



*The First Integrated Platform of
Islamic Economy for Global Competitiveness*

Strengthening National Economic Growth

**The Creation of Halal Value Chains
& Innovative Vehicles**

Has Islamic Finance Developed on Track to Strengthen Quality Economic Growth?

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Indonesia Shari'a Economic Festival 2018

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Has Islamic Finance Developed on Track to Strengthen Quality Economic Growth?

benchmarks:

- track of academics/visionaries
- track of practitioners

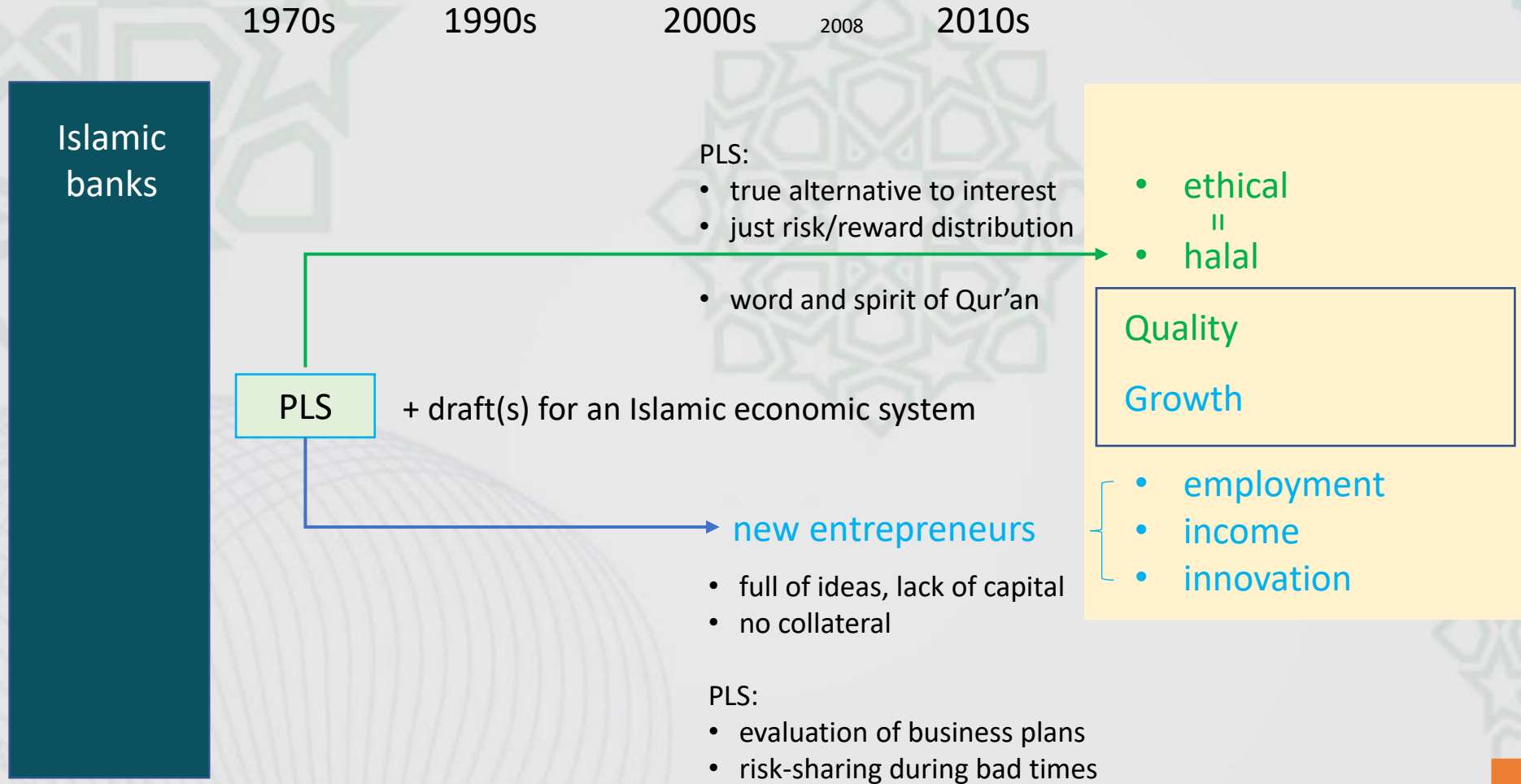
reality:

- track after the GFC (2008-20xx)

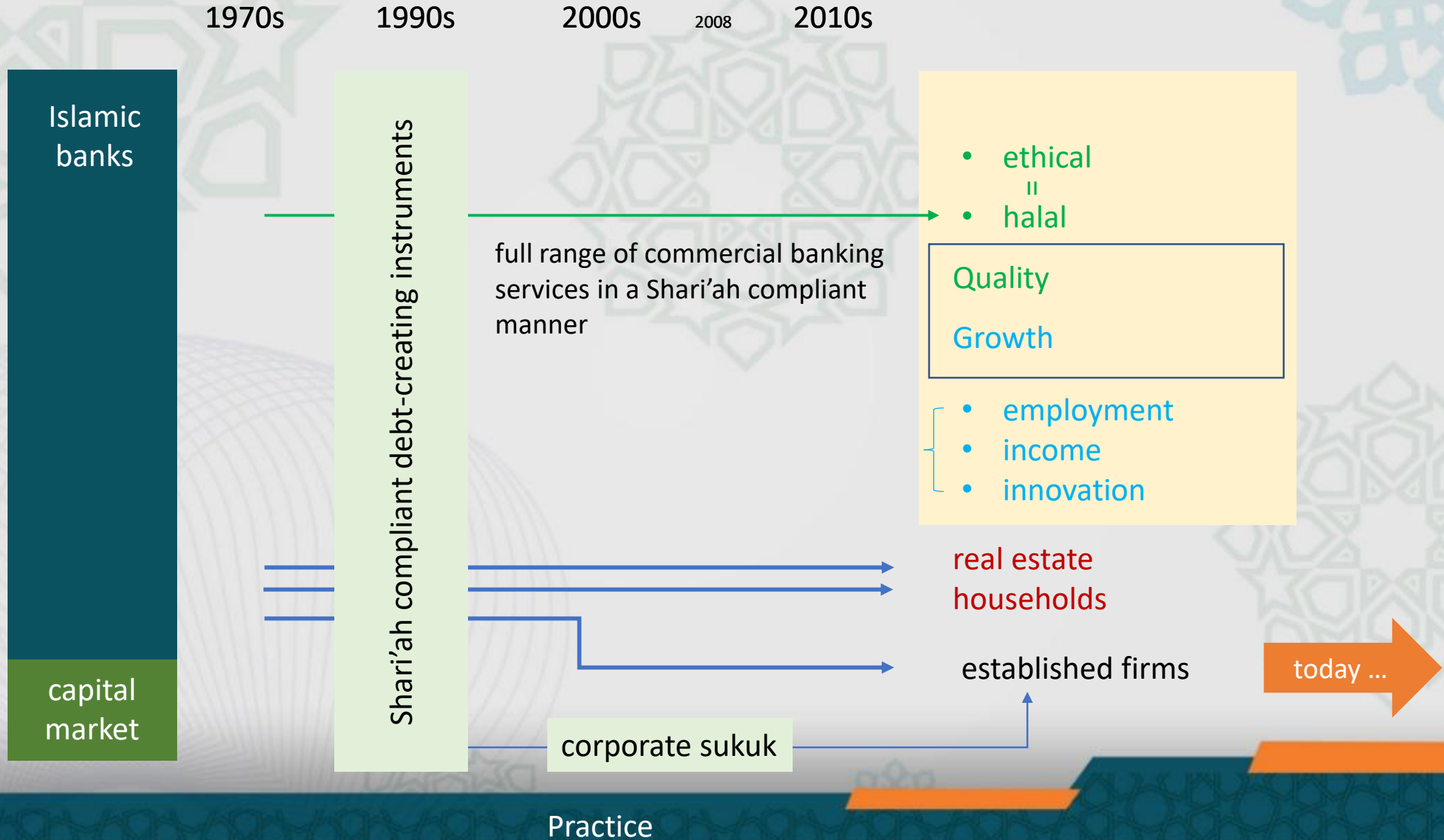
- inclusive
- sustainable
- ethical
- halal

- employment
- income
- innovation

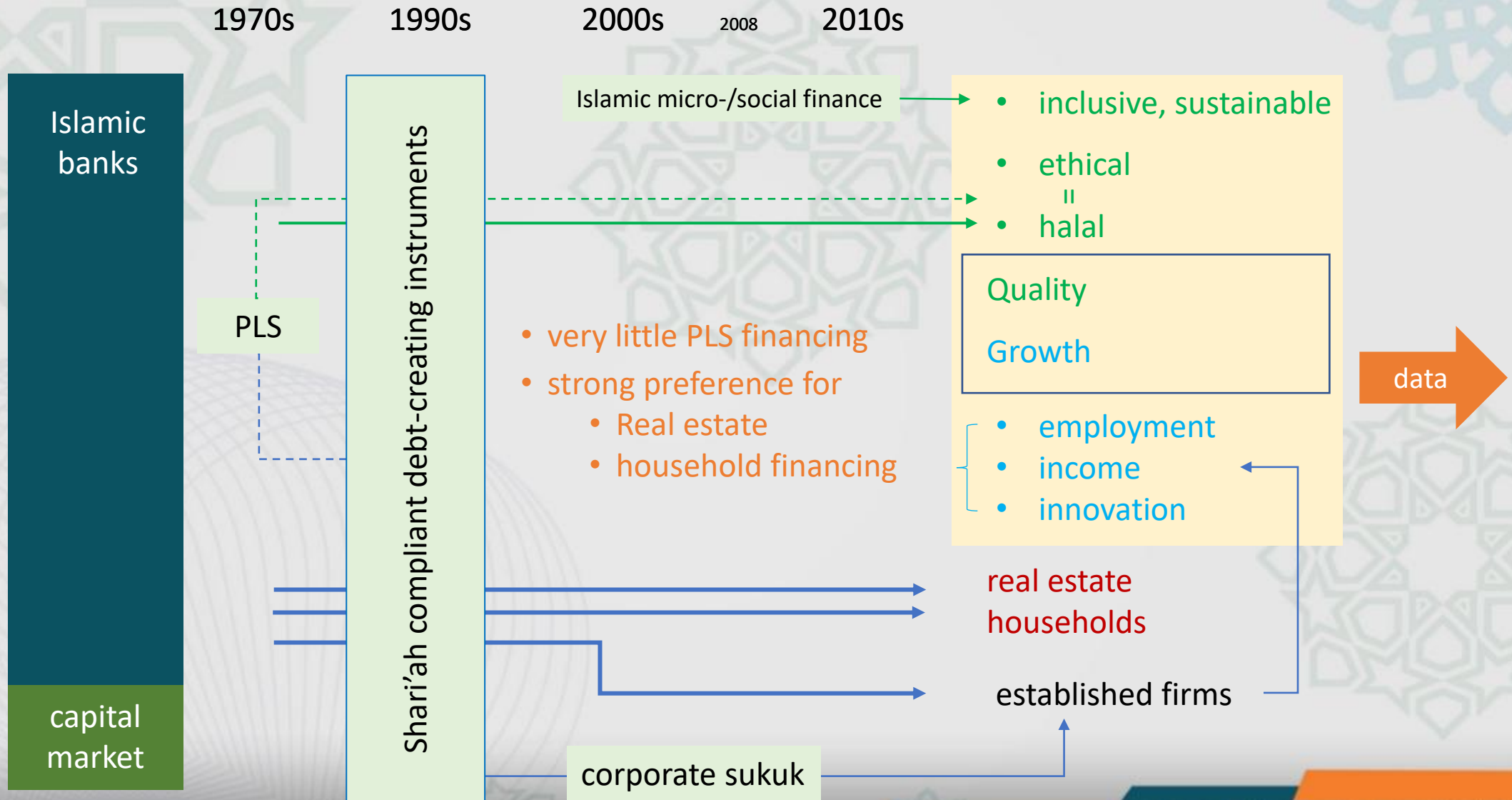
The Track of Academics / Visionaries (1960s-1990s)



The Track of Practitioners (1990s-2010s)



The Track after the Global Financial Crisis (2008-20xx)



The Current State (2018Q2)

Countries with dual banking system		Share of risk-sharing contracts in total financing	
		Banks	Windows
Top 3	Indonesia	31.3%	33.9%
	Pakistan	20.2%	n.a.
	Malaysia	10.1%	(2.1%)
all others		less than 5%	
Average		3.4%	

PLS is dwarfed – except for Indonesia and two (of 14) other countries

calculated from IFSB's PSIFIs, data for 2018Q2.

Data cover more than 75% of Islamic banking assets in countries with dual banking systems

Instrument	Share in Total Financing
Murābahah	50.6%
Commodity Murābahah/ Tawwaruq	1.0%
Ijārah / Ijārah Muntahia Bittamlīk	33.4%
Istisnā`	5.2%
Salam	0.4%
Muḍārabah	0.2%
Mushārahah	3.1%
Diminishing Mushārahah	3.7%
Wakālah	0.7%
Qarḍ Hassan	0.3%
Others	1.3%

This table probably underestimates commodity murabahah/ tawwaruq (and overestimates the share of 'true' murabahah) because commodity murabahah/tawwaruq is composed of two murabahah contracts of which only one (the sale of a liquid asset to the customer) affects the balance sheet of the Islamic bank and may be reported as murabahah.

The Current State (2018Q2)

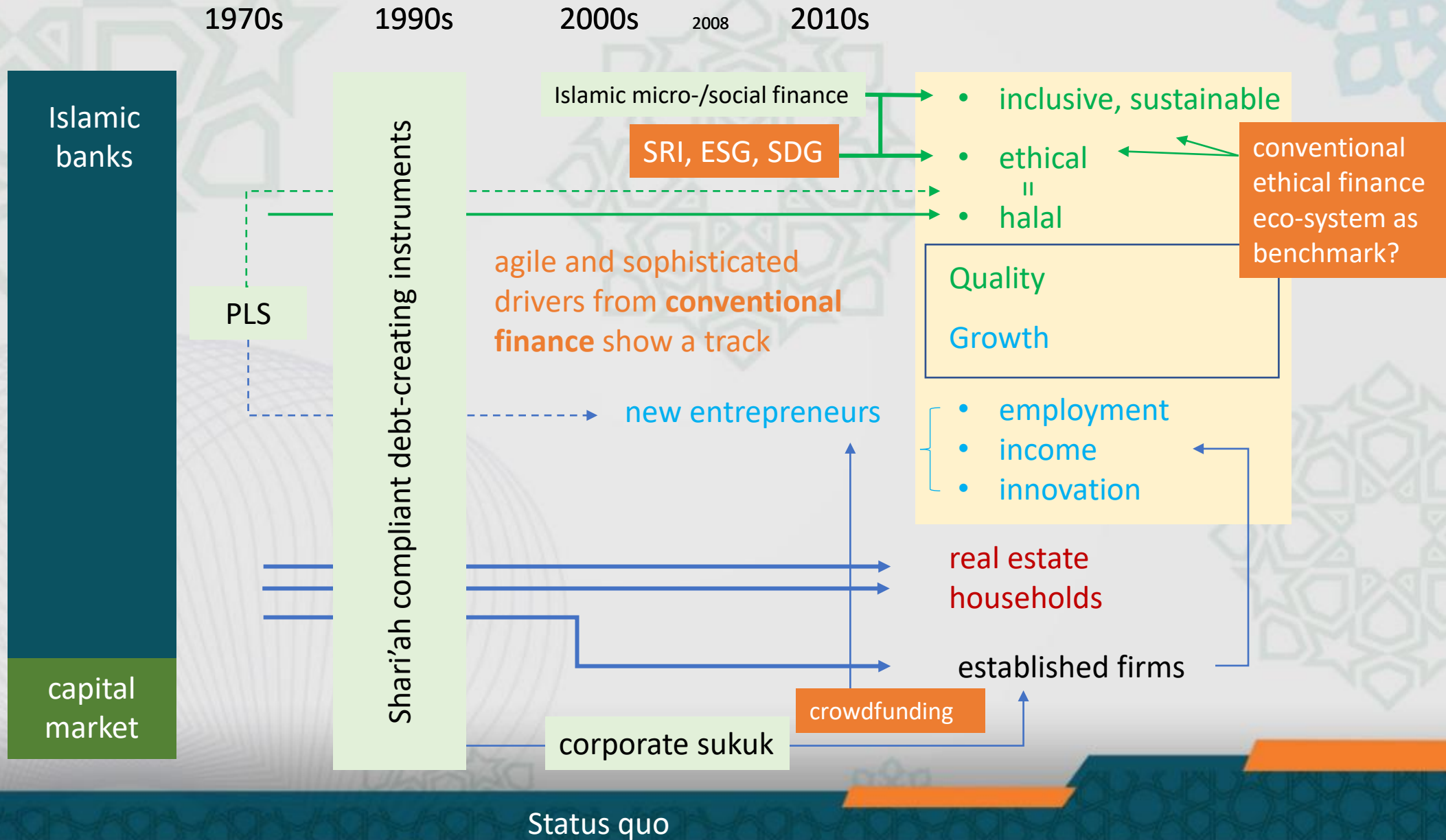
Countries with dual banking system		Share of financing of manufacturing in total financing	
		Banks	Windows
Top 3	Pakistan	66.5%	n.a.
	Bangladesh	36.4%	31.9%
	Egypt	16.3%	-
...	
Indonesia		8.6%	5.8%
Average		4.8%	

manufacturing rather neglected

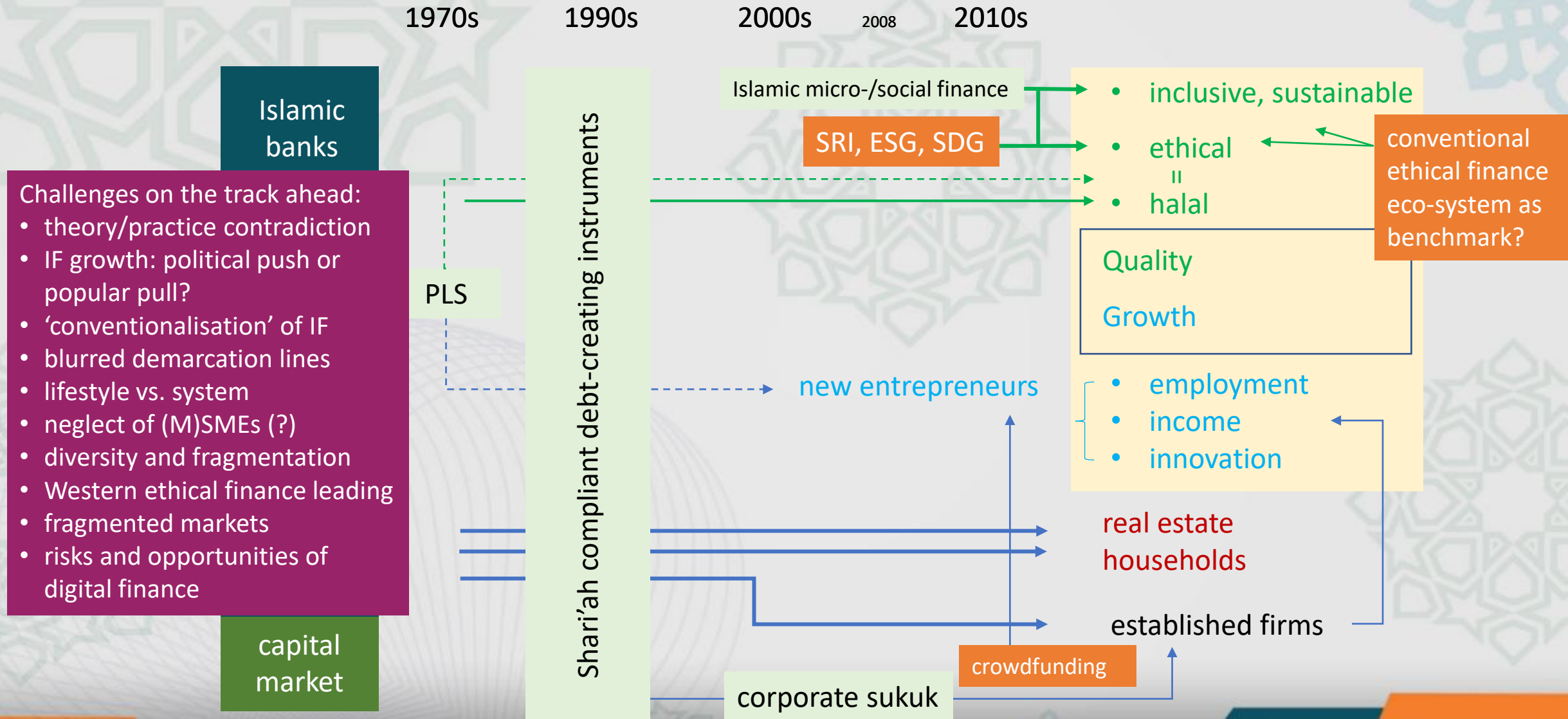
Countries with dual banking system		Share of financing of real estate & households	
		Banks	Windows
Top 3	UK	76.6%	-
	Saudi Arabia	64.8%	40.3%
	Malaysia	63.8%	16.3%
...	
Indonesia		40.0%	52.3%
Average		26.8%	

preference for real estate (residential & commercial) and household financing with limited growth impact

The Track Ahead (2019-20xx)



The Track Ahead (2019-20xx)



Tomorrow?