

THE ROLE OF ISLAMIC WINDOWS IN ENHANCING ISLAMIC BANKING: A CASE STUDY OF MEETHAQ WINDOW FOR ISLAMIC BANKING (2013-2022)

Halima Bezaze¹

Emir Abdelkader University of Islamic Sciences, faculty of Sharia and Economics,
Research laboratory in Economic studies and Islamic finance (Algeria).

bezaze.halima@univ-emir.dz

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ABSTRACT:

This study aims to shed light on one of the advantages of Islamic windows, which is enhancing Islamic banking, through presenting and analyzing the experience of Maethaq Window for Islamic Banking in the Sultanate of Oman during the period (2013-2022). The study concluded that Maethaq Window has contributed to the promotion of Islamic banking by successfully attracting significant Islamic deposits, particularly investment deposits, which constitute 70% of its total deposits. It has diversified its financing formats in the form of Murarabah, musharakah, istisna'a, agency with investment, and ijara ending with ownership .

Keyword: Islamic banking, Islamic windows, Maethaq Window for Islamic Banking, investment deposits, Islamic financing formats.

JEL Classification: G20, G21

1. INTRODUCTION

The last quarter of the twentieth century witnessed the launch of the Islamic banks, which are part of the Islamic economic system. They were able during their journey to achieve tangible success and distinguished performance by offering Islamic banking work away from usurious interest, on which the operations of ordinary banks are based.

The growth and development of Islamic banking principles and the increasing demand for financial transactions that consider Islamic values, ethics, and Shariah rulings have prompted many traditional banks to shift towards Islamic banking. In this shift, the bank moves from the position of traditional banking based on interest rates to Islamic banking based on profit and loss sharing.

Traditional banks have adopted multiple and varied strategies to offer Islamic banking, including; The strategy of offering Islamic banking services alongside traditional banking services, The strategy of Islamic windows by creating a dedicated Islamic finance section within each management and branch, The strategy of Islamic branches by establishing an independent Islamic branch that provides integrated banking services and products, A diverse strategy that takes on various forms (products, windows, branches), The strategy of full transformation to Islamic banking by replacing activities that are not compliant with Shariah with Shariah-compliant ones.

Problem Statement: Traditional banks have started practicing Islamic banking alongside Islamic banks through the avenue of Islamic windows. Among these banks is Bank Muscat in Oman through the Meethaq Window for Islamic Banking. Undoubtedly, this approach has had numerous advantages and benefits. Therefore, the research problem can be summarized in the main question:

How has the Meethaq Window for Islamic Banking contributed to the enhancement of Islamic banking?

This core question leads us to pose the following sub-questions:

- What are the advantages of opening Islamic windows for Islamic banking?
- What is the current status of Islamic banking in the Sultanate of Oman?
- What are the different types of deposits in the Meethaq Window for Islamic Banking?
- What are the various Islamic financing formats in the Meethaq Window for Islamic Banking?

Hypotheses: The main question of the problem we intend to address reflects the following two hypotheses:

- The Meethaq Window for Islamic Banking has contributed to enhancing Islamic banking by attracting investment deposits and promoting savings awareness.
- The Meethaq Window for Islamic Banking has contributed to enhancing Islamic banking by diversifying Islamic financing formats.

Significance of the Study: The significance of this study lies in highlighting the role of the shift towards Islamic banking through the avenue of Islamic windows in promoting Islamic banking.

Study Objectives: This study aims to achieve a set of objectives, including:

- Clarifying the concept of Islamic windows and their role in enhancing Islamic banking.
- Investigating the current state of Islamic banking in the Sultanate of Oman.
- Presenting Bank Muscat's experience in transitioning towards Islamic banking and the potential lessons to be learned from this experience.
- Emphasizing the role of the Meethaq Window for Islamic Banking in promoting Islamic banking.

Methodology: In line with the nature of the research and its requirements, the following methodologies were employed:

- Descriptive methodology to present the theoretical framework related to Islamic windows.
- Analytical methodology to read and analyze the available data concerning the Meethaq Window for Islamic Banking.

2. General concepts of the Islamic Windows:

2-1 Definition of Islamic Windows:

Several definitions of Islamic windows have been provided, including:

- Defined by the Islamic Financial Services Board (IFSB) as: "A part of a conventional financial institution (which may be a branch or a specialized unit thereof) that offers Shariah-compliant fund

management services (investment accounts), financing, and investment that comply with the principles of Islamic law. In principle, these windows are separate entities from conventional intermediation that complies with the principles of Islamic law." (Board, 2007, p. 21).

- Described as: "Traditional banks allocating a portion or space in their main offices or traditional branches dedicated to selling Islamic products and services exclusively, with the aim of meeting the needs of customers interested in dealing with Islamic banking." (sebaa & alam khan, 2021, pp 70-71).

- Explained as: "An independent section within the traditional bank that provides Islamic banking products and services. This section is supervised by a specialized Shariah authority responsible for ensuring compliance with Islamic principles. The section should operate independently from the rest of the traditional banking activities." (Hani Mohamed, 2017, p. 94)

Based on these definitions, Islamic windows can be defined as units or sections within traditional banks that offer integrated Islamic financial services.

2-2 Emergence and Development of Islamic Windows:

The phenomenon of opening branches or windows for Islamic transactions in traditional banks first appeared in Egypt in 1980 when Banque Misr (an Egyptian public commercial bank) obtained a license from the Central Bank of Egypt to open the "Hussein Center for Islamic Transactions." (sebaa & alam khan, 2021, p. 66). On the opening day, after about three hours, the deposits in Egyptian pounds exceeded three million pounds, and in the second year, deposits reached 84.307 million pounds, with investments totaling 12.529 million pounds. Prior to this, this branch had incurred thousands of losses. The number of branches reached 35 in 1981 and later reached 75 branches in 1996, associated with approximately twenty commercial banks. This number exceeds the branches of Islamic banks operating in Egypt at that time. It spread to many Arab and Islamic countries such as Saudi Arabia and Malaysia. (Hani Mohamed, 2017, p. 94).

2-3 Advantages of Islamic Windows for Islamic Banks:

Islamic banks can benefit from the stable operations of traditional banks, enabling them to provide high-quality services at significantly lower costs. Islamic windows allow the opportunity to leverage the experience of traditional banks in developing Islamic products and human resources that can be utilized in Islamic banking operations. (Sari, Rahayu Hijrah Hati, & Abdul Chalid, 2021, pp. 303-304).

Furthermore, Islamic bank windows contribute to healthy competition in the Islamic banking market. Both Islamic windows and Islamic banks compete to innovate Islamic financial instruments that are economically efficient, Shariah-compliant, and meet customer preferences. (Hani Mohamed, 2017, p. 107).

This competition can lead to a reduction in the cost of Islamic financial products. Additionally, Islamic bank windows can also help develop Islamic banking in countries where there is low demand for Islamic banking services and contribute to enhancing financial inclusion. (Sari, Rahayu Hijrah Hati, & Abdul Chalid, 2021, pp. 303-304).

3. The Reality of Islamic Banking in the Sultanate of Oman:

3-1 Emergence of Islamic Banks in the Sultanate of Oman:

Islamic banking is a relatively recent practice in the Sultanate of Oman, despite the country's long history. Omani legislation did not officially recognize Islamic banks until 2012, when Royal Decree No. 69/2012 was

issued. This decree emphasized that Islamic banks must adhere to all the rules outlined in the banking law, provided that these rules do not conflict with the nature of Islamic banking. (Kamel Abdullah, 2016, pp. 2930).

Based on this, the Central Bank of Oman issued the "Regulatory and Supervisory Framework for Islamic Banking" on December 18, 2012. This framework allowed Islamic banks to conduct Islamic banking activities in Oman by establishing full-fledged Islamic banks or Islamic banking windows operating within traditional banks. This regulatory framework covers almost all regulatory requirements in this field. Among other things, it provides rules and controls for licensing and relevant guidelines to be followed by banks and windows regulated and supervised by the Central Bank of Oman. It also includes the Shariah framework to ensure compliance with sound governance and Islamic law in conducting Islamic banking operations by Islamic banking institutions in the Sultanate. (Al-Omani, no date).

The Islamic banking sector in Oman consists of two full-fledged Islamic banks offering comprehensive banking services, in addition to Islamic banking windows affiliated with six local conventional banks. These Islamic windows play a significant role in the financial intermediation activities in Oman, as shown in the following table:

Table 01: banks and islamic windows in oman

Bank Names	Establishment Date	Licensed Branches	Operating Branches
Nizwa Bank	2012	19	15
Alizz Islamic Bank	2013	17	15
Meethaq Window (Bank Muscat)	2013	24	24
Mazoon Window (Bank Dhofar)	2013	06	06
Maysarah Window (Dhofar Bank)	2013	10	10
Hilal Window (Ahli Bank)	2013	15	15
Sohar Window (Sohar International Bank)	2013	09	08

Source: Central Bank of Oman, Annual Report, 2021, p. 139.

3-2 Islamic Banking Activity in Oman:

Islamic banking institutions in Oman have shown positive and healthy growth rates since the beginning of their operations in early 2013. The figures indicate that the total assets of these institutions grew by 13.6% in 2021, at a higher rate than in 2020 and 2019, which recorded growth rates of 6.3% and 11.1%, respectively. The growth in the percentage of assets on the balance sheet of Islamic banking institutions was driven by financing activities, which increased by 11.6%, constituting 82.2% of the total assets in 2021. This percentage is slightly lower than the previous year, which was 83.6%. Within this total, financing provided to the private sector, especially non-financial companies and individuals, accounted for 4.8%, with an increase of 180.9 million Omani Rials. In contrast, the share of financing provided to public sector institutions in 2021 was 151.1% compared to the previous year. As for the investments of Islamic banking institutions, they witnessed an 8.7% increase in 2021, albeit at a slower pace compared to the previous two years. Consequently, the share of investments in the balance sheet of Islamic banking institutions decreased to 8.7% at the end of December 2021, compared to 9.1% in 2020. Most of the new investments were concentrated in sovereign sukuk (Islamic bonds) and foreign securities. Regarding deposits, they grew by 16.2% in 2021 compared to 5.4% in 2020, as

a result of the increase in deposits from individuals and non-financial companies. Additionally, similar to conventional banks, Islamic banking institutions managed to enhance their total capital and reserves by 20.3%. The assets of Islamic banking institutions constituted 15.3% of the total assets of the banking sector by the end of December 2021 (Al-Omani, The annual report of the Central Bank of Oman., 2021, p. 81).

3-3 Stages of Licensing for Opening Islamic Banking Windows by the Central Bank of Oman:

The Central Bank of Oman grants licenses for opening Islamic banking windows through the following stages: (Al-Omani, The regulatory and supervisory framework for Islamic banking activities . Retrieved from, no date, pp. 16-17).

1- Submission of the Islamic Windows Application Letter:

- It is recommended that the applicant submits an initial application letter, highlighting the background of the bank and providing justifications for their interest in opening an Islamic banking window. This should include their vision, plans, a three-year roadmap for the window, strategies, and business interests.
- The applicant must provide an assurance in the letter that there will be no commingling of Islamic and conventional sources of funds.
- The applicant should comply with the requirements of the Sharia Supervisory Board and all other specified requirements by the central bank.

2- Submission of an Official Application for Preliminary Approval:

This stage involves the following steps:

- An official application submitted by the authorized representative of the bank.
- Detailed feasibility study covering at least five years of projections.
- The feasibility study should be comprehensive, professionally prepared, and detailed, covering the vision, business policies, strategies, expectations, risk management methods and details, identification of strengths, weaknesses, opportunities, and threats (SWOT analysis), stress testing, and more.
- Payment of the application fee, which amounts to 500 Omani Rials per branch.

3- Submission of an Official Application for Final Approval:

After obtaining preliminary approval from the central bank, the following steps are taken:

- Payment of the licensing fee, estimated at 500 Omani Rials per branch.
- Confirmation of the allocated capital for the window.
- Confirmation of the readiness of the workforce, information technology systems (the core bank systems must support Islamic banking operations), internal procedures, policies, and product programs.
- Details about the proposed members of the Sharia Supervisory Committee must be provided to the central bank, along with a confirmation letter that they meet the eligibility and suitability criteria specified by the central bank.

4- The Role of Meethaq Islamic Banking Window in Enhancing Islamic Banking:

4-1 Establishment of Meethaq Islamic Banking Window:

Bank Muscat established Meethaq Islamic Banking Window in the Sultanate of Oman to engage in banking and financial activities in accordance with Islamic Sharia principles. Meethaq conducts its operations under the Islamic Banking Services license issued by the Central Bank of Oman on January 13, 2013. The Sharia Supervisory Authority is responsible for ensuring that Meethaq complies with the rules and provisions of Islamic Sharia in carrying out its transactions and daily activities (Muscat B. , 2014, p. 167).

Meethaq stands out with the largest Islamic banking network in the Sultanate, comprising 12 branches in the Muscat Governorate and an additional 12 branches distributed across other governorates. Meethaq also operates 41 ATMs and a cash deposit machine within a network of over 740 ATMs and cash deposit machines.

Meethaq has proven its leadership in the Sultanate and the Islamic banking sector through significant asset growth, despite the volatile circumstances and challenges brought about by the COVID-19 pandemic. Meethaq has successfully increased its market share in Oman, accounting for 30% of Islamic assets in the Sultanate, thanks to its prominent role in providing Sharia-compliant banking services and facilities in Oman. Meethaq has received three awards from the globally recognized "Islamic Finance News" magazine, including the Best Islamic Bank in Oman for 2019, Deal of the Year, and Ijarah Deal of the Year for 2019. It has also been awarded by "Global Finance" and "Global Islamic Finance," along with other renowned local, regional, and international awards. (Meethaq Islamic Banking - A Successful Journey and a Pioneering Banking Experience, 2021)

Meethaq Islamic Banking has strengthened its leading role in the Sultanate by entering into quality companies and financing large development projects. Among the most important of these is the signing of several financing agreements, including a financing agreement with Hydrocarbon Finder Company, to meet the requirements of Hydrocarbon Finder Company after obtaining government approval for exploration, drilling, and oil and gas production activities in Block 7. Also, agreements were signed with Oman Air and Oman Shipping Company, totaling millions of Omani Rials. Financing was provided for approximately 60% of the Sebacic Oman plant, the first of its kind in the economic zone of Duqm. (Meethaq Islamic Banking participates in supporting and promoting the Islamic Finance Forum, 2018).

4-2 The role of Meethaq Islamic Banking in promoting Islamic banking, specifically in terms of deposits:

One of the key primary activities of Islamic windows is mobilizing and attracting savings through deposit systems that comply with Islamic principles. Deposits are considered the most important source of external resources for Islamic windows. Meethaq Islamic Banking offers the following deposit products (<https://www.meethaq.om/ar/depositproducts/Pages>, no date):

1-Current Account: The current account is based on the principle of Qard Hasan, where the customer is the lender, and the bank is the borrower. The funds deposited by the customer are invested only in activities that are compliant with Islamic Sharia principles. The bank commits to ensure that the balance in the account is available for withdrawal by the customer at any time, without any increase or decrease, under any circumstances.

2-Savings Accounts: Meethaq's savings accounts are based on the concept of Mudarabah, which is a form of partnership that complies with Islamic Sharia principles. The account holder provides the funds as "Rab alMal" (capital provider), while Meethaq invests these funds as "Mudarib" (investment manager). Based on this relationship, depositors and Meethaq share in the profits earned. When this joint investment generates a profit, it is distributed based on pre-agreed ratios between depositors and Meethaq.

3-Investment Deposit Accounts: These accounts are based on the concept of Mudarabah, which is a partnership compliant with Islamic Sharia principles. The depositor provides the funds as "Rab al-Mal" (capital provider), and Meethaq invests these funds as "Mudarib" (investment manager), acting as the leader of the work. In this relationship, depositors and Meethaq both benefit from the profits generated. When the collective investment generates a profit, it is distributed based on pre-agreed ratios between depositors and Meethaq.

The table below shows the development of the total volume of banking deposits at Meethaq Islamic Banking during the period from 2013 to 2022. The unit of measurement is Omani Rials (OMR).

Table 2: Development of Customer Banking Deposits at Meethaq Islamic Banking during the Period 2013-2022
Unit: Thousand Omani Rials (OMR)

Years	2013	2014	2015	2016	2017
Deposit Accounts	78.021	227.091	407.571	451.738	598.132
Savings Accounts	10.354	33.478	60.955	93.457	113.280
Current Account	4.544	21.686	66.319	93.071	124.829
Total	92919	282255	534845	638266	836241
Years	2018	2019	2020	2021	2022
Deposit Accounts	590.735	628.242	527.389	608.767	680.986
Savings Accounts	145.436	215.638	266.596	297.008	296.728
Current Account	99.663	111.478	114.187	104.262	96.990
Total	835834	955358	908172	1010.037	1074.704

Source: Compiled by the researcher based on the annual reports of Bank Muscat for the period 2014-2022.

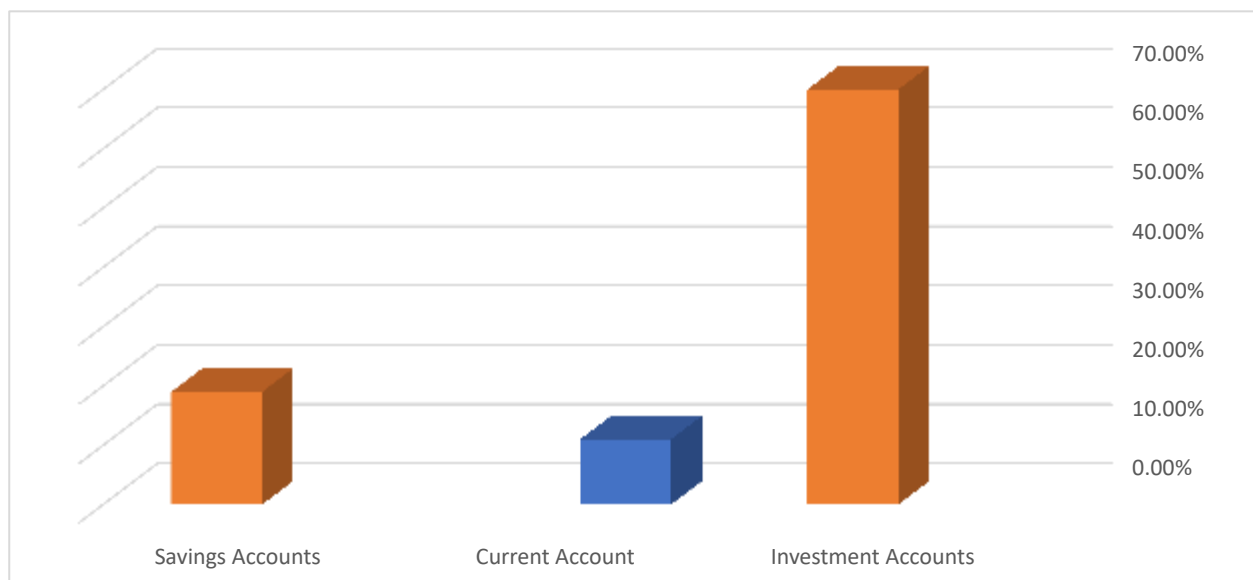
From the previous table, the following observations can be made:

- There was a gradual increase in the total volume of banking deposits in the window during the period 2013-2019. However, in 2020, there was a decrease in deposits to 908,172 thousand Omani Rials due to the impact of the COVID-19 pandemic, which affected all aspects of life, including the economy and finance. Deposits then increased again in 2021 and 2022 as the economy gradually recovered from the pandemic.
- The volume of investment deposit accounts increased during the period 2013-2019, with a slight decrease in 2018. However, in 2020, these accounts decreased due to the negative effects of COVID-19, and then they witnessed an increase in 2021 and 2022 as the recovery from the pandemic took place.
- There was a gradual increase in the volume of savings accounts throughout the study period, except for a slight decrease in 2022. This increase is attributed to Meethaq Islamic Banking offering a diverse range of savings accounts to customers, such as salary accounts, women's accounts, children's accounts, and "Hibati" accounts. The "Hibati" account, in particular, is popular among customers as it operates on the Mudarabah principle and offers substantial financial prizes weekly, monthly, and annually, exceeding one million Omani Rials.

- The volume of current accounts increased during the period 2013-2020, except for the decrease recorded in 2018. However, in 2021 and 2022, there was a decrease in current account balances.

Based on the data in Table No. (2), the following figure (Figure No. 01) can be prepared:

Fig. 01: Weighted Average of the Types of Accounts at Meethaq Islamic Banking Window during the Period 2013-2022



Source: Compiled by the researcher based on the data in Table No. (02)

From the figure above, it can be observed that investment deposit accounts make up the majority of the total deposits at the window, with an average of 70% during the study period. Since these deposits are considered long-term resources, they are likely to have an impact on the window's employment policy, where they should be utilized for long-term purposes.

4-3 The Role of Meethaq Islamic Banking in Promoting Islamic Banking Activities in Terms of Provided Financing:

Islamic windows, similar to Islamic banks, provide their clients with necessary financing in accordance with the principles and rules of Islamic Sharia. They follow legitimate standards and controls to contribute to achieving economic and social development.

Mithaq Islamic Banking offers its clients the following financing formats (Muscat, 2020, pp. 258-259):

- **Murabaha:** Meethaq finances a Murabaha transaction by purchasing the asset (which is the subject of the Murabaha) and then selling this asset to the Murabaha beneficiary after calculating a profit margin on the cost. The selling price (cost plus the profit margin) is repaid in installments by the Murabaha beneficiary over the agreed-upon period. The bank takes an explicit commitment (promise to purchase) in the Murabaha.
- **Istisna'a:** Istisna'a is a sales contract in which Meethaq, as a seller, undertakes to obtain a product based on the specifications provided by the buyer. This is done at an agreed-upon price (Bank Muscat Annual Report, 2022, page 209).
- **Musharakah:** Musharakah contracts represent a partnership between Meethaq and the customer. Each party contributes capital equally or in varying proportions to develop a new asset or a share in an existing asset.

Each party becomes an owner of the capital either on a permanent or diminishing basis and is entitled to a share of the profits or losses.

- **Investment Agency:** An investment agency agreement is a contract between two parties, where one party, the principal, provides a specific amount of capital (the agency's capital) to the agent. The agent then invests the agency's capital in a Sharia-compliant manner based on a feasibility study/investment plan provided by the principal to the agent.

- **Ijarah Muntahia Bittamleek (Leasing Ending with Ownership):** Lease financing allows the customer to benefit from assets compliant with Islamic principles and utilize them in exchange for an agreed-upon rental payment to Meethaq, as the asset owner. At the end of the lease period, Meethaq sells the asset to the customer, transferring full ownership to them. Lease financing can be used for financing factories, machinery, equipment, vehicles, and more. It can be utilized whether the asset is already in existence or will be created or manufactured later, provided that the asset's specifications are clearly defined in the agreed-upon details between the contracting parties.

The following table illustrates the evolution of financing provided by Meethaq Islamic Banking during the period 2013-2022:

Table 3: Development of Financing Provided by Meethaq Islamic Banking

Unit: Thousand Omani Rials (OMR)

Years	2013	2014		2016	2017
Murabaha	3.685	25.545		37.687	57.031
Istisna'a	-	-		-	-
Musharakah	275.610	374.474		694.501	771.742
Investment Agency	-	-		49.500	50.788
Ijarah Muntahia Bittamleek	-	-		72.589	89.434
Total	279.295	400.019		854.277	968.995
Years	2018	2019		2021	2022
Murabaha	52.895	72.737		49.536	71.022
Istisna'a	-	-		7.627	10.823
Musharakah	859.754	907.634		1.003.659	1.037.600
Investment Agency	83.140	82.307		161.008	160.892
Ijarah Muntahia Bittamleek	112.934	101.019		137.071	166.753
Total	1108.723	1163.697		1.358.901	1.447.093

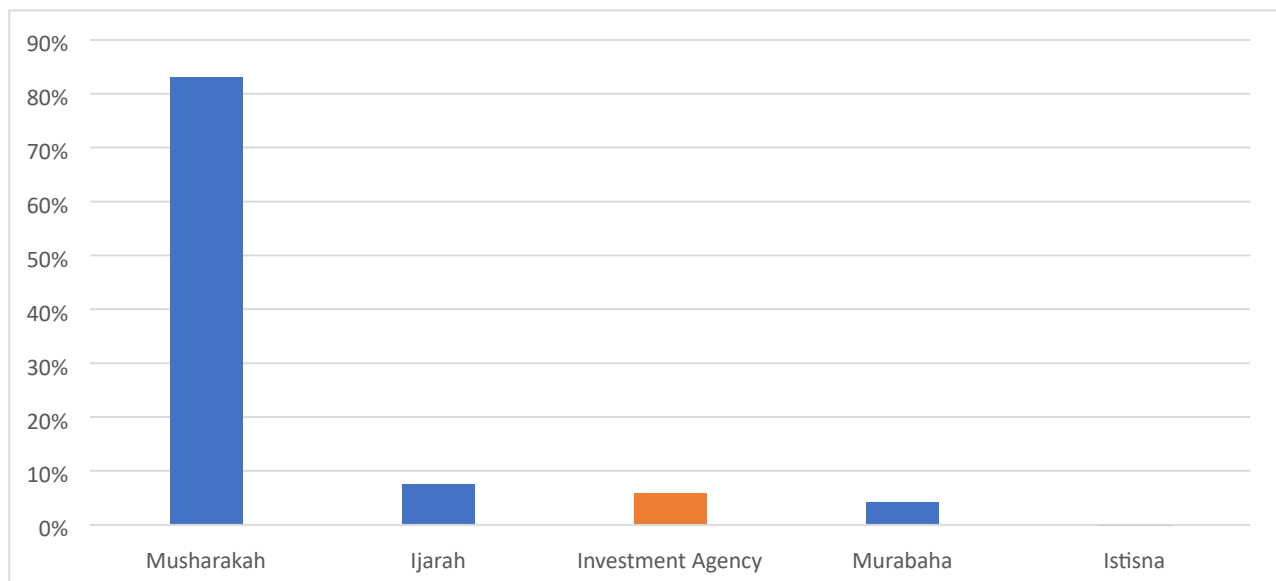
Source: Prepared by the researcher based on the annual reports of Bank Muscat for the period 2014-2022.

We note from the above table the following:

- An increase in the total amount of financing granted during the study period, rising from 279,295 thousand Omani Rials in 2013 to 1,447,093 thousand Omani Rials in 2022.
- The window practices a policy of diversification in financing forms in the form of Murabaha, Mudarabah, Istisna, Investment Agency, and Ijarah Muntahia Bittamleek.

"The progression in applying these formats was adopted, as in the beginning of its activities, it relied on only the Mudarabah and Musharakah formats. In 2015, it began implementing the Ijarah Muntahia Bittamleek format, and in the following year, it applied the Agency with Investment format. As for the Istisna'a format, it was adopted in 2020. Based on the data from the previous table, we can prepare the following figure:

Fig.1: Average Relative Weight of Financing Formats at Meethaq Islamic Banking Window during the Period 2013-2022



Source: Prepared by the researcher based on the data from Table No. (03)

From the above figure, it is evident that the window focuses on long-term financing, which aligns with its resources' nature, predominantly characterized by long-term aspects. Financing in the form of Musharakah dominates the financing of the window, with an average of 83% of total financing during the study years. Ijarah Muntahia Bittamleek financing represents the second position with an average of 7.42% of total financing. Investment Agency financing occupies the third position with an average of 5.78% of total financing, while Murabaha financing ranks fourth with an average of 4.09% of total financing. The last position is attributed to Istisna'a financing, with an average of 0.13% of total financing."

This diversification demonstrates Meethaq's adaptability to different customer needs and alignment with Islamic finance principles.

The window's orientation towards musharakah financing achieves many positive effects that benefit all parties involved, including the window itself, fund providers, business owners, and the national economy (Lemsalif, 2005-2006, pp. 106-119).

For Meethaq Islamic Banking Window: musharakah is considered, from a theoretical perspective, the most important tool for the operation of Islamic banking institutions. This is due to several advantages it offers, primarily: enhancing its ability to accumulate cash balances, optimizing the use of its resources, achieving higher returns, and avoiding insolvency crises.

Regarding capital providers: Financing through musharakah offers capital providers several benefits, the most important of which are obtaining fair profits commensurate with the actual role their capital plays in economic development, liberating capital providers from negativity, and stabilizing the rate of return."

For business owners: Entering into projects with Islamic windows through one of the Islamic musharakah forms offers them several advantages, the most important of which include: Benefit from the bank's experience and expertise, Freedom to use cash flows for other purposes, Positive impact on the company's financial position by increasing ownership rights, improving the company's debt-to-equity ratio, enhancing its ability to obtain financing, and improving its credit rating, Providing security for investors, Boosting productivity and working more efficiently to achieve higher returns, Mobilizing stagnant resources that did not benefit from conventional financing conditions, Ensuring fairness in the distribution of returns.

At the national level, Islamic banking musharakah lead to; Increasing investment volume and stimulating capital formation, Combating inflation and economic stagnation, Avoiding cash accumulations, Achieving local development, - Assisting in implementing fiscal and monetary policies.

5- Conclusion:

Through this study, we addressed the conceptual framework of Islamic windows and presented the reality of Islamic banking in the Sultanate of Oman. We also discussed the role of Meethaq Islamic Banking Window in enhancing Islamic banking, particularly in terms of deposits and granted financing. The following conclusions were drawn from this study:

-Islamic windows contribute to the promotion of Islamic banking by providing opportunities to leverage the experiences of conventional banks in developing Islamic products and human resources that benefit Islamic banking. They also help reduce the cost of Islamic financial products and enhance financial inclusion. -The Islamic banking sector in the Sultanate of Oman consists of two banks offering comprehensive banking services, in addition to six Islamic windows affiliated with traditional local banks, which significantly contribute to financial intermediation activities in the Sultanate.

-Islamic banking institutions in Oman have consistently exhibited positive and healthy growth rates since their inception in early 2013.

-The total volume of banking deposits in Meethaq Islamic Banking Window increased during the period from 2013 to 2019, followed by a decline in 2020 due to the repercussions of the COVID-19 pandemic, which affected various aspects of life, including the economy and finance. However, deposits saw a renewed increase in 2021 and 2022 as Oman gradually recovered from the pandemic.

-Investment deposits constitute the vast majority of total deposits in the window, with an average of 70% during the study period.

-The substantial increase in savings deposits primarily reflects the window's ability to achieve one of its objectives, which is promoting savings and financial awareness among the public.

-The total volume of granted financing increased significantly during the study period, rising from 279.295 thousand OMR in 2013 to 1.447.093 thousand OMR in 2022.

-The window adopts a policy of diversification in financing forms, including Murabaha, Musharakah, Ijara, agency with investment, and istisna'a.

-The window primarily focuses on long-term financing, aligning with its resource nature, where equity-based financing, in the form of Musharakah, represents the largest share of its financing portfolio, averaging around 83% of total financing during the study years.

-The orientation of the window towards musharakah-based financing yields many positive effects that benefit all parties involved, including the window itself, fund providers, business owners, and the national economy.

Based on the results obtained, we propose the following recommendations:

- The necessity of adhering to clear Sharia and practical controls that ensure the window's continued success.

- Educational and academic institutions should contribute to the Islamic banking sector by providing qualified, trained, and capable human resources capable of implementing the requirements of Islamic banking operations.

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