



**MESSAGES**

# MESSAGE FROM THE FOUNDER OF GLOBAL ISLAMIC FINANCE REPORT



**PROF. DR. HUMAYON DAR**  
Chairman of Cambridge Institute  
of Islamic Finance

When the Global Islamic Finance Report (GIFR) was first published in 2010, it was the first report in the world to have documented the size and growth of the global Islamic financial services industry. The GIFR 2010 edition reported that the Islamic financial assets had exceeded US\$1 trillion by the end of 2009. Since then, the industry has grown from strength to strength from the sophistication of its products and services to its geographical dispersion spanning across 75 countries.

As the founder of GIFR, I am proud to see how the report has built up its reputation over the years as the most authentic source of market intelligence for the global Islamic financial industry. Today, GIFR is used as the main source of reference by governments, regulators, financial institutions, corporates, research think tanks and universities world over. Without a doubt, GIFR is now the most respected brand in Islamic financial intelligence.

It gives a lot of pride to present the 10th edition of GIFR 2019, making it the oldest yearbook in Islamic banking and finance. The focus of this year's report is on "Artificial Intelligence and Innovation in Islamic Finance". This theme was chosen to highlight the transformative potential of Artificial Intelligence (AI) in Islamic finance and how the industry can harness innovation to drive sustainable development. The GIFR 2019 focuses on the opportunities, innovations and challenges, and possible policy measures to promote the adoption of AI.

As this has always been an industry leading initiative, GIFR 2019 is supported by Bank Syariah Mandiri and DDCAP Group; while Minhaj University Lahore serves as the Knowledge Partner. The Islamic Corporation for Development of the Private Sector (ICD), a member of the Islamic Development Bank Group, remains our long standing supporter as they continue to be our Multilateral Strategic Partner. I would like to express my deepest thanks to these institutions for their support in bringing out this report.

A notable difference in this year's GIFR is that the 2019 edition is published by Cambridge Institute of Islamic Finance (Cambridge-IIF), a new initiative that I have founded and where I serve as the Director General. The Cambridge-IIF is an independent research centre, specialising in the financial sectors of countries wherein Islamic banking and finance is a significant activity. Cambridge-IIF aims at conducting policy-oriented research to further spur growth in Islamic banking and finance, with a special focus on the Sustainable Development Goals (SDGs). As with previous year, GIFR is produced by Cambridge IFA, a global think tank for the banking and finance industry while the London-based Islamic Bankers Association (IBA) is the main commissioner of the report.



**DR. HUSSAIN MOHI-UD-DIN QADRI**

Deputy Chairman Board of Governors,  
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## **MESSAGE FROM THE DEPUTY CHAIRMAN BOARD OF GOVERNORS, MINHAJ UNIVERSITY LAHORE, PAKISTAN**

Shaykh-ul-Islam Prof. Dr Muhammad Tahir-ul-Qadri, Patron-in-Chief of Minhaj-ul-Quran International (MQI), founded Minhaj University Lahore, Pakistan in 1986. The Government of the Punjab chartered Minhaj University in 2005 and the University was bestowed the rank of 'highest category' by the Higher Education Commission (HEC) of Pakistan. The university has a purpose-built campus with complete administrative, extra-curricular and educational facilities. Various programmes at BS/Masters/M. Sc./M.Phil. and PhD levels are offered in various faculties with over one hundred undergraduate and post-graduate programmes being offered. The university has eleven faculties and thirty-six departments, namely: Engineering, Allied Health Sciences, Basic Sciences, Economics & Management Sciences, Social Sciences, Humanities, Computer Science & Information Technology, Law and Legal Studies, Languages and Sharia and Islamic Sciences.

The university has established the School of Islamic Economics, Banking & Finance (SIEBF) and the International Centre for Research in Islamic Economics (ICRIE). Both the School and Research Centre provide students and industry personnel with theoretical and applied trainings in the areas of Islamic economics, banking, and finance together with sufficient exposure to the industry to develop students' creative skills. This will enable them to devise new and comprehensive Islamic financial instruments and products for the public at large. SIEBF aspires to become an international centre of excellence for education, innovative research, training, mentoring, consultation and capacity building in Islamic economics, banking and finance.

To achieve these goals, ICRIE and SIEBF aim:

- To provide skill-based education by producing competent and qualified graduates and scholars who are knowledgeable in both Shariah and modern sciences such as economics, finance, management, accounting, law, information technology, and other related areas.
- To understand theoretical and applied research in order to develop and expand interdisciplinary and multi-discipline knowledge and practice in Islamic ethics with regard to economics, business, banking and finance.
- To produce innovative, well-organised and authentic research in Islamic economics and Islamic banking, takaful industry and the Islamic capital market. This research will comply with Shari'a objectives and will be marketable through partnership with the relevant actors in academia, research and in the financial industry.
- To cope with the real need of this digital era by producing effective solutions and financial products by using advanced technologies such as blockchain, artificial intelligence, robotics and various modes of Islamic finance.
- To become an international referral centre that provides solutions in the field of education, research, training and consultation in Islamic economics, business, banking, and finance.

The School and the Research Center both organise international conferences in Lahore annually aimed at addressing the contemporary issues of Islamic banking and finance, which is well attended by national and international academicians and professionals. At Minhaj University Lahore, it is firmly believed that the promotion of the Islamic banking sector will accelerate sustainable economic development and lead to prosperity in the society. The Muslim world needs to form its economic identity on stable Islamic foundations, which will not be possible without standardising and harmonising laws, economic systems and products in a viable and innovative way. However, it is essential to work on original and novel Islamic banking products, frameworks, mechanisms, systems and procedures in order to get the practical Islamic economic and finance system recognised as an all-inclusive solution to economic tribulations in the world.

# PREFACE

**Dr. Sofiza Azmi**

Editor-In-Chief

Islamic finance as an industry has been witnessing substantial growth in the past decade, but its growth rate has steadily declined since 2013 from 11.16% to 6.02% in 2017. After five years of declining trend, the industry has once again picked up to register annual growth in assets of 6.58% during 2018. The GIFR 2019 estimates that the global assets of Islamic banking and finance (IBF) stood at US\$2.6 trillion at the end of 2018 from US\$2.4 trillion at the end of 2017. In dollar terms, there was a net increase of US\$160 billion in the global stock of Islamic financial assets.

As reported in previous GIFRs (2016 and 2018), the slowdown in growth was attributed to several factors such as historically low oil prices, natural slowdown in IBF due to maturity of the industry and political conflicts in a number of Muslim countries. However, structural issues and stifled innovation have also contributed to this phenomenon. In some of the vibrant markets for IBF, Islamic financial institutions have fast exhausted the captive Shari'a-sensitive market (those who patronise Islamic financial services purely for religious reasons) that they have relied on to remain profitable.

The report also recorded a growing gulf between potential and actual size of the global Islamic financial services industry as the gap has now more than doubled. With the potential size of US\$9.4 trillion against US\$2.6 trillion, the catch-up time required for the industry to realise its potential is ever-increasing from an estimated 17 years (GIFR 2014) to well beyond 40 years at the present state of the industry.

Part 1 of GIFR 2019 also presents the Islamic Finance Country Index (IFCI), which has been published annually in the report since 2011. IFCI is the oldest index for ranking different countries with respect to the state of IBF and their leadership role in the industry on a national level and benchmarked to an international level.

This year Indonesia displayed Malaysia to be ranked number one, with 81.93 score. Last year, Indonesia was ranked at 6th position in IFCI 2018. Several factors led to its elevation to the top rank including regulatory developments with improved ecosystem for IBF and strong political support from the government. Malaysia is now placed 2nd on the IFCI 2019 rank, followed by Iran at number 3 and Saudi Arabia and Sudan are at number 4 and 5, respectively.

Morocco took the biggest leap this year from being ranked at number 48 to 19, becoming one of the top 20 countries in the IBF markets. Kazakhstan also moved up 6 positions to number 18 from being at 24 last year. Afghanistan at number 20, is another country to jump 10 ranks from last year to enter the top 20 list.

A notable change in the ranking is the UAE, which slipped three positions down to become the seventh most influential market in the global Islamic financial services industry. This change in rank is, however, not due to its poor performance as UAE's total score increased by more than 5 points from last year. The exceptional performance of three other countries, namely, Sudan, Brunei Darussalam and Bangladesh have contributed to UAE's lower rank.

With the growth in IBF declining year-on-year, a fresh solution is required with emphasis on the adoption of new business models that will ensure sustainable growth. This is expected to come in the form of Islamic financial technology (Fintech), which can provide the means in boosting interest in Islamic finance and in increasing its accessibility to the wider Muslim world.

Part 2 of the report discusses topics on artificial intelligence and innovation in Islamic finance, which is the theme of this year's report. Chapters included here are Harnessing Fintech in Islamic Finance, Artificial Intelligence Applications in Islamic Finance Industry, The Rise of Artificial Intelligence and Blockchain in Islamic Finance, Reshaping Islamic Financial Services Industry through Collaboration with Fintech and many more. Chapter 7 sheds a light on the Islamic legality of crypto-assets and presents some parameters and criteria on the creation of a Shari'a-compliant crypto-asset.

Part 3 covers topics on Islamic social finance as a tool for development and economic inclusion. Its role towards alleviating poverty, enhancing food security, mitigating disaster risks and climate change is discussed in Chapter 13 with examples on practices of Islamic social finance across the globe. Complementing this, is the chapter on the development of waqf in Indonesia. As an important instrument in the socio-economic development of the ummah and society, waqf must be properly mobilised and managed. As such best practices in waqf management to promote the culture of innovation in the waqf sector and enhance its economic and social impact should be the focus if waqf is to be developed as a tool for empowering the ummah.

The last chapter in Part 3 looks at hidden traps in Shari'a auditing. Shari'a auditing is an indispensable and independent organ of Shari'a governance. However, Shari'a audit activity is prone to the influence of cognitive biases that adversely impact the judgment of Shari'a auditors. This chapter highlights common traps in Shari'a auditing along with effective antidotes.