



STELLA COX CBE

Managing Director, DDCAP Group™

DDCAP Group™ (DDCAP) is, once again, honoured to be a Strategic Partner of the highly esteemed Global Islamic Finance Report, the oldest yearbook in Islamic banking and finance. Published by Cambridge Institute of Islamic Finance and produced by Cambridge IFA, the 2021 Global Islamic Finance Report marks the 12th year of its annual release. We value the opportunity to support these respected organisations in furtherance of this prestigious report which, after more than a decade, continues to play a vital role in providing Islamic financial intelligence to all industry participants.

Throughout the years of our Strategic Partnership, Cambridge IFA and DDCAP have worked together supporting, promoting and advocating the Islamic banking and finance industry. Our organisations have been at the forefront of policy development through collaboration on projects such as this Global Islamic Finance Report. As our valued partnership has flourished, together we have supported the Islamic finance industry to achieve several strategic objectives with regard to the empowerment of women, leadership development and in the dissemination of authentic Islamic financial intelligence.

We look forward to working with Cambridge IFA in the years to come as our industry pivots to addressing the needs of people and planet, mobilising financing to enable the transition to a lower-carbon economy and in the furtherance of preserving the natural environment and biodiversity. We have achieved much together and look forward to the work to come.

As the 12th annual Global Islamic Finance Report 2021 is launched at the Indonesia Sharia Economic Festival 2021, in Jakarta, Indonesia, we congratulate Cambridge Institute of Islamic Finance, Cambridge IFA and Professor Humayon Dar, as Founder & Managing Editor, on this outstanding achievement.



PROFESSOR HUMAYON DAR PhD (CANTAB)

Director General, Cambridge Institute of
Islamic Finance

Founder & Managing Editor of Cambridge
Global Islamic Finance Report

Martin Luther King Jr. is believed to have said, “If you can’t fly, then run. If you can’t run, then walk. If you can’t walk, then crawl, but by all means, keep moving.” We have done all these but in the reverse order. When we started Global Islamic Finance Report in 2010, it was certainly a good move, as it was beginning of a new tradition in Islamic financial intelligence. Since then, many other reports have emerged, but they will always be considered to have followed the GIFR tradition that started in 2010. We have since then crawled, walked, run, and have now started flying in great colours. The current edition of the report is certainly consistent with the high standards it has set for itself.

This has certainly happened with the support of scores of individuals and numerous organisations. The success of Global Islamic Finance Report is, therefore, their success. In this respect, National Commercial Bank (now renamed as Saudi National Bank), Dubai Islamic Bank, CIMB Islamic, Finance Accreditation Agency, Khazanah Nasional Berhad and Bank Syariah Mandiri (now renamed as Bank Syariah Indonesia) must be named and acknowledged for their great support.

This is the second consecutive year that we have managed to publish Cambridge Global Islamic Finance Report (Cambridge-GIFR) amidst the ongoing global pandemic. This is an impressive achievement on part of all those who contributed to the timely publishing of the report. While other organisations – some of them otherwise generously endowed with the human resources – have failed to deliver on numerous projects, Cambridge Institute of Islamic Finance (Cambridge-IIF) and its associates have once again shown their resolve to continue to advocate for Islamic banking and finance through thick and thin, whether working from home or in traditional work environments.

The main theme of the report – Islamic Finance in a Post-COVID World – is timely. This follows our last year’s theme of “Islamic Finance for Socio-economic Inclusion and Sustainable Development.” It is a widely held belief that the post-COVID world would not be the same. Islamic banking and finance, therefore, will have to adapt itself to the changes not only in the financial markets but also in the general economic behaviour of various players on both the demand and supply side. In this respect, technology is going to play an even bigger role. Consequently, the nature of banking and finance – and even the treatment of money and its forms – must also change for it to remain relevant to the needs of the modern times.

Cambridge-GIFR 2021 makes this point aptly. We sincerely hope that the contents of this report will serve as guiding principles for those who would like to learn from the irreversible changes in the markets and economies, and accordingly change their business models for the benefit of all the stakeholders.

The previous editions of Cambridge-GIFR focused on an annual theme, including:

1. Size and growth of the Islamic financial services industry
2. Regulation of Islamic financial services
3. Islamic philanthropy and social responsibility
4. Islamic finance and halal industry
5. Human resource development for Islamic banking and finance
6. Leadership in Islamic banking and finance industry
7. Islamic financial policy
8. Leadership in Islamic banking and finance
9. Global Islamic economy and Islamic finance
10. Artificial intelligence and innovation in Islamic finance
11. Islamic finance for socio-economic inclusion and sustainable development

This year's report is jointly produced by Cambridge-IIF and Ajman University Center for Excellence in Islamic Finance, while Minhaj University Lahore has served as Special Knowledge Partner for the third consecutive year. With the increase in partnerships the project now benefits from, and with an ever-increasing quality of the content, the Cambridge-GIFR continues to be a global opinion-maker in favour of an authentic version of Islamic banking and finance. Encouraged by the success of these partnerships, we shall extend the scope of such partnerships for future editions of the report.

As this has always been an industry-building project, GIFR 2021 is supported by DDCAP Group and Qatar Financial Centre.

This year's report will certainly be treated as a treatise on the topic, with contributions from some of the most respected personalities in Islamic banking and finance. In particular, the chapters by Professor Tariqullah Khan and Dr Mohammed Obaidullah are very thought-provoking with future directions of the global Islamic financial services industry. I am also thankful to all other contributors who have shown their full commitment to the promotion of Islamic banking and finance. As the list of the previous contributors, first time included in this edition of GIFR, suggests, more than 100 industry leaders have contributed to the last eleven annual editions of the report. Without their support, it would have certainly been not possible to publish it on an annual basis.

Our Islamic Finance Country Index (IFCI) remains a hallmark of the report. As Chapter 2 presents, various countries have moved up and down the ranking over the last 10 years. In this respect, Indonesia has emerged as a serious player in the global Islamic financial services industry. While various factors have contributed to the success of Indonesia, it cannot be denied that the visionary leadership of President Joko Widodo played an important role in this respect.

As the Founding Editor-in-Chief and Managing Editor of this year's report, I would like to encourage libraries around the world to subscribe to all the 12 annual editions of GIFR, as they individually and jointly must serve as great reference point for researchers in the field of Islamic economics, banking and finance.

Before the COVID-19, GIFR was ably produced by our previous Editor-in-Chief, Dr Sofiza Azmi, whose contribution to the success of the report was invaluable. This publication has certainly been not what it has become today without her dedicated efforts to make GIFR an iconic publication in Islamic banking and finance.

At the end, I would like to extend my sincere thanks to the Government of Indonesia, especially Bank Indonesia, for its support to launch the report at the Indonesia Shari'a Economic Festival (ISEF), where President Joko Widodo will officially launch it for the benefit of the global Islamic financial services industry.



DR ADNAN AZIZ

Founding Director, Ajman University Centre for Excellence in Islamic Finance (AU-CEIF)

Editor-in-Chief of Cambridge Global Islamic Finance Report (GIFR)

As Editor-in-Chief of GIFR 2021, I am pleased to present to you the GIFR 2021. The theme for GIFR 2021 has been set as “Role of Islamic Finance in a Post-COVID World”. This theme was chosen to highlight and discuss the role of Islamic finance during and after the COVID-19 crisis, and in the timely achievement of the UN’s Sustainable Development Goals (SDGs).

This theme is not only relevant to the timely achievement of the UN’s SDGs but also a must for sustainability of Islamic banking and finance (IsBF) in the longer term. I am sure that GIFR 2021 will give the readers yet another opportunity to benefit from the scholarly and informed positions of a multitude of contributing experts in the field. I am equally confident that the following brief on each chapter of GIFR shall entice your intellectual impulse and you would want to delve deeper into the reading of chapters in full.

Chapter 1 provides an overview of major developments in IsBF, amidst the ongoing COVID-related pandemic. It notes that the IsBF market remains healthy and the growth of Islamic AUM has started picking up, despite tough conditions in the markets. To maintain the momentum, however, a shift away from Islamic banking sector (in favour of other industry segments) is required. Islamic social finance may prove to be a viable contender to spur further growth in IsBF.

Chapter 2 is the GIFR’s long-celebrated hallmark – Islamic Finance Country Index (IFCI). IFCI is the first ever multivariate analysis employed to rank about 50 countries with respect to the state of affairs of IsBF and their leadership role in the industry on a national and international levels. This year’s IFCI is based on our 2011 index, with two major adjustments in the Methodology over the last 10 years. It uses data on the constituent factors for the year 2020 – the most recent data available at the time of analysis. To understand the methodology completely, GIFR strongly recommend to the readers to consult previous editions of GIFR. An update on the methodology is included in Chapter 2, however. In GIFR’s view, IFCI remains the most robust measure of state of IsBF in the countries included therein.

The brainchild of Dato' Abu Ubaidah Kemin, Gold-Based Productive Waqf Model is described in Chapter 3 by Dato', Dr Meera and Dr Raheem. The chapter argues that while it is an ardent desire of many Muslims to witness the realization of a true Islamic economy that is benevolent to the community, the success of IsBF has not necessarily translated into uplifting society's socio-economic standards. In addition, the current financial systems have rendered economies and the environment unsustainable. Therefore, the need arises to look beyond traditional financial institutions and economic models to seek a sustainable and equitable system that will benefit all community sections. Towards this end, this chapter proposes an innovative waqf economy model that is being practiced in South East Asia and which is claimed to be capable of rendering that pristine Islamic economics and social system that is aspired.

In Chapter 4, Dr Obaidullah talks about potential applications of digital technology in Islamic social finance (IsSF). Use of digital services has become inevitable for the financial sector to enhance its coverage, especially when governments are promoting financial inclusion. IsSF has the potential to serve the financial inclusion agenda in a complementing and effective manner. Recognizing the importance of potential applications of digital technology in ISF, this chapter does the needful by focusing on potential applications of digital technology on zakat and awqaf, in particular. While a number of interesting dimensions have been discussed, a couple are worth mentioning here. AI can tell us whether or not the individual belongs to one of the eight categories of mustahiq or person eligible to receive zakat in the eyes of Shari'a. Similarly, a "smart ijara" or operating lease contract – that uses the blockchain and automates the periodic payment streams as well as reversion of leased assets to the waqf at the end of the lease period – could be a self-paying and self-executing instrument.

Through Dr Khan's contributed Chapter 5, GIFR 2021 provides a framework for the evolution of a coherent climate policy landscape in Islamic finance. More specifically, this chapter shows how climate change is perceived as the top substantial risk to the world economy and how post-COVID-19 green economic transformation (GET) can help achieve high human development. The chapter argues that the Islamic finance architecture and infrastructure must play a leading role in the movement of responsible and sustainable finance contribution.

Chapter 6 outlines opportunities to align the practice of IsBF with SDGs, in a Post-COVID world. Jointly contributed by Dr Shah, Dr Siddique, and Dr Abdul Rashid; the chapter explores SDG-aligned Islamic finance opportunities with a view to providing a relief to those affected by COVID in particular. This chapter's main objective is to draw attention of the policymakers in understating the role Islamic finance can play in achieving the SDGs within the framework of Islamic economics.

Contributed by Mr Muruven of WWF and Dr Aziz of AU-CEIF, Chapter 7 argues that very strong and sustainable synergies exist between IsSF and Bankable Nature Solutions (BNS). Building on the track record and specialised expertise of consortium members of Dutch Fund for Climate and Development (DFCD), chapter reflects on the informed potential and intended plan for creation and launch of Islamic Fund for Climate and Development (IFCD) to showcase to and encourage Islamic finance stakeholders globally to include IsSF and BNS in their core scheme of future plans.

Contributed by Islamic Philanthropy Unit of UNHCR, Chapter 8 demonstrates as to how can IsSF achieve the SDGs in reality – this is done by learning from UN's own experience in the space of IsSF. However, it is acknowledged that the experience of UN agencies is still at the early stages, but the potential is immense for IsSF to create a real impact of social good across global communities in line with SDGs.

Contributed by Ms Hadiningdyah of the Ministry of Finance of Indonesia, Chapter 9 gives insights into the market leading role played by Indonesia's Sovereign Sukuk in a post-COVID-19 environment. It notes, for example, that the Retail Green Sukuk reached more than 24,000 individual investors from all provinces in Indonesia, the majority is millennial. Similarly, the 3G Best Green Initiative of the Year 2020 from Cambridge IFA was a testimony to the government's excellence in using green sukuk.

Chapter 10 provides an account of Indonesian experience of Islamic economic development. Shared by Bank Indonesia team, chapter draws relevance of moral values and halal sectors in an Islamic economy using the post-COVID policy of Bank Indonesia. In support of its policy and impact, chapter notes that there are more than 4,000 Islamic microfinance institutions following different microfinance business models, and that the Islamic social finance sector includes more than 500 Islamic social fund Institutions.

Chapter 11, contributed by Mr Shaukat, focuses on the role of risk-sharing Islamic finance in a post-COVID world. Chapter stresses that one of the strongest arguments in favour of globalization and ensuing multipolarity was improved risk sharing that would result from intensified human interaction across the world. However, it appears that the contribution of the present configuration of the Islamic finance industry to the growth of the real sector has fallen well short of expectations so far. It is argued that FinTech-driven version 2.0 of Islamic finance offers to reframe Islamic finance practice as per its original submitted mandates that currently are in an automatic match to UN SDGs.

There is more one can talk about from various contributions in the report. I would, however, let you enjoy reading rest of the report on your own.



DR HUSSAIN MOHI-UD-DIN QADRI

Deputy Chairman Board of Governors,
Minhaj University Lahore, Pakistan

Minhaj University Lahore, a chartered university, has been progressing on skills and training-based quality education. The university has several academic and allied blocs providing students with the facilities to ensure their participation in extra-curricular, co-curricular, and sports activities. A good number of research and state-of-the-art science labs are completely enriched with latest apparatuses and science instruments. Amidst the Pandemic, MUL attained a reputed position among top institutions of Pakistan in providing standard online education to students with fully trained faculty.

The mission of Minhaj University Lahore is to nurture the students in actualising their potential for intellectual and human development with exposure to new ideas and critical ways of thinking and learning. Future leaders need to be nurtured to be tolerant, humane, and productive beings to make a positive contribution to the nation and the international community. We believe that our students' character and attitude reflect their education. We are committed to creating a conducive learning environment that enables our students to embark on a journey of intellectual, social, spiritual and personal transformation. We will ensure that our alumni benefit society on a local, national and global scale. The university's unique system of education and training will offer a source of strength.

As Prof. Dr Muhammad Tahir ul Qadri aptly said, "Education is not meant to earn money but to create righteous humans with symbolic knowledge and sound characters". Indeed today, Minhaj University Lahore will be the natural reflection of Aligarh University, where students besides degrees are familiarized to serve humanity with the wisdom they earn through Education and Knowledge and securing spiritual altitudes.

Regarding Islamic economics & finance, MUL provides academic as well as practical experience to the students in this domain. Students have opportunities for internships at the university's technology house to create FinTech solutions, at the research centre, ICRIE to gain experience in research, at Al-Mawakhat Microfinance for practical work, and at the Minhaj Halal Pakistan for working on Halal industry.