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A Statistical Analysis of Islamic Finance and Global Islamic Fintech: Reality and Challenges in 2023-2024

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ABSTRACT

This research paper offers an examination of the Islamic economy specifically focusing on the advancements, in Islamic finance and financial technology (fintech) during the years 2023 2024. By analyzing reports and data the study evaluates the status of the Islamic economy across different sectors such as Islamic banking, sukuk, takaful and fintech. It discusses the growth trends and obstacles encountered by finance and fintech sectors along with changes in key Islamic finance markets. The research also delves into how Islamic finance's playing a vital role in promoting sustainability and supporting the United Nations Sustainable Development Goals (SDGs). Despite facing challenges like standardization issues and the necessity for legal frameworks this paper concludes that the Islamic finance sector is expanding faster than traditional financial systems offering promising prospects, for the future of the global Islamic economy.

Keywords: Islamic finance, fintech, global Islamic economy, sustainability, sukuk

GEL CLASSIFICATION: A19

1. Introduction

Islamic finance has become an industry on a scale reaching far beyond the confines of the Islamic community and its followers. Nowadays it is widely acknowledged as a concept that individuals are starting to appreciate for its strengths (DinarStandard, 2024). In light of escalating challenges, the Islamic economy bears two crucial roles; firstly, to infuse compassion into mainstream economics by rectifying damaging practices; and secondly to enhance the sustainability of Islamic finance by not just avoiding harm but actively promoting charitable endeavors. (Amrani & Najab, 2022).

The inception of finance originated with the intention of providing a halal framework, for Muslims seeking to steer of forbidden financial practices. However, Muslims are now realizing the characteristics and potential for excellence, within finance recognizing that there is still much progress to be made in unleashing its diverse possibilities and energies (Soemitra & Yafiz 2022). Given the backdrop of instability and emerging social and economic hurdles it has become crucial to refocus Islamic finance towards addressing modern day concerns. This can be accomplished by merging cutting edge technologies with the principles and ethical underpinnings of finance facilitating the development of groundbreaking financial products and services that present tangible solutions to these challenges. (Khan et al., 2021).

The dedication, to moral values positions finance as an sustainable approach to finance contributing to the creation of a fairer and more just global economy that benefits individuals and societies worldwide (Aysan et al. 2021). The importance of sustainable systems has become increasingly evident in light of the uncertainties and instabilities present in global financial systems today such as bank failures and market volatility (UAE Islamic Finance Report, 2024). This highlights the significance of finance which emphasizes principles, like social responsibility and distributive justice by incorporating them into financing practices and applications. (Abubakar et al., 2022).

This study aims to analyze and assess the condition of the economy, as a whole with a focus on finance and global Islamic financial technology in the years 2023 and 2024. It relies on data from sources to evaluate the progress of these sectors and address the obstacles that Islamic finance encounters globally within Islamic nations (Islamic Corporation for the Development of the Private Sector 2024). By exploring the status and future direction of the Islamic economy this research intends to contribute to discussions, on how Islamic finance can support sustainability, fairness and economic strength in our increasingly interconnected world.

2. The Global Islamic Economy Indicator (GIEI)

The Global Islamic Economy Indicator (GIEI) provides a comprehensive picture of which countries are currently in the best position to tackle trillions of dollars' worth of global halal economic opportunities. It aims to set benchmarks for the leading national environments with the best capabilities to support the development of Islamic economy business activity relative to the size of its population and GDP (Dinar Standard, 2024).

The Global Islamic Economy Index is a composite index that measures the overall development of countries' Islamic economy sectors by assessing their performance according to their broader social obligations. The index consists of 52 metrics linked to five components for each of the seven sectors of the Islamic economy (Islamic Finance, Halal Food, Family Tourism, Modest Fashion, Media and Entertainment, and Halal Pharmacy/Cosmetics) (Global Islamic Economy Indicator, 2024).

For the tenth year in a row, Malaysia has maintained first place, Indonesia has risen to third place, Bahrain has returned to the top five for the first time since 2019/20, South Africa has entered the top 15 list for

the first time, while Kazakhstan has dropped out of the top 15 list. The largest gains within the top 15 were made by Iran, Qatar, Pakistan and South Africa (state of Global Islamic Economy Report 20

23/202, p67).

Table1 : indicator scores breakdown for top 15 ranking countries

		GIEI	Islamic Finance	Halal Food	Muslim-Friendly Travel	Modest Fashion	Media and Recreation	Pharmaceuticals and Cosmetics
1	Malaysia	193.2	408.7	128.0	99.4	73.6	74.4	73.9
2	Saudi Arabia	93.6	194.9	48.5	99.7	34.3	37.5	34.3
3	Indonesia	80.1	93.2	94.4	60.7	66.3	52.4	58.6
4	United Arab Emirates	79.8	115.7	59.2	136.2	51.3	44.5	41.3
5	Bahrain	75.0	125.1	55.0	88.1	33.4	49.6	38.5
6	Iran	74.6	159.8	41.2	65.7	20.5	24.2	33.1
7	Türkiye	74.0	46.1	85.1	161.8	86.2	46.0	52.6
8	Singapore	62.7	52.2	67.7	50.3	64.3	72.6	79.9
9	Kuwait	60.2	123.6	42.2	28.7	20.0	26.8	29.2
10	Qatar	57.1	74.4	49.7	60.4	37.4	63.3	37.2
11	Jordan	52.2	65.6	49.4	88.3	22.1	26.3	39.9
12	Oman	50.0	78.7	48.3	48.0	20.1	24.4	26.3
13	Pakistan	47.5	69.6	51.4	38.4	27.5	17.2	28.6
14	South Africa	44.7	51.1	53.8	25.3	32.4	31.9	43.2
15	United Kingdom	44.7	46.0	43.7	28.1	47.7	54.4	48.2

Source: state of Global Islamic Economy Report 2023/2024, Dinars Standard, p67.

1.2. Top-performing countries in the GIEI

a) Malaysia

Since the inception of the Global Islamic Economy Index, Malaysia has ranked first. Malaysia ranked first in Islamic finance, halal food, and media and entertainment, with second in modest fashion.

The Malaysian Islamic finance sector has shown continued growth, with Islamic finance assets up 9% and the value of Islamic funds growing by 20%. Malaysia's Islamic economy has shown strength across halal products, Islamic lifestyle and Islamic finance sectors. The Islamic Development Department of Malaysia (JAKIM) has been pivotal in the development of the Malaysian halal industry and actively works with international halal bodies, such as Indonesia's Halal Products Guarantee Agency (BPJPH) and the Saudi Food and Drug Authority (SFDA), to promote global halal product assurance and ecosystem. The Halal Industry Master Plan 2030 (HIMP 2030) was launched by the Department of

International Trade (MITI) in collaboration with the Halal Development Authority (HDC) to drive the overall expansion of the halal industry in Malaysia, and promote inclusiveness and inclusive growth.

The Malaysian Government has issued Sukuk under the Malaysian Government Investment Issuance Scheme (MGII) in local currency to fund or refinance eligible social and environmental projects as defined under the Government of Malaysia's Sustainable Development Goals (SDG) Sukuk Framework. The Malaysian Securities Commission (SC) has issued uniform guidelines related to Islamic capital market products and services as these guidelines are expected to enhance the offerings of Islamic financial products, such as Islamic Sukuk, funds and investment services. 6 Venture Capital, Acquisition and Merger deals were registered in Malaysia related to Islamic Finance valued at USD 60.8 million and were mostly in FinTech. The Malaysian Media Economy Corporation (MDEC) has teamed up with travel tech startup Tourplus to certify stays as suitable for digital nomads. Duo pharma became the first company in Malaysia to receive halal certification for oncology products.

b) Kingdom of Saudi Arabia

Saudi Arabia retains second place in the overall GIEI ranking. It ranked second in Islamic finance and rose three places to reach fourth in family tourism.

Saudi Arabia's strength lies in the strategic and diversified investments made by the Public Investment Fund (PIF). With one of the main goals of Vision 2030 being to create a non-oil dependent economy, PIF has continued to make significant investments across sectors of the Islamic economy. In the decade Saudi Arabia plans to invest, over \$800 billion in developing its tourism sector.

PIF has recently invested \$1 billion, in Almosafer a travel app and \$900 million in Aman Resorts. The halal food industry is a focus for PIF with initiatives like the Halal Product Development Company (HPDC) aiming to boost demand for halal products within Saudi Arabia. Additionally PIF has established companies such, as Swani focusing on beauty breeding and the Urban Heritage Company (MHC) involved in producing and distributing Saudi Ajwa dates. Another notable venture is the Saudi Coffee Company, which aims to support coffee farming in the southern Jazan region. These diverse investments contribute to creating product offerings from Saudi Arabia for both consumption and international export.

Saudi Arabia continues to have a strong presence in the Islamic finance sector as well with the number of Islamic financial institutions increasing by 51%, with assets increasing by 19%. The TASI Islamic Stock Index was launched on the Saudi Stock Exchange, which includes only Shariah-compliant companies listed on the Riyadh Stock Exchange. The move is aimed at meeting the growing demand from investors seeking Islamic-compliant investment opportunities in the Saudi market. The issuance of a US \$2 billion sukuk from the Saudi Electricity Company (SEC) sparked great interest, attracting 7.7 times more demand than the expected volume, with a total of US \$15.4 billion worth of orders. This indicates strong interest from investors in Saudi sukuk and the attractiveness of the country's Islamic capital market. For travel, media, family tourism and modest fashion are key areas of focus for Saudi Arabia. The Saudi Fashion Authority organized an exhibition to showcase 100 Saudi brands in New York.

“Saudi Brands 100” is an initiative of the Saudi Fashion Authority, where selected designers and brands work with an international team of fashion consultants to develop their business.

c) Indonesia

Indonesia has progressed to third place in the overall ranking of the Global Islamic Economy Index (GIEI). It retained second place in the Halal Food Index and third place in the Modest Fashion Index. It rose to sixth place in the Media and Entertainment Index.

Indonesia's exports to OIC countries were estimated at \$13.38 billion in 2022. It is one of the OIC member countries in the top ten of the exporting countries to this organization, with Turkey occupying the other position. Indonesia received the largest number of investments related to the Islamic economy from 2022 to 2023. It received the second highest FDI inflow among OIC countries and ranks 19 globally in terms of FDI inflows.

Indonesia is actively seeking partnerships with several countries on a global level to provide halal guarantee services. Indonesia and the Islamic Republic of Iran have established cooperation in ensuring halal products by signing a memorandum of understanding. Five countries have already signed similar memorandums of understanding with Indonesia: Chile, Argentina, Hungary, Belarus, and Turkey. During its G20 Presidency, Indonesia established the Halal 20 Forum (H20), an important milestone in the development of the global halal ecosystem and industry, as well as global halal partnerships.

Islamic lifestyle industries have also undergone significant development in Indonesia. The Indonesian Ministry of Commerce has set its goal of becoming the global hub for modest fashion and has initiated partnerships with other ministries and the private sector to achieve this goal. Muslim Fashion Week in Jakarta has become its flagship event. Indonesia plans to introduce new legislation allowing media to compensate from digital platforms or aggregators who display their material, a move aimed at striking a profit-generating balance between tech companies and content providers.

The government has provided significant support to SMEs across sectors. It aims to support around 30 million SMEs to enter digital platforms by 2024 and encourage the development of the Islamic economy.

d) U.A.E

The UAE dropped to fourth place in GIEI's overall ranking. However, it performed well across all industry indices, ranking second in family travel and within the top 10 in Islamic finance, halal food and modest fashion. The country continues to lead among OIC member countries in the Innovation Index.

The UAE remains an attractive destination for investors. Achieving the highest foreign direct investment flows among OIC member countries, the UAE was the third largest recipient of green projects globally in 2022, and the city of Dubai was ranked first in the world as the best destination for green projects for the second year in a row.

The UAE's Islamic Treasury Sukuk issuances saw significant demand, with offerings valued at US \$22.6 billion, up 76 times the volume offered. Despite the decline in exports in most sectors of the Islamic

economy in 2022, many initiatives taken by the government and the private sector may help to overcome this.

The UAE ranked second in the number of Muslim tourists. UAE-based Azizi plans to launch 50 luxury hotels and resorts at an estimated cost of US \$16 billion, which will add 20,000 hotel keys in Dubai over the next five years. The UAE continues to lead among OIC member countries in the Innovation Index, launching Mubadala Abu Dhabi and G42M42, a “technologically enabled” healthcare company to advance medical research and capabilities in the UAE. The UAE has also launched a national drug tracking system called Tameen, which enables drugs to be tracked across the entire supply chain on a single digital platform.

e) Bahrain

Bahrain moved up one spot to fifth place in the overall GIE index. It continues to be among the global leaders in Islamic finance, ranking fourth in this index. The country has also made significant moves in other sectoral indicators, ranking in the top 10 for halal food, Muslim-friendly travel, and media and entertainment.

f) Iran

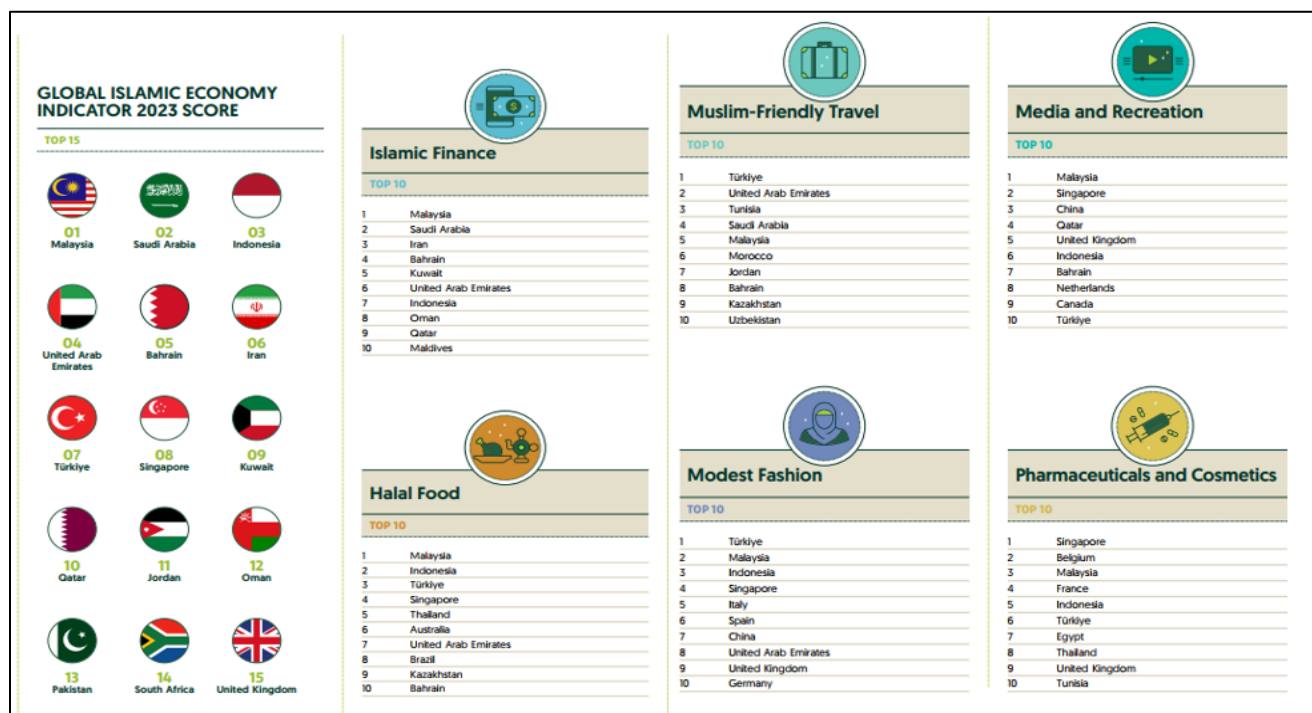
The assets of Islamic financial institutions in Iran have led by 47%, and the value of Islamic funds has increased by 121% during the recent period. In addition to the Islamic finance industry, Iran's tourism sector has seen significant growth since the pandemic, with tourist arrivals increasing by 40% in 2021 and an additional 39.2% in 2022. That's three times the average global growth in tourism, contributing 4.6% to Iran's overall economy. Iran plans to set up a state-owned medical tourism agency in Oman targeting patients from Oman, Qatar and Kuwait. With 220 hospitals holding medical tourism licenses, the country seeks to further strengthen the medical tourism sector. Iran continues to lead Muslim consumers in spending on fashion and clothing. An exhibition of Islamic clothing was held in Iran, in which designers from other Islamic countries participated. The Fajr International Fashion and Apparel Festival was also held in Iran and featured both local and international designers.

g) Qatar

It made history as the first Arab country to host the FIFA World Cup in 2022. The event was successfully organised on a global scale. The tournament helped raise awareness of Qatar as a tourist destination. Qatar has expanded the Haya visa processing platform it used during the FIFA World Cup, to be available for all tourist and business visas, facilitating the process for tourists to enter the country. Qatar's ranking across the sectors included in the GIE showed a marked improvement, mostly due to strong exports across all sectors of the Islamic economy, to the OIC countries. Qatar has attached great importance to innovation across all sectors, such as the modest fashion sector, where Noor Rashid Butt, a fashion design student at the College of Fine Arts in Qatar, created the nanobot, which uses nanotechnology to absorb vitamin D-rich light as well as thermal insulation properties that help regulate body heat. In the food sector, the Taliban created a 3D printer that could print vegetables en masse using artificially grown

vegetable cells and ultraviolet light. In fintech, Qatar's central bank launched its 2023 Fintech Strategy to catalyze fintech solutions and establish Qatar as a fintech hub in the region.

Figure .1: Rankings in the Global Islamic Economy: Leading Countries Across Key Sectors for 2023



La source :sgier - 2023/2024 , p-p :65-66

3. Evolution of Islamic Finance

In a period marked by global economic challenges, Islamic finance is experiencing growth attributed to the growing demand for Shariah-compliant products, strategic partnerships, and innovative initiatives. Over the past year, the sector has seen a new wave of investments, mergers and acquisitions, market expansion, and commitments in trade finance.

Global Islamic assets were valued at \$3.96 trillion for the period from 2021 to 2022. That's a 17% increase from the \$3.37 trillion estimate from 2020 to 2021. Islamic finance makes up 70% of this value. Global Islamic assets are expected to reach \$5.94 trillion by 2025-2026, with CAGR of 9%.

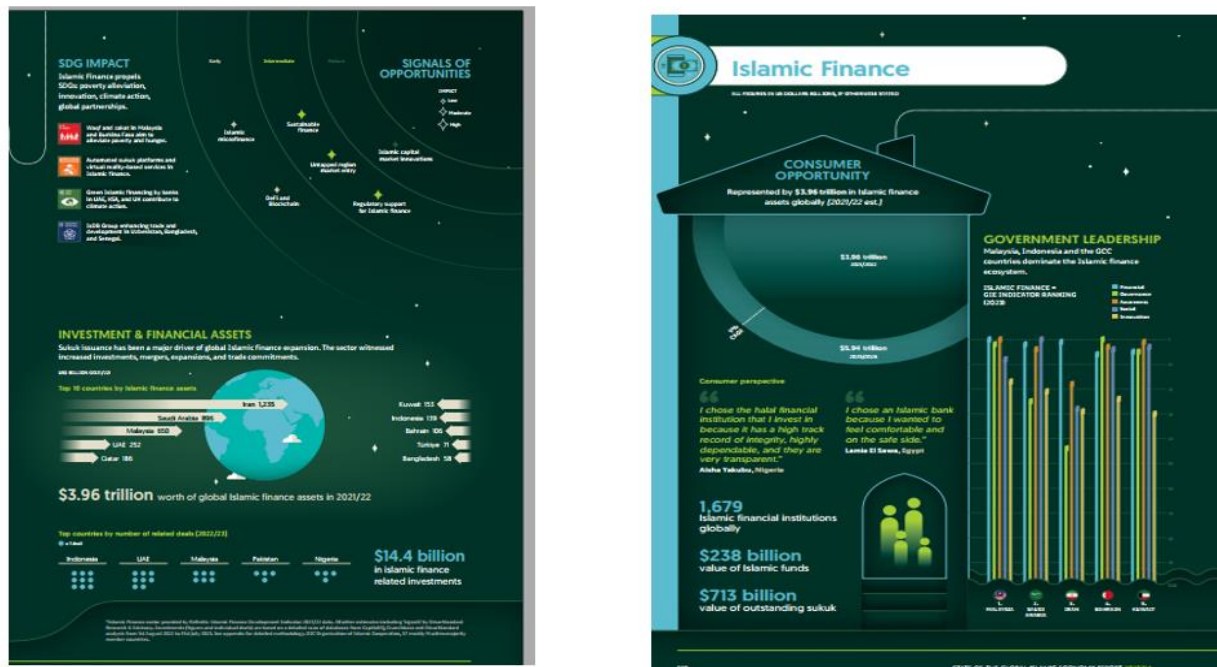
Sixty-seven transactions related to Islamic finance were recorded in 2022 and 2023, of which 47 transactions were disclosed and valued at \$14.4 billion. This represents a 559% increase over Islamic finance-related deals recorded at \$2.19 billion in 2021 and 2022.

Tables.2: Overview of Significant Financial Transactions in the Islamic Economy by Country and Sector,2023

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
Bahrain	Mergers and Acquisitions	Banking	Ahli United Bank	10,900,000
Bahrain	Mergers and Acquisitions	Banking	Ithmaar Bank	2,200,000
Indonesia	Venture Capital	Banking, Financial Services, FinTech, Insurance, Wealth Management	Akulaku	200,000
Switzerland	Private Equity	Cryptocurrency, Finance, Virtual Currency	Islamic Coin	200,000
Saudi Arabia	Venture Capital	E-commerce, FinTech, Payments, Retail, Shopping	Tamara	100,000

Source : make it by Author based on sgier- 2023/2024 , p 123.

Figure .2: Exploring the Dynamics of Islamic Finance: Global Trends, Investments, and Impact



La source :sgier - 2023/2024 ,p121

The Islamic Corporation for the Development of the Private Sector (ICD), the private sector window of the Islamic Development Bank Group (IsDB), and the London Stock Exchange Group (LSE), the world's leading provider of financial markets and infrastructure data. This year's edition of the Islamic Finance Development Report titled “Moving Beyond Uncertainty” took place during the 18th Annual Conference of the Islamic Development Bank and the Accounting and Auditing Organization for Islamic Financial 2018

Institutions on Islamic Banking and Finance, supported by the Central Bank of Bahrain (. Islamic Finance Development Report entitled “Moving Beyond Uncertainty” (Icd-ps.org)

According to the Islamic Finance Development Report 2023, the global Islamic finance industry increased its asset size by 11% to USD 4.5 trillion in 2022, with Islamic banking accounting for 72% of the industry's total assets. The industry has also grown by 163% since 2012 and is expected to grow to USD 6.7 trillion by 2027.

4. Key regional developments from countries with Islamic finance

Many nations are working on incorporating principles into their financial frameworks. This involves moving from interest-based systems setting up hubs that focus on Islamic finance providing liquidity options to Islamic banks and introducing Islamic banking institutions.

There are reasons, for this perspective such as the growth of finance sectors within countries, like the GCC, Malaysia and Indonesia. Additionally Pakistans efforts to align its system without relying on interest play a role in this expansion.

The study revolves around the Islamic Finance Development Index, an index that gauges the progress of the finance sector through a blend of factors. Information is meticulously gathered from 136 nations. Evaluated based on 10 measures such, as expertise, management, sustainability and recognition. Malaysia claimed the spot, on this years Islamic Finance Development Index with a rating of 103 followed by Saudi Arabia (70) Indonesia (58) Bahrain (54) Kuwait (54) and the United Arab Emirates (53). (Source; Icd ps.org)).

5. Organizational and institutional developments

Islamic finance has undergone advancements, such, as the introduction of rules for investment schemes and microfinance that comply with Shariah principles along with stricter regulations, for the insurance industry.

West Africa is making progress in Islamic finance, with the Central African Markets Regional Authority issuing guidance for Sharia-compliant combined investment schemes. This initiative paves the way for Sharia-compliant investment schemes in the region.

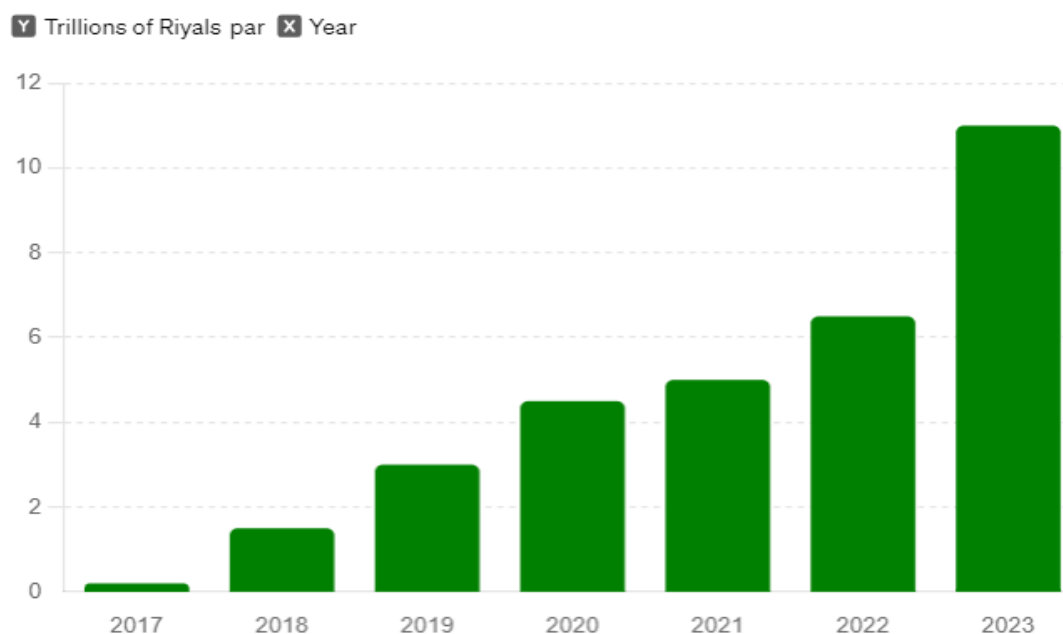
Malaysia continues to provide leadership in the development of legislation related to Islamic finance. The Central Bank of Malaysia has provided guidance on argument and necessity, while the Malaysian Securities Commission has incorporated guidance for Islamic capital market products. In addition, the Central Bank of Malaysia has unveiled a technology risk management policy. In 2023, the Malaysian capital market grew by 4.5 trillion Malaysian ringgit to 2.4 trillion, while existing sukuk rose by 7.4 trillion and sharia-compliant stocks by 1.5trillion. (IsDB Annual Meeting 2024 Riyadh) IsDB-am.org

In Indonesia, the Shariah-compliant microfinance framework is streamlined, with the Financial Services Authority's introduction of Shariah-compliant microfinance. Pakistan's Securities and Exchange

Commission is also working on comprehensive legislation for 2023 to improve the Islamic financial landscape.

Saudi Arabia is strengthening its insurance sector regulations with plans to form a new insurance regulatory authority and collaborative efforts between the Saudi Monetary Authority and the UAE Central Bank for mutual supervision of the insurance sector. The volume of Islamic finance in the Kingdom has evolved from 1.109 trillion riyals in 2017 to 2.181 trillion riyals in 2023. (Mr. Jamal, The Evolution of the Volume of Islamic Finance in the Kingdom, Central Bank of Saudi Arabia "SAMA", 16/04/2024, (www.sama.gov.sa))

Figure .4: Growth Of Islamic Finance In The Kingdom Over 2017-2023



Source: make it by Author based on www.sama.gov.sa

According to the UAE Islamic Finance Report, Islamic finance has developed in the UAE since the establishment of the first Islamic bank in 1975 through several sectors including Islamic banking, takaful insurance, and sukuk. Islamic finance has become an essential part of the financial sector in the country thanks to a strong regulatory environment that balances regulatory and legal requirements with the provisions of Islamic Sharia (<https://fintechgate.net/> 19/02/2024).

In Pakistan, following a decision by the Federal Sharia Court on Riba, there is a notable move towards developing Islamic banks to their full potential. Faisal Bank has transformed into a fully-fledged Islamic bank, capitalizing on its position as the second largest Islamic window in the country. ZTBL has set its course to become a full-fledged Islamic bank, with a focus on serving farmers and rural communities.

The Security Investment Bank announced its intention to convert to Sharia compliant, while Summit Bank renamed it Makramah Bank Limited, marking its full transition to an Islamic entity.

6. Developments of Sukuk

Credit rating agency experts expect the market size to exceed \$1 trillion over the medium term. The data shows that sukuk issuances, a major financing instrument in the key markets of the Arab Gulf states, Malaysia, Indonesia, Turkey and Pakistan, were valued at about \$850 billion last year.

The issuance of US dollar sukuk rose by 178% year-on-year in the Gulf countries over the past year, at a time when the growth of these issues globally did not exceed 10.3%, according to Fitch Securities Rating Agency (www.fitchratings.com)

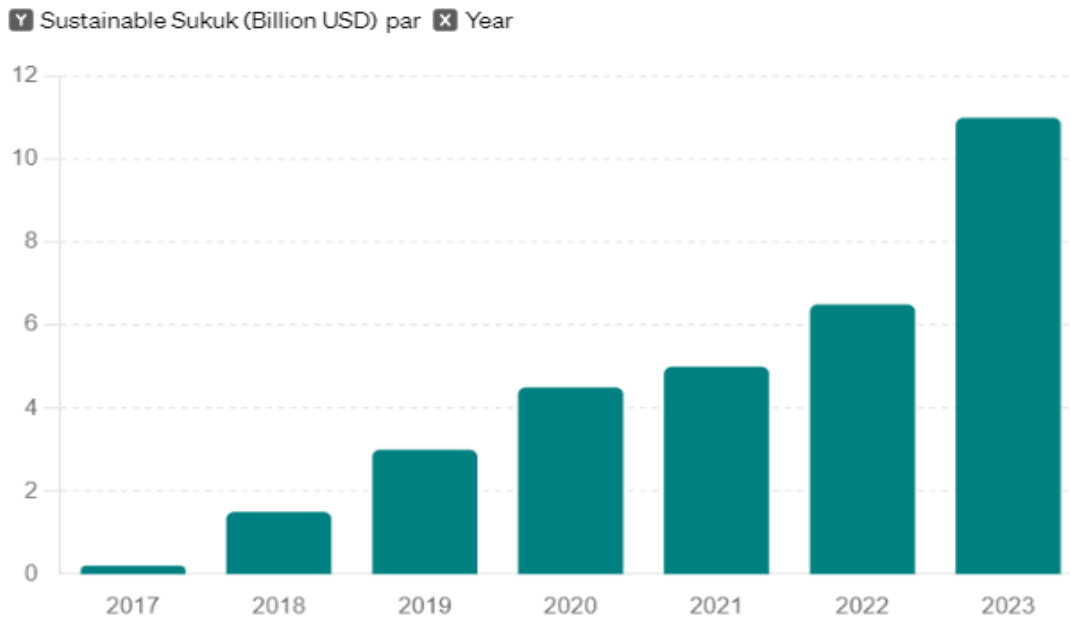
In the core markets of Islamic bonds, the share of issuing sukuk in the debt capital market in all currencies reached 29% during 2023, compared to 23% a year ago.

Financial market experts and economic analysts agree that sovereign sukuk have become the best financing option that governments in the Arab region are supposed to follow intensively under difficult economic conditions due to slowing global growth.

Global sukuk issuances fell by 6.1 billion U.S. dollars to 168.4 billion U.S. dollars in 2023 compared to 179.4 billion U.S. dollars in 2022. Issuances are expected to reach US \$160-170 billion in 2024. This is due to the high financing needs in some key Islamic finance countries. (sukuk outlook 2024 : Cautiously Optimistic : www.spglobal.com/ratingdirect)

Islamic finance integrates with global sustainability initiatives, and this is clearly evident in the increase in green and sustainable sukuk issuances for environmental projects in 2023 compared to 2022, as the issuance is expected to increase as the core countries of Islamic finance seek to reduce their carbon footprint. Through the United Nations Framework Convention on Climate Change (COP28), which highlighted the opportunities for Islamic finance in general and instruments in particular to address climate change.

Figure .5: Growth of Sustainable Sukuk Issuance Over the Last 7 Years

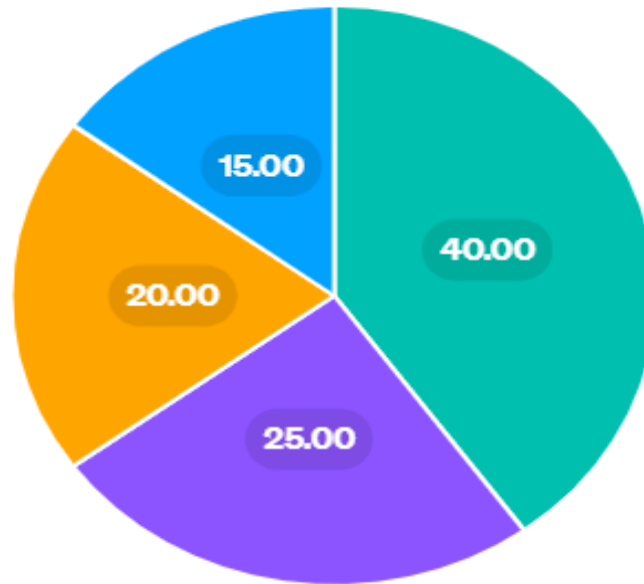


source: make it by Author based on sukuk outlook2024: Cautiously Optimistic:
www.spglobal.com/ratingdirect

Exporters from the UAE accounted for 40.0% of total sukuk issuance in 2023, and sustainable sukuk issuance has been enhanced through regulatory incentives, with the Securities and Commodities Authority exempting registration fees for green bonds and sukuk in 2023.

Figure .6: Exporters in the United Arab Emirates Leading the Group

■ United Arab Emirates, ■ Malaysia, ■ Saudi Arabia, et ■ Indonesia



Source: make it by Author based on sukuk outlook2024: Cautiously Optimistic:
www.spglobal.com/ratingdirect

It is clear that there is significant progress in green and sustainable sukuk around the world. Indonesia has issued the world's largest green sukuk issuance worth US \$1.5 billion for renewable energy projects. DIB entered sustainable finance with sukuk issuances totalling USD 1.75 billion, while Malaysia introduced MGII sustainable sukuk issuances for green and social projects. Infracorp in Bahrain listed a USD 900 million green sukuk on the London Stock Exchange, and Al Rajhi Bank entered the global market with a USD 1 billion sustainable sukuk.

There is an expansion of sustainable financial frameworks and products. Malaysia's RHB aims to achieve RM15 billion by 2024 through a green finance system for SMEs. Qatar has introduced its own Shariah-compliant green deposit, and Maybank and HSBC Amanah Malaysia have increased their overall sustainable product frameworks. Bursa Malaysia collaborated with FTSE Russell to create ESG indices and made list adjustments to support Islamic REITs and ETFs with endowment features.

7. Takaful Developments

The Takaful market has seen strategic alliances to enhance market presence, while specialized Takaful offerings are emerging to serve niche sectors such as agriculture. •

In the area of mergers that enhance market presence, Saudi Arabia has seen the insurance company Walaa merge with sabb Takaful, resulting in the formation of a strong insurance entity. This merger places the community entity at the forefront of the market and expands its outreach to customers.

Specialized takaful offerings emerge, specifically in the agriculture sector. The Agricultural Bank of Malaysia is preparing to launch an agricultural takaful program. This initiative symbolizes the increasing integration of Islamic insurance solutions tailored to specific needs and highlights Takaful's adaptability and diversity. In terms of collaborating to offer customized Takaful solutions to the markets, Daraz Pakistan and Salah Takaful have joined forces to offer Shariah compliant insurance solutions designed for delivery passengers. This collaboration reflects the continuous evolution and highlights how Takaful is innovatively applied to new and emerging market categories.

8. Developments in Islamic Finance outside the OIC

Countries outside the traditional centers of Islamic finance in the Organization of Islamic Cooperation (OIC) are exploring its possibilities and benefits to serve their Muslim populations and diversify their financial markets as follows:

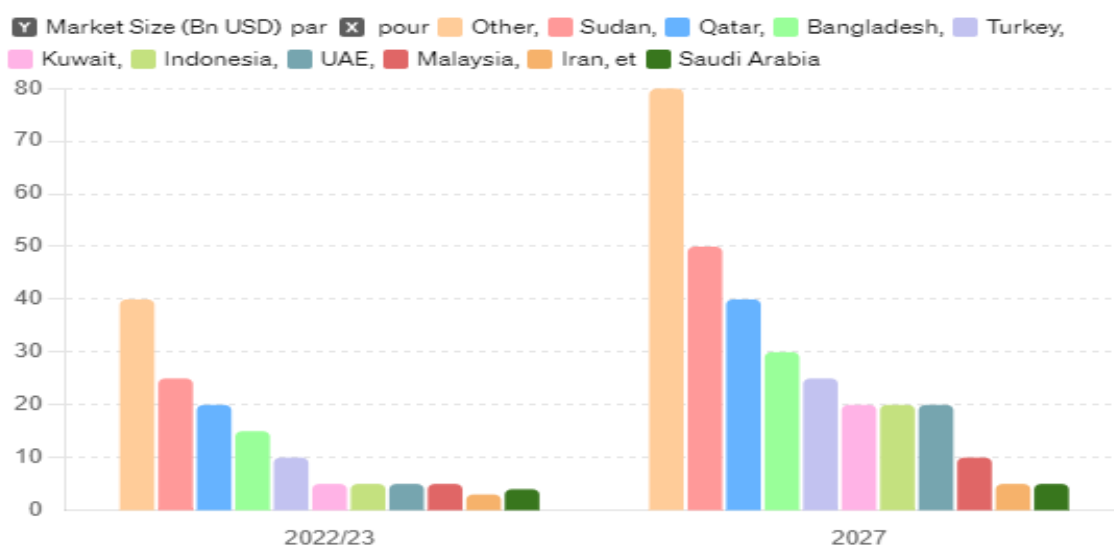
- **Australia:** Islamic Bank of Australia has emerged as the first licensed Islamic bank in the country, with the intention of offering a wide range of Shariah-compliant services and, in addition, boosting the investment of the Hagaz Group in ASAS Islamic Finance in Australia.
- **Russia:** The country plans to introduce Islamic banks in Muslim-majority areas such as Tatarstan, Bashkortostan, Chechnya and Dagestan. This initiative aims to exploit the economic potential of Russia's large Muslim population.
- **Canada:** Alberta has opened up its regulatory playground for halal finance, to foster innovation in Islamic finance. The launch of the halal digital investment platform, Manzil Invest, particularly serves the Muslim community in Canada.
- **Mexico:** The country is exploring the possibility of issuing sukuk, signaling its entry into the world of Islamic finance.
- **UK:** The establishment of an Islamic Finance Working Group aims to promote the growth of the sector in the UK. Jethouse Bank leads in introducing and promoting Shari 'a-compliant green home products, integrating sustainable living practices within Islamic finance offerings.
- **Philippines:** The Department of Justice has confirmed the authority of the Department of Finance to participate in Islamic finance through Sukuk instruments, which is an essential step towards Shari 'a-compliant investments in the Philippines.

9. Global Islamic Financial Technology

The global market for Islamic fintech transaction volume was estimated at \$138 billion in 2022/23 and is projected to reach \$306 billion by 2027 at a CAGR of 17.3% compared to the general global fintech industry, which is expected to develop at a CAGR of 12.3% over the same time period. The largest countries in terms of estimated transaction volume are Saudi Arabia, Iran, Malaysia, the United Arab Emirates, Indonesia, and Kuwait. This is according to Global Islamic Fintech Report 2023/24 gift , Global Islamic Fintech Report, is a collaborative effort between DinarStandard, a

leader in Islamic economy management consulting, and Elipses, a leader in ethical digital finance consulting and investment. The results are a reference for government policymakers, Islamic financial technology companies, and investors in this field, as it includes the estimated market size of the volume of transactions, the index of comparison between countries at the country level, industry opinions, and gap and potential analysis in major subcategories and geographical regions, and for the first time a deep look at 100 globally remarkable Islamic financial technology companies using the Impactintell platform of DinarStandard.

Figure .7: Growth of Islamic Fintech Sector in OIC Countries



Source: Make it by Author based on Global Islamic Fintech Report 2023/2024, DinarStandard and Elipses, www.dinarstandard.com, p6:la source

Islamic FinTech Database Out of 417 Islamic FinTech companies globally, the top 10 countries produce 81% of Islamic FinTech companies, with 69% of Islamic FinTech companies in the top 5 sub-sectors.

Table.3: Islamic Fintech Database Volume by Country

Country	Volume
Indonesia	65
Malaysia	57
UAE	47
Saudi Arabia	43
UK	43
Qatar	24

USA	20
Pakistan	15
Egypt	11
India	11

Table.4: Islamic Fintech Database Volume by Sector

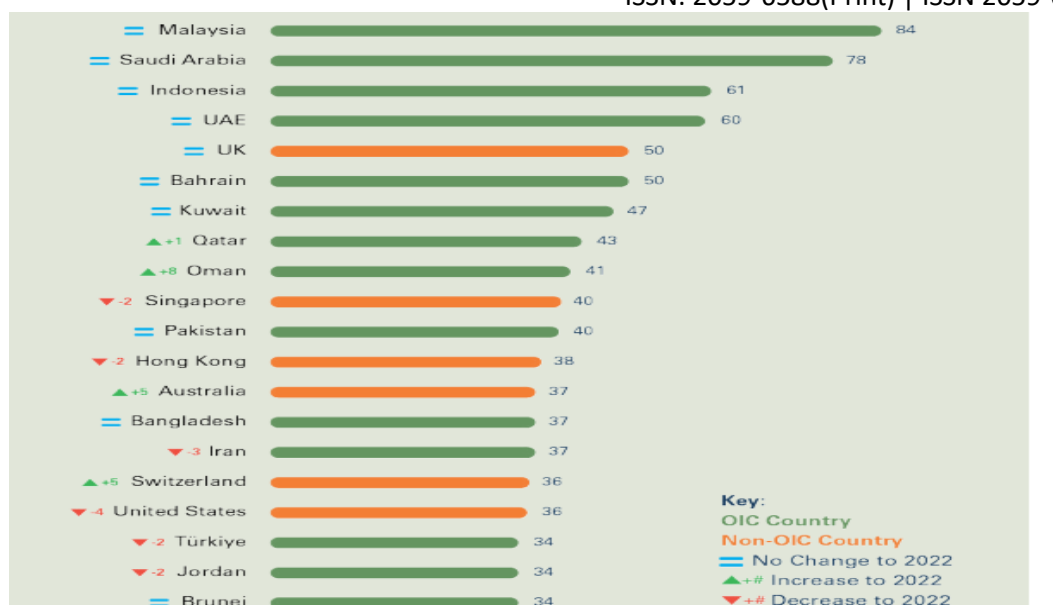
Sector	Volume
Finance	224
Save & Invest	103
Give & Protect	31
Others	59

Table.5 : Islamic Fintech Database Top 5 Sub-Sectors

Sub-Sector	Volume
Alternative Finance	64
Payments	63
Raising Funds	62
Wealth Management	57
Deposits & Lending	49

At the same time, the gift Index 2023/24 lists Malaysia, Saudi Arabia, Indonesia, the United Arab Emirates and the United Kingdom as the top five encouraging environments for Islamic financial technology in the world. The index used a total of 19 indicators across five different categories for each country, namely talent, regulation, infrastructure, Islamic financial technology market and environment, and capital , as well as the five strongest environments, the center's analysis indicates that Bahrain, Pakistan, Qatar, and Turkey are rapidly developing environments.

Figure .8: Top 20 countries by GIFT index scores



Source: Global Islamic Fintech Report 2023/2024, DinarStandard and Elipses, p12:la
source www.dinarstandard.com,

The report also identifies obstacles and opportunities in the sector, through a survey of Islamic financial technology practitioners and industry service providers. The main obstacles identified include; access to capital, consumer education, organization, finding the best talent and the complexity of geographical expansion. We have seen the spread of Islamic financial technology despite these obstacles, as the database includes 417 companies globally, and the most mature companies in the industry have made important steps to expand. For example, Wahed expanded to five jurisdictions and acquired Niyah in recent years to add banking functionality to its robo-advisor services, as well as launching Wahed Ventures to allow its users access to early-stage investment opportunities, often in support of fundraising for other Islamic financial technology. Alami Shariah, a peer-to-peer lending company in Indonesia has recently introduced Hijra Bank. Additionally, Abhi in Pakistan has expanded its services by offering wage access options along with billing and payroll financing. Moreover, they have decided to move their headquarters to the UAE to facilitate their growth plans.

In the year the Islamic fintech industry saw expansion propelled by a tech-savvy young Muslim demographic seeking Sharia-compliant financial options. This sector has demonstrated adaptability and creativity as both startups and established firms introduce a variety of services, like banking, peer-to-peer lending, insurance tech, and wealth management. Nations, like Indonesia, Malaysia, and Saudi Arabia, have stood out as hubs by leveraging regulations and robust Islamic financial landscapes.

The progress in technology has played a role in shaping financial technology. DeFI tools that utilize smart contracts are now becoming key players in promoting transparency and adherence to Islamic finance principles. Additionally, artificial intelligence and machine learning are being integrated to customize services and improve risk evaluation. It's worth noting the rise of platforms providing microfinance and zakat management, showcasing a blend of finance and social impact.

The advancement of regulations has been a bag. While countries, like Saudi Arabia and Malaysia have made strides in fostering financial technology through regulatory pilot zones and digital banking licenses the absence of consistent Sharia compliance standards on a global scale poses ongoing difficulties. Nevertheless, scholars and industry experts are increasingly aligning on the importance of reaching a consensus signaling a development, in this area.

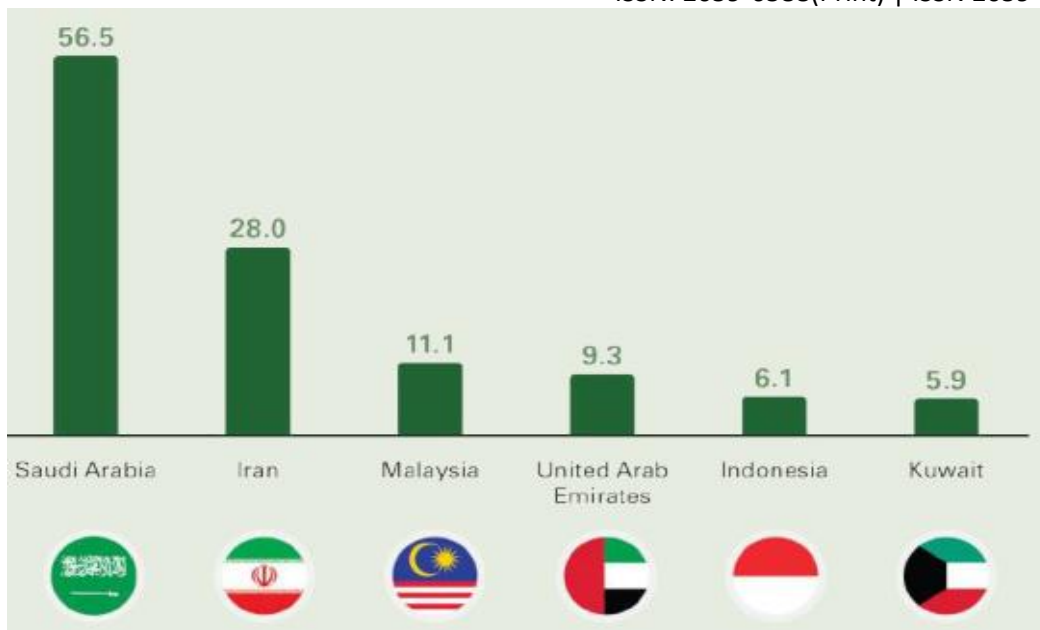
Despite the opportunities, the sector is not without challenges. Issues such as customer trust, digital skills and information security still prevail. Moreover, the uniqueness of Islamic finance, which prohibits interest and lightning investment activities, requires the creation of risk-sharing models for start-ups. This is especially important in light of the current fiscal winter. Fintech companies and regulators alike are grappling with these issues, trying to reconcile innovation with adherence to Islamic principles. According to our gift survey, after capital, the most important obstacles to the growth of Islamic financial technology are consumer education and regulation respectively.

Knowledge entities affiliated with DFIs such as the Islamic Development Bank can help educate consumers through awareness programs, and connect leading regulators to emerging new ones through reverse engagement projects.

Looking ahead, the Islamic financial technology sector is poised for further growth. The growing interest in ethical and socially responsible investing aligns well with the principles of Islamic finance. Moreover, as the global economy faces a process of post-pandemic recovery and geopolitical conflicts, there is ample opportunity for Islamic financial technology to contribute to economic resilience and embedded growth. Partnerships between traditional financial institutions and fintech startups, cross-border collaboration, and investment in financial education are key areas that can drive the sector forward.

The 6 most important markets for Islamic financial technology in the OIC member countries in terms of volume of operations and assets under management are Saudi Arabia, Iran, Malaysia, the United Arab Emirates, Indonesia and Kuwait. Each had an estimated market size in 2022/23 of over USD 5 billion. The six most important markets account for 85% of the global Islamic FinTech market volume, continuing to dominate two regionals Islamic FinTech hubs, HYDOL Gulf and Middle East and Southeast Asia.

Figure .9: Top 6 countries fintech market size 2023/23 (USD Bn)



Source: Global Islamic Fintech Report2023/2024,DinarStandard and Elipses, www.dinarstandard.com,p9

9.1. fundraising for fintech

Notable achievements include Moove, a Nigerian transport and mobility company, achieving US \$30 million for expansion in the UAE, and Tamara in Saudi raising US \$100 million in a Series B investment round, reflecting the strength of Saudi Arabia's fintech sector. Indonesia's sharia-compliant fintech firm Hijra (formerly known as Alami) closed its Series B pre-IPO round led by East Ventures, totaling \$67.6 million in pooled funds and distributing more than \$300 million to small and medium-sized businesses. In addition, the Shariah-compliant fintech platform One successfully raised USD 50 million in the Series B funding round making its valuation USD 300 million.

In the field of technology investments and projects, Iraq launched the first technology fund through Islamic banks to support local technology startups. Ethis Group has unveiled a super Ethis Group focused on pooling resources from investors for early-stage startups. Franklin Templeton introduced a Shariah-compliant technology fund, to capitalize on the growing interest in technology within the field of Islamic finance.

In the aviation and leasing sector, Saudi-based AviLease has secured US \$1.1 billion in Sharia-compliant funding to expand its fleet of aircraft. The move underscores the growing role of Islamic finance in the aviation industry.

In terms of crypto strategies and developments, the Central Bank of the UAE has unveiled its crypto strategy, emphasizing the role of fintech in Islamic finance. Turkey presented its FinTech Guide to encourage innovation in the financial services sector, while QCB's 2023 FinTech Strategy aims to make

Qatar a regional FinTech hub. The IMF is studying the digital currency designs of Islamic banks, highlighting the need to adhere to Islamic finance principles in new fintech offerings.

10. Conclusion

The Islamic finance sector has played an increasingly key role in sustainability globally due to the high compatibility and complementarity between the requirements of Islamic Shariah and the aspirations of the SDGs.

However, the proportion of total financial assets of Islamic finance in the world is still weak compared to the global economy, but he stressed that Islamic finance is growing at rates that exceed the normal economic system.

There are also many obstacles facing Islamic finance, including legal legislation that is compatible with the peculiarities of the Islamic economy, and the lack of opportunity for the Islamic economy to be at least equal to the positive economy, in addition to the fact that the regulatory challenges before it are huge in the absence of systems, infrastructure and media welcome.

Even today, Islamic finance institutions suffer from the fact that the regulations do not accept Islamic finance contracts, so contracts such as Murabaha and Musharaka contracts are adapted to completely different adaptations. This leads to huge problems for the daily transactions of Islamic banks, in addition to the fact that there are Islamic finance contracts available and applied in a number of countries, and they are not applied in other countries because legal systems do not recognize these contracts.

Despite the increasing numbers of Islamic finance, it is still weak compared to the global economy, but the annual growth rates of Islamic finance are estimated at 16%, which is faster than the growth rates of the positive economic system.

Therefore, the biggest challenges facing the Islamic economy are represented in two aspects, the first is to work on creating and developing the contemporary Islamic economy system based on the well-established roots to suit our contemporary life and not vice versa, in order to overcome the stage of avoiding harm and reaching the stage of charity, and the second is to try to mitigate the harm of the positive economic system that currently dominates the world.

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