

GLOBAL ISLAMIC FINTECH OUTLOOK 2022



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“We’re witnessing the creative destruction of financial services, rearranging itself around the consumer.

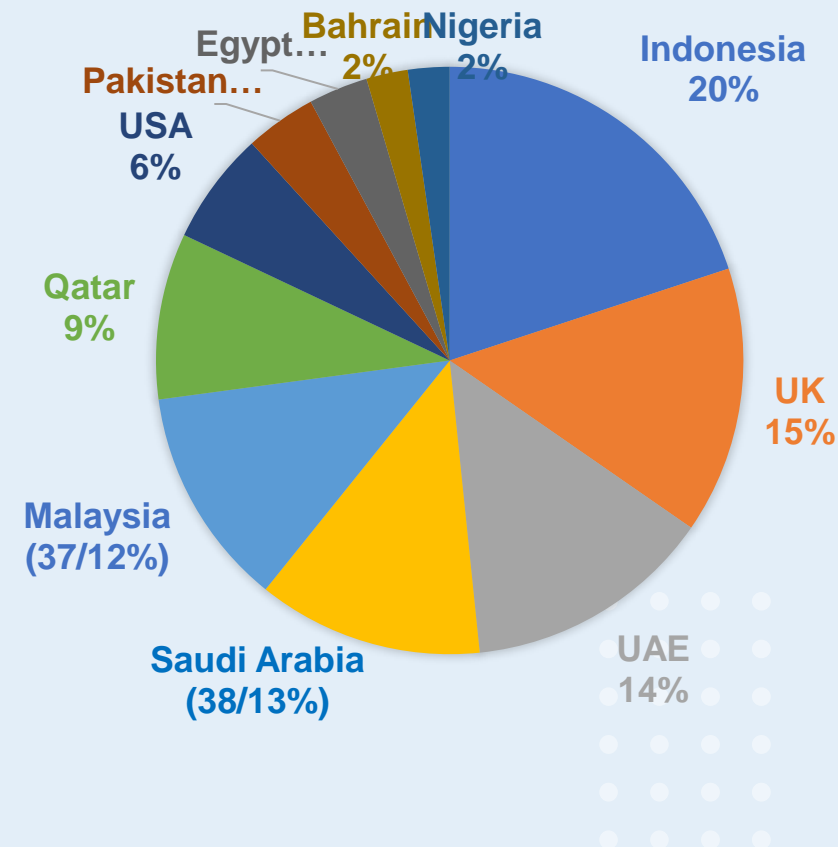
Who does this in the most relevant, exciting way using data and digital, wins!”

Arvind Sankaran

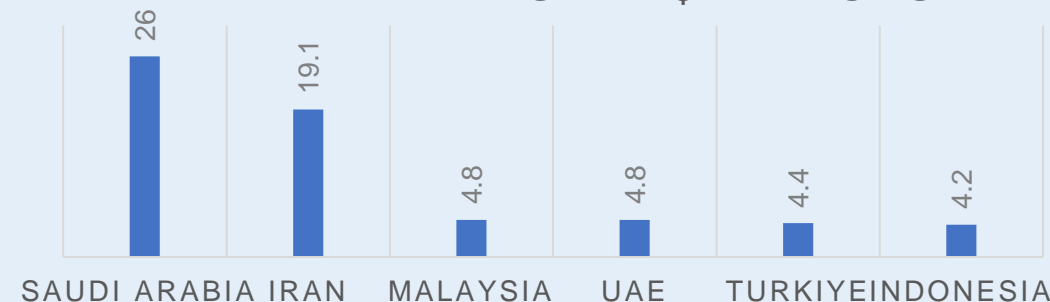
Global Islamic Fintech Landscape

- Indonesia leads by number of Islamic Fintechs (**61/20%**), followed by the **UK (45/15%)** and **UAE (42/14%)** : **375 in Total**
- Total market size is estimated at **US\$79 billion (0.83% of global transactions)** in 2021, with expected growth reaching **US\$179 billion by 2026**
- Indonesia fastest growing since 2016, with most enabling regulation, with AFSI (Digital Financial Innovation Association) dedicated to iFintechs, recognised by OJK

Number of Islamic Fintech Companies Globally – end 2021

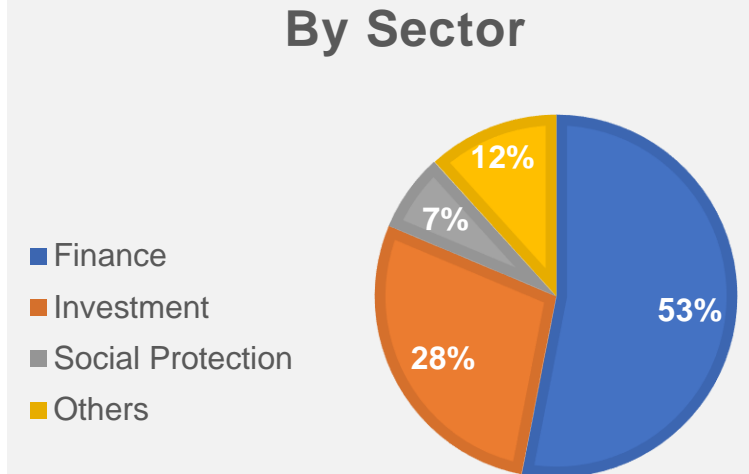
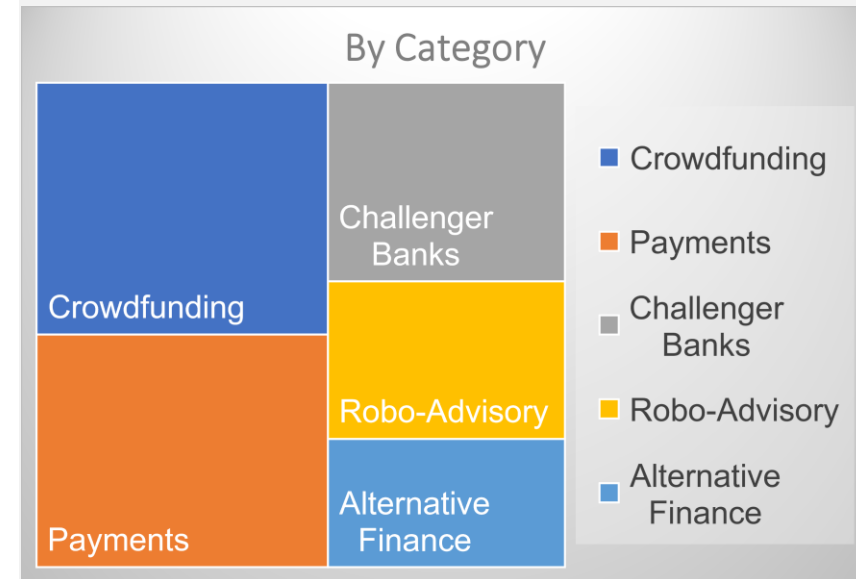


BY MARKET VALUE IN \$ BILLIONS



Global Islamic Fintech Landscape

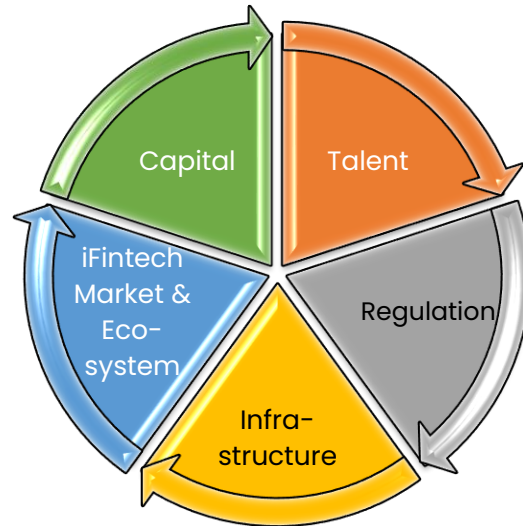
- **Islamic crowdfunding** solutions are the majority by category (53), followed by **payment channels** (49) and **challenger banks** (34)
- By sector, **financing fintechs dominate**, representing more than **53%** (199) of the market
- **Wealth management** solutions have reached almost a **third** of all fintechs
- **Digital asset** solutions have gained ground, even with regulatory hurdles. Crypto space developing rapidly, but **iSocial Impact Tokens** mostly non-existent
- **Collaboration increasing**: Incumbent banks partnering with fintechs to leapfrog over traditional evolution (e.g. Bank Islam and Kestrl)
- **Regulatory landscape** expected to enable and protect, with Malaysian efforts releasing Islamic Digital Bank licenses, addressing technology risk and providing extensive funding/training support through hubs, accelerators and incubators.



GIFT INDEX

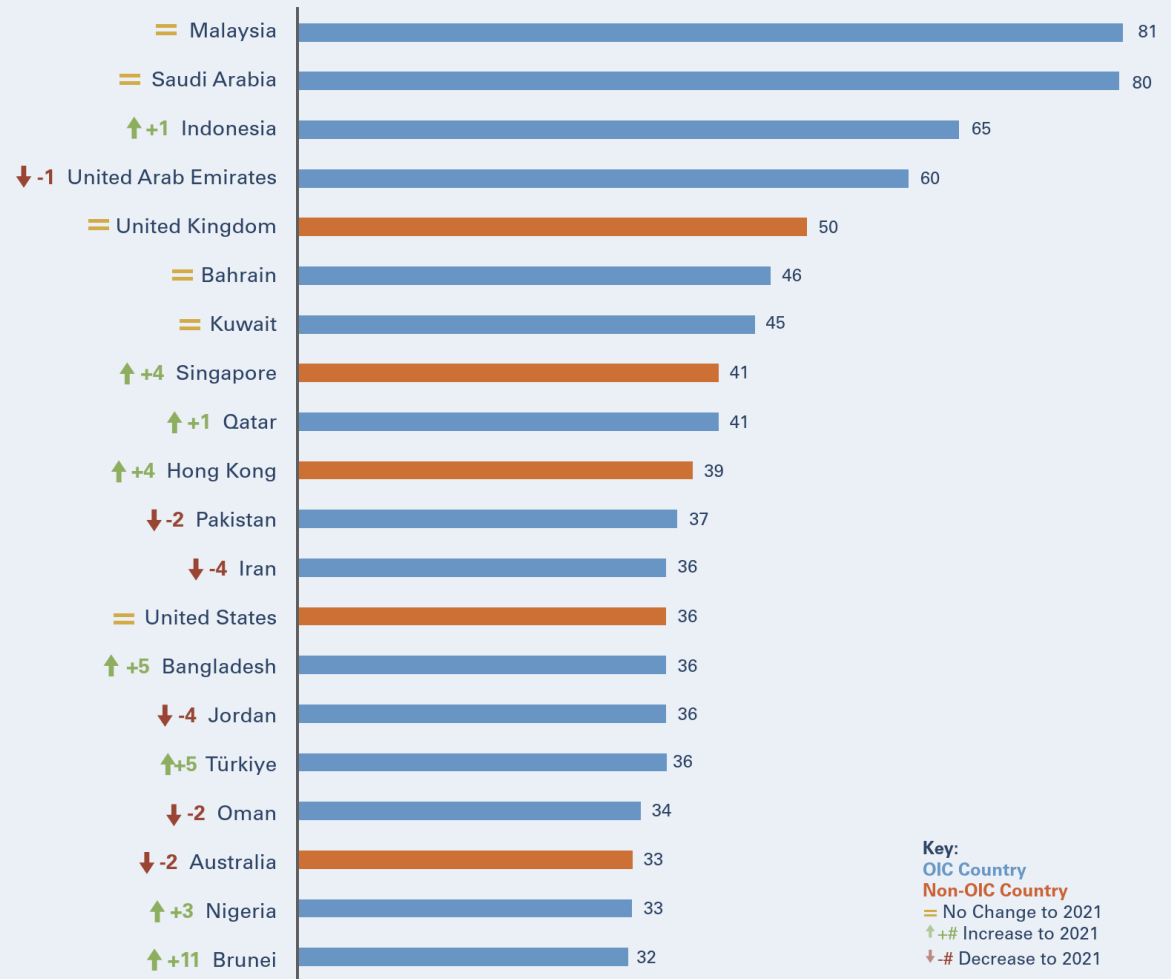
Launch of Global Islamic FinTech (GIFT) Index in 2021:

- 64 Countries
- 19 indicators
- 5 categories:



- Malaysia leads by a whisker, expecting alternative financing solutions and enabling regulation to keep them ahead
- UK is the non-OIC, Muslim minority exception because of its well-established iFintech market

Top 20 Countries by GIFT Index Scores



Source: GIFT Report – GIFT Index 2022

Malaysian Islamic Fintechs



**RM2.3
trillion**

Malaysia's Islamic Capital
Market (ICM) Size 2020
(RM1.1 trillion in 2010)



7.5%

CAGR in total size of
Islamic Capital Market (ICM)



1st

Malaysia's ranking in Global
Islamic Fintech (GIFT) Index
(Score 87)

Source: Bank Negara Malaysia



microLEAP is an Islamic and conventional peer-to-peer (P2P) microfinancing platform regulated by Securities Commission Malaysia (SC). The platform, which serves as an alternative financing tool, is a Malaysian P2P operator that offers both Islamic and conventional financing. SME Corp partnered MicroLEAP to disburse RM 10 million in Shariah-Compliant financing to SMEs in Malaysia.



PayHalal is Shariah-compliant payment gateway that processes payments from CASA e-Money Debit and credit payments for both online and physical stores. PayHalal is forecasting RM8.61 billion in payment processing volume and RM135 million in revenue for the company in the next financial year 2023. PayHalal partnered with Atome to offer merchants participation in Shariah compliant BNPL facility.



CapBay is a Malaysian multi-bank supply chain finance and peer-to-peer financing (P2P) platform. The firm has secured RM30 million investment from Kenanga Capital Islamic (KCI), a subsidiary of Kenanga Investment Bank Berhad (KIBB). The investment is a step forward to growing CapBay's supply chain finance arm, CapBay Islamic, which is approved for Shariah-compliant P2P financing by the Securities Commission Malaysia (SC). CapBay's P2P platform has reportedly maintained 0% default since its launch in March 2020.



Ethis is an ethical investment and social finance platform operator, focusing on sustainable and impactful crowd-investments, financing and donations. Ethis is collaborating with venture capital firm Gobi Partners to structure and set up a US\$20 million Shariah-compliant seed fund. The joint fund will invest in Shariah-compliant startups globally with an initial geographic focus in the MENA as well as the ASEAN regions.










Underdeveloped Segments


- **Capital Market solutions** are least developed internationally – Malaysian lead can be extended if opportunities are 'capitalised'
- **Takatech** is mostly non-existent outside SEA, with **agri fintech** most needed in SSA
- **Zakatech and Waqftech** broadly unexplored in regions that are most in need of efficient Islamic social funding
- **Digital assets, payments and alternative finance**, enablers for economic inclusion, are absent or underdeveloped in SSA, meNA
- **Web 3.0 and Metaverse integration** non-existent

Market Outlook:

iFintech development needs capital. Startups must be more practical in forecasts, and VCs, PE and DFIs can catalyse the next gen through supporting ecosystems

Global Opportunities Heatmap

Region	MENA-GCC	SE Asia	Europe	South & Central Asia	North America	Sub-Saharan Africa	MENA-OTHER
 Alternative Finance	16	11	12	3		1	1
 Capital Markets	4		1				
 Digital Assets	12	3	8	1	1		
 Payments	30	9	3	8			3
 Raising Funds	9	36	12	4	3	2	3
 Deposits and Lending	13	15	14	4	3	5	2
 Wealth Management	14	11	9	3	10	2	1
 Insurance	1	6		1	1		
 Social Finance	1	6	4	2	2	1	1
Total	100	97	63	26	23	11	11

Low  High

Source: GIFT Report 2022

Risks – Disrupting Disruptors

Operational Risks

- iFintechs require support systems – small mistakes may have devastating consequences
- iDigital banks and credit risk management systems

Regulatory Non-Compliance

- iFintech verticals not as strictly regulated as traditional financing, offering advantages and increased economic risk – especially if they are targeting the underserved
- Additional privacy protection layers required, with broader adoption of GDPR and PSD2
- Bank or e-money institution? The rise of neobanks and BaaS

Shari'ah Non-Compliance

- Limited skills in fintech, data protection, cryptography and BaaS concepts for Shariah Scholars
- Next stage AI, ML and Islamic Ethics largely unexplored by Scholars

Macroenvironment

- Unpredictable natural and man-made disasters becoming more frequent, with market overreaction creating economic instability for the most vulnerable
- Decentralisation and financial democratisation clear indicator of public distrust

Cybersecurity

- The most important risk for the near to mid-term
- Privacy protection and data security remain the priority in the development of iFintech

iFintech Ethics in Global development



Shariah Compliance

- Scholars will need new skillset to effectively assess solutions
- Value-based compliance decisions require principle-based metrics for iFintechs
- Next stage financing through AI, ML and Islamic Ethics largely unexplored by Scholars



AL-MAQASID
KNOWLEDGE • DEVOTION • SERVICE

Maqasid

- Access to debt is tap-ready, moving away from the ethical and maqasidic dimensions
- Constant behavioral marketing from nudge to push into consumerism and materialism
- Financial inclusion not materially impacted, and iF literacy remaining low (10% vs 40% in Indonesia)



Data Privacy

- Data of Muslim behaviour traded as a commodity
- Muslim community already under surveillance, making it even easier for abuse from unscrupulous actors

Global iFintech Outlook – A Snapshot

Current Status

375/\$79 billion

Crowdfunding,
Financing
dominates

Malaysia leads, with
Indonesia most formidable
due to enabling ecosystem.

Global Outlook

\$179 billion

By 2026

Opportunities exist in capital
market solutions, digital
assets, takaful and social
finance

Major Risks

5

Cybersecurity and
Regulation

Cyber threats remain the
leading risk; enabling
regulation and requires
Shari'ah Scholars adapting
to new tech

Blindspot

1.7 billion

Unbanked; Ethics?

Majority of unbanked in OIC.
iFintech promises of
inclusion must be fulfilled.
Excessive debt not aligned
with Islamic Ethos.



Thank You



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