#IFDI2018

Islamic Finance Development Report 2018

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CONTENT

Islamic Finance Outlook

The Islamic Finance Development Report 2018 shows that the global Islamic finance industry grew year-on-year by of 11% to US$ 2.4 trillion in assets in 2017 or by CAGR growth of 6% from 2012, based on figures reported for 56 countries, mostly in the Middle East and South and Southeast Asia. Iran, Saudi Arabia and Malaysia remain the largest Islamic finance markets in terms of assets, while Cyprus, Nigeria and Australia saw the most rapid growth.

Malaysia, Bahrain and the UAE again led the 131 countries assessed in terms of the Islamic Finance Development Indicator score, which aggregates indicator scores for Quantitative Development, Knowledge, Governance, Corporate Social Responsibility and Awareness. The crowned emerging Islamic finance markets which had most improvements in their financial and supporting ecosystems include Iraq, Suriname, Nigeria and Ethiopia.

Digitalization has emerged as a major trend across different sectors of the Islamic finance industry, just as it is similarly shaking up the global financial system. Taking into consideration the performance of each sector of the Islamic finance industry and the development of its surrounding ecosystem, the report sees potential for the industry to grow to US$ 3.8 trillion in assets by 2023 – an average projected growth of 10% per year.

Digital transformation shaping the future of Islamic banking and other Islamic financial institutions

The Islamic finance industry comprised 1,389 full-fledged Islamic financial institutions and windows. Islamic banking accounted for 71%, or US$ 1.7 trillion, of the industry's total assets in 2017 – a CAGR of 5%. There is a continuing trend of consolidation within the Islamic banking industry, with some large mergers and acquisitions taking place in the biggest markets such as Malaysia and the GCC.

The digital revolution is beginning to transform the Islamic banking sector, as seen by the launches of several digital-only Islamic banks. For more traditional Islamic banks, the addition of digital-only subsidiaries can help them to increase their footprints in outside regions such as Europe or Africa.

Africa is a particular area of potential growth in Islamic banking, with banks continuing to open Islamic windows there and a growing number of governments allowing this to happen. The spread of Islamic banking in Africa follows the successful launches of several Islamic banking subsidiaries and windows in Morocco in 2017 and 2018.

Elsewhere in the Islamic finance industry, takaful grew by a CAGR of 6% by 2017 but remains miniscule at US$ 46 billion, accounting for just 2% of total assets. As with Islamic banking, there is a trend of consolidation within the industry, and there is potential for added growth as Nigeria and the UK join the market.

The other Islamic financial institutions (OIFI) sector grew by a CAGR of 5% to US$ 135 billion in 2017, accounting for 6% of total industry assets. This sector is particularly likely to see further digital transformation following the launch of Shariah-compliant crowdfunding and cryptocurrency start-ups in recent years.

Islamic capital markets leading industry growth

Islamic capital markets consisting of Islamic bonds, or sukuk, and Islamic funds outgrew Islamic financial institutions. Sukuk grew by a CAGR of 9% to US$ 426 billion in total sukuk outstanding as of 2017, amounting to 17% of total industry assets. Malaysia remains the largest sukuk market and now intends to open this market to retail investors as well as introducing a grant scheme for green sukuk issuers. However, Saudi Arabia is increasingly competing in terms of sukuk issuance. It issued a record US$ 26 billion in 2017, mostly domestic and international sovereign sukuk, and continued to issue during 2018.

Meanwhile, Islamic funds grew by a CAGR of 16% to US$ 110 billion, or 4% of total Islamic finance assets. Despite this, the sector remains highly concentrated in Iran, Saudi Arabia and Malaysia, and despite strong demographics for investment in these countries, most Islamic funds remain small. However, the digital revolution could change all this, particularly as robo-advisory and digital Islamic wealth management firms serve a greater number of affluent but not necessarily wealthy clients.

Digital era also transforming industry ecosystem

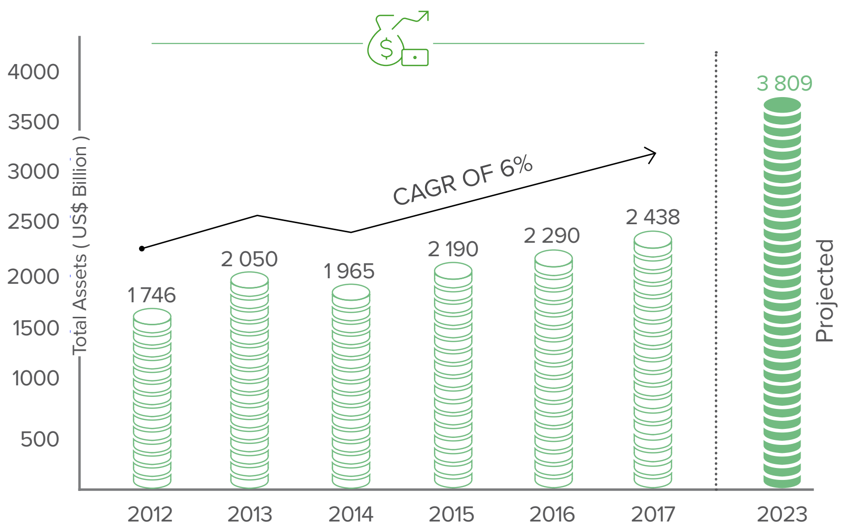
The Islamic Finance Development Report also measures the supporting Islamic finance ecosystem in terms of Knowledge and Awareness in order to assess the industry's overall development. Globally, knowledge on Islamic finance is supported by 688 education providers, and 2,564 research papers were produced on the subject during 2015-17, roughly even with 2014-16. Meanwhile, awareness on Islamic finance is supported by 417 events hosted and 13,257 news items published during 2017.

As for Islamic finance management components, Governance was shaped by 45 countries with regulations on Islamic finance, 1,162 Sharia scholars representing Islamic financial institutions, and financial disclosure by 54% of Islamic financial institutions. Corporate Social Responsibility, or CSR, saw US$ 518 million of CSR funds disbursed by Islamic financial institutions. However, just 28% of these institutions reported CSR activities in their annual reports, which resulted in a low CSR average disclosure score. Overall, a lack of transparency is still hindering corporate governance and CSR within the Islamic finance industry.

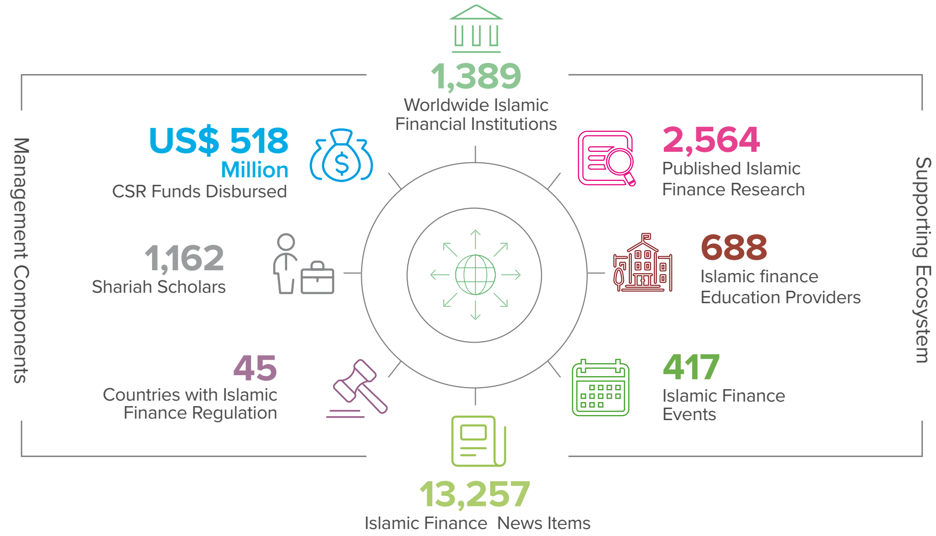
The digital revolution is not transforming the different sectors of the Islamic finance industry, it is also disrupting the supporting ecosystem. For example, digitised learning can enhance Islamic finance education by helping it reach a wider audience or by making education available in specialized areas of Islamic finance that have not been readily available before. Digitalization and financial technology, or Fintech, took centre stage at many Islamic finance events in 2017 and were the subject of a large number of Islamic finance news items. Several governments with sizeable Islamic financial systems such as Bahrain and the UAE are beginning to encourage Fintech by creating regulatory sandboxes. At the same time, Shariah scholars are reviewing the Shariah compliance of digital innovations such as cryptocurrencies or taking part in the Shariah boards of new Fintech firms to approve their products.

Global Islamic Finance Industry Landscape

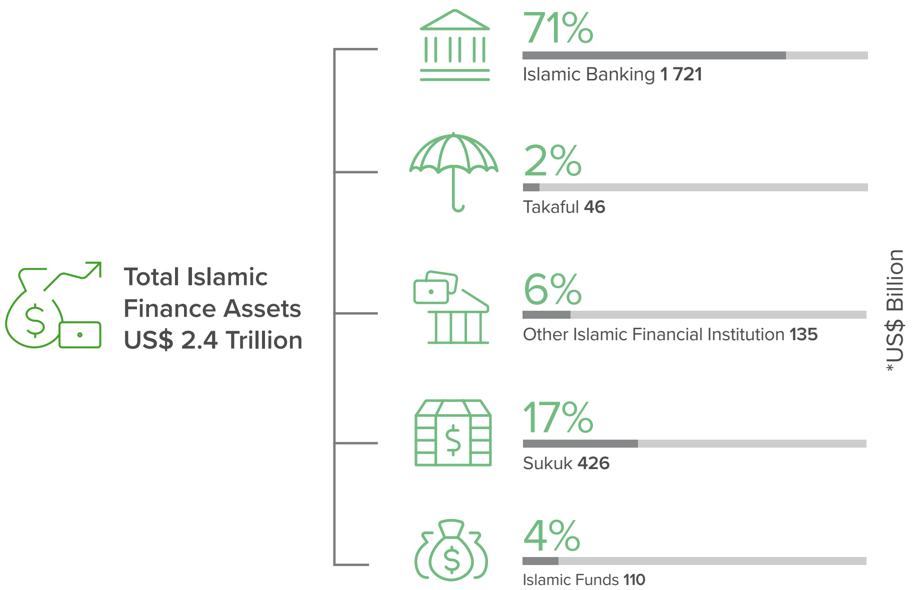
Global Islamic Finance Assets Growth



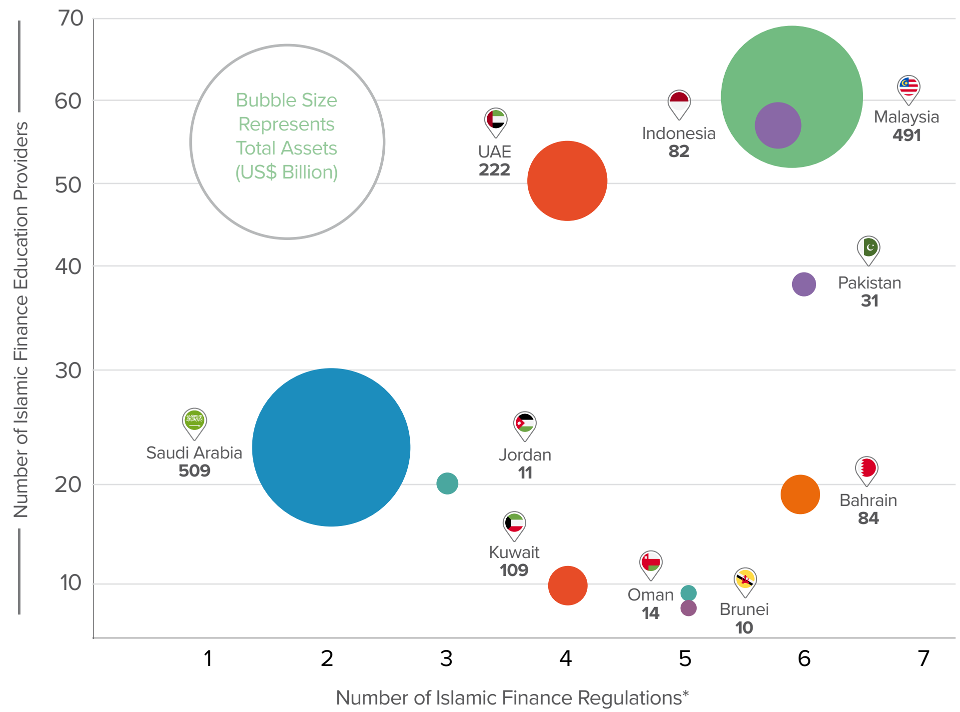
Islamic Finance Ecosystem in 2017



Global Islamic Finance Assets Distribution 2017 *

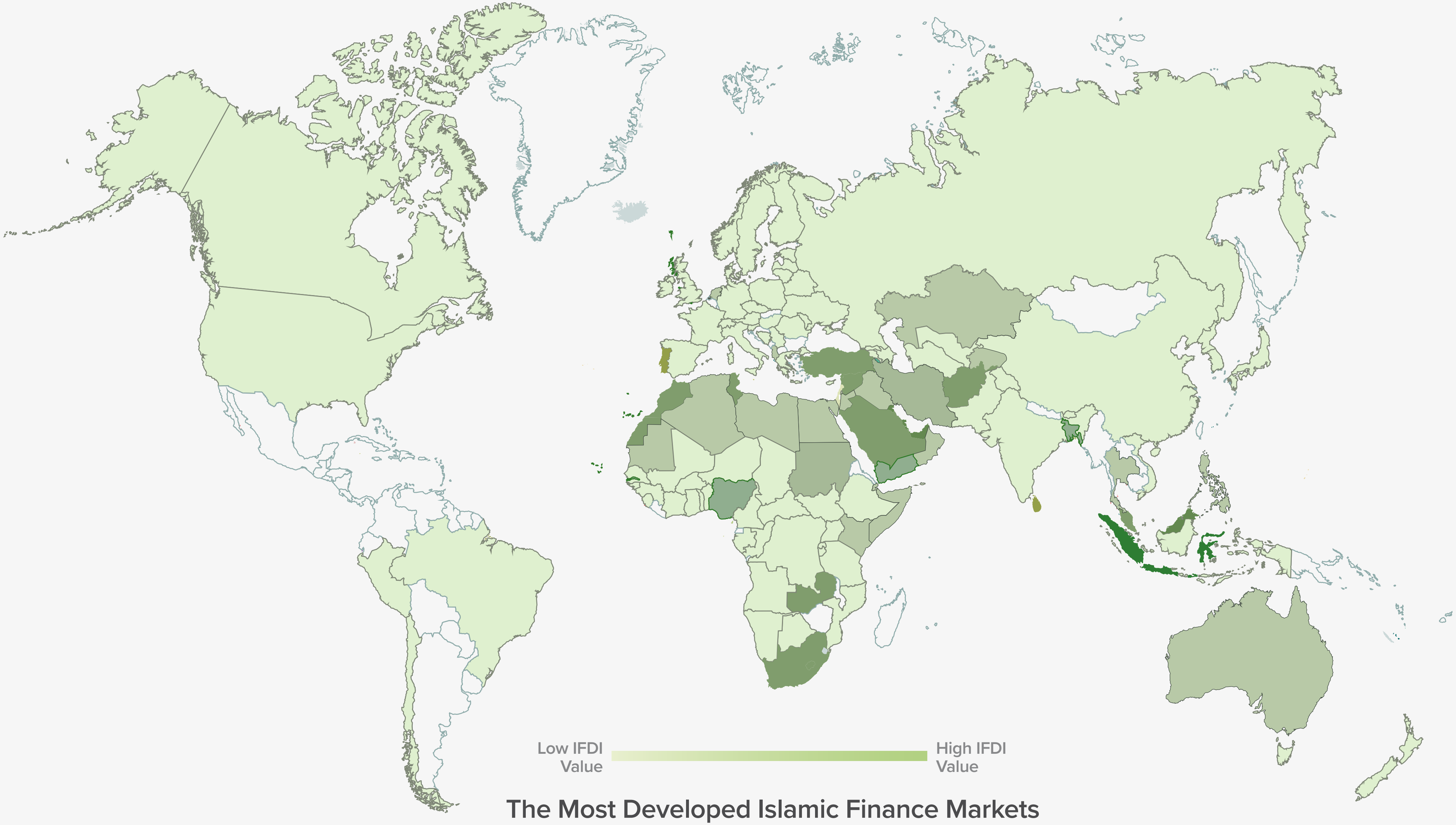


Top Islamic Finance Markets - Ecosystem 2017



*Regulations covering Islamic banking, takaful, sukuk, Islamic funds, Shariah governance and accounting

Global Islamic Finance Development Indicator - IFDI 2018



The Most Developed Islamic Finance Markets

Countries Ranked by IFDI 2018 Values

1	Malaysia	132
2	Bahrain	74
3	UAE	71
4	Pakistan	59
5	Saudi Arabia	56
6	Jordan	53
7	Oman	52
8	Kuwait	51
9	Brunei	50
10	Indonesia	50

The IFDI universe measures performance of 131 countries.

Islamic Finance Development Indicator

The Islamic Finance Development Indicator (IFDI) provides rankings and profiles for different Islamic finance markets around the world, drawing on instrumental factors grouped into five broad areas of development that are considered the main indicators. The indicator does not just focus on the overall size and growth of Islamic finance sectors in different countries; it instead evaluates the strength of the overall ecosystem that assists in the development of the industry. The five main indicators for the IFDI are weighted indices representing different sub-indicators, which are: Quantitative Development, Knowledge, Governance, Corporate Social Responsibility and Awareness. This chapter discusses the overall development of the Islamic finance industry through these indicators and highlights the top-ranked countries according to the IFDI.

Islamic finance development continues recovery

The Islamic Finance Development Indicator measures the overall development of the Islamic finance industry by assessing several markets in terms of different metrics considered crucial to the industry's progress. This sixth annual indicator covering 131 countries revealed a continued recovery in the development of the Islamic finance industry globally as its value edged up to 10.5 from 9.9. The recovery continued from 2017 from the decline caused by the plunge in oil prices in 2014. Growth was supported by an increase in development in core markets in MENA and South and Southeast Asia as well as new markets such as Suriname, Iraq, Nigeria and Ethiopia, which were among the top movers in this year's IFDI.

Malaysia, Bahrain and the UAE remained the top three Islamic finance markets in terms of overall development. Saudi Arabia rose into fifth spot, helped by several developments including issuance of the country's first international and domestic sovereign sukuk.

IFDI 2018

Global Average Value (GAV) : 10.5

Quantitative Development
GAV : 6

Knowledge
GAV : 9

Governance
GAV : 13

Awareness
GAV : 16

Corporate Social Responsibility
GAV : 8

More information about countries' rankings and indicator values can be found at https://www.salaamgateway.com/en/islamic-finance/

Top Islamic Finance Development Indicator Markets 2018

Indicator Level

Quantitative Development

1 Malaysia
2 Iran
3 Saudi Arabia
4 Kuwait
5 Bahrain

Sub-Indicator Level

Islamic Banking

1 Sudan
2 Bahrain
3 Iran

Takaful

1 Saudi Arabia
2 Iran
3 Bangladesh

Other Islamic Financial Institutions

1 Iran
2 Kuwait
3 Malaysia

Sukuk

1 Malaysia
2 United States
3 Saudi Arabia

Islamic Funds

1 Malaysia
2 Iran
3 Saudi Arabia

1 • Malaysia | 2 • Bahrain | 3 • UAE | 4 • Pakistan | 5 • Saudi Arabia

Indicator Level

Governance
1 Bahrain, 2 Malaysia, 3 Oman, 4 Pakistan, 5 Kuwait

Corporate Social Responsibility
1 Jordan, 2 Saudi Arabia, 3 UAE, 4 Qatar, 5 Kuwait

Knowledge
1 Malaysia, 2 Indonesia, 3 Pakistan, 4 Jordan, 5 UAE

Awareness
1 Malaysia, 2 Bahrain, 3 UAE, 4 Pakistan, 5 Oman

Sub-Indicator Level

Management Components

Regulation
1 Bahrain, Malaysia; 1 Pakistan, Nigeria; 1 Indonesia, Qatar

Shariah Governance
1 Bahrain, 2 Malaysia, 3 Kuwait

Corporate Governance
1 Mauritius, 2 South Africa, 3 Oman

CSR Funds
1 Jordan, 2 Saudi Arabia, 3 UAE

CSR Activities
1 South Africa, 2 Palestine, 3 Bahrain

Supporting Ecosystem

Education
1 Malaysia, 2 UAE, 3 Jordan

Research
1 Malaysia, 2 Indonesia, 3 Pakistan

Seminars
1 Malaysia, 2 Pakistan, 3 Brunei

Conferences
1 Malaysia, 2 Brunei, 3 UAE

News
1 Bahrain, 2 UAE, 3 Malaysia

Saudi Arabia jumps to third place in QD while Morocco and Nigeria make big gains

The Quantitative Development (QD) indicator measures the performance of Islamic finance's five main sectors: banking, takaful, other Islamic financial institutions, sukuk, and Islamic funds. Its global average value was unchanged from IFDI 2017 at 6, as were each of its sub-indicators except for Islamic funds, which declined from 6 to 5. The overall static performance was due to a rise in assets being offset by a smaller number of institutions in some countries and a lesser performance in certain sectors. The Islamic funds score declined despite a CAGR of 16% to US$ 110 billion as of 2017 as some of the leading markets including Pakistan, Iran, Indonesia and Luxembourg performed less well than during the year before.

Notable country-level developments include jumps in Sukuk rankings by Saudi Arabia from 7th to 3rd and Nigeria from 26th to 8th, which lifted each of their QD rankings, in Nigeria's case from 48th to 28th. Meanwhile, Morocco's Islamic Banking sub-indicator ranking improved to 28th from 50th as new Islamic banks were opened, and it is expected that with the added reporting of Islamic banking assets and with new sukuk issuance in 2018, Morocco's overall ranking will improve further.

Governance remains strong, though a tad lower, while higher funds disbursal keeps CSR even

The Islamic finance industry's management components are measured through Governance and Corporate Social Responsibility. The Governance indicator was again strong, at 13, though down a touch from last year's score of 14 as mergers and acquisitions within the industry led to a decrease in the number of institutions with Shariah scholar representation – causing the Shariah Governance sub-indicator to slide – and as the addition of no new countries with Islamic finance regulations led to no change in the Regulations sub-indicator (the usual pusher for Governance's performance). Corporate Governance declined too, but there were notable gains for countries including Iraq, Sudan and Brunei that saw improvements in disclosure by their Islamic financial institutions.

While the Corporate Social Responsibility (CSR) global indicator value remained at 8, its sub-indicators headed in opposite directions: the CSR Funds sub-indicator increased to 5 from 4 while CSR Activities declined to 11 from 12. The CSR Funds sub-indicator global average improved because of an increase in disbursal of CSR funds such as zakat, charity and qard al hasan in several countries, notably Sudan, Iraq and Indonesia. However, the CSR Activities sub-indicator, which measures disclosure of CSR activities by Islamic finance institutions, declined as there were fewer countries with institutions reporting such activities.

Awareness and Knowledge picking up in new markets

Awareness regained its position as the most developed of the five main indicators as it increased in value from 14 to 16. This is despite declines in leading Awareness markets such as Malaysia, Bahrain and the UAE. The improvement was supported by a jump in the News sub-indicator to 33 from 24 as emerging Islamic finance countries had much more to report – particularly Morocco, China, Russia and Nigeria. The Conferences sub-indicator also improved, from 6 to 8, although Seminars declined from 12 to 8.

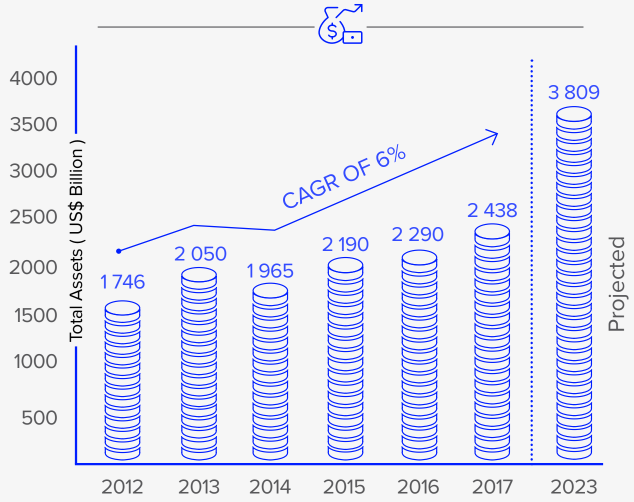
The Knowledge indicator improved, to 9 from 8, supported by better performances for the Education and Research sub-indicators. The leading ten countries remained the same, but there are emerging contenders for these positions such as Morocco, Nigeria and Egypt.

Islamic Finance Overview

To assess the **Quantitative Development** of Islamic financial institutions and markets, it is necessary to look at all the sub-sectors of the industry and review their quantitative dimensions. This chapter highlights the financial growth, depth and performance of the overall Islamic finance industry and its different sectors. It will also look into key trends and opportunities across its five main sectors: Islamic banking, takaful, other Islamic financial institutions, sukuk, and Islamic funds.

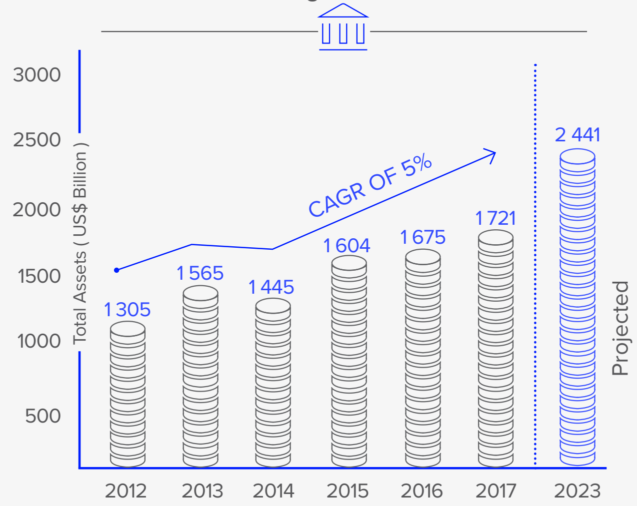
Global Islamic Finance Landscape

Islamic Finance Assets Growth 2017



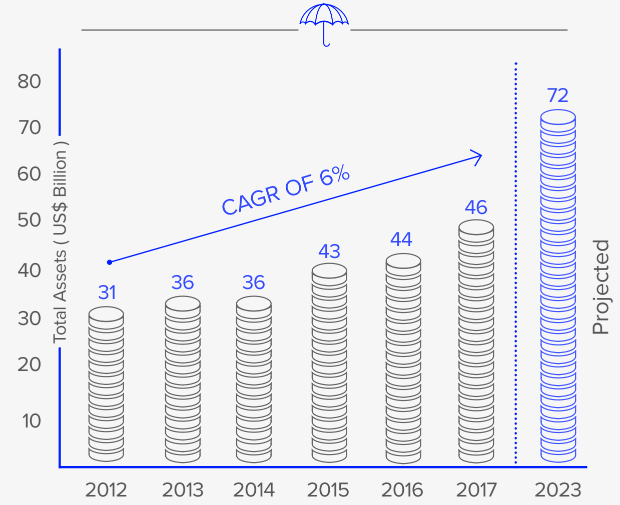
Top Countries : 1 - Iran 2 - Saudi Arabia 3 - Malaysia

Islamic Banking Assets Growth 2017



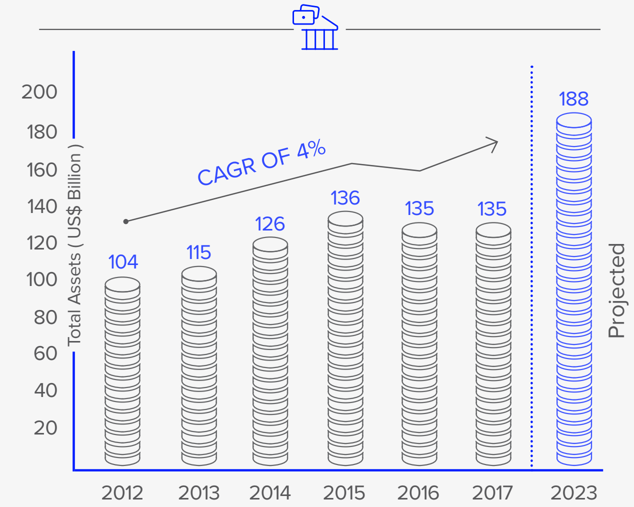
Top Countries : 1 - Iran 2 - Saudi Arabia 3 - Malaysia

Takaful Assets Growth 2017



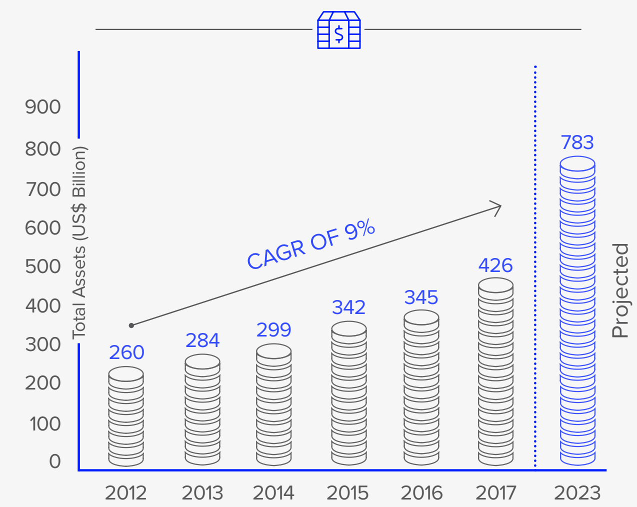
Top Countries : 1 - Saudi Arabia 2 - Iran 3 - Malaysia

Other Islamic Financial Institutions Assets Growth 2017



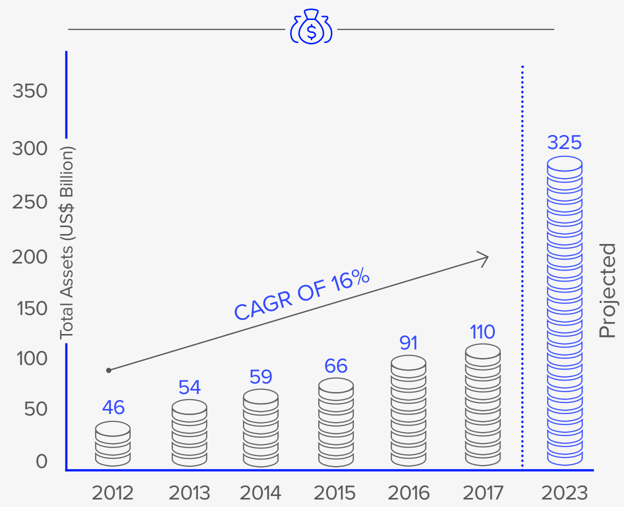
Top Countries : 1 - Malaysia 2 - Iran 3 - Saudi Arabia

Sukuk Assets Growth 2017



Top Countries : 1 - Malaysia 2 - Saudi Arabia 3 - Indonesia

Islamic Funds Assets Growth 2017



Top Countries : 1 - Iran 2 - Malaysia 3 - Saudi Arabia

Global Islamic Finance Assets Distribution 2017

Sector / Asset Class	Share of Islamic Finance Assets	Size (US$ Billion)	Number of Institutions / Instruments	Number of Countries Involved
Islamic Banking	71%	1,721	505 Islamic Banks*	69
Takaful	2%	46	324 Takaful Operators*	47
Other Islamic Financial Institutions	6%	135	560 OIFIs*	49
Sukuk	17%	426	2590 Sukuk Outstanding	25
Islamic Funds	4%	110	1410 Funds Outstanding	28

*Including windows

US$ **2.44** Trillion
Total Islamic Finance Assets in 2017

1,389
Total Islamic Financial Institutions* in 2017

Overview

The Islamic finance industry's performance is measured through five sub-sectors: Islamic banking, takaful, other Islamic financial institutions (investment companies, micro-finance institutions etc.), sukuk, and Islamic funds. After all, financial institutions are considered the backbone of the industry given their size and track record, while capital market asset classes including sukuk and Islamic funds are important investment instruments for the industry.

6% growth in Islamic finance industry assets

Islamic finance industry assets grew by a CAGR of 6% to US$ 2.44 trillion in 2017 from 2012. The 2017 total was contributed by 56 countries. Iran, Saudi Arabia and Malaysia remain the largest markets, contributing a static share of 65% of the total, or US$ 1.6 trillion. Saudi Arabia and Malaysia's total Islamic finance assets grew 8% and 16%, respectively. For Saudi Arabia, the growth was mainly driven by its domestic and international sukuk issuance.

Meanwhile, Iran witnessed a decline in its assets as a result of the depreciation of its currency against the US dollar, and with the continued devaluation of the riyal, Iran's Islamic finance assets are expected to decline further. This is despite the country's Islamic financial institutions' assets as reported in local currency having grown 13% in 2017.

Of all the 56 countries, Cyprus, Nigeria and Australia saw the fastest growth in Islamic finance assets in 2017.

Islamic Banking

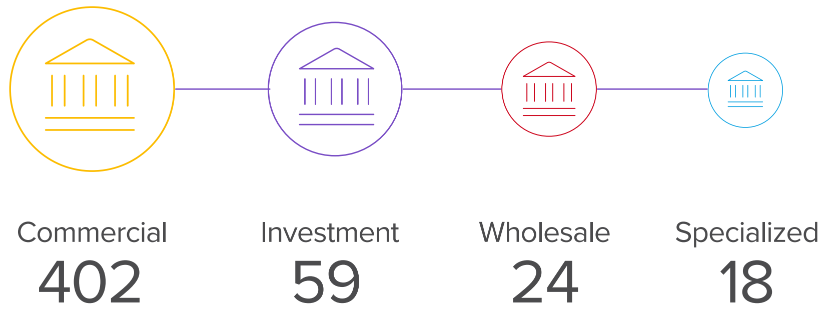
1.72 Trillion
Total Islamic Banking Assets in 2017

505
Total Islamic Banks* in 2017
*Including windows

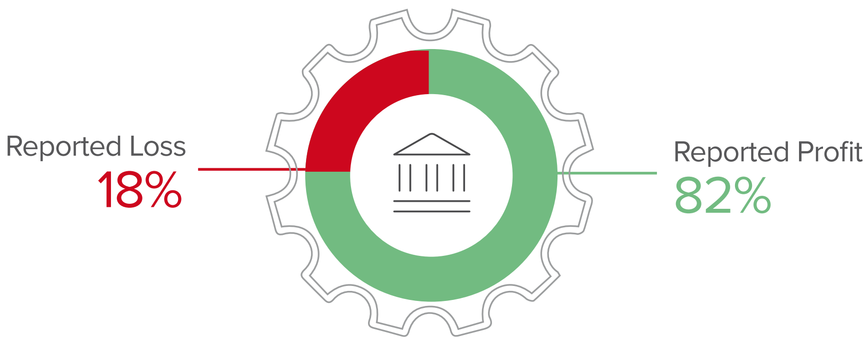
62%
Top 3 Markets' Share of Global Islamic Banking Assets in 2017

6%
Share of Islamic Banking Assets in Total Global Banking Assets in 2017**
**In 43 countries that reported Islamic banking assets

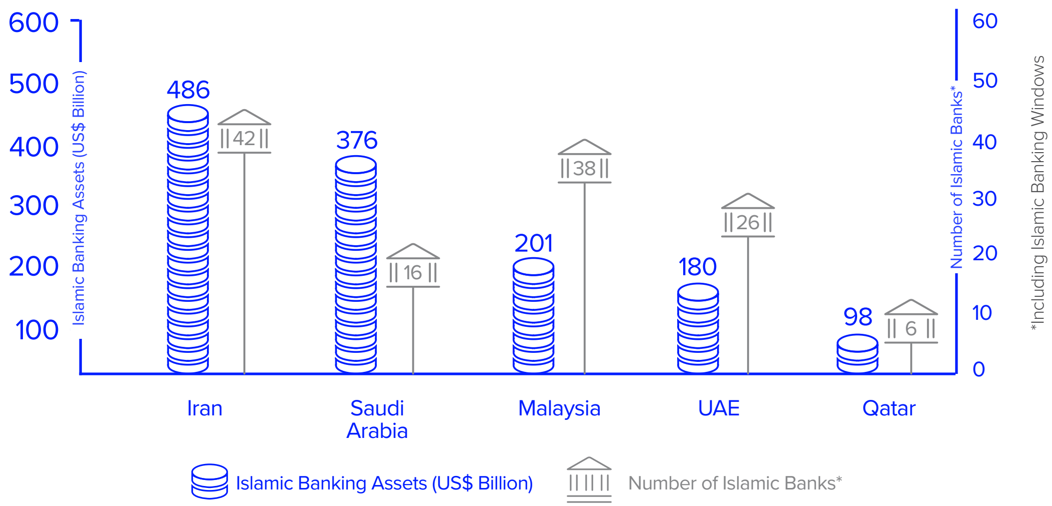
Number of Islamic Banks by Type 2017



Global Islamic Banks' Performance 2017



Top Global Islamic Banking Markets 2017



Morocco and Suriname among new countries adopting Islamic banking

Islamic banking is the biggest sector in the Islamic finance industry, contributing 71%, or US$ 1.72 trillion, of the industry's assets. The sector is supported by an array of commercial, wholesale and other types of banks. Yet commercial banking remains the main contributor to the sector's growth. This can be seen in the new countries opening up to Islamic finance via retail banking services, such as Morocco, which saw eight Islamic banks begin operations in 2017 and 2018, and Suriname, which opened South America's first Islamic bank. Morocco and Suriname's entries resulted in there now being 69 countries with banks offering Shariah-compliant financial services.

This number is expected to rise as Malawi's government has approved Islamic banking services being made available on a window-only basis. This is something which its African neighbours already achieved in June 2018 with the launch of Coris Bank International's Islamic window in Mali, Senegal, Benin and Ivory Coast. Meanwhile in Europe, a Norwegian bank, Storebrand, was reported to be trialling interest-free 'halal loans'.

Digital-only Islamic banks can further increase the Islamic finance industry's footprint

With the rapidly growing popularity of mobile banking, particularly among younger people according to PwC's 2018 Digital Banking Consumer Survey, a growing number of digital-only, or 'disruptor banks', with no physical branches have emerged.

Some of these banks have already attracted a million customers, such as Monzo and Atom in the UK, and some of the world's biggest and most established banks are beginning to feel the heat from digital competition. HSBC, for example, is reportedly planning to launch its own digital bank, while Chase has already done so.

Islamic banks are also catching up on this trend, with the launch of digital-only subsidiaries such as Gulf International Bank's Meem in Bahrain and Saudi Arabia, and Albaraka Türk's insha in Germany and other European countries with large Muslim communities.

Islamic banking sector still shaped by conventional lenders' consolidation activities

There were 505 Islamic banks in 2017, including 207 Islamic banking windows. However, the number of players is not necessarily indicative of the size of the industry in terms of assets. Islamic finance's second-largest market, Saudi Arabia, has 16 Islamic banks including windows, which is less than the smaller markets of Malaysia and the UAE.

These three countries saw drops in the numbers of players due to consolidation. The latest such merger was in Saudi Arabia between Alawwal Bank and Saudi British Bank (SABB), in May 2018. The wave of mergers is set to continue, with Abu Dhabi Commercial Bank revealing it is in merger talks with fellow UAE banks Union National Bank and Al Hilal Bank. Other completed and potential mergers include Qatar's Barwa Bank with International Bank of Qatar, Oman's Bank Dhofar with National Bank of Oman, Kuwait Finance House with Bahrain's Ahli United Bank, and Malaysia Building Society with Asian Finance Bank.

Takaful

46 Billion
Total Takaful Assets in 2017

324
Number of Takaful Operators in 2017

79%
Top 3 Markets' Share of Takaful Assets in 2017

Takaful sector remains relatively miniscule

The takaful industry grew to US$46 billion in 2017 but remains the smallest contributor to the Islamic finance industry in terms of assets.

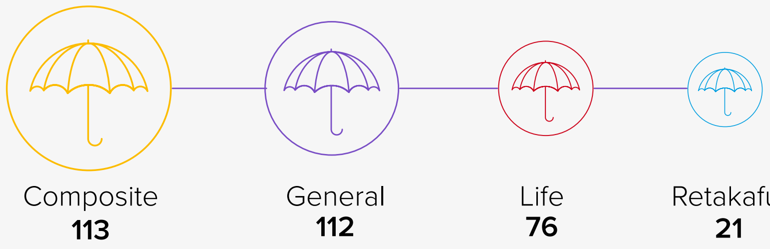
In all, 324 operators are offering takaful but, as with the banking sector, consolidation activity is continuing. Recent moves include Takaful Emarates' takeover of Bahrain's Al Hilal Takaful and the merger of Solidarity Group's Bahrain-based units Solidarity General Takaful and Al Ahlia Insurance.

Takaful the "missing link" for Nigeria and UK

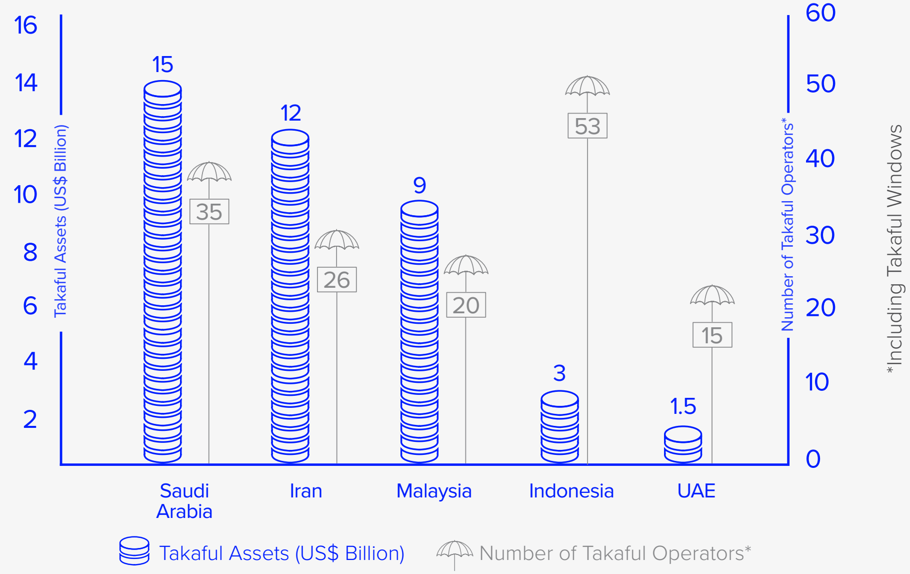
Despite its small size globally, the takaful sector is seeing growing interest from new markets. This includes the launch of Nigeria's first full-fledged takaful company, Jaiz Takaful, in October 2017 after the government there issued takaful guidelines in 2013 in an effort to deepen insurance penetration. Nigeria now has five takaful operators when including windows.

London could also emerge as a takaful hub. The UK's industry body, the Islamic Insurance Association of London (IIAL), is reportly drafting Shariah and legal standards for Islamic commercial insurance and is seeking input from Shariah scholars. ILAL aims to roll out the standards by 2019. The takaful sector is expected to play a prominent role in the UK's insurance industry as the government seeks new business opportunities post-Brexit. Also in London, AIG UK underwrote its first Shariah-compliant warranty and indemnity policy out of London's mergers & acquisitions insurance market, through Cobolt Underwriting's 'Islamic Window' solution.

Number of Takaful Operators Type 2017



Top Global Takaful Markets 2017



Other Islamic Financial Institutions

Fintech ventures seen as key to industry growth

With US$ 135 billion in assets, the 'Other Islamic Financial Institutions' (OIFI) sector – which includes financing, real estate and other types of companies – is a large part of the Islamic finance industry. Financial technology, or fintech, companies also fall within this category and 2017 was marked by several firsts in the Islamic fintech venture space. Apart from technology departments or digital services offered by Islamic banks and insurance companies, Islamic fintech-based companies can play a still larger role in the OIFI sector and this can take many forms.

A key area for Islamic fintech companies is crowdfunding. As with conventional finance, Islamic crowdfunding can support several initiatives, such as improving the impact of Islamic social finance, supporting government development projects, and funding small and medium-sized enterprises. One such company is Singapore and Malaysia-based Ethis Ventures, which operates different crowdfunding platforms raising finance for areas such as real estate, health, education and small business.

Another area for Islamic fintech is Shariah-compliant cryptocurrencies. Startups in the UAE include OneGram, whose coins are backed by physical gold assets, and ADAB Solutions, the first cryptocurrency exchange operating according to Shariah principles.

These and other ventures currently shaping the Islamic fintech space are set to have an increasingly disruptive impact on the Islamic finance industry.

135 Billion
Total OIFI Assets in 2017

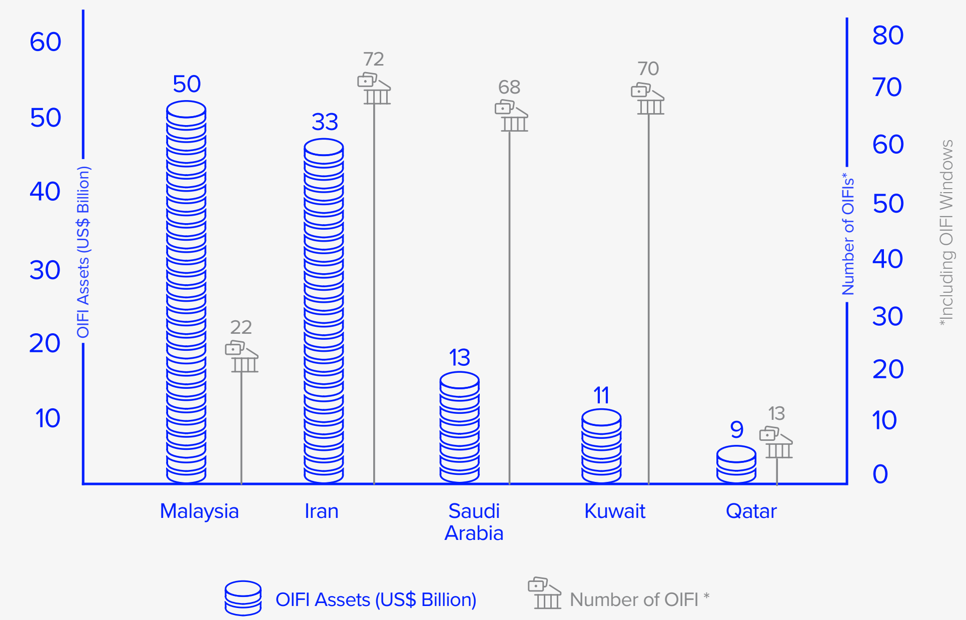
560
Number of OIFIs in 2017

71%
Top 3 Markets' Share of OIFI Assets in 2017

Number of OIFIs by Type 2017

Investment Firms	Financing	Other	Leasing	Microfinancing	Mudaraba
252	**105**	**84**	**66**	**29**	**24**

Top Global OIFI Markets 2017



Sukuk

Continued interest boosts sukuk issuances

Sukuk is the second largest contributor to the Islamic finance industry's assets, totalling US$ 426 billion in outstanding value in 2017. In all, 19 countries witnessed sukuk issuances, amounting to US$ 85 billion in 2017. 63% of which were corporate issuances, followed by sovereign issuances (31%) and agency (6%).

Although the Islamic finance industry felt the heat from the Dana Gas sukuk saga, there remains interest in sukuk from new markets such as Morocco, which issued its first sukuk in October 2018. Kazakhstan also aims to issue its first sovereign sukuk in the near future, while the UK wants to benefit from its first experience by reissuing sovereign sukuk in 2019.

Saudi Arabia emerges as sukuk contender

Malaysia continued to dominate the sukuk scene during 2017 in terms of amount outstanding, and even in issuance (US$ 35 billion), where it was followed by Saudi Arabia (US$ 26 billion) and Indonesia (US$ 9 billion).

The sukuk issuance train is not expected to stop for any of these three markets. Malaysia's Securities Commission announced that it will open its bond and sukuk markets to retail investors. Malaysia also introduced a grant scheme for green sukuk issuers, a move which has already worked for Indonesia when this year it became the first Asian sovereign to sell green sukuk. The convergence of principles between Islamic finance and ESG criteria has increased the attractiveness of green sukuk. Meanwhile, Saudi Arabia completed its second international sukuk sale in September 2018, adding US$ 2 billion to its sukuk portfolio alongside domestic issuances.

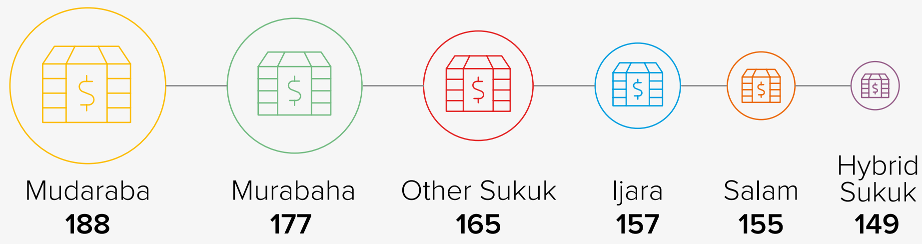
US$

426
Billion
Total Sukuk Outstanding Value in 2017

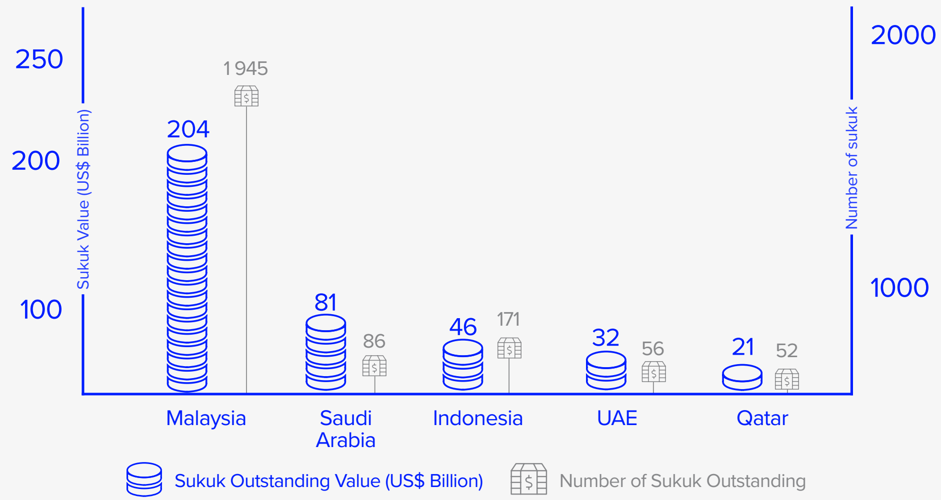
2,590
Number of Sukuk Outstanding in 2017

77%
Top 3 Markets' Share of Sukuk Outstanding

Number of Sukuk Issued by Structure 2017



Top Global Sukuk Markets 2017



Islamic Funds

Islamic investments yet to meet strong demand from key demographics

With a total of US$ 110 billion in assets under management (AuM) in 2017, the Islamic asset management sector remains highly concentrated, with Iran, Malaysia and Saudi Arabia accounting for 87% of the total. Interestingly, in terms of funds launched during 2017, only Malaysia was in the top three, with 41 mutual funds launched, followed by Pakistan with 32 and Indonesia with 31. Most of these funds hold mixed assets.

The latter two remain outside the top five markets for Islamic funds as few of their funds achieved scale, despite the strong demographics for Islamic investment in these countries. Globally, 70% of Islamic funds are below US$ 25 million, and many of these are under US$ 1 million.

Robo-advisory tapping into Islamic wealth management

Islamic asset management can feed into an Islamic wealth management industry serving a growing Muslim demographic forecast by Pew Research to reach over 26% of the global population by 2030. Islamic wealth management remains a niche industry, however, usually led by markets such as Europe.

Fintech can play a role serving religiously sensitive Muslim investors. Wealth management has mostly been available to wealthy individuals and institutional investors, but newly established digital Islamic wealth management firms are now offering low-cost funds that can serve affluent but not necessarily wealthy clients. US Islamic investment firm Wahed Invest and Malaysia-based Farringdon Group are two companies to have launched Shariah-compliant robo-advisory services.

US$

110
Billion
Total Islamic Funds Outstanding Value in 2017

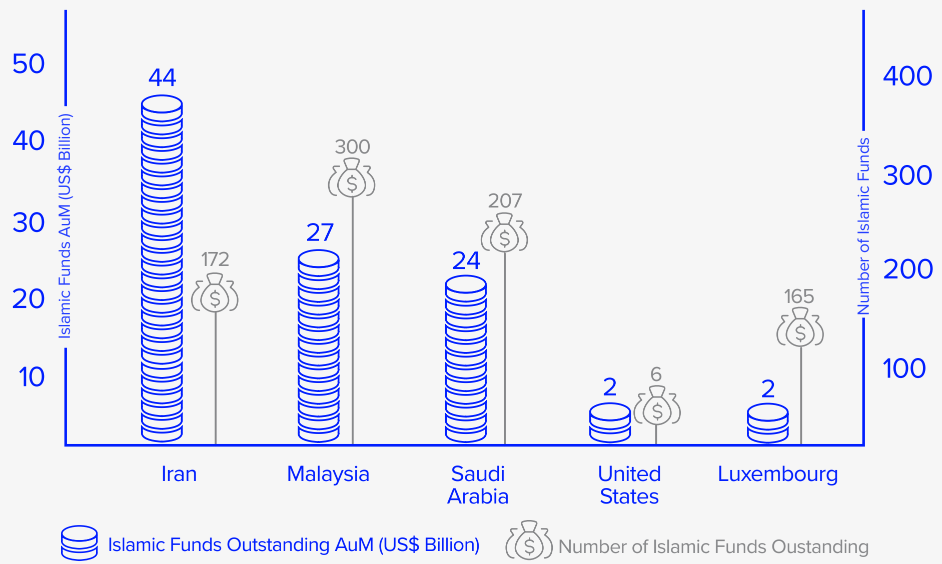
1,410
Number of Islamic Funds Outstanding in 2017

87%
Top 3 Markets' Share of Islamic Funds Outstanding Value in 2017

Global Islamic Funds by Type 2017

Equity	Mixed Assets	Bond	Morney Market	Other	Real Estate
592	**234**	**208**	**140**	**26**	**23**

Top Global Islamic Funds Markets 2017



Islamic Finance Ecosystem

Measurement of the development of the Islamic finance industry goes beyond just measuring core business components such as financial performance. There is also a need to investigate the industry's infrastructure, including its management components (**Governance** and **Corporate Social Responsibility**) and industry ecosystem (**Knowledge** and **Awareness**) to see whether it is heading in the right direction, whether globally or in individual countries. This chapter investigates the other elements deemed important for the development of the industry and will look into key trends and opportunities within each element.

Islamic Finance Governance

45 Countries
Have Islamic Finance **Regulation**

26	**25**	**17**	**41**	**19**	**11**
Accounting	Shariah Governance	Takaful	Islamic Banking	Sukuk	Islamic Funds

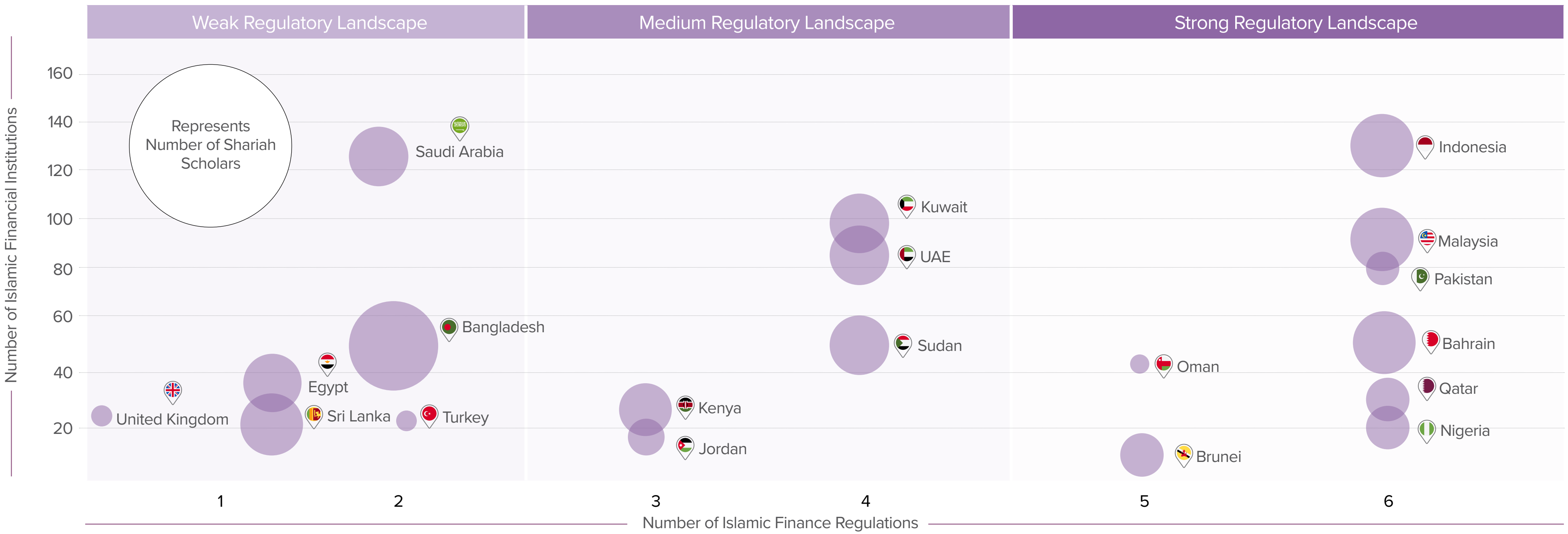
1,162 Shariah Scholars
Representing Islamic Financial Institutions in 52 Countries

541	**835**	**12**
IFIs with at Least 3 Shariah Scholars in 49 Countries	Shariah Scholars with Single Board Membership	Countries with Centralized Shariah Boards

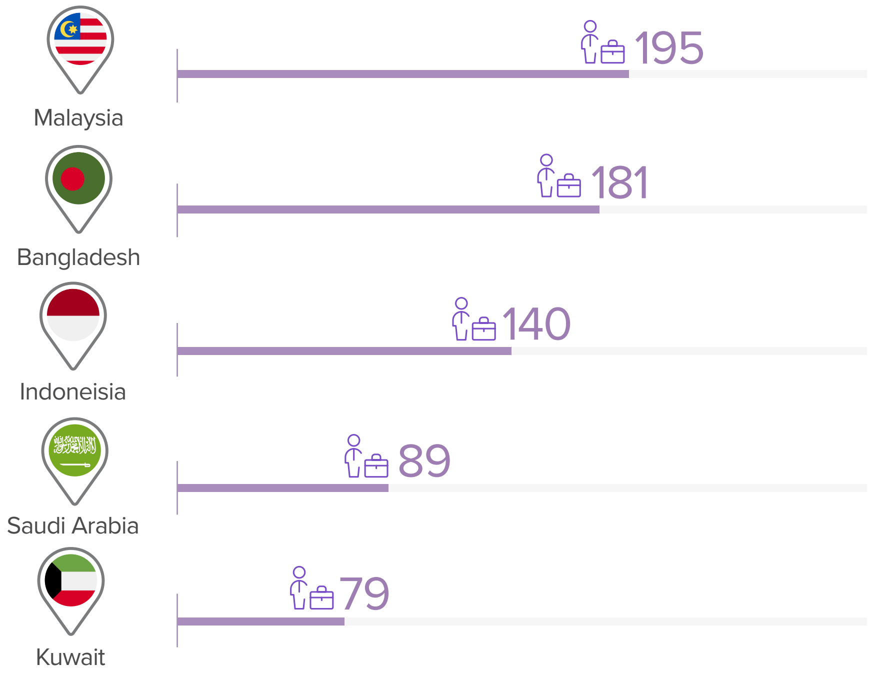
54%
Of IFIs Reported Financials from 50 Countries

47%
out of 70 Items
Average Global Financial Reporting Disclosure Index

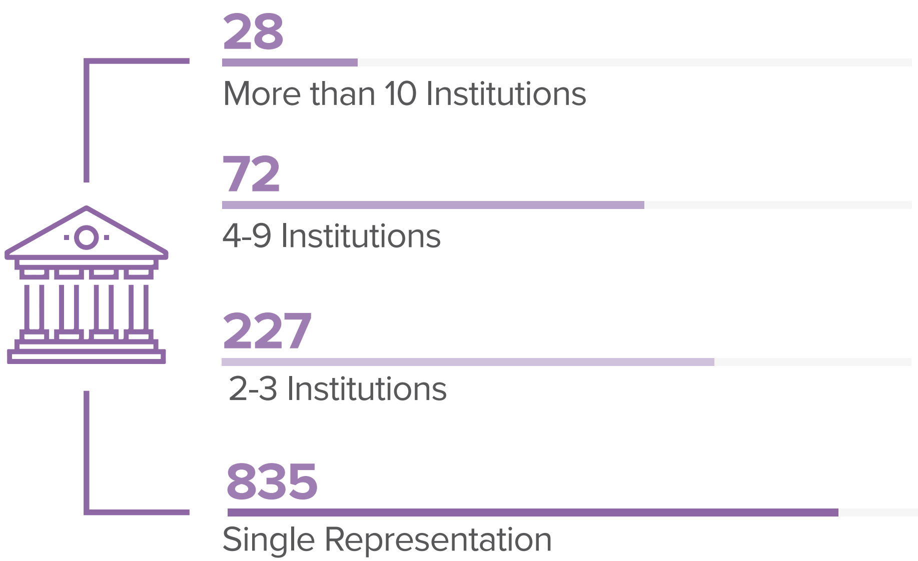
Islamic Finance Governance Performance by Country 2017



Top Countries in Number of Shariah Scholars 2017



Global Islamic Finance Shariah Scholar Institutional Representations 2017



Overview

Governance provides an important indicator of the health of the Islamic finance industry's infrastructure. Appropriate controls will maintain consumer and investor confidence in the industry. Indeed, recent scandals and the collapse of financial institutions whether in leading Islamic finance regions or elsewhere tell us that strong governance and regulations will provide legitimacy to Islamic financial institutions' operations. Governance is assessed through regulations, corporate governance, and Shariah governance.

Shariah governance held back by lack of diversity

Having sound Shariah governance should be a priority for Islamic financial institutions as it ensures that Shariah principles are covered in all operational and contractual areas. In all, 541 out of 1,389 institutions have ensured this by having at least three scholars on their Shariah boards. Countries with high numbers of Shariah scholars include Bangladesh, which has an average of eight per institution, and Indonesia, many of whose scholars have single representations.

Yet a report by the General Council for Islamic Banks and Financial Institutions (CIBAFI) and the World Bank warned that large numbers of scholars may not indicate better performance as many Islamic banks do not have scholars with sufficiently diverse backgrounds and most Islamic banks' Shariah boards meet less than six times a year. The IFDI data suggest this is because some scholars represent multiple institutions globally, and some countries permit scholars to represent more than five of their Islamic financial institutions. Also, many countries do not have specific Shariah governance regulations.

A crisis of confidence by investors calls for better corporate governance of Islamic financial institutions

The recent scandal engulfing Dubai-based private equity firm Abraaj Group makes clear the importance of strong corporate governance. The company's founder and another executive avoided three-year prison sentences when they settled a US$ 218 million bounced check. The highly publicised case followed months of wrangling with investors over allegations that the fund had mishandled money in a US$ 1 billion healthcare fund.

The case is expected to result in a transformation of the financial industry in the GCC region, where most of the world's Islamic finance assets reside, in the form of improvements in disclosure, risk management frameworks and other governance measures. When Abraaj came under investigation, there were clear signs of weak corporate governance and poor transparency. This made it difficult for some financial institutions in the region to raise funds and institutional investors began to purposely seek out companies with better corporate governance measures.

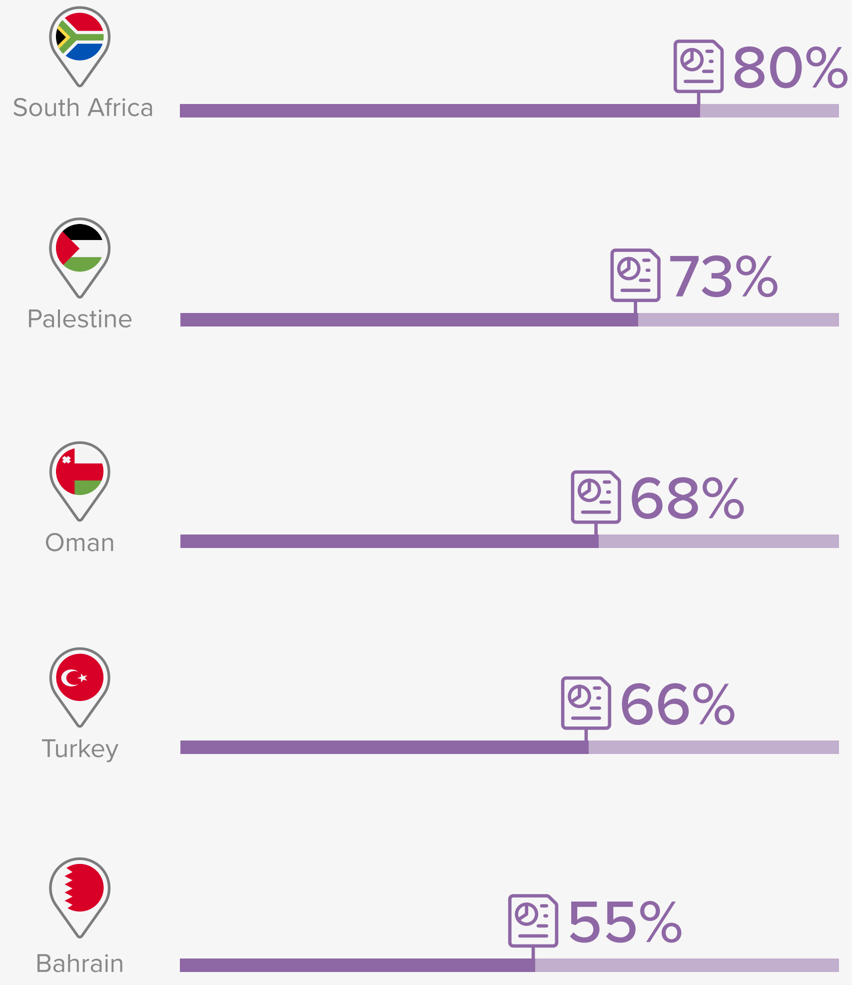
Improving transparency is a first step toward better corporate governance

As a way to indicate corporate governance in the Islamic finance industry, this study has found that Islamic financial institutions disclose on average 47% of the 70 required items in the IFDI's Financial Reporting Disclosure Index (FRDI). While financial institutions in some countries such as South Africa showed sufficient average disclosure by its financial institutions, many others fell short.

Many of the financial institutions lacked disclosure in terms of its corporate strategy and governance including items such as classification of their directors as executive or outsider and information on different committees and their meetings. For Shariah reporting, many do not report on their assets that are pledged as security and for risk management process, many do not report on their credit risk management tools.

The IFDI also takes into account other measures such as the independence of directors and non-executive heads of audit and risk committees as reported in financial institutions' annual reports. It found that only a few financial institutions reported such measures and this does not bode well for the industry. This was also noted in the CIBAFI and World Bank report, which called for better conflict of interest policies and greater use of independent directors and committee heads.

Top Countries in Financial Reporting Disclosure Index 2017*



* The Disclosure Index covers 70 items that need to be disclosed in 2017 annual or financial reports of Islamic Financial Institutions

Regulatory actions by CIS governments to introduce Islamic banking

Banking remains the most regulated area of the Islamic finance industry, with 41 countries having Islamic banking regulations, the same as the year before. Tajikistan and Uzbekistan plan to add to this number by introducing their own regulations, following a trend established by fellow CIS countries Kazakhstan and Azerbaijan.

As part of Uzbekistan's reforms aimed at attracting Muslim investors from other countries, the government plans to introduce Shariah-compliant products including sukuk and takaful. One of the country's largest banks, Ipak Yuli, is already in consultations to create an Islamic window. Meanwhile, Tajikistan plans to introduce its first Islamic bank this year. With developments such as these, the region can expand beyond the US$ 158.86 million in Islamic finance assets reported in 2017.

Shariah scholars to keep up with global fintech revolution

While the Islamic finance industry is opening up to the latest trends in digital innovation and fintech, one issue that divides scholars is the Shariah compliance of such innovation. This includes cryptocurrencies such as bitcoin and ethereum, which some say conflict with Shariah law as their value should be based on real physical assets such as commodities rather than some of the rampant speculation that has seen their values soar and tumble in recent months.

Yet other scholars argue that cryptocurrencies can be treated the same as paper banknotes, which equally have no intrinsic value but are widely accepted as a means of exchange. They add that speculation is no more an inherent part of cryptocurrency than it is with conventional fiat currencies, while bitcoin's underlying blockchain technology is in line with the Shariah goal of reducing excessive uncertainty.

Still, the debate continues on cryptocurrencies' Shariah credentials. Recent solutions that have gained fuller Shariah acceptance include backing a cryptocurrency with gold as in the case of Dubai-based OneGram, or by other real assets as in the case for the California-based Stellar Lumens. In addition, UAE-based ADAB Solutions in October launched the first Shariah-compliant crypto-exchange, which is aimed at eliminating haram elements in digital currency projects such as gambling and usury. It is expected that Shariah compliance issues will be addressed by more fintech companies.

Outlook : Leveraging regulation in race for Islamic fintech hub

In the meantime, some countries are vying to position themselves as Islamic fintech hubs for their regions. Regulators in Bahrain and the UAE, specifically Abu Dhabi, have developed sandboxes to ensure Islamic fintech companies are financially sound before burdening them with the full weight of regulation, and then license them once successful. By October 2018, Bahrain had already granted licenses to 16 companies, including Wahed Invest. Bahrain also has Gulf International Bank subsidiary Meem, the region's first Islamic digital bank, launched in April 2018. Given such regulatory support, greater numbers of Islamic fintech companies can be expected to emerge.

Islamic Finance Corporate Social Responsibility

US$ 518 Million
Total CSR Funds Disbursed
by IFIs in 25 Countries

US$ 442 Million
Zakat and Charity Funds
Disbursed by IFIs
in 25 Countries

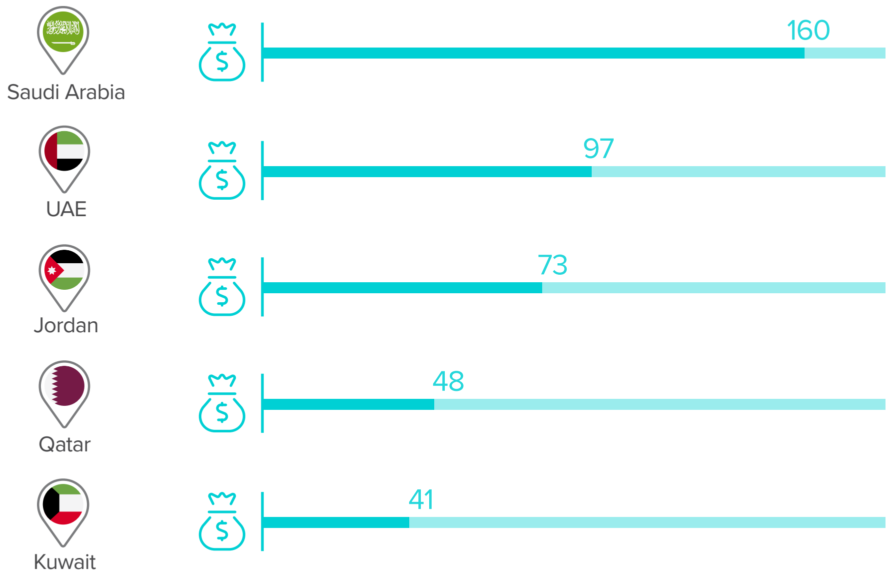
US$ 76 Million
Qard al-Hasan Funds
Disbursed by IFIs
in 5 Countries

28% out of **11 Items**
Average CSR Activities Disclosure
by IFIs in 28 Countries

394
IFIs Reported CSR Activities*

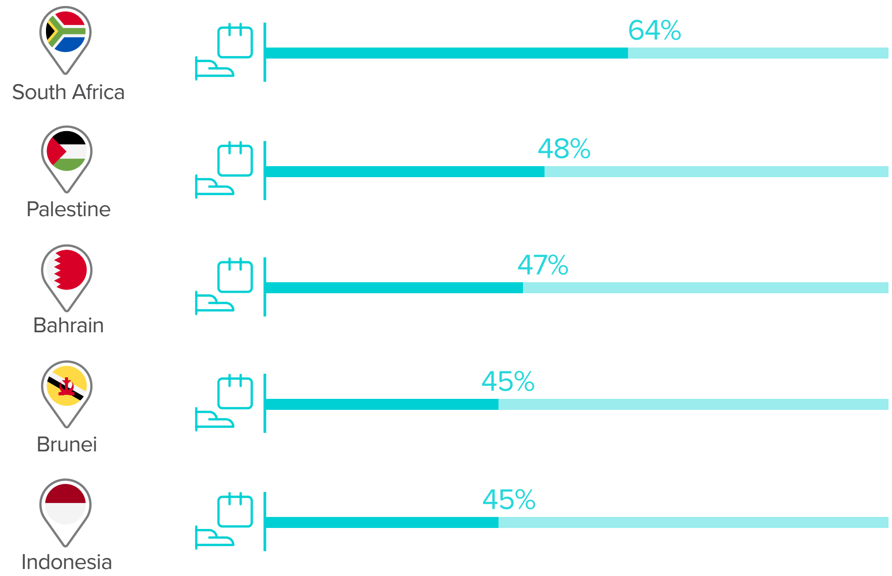
*Activities are: Policy for Screening Clients, Policy for Dealing with Clients, Disclosure of Earning & Expenditure Prohibited by Sharia, Employee Welfare, Zakah, Policy/ scheme for Qard Hasan, Social/ Environment/Development Based Investments, Par Excellence Customer Service, Disclosure for SMEs and Social Savings, Disclosure of Charitable Activities, Policy for Waqf Management

Top Countries in CSR Funds Disbursed 2017*



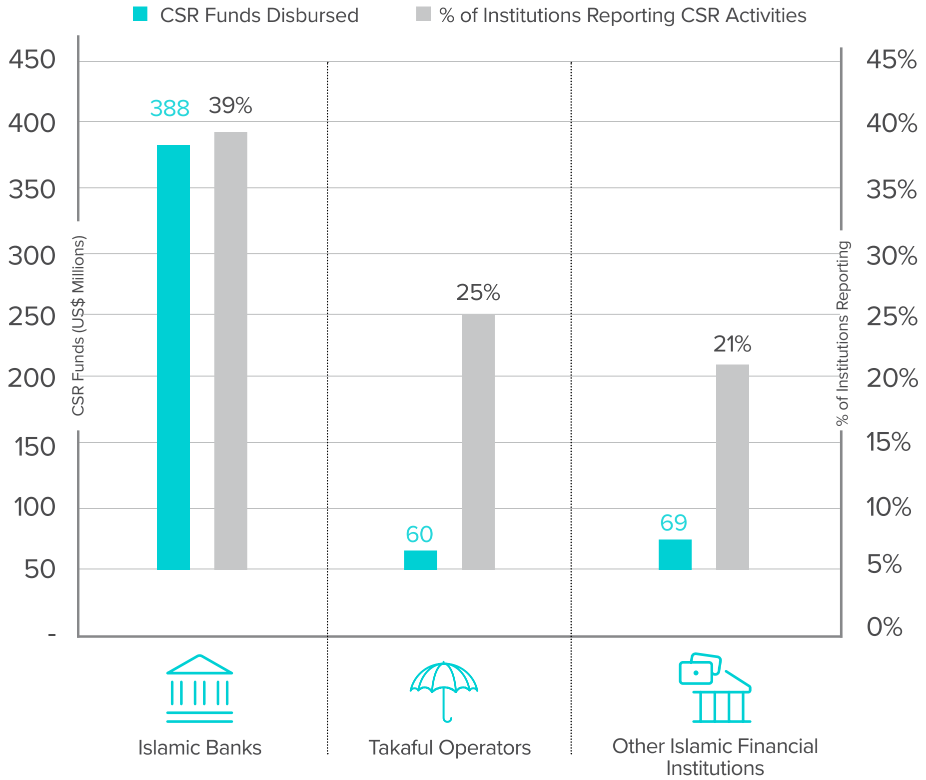
*US$ Million

Top Countries in CSR Disclosure Score* 2017

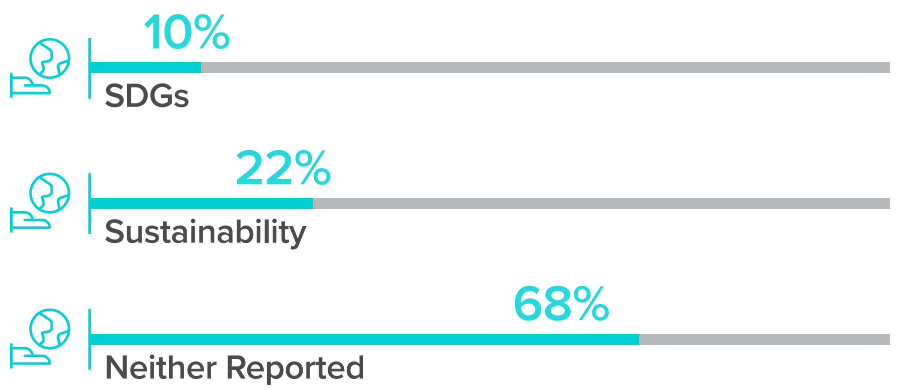


* The CSR Disclosure Index covers 11 items that need to be disclosed in annual or financial reports

Islamic Financial Institutions' CSR Performance 2017



Sustainability Reporting in Annual Reports by Islamic Banks 2017*



*Covering annual reports of 115 Islamic banks

Overview

Corporate Social Responsibility (CSR) is assessed through two components: disclosed CSR activities and CSR funds disbursed. CSR activities are measured using an index derived from information provided in Islamic financial institution annual reports and based on the AAOIFI Governance Standard for Islamic Financial Institutions No. 7. CSR funds include charity, zakat and qard al-hasan (benevolent interest-free loans) disbursed by these institutions.

UN SDGs championed by Southeast Asian Islamic banks

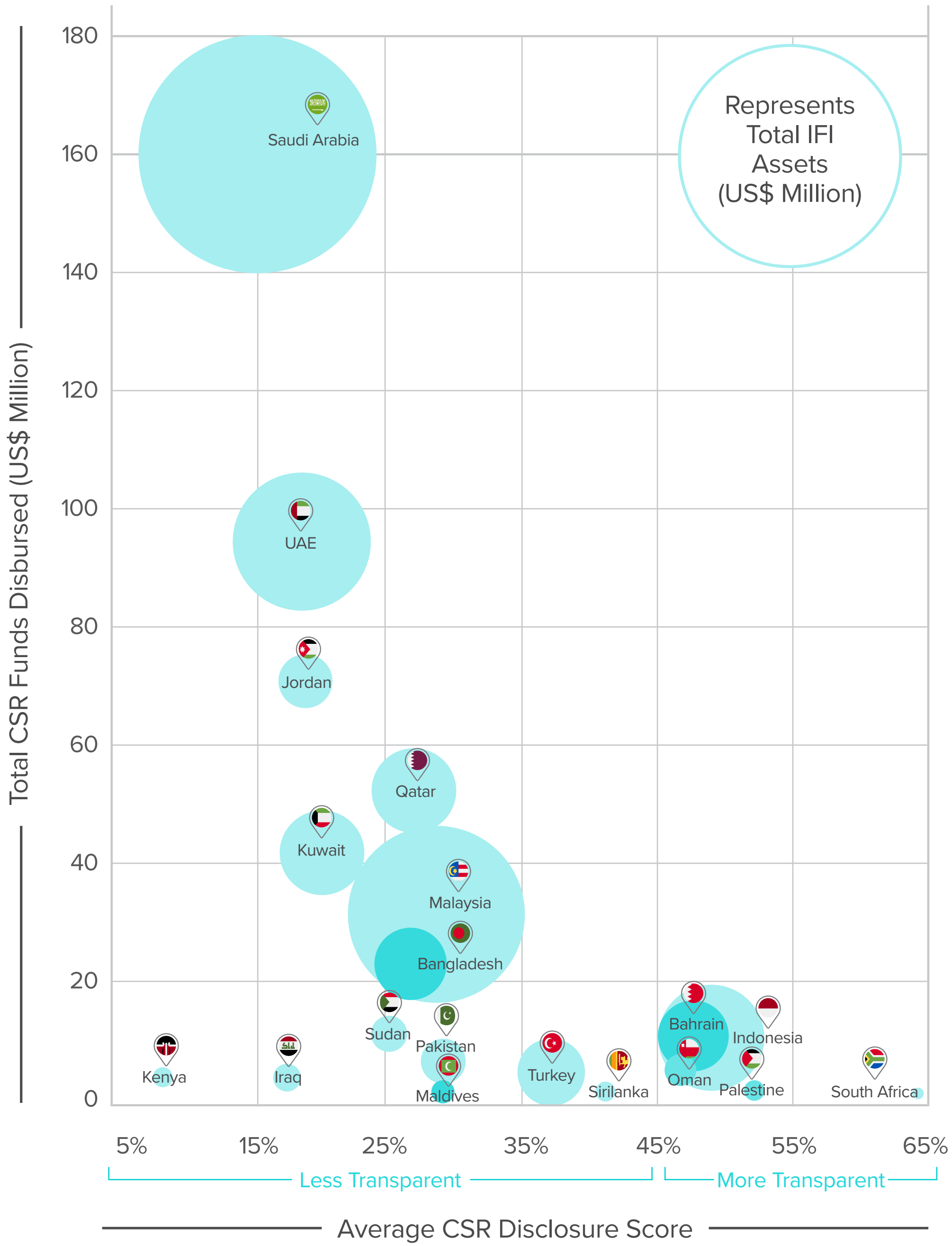
Overall, the Islamic finance industry saw a total US$ 518 million of CSR funds disbursed by 253 Islamic financial institutions. The top ten institutions accounted for 56% of total funds. Meanwhile, the CSR disclosure index reached an average of 3.12 in 2017, which though up from 2.61 the year before still falls short of the at least 5 mandatory items to be disclosed.

A core CSR trend today being addressed by financial institutions and even governments around the world is the implementation of the United Nations' 17 Sustainable Development Goals (SDGs) covering areas such as poverty, health, education, equality and the environment.

When investigating the 2017 annual reports of the full-fledged Islamic banks, it can be seen that SDGs are being addressed by a few of the banks, especially in Malaysia and Indonesia. And while many of the banks did not refer to the SDGs directly, sustainable impact in their communities or the environment was being addressed by some Islamic banks in other parts of the world. Some had sustainability reports combined with or separate from their CSR reports. Very few GCC Islamic banks showed interest in this area, however.

Islamic Financial Corporate Social Responsibility Performance 2017

Breakdown by Country



CSR performance in Saudi Arabia and UAE hindered by poor disclosure

When looking at the CSR performance of Islamic financial institutions across different countries, it can be seen that some countries contributed to Islamic finance CSR by disbursing a large amount of CSR funds or by maintaining a sufficient level of CSR activities (covering at least five activities on average). This is measured by investigating each of the financial institutions' CSR disclosures whether quantitatively or qualitatively.

Two of the largest Islamic finance markets, Saudi Arabia and the UAE, disbursed the largest totals of CSR funds. However, Islamic financial institutions in both countries were lacking in CSR activities disclosure, with an average score below 3.

In addition, many countries located within the 4 to 6 range for CSR activities disclosure disbursed small totals of CSR funds, despite having large Islamic financial institutions assets.

Most reported CSR activities also contribute the most to CSR funds reported

Policy for qardh Al hasan and waqf management remain to be the least disclosed items when it comes to social responsibility reporting by Islamic financial institutions. Both of which are voluntary CSR activities to be disclosed. On the other hand, other voluntary items such as charitable activities conducted by Islamic financial institutions and mandatory items such as zakat policy and employee welfare were reported the most.

Also, given that zakat and charity are among most reported items, 85% of the funds disbursed are zakat and charity funds. Meanwhile qardh al hasan were reported by few institutions in five countries only.

VBI could be a CSR game changer for the Islamic finance industry

Malaysia did not exhibit the best performance in either CSR disclosure or funds disbursed, despite being the third-largest market in terms of Islamic financial institution assets and most of its Islamic banks having addressed the UN's SDGs in their reports. However, after Bank Negara Malaysia issued its "value-based intermediation" (VBI) guidelines to strengthen the role and impact of its Islamic banks, there is hope that Malaysia will redeem itself on the CSR front.

The central bank's VBI values are shared with the AAOIFI Governance Standard for Islamic Financial Institutions No. 7, on which the CSR disclosure index is based. These shared values are illustrated in the diagram below. A scorecard based on the VBI guidelines was launched in October 2018 and nine participating banks will work towards achieving strong scores.

Outlook : CSR will be driven by improved transparency and digitalizing social practices

Bank Negara's value-based intermediation initiative could encourage other central banks to follow the Malaysian example and implement such guidelines within their Islamic banking systems. This in turn will strengthen transparency and the distinction between conventional and Islamic banking, and deliver the required outcomes of Shariah practices such as justice, wealth circulation, and wealth preservation.

Fintech is also playing a part in this as there is a push towards improving Islamic social finance such as zakat and charity using blockchain technology, which will boost transparency in their collection, management and distribution. Platforms and apps have already been developed already to address this.

Underpinning Aims of Malaysia's VBI and its Shared Values with IFDI's CSR Disclosure Index

Entrepreneurial Mindset

• **Possible Indicators :**
- Percentage of financing disbursed to identified sectors/new growth areas
- Number of innovative products launched for business sector/SMEs
- Number of initiatives to support business sector/SMEs
- Number of first-time banking customers (financial inclusion)

• **Shared CSR Index Metrics:** Policy/ scheme for Qard al-Hasan, Social/ Environment/Development Based Investments, Disclosure for SMEs and Social Savings

Community Empowerment

• **Possible Indicators :**
- Number of innovative products and services introduced for the community
- Number of community-based projects driven by Islamic Banks
- Number of individuals benefitting from community-based projects
- Social impact indicators, e.g. enhanced standard of living

• **Shared CSR Index Metrics**: Social/Development-Based Investments, Disclosure for SMEs and Social Savings, Zakah, Policy/ scheme for Qard al-Hasan, Policy for Waqf Management

Good Self-Governance

• **Possible Indicators :**
- Robustness of engagement/ consultation with other stakeholders, e.g. materiality assessment framework
- Spotting internal fraud cases
- Compliance with relevant global standards, e.g. ESG and Integrated Reporting

• **Shared CSR Index Metrics:** Social/ Environment/Development Based Investments, Disclosure of Earnings & Expenditure Prohibited by Sharia, Disclosure of Charitable Activities

Best Conduct

• **Possible Indicators :**
- Number of customer and employee complaints
- Customer and employee satisfaction index
- Staff turnover rate
- Quality of after-sales service
- Number of customers benefitting from proactive policies on dealing with those with genuine financial difficulties

• **Shared CSR Index Metrics:** Par Excellence Customer Service, Employee Welfare, Policy for Dealing with Clients, Policy for Screening Clients

Source: Value-based Intermediation : Strengthening the Roles and Impact of Islamic Finance, Bank Negara Malaysia

Islamic Finance Knowledge

688

Islamic Finance **Education** Providers in 76 Countries

202

Islamic Finance Degree Providers in 41 Countries

179

Islamic Finance Qualification Providers in 63 Countries

2,564

Islamic Finance **Research Papers** Produced by Affiliations in 78 Countries between 2015 and 2017

1,651

Islamic Finance Peer-Reviewed Articles in 67 Countries

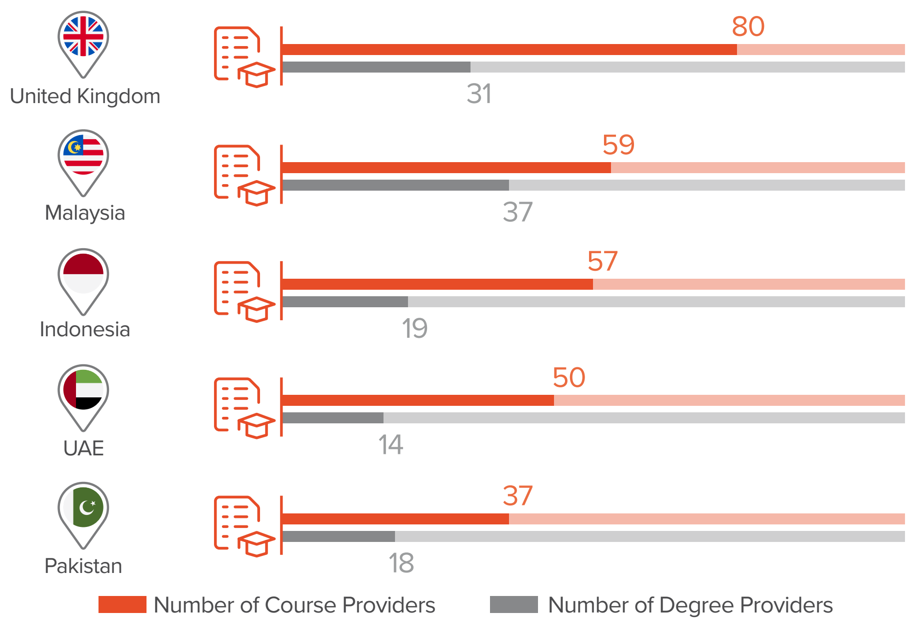
913

Affiliations Produced Islamic Finance Research

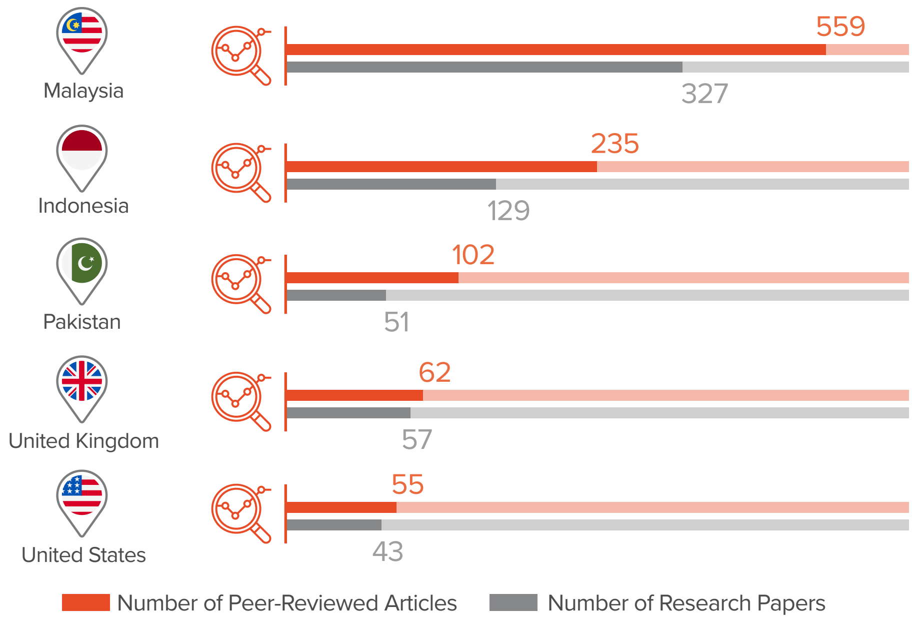
799

Journals Featuring Islamic Finance Research

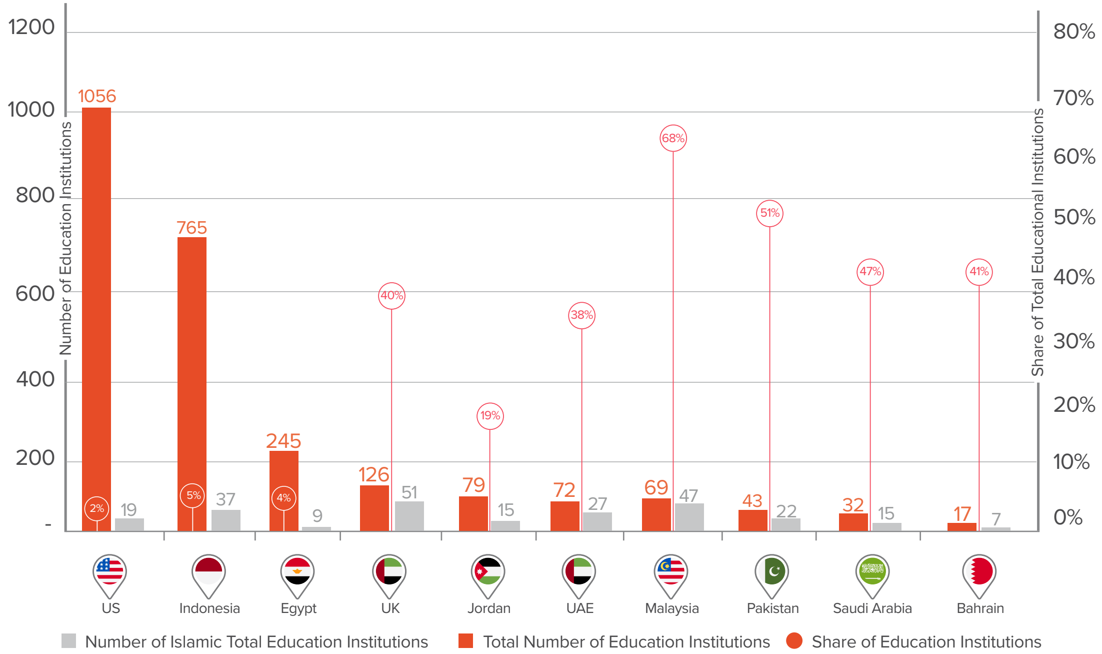
Top Countries in Islamic Finance Education 2017



Top Countries in Islamic Finance Research between 2015 and 2017

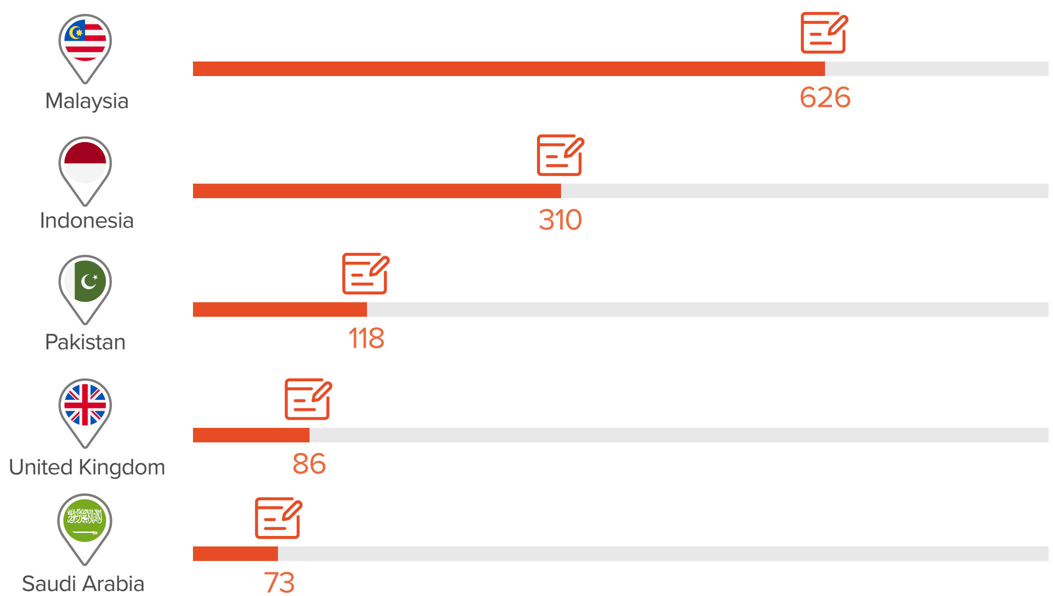


Numbers of Islamic Finance Education Providers 2017



*Covering only universities, institutions and colleges

Top Countries Covered in Islamic Finance Research Papers between 2015 and 2017



Overview

Islamic finance knowledge is assessed through education and research, which are the main building blocks for any knowledge-based industry. These are the input factors needed to achieve depth and efficiency in the Islamic finance industry, and provide the foundation on which a fully qualified workforce can spur economic growth.

Education systems in Malaysia and Pakistan seeing potential in Islamic finance

By 2017, there were a total 688 Islamic finance education providers around the world. Malaysia had the highest share of educational institutions offering Islamic finance courses out of its mainstream education providers, followed by Pakistan. Both countries are within the top five Islamic finance education providers. Indonesia is in third position, though the number of Islamic finance educators there is small compared to the total number of education providers. These countries also produce the most Islamic finance research, with a total of 2,564 papers produced between 2015 and 2017, and are the most analysed countries in this research.

World's leading universities beginning to embrace Islamic finance education

Islamic finance education is becoming more mainstream around the world, with educational institutions beginning to cater to the needs of Islamic finance professionals by offering postgraduate degrees in the subject. New entrants to the sector such as Romania and New Zealand now offer professional certificates in Islamic finance.

Also, there is a growing trend of Islamic finance education being offered by globally recognised universities in the US, UK, Australia and others. Fourteen universities offering Islamic finance education are listed in the Times top 100 World University Rankings 2018.

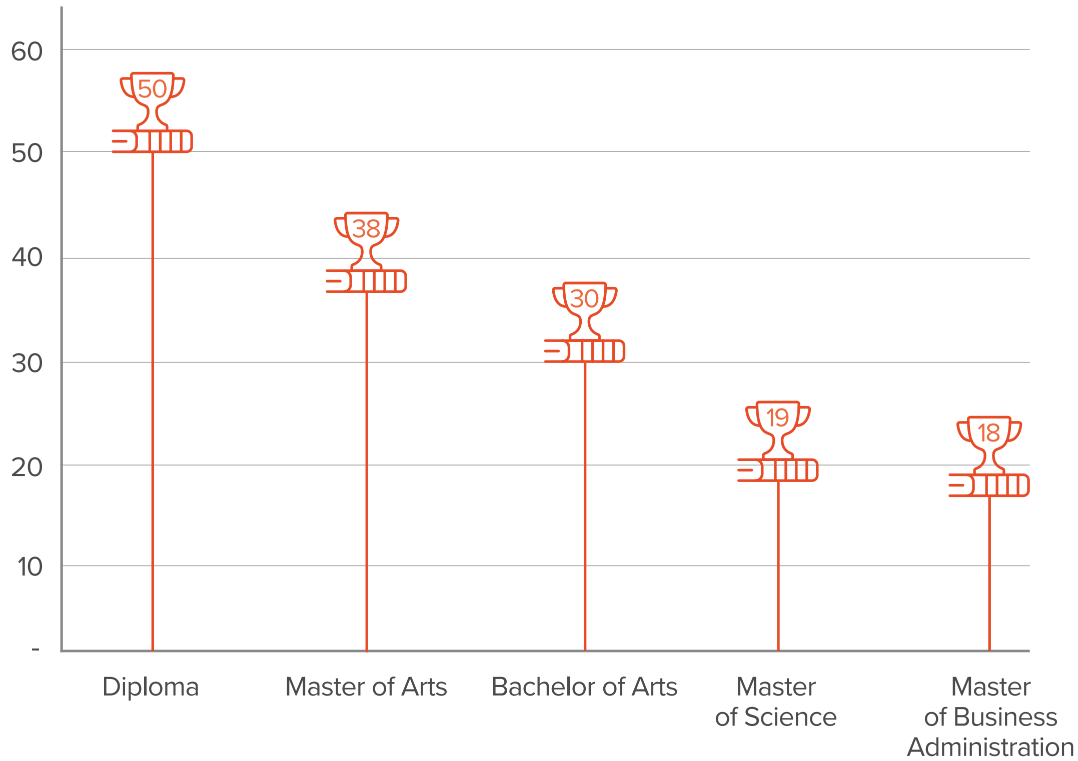
Need for more specialised Islamic finance education

One major obstacle to the development of Islamic finance is the shortage of personnel available to provide education in specialised areas. Most Islamic finance degrees are general in nature, resulting in a large number of graduates lacking specialised knowledge. Of the 202 degrees offered in Islamic finance, 90% are focused purely on Islamic finance or banking, with the remainder focused on Islamic economics, auditing or Islamic law.

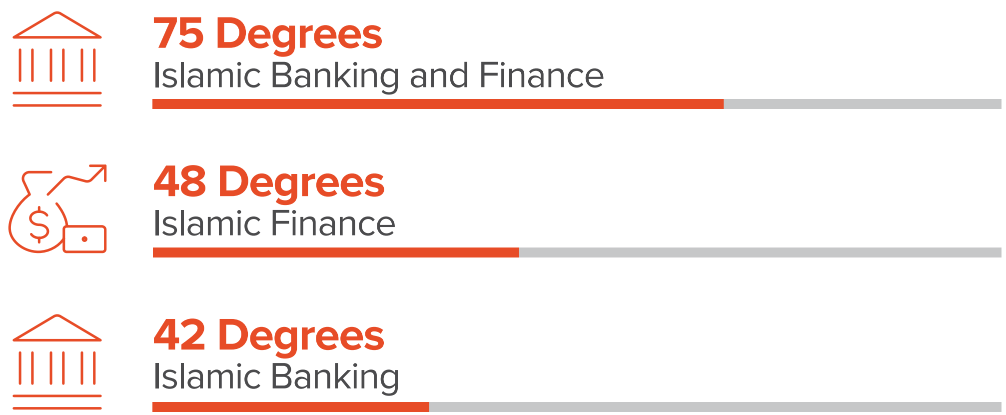
While industry certifying bodies have taken a keen interest in the development of Islamic finance education by offering qualifications designed to equip professionals in mainstream finance with Islamic finance skills, they remain limited in specialization. There is a need to create more specialised qualifications in areas such as Islamic asset management, Islamic alternative investments, and Islamic insurance (takaful) and actuarial practices to help produce a well-rounded workforce in all spheres of the industry.

Another obstacle to the development of Islamic finance is the lack of undergraduate programmes even in the larger markets. For example, Saudi Arabia, which has the word's second-largest Islamic finance assets and a total 119 Islamic financial institutions, has only 24 educational institutions with courses in the subject. Similarly, Kuwait has 100 Islamic finance institutions but only 11 programmes. There is a need for more undergraduate degrees to be introduced to equip young and aspiring professionals with a firm foundation in Islamic finance, which could be complemented with a postgraduate degree, diploma or professional certificate in the future.

Top Islamic Finance Degree Types 2017



Top Covered Islamic Finance Degree Subjects 2017



Corporate tie-ups with universities becoming mainstream

In recent years, there has been a growing trend of tailored courses being introduced by globally recognised educational institutions to help produce the next generation of Islamic finance professionals. An example of this is the ICD (part of the Islamic Development Bank Group) establishing the Islamic Finance Talent Development Program (IFTDP) to launch the ICD-IE Business School Masters in Islamic Finance and Leadership (MIFL) in partnership with IE Business School. This programme is aimed at building a pool of talented executives capable of leading the Islamic Finance industry in the future.

This year, the University of Reading Malaysia partnered with the Islamic Banking and Finance Institute Malaysia (IBFIM) to deliver training courses on Islamic finance, while the Bahrain Institute of Banking and Finance (BIBF) has partnered with the UK's Coventry University to launch the Islamic Finance Management Development Programme.

Outlook : Digitised learning - the way forward for Islamic finance education

The growth of web-based learning is now making it possible for Islamic finance education to reach non-Muslim markets and thereby increase the number of Islamic finance professionals globally. New entrants to the Islamic finance education sector are expected to publish research papers and journals specific to their respective countries and regions. We have started to see this trend in the Oceania region, where a total 39 research papers and journals have been published to create awareness in a region where Islamic finance is less prevalent.

Despite this, there has been a downward trend in Islamic finance education across the globe. Universities previously offering Islamic finance degrees have scrapped these programmes due to a lack of demand. This reflects either a lack of awareness available in Islamic finance post graduation or an overall lack of interest from prospective students.

To ensure Islamic finance education reaches a wider audience, Massive Open Online Courses (MOOCs) and dedicated training centres for working professionals can be introduced to teach specialised areas of Islamic finance such as risk management, Shariah-compliant valuation techniques, or methods of adjusting financial statement line items from IFRS or US GAAP-compliant entries to AAOIFI standards. We expect the industry will close the gap when it comes to specialised Islamic finance education and introduce a wider variety of courses outside of the generic Islamic finance qualifications.

Islamic Finance Awareness

417

Islamic Finance **Events**

141

Islamic Finance Conferences

in 44 Countries

276

Islamic Finance Seminars

in 38 Countries

13,257

Exclusive Islamic Finance **News** items Covering 78 Countries

Most Covered Topics*:

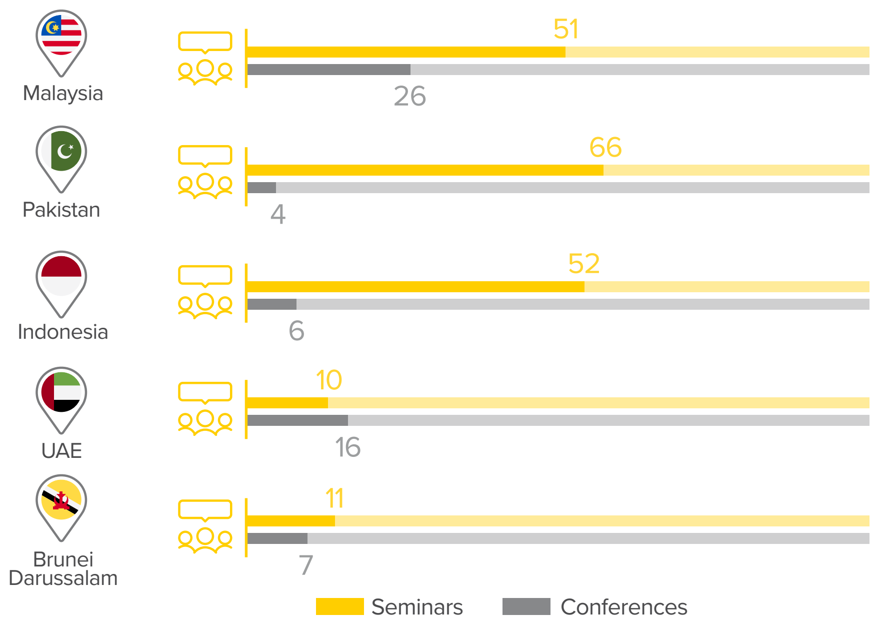
1- Dana Gas Sukuk Shariah Compliance

2- Saudi Arabia's International and Domestic Sovereign Sukuk Issuance

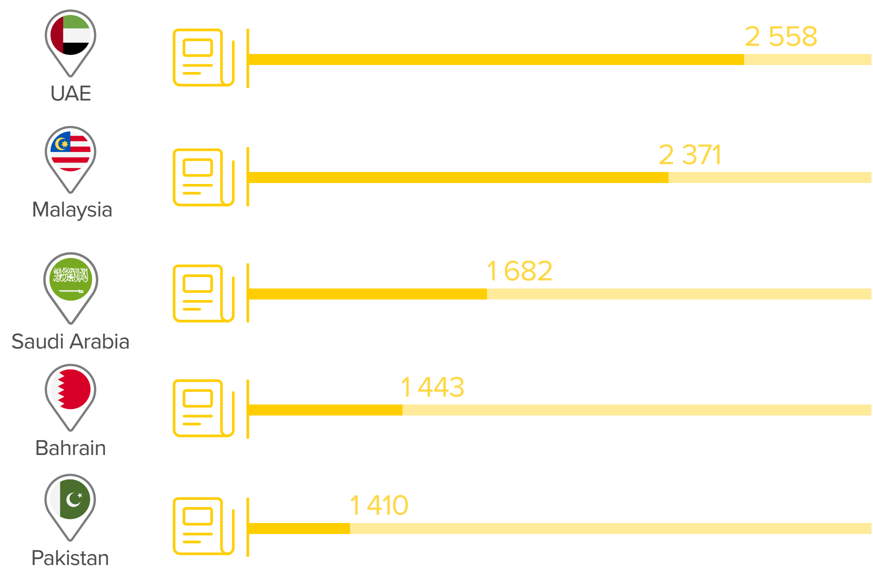
3- Nigeria's Federal Government Sukuk

*Based on number of news covered by different news providers

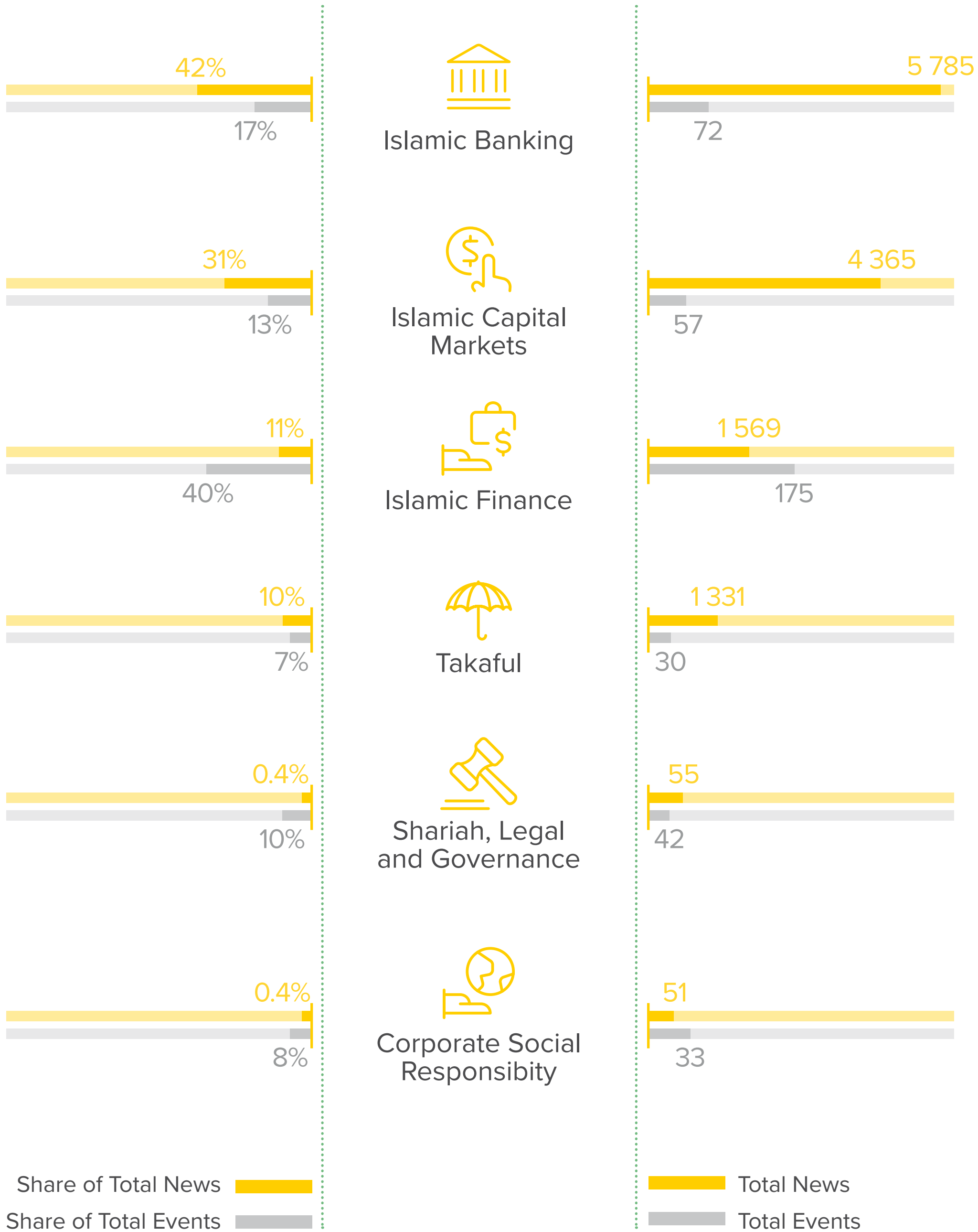
Top Countries in Islamic Finance Events 2017



Top Countries in Islamic Finance News 2017



Islamic Finance Awareness by Type 2017



Overview

Awareness is measured by assessing three components: conferences, seminars, and news volume. A rise in the number in any of these components will contribute to the growth of the Islamic finance industry in the relevant country and will improve the quality of products and services offered by its institutions.

Sukuk headlines dominated by controversies

While the total number of conferences on Islamic finance increased to 141 in 2017 from 120 in 2016, the number of seminars and the hype surrounding the industry declined, to 276 seminars from 294 a year before, and to 13,257 news items in 2017 from 18,018 in 2016.

Yet there were themes that dominated Islamic finance awareness during 2017. Sukuk was the subject of a big slice of Islamic finance news and not just in terms of issuance but also in terms of controversy. One such controversy followed the declaration by UAE gas company Dana Gas that its sukuk were no longer Shariah compliant and therefore invalid. The legal wrangles with creditors before the sukuk were eventually restructured caused concerns about the Islamic finance industry around the world. Coverage of the case during 2017 contributed to the UAE leading on Islamic finance news for the year.

There was also an increase in coverage in Nigeria, where issuance of a debut local sovereign sukuk to support infrastructure projects received much coverage both for and against depending on religious perspective. Other widely covered developments in Nigeria included setting up a liquidity support system for non-interest banks and granting operating licenses to interest-free microfinance banks.

Fintech revolution continues to take centre stage

Interest in fintech areas such as blockchain, cryptocurrencies, crowdfunding and rob-advice is growing fast, and with it interest in fintech's impact on Islamic financial services. As a result, countries including Bahrain and the UAE have launched initiatives in this area that have received a large volume of news coverage. This includes coverage of Shariah-compliant startups as part of the FinTech Hive at DIFC in Dubai, and the launch of ALGO Bahrain: the world's first fintech consortium aimed at launching Islamic finance solutions.

373 News Items on Islamic Fintech in 2017

Most Covered Topics

- Islamic Fintech
- Cryptocurrencies
- Blockchain
- Tech Disruption
- Digital Services
- Artificial Intelligence

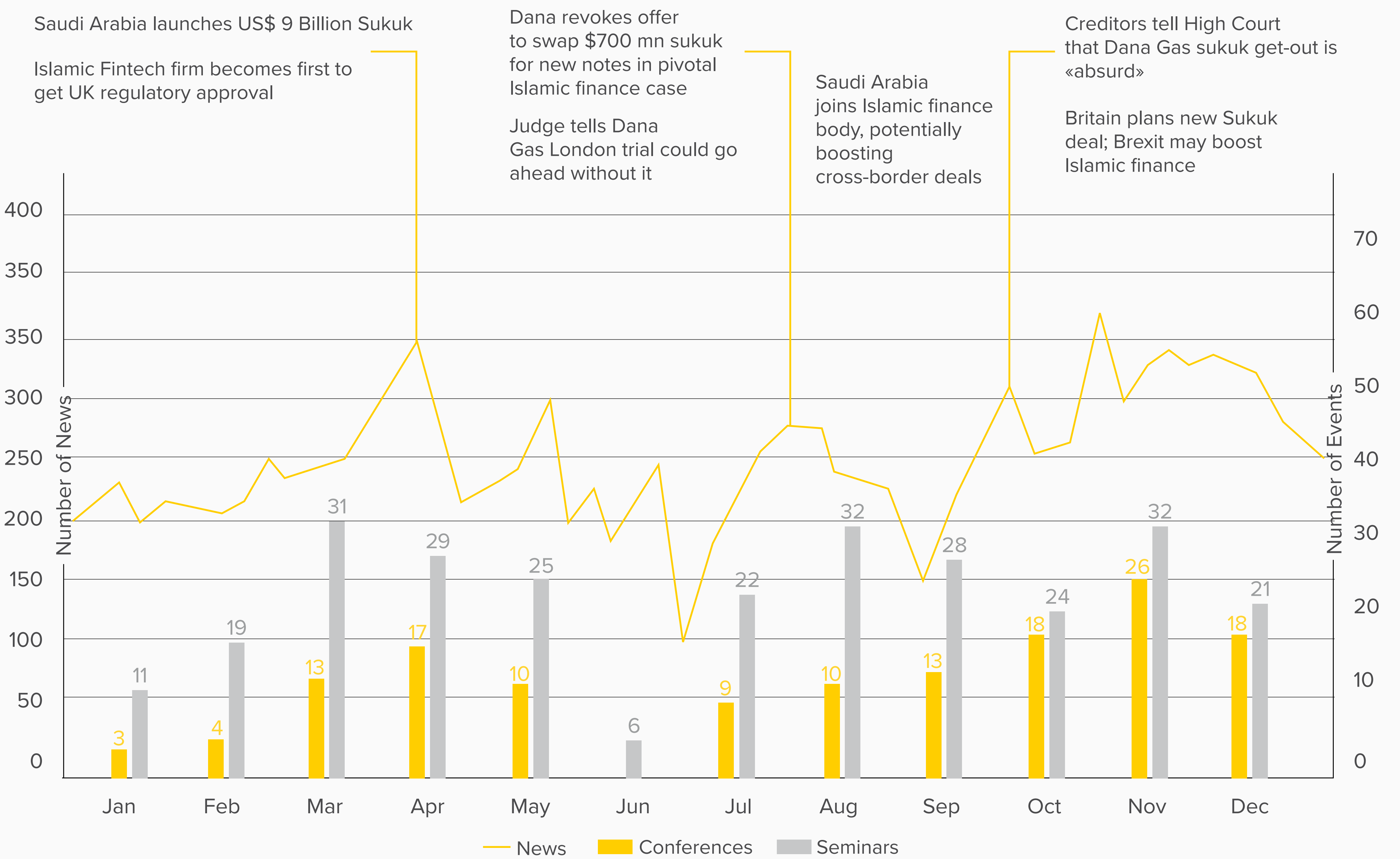
Outlook : New horizons and joiners will shape Islamic finance events and news

Discussions will continue on the development of Islamic finance in an age preoccupied with disruption and sustainability. Topics such as ethical finance and fintech will continue to be at the forefront in Islamic finance events and news. There are no signs of the spate of news items slowing this year, with continued heavy coverage of Islamic fintech areas such as sukuk and blockchain.

In ethical finance, some of the discussions have morphed into action. Developments so far this year such as the launch of the world's first ESG sukuk fund in August mark another stepping stone towards Malaysia's responsible finance ambitions, and there is now talk about launching an ESG fund with fintech features such as machine learning and big data. There is also greater awareness of the links between Islamic finance and responsible finance, as pointed out by the RFI Foundation, an industry body set up to promote responsible finance. The foundation noted that more than 90% of respondents to its survey on this subject believed responsible finance was inherently related to Islamic finance.

Apart from this, new joiners from sub-Saharan Africa and Central Asia continue to explore and accept the concept of Islamic finance through conferences and seminars, as both types of events are important means of spreading awareness on the industry.

Islamic Finance Awareness and Most Read News* 2017



*The News area chart shows the number of news covered by different providers, while the Most Talked About News ranking is based on the number of link clicks for Islamic Finance Gateway Newsletters. To subscribe http://bit.ly/IFG-Newsletter.

METHODOLOGY

Concept and Background

The Islamic finance industry operates within a wider financial environment that is always evolving. For the industry to prosper it therefore will need to constantly advance and innovate, not merely to maintain the strength of the core industry but to stay ahead of the curve. Islamic financial institutions, market players, regulators and other authorities have made determined efforts to seek one another out in order to improve industry cooperation and alignment. Thus, reliable information and data are essential to the success of these efforts.

The Islamic Finance Development Indicator is the definitive barometer of the state of the industry across its fundamentals. It introduces a new way of measuring development by combining data on different elements of the industry into a single, composite indicator. The index assesses the performance of each of the industry's key areas in line with its inherent faith-based objectives, with data for their national and industry-level components. The different components that make up the Indicator – Quantitative Development, Governance, Corporate Social Responsibility, Knowledge and Awareness – are of fundamental importance to the development of a global industry. Equal weights have been given to each of the indicators because of their equal impact on the development of the industry. The optimal level of development in any of the indicators or sub-indicators is pegged to a maximum value of 300.

The data employed in IFDI (when aggregating data and computing indicator values) are based only on publicly disclosed information. This ensures both reliability and consistency in the results. A total of 55 different metrics have been used in IFDI 2018. In addition, three rationalizing coefficients were used to adjust indicator values to each country's size: population, gross domestic product, and total banking assets.

Key Objectives

The indicator is a product of a number of key indicators and sub-indicators measuring particular aspects of the industry. Breaking down the data into these different areas reveals the disparities and movements that are less visible in the wider-ranging, aggregated numbers.

Global Indicator Level

- Present one single indicator to show the pulse of the global Islamic finance industry's overall health
- Provide an indicator that is reliable and unbiased
- Inform Islamic finance stakeholders and investors about the industry's performance
- Gauge future industry growth

Country Indicator Level

- Assess the current state and growth potential of Islamic finance within each country
- Highlight the performance of Islamic finance institutions in particular markets
- Track progress and provide comparisons across different countries and regions

Specific Indicator Level

- Measure growth within different key areas of the industry
- Enhance Islamic finance market transparency and efficiency
- Identify issues that are preventing growth within the industry
- Help market players formulate practical solutions to face current obstacles
- Assist in setting new targets, goals, standards for Islamic finance institutions and regulators

Country List

IFDI 2018 covers 131 countries and dependencies with a presence in Islamic finance either directly or in other metrics such as news, education or events on the industry. These countries are divided into eight broad regions.

GCC
(Gulf Cooperation Council)

Bahrain
Kuwait
Oman
Qatar
Saudi Arabia
United Arab Emirates

Other MENA
(Middle East and North Africa Excluding GCC)

Algeria
Egypt
Iran
Iraq
Jordan
Lebanon
Libya
Mauritania
Morocco
Palestine
Sudan
Syria
Tunisia
Yemen

Americas

Bahamas
Bolivia
Brazil
Canada
Cayman Islands
Chile
Guyana
Mexico
Suriname
Trinidad and Tobago
United States

Southeast Asia

Brunei Darussalam
Cambodia
Indonesia
Malaysia
Myanmar
Philippines
Singapore
Thailand

South Asia

Afghanistan
Bangladesh
India
Maldives
Nepal
Pakistan
Sri Lanka

Other Asia

Australia
Azerbaijan
China
Hong Kong
Japan
Kazakhstan
Kyrgyzstan
New Zealand
Russia
South Korea
Tajikistan
Turkmenistan
Uzbekistan
Vietnam

Europe

Albania
Austria
Belgium
Bosnia and Herzegovina
Bulgaria
Cyprus
Czech Republic
Denmark
Finland
France
Georgia
Germany
Greece
Guernsey
Hungary
Ireland
Italy
Jersey
Latvia
Liechtenstein
Luxembourg
Macedonia
Malta
Netherlands
Norway
Poland
Portugal
Romania
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

Sub-Saharan Africa

Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Chad
Comoros
Djibouti
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Ivory Coast
Kenya
Malawi
Mali
Mauritius
Mozambique
Niger
Nigeria
Rwanda
Senegal
Seychelles
Sierra Leone
Somalia
Somaliland
South Africa
Tanzania
Togo
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Zambia

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