



DRAFT CONCEPT NOTE

1 Introduction

Islamic finance is emerging as an alternative source of finance in addressing major development challenges of many OIC countries. As one of the main opportunities of Islamic World for development, Islamic Finance, also called participation finance, sustains its growth. According to the latest findings, the size of Islamic financial assets has risen from 0.82 USD trillion to more than 2.14 USD trillion with a compound annual growth rate (CAGR) around 14% between 2008 and 2015.¹ Yet, greater convergence as well as harmonisation of regulatory standards among OIC countries is needed to improve long-term growth prospects of the industry. Through a sound and enabling architecture in the financial system, Islamic finance could become an effective tool for eradicating poverty and prosperity for all.

2 Background and Rationale

Initiated in 2011, the Statistical Commission of the Organisation of Islamic Cooperation (OIC-StatCom) whose Secretariat is being carried by our Centre, has included the Islamic Banking and Finance Statistics (IBFStat) in its Strategic Vision 2020 document. In line with this strategic objective, Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) has taken an active approach by organising meetings and engaging with the main stakeholders that shape the Islamic financial services industry.

SESRIC is currently implementing a project to construct an Islamic Finance Industry Database for OIC countries. The *OIC Islamic Finance Industry Database Project* is developed to identify the issues and challenges towards developing an accurate, comprehensive, detailed and standardized database for the Islamic financial industry covering banking, capital markets, insurance, and non-bank financial institutions sector within OIC member countries.

At the outset, the project aims to raise awareness of decision makers in terms of opening their national Islamic financial industry data with a view to embrace the statistical data specific to the Islamic countries. The dissemination of Islamic financial industry data through a reliable and consistent financial database and the availability of indicators on the Islamic financial industry will also contribute to the number of research studies for bringing about more financially sound systems in OIC Region.

In this respect, all stakeholders related to Islamic financial industry statistics will benefit from good quality data. Overall, the project serves to increase statistical capacity concerning Islamic financial industry in OIC Region by introducing the standardized Islamic Finance indicators and methodology.

As the earlier goal is the development of the template of standardized variables together with their methodologies that will be used various aspects of Islamic banking, capital markets, non-bank financial channel, and takaful activities, it is prudent to undertake a thorough **scoping analysis** involving a **multi-year implementation and cooperation plan** in advance by the eminent experts which have expertise in the field.

¹ SESRIC Staff Calculations, June 2017



DRAFT CONCEPT NOTE

In order to develop cooperation means in this area and to receive the comments and advises of relevant stakeholders in order to prepare a technical conceptual framework “**project document**” for developing a database on Islamic Finance industry based on the lessons learnt from previously initiated projects by other stakeholders, a Stakeholder Meeting was organized on 9 October 2016 in the margins of the IMF-World Bank Annual Meetings in Washington DC, USA to discuss the feasibility and methodology for the project by taking earlier attempts into consideration as well.

In this regard, a further Consultative Meeting has been planned to get input from representatives of the National Statistical Offices, Central Banks and Monetary Authorities, Capital Market Authorities, Insurance Supervisory Authorities of OIC Member Countries and relevant International Organisations on the design, scoping and planning of the project as well as the way forward.

3 Objective and Expected Accomplishments

There is an obvious lack of data concerning Islamic finance activities in OIC countries that are readily accessible, consistent and comparable across countries. Such a database is required not just to support improved policy assessment and formulation of strategies by decision makers but also to design and promote quality research in the field of Islamic finance. Currently available databases are constrained by limited coverage, consistency, and gaps in time series.

Seeing this gap, **SESRIC** in collaboration with the relevant national and international stakeholders aims to construct an Islamic Finance Industry Database for OIC countries. **Given its mission in the OIC structure and its network as the coordinator of statistics related activities throughout OIC countries**, the engagement of SESRIC in this project as the ultimate owner is both relevant and a must. SESRIC through its role in the OIC Statistical Commission that is composed of the representatives from the National Statistics Offices of OIC countries can facilitate the required phases and steps for the construction of the said database.

In addition, it can play a pivotal role in potential **statistical capacity building activities** that may be targeted to OIC countries for enhancing their data collection and dissemination practices in Islamic finance area as well as in the maintenance of data base once it has been established.

The database is intended to cover aggregated, country-level data related to the following sectors of Islamic finance industry in OIC countries;

Islamic Banking

Islamic Asset Management Sector

Islamic Non-Bank Financial Institutions

Islamic Capital Markets

Takaful (Islamic Insurance Sector)

Islamic banking includes commercial and investment banking institutions that are conducting their business activities in accordance with Islamic finance principles. Data on Islamic capital markets include the information on Sharia-compliant equities, Islamic asset management industry, and if available, data on Islamic indices. Takaful industry involves insurance companies operating under Islamic finance principles. Finally, Islamic non-bank financial institutions refer to the companies engaging in activities such as microfinance, home financing, Mudharaba financing, and private equity in compliance with Islamic rules and principles.



DRAFT CONCEPT NOTE

The overall objective of the **Consultative Meeting** is to:

- i. brief on the project on Developing Islamic Finance Industry Database for OIC member countries initiated by SESRIC;*
- ii. inform about the existing data collection, compilation and dissemination practices concerning Islamic finance activities in OIC Member Countries;*
- iii. present the draft of indicators and methodology on Islamic financial industry database suggested by SESRIC and gather feedback from the representatives of the stakeholders*
- iv. examine possibilities for harmonising and enhancing the Islamic financial industry statistics in National Statistical Systems (NSSs) of OIC member countries as well as at global level;*
- v. discuss the challenges and envision the scope of collecting, compiling and disseminating Islamic financial industry data through the perspectives of regulatory and supervisory authorities;*

4 Methodology of the Consultative Meeting

The CM will be hosting:

- i. Information session** on the scope of the project on Developing Islamic Financial Industry Database of OIC Member Countries conducted by SESRIC, results and analysis of the survey; the outputs of the project report and the primary set of variables proposed; existing databases on Islamic Finance Industry
- ii. Experience sharing session** on data collection, compilation and dissemination practices on Islamic Finance Industry in OIC Member Countries by the stakeholders from different Islamic banking and finance sectors
- iii. Break-out session** on the proposed set of priority variables for the construction of the ultimate conceptual framework for the database challenges and the strategic roadmap proposed by SESRIC for collecting, compiling and disseminating Islamic financial industry data;

After receiving inputs and feedback from the participants of Consultative Meeting, the project consultant and experts will revise and finalize the draft project document on indicators and methodology of Islamic financial industry database.

5 Target Group

The Consultative Meeting will consist of approximately 40 participants from Central Banks, Monetary Authorities, Capital Market Authorities, Insurance Supervisory Authorities, National Statistical Offices of OIC member countries, OIC institutions, international organisations and academia related to the Islamic financial industry data.

6 Working Languages

The working language of the workshop will be in English.