
International Journal of Social, Political and Economic Research

IJOSPER

ISSN: 2667-8810 (Online)

ijosper.uk

OPEN  ACCESS

Original Article

Article No: 20_V7_I2_A11

DOI: doi.org/10.46291/IJOSPERvol7iss2pp272-291

Interest-Free Financing: An Overview of Interest-Free Finance in Turkey and Bangladesh

Syed Magfur Ahmad*

Saeed Rashed Hasan Chowdury**

*Post-graduate researcher, Istanbul University, Institute of social science, Department of Islamic Economics and Finance, Istanbul, Turkey.

Email: syedmagfurahmad@ogr.iu.edu.tr

** Ph.D. researcher, Ankara University, Institute of social science, Department of Basic Islamic Sciences (Mysticism), Ankara, Turkey.

Email: saeedrashed@cenraps.org

Abstract:

The research paper aims to analyse the overview of interest-free finance activities in Turkey and Bangladesh. The history of the intellectual efforts of the Islamic economy in modern times is dated back to the 1950s. The interest-free finance system emerged with the claim of being an alternative to the aim of eliminating the complexity of the irregular order in the modern financial system. Emerging Bangladesh and developing Turkey were started up their interest-free financing from the decade of 1980. Bangladesh started interest-free financing from 1983 by establishing Islamic Bank Limited regarded as the pioneer of Islamic banking in Bangladesh. Participation banks of Turkey have been growing continuously since the year they started operations in 1985. Islamic Bank Limited and Participation Bank of Turkey hold market share 24% and 5.3% in their banking sector, respectively. Interest-free financing as a development factor within the framework of the implementation of multilateral projects that contributes to the both country's economy. This research paper considers the qualitative and analytical research based on secondary data collection process. Improving the regulation of financial organizations in interest-free financing that keep contribution to the development of infrastructure of Islamic finance activities for both Turkey and Bangladesh.

Key Words:

Interest-free system, Islamic finance, Islamic banking, Turkey, and Bangladesh.

1. Introduction

With a timid beginning in the 1960s, the Islamic financial industry has now gained popularity in both Muslim and non-Muslim countries attracting customers of all faith due to its resilience and less risky character (Karahana & Ersoy, 2016). For the last 40 years, the theory of interest-free finance has been based on morality, justice, and interest-free financial institutions that are evolving all over the world. The interest-free system has been widely used in other Muslim countries for many years. In fact, some European banks (HSBC, Citibank) especially British and American origin, have implemented this practice for years and have managed to attract the resources of Islamic countries to their own countries (Kavçioğlu, 2019). The definition of interest-free finance is commonly known as the framework where all forms of financial operation and transactions are carried out in compliance with Islamic law (Yanik & Erden, 2019). Islamic finance rapid growth has caught the attention to some country's national policy. An Islamic bank is a financial institution that must follow Islamic Sharia rules and avoid the interest in all of its operations based on aims, principles and practices (Aras & Öztürk, 2011). The most important of these rules is the prohibition of Riba. Islamic banks not only show similarity with conventional banks in their financing methods but also adopt the same attitude in selecting target customers (Kabir, 2019).

Bangladesh is the fourth-largest Muslim country in South Asia. Compared to the neighbouring countries, this country has achieved a remarkable economic and social success. More than three decades have passed since the journey of interest-free financing in Bangladesh. Interest-free financing is growing faster in Bangladesh, and its impact on the country's economy has been a surprise (Alam, 2000). Bangladesh has already shown the potential growth in Islamic banking and financing that reflects its rapid expansion of Islamic banking and finance in the global banking and financial sectors. The Islamic banking industry has demonstrated good performance and generated approximately 24 percent of market share of the entire banking sector in Bangladesh. The Islamic banking and finance industry has expanded its scope for expansion having the Muslim majority with a vibrant economic growth of 6 percent over the past decade (Aslan & Özdemir, 2015).

Participation banks' key feature is to provide all banking products and services on an interest-free basis. Interest-free participation banks that operate according to the principle, carry out all banking activities by ensuring full compliance with this principle (Hazıroğlu & Özcan, 2000). Participation banks contribute in different ways to the economic sphere. Participation banks have continued to increase in the opportunities to provide finance at affordable cost and maturity from international markets (Ozsoy, 2013). The interest-free finance program stepwise

provides new incentives for Turkey and Bangladesh. The Islamic banking sector has reported robust output and now accounts in Bangladesh for more than 23% of the banking sector. Bangladesh has already seen the future growth of Islamic banking and finances with the rapid development in the world of Islamic banking and finance.

2. Methodology

2.1 Research Method

The qualitative research method is used in this study. This research paper conducts exploratory and descriptive research to identify the interest-free finance practicing between Turkey and Bangladesh. Data collected mainly based on secondary data processing considering some national and international official reports, annual reports, papers, studies, websites, government report, and other sources.

2.2 Objectives of the Study

This paper focuses on interest-free finance practicing of Turkey and Bangladesh in their finance sector. This paper also addresses the problems and prospects of interest-free financing for Turkey and Bangladesh. Above all, this paper evaluates the comparative Islamic banking activities and potentiality in the market for both countries.

2.3 The Focus of The Study

This study focuses that Islamic banks in Bangladesh and turkey participation banks should increase their activity on Islamic capital market, Islamic financial instruments, effective zakat distribution and job opportunities to improve society. The interest-free finance system, which prohibits predetermined fixed interest and proposes to take a share of the realized income, is based on the economic result obtained with the funds used and the profit partnership principle. In Islamic finance models, it is aimed at working capital finance, unlike Murabahah, Musharaka, and Mudarabah. Interest-free financing model varies from traditional financial structure by addressing various Islamic financial instruments.

2.3 Research Problem

Islamic law permits the financing technique as an alternative form with a moderate rate. There is some debate regarding the distinction between interest-free finance and interest-based finance. This is only prohibiting the payment or receipt of interest as a means of determining return or profit of that. Therefore, Muslims cannot pay concentrate to receive interest, even if

they do not know profit or loss portion. Interest-free financing must be configured for Muslims but may include a profit lender. Turkey and Bangladesh are both Muslim countries, but they face many inevitable problems in implementing interest-free financing in the market, such as legal problems in their Islamic finance sector.

2.4 Hypothesis Development

H1: This is the interest-free financing method that can encourage a new dimension for financial growth. **H2:** Interest-free financing is making many economic potential opportunities for both Bangladesh and Turkey.

2.5 Data Collection and Analysis

Data used for the analysis in this study regarding of Islamic finance activities of Bangladesh was taken from Islami Banks, Bangladesh Bank, Islamic Banking Cell department of Bangladesh Bank for the year 2018 whereas in the case of turkey interest free finance data was taken from Thomson Reuters, Banking Regulation and Supervision Authority (BRSA), Participation Banks Association of Turkey (TKBB) for 2018. Besides, international interest free finance activities had also been analysed from the Thomson Reuters database.

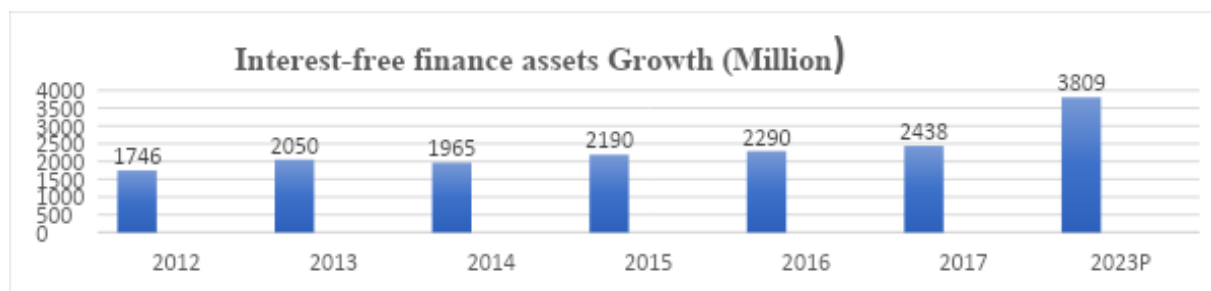
3. Overview of International Practices on Interest-Free Financing

Islamic finance and banking give both Muslim and non-Muslim countries similar proposals. It does not make sense to differentiate between Islamic Finance in Muslim or non-Muslim countries. Islamic finance is a growing industry as an emerging power for economic development. It aims at helping to understand Islamic finance not only for development but also social, economic justice, human welfare, and economic growth by underlining the fundamental principles of Islamic finance associated with the economic development. Setting standards for compliance with the principles of Islamic finance by interest-free financial instruments and ensuring the standardization of legal documents offers interest free financial services in the market.

The world now has 250 Islamic banks and financial institutions working in more than 50 Muslim and non-Muslim countries (Tamimi, & Amiri, 2003). Considering the performance of each sector of the Islamic financial system and the surrounding ecosystem development, the average years of system assets and 10% growth until 2023 is estimated to be 3.8 trillion US dollars with upside potential. Nowadays, there are many independent and dependent financial institutions working in accordance with the interest-free system in many countries of the world.

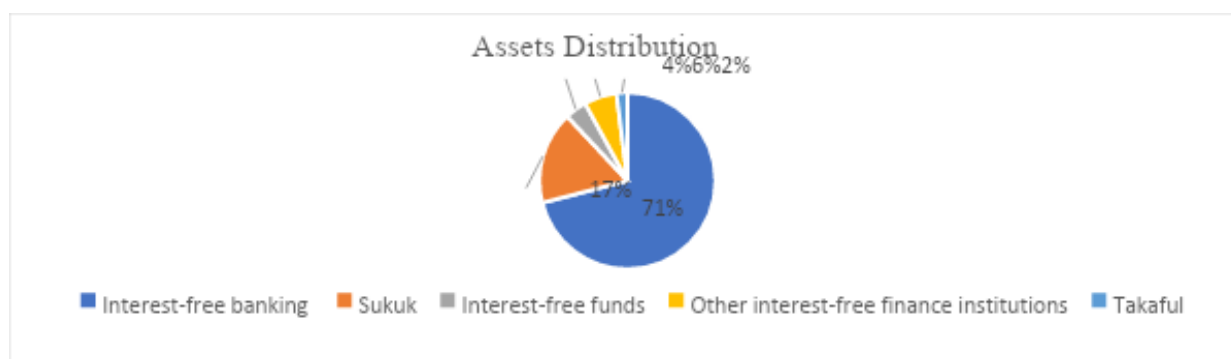
They are still becoming an alternative to the world financial system. The financial dimension of the sector (banking, capital market and takaful-Islamic insurance) has exceeded 2 trillion USD. In addition, the industry is expected to have an annual growth potential of 8%. Therefore, the great growth potential in Islamic finance sectors directs new investments to this area.

Figure 1: Interest-Free Finance Assets Growth (Million)



Source: (Thomson Reuters, 2018)

Figure 2: Asset Distribution of Interest Free Financing (%)



Source: (Thomson Reuters, 2018)

Table 1: The Modes of Islamic Finance of International Practice (2018)

Modes of Finance	Islamic Finance (World)
Murabahah	70%
Ijara	14%
Mudarabah	4%
Musharakah	6%
Others	6%

Source: (Thomson Reuters, 2018)

With new dynamics, the global interest-free financing system remains growing. Assets of the global interest-free finance system rose to USD 2.44 trillion by the end of 2017, with a

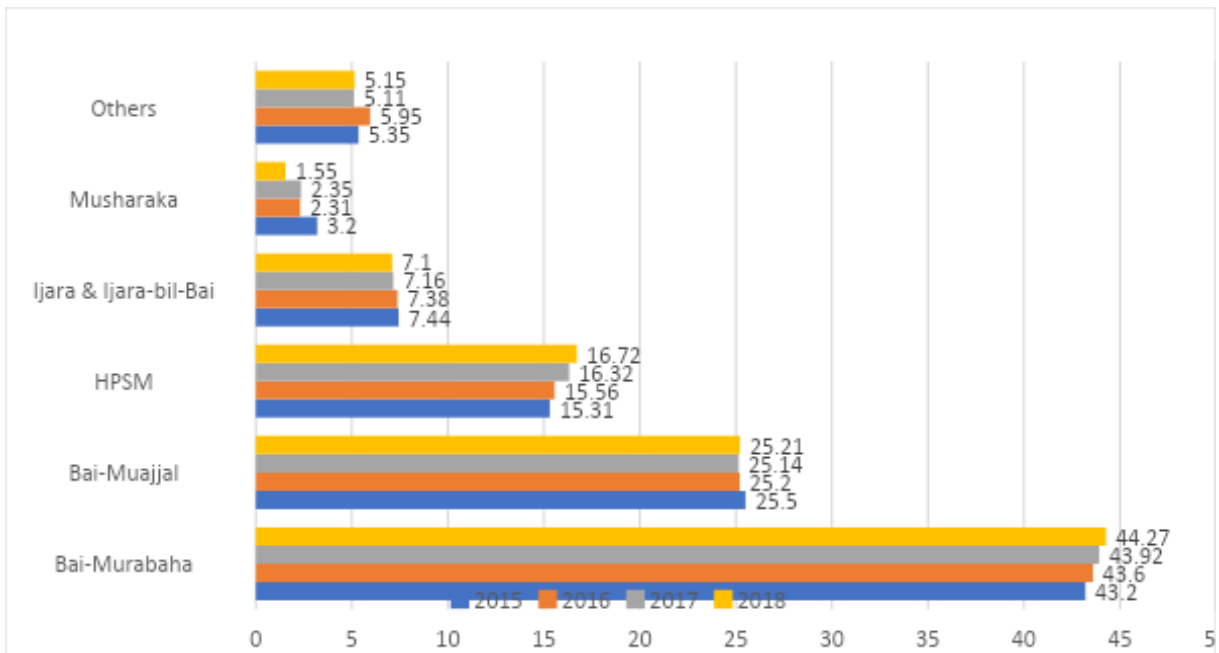
compound annual growth rate of 6% since 2012. The distributions of global interest-free finance assets are steadily growing with interest-free banking at 71%, Sukuk 17%, interest-free funds at 4%, Takaful 2% and others at 6%. Islamic finance modes operated based on Murabahah 70%, Ijara 14%, Mudarabah 4%, Musharakah 6% and other 6% at the end of 2018. At present, the global Islamic finance industry holds assets of \$2.4 trillion and 1,400 organisations exist in over 80 countries. The digital revolution started to transform interest-free banking into interest-free financial banks.

4. Overview of Practicing Interest-Free Finance Activities in Turkey and Bangladesh

The financial landscape of Bangladesh is mainly shaped by the banking sector because the capital market still has a simple outlook. Although it is thought that the banking sector should finance short-term capital, it has historically played a critical role in economic development by providing long-term capital. The magnitude of Islamic banking is increasing in Bangladesh, about one-fourth have been increased as deposits and loans by Islamic banks. There are now ten banks operating full-time Islamic banking in the country. In addition, Islamic banking operates in 19 branches with 9 traditional banks and 25 windows with 8 common Bank. The total deposits in these banks, branches, and windows amount to Tk 2825.80 crore USD which is 23.5 percent of the total deposits of all banks in the country. The total number of the Islamic Banking deposits and investments as at 30 June 2018 was 2374,11 USD crores and 2205,30 USD crores, respectively.

Interest-free loans or participation banking has been operating for more than 30 years in Turkey. In recent years, participation banks have shown significant growth rates and maintained their profitability. Interest-free banking in Turkey not only does particularly focus on partnerships such as Musharakah or Mudarabah, but also operates with a funding model focused predominately based on Murabaha's buy-in / selling. There are similarities in worldwide application for interest-free capital market products. The overall asset size of turkey participating banks increased by 29.1%, reaching TL 206.8 million in 2018. In 2017, the net income of participation banks rose 34.1% to TL 2,124 million in 2018 from the previous year's 1.583 million. Today, participation banks account for approximately 5.5% of the total assets of the banking sector with total assets of TL 220 billion. The net income of participating banks rose by 34.1% from TL 1,583,000 in 2017 to TL 2,124,000 in 2018. Total equity of the shareholders grew by 23% to TL 16.796 million.

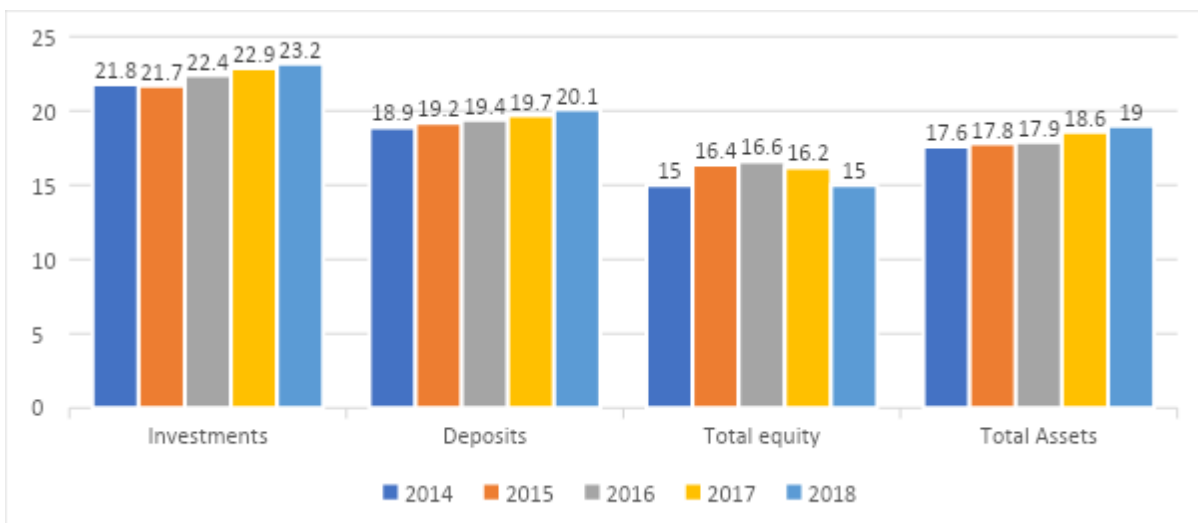
Figure 3: Investment structure of the Islamic Banking industry in Bangladesh 2015-2018 (%)



Source: (Bangladesh Bank, 2018)

The figure shows the investments structure of Bangladesh Islami Banks from 2015-2018. Mode-wise investment review shows that the highest investment from 2015-2018 was made through Bai-Murabaha. The second and third positions under the investment frameworks from 2015-2018 are Mode-wise investment Bai-Muajjal and Purchase Under Shairkatul Melk (HPSM). The rest of Mode-wise investment is Ijara and Ijara-bil-bhai, others, Musahara, Quard with security, Bai-salam and Istisna, Mudaraba from 2015-2018.

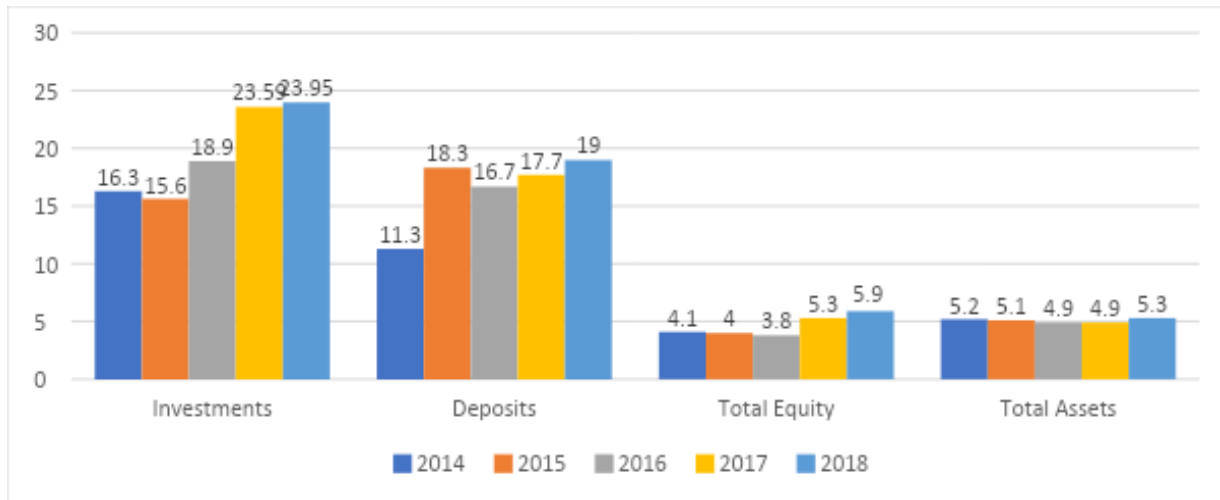
Figure 4: Capital Market share of Bangladesh Islami Banks, 2014-2018 (%)



Source: (Bangladesh Bank, 2018)

The figure shows that Islamic banks have captured 19% of Bangladesh's total banking sector assets, steadily growing from 2014 to 2018. Islamic banks had 23.2 %, 20.1 % and 15.0 % of their share of overall assets, deposits and equity capital at the end of 2018 respectively. Given the time aspect (2014-2018), the Islamic Banks in Bangladesh have continued to gain market share over the period reflected in the rising trend in the banking industry's share of the market.

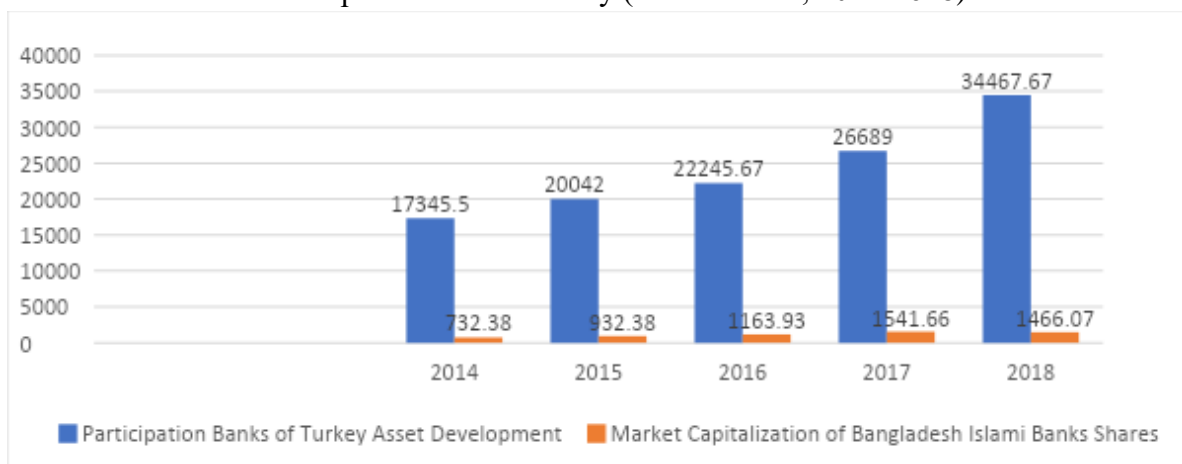
Figure 5: Market changes and share increase in Participation Banks of Turkey (%)



Source: Banking Regulation and Supervision Authority (BRSA, 2018), Participation Banks Association of Turkey (TKBB, 2018)

Figure 5 denotes the moderate progress in market changes and share increase in Turkey's Participation Banks from 2014-2018. The share of total assets, deposits and equity capital and investment in Turkey's Participation Banks increased from 2014-2018. Participation banks gradually increased the amount of various structured finance products. These features show the importance of banking involvement in the economy.

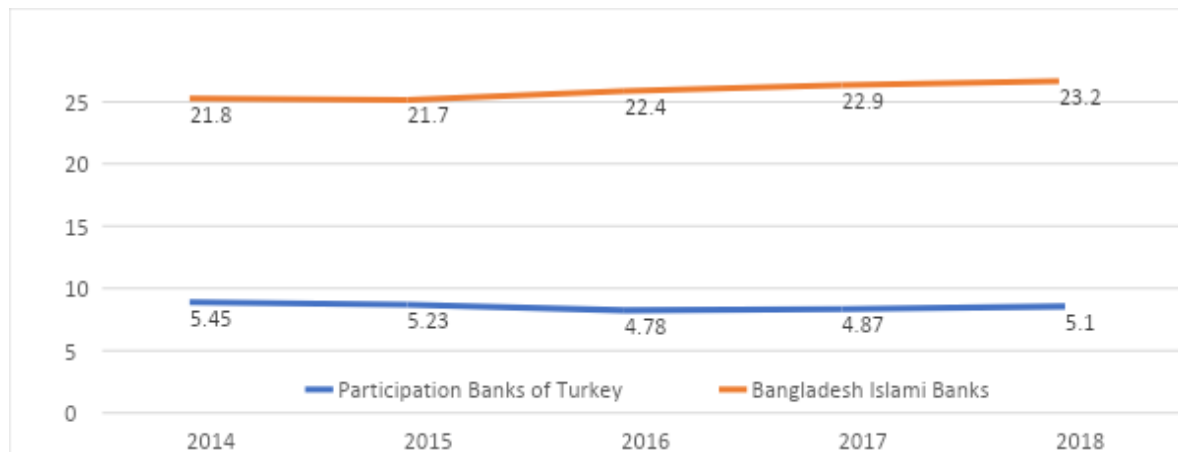
Figure 6: Market capitalization of Bangladesh Islami banks shares and asset development of Participation bank's Turkey (USD Million, 2014-2018)



Source: Participation Banks Association of Turkey (TKBB, 2018), BRSA, Dhaka Stock exchange (DSE, 2018)

This figure shows that Bangladesh Islamic banks' total market value of \$732.38 million in June 2014 rose to \$932.38 million in 2015, \$1163.96 million in 2016 and \$1466.07 million in 2018. These values reflect annual growth of 25% and 32% respectively in 2016 and 2017. One of the reasons for this decrease was the sharp decline in stock market indexes in both stock markets of the country in 2018. At the same time, asset growth of Turkey 's Participation Bank has gradually achieved asset development since 2014. At the end of 2018, the gross unconsolidated asset volume of the Participation Bank of Turkey amounted to US\$ 34467.67 million.

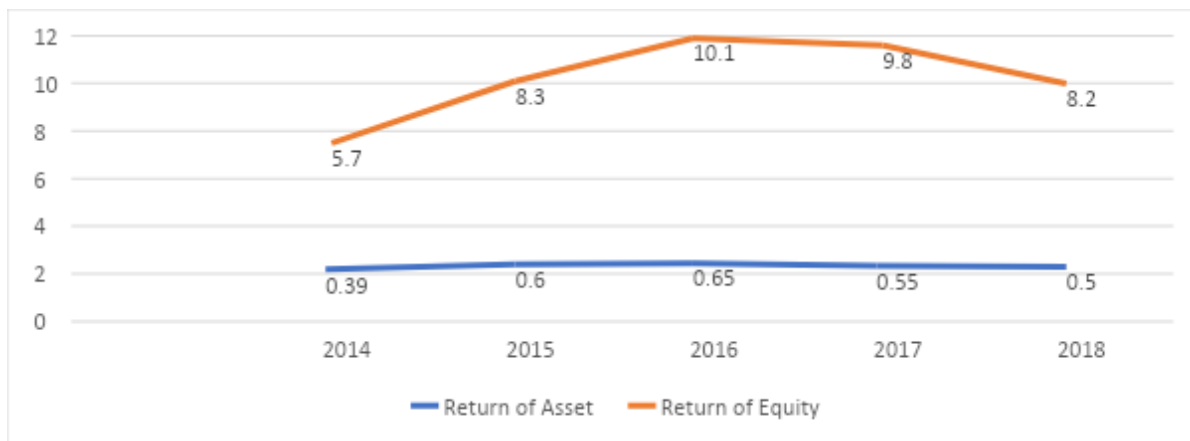
Figure 7: Market Share of Bangladesh Islami Banks and Participation Banks of Turkey (%)



Source: Participation Banks Association of Turkey (TKBB, 2018), (Bangladesh Bank, 2019)

This figure denotes that Islami Banks Bangladesh Limited gradually increased their market share from 2014 to 2018. Over the years, the market share of Islamic banks has increased. Islamic banks' overall market share in 2014, 2015, 2016, 2017 and 2018 was 21.8%, 21.7%, 22.4%, 22.9% and 23.9%, respectively. At the same time, Turkey's participation banks' market share rose at the end of 2018. The overall market share of Turkish participation banks has risen and fallen from 2014 to 2018, respectively.

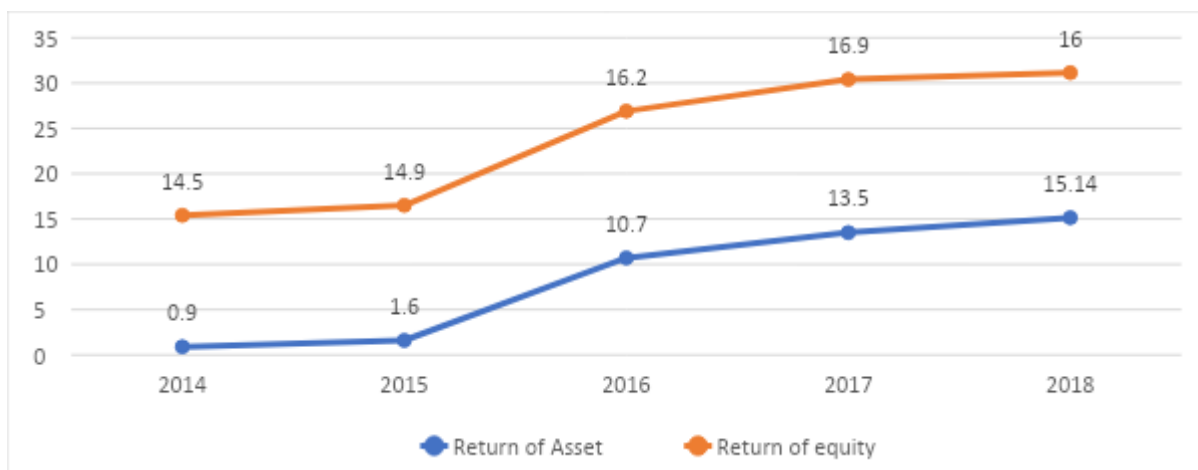
Figure 8: Probability of Islami Banks Bangladesh, Return of Asset and Return of Equity (%)



Source: (Bangladesh Bank, 2019)

Islamic banks are more competitive than other banks. The figure demonstrates that the rise and fall in Islamic banks' Bangladesh performance in terms of return of asset (ROA) and return of equity (ROE) helps to increase fiscal stability between 2014 and 2018. Return of Equity (ROE) performance increased from 2014 to 2016 except in last two years. At the same times, return of asset (ROA) greatly improved from 2014 to 2016 but downward in last two years. The proportion of Islamic banking assets in Bangladesh in return of assets (ROA) and returns on equity (ROE) has increased in the past few years.

Figure 9: Probability of Participation Banks, Return of Asset and Return of Equity (%)

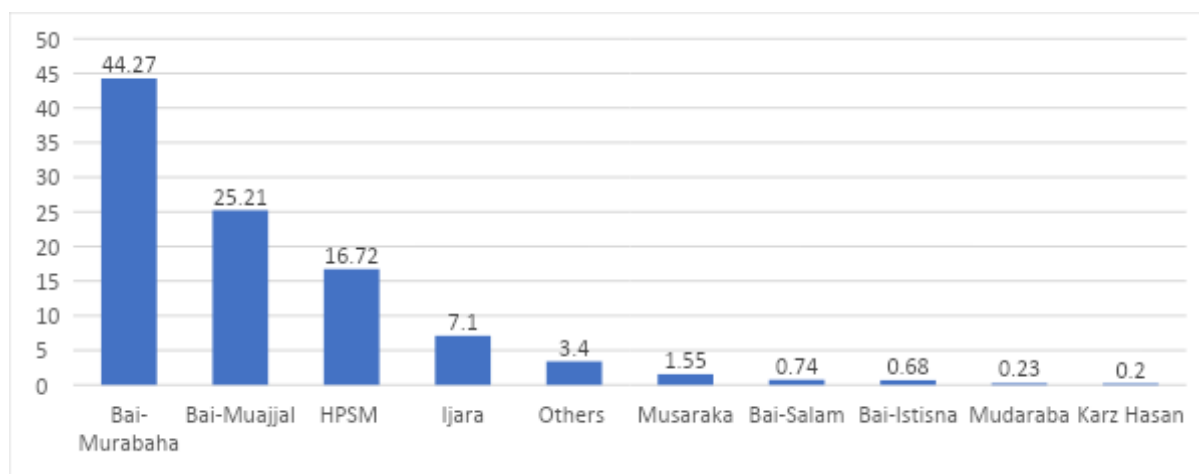


Source: Participation Banks Association of Turkey (TKBB, 2019)

In 2018, the participation banking sector successfully continued its journey towards sustainable development. The proportion of Participation Banks assets of return of asset and return of equity in banking assets increased significantly between 2014 and 2018. Both the ROA and the ROE in turkey participation banks have risen 14.5 % to 16 % and 0.9 % to 15.4 % between 2014 and

2018. Nevertheless, both ROA and ROE have experienced an upward trend in recent years that indicates that the banking sector in Turkey is becoming more competitive.

Figure 10: Investment modes of Bangladesh Islami Banks (%) (2018)



Source: (Islamic Banking Cell, Research Department of Bangladesh Bank, 2018)

Table: 02 Islamic mode of financing in participation bank-Turkey (2018)

Modes of Islamic Finance of Participation Bank-Turkey (2018)		
Modes of Finance	Turkey	Islamic finance (world)
Murabaha	93%	70%
Ijara	5.5%	14%
Mudaraba	1.5%	4%
Musharaka		6%
Others		6%

Source: (Thomson Reuters, 2018)

4.1 Murabaha

Murabahah is one of the Islamic banks' interest-free investment methods. In this way, the bank purchases the product as per the customer's demand and adds profits at a fixed rate at mutual consent and sells the product to the customer either in cash or in the stipulated period. Murabahah method also dynamic indebtedness is a legitimate and useful method developed by Islamic jurists. About 45% of transactions of the interest-free system are done through the Murabahah system in Bangladesh. Participation Banks extend approximately 65% of their funds to individual and corporate customers as loans. As a method, 93% Murabahah, corporate financial support to legal persons with official technical name and individual financial support to real persons are preferred.

4.2 Mudaraba

Interest-free finance has become one of the prominent fields of activity in the global finance sector. Islamic banks accept money from the sluggish money owners through the interest-free savings account and distribute the profits to its partial owners which usually receive from the legitimate business. Mudarabah interest-free term deposit system achieved the (0.23%) at the of 2018 in the Islamic banking industry of Bangladesh. At the end of 2018, Mudarabah, Musharaka and other Islamic financial tools achieved their profit approximate 1.5 % in the Participation bank of Turkish. It is a small amount but the ration of Mudarabah has been increasing from a few years.

4.3 Musharaka

The investment approach is one of the interest-free system, which started its business Musharaka or Partnerships. The mod-specific investment study has indicated that by the end of 2018 small investments were generated with the Musharaka 1.55 % in Bangladesh's Islamic banking sector. The Musharaka investment of Turkish participation banks ratio was the small amount considering all other Islamic financial tools. Due to some complexity Turkish participation bank avoid Musharaka based Islamic finance activity.

4.4 Ijara & Ijara-bil-bai

In the Islamic banking system, there are some Islamic financial concepts. Ijara is one of the interest-free system. Ijara in Islamic finance terms, it means leasing. It used as a rental. It is used without interest in the banking activities or banking system carried out in accordance with the principles of Islamic teachings (Sharia). In both country Ijara is used as an important interest-free financing tool next to Murabahah earning profit ratio in Bangladesh and Turkey. Bangladesh Islami Banks Ijara & Ijara-bil-bai investment hold 7.1% and 5.5% in Turkish participation banks at the end of 2018. This Islamic financing tool showed its potentiality for the both country in the market.

4.5 Takaful

The Islamic insurance each participant's fee is collected in a common pool of funds and evaluated according to Islamic principles. In the Islamic economy, the takaful is a type of insurance system, where insurers get help from fixed funds when a member suffers. In Bangladesh there are eight complete Islamic insurance companies. Among them five are Islamic insurance, the other three is general Islamic insurance, are dealing with takaful activities

in the market. The Islamic Insurance Projections based on the 2014 Report found that Turkey's young population and has a significant potential for takaful contributions, as well as the infrastructure provided by the banks of the fast-growing economy. The Turkish participation banks gained small amount takaful profit with considering all Islamic financial tools like ratio in the market.

4.6 Sukuk

The Arabic name for the financial certificate is Sukuk, which is known as Islamic Bond. Sukuk is a security arrangement for Islamic Shariah and investment policies where interest is prohibited. Sukuk is the second largest contribution to the interest-free financial sector in assets. Currently, two Islamic bonds are working in Bangladesh. Like Three-month and six-month Bangladesh Government Islami investment bond. At the end of May 2019, the two Islamic government investment bonds stood at more than 104 billion (USD). Turkey has several experiences with interest-free Sukuk financing from the 1980s. Approximately less than 0.25% Sukuk financing is existence in the Turkish participation bank. The overall sukuk output were 65.311 TL million and 10.276 million US\$ in both domestic and foreign markets between 2010 and 2018.

4.7 Bai-Salam & Bai-Istisna

Both Salam and Istisna are one of the methods of interest-free financing and normally used as Islamic financial instruments. Salam is a transaction that makes full or partial payment at the time of the agreed and completes the transaction. Istisna also a sale of a certain commodity for the delivery in the future at the price agreed with today. Contract can be with the advance payment or gradual payment. In Bangladesh interest free-financing like Bai-Salam (0.74%), and Bai-Istisna (0.68%) are also another Islamic financial instruments in the market. Analysis of interest free-financing in the participation bank of Turkey by the end of 2018, some small portion of Bai-Salam and Bai-Istisna are holding in their participation banking.

4.8 Islamic Microfinance

Islamic microfinance, the low-income population outside traditional banking in which financial services are provided in accordance with Islamic finance principles. Providing a risk-sharing model or debt-based financing that allows poor people to access their financial services when they need. Islamic microfinance is holding approximate 1% share in their interest-free financing sector. In participation bank of Turkey has no appearance activities about Islamic microfinance.

Another Islamic financing tool like Karz-Hasan have been using in participation banks for a long time that is mostly related with Islamic microfinance concept.

4.9 Others

Some interesting thing of interest-free financing in Bangladesh such as Hire Purchase Under Shairkatul Melk (HPSM) is 16.72% in their interest-free investment finance in the market. At the same time, Bai-Muajjal has 25.21% investment share in the market. These are also having good economic support in the interest-free financing of Bangladesh. Another important ratio of interest-free financing in Bangladesh is others (3.40%). At the end of 2018, others Interest-free financing in Turkish participation banks are holding their profit (1.5%).

5. The Possible Opportunities of Interest-Free Financing for Both Countries

5.1 An Increasing Contribution to The National Economy

The relationship between finance and economic growth has been intensively studied in the context of conventional finance. Social reasons are one of the main reasons which drive to the necessity of participation banks in both Turkey and Bangladesh. Our new understanding of Islamic finance business to the national economy is that unlock the potential and recognize innovation by establishing clear market intelligence that allows capture growth opportunities for people (Varsak, 2017). In the Turkish banking system participating banks play an important role in continuing to make expanded contributions to the national economy. Bangladesh's Islamic banks also endeavour to continue contributing to the country's economy.

5.2 The Global Interest-Free Finance System Is Growing with New Dynamics

Islamic finance in Bangladesh is expanding side by side traditional banking. Its growth was quite enough in almost all major markets. Interest prohibition is the essential part of interest-free financial services that has gained popularity both in Bangladesh and in the Muslim world. Participation banks are also increasing the number of products they supply a variety of structured finance at affordable cost and run every day from international markets and fund disbursements are turning to these products will provide a competitive advantage to its customers (Anwar & Haque, 1991). It is obvious that the participation banking system with interest-free banking is an important experience for Turkey. It has made a new financial dimension for both countries.

5.3 Increase Interest-Free Capital Markets Share

The increasing aspect of the Islamic banking industry emphasizes the importance of an effective interest-free investment legislation to assure the regulatory and frameworks that are adequate to secure stable growth. Interest-free capital markets have a large direct application for the growing Islamic finance sector in Bangladesh. In Bangladesh, the Islamic financial industry continues to support economic growth and job creation opportunity for a social infrastructure. The use of Sukuk financing for both Bangladesh and the Turkey are becoming increasingly important to accelerate growth. These investments, especially Bangladesh in Southeast Asia and Turkey was achieved with the development of Islamic capital markets. Islamic finance space in the last decade has expanded further developments in the capital markets and insurance issues (Terebessy, 2018).

5.4 New Sustainable Banking Way for The Economic System

The banking sector is one of the main centers of power in the Turkish economy. What is pleasing is that it has successfully edited a strong foundation and the right to control the activities of our sector legislation and having the infrastructure and is able to continue without any extraordinary loss. Islamic banking aims to provide financial capital market alternatives to traditional banking, based upon a Sharia principle framework. In addition, participation banks, which do not carry interest risk, did not create foreign exchange risk by creating open positions (Ayub & Ma'in, 2017). In the financial system of Turkey, the banking sector has an important place with the share of large proportions.

5.5 New Alternative Economic System for Social Development

Interest-free finance stands out not only in Islamic countries but also in the West and Asia as an alternative economic model with its resistance to crises. It is found that interest-free financing would be regarded as one of the leading factors that can help to bring harmony, peace, and unity in the society's people (Ansari & Tariq, 2016). Today, the interest-free program provides not only an efficient financial method but also many opportunities to improve the economic state of society every day. Interest-free systems can be of great benefit to individuals. In Turkey, there can be mentioned the many people who managed to become homeowners thanks to this system. For Bangladesh, Interest-free finance is keeping financial contribution specially by implementing Islamic microfinance process to poor people's which helps them lot of financial service without any interest-basis activities.

6. Problems and Prospects of Interest-Free Financing for Both Countries

Both Turkey and Bangladesh are Muslim country, but their Islamic finance sector faces many unavoidable problems such as legislation problems in implementing interest-free financing in the market. Turkey's constitution does not give the permission directly for Islamic finance as well as Bangladesh Bank does not grant new licenses to expand Islamic finance activities for many years. The absence of detailed Islamic banking laws and facilities and the absence of qualified staff are major obstacles in Bangladesh in terms of interest-free financing. Gradually banks are interested in becoming full-fledged Islamic banks, but the central bank does not offer new licenses to extend Sharia financing. This is because there is no regulatory framework to ensure proper monitoring of the Islamic banking industry. The success of the Islamic financial system has been well evidenced by economic growth indicating an expansion in market share in assets, funding, and deposits of the entire banking industry (Ahmad & Hasan, 2007). Human capital is spreading as being one of the challenges because Islamic bankers won't have enough demand (Baba, M. N. 2013). Bangladesh is no exception to the difficulties experienced globally.

Quality of service, control, and management is very important in Islamic finance sector. Islamic financial institutions are now moving forward in Bangladesh. Islamic Finance and Investment Limited has immense opportunity in Bangladesh, especially for being a Muslim country; Most of the people believe that interest-free legal livelihood. In the country, there are ten full-scale Islamic banks and financial institutions. The contribution of Islamic banking in Bangladesh is now undeniable and about one-fourth of the total banking sector in the economy. However, nearly 43 percent of the remittance through banks in the Islamic tradition, which in 2018 was approximately 155.65 crore USD. The interest-free finance system supports competition in the markets and especially SMEs more strongly than the interest-based finance system in Bangladesh (Raimi, L. 2015). Unfortunately, the growth and expansion of interest-free financing sector of public authority subject to negative discrimination have been slow timid for many years in turkey. But the group of fast-growing countries (QISMUT) in Islamic finance is expected to be the leading actor in the global development of the industry and to have a \$ 1.8 trillion participation bank sector in 2019. Already in the sense of potential in the sector, represented Turkey at the forefront of the country. This case offers a good assessment of Turkey's regional Islamic financial center could have the possibility.

7. Findings of The Study

- H1 (Interest-free financing method that can encourage a new dimension for financial developments and economic growth) is proved and H2 (Interest-free financing is making many potential opportunities for Bangladesh and Turkey) is quite proved according to discussion.
- There are some reasons for the theory of interest-free finance. The first is the perception of financing as an economic need. Because, in general, this financing need arises because of the different nature of capital resources.
- The interest-free financing system is constantly faced by some operations and maintenance problems, especially for stakeholders' non-Sharia structures. Interest-free financing needed in the shadow of the traditional banking system that must create their own financial instruments and methods.
- It is observed that market share of Bangladesh Islami Banks and Participation Banks of Turkey increased gradually from 2014 to 2018. Market changes and share increase in participation banks of Turkey also increased between 2014 and 2018.
- While interest free finance global share in Islamic banking assets remains relatively small, its share at the regional level is encouraging. In view of developments in Bangladesh, the Sharia-based banking and finance sector which emerged in 1983 plays an important role in Bangladesh's financial perspective.
- With the rapid rise and increasing growth trend, Probability of Participation Banks of Turkey to return of asset and return of equity increased progressively.

8. Recommendations of The Study

- Islamic banks need to increase their employment opportunities for improving the welfare of society. Furthermore, to get proper benefit from the full perspective of interest-free financing, the present status of the Islamic banking industry needs to be evaluated.
- Digitization has become a significant phenomenon in many interest-free finances industries, such as the global Islamic financial system. People's knowledge and awareness must be enhanced to improve the interest-free finance system.
- Consideration of Islamic banking and finance infrastructure is quite significant. Islamic financial institutions should not only focus on Sharia alignment but also offer new tools with high added value.

- The interest-free finance system can better control and direct the activities of the partner firms since it works directly in the form of partnerships to the project, not the credit relationship.
- If the interest-free finance system is operated effectively, it enables the distribution of social production resources (labour, capital, land, and enterprise) to economic activity areas more effectively than the interest-based finance system.
- Interest-free finance is a partnership project to a commercial project rather than a credit relationship. Therefore, it is possible to establish an interest-free financial system if it is done properly, in addition, I believe that the interest-free banking and finance sector will make significant contributions not only to the Turkish economy but also for Bangladesh economy.

9. Conclusion

This study seeks to assess the overview of interest-free finance activities provided by Islamic banks and participation banks in Bangladesh and Turkey. The findings of the study revealed that interest-free finance activities are currently experiencing growth and yield development for both Bangladesh and Turkey. This financial system has the potential to contribute in an innovative way to the successful implementation of the Sustainable Development Goals (SDG) for both Bangladesh and Turkey. Islamic finance is a system which applies under Islamic rules all kinds of financial activities and transactions. The journey of interest-free financing has begun to make the economic life pure, lawful and help to free people from the activities of interest in the market. Participation banking considered as a structure that performs interest-free banking transactions within the framework of Islamic finance rules. The Interest-free finance has created concentration in the finance market of Bangladesh and Turkey from few years. Interest-free finance attracts attention with its rapid growth rates against traditional finance sector not only in Islamic countries but also worldwide. The main goal of Interest-free financing is to eradicate poverty from society and create economic equality in society that makes the poorest people economically self-sufficient. The interest-free system is a successful banking system presented as an alternative to conventional banking for both Bangladesh and Turkey. We need transparency, competence, strategy, and inter-institutional cooperation to reduce risk. It is true that interest-free banking is an important experience for humanity. It is thought that the positive developments of these banks up to now will continue rapidly in the coming years.

10. References

- Alam, M. N. (2000). Islamic banking in Bangladesh: A case study of IBBL. *International Journal of Islamic Financial Services*, 1.
- Ansari, A., & Tariq, H (2016). Interest free banking in the Contemporary Banking System, *Research journal of commerce and behavioural science*, 5, 4.
- Anwar, M., & Haque, Z. (1991). The Role of Islamic Financial Institutions in the Socio-economic Development in Malaysia. *The Pakistan Development Review*, 30, 1131-1142. <https://doi.org/10.30541/v30i4Ipp.1131-1142>
- ARAS, O. N., & ÖZTÜRK, M. (2011). Reel Ekonomiye Katkileri Bakimindan Katılım Bankalarının Kullandığı Fonların Analizi. *Ekonomi Bilimleri Dergisi*, 3.
- ASLAN, H., & ÖZDEMİR, M. (2015). *Development of the Islamic finance in Turkey: A questionnaire study*. In: Vol. 1. Kuala Lumpur International Business, Economics and Law Conference. Hotel Putra, Kuala Lumpur, Malaysia: Kuala Lumpur International Business.
- Ayub, A., & Ma'in, M. (2017). Power of Interest-free Finance for Global Harmony and Unity. *Jokull Journal*, 67, 3.
- Baba, M. N. (2013). Towards Interest Free Economy with special Reference to India, *International Monthly Refereed Journal of Research In Management & Technology*, 11. Bangladesh Bank Home, <https://bb.org.bd>.
- Erebessy, L. (2018). Enhancing welfare with Interest-free finance, *Journal of social science studies*, 5.
- Erol, C., F, H., Baklaci, Aydoğ an, B., & Tun,c, G. (2014). Performance comparison of Islamic (participation) banks and commercial banks in Turkish banking sector. *EuroMed Journal of Business*, 9(2), 114–128. <https://doi.org/10.1108/EMJB-05-2013-0024>
- Grassa, R., & Matoussi, H. (2014). Corporate governance of Islamic banks: A comparative study between GCC and Southeast Asia countries. *International Journal of Islamic and Middle Eastern Finance and Management*, 7(3), 346–362. <https://doi.org/10.1108/IMEFM-01-2013-0001>
- Hassan, M. Kabir. (1999), “Islamic Banking in Theory and Practice: The Experience of Bangladesh”, *Managerial Finance*, vol.25, no. 5. <https://doi.org/10.1108/03074359910765966>
- Hazıroğlu, T., & Özcan, M. E. (2000). Bankacılıkta Yeni Bir Boyut: Katılım Bankacılığı, Türkiye’de Özel Finans Kurumları: Teori ve Uygulama. İstanbul: *Albaraka Türk Publication*.

Islami Bank Bangladesh Ltd, <https://www.islamibankbd.com>

Islamicmarkets.com - Navigate the Islamic Economy, <https://islamicmarkets.com>

Home | Globenewswire, <https://w.globenewswire.com>

Kabir, M. H. (2019). Islamic banking in theory and practice: the experience of Bangladesh. *Managerial Finance*, 25(5), 60-113. <https://doi.org/10.1108/03074359910765966>

KARAHAN, H., & ERSOY, H. (2016). Faizsiz Finansın Temel Prensipleri ile Türkiye’de Reel Kesimde Kullanılması. *Maliye Finans Yazıları*, 93-114. <https://doi.org/10.33203/mfy.312137>

Kavçioğlu, Ş. (2019). Katılım bankacılığı yerine neden katılım finans? Retrieved from Ankara:

Khan, I., Khan, M., & Tahir, M. (2017). Performance comparison of Islamic and con-ventional banks: Empirical evidence from Pakistan. *International Journal of Islamic and Middle Eastern Finance and Management*, 10 (3), 419–433. <https://doi.org/10.1108/IMEFM-05-2016-0077>

Nathan, S. (2010). *The performance of Shari’ah supervisory boards within Islamic financial institutions in the gulf cooperation council countries*. *Corporate Ownership & Control*, 8(1), 247–266. <https://doi.org/10.22495/cocv8i1c2p1>

Ozsoy, I. (2013). Reasons for Preference of Participatory Banks in Turkey: An Empirical Investigation, *Journal of Management & Economics*, 20, 187-206.

Raimi, L. (2015). *Monetary Stability, Economic and Fiscal Implications of Interest-Free Banking and Finance in Nigeria*, Paper presented at the National Conference on Interest-free Bank, 2011, Lagos, Nigeria, West Africa.

Rashid, A., & Jabeen, S. (2016). Analyzing performance determinants: Conventional versus Islamic banks in Pakistan. *Borsa Istanbul Review*, 16 (2), 92–107. <https://doi.org/10.1016/j.bir.2016.03.002>

Tkbb | Türkiye Katılım Bankaları Birliği, www.tkbb.org.tr

VARSAK, S. (2017). Participation Banking in Turkey and Its Effects on the Turkish Financial System. *Balkan and Near Eastern Journal of Social Sciences*, 3.

YANIK, R., & ERDEN, B. (2019). Katılım Bankalarının Faizsiz Bankacılık Prensiplerine Göre Denetimi: Sorunlar Ve Çözüm Önerileri. *International Journal of Academic Value Studies*, 5, 186-198. <https://doi.org/10.23929/jav.852>