



# **The Islamic Finance Industry Database for OIC Member Countries**

**Consultative Meeting  
On Developing Islamic Finance Industry Database  
for OIC Member Countries**

**24 September 2017      Mugla-Turkey**

**SESRIC**

# AGENDA

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✓ Objective and Rationale for OIC Islamic Finance Industry Database Project

✓ What has been done so far?

✓ Results of the Stakeholders Meeting

✓ Project Document on Islamic Finance Industry Database

✓ *Possible Challenges When Constructing the Database*

✓ Survey on Islamic Finance Industry Database Project

✓ The Way Forward

# RATIONALE OF THE PROJECTS

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Issues related to existing databases: limited coverage, lack of consistency, gap in time series

Lack of coordination and harmonization on Islamic finance indicators

Need for data that is readily accessible, user-friendly, consistent and comparable across countries for research, policy formation and decision making and strategy development



Islamic finance is both the concern and challenge of Muslim communities in the World; hence the problems of data issues of this niche area should be prioritized and handled especially by Muslim countries and OIC

# OBJECTIVES OF THE PROJECT

*Design of a survey/database template to be sent to OIC member countries to collect Islamic finance industry data*

**Global  
Islamic  
Banking  
Database**

**Global Islamic  
Capital Markets,  
Sukuk & Syndicated  
Lending Database**

**Global Takaful  
Database**

**Database for Non-Bank Islamic  
Finance Channels**



# WHAT HAS BEEN DONE SO FAR?

- A Stakeholders Meeting was organized at World Bank – IMF Meetings in October 2016
- A Project Document (existing data practices of some major OIC countries) was prepared
- Project Governance Mechanism and a list of possible variables for inclusion in the Database were proposed.
- A Survey was designed and distributed among OIC countries to get insight about Islamic finance data collection practices



# Stakeholders Meeting at World Bank – IMF Meetings in October 2016

In order to discuss the project fundamentals, a stakeholders meeting was organized in Washington DC, during the IMF – World Bank Annual Meetings, in October 2016.



# What has been discussed at the Stakeholders Meeting?

*The relevance and the context of the project*

*Project feasibility & methodology*

*Indicators that should be included within the database*



*How to proceed given existing issues and challenges*

*Existing data collection & compilation practices in OIC countries*

# Recommendations of the Stakeholders Meeting

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- *SESRIC* is a relevant party to lead this project
- More reasonable to start with banking sector
- Need to persuade national authorities in each respective sector of Islamic finance industry
- Need for the development of a conceptual framework and a template as one of the ultimate goal of the project
- Information in three respective headings; monetary, stability, and development indicators
- To reach at least the policy level data at the national level



# Recommendations of the Stakeholders Meeting

## ➤ A Project Document to be prepared:



to determine the gaps in the existing Islamic finance databases, data collection and dissemination practices

to analyze the strategy to follow to establish the conceptual framework and the proper governance structure for the project

to determine a proposed set of priority variables under the monetary, stability, and development indicator categories

# Recommendations of the Stakeholders Meeting

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➤ A two-level governance structure composed of;

**ADVISORY BOARD**

Including representatives from relevant institutions



**TECHNICAL  
TEAM(S)**

To work on data and outreach aspects of the Project

# Recommendations of the Stakeholders Meeting

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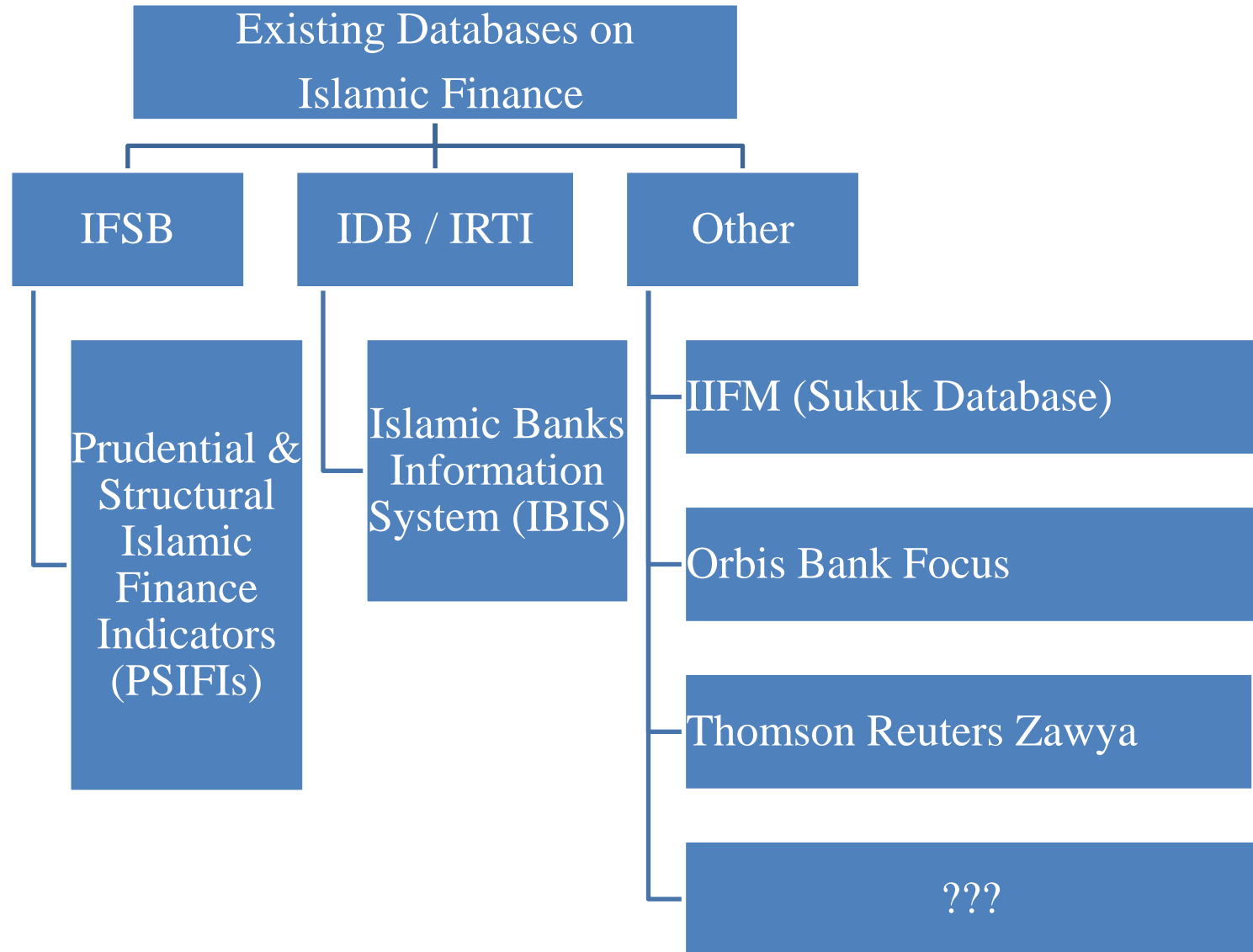
- To leverage the existing international and compliance with the existing international standards
- Having OIC on board
- Collaboration with stakeholders

# Project Document on Islamic Finance Industry Database

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- ✓ Fundamentals, principles and contract types in Islamic finance
- ✓ Overview of Islamic finance activities in OIC countries
- ✓ OIC Islamic finance industry database project
- ✓ Analysis of existing databases for Islamic finance industry
- ✓ Analysis of existing data collection practices on Islamic finance activities in selected OIC countries
- ✓ Evaluation of the existing Islamic finance industry data practices of selected OIC countries
- ✓ Challenges and a strategic roadmap proposal for constructing OIC Islamic finance industry database
- ✓ Proposed set of priority indicators for the construction of the ultimate conceptual framework for the database

# Project Document on Islamic Finance Industry Database



# Project Document on Islamic Finance Industry Database

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## Analysis of existing data collection practices on Islamic finance activities in selected OIC countries - Methodology

- The analysis covers ten selected OIC countries holding more than 94% of Islamic finance assets, namely;
  - *Bangladesh, Bahrain, Indonesia, Iran, Kuwait, Malaysia, Qatar, Saudi Arabia, Turkey, and United Arab Emirates (UAE)*
- Existing publicly available data and documents are analyzed

# Project Document on Islamic Finance Industry Database

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## Analysis of existing data collection practices on Islamic finance activities in selected OIC countries - Methodology

- The information on the websites and reports are used for analysis provided by regulatory and supervisory authorities of
  - Islamic banking
  - Takaful sector
  - Capital market institutions
  - Other Islamic finance institutions

# Project Document on Islamic Finance Industry Database

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## Analysis of existing data collection practices on Islamic finance activities in selected OIC countries - Methodology

- A checklist is composed including the availability of certain data regarding each sector of Islamic finance industry and the main variables for which data is available either in national currency and USD terms



# Project Document on Islamic Finance Industry Database

## *Evaluation of the existing Islamic finance industry data practices of selected OIC countries – Islamic Banking*

- *List and number of Islamic Banks*
- *Total Assets of Islamic Banking Sector*
- *Total Loans extended by Islamic banking sector*
- *Distribution of Loans by type, sector, contract type and maturity*
- *Total Deposits of Islamic banking sector*
- *Distribution of Deposits by type and maturity*
- *Total restricted and unrestricted Investment Accounts*
- *Total Revenues of Islamic banking sector*

- *Amount paid to depositors and investment account holders*
- *Gross Income*
- *Operating expenses*
- *Total Net Operating Income*
- *Net Income*
- *Risk-weighted Capital Ratio / Capital Adequacy Ratio*
- *Total Non-Performing Loans by sector*
- *Sectoral Balance Sheet of Islamic banks*
- *Sectoral Income Statement of Islamic banks*

# Project Document on Islamic Finance Industry Database

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## *Evaluation of the existing Islamic finance industry data practices of selected OIC countries – Islamic Banking*

- Malaysia as the benchmark case (providing all variables)
- Turkey and Indonesia are also disclosing most of the information related to the Islamic banking sectors
- Qatar, Bahrain, and Bangladesh are other good examples

# Project Document on Islamic Finance Industry Database

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## *Evaluation of the existing Islamic finance industry data practices of selected OIC countries – Islamic Banking*

- In some other countries the data publicized by the regulatory institutions does not differentiate between conventional and Islamic banking activities (Kuwait, Saudi Arabia, and UAE)
- In some other countries, the data placed at the website of the regulatory institutions is very restricted and the format is quite different as compared to other practices (Iran)

# Project Document on Islamic Finance Industry Database

## *Evaluation of the existing Islamic finance industry data practices of selected OIC countries – Takaful Sector*

- *Number of Takaful Operators*
- *Total Assets of Takaful Operators*
- *Total Liabilities of Takaful Operators*
- *Gross Contributions*
- *Gross contribution by the type of Takaful*
- *Gross Claims Paid*
- *Net Claims Paid*
- *Total amount of investments*
- *Total Expenses*
- *Claims Ratio*
- *Retention Ratio*
- *Malaysia together with Bahrain emerges again as a benchmark model*
- *Some information is available in case of the UAE*
- *Almost no information is available for other countries*

# Project Document on Islamic Finance Industry Database

## *Evaluation of the existing Islamic finance industry data practices of selected OIC countries – Islamic Capital Markets*

- *Total number of Sukuk issued*
- *Total amount of Sukuk issued*
- *Total amount of outstanding Sukuk*
- *Number of Sharia compliant securities*
- *Market Capitalization of Sharia Compliant Securities*
- *# of Sharia Compliant Funds*
- *Assets under Management of Islamic Funds*

- *Malaysia and Indonesia are 2 good examples for the disclosure of the data on Islamic capital market activities.*
- *As for Turkey, the data disclosure practice seems to be satisfactory.*
- *Saudi Arabia provides data on the Sukuk market*
- *The data disclosure practices are much more satisfactory as compared to Takaful sector*

# Possible Challenges When Constructing the Database

- *Lack of awareness on the necessity of a country-level Islamic finance database across OIC member countries*
- *Differences in the level of development of Islamic finance and its various factors across OIC member countries*
- *Differences in the level of development of Islamic finance industry across countries*
- *Lack of uniform Islamic finance data disclosure practices and formats*
- *Capacity gaps and legal constraints related to Islamic finance data collection, compilation, dissemination and disclosure practices in OIC member countries*

# Possible Challenges When Constructing the Database

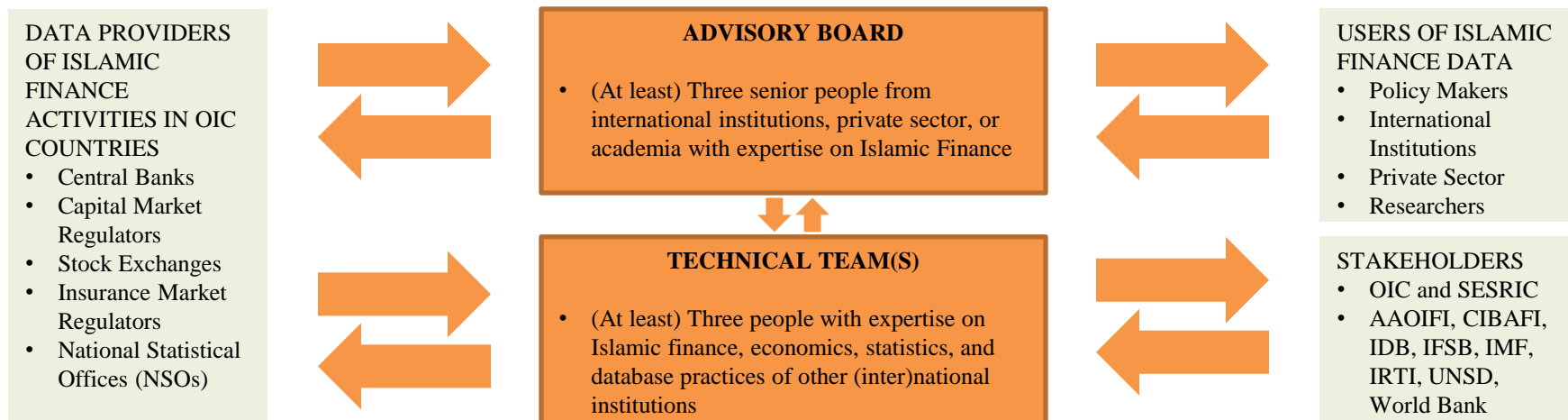
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- *Difficulties in establishing and sustaining the communication and collaboration with local regulatory and supervisory authorities*
- *Inadequate level of coordination and collaboration with international institutions relevant to the project*
- *Technical issues considering the periodicity and currency unit for the database*
- *The longevity of the project and sustainability of resources*

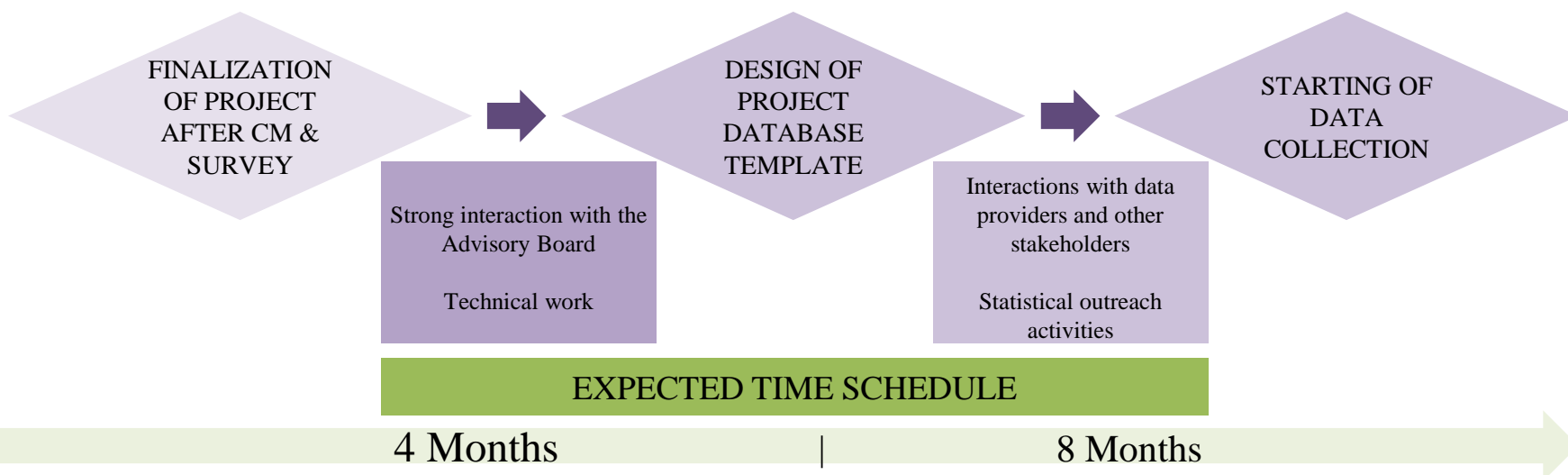
# Project Document on Islamic Finance Industry Database

## Strategic Roadmap Proposal

### PROJECT GOVERNANCE



### PROJECT EXECUTION





# Project Document on Islamic Finance Industry Database

*Proposed set of priority indicators for the construction of the ultimate conceptual framework for the database*

	<i>Sectoral Development Indicators</i>	<i>Monetary Indicators</i>	<i>Stability Indicators</i>
<i>Islamic Banking</i>	<i>16 variables</i>	<i>29 variables</i>	<i>21 variables</i>
<i>Takaful Sector</i>	<i>5 variables</i>	<i>9 variables</i>	<i>3 variables</i>
<i>Sukuk Market</i>	<i>24 variables</i>	<i>20 variables</i>	-
<i>Islamic Asset Management</i>	<i>22 variables</i>	<i>5 variables</i>	-
<i>Other IF Institutions</i>	<i>9 variables</i>	-	-

# Survey on Islamic Finance Industry Database Project

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## *What is asked?*

### *Part I: Country Diagnostics – 24 questions in total*

- *Does your country collect, compile, and disseminate any data on Islamic Banking and Finance Statistics?*
- *Names of relevant agencies or institutions*
- *Challenging and/or preventing factors (8 Likert scale questions)*
- *Some questions on the size of the Islamic banking, capital market and takaful sectors*

# Survey on Islamic Finance Industry Database Project

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## *What is asked?*

### *Part I: Country Diagnostics – 24 questions in total*

- *Some questions to gather opinions regarding the importance of various aspects of Islamic finance data collection practices*
- *Listing of recent developments in Islamic finance sector*

# Survey on Islamic Finance Industry Database Project

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## *What is asked?*

### *Part II: Data collection, compilation and disclosure practices in OIC countries – 30 questions in total*

- *Following questions are asked related to Islamic Banking, Islamic capital markets, Asset management, Takaful, Islamic non-bank financial institution*
  - *Availability a specific formal financial accounting and reporting framework for the specific Islamic finance sector and its level of compliance with international standards*

# Survey on Islamic Finance Industry Database Project

## *What is asked?*

### *Part II: Data collection, compilation and disclosure practices in OIC countries – 30 questions in total*

➤ *Following questions are asked related to Islamic Banking, Islamic capital markets, Asset management, Takaful, Islamic non-bank financial institution*

- *Availability of a specific institution that collects information on the specific Islamic finance sector*
- *Whether the data is disseminated*
- *The level of data – institutional or sectoral*

# Survey on Islamic Finance Industry Database Project

## *What is asked?*

### *Part III: Needs assessment of capacity building on Islamic finance industry statistics – 21 questions in total*

➤ *Following questions are asked related to Islamic Banking, Islamic capital markets, Asset management, Takaful, Islamic non-bank financial institution*

- *The availability of training/capacity building being taken from regional/international organizations in terms of Islamic finance statistics*
- *The availability of any need for capacity building on statistics related to Islamic finance sectors*

# Survey on Islamic Finance Industry Database Project

## *What is asked?*

### *Part III: Needs assessment of capacity building on Islamic finance industry statistics – 21 questions in total*

- *Following questions are asked related to Islamic Banking, Islamic capital markets, Asset management, Takaful, Islamic non-bank financial institution*
  - *The internal capacity of the institution or country to provide capacity building on various Islamic finance sectors*

# Survey on Islamic Finance Industry Database Project

*Who is asked and who has responded?*

➤ *The survey is distributed across the NSOs, CBs, MAs, Capital Market and Insurance Sector regulators of 57 OIC member Countries*

<i>Completed</i>	<i>Partially Completed</i>	<i>Not Responded Yet</i>	<i>Time Needed</i>
<i>9 countries</i>	<i>20 countries</i>	<i>26 countries</i>	<i>2 countries</i>



# Survey on Islamic Finance Industry Database Project

## *Some preliminary Results – Part I*

*Does your country collect, compile, and disseminate any data on Islamic Banking and Finance Statistics?*

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
<i>YES</i>	<i>18 countries</i>	<i>75 %</i>
<i>NO</i>	<i>6 countries</i>	<i>25%</i>
<i>TOTAL</i>	<i>24 countries</i>	<i>100%</i>

# Survey on Islamic Finance Industry Database Project

## *Some Preliminary Results – Part II*

*Does your country have a specific formal financial accounting and reporting framework for Islamic banks and Islamic banking windows?*

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
<i>YES</i>	<i>10 countries</i>	<i>42 %</i>
<i>NO</i>	<i>14 countries</i>	<i>58%</i>
<i>TOTAL</i>	<i>24 countries</i>	<i>100%</i>

# Survey on Islamic Finance Industry Database Project

## *Some Preliminary Results – Part III*

*Does your country/institution need capacity building on Islamic Finance sectors?*

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
<i>YES, in all sectors</i>	<i>10 countries</i>	<i>42 %</i>
<i>YES, in some sectors</i>	<i>8 countries</i>	<i>33 %</i>
<i>NO</i>	<i>6 countries</i>	<i>25 %</i>
<i>Total</i>	<i>24 countries</i>	<i>100 %</i>

# The Way Forward

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- Official publication of the Project Document
- Detailed analysis of the survey results after taking responses from more countries which will be included in the Document if relevancy and sufficiency is achieved response-wise.
- Operationalisation of the governance mechanism of the OIC Islamic Finance Industry Database that will be hosted by SESRIC

# The Way Forward

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- Determination of sectoral priorities based on the level of accessibility of data (banking, capital markets, Takaful, etc.)
- Design of the preliminary database format which will include some fundamental variables concerning each Islamic finance sector and start the collection of data under this format
- Design capacity building programs for countries where there is a need for collecting, compiling and dissemination Islamic finance data



# THANK YOU

**Statistical, Economic and Social Research and  
Training Centre for Islamic Countries**

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