

# ISLAMIC FINANCE COUNTRY INDEX

— I F C I 2 0 1 8 —

Developed by Edbiz Consulting in 2011, Islamic Finance Country Index (IFCI) is the oldest index for ranking different countries with respect to the state of Islamic banking and finance (IBF) and their leadership role in the industry on a national level and benchmarked to an international level. IFCI has evolved over the last eight years, with an adjustment in the calculating formula to normalise the data over the time series. The data has now started achieving a meaningful length. In 2011, when IFCI was launched, there was no previous benchmark to assess the performance of the countries included in the sample. With eight years in running, the index has started exhibiting some characteristics of time series data. Since the last year, we started drawing some implications from the past performance of IBF in individual countries and on a global level for the future growth of the industry.

The IFCI was initiated with the aim to capture the growth of the industry, and to provide an immediate assessment of the state of IBF in each country. With the eight-year data since its inception, IFCI can now be used to compare the countries not only in a given year but also over time. As more countries open up to IBF, the index will provide a benchmark for nations to track their performance against others. Over time, the individual countries on the index should also be able to track and assess their own performance.

The IFCI shows the growth of IBF in an objective manner, making it a useful tool for industry analysis and comparative assessments. We recommend that readers refer to previous GIFRs (2011-17) to have a comprehensive view on IFCI.

## IFCI 2017

Table 1 presents the latest IFCI scores and ranks. Following are some of the important observations;

- Malaysia ranks number one, with 81.01 score from the last year's score of 79.25. This is the third year in a row that Malaysia has been on top position, after taking over from Iran in 2016.
- No changes in ranking is observed for the first 5 positions. Nonetheless, the top 5 countries have improved their scores, albeit marginally.
- 14 countries have witnessed changes in their IFCI scores: 8 positively and 11 negatively.
- This year, Kazakhstan took the biggest leap and improved its position from number 31 to 24. Kazakhstan is fast emerging as a major regional player. Its progression is consistent with last year's leap from 35th to 31st. Gambia and South Africa are two other net gainers, with 3 and 2 points improvement, respectively.

**Table 1:  
LATEST IFCI SCORES & RANKS**

<b>COUNTRIES</b>	<b>2018 SCORE</b>	<b>2017 SCORE</b>	<b>2018 RANK</b>	<b>2017 RANK</b>	<b>CHANGE</b>
MALAYSIA	81.01	79.25	1	1	-
IRAN	79.01	78.42	2	2	-
SAUDI ARABIA	66.66	65.90	3	3	-
UNITED ARAB EMIRATES	39.78	38.02	4	4	-
KUWAIT	37.67	35.20	5	5	-
INDONESIA	24.13	23.98	6	7	+1
PAKISTAN	24.01	24.30	7	6	-1
BAHRAIN	22.35	21.96	8	8	-
QATAR	20.01	21.94	9	9	-

- Singapore and the Philippines shed 4 and 3 points, respectively. IFCI is consistently showing less and less relevance to IBF in countries where Muslims are minority.
- There was no movement in 29 positions.
- The data also exhibits the robustness of the sample and its size. 48 countries are included in the sample (less than some other indices being reported in the industry). The IFCI score falls below 1.00 at the 37th position, implying that the information contents provided by the 10 countries is almost negligible.
- It is interesting to note that the average IFCI score fell this year to 10.81 from 11.12 last year.

COUNTRIES	2018 SCORE	2017 SCORE	2018 RANK	2017 RANK	CHANGE
BANGLADESH	17.78	16.73	10	10	-
SUDAN	17.09	15.70	11	11	-
JORDAN	13.01	10.29	12	13	+1
TURKEY	13.01	12.17	13	12	-1
BRUNEI DARUSSALAM	10.11	8.85	14	15	+1
EGYPT	10.01	9.99	15	14	-1
OMAN	7.01	6.41	16	16	-
UNITED KINGDOM	6.33	5.89	17	17	-
SRI LANKA	3.77	3.78	18	18	-
UNITED STATES OF AMERICA	3.48	3.50	19	19	-
TUNISIA	3.01	2.87	20	20	-

COUNTRIES	2018 SCORE	2017 SCORE	2018 RANK	2017 RANK	CHANGE
	KENYA	2.85	2.85	21	21
LEBANON	2.70	2.64	22	22	-
NIGERIA	2.34	2.32	23	23	-
KAZAKHSTAN	2.12	1.32	24	31	+7
YEMEN	2.00	2.03	25	24	-1
SOUTH AFRICA	1.99	1.75	26	28	+2
SWITZERLAND	1.89	1.93	27	26	-1
CANADA	1.83	1.82	28	27	-1
SINGAPORE	1.81	1.94	29	25	-4
AFGHANISTAN	1.75	1.71	30	29	-1
THAILAND	1.71	1.69	31	30	-1
INDIA	1.29	1.30	32	32	-
ALGERIA	1.25	1.24	33	33	-
AUSTRALIA	1.23	1.22	34	34	-
AZERBAIJAN	1.17	1.15	35	35	-
PALESTINE	1.11	1.10	36	36	-
SYRIA	0.88	0.92	37	37	-
GERMANY	0.67	0.66	38	39	+1
GAMBIA	0.58	0.57	39	42	+3

COUNTRIES	2018 SCORE	2017 SCORE	2018 RANK	2017 RANK	CHANGE
FRANCE	0.57	0.78	40	38	-2
CHINA	0.56	0.57	41	41	-
SENEGAL	0.55	0.50	42	43	+1
THE PHILIPPINES	0.55	0.65	43	40	-3
GHANA	0.41	0.39	44	44	-
MAURITIUS	0.24	0.24	45	45	-
RUSSIAN FEDERATION	0.22	0.21	46	46	-
SPAIN	0.05	0.06	47	47	-
MOROCCO	0.01	0.01	48	48	-

THIS YEAR, KAZAKHSTAN TOOK THE BIGGEST LEAP AND IMPROVED ITS POSITION FROM NUMBER 31 TO 24. KAZAKHSTAN IS FAST EMERGING AS A MAJOR REGIONAL PLAYER. ITS PROGRESSION IS CONSISTENT WITH LAST YEAR'S LEAP FROM 35TH TO 31ST.

## What Led to Improvement in IFCI Ranks of the Sampled Countries

Movements in IFCI are determined by changes in values of its constituent factors. Three out of the eight countries that have shown improvement in IFCI are discussed below:

### *Kazakhstan: +7*

Kazakhstan experienced the biggest jump in IFCI ranking, from 31 to 24. This upward change must be understood with respect to the low level of IBF activities in the country, and a general downward trend in IBF in the countries in the same bracket (see Table 2).

Out of the 8 countries in this bracket, 6 have slipped down the list for various reasons. Singapore experienced a significant downward shift, after slipping down 4 points. After a period of enthusiasm, Singapore is seen to be less keen on IBF, primarily because of limited domestic demand for IBF and due to severe competition from the neighbouring Malaysia. Indonesia is also fast catching up, destined to become a global player in IBF. Yemen, as mentioned in GIFR 2017, has gone down the rank primarily due to the ongoing military conflict involving war with the neighbouring Saudi Arabia. Canada and Thailand, being Muslim minority countries, have limited potential vis-à-vis IBF. Afghanistan has yet to emerge as a sustainable market for IBF.

Table 2:  
IFCI SCORE OF THE COUNTRIES RANKED 24TH TO 31ST

COUNTRIES	2018 IFCI SCORE	2017 IFCI SCORE	2018 IFCI RANK	2017 IFCI RANK	CHANGE
KAZAKHSTAN	2.12	1.32	24	31	+7
YEMEN	2.00	2.03	25	24	-1
SOUTH AFRICA	1.99	1.75	26	28	+2
SWITZERLAND	1.89	1.93	27	26	-1
CANADA	1.83	1.82	28	27	-1
SINGAPORE	1.81	1.94	29	25	-4
AFGHANISTAN	1.75	1.71	30	29	-1
THAILAND	1.71	1.69	31	30	-1

The bulk of improvement in IFCI score in Kazakhstan came from improvements in policy framework and Islamic financial regulations. The growth of Islamic financial assets is rather limited. There is only one fully-fledged Islamic bank, an Islamic micro-finance institution mostly offering agricultural financing, an Islamic leasing firm, an Islamic insurance (takaful) firm and only one sukuk issuance has been announced so far.

Kazakhstan's improvement in IFCI ranking also comes from the increase in awareness of IBF in the country. A number of training workshops were organised during the year. Most importantly, Astana, the capital city, hosted Global Islamic Finance Awards (GIFA) 2017, which was attended by President Nursultan Nazarbayev and his counterpart from Djibouti, Omar Ismail Guelleh, who received Global Islamic Finance Leadership Award 2017.

### *Gambia: +3*

There is growing awareness of IBF in Gambia, as a number of bodies have started offering instructions and trainings in this field, highlighting the increasing importance of IBF in the country. Most notably, the West African Institute for Financial and Economic Management (WAIFEM), in collaboration with the Central Bank of the Gambia (CBG), organised a five-day regional course on Islamic banking. This attracted participants from other neighbouring countries, and was deemed as a success.

Although there is only one Islamic bank in the country at present, Gambia has been on the radar of various foreign investors from the Middle East. The Islamic Corporation for the Development of the Private Sector (ICD) has close links with AGIB Bank, formerly Arab Gambian Islamic Bank, and has in fact offered the bank financing for its various product lines. With a population of just over 2 million, Gambia has a potential to become a regional centre of excellence for Islamic finance.

### *South Africa: +2*

The success of South Africa's debut sovereign sukuk of US\$500 million in 2014 made the country buoyant towards IBF. With the likes of Albaraka Bank, FNB Islamic Banking and Absa Islamic Banking as major Islamic banking players, and a number of asset management firms, especially Oasis Asset Management, South Africa is a thriving place with bright prospects for IBF.

South Africa improved its IFCI score on account of an active involvement of the government that is now considering to issue a rand-denominated sukuk to plug its huge budget deficit. Following are some of the additional factors that contributed to South Africa's improvement:

1. There has been a gradual increase in demand for Islamic banking in the country. Albaraka Bank has a long history of operations in South Africa, and the two conventional banks, mentioned above, offering Islamic banking have brought IBF to the mainstream.

2. The asset managers like Oasis Asset Management have brought a lot of attention to IBF in South Africa. Their leadership role and advocacy of IBF has helped in raising the profile of South Africa in the global Islamic financial services industry.
3. South Africa is one of the rare examples of a Muslim minority that is influential politically and is better off financially than a median person in the country. This allows Muslims to assert their identity, and promote IBF.

### Classification of Countries with Respect to IFCI

Table 3 presents the latest IFCI scores, along with that of the previous seven years. Based on the scores, the table classifies the sampled countries into six groups:

1. **Insignificant:** The countries with the latest IFCI score of less than or equal to 10 ( $IFCI \leq 10$ ) – 34 countries;
2. **Marginal:** The countries with the latest IFCI score of more than 10 but less than or equal to 20 ( $10 < IFCI \leq 20$ ) – 5 countries;
3. **Moderate:** The countries with the latest IFCI score of more than 20 but less than or equal to 30 ( $20 < IFCI \leq 30$ ) – 4 countries;
4. **Significant:** The countries with the latest IFCI score of more than 30 but less than or equal to 40 ( $30 < IFCI \leq 40$ ) – 2 countries;
5. **Exceptional:** The countries with the latest IFCI score of more than 40 ( $IFCI > 40$ ) – 2 countries; and
6. **Highest<sup>1</sup>:** The country that tops the list (in this case, Malaysia, which has an IFCI score of 79.20).

This means that there are only 14 countries where IBF has assumed any meaningful relevance to the mainstream banking and finance. These countries are presented later in the chapter along with an analysis in light of some macroeconomic indicators (see Table 6).

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1. One may like to consider 5 categories, as Highest is in fact included in the Exceptional category.



**Table 3:**  
**IFCI SCORES 2011-17**

COUNTRIES	2011	2012	2013	2014	2015	2016	2017	2018	RELEVANCE OF IBF TO THE GLOBAL ISLAMIC FINANCIAL SERVICES INDUSTRY
	AFGHANISTAN		1.28	1.33	1.31	1.30	1.70	1.71	
ALGERIA		1.30	1.53	1.51	1.52	1.24	1.24	1.25	
AUSTRALIA			0.62	0.61	1.26	1.25	1.22	1.23	
AZERBAIJAN	2.50	0.00	1.02	1.19	1.23	1.11	1.15	1.17	
BAHRAIN	16.00	19.41	18.77	22.18	23.93	21.90	21.95	22.35	Moderate
BANGLADESH	12.00	5.16	9.19	9.97	11.11	16.14	16.72	17.78	Marginal
BRUNEI DARUSSALAM	3.30	2.81	3.24	3.03	2.89	5.85	8.85	10.11	Marginal
CANADA		0.24	0.25	0.24	1.90	1.87	1.82	1.83	
CHINA	1.00	0.01	0.46	0.57	0.57	0.56	0.57	0.56	
EGYPT	8.00	5.07	5.69	5.11	7.34	9.02	9.99	10.01	
FRANCE		0.57	0.83	0.82	0.81	0.80	0.78	0.57	
GAMBIA		0.57	0.40	0.40	0.58	0.57	0.57	0.58	
GERMANY		0.45	0.66	0.65	0.59	0.62	0.66	0.67	
GHANA		0.00	0.00	0.00	0.38	0.38	0.39	0.41	
INDIA		0.82	1.04	1.00	1.73	1.27	1.30	1.29	
INDONESIA	22.00	15.60	20.22	19.82	22.45	24.21	23.96	24.13	Moderate
IRAN	46.00	51.71	68.31	75.24	77.93	77.39	78.37	79.01	Exceptional
JORDAN	4.00	2.70	3.60	3.08	3.98	7.98	10.29	13.01	Marginal
KAZAKHSTAN		0.50	1.08	1.26	1.13	1.20	1.32	2.12	
KENYA	3.20	2.35	2.02	1.97	2.32	2.28	2.85	2.85	
KUWAIT	19.00	21.78	16.79	21.38	33.40	35.51	35.18	37.67	Significant
LEBANON	3.40	2.16	2.64	2.42	2.39	2.67	2.64	2.70	

COUNTRIES	2011	2012	2013	2014	2015	2016	2017	2018	RELEVANCE OF IBF TO THE GLOBAL ISLAMIC FINANCIAL SERVICES INDUSTRY
MALAYSIA	30.00	32.36	42.69	49.53	73.09	77.77	79.20	81.01	Highest
MAURITIUS		0.05	0.22	0.00	0.24	0.23	0.24	0.24	
NIGERIA	3.50	0.67	1.07	1.45	1.24	2.35	2.32	2.34	
OMAN		1.44	1.84	1.30	2.55	5.91	6.41	7.01	
PAKISTAN	19.00	11.27	14.15	11.49	13.38	18.89	24.30	24.01	Moderate
PALESTINE	9.00	1.12	1.89	1.11	1.10	1.10	1.10	1.11	
QATAR	8.00	9.74	8.88	10.44	19.04	22.02	21.93	20.01	Moderate
RUSSIAN FEDERATION		0.00	0.20	0.00	0.20	0.19	0.21	0.22	
SAUDI ARABIA	26.00	29.84	41.38	42.21	66.94	66.98	65.86	66.66	Exceptional
SENEGAL	3.10	0.59	0.68	0.48	0.49	0.48	0.50	0.55	
SINGAPORE	1.00	1.31	1.72	2.10	2.13	2.05	1.94	1.81	
SOUTH AFRICA	2.00	1.26	2.47	1.66	2.06	1.73	1.74	1.99	
SPAIN		0.00	0.00	0.00	0.05	0.05	0.06	0.05	
SRI LANKA	2.60	1.33	2.00	1.84	2.72	2.96	3.78	3.77	
SUDAN	11.00	9.35	13.42	13.34	14.24	14.04	15.69	17.09	Marginal
SWITZERLAND		0.50	0.51	0.51	2.10	1.97	1.93	1.89	
SYRIA	4.10	2.28	2.51	2.06	2.03	1.49	0.92	0.88	
THAILAND	2.30	1.17	1.20	1.57	1.73	1.70	1.69	1.71	
THE PHILIPPINES		0.20	0.63	0.62	0.61	0.63	0.65	0.55	
TUNISIA		1.79	1.49	0.48	1.76	2.00	2.87	3.01	
TURKEY	7.50	5.21	6.48	7.23	8.83	8.95	12.16	13.01	Marginal
UNITED ARAB EMIRATES	19.00	21.06	20.64	20.27	34.57	36.68	37.99	39.78	Significant
UNITED KINGDOM	7.00	7.84	8.15	5.94	6.13	5.96	5.88	6.33	
UNITED STATES OF AMERICA	4.01	0.11	4.28	4.26	3.27	3.28	3.50	3.48	
YEMEN	4.01	2.18	2.58	2.44	2.45	2.09	2.03	2.00	
AVERAGE	10.12	6.70	7.95	9.00	10.61	11.58	10.51	10.81	Marginal

## Box.1

# A Note on Data and Methodology

### IFCI IS BASED ON

a multivariate analysis. For construction of the index, data was collected on a number of variables, including macroeconomic indicators of the countries included. The data was then tested to see if it contained any meaningful information to draw conclusions from. After consideration of different multivariate methods, it was decided to use factor analysis to identify the factors that may influence IBF in the countries included in the sample.

In order for factor analysis to be applicable, it is important that the data fits a specification test for such an analysis. The Kaiser-Meyer-Oklin (KMO) measure of sampling adequacy is used to compare the magnitudes of the observed correlation coefficients in relation to the magnitudes and partial correlation coefficients. Large values (between 0.5 and 1) indicate that factor analysis is an appropriate technique for the data at hand. If the value is less than that, then the results of the factor analysis may not be very useful. For the data we used, we found the measure to be 0.85, which made it reasonable for us to use factor analysis.

Bartlett's test of sphericity is another specification test that tests the hypothesis that the correlation matrix is an identity matrix indicating that the given variables are unrelated and therefore unsuitable for structure design. Smaller values (less than 0.05) of the significance level indicate that factor analysis may be useful with the data. For the present purposes, this value was found to be significant (0.00 level), which means that data was fit for factor analysis.

Factor analysis was therefore run to compute initial communalities to measure the proportion of variance accounted for in each variable by the rest of the variables. In this manner, we were able to assign weights to all eight factors in an objective manner.

By following the above method, we have been able to remove the subjectivity in the index. The weights along with the identified factors make up the IFCI. The weights point to the relative importance of each constituent factor of the index in determining the rank of an individual country.

There are over 70 countries involved in IBF in some way or another. However, due to limitations imposed by authenticity, availability and heterogeneity of the data, IFCI was launched in 2011 with only 36 countries. Over the next three years, the availability of data allowed us to include another six countries to make the sample size of 42. The current sample stands at 48, and we believe that this is a robust enough number to analyse the state of affairs of the global Islamic financial services industry. Information contents of the data for other countries is not instructive at all.

The data used comes from different primary and secondary sources, but in its collective final form becomes the proprietary data set of Edbiz Consulting, which collects, collates and maintains it.

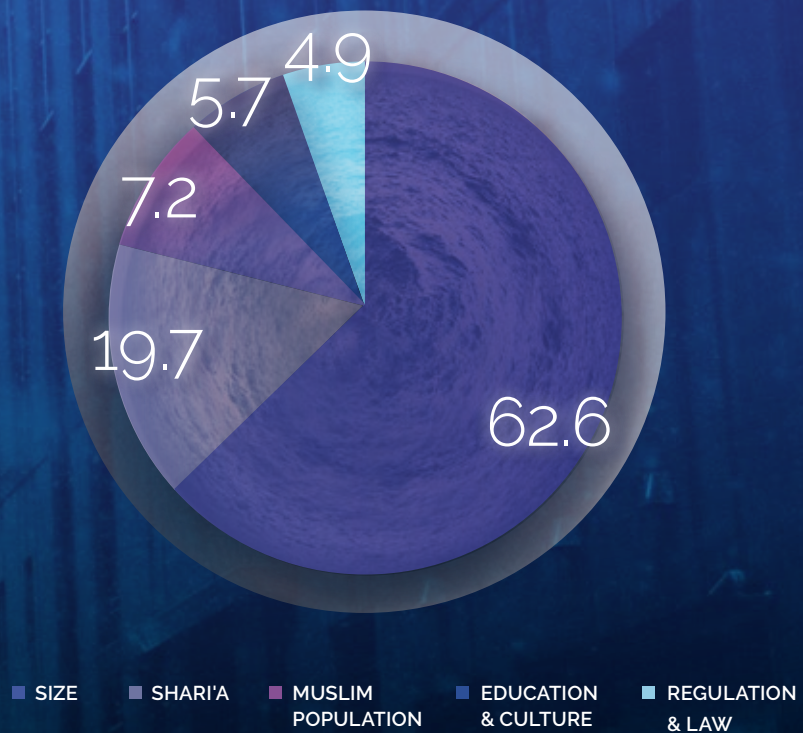
We collect data on eight factors/variables for the countries included in IFCI. The variable and their respective weights are described in the following table.

#### CONSTITUENT VARIABLES/FACTORS OF IFCI AND THEIR DESCRIPTION AND WEIGHTS

	VARIABLES /FACTORS	DESCRIPTION	WEIGHTS
1.	NUMBER OF ISLAMIC BANKS	<i>Full-fledged Islamic banks both of local and foreign origin</i>	21.8%
2.	NUMBER OF IBFIS	<i>All banking and non-banking institutions involved in IBF, including Islamic windows of conventional banks</i>	20.3%
3.	SHARI'A SUPERVISORY REGIME	<i>Presence of a state (or non-state) representative central body to look after the Shari'a compliancy process across the IBFIs in a country</i>	19.7%
4.	ISLAMIC FINANCIAL ASSETS	<i>Islamic financial assets under management of Islamic and conventional institutions</i>	13.9%
5.	MUSLIM POPULATION	<i>Absolute number of Muslims</i>	7.2%
6.	SUKUK	<i>Total sukuk outstanding in the country</i>	6.6%

	VARIABLES /FACTORS	DESCRIPTION	WEIGHTS
7.	EDUCATION & CULTURE	<i>Presence of an educational and cultural environment conducive to operations of IBFIs, including formal Islamic finance professional qualifications, degree courses, diplomas and other dedicated training programmes</i>	5.7%
8.	ISLAMIC REGULATION & LAW	<i>Presence of regulatory and legal environment enabling IBFIs to operate in the country on a level-playing field (e.g., and Islamic banking act, Islamic capital markets act, takaful act etc.)</i>	4.9%

RELATIVE IMPORTANCE OF THE CONSTITUENT FACTORS OF IFCI



### THE GENERAL MODEL

used for the construction of IFCI is as follows:

$$\begin{aligned} \text{IFCI}(C_j) &= \sum_{i=1}^{i=8} W_i \cdot X_i \\ &= W_1 \cdot X_1 + W_2 \cdot X_2 + W_3 \cdot X_3 + W_4 \cdot X_4 + W_5 \cdot X_5 + W_6 \cdot X_6 + W_7 \cdot X_7 + W_8 \cdot X_8 \end{aligned}$$

where

$C_j$  = Country j including in the index

$W_i$  = Weight attached to a given variable/factor i

$X_i$  = A given variable/factor i included in the index

The countries are ranked according to the above formula every year, using the updated annual data.

In 2016, a major adjustment exercise was undertaken to take into account some of the time-series characteristics of the data. The primary objective of this exercise was to normalise the data over time. We adopted a methodology based on a weightage system that we adopted to construct a normalising factor.

The normalising factor used in the adjusted IFCI was calculated by the following formula:

$$\text{Normalising Factor} = \frac{\text{Average}(\text{IFCI}_{t-1}) \times \text{IFCI}_{it}}{100}$$

where

$\text{Average}(\text{IFCI}_{t-1})$  = Average of IFCI scores for all the countries included in the sample of the previous year (t-1); and

$\text{IFCI}_{it}$  = IFCI score for an individual country i in the current year (t).

This normalising factor allows us to neutralise the purely statistical effect of data movements on IFCI score in such a way that the overall ranking in a given year remains unaffected.

As the above table and figure suggest, size of Islamic financial services industry as captured by four factors (namely, number of Islamic banks, number of IBFIs, volume of Islamic financial assets, and the sukuk outstanding) is the most important factor in the index, explaining 62.6% variation. Therefore, it is superior to the univariate analyses that focus on just size of the industry in a given country. Furthermore, size in itself is not enough to capture the relative importance of IBF in a country. It is equally important to consider depth and breadth of the industry. Hence, both the size of Islamic financial assets and the number of IBFIs are included. Furthermore, the inclusion of sukuk, which accounts for 15% of the global Islamic financial services industry, as a separate factor is also useful.

Although the other factors collectively explain 37.4% variation in the index, their inclusion is important as they give a comprehensive view on the state of affairs of IBF in a country.

It must be clarified that IFCI is a positive measure of the state of affairs of IBF and its potential in a country, without taking a normative view on what should be the important factors determining size and growth of the industry, and their relative importance (i.e., weights).

Table 4:  
GROWTH IN IFCI: 2012-18

COUNTRIES	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	AVERAGE ANNUAL GROWTH IN IFCI
	(2012-13)	(2013-14)	(2014-15)	(2015-16)	(2016-17)	(2017-18)	(2012-18)
AFGHANISTAN	3.85	-1.40	-1.14	31.20	0.40	2.35	5.88
ALGERIA	16.99	-1.33	0.88	-18.19	-0.49	1.11	-0.17
AUSTRALIA		-1.33	104.73	-0.30	-2.61	0.92	20.28
AZERBAIJAN		16.97	2.59	-9.08	3.12	1.86	3.09
BAHRAIN	-3.32	18.15	7.88	-8.47	0.22	1.84	2.72
BANGLADESH	77.99	8.58	11.39	45.26	3.60	6.33	25.53
BRUNEI DARUSSALAM	15.26	-6.47	-4.70	102.58	51.34	14.27	28.71
CANADA	3.80	-1.33		-1.78	-2.45	0.34	-0.28
CHINA		23.52	-1.09	-1.78	2.17	-1.74	4.21
EGYPT	12.08	-10.11	43.69	22.80	10.73	0.23	13.24
FRANCE	47.29	-1.33	-1.14	-1.17	-3.00	-26.96	2.28
GAMBIA	-29.36	-1.42	45.97	-1.78	-0.26	1.77	2.49
GERMANY	44.25	-1.15	-9.65	5.25	6.62	1.88	7.87
GHANA				-1.78	4.85	3.91	2.33
INDIA	27.64	-4.35	72.86	-26.15	1.78	-0.59	11.86
INDONESIA	29.63	-2.00	13.28	7.84	-1.03	0.69	8.07
IRAN	32.11	10.14	3.58	-0.69	1.27	0.82	7.87
JORDAN	33.51	-14.46	29.09	100.80	28.85	26.49	34.05
KAZAKHSTAN	113.99	16.73	-9.88	6.11	10.03	60.12	32.85
KENYA	-13.92	-2.67	17.62	-1.78	25.25	0.01	4.09
KUWAIT	-22.88	27.32	56.22	6.32	-0.95	7.08	12.19
LEBANON	22.28	-8.29	-1.14	11.75	-1.25	2.30	4.28
MALAYSIA	31.95	16.00	47.59	6.40	1.84	2.28	17.68
MAURITIUS	327.15	-100.00		-1.78	2.29	1.38	45.81

COUNTRIES	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	GROWTH IN IFCI	AVERAGE ANNUAL GROWTH IN IFCI
	(2012-13)	(2013-14)	(2014-15)	(2015-16)	(2016-17)	(2017-18)	(2012-18)
NIGERIA	60.82	35.13	-14.77	90.02	-1.23	0.86	28.47
OMAN	27.90	-29.12	95.56	131.72	8.49	9.36	40.65
PAKISTAN	25.63	-18.79	16.38	41.20	28.66	-1.19	15.31
PALESTINE	68.27	-41.28	-1.17	0.36	0.05	0.91	4.52
QATAR	-8.79	17.57	82.32	15.63	-0.39	-8.76	16.26
RUSSIAN FEDERATION		-100.00		-1.78	7.77	4.76	3.58
SAUDI ARABIA	38.68	2.01	58.58	0.05	-1.67	1.21	16.48
SENEGAL	13.88	-28.82	1.36	-1.78	4.33	10.00	-0.17
SINGAPORE	31.74	21.79	1.41	-3.81	-5.22	-6.70	6.53
SOUTH AFRICA	95.54	-32.78	23.71	-15.99	0.72	14.37	14.26
SPAIN				-1.78	17.76	-16.67	-0.23
SRI LANKA	50.62	-8.02	47.56	8.93	27.76	-0.26	21.10
SUDAN	43.58	-0.62	6.77	-1.40	11.73	8.92	11.50
SWITZERLAND	3.60	-1.33	314.85	-6.38	-1.85	-2.07	-1.61
SYRIA	9.77	-17.91	-1.16	-26.66	-38.33	-4.35	-13.10
THAILAND	2.60	30.29	10.65	-2.20	-0.34	1.18	7.03
THE PHILIPPINES	215.32	-1.83	-0.70	2.16	3.88	-15.38	33.91
TUNISIA	-16.95	-67.69	266.57	13.59	43.65	4.88	40.67
TURKEY	24.25	11.54	22.20	1.34	35.90	6.99	17.04
UNITED ARAB EMIRATES	-1.98	-1.80	70.57	6.11	3.56	4.71	13.53
UNITED KINGDOM	3.98	-27.13	3.31	-2.82	-1.38	7.65	-2.73
UNITED STATES OF AMERICA		-0.52	-23.20	0.20	6.69	-0.57	-3.48
YEMEN	18.26	-5.47	0.59	-14.77	-2.88	-1.48	-0.96
AVERAGE	18.53	13.22	18.00	9.13	-4.78	2.92	9.50



Table 4 presents growth in IFCI over the last 8 years, showing that overall annual growth in the index between 2011 and 2017 has been 9.50%. This should, however, not imply that the growth has been evenly distributed in the countries included in the sample. There are 5 countries where IBF has on average gone down in significance over the last seven years. These include: Algeria, the Russian Federation, Senegal, Syria and the USA.

**Table 5:**  
**PERCENTAGE CONTRIBUTIONS OF COMPOSITE FACTORS TO IFCI**

COUNTRIES	ISLAMIC BANKING	IBFIS	SHARI'A SUPERVISORY REGIME	ISLAMIC FINANCIAL ASSETS	MUSLIM POPULATION	ISLAMIC CAPITAL MARKETS	EDUCATION & CULTURE	ISLAMIC REGULATION AND LAW
AFGHANISTAN	25	33	5	13	16	2	3	3
ALGERIA	30	33	3	9	6	7	6	6
AUSTRALIA	0	30	3	40	0	1	25	1
AZERBAIJAN	0	15	0	45	25	1	14	0
BAHRAIN	13	15	20	18	1	10	12	11
BANGLADESH	11	19	10	17	17	10	9	7
BRUNEI DARUSSALAM	17	20	11	23	1	9	9	10
CANADA	0	41	1	46	0	1	10	1
CHINA	0	80	0	5	15	0	0	0
EGYPT	15	17	7	21	15	9	9	7
FRANCE	0	0	0	54	0	23	23	0
GAMBIA	30	31	1	25	10	1	1	1
GERMANY	33	35	0	30	0	1	1	0
GHANA	10	60	0	27	1	0	1	1
INDIA	0	13	0	19	37	3	15	13
INDONESIA	9	13	11	14	15	19	10	9
IRAN	17	19	7	21	13	9	8	6
JORDAN	22	26	5	13	9	11	7	7
KAZAKHSTAN	11	25	8	21	11	5	11	8
KENYA	25	30	2	19	12	4	5	3

COUNTRIES	ISLAMIC BANKING	IBFIS	SHARI'A SUPERVISORY REGIME	ISLAMIC FINANCIAL ASSETS	MUSLIM POPULATION	ISLAMIC CAPITAL MARKETS	EDUCATION & CULTURE	ISLAMIC REGULATION AND LAW
KUWAIT	16	18	8	19	4	18	9	8
LEBANON	19	21	7	19	6	13	8	7
MALAYSIA	14	14	13	18	8	14	10	9
MAURITIUS	25	24	11	12	7	6	8	7
NIGERIA	24	25	6	15	10	7	6	7
OMAN	26	27	21	11	1	4	3	7
PAKISTAN	17	18	11	9	13	11	11	10
PALESTINE	25	26	9	19	3	7	6	5
QATAR	21	19	11	18	3	10	9	9
RUSSIAN FEDERATION	5	35	0	31	7	15	6	1
SAUDI ARABIA	15	17	4	22	11	14	10	7
SENEGAL	33	25	6	9	11	2	9	5
SINGAPORE	10	7	0	49	1	26	3	4
SOUTH AFRICA	26	27	3	18	4	8	7	7
SPAIN	0	0	0	1	0	0	99	0
SRI LANKA	31	33	1	14	2	1	14	4
SUDAN	14	15	15	11	13	13	9	10
SWITZERLAND	23	28	0	21	0	18	6	4
SYRIA	29	32	1	20	9	0	7	2
THAILAND	31	33	3	10	7	3	7	6
THE PHILIPPINES	38	39	0	9	3	7	1	3
TUNISIA	29	31	3	15	9	3	3	7
TURKEY	23	26	5	13	12	9	7	5
UNITED ARAB EMIRATES	18	24	13	13	1	13	9	9
UNITED KINGDOM	25	26	0	14	1	15	10	9
UNITED STATES OF AMERICA	26	28	0	20	1	15	9	1
YEMEN	26	28	4	9	8	2	12	11
AVERAGE	18	26	5	20	8	8	10	5

Table 5 presents contributions of composite factors to IFCI for the year 2017. On the basis of relative contributions of these factors, one may classify the countries into three broad categories:

1. Comprehensively-balanced;
2. Balanced; and
3. Skewed.

### Countries with Comprehensively-balanced Development in IBF

These are the countries wherein constituting factors contribute evenly to the development of IBF sector. A country is categorised as the one with comprehensively-balanced development in IBF if standard deviation of the contributions of the composite factors is less than or equal to 5%.

As Table 6 suggests, there are only 6 countries, namely, Sudan, Pakistan, Indonesia, Malaysia, Bangladesh and Egypt, which have undergone comprehensively-balanced development in their respective IBF sectors.

**Table 6:  
THE COUNTRIES WITH COMPREHENSIVELY-BALANCED DEVELOPMENT IN  
IBF SECTORS**

	STANDARD DEVIATION OF CONTRIBUTIONS OF THE CONSTITUTING FACTORS	COUNTRIES	IFCI RANK	GLOBAL IMPORTANCE
1.	2%	<i>Sudan</i>	11	<i>Marginal</i>
2.	3%	<i>Pakistan</i>	7	<i>Moderate</i>
3.	3%	<i>Indonesia</i>	6	<i>Moderate</i>
4.	4%	<i>Malaysia</i>	1	<i>Highest</i>
5.	4%	<i>Bangladesh</i>	10	<i>Marginal</i>
6.	5%	<i>Egypt</i>	15	<i>Insignificant</i>

It is interesting to note that the countries with the highest Muslim population (e.g., Indonesia, Pakistan, Bangladesh) have developed their IBF sectors more comprehensively than other leading countries like Iran, Saudi Arabia and other important players in the GCC region.

### Countries with Balanced Development in IBF

There are 17 countries with balanced developments in the IBF sector. A country is categorised as the one with balanced development in IBF if standard deviation of the contributions of the composite factors is more than 5% but less than or equal to 10%.

Table 7 presents the countries with balanced development separately. The remaining 25 countries have skewed development in their IBF sectors.

Table 7:  
THE COUNTRIES WITH BALANCED DEVELOPMENT IN IBF SECTORS

	STANDARD DEVIATION OF CONTRIBUTIONS OF THE CONSTITUTING FACTORS	COUNTRIES	IFCI RANK	GLOBAL IMPORTANCE
7.	6%	<i>Iran</i>	2	<i>Exceptional</i>
8.	6%	<i>Saudi Arabia</i>	3	<i>Exceptional</i>
9.	6%	<i>Kuwait</i>	5	<i>Significant</i>
10.	6%	<i>Bahrain</i>	8	<i>Moderate</i>
11.	6%	<i>Qatar</i>	9	<i>Moderate</i>
12.	6%	<i>Lebanon</i>	22	<i>Insignificant</i>
13.	7%	<i>UAE</i>	4	<i>Significant</i>
14.	7%	<i>Brunei Darussalam</i>	14	<i>Insignificant</i>
15.	7%	<i>Kazakhstan</i>	24	<i>Insignificant</i>
16.	8%	<i>Turkey</i>	13	<i>Insignificant</i>
17.	8%	<i>Jordan</i>	12	<i>Marginal</i>
18.	8%	<i>Nigeria</i>	23	<i>Insignificant</i>
19.	8%	<i>Mauritius</i>	45	<i>Insignificant</i>

	STANDARD DEVIATION OF CONTRIBUTIONS OF THE CONSTITUTING FACTORS	COUNTRIES	IFCI RANK	GLOBAL IMPORTANCE
20.	9%	<i>Palestine</i>	36	<i>Insignificant</i>
21.	10%	<i>UK</i>	17	<i>Insignificant</i>
22.	10%	<i>Yemen</i>	25	<i>Insignificant</i>
23.	10%	<i>South Africa</i>	26	<i>Insignificant</i>

### IFCI and Macroeconomic Indicators

There are only 14 countries in the world, which are playing some significant role in the global Islamic financial services industry. These are separately listed in Table 8, with their geographical location, and some basic information on their demographics and economies.

The sample of leading countries in IBF is a mixed bag, including relatively developed countries like Malaysia, the countries in the highest per capita income bracket (e.g., Qatar), and those falling in the list of the countries with the poorest populations (e.g., Bangladesh). This is both a good news and a bad news. It is good because it shows that IBF can work in all environments and can serve all segments of the societies. The other side of the coin may reveal, however, that IBF has not contributed to national socio-economic agendas, as there is no systematic relationship between the degree of economic development and the incidence of IBF. At least the limited data at hand does not suggest so!

Table 8:  
LEADING COUNTRIES IN IBF: IFCI AND MACROECONOMIC INDICATORS

COUNTRIES	IFCI SCORE	IFCI RANK	POPULATION	GDP <sup>1</sup>	GDP PER CAPITA <sup>2</sup>	IFCI SIGNIFICANCE
			(MILLION)	(US\$ BILLION)	(US\$)	
MALAYSIA	81.01	1	32.04	926.1	28,900	Highest
IRAN	79.01	2	82.01	1,631	20,000	Exceptional
SAUDI ARABIA	66.66	3	33.55	1,789	55,300	Exceptional
UAE	39.78	4	9.54	691.9	68,200	Significant

COUNTRIES	IFCI SCORE	IFCI RANK	POPULATION	GDP <sup>1</sup>	GDP PER CAPITA <sup>2</sup>	IFCI SIGNIFICANCE
			(MILLION)	(US\$ BILLION)	(US\$)	
KUWAIT	37.67	5	4.20	302.5	69,700	Significant
INDONESIA	24.13	6	266.79	3,243	12,400	Moderate
PAKISTAN	24.01	7	200.81	1,056	5,400	Moderate
BAHRAIN	22.35	8	1.57	69.77	51,800	Moderate
QATAR	20.01	9	2.69	341.7	124,900	Moderate
BANGLADESH	17.78	10	166.37	686.5	4,200	Marginal
SUDAN	17.09	11	41.51	186.8	4,600	Marginal
JORDAN	13.01	12	9.90	89.05	12,500	Marginal
TURKEY	13.01	13	81.91	2,133	26,500	Marginal
BRUNEI DARUSSALAM	10.11	14	0.43	32.91	76,700	Marginal

**Source: Edbiz Consulting, Global Peace Index 2017**

<sup>1</sup> Purchasing Power Parity (PPP) estimates quoted in CIA Factbook

<sup>2</sup> Purchasing Power Parity (PPP) estimates quoted in CIA Factbook

**Note:**

As population figures and GDP statistics come from two different estimates, GDP per capita figures should not be confused by dividing the quoted GDP by population statistics above.

### IFCI and Islamicity

Economist Hossein Askari popularised an Islamicity Index, which is now produced under Islamicity Foundation<sup>2</sup>. This year, we thought of presenting a comparison between IFCI and Islamicity Index for which the data is available only till 2016. Although limited in scope, the comparison should indicate similarities or differences between the two indices.

Table 9 compares the values of IFCI for 2018 with those of Islamicity Index for the year 2016. It is interesting to note that the top country on IFCI, i.e., Malaysia, is 41st on the Islamicity Index. Switzerland, is Number 5 (the highest position attained by a country on Islamicity Index, which is also ranked under IFCI). Switzerland is 27th on the IFCI ranking.

Our analysis suggests that there is no clear correlation between the two indices, with very high standard deviation between the two indices (11.3%).

2. See <http://www.islamicity-index.org>.

Table 9:  
IFCI AND ISLAMICITY INDEX COMPARED

COUNTRIES	IFCI	IFCI 2018 RANK	ORIGINAL ISLAMICITY INDEX RANK	ISLAMICITY INDEX RANK FOR THE SAMPLE
	2018		2016	
MALAYSIA	81.01	1	41	10
IRAN	79.01	2	138	39
SAUDI ARABIA	66.66	3	67	18
UNITED ARAB EMIRATES	39.78	4	43	11
KUWAIT	37.67	5	61	16
INDONESIA	24.13	6	77	21
PAKISTAN	24.01	7	134	37
BAHRAIN	22.35	8	57	14
QATAR	20.01	9	45	12
BANGLADESH	17.78	10	121	35
SUDAN	17.09	11	146	40
JORDAN	13.01	12	69	22
TURKEY	13.01	13	73	24
EGYPT	10.01	15	128	35
OMAN	7.01	16	63	17
UNITED KINGDOM	6.33	17	14	4
SRI LANKA	3.77	18	68	21
UNITED STATES OF AMERICA	3.48	19	17	6
TUNISIA	3.01	20	71	23
KENYA	2.85	21	104	31

COUNTRIES	IFCI	IFCI 2018 RANK	ORIGINAL ISLAMICITY INDEX RANK	ISLAMICITY INDEX RANK FOR THE SAMPLE
	2018		2016	
KENYA	2.85	21	104	31
LEBANON	2.70	22	116	33
NIGERIA	2.34	23	130	36
KAZAKHSTAN	2.12	24	75	25
YEMEN	2.00	25	147	41
SOUTH AFRICA	1.99	26	53	13
SWITZERLAND	1.89	27	5	1
CANADA	1.83	28	16	5
SINGAPORE	1.81	29	22	8
THAILAND	1.71	31	65	19
INDIA	1.29	32	84	27
ALGERIA	1.25	33	120	34
AUSTRALIA	1.23	34	11	3
AZERBAIJAN	1.17	35	89	29
SYRIA	0.88	37	136	38
GERMANY	0.67	38	8	2
FRANCE	0.57	40	20	7
CHINA	0.56	41	87	28
SENEGAL	0.55	42	81	26
THE PHILIPPINES	0.55	43	59	15
GHANA	0.41	44	66	20
MAURITIUS	0.24	45	36	9



COUNTRIES	IFCI	IFCI 2018 RANK	ORIGINAL ISLAMICITY INDEX RANK	ISLAMICITY INDEX RANK FOR THE SAMPLE
	2018		2016	
RUSSIAN FEDERATION	0.22	46	107	32
SPAIN	0.05	47	24	8
MOROCCO	0.01	48	95	30

*Source: Edbiz Consulting, Islamicity Index*

However, it is more meaningful to compare the IFCI ranking of the Muslim countries that are also included in the Islamicity Index. Table 10 provided this comparison. In this case again, the two indices remain uncorrelated, albeit with a smaller standard deviation (4.27%).

**Table 10:**  
**IFCI AND ISLAMICITY INDEX COMPARED FOR A SAMPLE OF MUSLIM COUNTRIES**

COUNTRIES	IFCI	IFCI 2018 RANK	ISLAMICITY INDEX FOR MUSLIM COUNTRIES
	2018	(AFTER DELETIONS)	
MALAYSIA	81.01	1	1
IRAN	79.01	2	22
SAUDI ARABIA	66.66	3	7
UNITED ARAB EMIRATES	39.78	4	2
KUWAIT	37.67	5	5
INDONESIA	24.13	6	12
PAKISTAN	24.01	7	20
BAHRAIN	22.35	8	4
QATAR	20.01	9	3

COUNTRIES	IFCI	IFCI 2018 RANK	ISLAMICITY INDEX FOR MUSLIM COUNTRIES
	2018	(AFTER DELETIONS)	
BANGLADESH	17.78	10	18
SUDAN	17.09	11	23
JORDAN	13.01	12	8
TURKEY	13.01	13	10
EGYPT	10.01	14	18
OMAN	7.01	15	6
TUNISIA	3.01	16	9
LEBANON	2.70	17	16
NIGERIA	2.34	18	19
KAZAKHSTAN	2.12	19	11
YEMEN	2.00	20	24
ALGERIA	1.25	21	17
AZERBAIJAN	1.17	22	14
SYRIA	0.88	23	21
SENEGAL	0.55	24	13
MOROCCO	0.01	25	15

*Source: Edbiz Consulting, Islamicity Index*