamla, R. and Haque, F., (2019). Islamic accounting, neo-imperialism, and identity staging: The Accounting and Auditing Organization for Islamic Financial Institutions. *Critical Perspectives on Accounting*. **63**, pp.1-20.
- Kamla, R. and Rammal, H. G., (2013). Social reporting by Islamic banks: does social justice matter? *Accounting, Auditing and Accountability Journal*. **26**(6), pp.911–945.
- Kamla, R. et al., (2006). Islam, nature, and accounting: Islamic principles and the notion of accounting for the environment. *Accounting Forum*. **30**(3), pp.245–265.
- Kamla, R. Roberts, C., (2010). The global and the local: Arabian Gulf States and imagery in annual reports. *Accounting, Auditing and Accountability Journal*. **23** (4), pp.449-481.
- Kamla, R., (2007). Critically Appreciating Social Accounting and Reporting in the Arab Middle East: A Postcolonial Perspective. *Advances in International Accounting*. **20**, pp.105–177.
- Kamla, R., (2009). Critical insights into contemporary Islamic accounting. *Critical Perspectives on Accounting*. **20**(8), pp.921–932.



Kasim, N. et al., (2009). Shariah Auditing in Islamic Financial Institutions: Exploring the Gap between the “Desired” and the “Actual”. *Global Economy and Finance Journal*. **2**(2), pp.127–137.

Kasri, R., (2010). Corporate Governance: Conventional vs. Islamic Perspective. *SSRN* [online]. 1-12. [viewed 23 March 2021]. Available from: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1685222](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1685222)

Khalid, A. A. et al., (2017). Relationship between internal Shariah audit characteristics and its effectiveness. *Humanomics*. **33**(2), pp.221–238.

Khalid, S. M. et al., (2018). Sartrean bad-faith? Site-specific social, ethical and environmental disclosures by multinational mining companies. *Accounting, Auditing and Accountability Journal*. **32**(1), pp.55-74.

Khalil, A. and Taktak, N. B., (2020). The impact of the Shariah Board’s characteristics on the financial soundness of Islamic banks. *Journal of Islamic Accounting and Business Research*. **11**(10), pp.1807–1825.

Khan, B. et al., (2010). Human resource management: An Islamic perspective. *Asia-Pacific Journal of Business Administration*. **2**(1), pp.17–34.

Khan, M. A. M., (2001). The compact of medina: A Constitutional Theory of the Islamic State. *Mirror International*. [online]. 1-4. [viewed 23 March 2021]. Available from: [Microsoft Word - THE COMPACT OF MEDINA.docx \(d1wqtxts1xzle7.cloudfront.net\)](#)

Khulayfat, A. M., (1978). *The origins of the Ibadi movement*. DarMajdalawi Publishing and Distribution. Amman, Jordan.

Kusserow, S. and Pawlak, P., (2015). *Understanding the branches of Islam*. [online]. EPRS | European Parliamentary Research Service. [viewed 23 March 2021]. Available from: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2015/568339/EPRS\\_BRI\(2015\)568339\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2015/568339/EPRS_BRI(2015)568339_EN.pdf)

Kuwait Telecommunication Company., (2019). Kuwait Telecommunication Company, Consolidated Financial Statements. [online]. Boursa Kuwait. [viewed 04.02.2020]. available from: [https://cis.boursakuwait.com.kw/Portal/FData/822\\_BL\\_2019\\_9\\_E\\_322020175251986.pdf](https://cis.boursakuwait.com.kw/Portal/FData/822_BL_2019_9_E_322020175251986.pdf)

Kuwait., (2015). Capital Market Authority, The executive bylaws module fifteen, corporate governance, [online]. Kuwait, [viewed 26.01.2021]. available from: <https://www.cma.gov.kw/pdfviewer/?file=/documents/20622/1010988/CMA+15+EN+2020+A31/134689ca-a698-46aa-833b-9a8c5f3bd58f#page=1&zoom=page-fit,-22,849>

Kuwait., (2016). Companies Law. Kuwait Business Center, Law No. 1 [online]. Kuwait [viewed 19.01.2021]. available from: <https://kbc.moci.gov.kw/Files/Decisionsandlaws/4033ff9e-71ea-460f-afd4-48b8a7b3d630.pdf>

Kuwait., (2016). Instructions on the governance of Sharia supervision in Kuwaiti Islamic banks, Governance Islamic banks regulation, [online]. Kuwait, [viewed 26.01.2021]. available from: [https://www.cbk.gov.kw/ar/images/governance-islamic-banks-122719\\_v20\\_tcm11-122719.pdf](https://www.cbk.gov.kw/ar/images/governance-islamic-banks-122719_v20_tcm11-122719.pdf)

- Larbsh, M. M., (2015). Islamic Perspective of Corporate Governance. *University Bulletin, Al-Asmarya Islamic University*. **1**(17), pp.135–152.
- Laughlin, R. (1995). Empirical research in accounting: alternative approaches and a case for “middle-range” thinking. *Accounting, Auditing and Accountability Journal*, **8**(1), pp. 63–87.
- Lehn, K., (2002). Corporate governance in the deregulated telecommunications industry: Lessons from the airline industry. *Telecommunications Policy*. **26**(5–6), pp.225–242.
- Lewis, M. K., (2005). Islamic Corporate Governance. *Review of Islamic Economics*. **9**(1), pp.5–29.
- Lewis, M. K., (2006). Accountability and Islam. *Fourth International Conference on Accounting and Finance in Transition*, April 10-12, 2006, Australia Adelaide, pp.1–16.
- Maali, B. et al., (2006). Social reporting by Islamic banks. *Abacus*. **42**(2), pp.266–289.
- Magalhaes, R. and Al-Saad, S., (2013). Corporate governance in Islamic financial institutions: the issues surrounding unrestricted investment account holders. *Corporate Governance: The international journal of business in society*. **13**(1), pp.39–57.
- Mahfooz, S. and Ahmed, H., (2014). Shariah Investment Screening Criteria: A Critical Review. *Journal of King Abdulaziz University-Islamic Economic*. **27**(1), pp.3–38.
- Mahomedy, A. C., (2013). Islamic economics: Still in search of an identity. *International Journal of Social Economics*. **40**(6), pp.556–578.
- Maishanu, M. M. and Dutsin-ma, A. M., (2012). Business management and ethics: an Islamic approach. *Business Review*. **7**(2), pp.113–118.
- Mansour, W. and Bhatti, M. I., (2018). The new paradigm of Islamic corporate governance. *Managerial Finance*. **44**(5), pp.513-523.
- Masih, M. et al., (2018). Issues in Islamic Equities: A Literature Survey. *Emerging Markets Finance and Trade*. **54**(1), pp.1–26.
- Mathison, S., (1988) Why Triangulate? *Educational Researcher*. **17**(2), pp.13–17.
- McGee, R. W., (2006). Corporate Governance in Russia: A Case Study of Timeliness of Financial Reporting in the Telecom Industry. *International Finance Review*. **7**, pp.365–390.
- Merriam, S. B., (2009) *Qualitative research: A guide to design and implementation*. John Wiley & Sons, Inc: Jossey-Bass.
- Meyer, C. B., (2001). A Case in Case Study Methodology. *Field Methods*. **13**(4), pp.329-352.
- Milne, M. J. and Patten, D. M., (2002). Securing organizational legitimacy: An experimental decision case examining the impact of environmental disclosures. *Accounting, Auditing and Accountability Journal*. **15**(3), pp.372–405.
- Miniaoui, H. et al., (2015). The impact of financial crisis on Islamic and conventional Indices of the GCC countries. *The Journal of Applied Business Research*. **31**(2), pp.357–370.

Mirza, M. and Baydoun, N., (1999). Do Islamic Societies Need Their Own Accounting and Reporting Standards? *Journal of the Academy of Business Administration*. **4**(2), pp.39–45.

Mobile Telecommunications Company., (2019). Notes to the Consolidated Financial Statements, Financial statements. [online]. Boursa Kuwait. [viewed 13.02.2020]. available from: [https://cis.boursakuwait.com.kw/Portal/FData/605\\_BL\\_2019\\_9\\_E\\_1222020212736109.pdf](https://cis.boursakuwait.com.kw/Portal/FData/605_BL_2019_9_E_1222020212736109.pdf)

Mohamad, S. et al., (2015). Shariah governance: effectiveness of shariah committees in Islamic banks in Malaysia. *SSRN*. [online]. 1-17. [viewed 23 March 2021]. Available from: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2555373](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2555373)

Mohiuddin, M. G. and Islam, M. M., (2016). Decision Making Style in Islam: A Study of Superiority of Shura (Participative Management) and Examples from Early Era of Islam. *European Journal of Business and Management*. **8**(4), pp.79–88.

Mollah, S. and Zaman, M., (2015). Shariah supervision, corporate governance and performance: Conventional vs. Islamic banks. *Journal of Banking and Finance*. **58**, pp.418–435.

Morse, J. M., (2000). Determining Sample Size. *Qualitative Health Research*. **10**(1), pp.3-5.

Mousa, G. A. and Hassan, N. T., (2015). Legitimacy Theory and Environmental Practices: Short Notes. *International Journal of Business and Statistical Analysis*. **2**(1), pp.41–53.

Mulcahy, M. B., (2014). Purifying Islamic equities: the interest tax shield. *International Journal of Islamic and Middle Eastern Finance and Management*. **7**(4), pp.473–484.

Muneeza, A. and Hassan, R., (2014). Shariah corporate governance: The need for a special governance code. *Corporate Governance*. **14**(1), pp.120–129.

Murphy, M. J. and Smolarski, J. M., (2020). Religion and CSR: An Islamic “Political” Model of Corporate Governance. *Business and Society*. **59**(5), pp.823–854.

Muscat Securities Market., (2021). Oman Telecommunication (Omantel). [online]. Omantel. [viewed 18.01.2021]. available from: <https://www.msm.gov.om/snapshot.aspx?s=OTEL&se=0>

Muscat Securities Market., (2021). Omani Qatari Telecommunications Company SAOG. [online]. Ooredoo. [viewed 18.01.2021]. available from: <https://www.msm.gov.om/snapshot.aspx?s=ORDS>

Muscat securities market., (2021). Shariah Compliant Companies. [online]. Muscat securities market. [viewed 14.01.2021]. available from: <https://msm.gov.om/downloads.aspx?b1=Publications&b2=Shariah-Compliant-Companies&c=14&ti=Shariah-Compliant-Companies>

Najeeb, S. F. and Ibrahim, S. H. M., (2014). Professionalizing the role of Shari’ah auditors: How Malaysia can generate economic benefits. *Pacific- Basin Finance Journal*. **28**, pp.91–109.

Napier, C., (2009). Defining Islamic accounting: Current issues, past roots. *Accounting History*. **14**(1-2), pp.121–144.

- Nawaz, T., (2017). Momentum investment strategies, corporate governance and firm performance: an analysis of Islamic banks. *Corporate Governance: The international journal of business in society*. **17**(2), pp.192–211.
- Nienhaus, V., (1982). “Islamic economics” - Policy between pragmatism and utopia. *Economics*. **25**, pp.80-100.
- Nomran, N. M. and Haron, R., (2020). A systematic literature review on Shari’ah governance mechanism and firm performance in Islamic banking. *Islamic Economic Studies*. **27**(2), pp.91–123.
- O’Donovan, G., (2002). Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing and Accountability Journal*. **15**(3), pp.344–371.
- Oman Telecommunications Company SAOG., (2019). Notes to the consolidated Financial Statements. [online]. Muscat Securities Market. [viewed 01.03.2020]. available from: [https://www.omantel.om/wcm/connect/0051f4bd-c84d-4224-838a-8497ed038a70/Omantel\\_Annual+Report+2019\\_Eng\\_LR.pdf?MOD=AJPERES&CONVERT\\_TO=URL&CACHEID=ROOTWORKSPACE-0051f4bd-c84d-4224-838a-8497ed038a70-n7ZPppa](https://www.omantel.om/wcm/connect/0051f4bd-c84d-4224-838a-8497ed038a70/Omantel_Annual+Report+2019_Eng_LR.pdf?MOD=AJPERES&CONVERT_TO=URL&CACHEID=ROOTWORKSPACE-0051f4bd-c84d-4224-838a-8497ed038a70-n7ZPppa)
- Oman., (2012). Central bank in Oman, Islamic banking regulatory framework for regulation, chapter two: general obligations and governance, [online]. Oman, [viewed 26.01.2021]. available from: <https://cbo.gov.om/Pages/IslamicBankingRegulatoryFramework.aspx>
- Oman., (2016). Capital Market Authority, Code of Corporate Governance for Public Listed Companies, [online]. Oman, [viewed 26.01.2021]. available from: <https://e.cma.gov.om/Content/PDF/CorporateGovernanceCharterEn.pdf>
- Oman., (2019). The Commercial Companies Law. Royal Decree No. 18/2019 [online]. Oman [viewed 19.01.2021]. available from: <https://qanoon.om/p/2019/rd2019018/>
- Othman, R. and Ameer, R., (2015). Conceptualizing the duties and roles of auditors in Islamic financial institutions: What makes them different? *Humanomics*. **31**(2), pp.201–213.
- Patten, D. M., (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: A note on legitimacy theory. *Accounting, Organizations and Society*. **17**(5), pp.471–475.
- Pillai, R. and Al-Malkawi, H. N., (2018). On the relationship between corporate governance and firm performance: Evidence from GCC countries. *Research in International Business and Finance*. **44**, pp.394-410.
- Pillai, R. R. and Al-Malkawi, H. N., (2016). Corporate Governance in the GCC Countries: Empirical Assessment Using Conventional and Non-Conventional Indices. *The Journal of Developing Areas*. **50**(6), pp.69–88.

- Pomeranz, F., (1997). The Accounting and Auditing Organization for Islamic Financial Institutions: An important regulatory debut. *Journal of International Accounting, Auditing and Taxation*. **6**(1), pp.123–130.
- Ponterotto, J. G., (2005). Qualitative Research in Counseling Psychology: A Primer on Research Paradigms and Philosophy of Science. *Journal of Counseling Psychology*. **52**(2), pp.126–136.
- Queiri, A. et al., (2021) Corporate governance, ownership structure and firms' financial performance: insights from Muscat securities market (MSM30). *Journal of Financial Reporting and Accounting*. [online]. [viewed 01 April 2021]. Available from: [https://www.researchgate.net/profile/Nizar-Dwaikatt/publication/349733259\\_Corporate\\_governance\\_ownership\\_structure\\_and\\_firms'\\_financial\\_performance\\_insights\\_from\\_Muscat\\_securities\\_market\\_MSM30/links/603f72d94585154e8c733fc9/Corporate-governance-ownership-structure-and-firms-financial-performance-insights-from-Muscat-securities-market-MSM30.pdf](https://www.researchgate.net/profile/Nizar-Dwaikatt/publication/349733259_Corporate_governance_ownership_structure_and_firms'_financial_performance_insights_from_Muscat_securities_market_MSM30/links/603f72d94585154e8c733fc9/Corporate-governance-ownership-structure-and-firms-financial-performance-insights-from-Muscat-securities-market-MSM30.pdf)
- Rabi, U., (2008). The Ibadhi Imamate of Muhammad bin Abdallah al-Khalili (1920 – 54): The Last Chapter of a Lost and Forgotten Legacy. *Middle Eastern Studies*. **44**(2), pp.169–188.
- Rethel, L., (2011). Whose legitimacy? Islamic finance and the global financial order. *Review of International Political Economy*. **18**(1), pp.75–98.
- Rethel, L., (2019). Corporate Islam, Global Capitalism and the Performance of Economic Moralities. *New Political Economy*. **24**(3), pp.350-364.
- Rice, G., (1999). Islamic Ethics and the Implications for Business. *Journal of Business Ethics*. **18**(4), pp.345–358.
- Richardson, A. J., (1985). Symbolic and Substantive Legitimation in Professional Practice. *The Canadian Journal of Sociology*. **10**(2), pp.139–152.
- Richardson, A. J., (1987). Accounting as a legitimating institution. *Accounting, Organizations and Society*. **12**(4), pp.341–355.
- Ritchie, J. and Lewis, J., (2003) *Qualitative Research Practice: A Guide for Social Science and Researchers*. SAGE Publications
- Riyad as-Salihin., [no date]. The Book of the Prohibited actions, Hadith 1579 [online] *sunnah.com* [viewed 11/03/2021] available from: <https://sunnah.com/riyadussalihin:1579>
- Rosly, S. A., (2010). Shariah parameters reconsidered. *International Journal of Islamic and Middle Eastern Finance and Management*. **3**(2), pp.132–146.
- Rowley, J., (2002). Using Case Studies in Research. *Management Research News*. **25**(1), pp.16–27.
- Sahih Muslim., [no date]. The Book of Virtues, Chapter 38 Hadith 2363 [online] *sunnah.com* [Viewed 11/03/2021] available from: <https://sunnah.com/muslim:2363>
- Saidi, N. and Kumar, R., (2008). *Corporate Governance in the GCC*. Dubai International Financial Centre UAE: Hawkamah Institute for Corporate Governance Paper.

Sandelowski, M., (2000). Focus on Research Methods Whatever Happened to Qualitative Description? *Research in Nursing and Health*. **23**(4), pp.334–340.

Sarea, A. M., (2012). The Level of Compliance with AAOIFI Accounting Standards: Evidence from Bahrain. *International Management Review*. **8**(2), pp.27–32.

Saudi Arabia., (2015). Corporate system law. Ministry of Commerce, Companies law [online]. Saudi Arabia [viewed 19.01.2021]. available from: <https://mc.gov.sa/en/regulations/pages/details.aspx?lawid=07140004-6a05-48e3-bb04-a8250094bb85>

Saudi Arabia., (2017). Capital Market Authority (Tadawul), Corporate Governance Regulations. Pursuant to Resolution Number (8-16-2017). [online]. Saudi Arabia, [viewed 20.05.2019]. available from: <https://www.tadawul.com.sa/wps/wcm/connect/68810fb8-d7a5-4419-b947-2ea9670b487c/Corporate+Governance+Regulations.pdf?MOD=AJPERES&CVID=>

Saudi Arabia., (2020). Saudi Arabian Monetary Authority regulation, Shariah governance framework for banks and local banks operating in the Kingdom, [online]. Saudi Arabia, [viewed 26.01.2021]. available from: <https://www.sama.gov.sa/en-US/Laws/BankingRules/Banking-KSA-ENG.pdf>

Saudi Organization for Certified Public Accountants regulation., (2018). Transition to international standards. [online]. SOCBA. [viewed. 25.01.2021]. available from: <https://socpa.org.sa/SOCPA/files/13/13479bc7-12a5-4b0d-8999-70c73e8ec232.pdf>

Saudi Telecom Co., (2019). Saudi Telecom Company, Consolidated Financial Statements [online]. Saudi Arabia. Tadawul. [viewed 22.03.2020]. available from: [https://www.tadawul.com.sa/Resources/fsPdf/480\\_0\\_2020-03-22\\_10-49-55\\_En.pdf](https://www.tadawul.com.sa/Resources/fsPdf/480_0_2020-03-22_10-49-55_En.pdf)

[https://www.saudiexchange.sa/Resources/fsPdf/480\\_0\\_2020-03-30\\_17-26-12\\_Ar.pdf](https://www.saudiexchange.sa/Resources/fsPdf/480_0_2020-03-30_17-26-12_Ar.pdf)

<https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company->

[details/!ut/p/z1/rZJdT4MwGIV\\_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details/!ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-)

[Ilhzqg2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe\\_0rte0Ac6oePFaDH](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details/!ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhzqg2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe_0rte0Ac6oePFaDH)

[TevNverB-pocLh8J1fdSKBKQdaCL6CnyTQStwNtkALS7ur\\_nQRW-](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details/!ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhzqg2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe_0rte0Ac6oePFaDH)

[VKm8RIDgcDt10lXe5zBEc86yoEZSVTBakTDF1KgUCLgslCoWgErXcVVzccJllgp\\_3psaRYi](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details/!ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhzqg2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe_0rte0Ac6oePFaDH)

[uvSMQRh35aK5E4Mi9ZkYr6vz\\_iW1apWLE6jfmujQZ1\\_pRVjic0anX9NuPg7HvjGFgPLhBz](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details/!ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhzqg2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe_0rte0Ac6oePFaDH)

BHNS9aNi9OSExDSDA4MktHRVQzMEE2RE1DUk5JMjAwMC9nbG9iYWwvaHR0cDolMC  
UwdGFkYXd1bCUwL2NvbXBhbnlTeWlib2wvNzAxMA!!/#chart\_tab3

Saunders, M. et al., (2009). *Research Methods for Business Students*. 5th ed. Pearson Education Limited.

Sethi, S. P., (1975). Dimensions of Corporate Social Performance: An Analytical Framework. *California Management Review*. **17**(3), pp.58–64.

Shallah, R. A., (1989). *Islamic Banking in An Interest -Based Economy: A case study Of Jordan*. Ph.D. thesis, University of Durham. [viewed 23 March 2021]. Available from: <http://etheses.dur.ac.uk/948/1/948.pdf>

Shehata, N. F., (2015). Development of corporate governance codes in the GCC: an overview. *Corporate Governance*. **15**(3), pp.315–338.

Shocker, A. D. and Sethi, S. P., (1973). An Approach to Incorporating Societal Preferences in Developing Corporate Action Strategies. *California Management Review*. **15**(4), pp.97–105.

Shubaily, Y. A., (2006). *Contemporary financial transactions note (1)*. [online]. [viewed 25 March 2020]. Available from: <http://iefpedia.com/arab/wp-content/uploads/2009/09/%D8%A7%D9%84%D9%85%D8%B9%D8%A7%D9%85%D9%84%D8%A7%D8%AA-%D8%A7%D9%84%D9%85%D8%A7%D9%84%D9%8A%D8%A9-%D8%A7%D9%84%D8%AC%D8%B2%D8%A1-%D8%A7%D9%84%D8%A3%D9%88%D9%84-%D9%84%D9%84%D8%AF%D9%83%D8%AA%D9%88%D8%B1-%D9%8A%D9%88%D8%B3%D9%81-%D8%A7%D9%84%D8%B4%D8%A8%D9%8A%D9%84%D9%8A.pdf>

[Download book Contemporary financial transactions note \(1\) pdf - Noor Library \(noor-book.com\)](#)

Shubaily, Y. A., (2020). *Research into contemporary financial issues 2*. DarAlmaiman Publishing and distribution. Riyadh, Saudi Arabia.

Siddiqi, M. N., (2006). Shariah, Economics and the Progress of Islamic Finance: The Role of Shariah Experts. *Seventh Harvard Forum on Islamic Finance, 21 April 2006, Cambridge, Massachusetts, USA*. pp.1–7.

Suchman, M. C., (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*. **20**(3), pp.571–610.

Sulaiman, M. et al., (2015). Corporate governance of Islamic Financial Institutions in Malaysia. *Asian Journal of Business and Accounting*. **8**(1), pp.65–93.

Sutherland, E., (2012). Corruption in telecommunications: problems and remedies. *Emerald Group Publishing Limited, Info*. **14**(1), pp. 4–19.

Tadawul., (2021). Etihad Atheeb Telecommunication Co. [online]. Tadawul. [viewed 17.01.2021]. available from: <https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers->

[https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details!/ut/p/z1/rZJdT4MwGIV\\_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhgzq2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe\\_0rte0Ac6oePFaDHTevNverB-pocLh8J1fdSKBKQdaCL6CnyTQStwNtkALS7ur\\_nQRW-VKm8RIDgcDt10IXe5zBEc86yoEZSVTBakTDF1KgUCLgslCoWgErXcVVzccJllgp\\_3psaRYiuvSMQRh35aK5E4Mi9ZkYr6vz\\_iW1apWLE6jfmujQZ1\\_pRVjic0anX9NuPg7HvjGFgPLhBz9TGBYPHooHxdKcL\\_JyLJ5zxfDFXmTPbCPw9Bzr5fnLzr5GYrwwkNoGhNSQETNvALx1c5vP5PITUe-tle3-dO6v3NaWdzgeiFMaH/dz/d5/L0IHSklna2dvZ3BSQS9JUGhBQ01RQUJFS01ES3BtNXVwZy80SkNpa\\_nNZNWxIR3QyRXRwTIJTQS9aN19OSExDSDA4MkswVVU5MEE2M0NRUUQ1MjBHNS9aN19OSExDSDA4MktHRVQzMEE2RE1DUk5JMjAwMC9nbG9iYWwvaHR0cDolMCUwdGFkYXd1bCUwL2NvbXBhbnlTeW1ib2wvNzAzMA!!/](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details!/ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-Ilhgzq2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe_0rte0Ac6oePFaDHTevNverB-pocLh8J1fdSKBKQdaCL6CnyTQStwNtkALS7ur_nQRW-VKm8RIDgcDt10IXe5zBEc86yoEZSVTBakTDF1KgUCLgslCoWgErXcVVzccJllgp_3psaRYiuvSMQRh35aK5E4Mi9ZkYr6vz_iW1apWLE6jfmujQZ1_pRVjic0anX9NuPg7HvjGFgPLhBz9TGBYPHooHxdKcL_JyLJ5zxfDFXmTPbCPw9Bzr5fnLzr5GYrwwkNoGhNSQETNvALx1c5vP5PITUe-tle3-dO6v3NaWdzgeiFMaH/dz/d5/L0IHSklna2dvZ3BSQS9JUGhBQ01RQUJFS01ES3BtNXVwZy80SkNpa_nNZNWxIR3QyRXRwTIJTQS9aN19OSExDSDA4MkswVVU5MEE2M0NRUUQ1MjBHNS9aN19OSExDSDA4MktHRVQzMEE2RE1DUk5JMjAwMC9nbG9iYWwvaHR0cDolMCUwdGFkYXd1bCUwL2NvbXBhbnlTeW1ib2wvNzAzMA!!/)



Tadawul., (2021). Saudi Telecom Co. [online]. Tadawul. [ viewed 17.01.2021]. available from: [https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details!/ut/p/z1/rZJdT4MwGIV\\_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details!/ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-)

[Iihzggq2D7dMJXKgmX6vozs2DCcARla4IPfJ0BtF7zJo2W6I8CvbQC4BEe\\_0rte0Ac6oePFaDHTevNverB-pocLh8J1fdSKBKQdaCL6CnyTQStwNtkALS7ur\\_nQRW-VKm8RIDgcDt10IXe5zBEc86yoEZSVTBakTDF1KgUCLgslCoWgErXcVVzccJllgp\\_3psaRYiuvSMQRh35aK5E4Mi9ZkYr6vz\\_iW1apWLE6jfmujQZ1\\_pRVjic0anX9NuPg7HvjGFgPLhBz9TGBYPHooHxdKcL\\_JyLJ5zxfDFXmTPbCPw9Bzr5fnLZr5GYrwkNoGhNSQETNvALx1c5vP5PITUe-tle3-dO6v3NaWdzgeiFMaH/dz/d5/L0IHSklna2dvZ3BSQS9JUGhBQ01RQUJFS01ES3BtNXVwZy80SkNpanNZNWxIR3OyRXRwTIJTQS9aN19OSExDSDA4MkswVVU5MEE2M0NRUUQ1MjBHNS9aN19OSExDSDA4MktHRVQzMEE2RE1DUk5JMjAwMC9nbG9iYWwvaHR0cDolMCUwdGFkYXd1bCUwL2NvbXBhbmlTeWlib2wvNzAxMA!!/](https://www.tadawul.com.sa/wps/portal/tadawul/market-participants/issuers/issuers-directory/company-details!/ut/p/z1/rZJdT4MwGIV_yy566foWGNu8a4hjKKJzHzJuSFe6DQOUQPflr7cj8cLEMY32rulz3uac8-)

The Constitution of the United Arab Emirates., (1971). Constitution of the United Arab Emirates,2013. [viewed 25.01.2021]. available from: <https://uaecabinet.ae/ar/the-constitution>

Tilling, M. V., (2004). Some thoughts on legitimacy theory in social and environmental accounting. *Social and Environmental Accountability Journal*. **24**(2), pp.3–7.

Tinker, T., (2004). The Enlightenment and its discontents, Antinomies of Christianity, Islam, and the calculative sciences. *Accounting, Auditing and Accountability Journal*. **17**(3), pp.442–475.

UAE., (2015). Federal Law, Commercial Companies law. Federal Law No. 2 [online]. UAE [viewed 19.01.2021]. available from: <https://www.moj.gov.ae/en/laws-and-legislation/latest-legislations-and-laws.aspx#page=1>

UAE., (2020). Securities, Commodities Authorities No. (3 / R.M), Joint Stock Companies Governance Guide, [online]. UAE, [viewed 26.01.2021]. available from: <https://www.sca.gov.ae/ar/regulations/regulations-listing.aspx#page=1>

Uddin, S. J., (2003). Understanding the framework of business in Islam in an era of globalization: a review. *Business Ethics: A European Review*. **12**(1), pp.23–32.

Ullah, M. H. et al., (2018). Comparative compliance status of AAOIFI and IFSB standards: An empirical evidence from Islami Bank Bangladesh Limited. *Journal of Islamic Accounting and Business Research*. **9**(4), pp.607–628.

Ullah, S. et al., (2018). Fatwa Repositioning: The Hidden Struggle for Shari’a Compliance Within Islamic Financial Institutions. *Journal of Business Ethics*. **149**(4), pp.895–917.

United Arab Emirates., (2019). Central bank of UAE, Corporate governance regulation for banks [online]. UAE, [viewed 26.01.2021]. available from: <https://www.centralbank.ae/sites/default/files/2019->

09/Pages%20from%20Jareeda%20660%20CORPORATE%20GOVERNANCE%20REGULATION%20FOR%20BANKS%20%D9%86%D8%B8%D8%A7%D9%85%20%D8%A7%D9%84%D8%AD%D9%88%D9%83%D9%85%D8%A9%20%D8%A7%D9%84%D9%85%D8%A4%D8%B3%D8%B3%D9%8A%D8%A9%20%D9%84%D9%84%D8%A8%D9%86%D9%88%D9%83.pdf

US Army, O. D. C. S., (2006). *Arab Cultural Awareness: 58 Factsheets*. Tradoc Dcsint Handbook, 66. [online]. US Army Training and Doctrine Command FT. Leavenworth, Kansas. [viewed 22 March 2021]. Available from: <https://fas.org/irp/agency/army/arabculture.pdf>.

Vinnicombe, T., (2010). AAOIFI reporting standards: Measuring compliance. *Advances in Accounting, incorporating Advances in International Accounting*. **26**(1), pp.55–65.

Waverman, L. and Koutroumpis, P., (2011). Benchmarking telecoms regulation the Telecommunications Regulatory Governance Index (TRGI). *Telecommunications Policy*. **35**(5), pp.450–468.

Williams, R., (2008). Civil and Religious Law in England: A Religious Perspective. *Ecclesiastical Law Journal*. **10**(3), pp.262–282.

Wilson, R., (2006). Islam and business. *Thunderbird International Business Review*. **48**(1), pp.109–123.

Yahya, Y. and Mahzan, N., (2012). The Role of Internal Auditing in Ensuring Governance in Islamic Financial Institution (IFI). *3<sup>rd</sup> International Conference on Business and Economic, 12 - 13 March 2012*. Golden Flower Hotel, Bandung, Indonesia, pp.1634–1661.

Yin, R. K., (2018). *Case study research and applications: Design and methods*. 6th ed. SAGE Publications, Inc.

Zain Bahrain company., (2019). financial statements. [online]. Bahrain Bourse, Zain Bahrain. [viewed 25.01.2021]. available from: <https://www.bahrainbourse.com/resources/files/zain%20financial%20statements.pdf>

ZAIN KSA company., (2019). financial statements. [online]. Saudi Exchange, Zain Saudi Arabia. [viewed 27.01.2019]. available from: [https://www.saudiexchange.sa/Resources/fsPdf/482\\_2019-01-27\\_14-21-50\\_Eng.pdf](https://www.saudiexchange.sa/Resources/fsPdf/482_2019-01-27_14-21-50_Eng.pdf)

Zaitul, Z., (2007). Corporate Governance: Conventional vs. Islamic Perspective. *Jurnal Kajian akuntansi dan auditing*. **2**(2), pp.19–29.

Zaman, S. M. H., (1984). Definition of Islamic economics. *Journal Research Islamic Economics*. **1**(2), pp.49–50.

Zambarloukou, S., (2010). Ownership, corporate governance and industrial relations in the banking and telecommunications sectors: the case of Greece. *Industrial Relations Journal*. **41**(3), pp.233–248.

Zraik, B. k., (2015). *The newspaper of the Charter of the Constitution of Medina, the Prophet, and the first constitution for human rights*. 3th ed. Legal Library: Haitham Al-Nouri. [Viewed 25 March 2021]. Available from: <https://zraik.info/downloads/post-15.pdf>

## **Appendices**



## Participant Information Sheet

### 1. Research Project Title:

Corporate Governance from an Islamic Perspective: Case Study of the Telecommunications Sector in Gulf Cooperation Council Countries.

### Dear participants,

My name is Khaled Hamden Alshammari, and I am first year researcher in PhD program in Sheffield university management school, Sheffield, U.K. The semi-structure interview with participants is the part of my thesis. Also, my research gets ethical approval from university of Sheffield.

### 2. What is the research purpose?

This research highlights Islamic corporate governance in the non-financial sector, specifically telecommunications companies in the GCC countries - Saudi Arabia, Kuwait, Bahrain, United Arab Emirates and Oman and exclude Qatar. It looks at how an Islamic environment affects the perspective of corporate governance. In these countries, Islam has influenced the regulations and codes because the law depends on Islamic law. Regulators in these countries ostensibly reflect Islam in their laws and in relation to the organisation of the business.

The purpose of this project is to develop an Islamic Corporate Governance Model for the Telecommunications sector that is based on the Islamic religion. This is influenced by Islamic text, the literature and actual prescriptions such as that of AAOIFI and explore its potential in practice.

### 3. Why have I been chosen?

I choose you in this study because I want to know depth in corporate governance, islamic business and telecom companies in practice. I have three groups of participants in this study. The first group will include the member of board that related on corporate governance, and the second is islamic scholars who have knowledge in islamic religion and have knowledge in business. The

final group will be related on other stakeholders such as general customer and auditing. The interview will make between researcher and interviewee, and the question will be directly that related on this study.

#### **4. How long each interview, Will I be recorded?**

The interview with each interviewee will take around 35 minutes. For recording or non-recording, all participants will sign on the consent form, and this consent form will give option for recording or non-recording the interview that depended on the view of participants.

#### **5. What are rights for participant?**

Participant in this study will be voluntary, and he/she can withdraw from this research anytime. participant could refrain to answer any question through interview, and participant has been the right of ask any question anytime that related this study. also, the participant has been right to end interview without any reason.

#### **6. What are benefits and risks for participants?**

The benefit for participant in this study is encourage and contribution the research section in University of Sheffield and assist to reach information about practicing in telecom companies. For risk, any question will make participant concern or uncomfortable in the interview, they have rights to go next part without giving answers. also, the participant has been rights to withdraw from interview without any reason.

#### **7. What is the legal basis for processing my personal data?**

This research will depend on the legislation of university of Sheffield. Further information about this legislation will find in website of university of Sheffield <https://www.sheffield.ac.uk/govern/data-protection/privacy/general>.

#### **8. Who is the Data Controller?**

The data controller will be university of Sheffield.

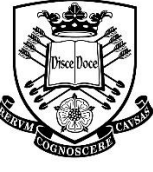
If you want to contact the researcher that related to study, contact by email:

[Khalshammari1@sheffield.ac.uk](mailto:Khalshammari1@sheffield.ac.uk)

If you have question that related in the research, you can contact my supervisors:

Jim Haslam, [j.haslam@sheffield.ac.uk](mailto:j.haslam@sheffield.ac.uk)

Sharif Khalid, [s.m.khalid@sheffield.ac.uk](mailto:s.m.khalid@sheffield.ac.uk)



The  
University  
Of  
Sheffield.

## ورقة معلومات المشارك

موضوع البحث:

حوكمة الشركات من منظور اسلامي: دراسة حالة قطاع الاتصالات في دول مجلس التعاون الخليجي

عزيزي المشارك،

اسمي خالد بن حمدان الشمري وأنا باحث دكتوراه في كلية الإدارة في جامعة شيفيلد الواقعة في مدينة شيفيلد، المملكة المتحدة. كجزء من أطروحة الدكتوراه، أقوم بإجراء دراسة وأود أن أطلب مشاركتك. وقد حصلت هذه الدراسة على الموافقة الأخلاقية من جامعة شيفيلد.

**تفاصيل الدراسة :** تم تصميم هذه الدراسة لاكتساب فهم أفضل حول حوكمة الشركات الاسلامية في القطاع غير المالي، وتحديد شركات الاتصالات في دول مجلس التعاون الخليجي. ينظر الى تأثير البئية الاسلامية على منظور حوكمة الشركات. الاسلام يؤثر على الانظمة والقوانين لان القانون في هذه البلدان يعتمد على الشريعة الاسلامية كمصدر اساسي للتشريع. الغرض من البحث هو تطوير نموذج اسلامي لحوكمة الشركات وتطبيقه على قطاع الاتصالات, وذلك بالاعتماد على الدين الاسلامي والدراسات السابقة وبعض المنظمات المهمة باصدار المعايير الاسلامية مثل أيوفي والنظر في امكانية تطبيق هذا النموذج في الممارسة.

**ماذا سيحدث أثناء الدراسة:** إذا اخترتم المشاركة في الدراسة، فسوف يتم مقابلتكم شخصيًا من قبل الباحث وطرح

أسئلة حول مدى فاعلية حوكمة الشركات الاسلامية و أرائكم بخصوص ذلك. لن يتم طرح الأسئلة المتعلقة بحياتكم الشخصية أو معلومات خاصة سرية. وستطرح عليكم أسئلة تتعلق بمدى فعالية تطبيق المنتجات الاسلامية في شركات الاتصالات ومدى تأثير ذلك في الممارسة. وستكون العينة متكونة في ثلاث مجموعات من المشاركين هما عضو من الشركة مهتم بحوكمة الشركات ، وعلماء الإسلام الذين لديهم معرفة بالدين الإسلامي ولديهم معرفة في مجال الأعمال والمجموعة الأخيرة مرتبطة بأصحاب المصلحة الآخرين مثل العملاء العامين ومراجعي الحسابات.

**التزام الوقت وامكانية تسجيل المقابلة:** سوف تستغرق المقابلة حوالي 40-60 دقيقة. ستكون هناك حاجة لمقابلة واحدة فقط لكل مشارك. وسوف يكون هناك نموذج في حالة الموافقة او عدم الموافقة على تسجيل المقابلة.

**حقوق المشاركين:** مشاركتكم في هذه الدراسة تطوعية تمامًا. لكم الحرية في الانسحاب من الدراسة في أي وقت خلال عملية المقابلة ولن يتم طرح أي أسئلة إذا اخترتم الانسحاب من الدراسة؛ لن يتم استخدام البيانات الخاصة بكم بأي شكل من الأشكال. لديكم الحق في طرح أسئلة حول الدراسة في أي وقت. لديكم الحق في عدم الإجابة على أية أسئلة لا ترغب في الإجابة عنها أثناء المقابلة. لديكم أيضًا الحق في إنهاء المقابلة في أي وقت.

**الفوائد والمخاطر:** هناك حد أدنى من المخاطر المرتبطة بمشاركتكم في هذه الدراسة. ومع ذلك، إذا كان أي من الأسئلة التي طرحت خلال المقابلة يسبب لكم الضيق أو جعلك تشعر بعدم الارتياح، يتم تشجيعك على مطالبة الباحث بالانتقال إلى الموضوع التالي. لديكم الحق في الانسحاب من الدراسة في أي وقت، دون أي أسئلة. ستمنحكم المشاركة في هذه الدراسة الفرصة للمساهمة في البحث الحالي الذي يُجرى في جامعة شيفيلد.

**السرية / عدم الكشف عن الهوية:** سيتم الاحتفاظ بالتسجيلات الصوتية وأي ملاحظات يدونها الباحث خلال المقابلة بسرية تامة. لن يتم الاستماع إلى المقابلات من قبل أي شخص بخلاف الباحث، ولن يتم استخدامها لأي غرض آخر غير البحث الأكاديمي. علاوة على ذلك، إذا كنت ترغب في أن تظل المقابلة الخاصة بك مجهولة الهوية، فالرجاء إخبار الباحث بذلك وسيسعده استيعاب ذلك.

**الأساس القانوني لاستخدام البيانات الشخصية:** "وفقًا لتشريع حماية البيانات، يُطلب منا إعلامكم بأن الأساس القانوني الذي نطبقه من أجل استخدام بياناتكم الشخصية هو أن "استخدام البيانات ضروري لأداء المهمة التي يتم تنفيذها للمصلحة العامة" (المادة 6 (1) (ه)). يمكن العثور على مزيد من المعلومات في إشعار خصوصية الجامعة <https://www.sheffield.ac.uk/govern/data-protection/privacy/general>.

**وحدة التحكم في البيانات:** في هذا المشروع، ستكون جامعة شيفيلد "هي وحدة التحكم في البيانات" للبيانات الشخصية التي سيتم جمعها واستخدامها كجزء من البحث.

إذا كنت ترغب في الاتصال بالباحث فيما يتعلق بهذه الدراسة، فيمكنك إرسال بريد إلكتروني لي على [Khalshammari1@sheffield.ac.uk](mailto:Khalshammari1@sheffield.ac.uk)

إذا كان لديك أي أسئلة أو استفسارات تتعلق بكيفية إجراء هذه الدراسة، فلا تتردد في الاتصال بأحد مشرفين البحث الخاص بي وهما سعادة البروفيسور جيم هسلم عبر البريد الإلكتروني: [j.haslam@sheffield.ac.uk](mailto:j.haslam@sheffield.ac.uk) أو الدكتور شريف محمد خالد عبر البريد الإلكتروني: [s.m.khalid@sheffield.ac.uk](mailto:s.m.khalid@sheffield.ac.uk)

كلية الإدارة بجامعة شيفيلد،  
Sheffield University Management School  
The University of Sheffield, Conduit Road, Sheffield, S10 1FL

## نموذج موافقة المشارك

### Corporate Governance from an Islamic Perspective: Case Study of the Telecommunications Sector in Gulf Cooperation Council Countries

حوكمة الشركات من منظور إسلامي: دراسة حالة قطاع الاتصالات في دول مجلس التعاون الخليجي

نعم	لا	يرجى وضع علامة في المربعات المناسبة
		المشاركة في المشروع
<input type="checkbox"/>	<input type="checkbox"/>	لقد قرأت وفهمت ورقة معلومات المشروع بتاريخ DD / MM / YYYY أو تم شرح المشروع لي بالكامل. (إذا كنت ستجيب بلا على هذا السؤال، يرجى عدم المضي قدماً في نموذج الموافقة هذا حتى تكون على علم تام بما ستعنيه مشاركتك في المشروع).
<input type="checkbox"/>	<input type="checkbox"/>	لقد أتيتحت لي الفرصة لطرح الأسئلة حول المشروع.
<input type="checkbox"/>	<input type="checkbox"/>	أوافق على المشاركة في المشروع. أدرك أن المشاركة في المشروع ستشمل إجراء المقابلات والتسجيلات الصوتية لي.
<input type="checkbox"/>	<input type="checkbox"/>	أفهم أن مشاركتي هو اختياري وأني أستطيع الانسحاب من الدراسة في أي وقت أثناء الدراسة وقبل 2020/04/1؛ لا يتعين علي إعطاء أي أسباب لماذا لم أعد أرغب في المشاركة ولن تكون هناك عواقب سلبية إذا اخترت الانسحاب.
		كيف سيتم استخدام المعلومات الخاصة بي أثناء وبعد المشروع
<input type="checkbox"/>	<input type="checkbox"/>	أعي أنه لن يتم الكشف عن بياناتي الشخصية مثل الاسم ورقم الهاتف والعنوان وعنوان البريد الإلكتروني وما إلى ذلك لأشخاص من خارج المشروع.
<input type="checkbox"/>	<input type="checkbox"/>	أفهم وأوافق على أنه قد يتم اقتباس كلماتي في المطبوعات والتقارير وصفحات الويب ومخرجات الأبحاث الأخرى. أدرك أنه لن يتم تسميتي في هذه المخرجات إلا إذا طلبت ذلك على وجه التحديد.
<input type="checkbox"/>	<input type="checkbox"/>	أتفهم وأوافق على أن الباحثين المعتمدين الآخرين يتمكنوا من الوصول إلى هذه البيانات إذا وافقوا على الحفاظ على سرية المعلومات كما هو مطلوب في هذا النموذج.
<input type="checkbox"/>	<input type="checkbox"/>	أتفهم وأوافق على أنه يجوز للباحثين المعتمدين الآخرين استخدام بياناتي في المطبوعات والتقارير وصفحات الويب والمخرجات البحثية الأخرى، فقط إذا وافقوا على الحفاظ على سرية المعلومات كما هو مطلوب في هذا النموذج.
<input type="checkbox"/>	<input type="checkbox"/>	أعطي تصريحاً لتسجيل المقابلة التي أقدمها لأودعها في جامعة شيفيلد بحيث يمكن استخدامها في الأبحاث في المستقبلية والتعلم.
		بحيث يمكن استخدام المعلومات التي تقدمها بشكل رسمياً من قبل الباحثين
<input type="checkbox"/>	<input type="checkbox"/>	أوافق على تعيين حقوق الطبع والنشر التي تخص معلومات المقابلة في أي مواد يتم إنشاؤها كجزء من هذا المشروع لجامعة شيفيلد.

التاريخ

التوقيع

اسم المشارك:

التاريخ :

التوقيع :

اسم الباحث: خالد بن حمدان الشمري

لمزيد من المعلومات تفاصيل الاتصال بالمشروع:

إذا كنت ترغب في الاتصال بالباحث فيما يتعلق بهذه الدراسة، فيمكنك إرسال بريد إلكتروني لي على [Khalshammari1@sheffield.ac.uk](mailto:Khalshammari1@sheffield.ac.uk) إذا كان لديك أي أسئلة أو استفسارات تتعلق بكيفية إجراء هذه الدراسة، فلا تتردد في الاتصال بأحد مشرفين البحث الخاص بي وهما سعادة البروفيسور جيم هسلم عبر البريد الإلكتروني: [j.haslam@sheffield.ac.uk](mailto:j.haslam@sheffield.ac.uk) أو الدكتور شريف محمد خالد عبر البريد الإلكتروني: [s.m.khalid@sheffield.ac.uk](mailto:s.m.khalid@sheffield.ac.uk)

كلية الإدارة بجامعة شيفيلد،  
Sheffield University Management School,  
The University of Sheffield, Conduit Road, Sheffield, S10 1FL



**Participant Consent Form**  
**Corporate Governance from an Islamic Perspective: Case Study of the**  
**Telecommunications Sector in Gulf Cooperation Council Countries**

<i>Please tick the appropriate boxes</i>	Yes	No
<b>Taking Part in the Project</b>		
I have read and understood the project information sheet dated / /2019 or the project has been fully explained to me. (If you will answer No to this question, please do not proceed with this consent form until you are fully aware of what your participation in the project will mean.)	<input type="checkbox"/>	<input type="checkbox"/>
I have been given the opportunity to ask questions about the project.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to take part in the project. I understand that taking part in the project will include being interviewed and being recorded audio	<input type="checkbox"/>	<input type="checkbox"/>
I understand that my taking part is voluntary and that I can withdraw from the study at any time and before 21/01/2020; I do not have to give any reasons for why I no longer want to take part and there will be no adverse consequences if I choose to withdraw.	<input type="checkbox"/>	<input type="checkbox"/>
<b>How my information will be used during and after the project</b>		
I understand my personal details such as name, phone number, address and email address etc. will not be revealed to people outside the project.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that my words may be quoted in publications, reports, web pages, and other research outputs. I understand that I will not be named in these outputs unless I specifically request this.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that other authorised researchers will have access to this data only if they agree to preserve the confidentiality of the information as requested in this form.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that other authorised researchers may use my data in publications, reports, web pages, and other research outputs, only if they agree to preserve the confidentiality of the information as requested in this form.	<input type="checkbox"/>	<input type="checkbox"/>
I give permission for the interview recording that I provide to be deposited in university of Sheffield, so it can be used for future research and learning	<input type="checkbox"/>	<input type="checkbox"/>
<b>So that the information you provide can be used legally by the researchers</b>		
I agree to assign the copyright I hold in any materials generated as part of this project to The University of Sheffield.	<input type="checkbox"/>	<input type="checkbox"/>

Name of participant [printed]

Signature

Date

Name of Researcher [printed]

Signature

Date

**Project contact details for further information:**

If you want to contact the researcher that related to study, contact by email:

[Khalshammari1@sheffield.ac.uk](mailto:Khalshammari1@sheffield.ac.uk). If you have question that related in the research you can contact with my supervisors: Jim Haslam, [j.haslam@sheffield.ac.uk](mailto:j.haslam@sheffield.ac.uk) and Sharif Khalid, [s.m.khalid@sheffield.ac.uk](mailto:s.m.khalid@sheffield.ac.uk)

## **Interviews Questions**

اسئلة المقابلة

English language	Arabic language
<p>According to the primary source of legislation in GCC countries, your organisation is meant to follow Islamic concepts or principles, and company law in these countries defines the company in the same way as the company is defined in Islam.</p> <p>1. If a company was more explicit about adhering to Islamic principles, do you think this would result in the company better reflecting Islamic principles? If so, how? And would this reflect the desire of Muslim society in practice? If so why?</p> <p>2. If a company does not care for explicating and applying Islamic concepts and principles in practice how might that make it different from an Islamic company?</p>	<p>وفقاً للمصدر الأساسي للتشريع في دول مجلس التعاون الخليجي ، فإن شركتكم تهدف إلى اتباع المفاهيم أو المبادئ الإسلامية ، وقانون الشركات في هذه الدول يعرف الشركة نفس تعريف الشركة في الإسلام:</p> <p>1. إذا كانت الشركة تتسم بالوضوح بشأن الالتزام بالمبادئ الإسلامية ، فهل تعتقد أن هذا سيؤدي إلى أن تعكس الشركة بشكل أفضل المبادئ الإسلامية؟ إذا كان الأمر كذلك ، كيف؟ وهل يعكس ذلك رغبة المجتمع المسلم في الممارسة؟ إذا كان الأمر كذلك لماذا؟</p> <p>2. إذا كانت الشركة لا تهتم بتفصيل وتطبيق المفاهيم والمبادئ الإسلامية في الممارسة ، فكيف يمكن أن يجعل شركتكم مختلفة عن الشركات الإسلامية؟</p>
<p>According to annual reports most telecom companies use Islamic products such as Murabahah, qard Hasan "loan without interest", Mudaraba, Islamic investment and wakalah. Most telecom companies use deposit investment through Murabahah in Islamic banks. These products are used in the financial and non-financial sectors. So:</p> <p>3. How can you make these Islamic products work and how can you promote them in practice?</p> <p>4. Is it the case that Islamic law has impacted telecom companies in relation to the offering of Islamic products?</p> <p>5. Most telecom companies use these products in practice - and most of them follow international standards while doing so. Do you believe that the following of international standards is best</p>	<p>ووفقاً للتقارير السنوية ، تستخدم معظم شركات الاتصالات منتجات إسلامية مثل المرابحة وقرض حسن والمضاربة والاستثمار الإسلامي والوكالة. بالإضافة إلى معظم شركات الاتصالات تستخدم الودائع في البنوك الإسلامية من خلال الاستفادة من نظام المرابحة. وان استخدام هذه المنتجات في الواقع يحدث في القطاعات المالية وغير المالية. وبالتالي:</p> <p>3. كيف يمكنك تفسير عمل هذه المنتجات الإسلامية وكيف يمكن الترويج لها في الممارسة؟</p> <p>4. هل هناك تأثير للقانون الإسلامي في الواقع مما جعل شركات الاتصالات تضطر إلى عرض المنتجات الإسلامية؟</p> <p>5. معظم شركات الاتصالات تستخدم هذه المنتجات في الممارسة - ومعظمها يتبع المعايير الدولية أثناء القيام بذلك. هل تعتقد أن</p>

<p>in terms of the concern to offer products and services that are Islamic? If so how and why?</p> <p>6. If telecom companies care for Islamic standards, how can they demonstrate this in the absence of reports from a Shariah supervisory board – which does not appear to be in place in most telecom companies?</p> <p>7. If you have positive evidence from a Shariah supervisory board but you do not publicly disclose this through the company annual report, is it important for some reference to Islamic scholarship to be in the report? To what extent? For instance, how many Islamic scholars should be on the Shariah supervisory board assuming this disclosed on the Board? What if the company does not have a Shariah supervisory board?</p>	<p>المعايير الدولية هي الأفضل والمناسبة للمنتجات والخدمات الإسلامية؟ لو كان كذلك، كيف ولماذا؟</p> <p>6. إذا كانت شركات الاتصالات تهتم بالمعايير الإسلامية ، فكيف يمكنها إثبات ذلك في ظل غياب التقارير الخاصة بهيئة الرقابة الشرعية - التي لا يبدو أنها موجودة في معظم شركات الاتصالات؟</p> <p>7. إذا كان لديكم دليل إيجابي من هيئة الرقابة الشرعية لكنكم لا تكشفون عن ذلك علناً في التقرير السنوي للشركة ، فهل من المهم الإشارة إلى بعض الجوانب الإسلامية في التقرير؟ إلى أي مدى؟ على سبيل المثال ، كم من العلماء الإسلاميين يجب أن يكونوا أعضاء في هيئة الرقابة الشرعية ، بافتراض الكشف عنها في مجلس الإدارة؟ ماذا لو لم يكن لدى الشركة هيئة رقابة شرعية؟</p>
<p><b>In these countries we rely on Islamic law as the primary source for legislation, and most societies in these countries might require using Islamic products and reflecting this in their annual reports. However, most telecom companies depend on the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).</b></p> <p>8. How can companies get legitimacy in these countries? What is the impact of laws and governments in the practice of gaining legitimacy?</p> <p>9. If societies require companies to be Islamic companies and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) would better reflect Islamic concepts and give more legitimacy in these countries, do you think telecom companies should better depend on Islamic standards established by</p>	<p>في هذه البلدان يتم الاعتماد على الشريعة الإسلامية كمصدر أساسي للتشريع ، وقد تتطلب معظم المجتمعات في هذه البلدان استخدام المنتجات الإسلامية وتعكس ذلك في تقاريرها السنوية . ومع ذلك ، تعتمد معظم شركات الاتصالات على مجلس معايير المحاسبة الدولية (IASB) ولجنة التفسيرات الدولية لإعداد التقارير المالية (IFRIC)</p> <p>8. كيف يمكن أن تحصل الشركات على الشرعية في هذه الدول؟ ما هو تأثير القوانين والحكومات على ممارسة اكتساب الشرعية؟</p> <p>9. إذا طلبت المجتمعات من الشركات أن تكون شركات إسلامية وأن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية ستعكس المفاهيم الإسلامية وتعطي مزيداً من الشرعية في هذه الدول ، هل تعتقد أن شركات الاتصالات يجب أن تعتمد بشكل أفضل على المعايير الإسلامية التي وضعتها هيئة المحاسبة</p>

<p>AAOIFI in practice? If so why and how could it be done?</p> <p>10. Are there any other Islamic structure that would add legitimacy?</p>	<p>والمراجعة للمؤسسات المالية الإسلامية في الواقع؟ إذا بالامكان فلماذا وكيف يمكن القيام بذلك؟</p> <p>10. هل هناك أي نماذج أو هيئات إسلامية أخرى تضيف شرعية لهذه الشركات؟</p>
<p><b>According to annual reports for telecom companies in GCC countries, these companies depend on international standards, and Islamic companies depend on Islamic standards established by some organizations such as AAOIFI or IFSB.</b></p> <p>11. Can laws and codes for corporate governance be improved in GCC countries given that there is no mention of the Shariah supervisory board in the current law?</p> <p>12. And how can law and codes be improved in terms of the usage of Islamic products and services?</p> <p>13. What impact do Islamic scholars have on the practice of corporate governance?</p> <p>14. Do you think a more explicit Islamic law will increase/decrease integrity and quality in corporate governance?</p>	<p>وفقاً للتقارير السنوية لشركات الاتصالات في دول مجلس التعاون الخليجي ، تعتمد هذه الشركات على المعايير الدولية ، وتعتمد الشركات الإسلامية على المعايير الإسلامية التي وضعتها بعض المنظمات مثل AAOIFI أو IFSB</p> <p>11. هل يمكن تحسين القوانين والمدونات الخاصة بحوكمة الشركات في دول مجلس التعاون الخليجي نظراً لعدم وجود إشارة إلى هيئة الرقابة الشرعية في القانون الحالي؟</p> <p>12. وكيف يمكن تحسين القانون والمدونات من حيث استخدام المنتجات والخدمات الإسلامية؟</p> <p>13. ما تأثير علماء المسلمين المتخصصين في الجوانب المالية والذين لهم دور بارز في إعطاء الآراء الشرعية على ممارسة حوكمة الشركات؟</p> <p>14. هل تعتقد أنه في حالة وجود قانون إسلامي أكثر صراحة بخصوص الجوانب الإسلامية سيزيد أو يقلل من جوانب النزاهة والجودة في حوكمة الشركات؟</p>

## Interviewees and Duration of interviews

<b>Country</b>	<b>Code names</b>	<b>Duration of interview</b>	<b>Recording or non-recording</b>	<b>Country</b>	<b>Code names</b>	<b>Duration of interview</b>	<b>Recording or non-recording</b>
<b>Saudi Arabia</b>	IS.A.SA.4	An hour	Recording	<b>Saudi Arabia</b>	TM.A.SA.1	An hour	Recording
<b>Saudi arabia</b>	IS.M.SA.2	An hour	Recording	<b>Saudi Arabia</b>	TM.F.SA.2	Forty-five minutes	Recording
<b>Saudi Arabia</b>	IS.AN.SA.3	An hour and half	Recording	<b>Saudi Arabia</b>	TM.K.SA.3	Forty-minutes	Non-Recording
<b>Saudi Arabia</b>	IS.ASJ.SA.6	Forty-five minutes	Non-Recording	<b>Saudi Arabia</b>	TM.M.SA.4	Forty-five minutes	Recording
<b>Saudi Arabia</b>	IS.H.SA.10	Half an hour	Non-Recording	<b>Kuwait</b>	TM.N.KW.5	Forty minutes	Non-Recording
<b>Saudi Arabia</b>	IS.AR.SA.11	Forty-five minutes	Non-Recording	<b>Kuwait</b>	TM.M.KW.6	Two hour	Recording
<b>Kuwait</b>	IS.AS.KW.7	An hour	Recording	<b>Kuwait</b>	TM.A.KW.7	An hour and half	Recording
<b>Kuwait</b>	IS.AM.KW.9	Two-hour	Recording	<b>Kuwait</b>	TM.Y.KW.8	An hour	Recording
<b>Kuwait</b>	IS.M.KW.12	An hour	Recording	<b>Bahrain</b>	TM.R.BA.9	Forty-five minutes	Non-Recording
<b>Kuwait</b>	IS.D.KW.13	Forty-five minutes	Recording	<b>Bahrain</b>	TM.A.BA.10	Forty minutes	Recording
<b>Bahrain</b>	IS.F.BA.14	An hour	Recording	<b>Oman</b>	TM.I.OM.11	An hour	Recording
<b>Bahrain</b>	IS.R.BA.8	Forty-five minutes	Recording	<b>UAE</b>	TM.M.UAE.12	Forty-five minutes	Non-Recording
<b>Bahrain</b>	IS.S.BA.14	Thirty-five minutes	Recording				
<b>Oman</b>	IS.I.OM.15	An hour	Recording				

<b>Oman</b>	IS.N.OM.1 6	Half an hour	Recording				
<b>Oman</b>	IS.A.OM.5	An hour and half	Recording				
<b>UAE</b>	IS.MK.UE. 17	Forty-five minutes	Recording				
<b>UAE</b>	IS.MA.UE. 18	Forty minutes	Non- Recording				
<b>AAOIFI</b>	IS.AFI.BA. 19	Two hour	Non- Recording				
<b>Total</b>	19				12		

## Training and development during PHD study

Date	Module Name	Notes
Autumn 2017-18	Introduction to Qualitative Research	Compulsory
Autumn 2017-18	Introduction to Quantitative Research	Compulsory
Autumn 2017-18	Principles of Research Design	Compulsory
Academic Year 17-18	Professional Skills for Researchers	Compulsory
7 Feb 2018	Research Ethics and Integrity (Lecture)	Compulsory
23 April 2018	Research Ethics and Integrity (workshop)	Compulsory
8 <sup>th</sup> Nov, 2017	How to support muslim student	Optional
25 <sup>th</sup> oct, 2017	Accounting and the social: Stigma	Optional
17 <sup>th</sup> Oct 2017	301 Workshop: Critical Thinking	Optional
23 <sup>rd</sup> Oct, 2017	White Rose Doctoral Training Partnership Welcome Event	In Leeds
16 <sup>th</sup> Nov, 2017	301 Workshop: reflective practice	Optional
26 Oct, 2017	301 Workshop: Academic Writing Overview	Optional
7 Nov, 2017	301 Workshop: Proofreading	Optional
9 Nov, 2017	301 Workshop: Mind Mapping	Optional
9- 11 April 2018	BAFA Annual Conference	in London
16 Feb 2018	BAM, Corporate Governance Workshop, Cass Business School	in London
23 May 2018	White Rose Doctoral Training Partnership Sustainable Growth, Management and Economic Productivity Pathway Conference 2018, <b>Presented</b>	at SUMS
11 <sup>th</sup> -12 <sup>th</sup> June 2018	BAM, Corporate Governance Subject Interest Group Conference, <b>Presented</b>	in Leeds
12 September, 2018	SUMS 2 <sup>nd</sup> Annual Doctoral Conference- poster. <b>(The Best Poster in Management school, 2018)</b>	at SUMS
7-8 April 2019	AAOIFI 16th Annual Shari'ah Conference	in Bahrain



3 March 2021	Webinar -Contemporary Issues on Islamic Finance and Banking	Online
28/ 05/2021 & 04/06/2021	CRAFIC workshop on the international dimensions of audit failure	Online
03/09/2021	IFEAR4 the FUTURE extinction accounting seminar	Online

## **From the Holy Quran and Sunnah: Islam in Business:**

“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So, whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein. Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever. Indeed, those who believe and do righteous deeds and establish prayer and give zakah will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve. O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged. And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew. And fear a Day when you will be returned to Allah. Then every soul will be compensated for what it earned, and they will not be treated unjustly. O you who believe! When you contract a debt for a fixed period, write it down. Let a scribe write it down in justice between you. Let not the scribe refuse to write as Allah has taught him, so let him write. Let him (the debtor) who incurs the liability dictate, and he must fear Allah, his Lord, and diminish not anything of what he owes. But if the debtor is of poor understanding, or weak, or is unable himself to dictate, then let his guardian dictate in justice. And get two witnesses out of your own men. And if there are not two men (available), then a man and two women, such as you agree for witnesses, so that if one of them (two women) errs, the other can remind her. And the witnesses should not refuse when they are called on (for evidence). You should not become weary to write it (your contract), whether it be small or big, for its fixed term, that is more just with Allah; more solid as evidence, and more convenient to prevent doubts among yourselves, save when it is a present trade which you carry out on the spot among yourselves, then there is no sin on you if you do not write it down. But take witnesses whenever you make a commercial contract. Let neither scribe nor witness suffer any harm, but if you do (such harm), it would be wickedness in you. So be afraid of Allah; and Allah teaches you. And Allah is the All-Knower of each and everything. And if you are on a journey and

cannot find a scribe, then let there be a pledge taken (mortgaging); then if one of you entrust the other, let the one who is entrusted discharge his trust (faithfully), and let him be afraid of Allah, his Lord. And conceal not the evidence for he, who hides it, surely his heart is sinful. And Allah is All-Knower of what you do. (275,276.277.278,279,280,281,282, 283, Surah Al-Baqarah)”

**Link:** [Surat Al-Baqarah \[2:274-286\] - The Noble Qur'an - القرآن الكريم](#)

“And give full measure when you measure, and weigh with an even balance. That is the best [way] and best in result. (35, Al-isra)”

**Link:** [Surat Al-'Isra' - The Noble Qur'an - القرآن الكريم](#)

“Exalted is He who created all pairs - from what the earth grows and from themselves and from that which they do not know (36, Surah Ya-Sin)”

**Link:** [Surat Ya-Sin - The Noble Qur'an - القرآن الكريم](#)

“Woe to those who give less [than due], Who, when they take a measure from people, take in full. (1, 2, al-mutaffifin)”

**Link:** [Surat Al-Mutaffifin - The Noble Qur'an - القرآن الكريم](#)

“It was narrated from Abu Hurairah that the Messenger of Allah (ﷺ) said: 'On the night in which I was taken on the Night Journey (Al-Isra'), I came to people whose stomachs were like houses, in which there were snakes that could be seen from outside their stomachs. I said: 'Who are these, O Jibra'il?' He said: 'They are the ones who consumed usury. (Sunan Ibn Majah, the Chapters on Business Transactions, Hadith, 137)”

**Link:** Sunan Ibn Majah, the Chapters on Business Transactions, Hadith, 137 [online] sunnah.com [Viewed 11/03/2021] available from: [Hadith - The Chapters on Business Transactions - Sunan Ibn Majah - Sunnah.com - Sayings and Teachings of Prophet Muhammad \(صلى الله عليه و سلم\)](#)

“Ibn 'Abbas (RAA) narrated that when the Prophet (ﷺ) sent Mu'adh ibn Jabal to Yemen (as governor), he said to him: “You are going to a people who are People of the Scripture. Invite them to testify that none has the right to be worshipped but Allah and that I am His Messenger. If they obey you in this, then teach them that Allah, the Glorious One, has enjoined five prayers upon them in every day and night (in twenty-four hours), and if they obey you in this, then tell them that Allah has made it obligatory for them to pay Zakah upon their assets and it is to be taken from the wealthy among them and given to the poor among them.” Related by Al-Bukhari. (The Book of Zakah)”

**Link:** Sahih Al-Bukhari. The Book of Zakah. [online] sunnah.com [Viewed 11/03/2021] available from: [The Book of Zakah - كتاب الزكاة - Sunnah.com - Sayings and Teachings of Prophet Muhammad \(صلى الله عليه وسلم\)](#)

**Islamic principles to improve current practice**

