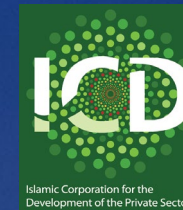


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Acronyms

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AUM	Assets Under Management
COP	United Nations Climate Change Conference
CSR	Corporate Social Responsibility
CWLS	Cash Waqf-Linked Sukuk
ESG	Environmental, Social and Governance
ETF	Exchange Traded Fund
GCC	Gulf Cooperation Council
GEFI	Global Ethical Finance Initiative
ICMA	International Capital Markets Association
IFDI	Islamic Finance Development Indicator

IFIs	Islamic Financial Institutions
IILM	International Islamic Liquidity Management Corporation
IsDB	Islamic Development Bank
LSEG	London Stock Exchange Group
MENA	Middle East and North Africa
OIC	Organisation of Islamic Cooperation
OIFI	Other Islamic Financial Institutions
PBS	Project-Based Sukuk
PSX	Pakistan Stock Exchange
REIT	Real Estate Investment Trusts
SDG	Sustainable Development Goals

SR	Sukuk Ritel
SSB	Shariah Supervisory Board
ST	Sukuk Tabungan
UAE	United Arab Emirates
UK	United Kingdom
UKIFC	UK Islamic Finance Council
UN	United Nations
US\$	United States Dollars
VCM	Voluntary Carbon Markets

Islamic finance glossary

A glossary of Islamic finance terms can be accessed at the following link: <https://www.zawya.com/en/islamic-economy/glossary/> or by capturing the QR code.



Foreword

The Islamic Corporation for the Development of Private Sector (ICD), the private sector development arm of the Islamic Development Bank (IsDB) Group, and the London Stock Exchange Group (LSEG) are proud to welcome you to the 2025 edition of the Islamic Finance Development Report, which analyses the most current data from 140 countries across the world on each of the key sectors and asset classes within the Islamic finance industry.

The report also provides the latest data on developments in knowledge and awareness of the industry, which are key to its continued growth, and in governance and sustainability.

Aside from being the 25th year of the ICD, which was founded in 1999 to support the private sector development of its member countries, this year also marks the 50th anniversary of the foundation of the modern Islamic finance industry. The world's first modern commercial Islamic bank was founded in 1975, offering financial services in accordance with Shariah principles.

This marked the starting point of what had grown to become by 2010 a US\$1 trillion industry and by 2024 to almost US\$6 trillion, having broadened beyond Islamic banking to now encompass Islamic bonds (sukuk), Islamic insurance (Takaful), and Islamic funds. These and other Shariah-compliant financial products and services are now being offered within a variety of innovative, digital and other formats.

The appeal of the Islamic finance industry is increasingly apparent not just in Muslim-majority countries, but also in other parts of the world, wherever people are drawn to the ethical principles enshrined within Shariah. This is leading to an ever-closer union of Shariah and sustainable principles and products, and this has helped the Islamic finance industry weather some of the biggest storms of the global economy, whether the financial crisis of 2008 or the collapse in oil prices following the onset of regional conflicts.

The global Islamic finance industry has achieved remarkable growth since its inception 50 years ago, and in recent years has pushed ahead with consistent double-digit annual growth. The industry nevertheless remains a small segment of the world's financial market, but this only demonstrates how much capacity remains for it to continue on its path of stellar annual growth.

By providing the industry's most comprehensive, detailed, authoritative, and up-to-the-minute analysis of the global Islamic finance industry, we believe this report will play an integral part in achieving the industry's continued success.



Dr. Khalid Khalafalla

Acting Chief Executive Officer,
Islamic Corporation for the Development of Private Sector



Mustafa Adil

Head of Islamic Finance,
The London Stock Exchange Group

Executive summary

As the Islamic finance industry approaches its 50-year milestone—tracing its roots to the founding of Dubai Islamic Bank in 1975—it continues to demonstrate remarkable vitality and global momentum. Far from slowing down, the industry has expanded its footprint to 140 countries by 2024 and reached a valuation of US\$5.98 trillion, marking an impressive 21% growth in just one year.

Another milestone year for Islamic finance, driven by ethical appeal and market diversification

The industry recorded its first US\$1 trillion in global assets in 2010 and its second in 2014. If growth continues at current levels, a figure of US\$9.7 trillion is forecast by 2029. Key trends that will shape this growth include cross-border connectivity, regulatory improvements, and strategic initiatives by governments.

Muslim-majority countries in the Middle East and Southeast Asia continue to dominate the industry, although developments and growth in other markets continue, in large part as a result of the intrinsically ethical nature of Shariah finance. One such market is the United Kingdom (UK), which is now a key hub for listings of green and sustainable sukuk. Other areas of Islamic finance that are increasingly appealing to non-Muslim customers and markets are home financing and exchange-traded funds. Meanwhile, the Philippines launched its Islamic Finance Roadmap 2024–2028 in December 2024. As of 2024, 84 non-OIC countries have either expressed interest in or are actively operating within the Islamic finance space.

IFDI Performance: Top rankers hold ground as new entrants and trends reshape industry's landscape

The top 10 countries held onto their positions in the IFDI rankings, led by Malaysia, Saudi Arabia, and the United Arab Emirates (UAE). Malaysia and the UAE placed within the top five for each of the IFDI's five key indicators. Several countries showed significant improvements, including Palestine and Djibouti. Four new countries were added in the 2025 indicator: South Sudan, Jamaica, Kosovo and Lesotho.

One country of many which is looking to expand its presence within the industry is Ethiopia, where the Ethiopian Capital Market Authority (ECMA) has commissioned an Islamic Capital Market Roadmap study in partnership with key stakeholders.

In its main markets, Islamic finance is now in a position to compete with its conventional counterparts. Islamic banks and Takaful operators are offering competitive pricing and services, and Islamic banking in particular is seeing an increased level of consolidation in the most mature markets. Another key trend is innovation, which by maintaining compliance with Shariah principles has enabled Islamic finance to adapt to a changing market. This is particularly noticeable within FinTech and sustainable finance.

Financial Performance: Sectoral expansion despite challenges; sukuk hits US\$1 trillion mark

The Financial Performance indicator, which aggregates the industry's core sectors and asset classes, was stable at the top, with the five leading markets remaining in position. There were changes lower down the ladder, however, with Bangladesh dropping out of the top 10 following a downturn in its Islamic banking sector in 2024. Depositors withdrew funds from several full-fledged Islamic banks following allegations of irregularities and weak governance.

This also points to one of the Islamic finance industry's biggest challenges, liquidity management. Islamic banks, unlike their conventional counterparts, operate under constraints that can limit their access to high-quality liquid assets and standardised liquidity tools. However, strides have been made in addressing this issue, including International Islamic Liquidity Management Corporation (IILM)'s growing short-term sukuk programme.

By sector, Islamic banking continues to dominate the overall industry, with 72% of total industry assets. There is particularly strong growth in Islamic banking in sub-Saharan Africa, where there are now 104 Islamic banks and banking windows

scattered across 28 countries. This has been encouraged by the region's central banks. Uganda, for example, is now home to two Islamic banks, while Central Bank of Eswatini has said it will look to attract more Islamic banks to the country.

Takaful is another expanding area of the Islamic finance industry. Islamic insurance operators are now present in 53 countries, and new markets are continually joining. Uganda is one such market, where the country's insurance regulator has begun offering workshops for potential stakeholders and last year issued a set of Takaful guidelines. Kyrgyzstan has also issued draft guidelines, while the first Takaful product was introduced in the Philippines in 2024.

The global sukuk market reached the US\$1 trillion mark in 2024, even in the face of a slowing rate-cutting cycle in major economies, geopolitical tensions, and economic uncertainty. Global issuance rose 11% from the year before to US\$254.3 billion, due largely to activity in the GCC, particularly Saudi Arabia. Governments remained the dominant issuers as fiscal deficits and refinancing needs prompted sovereigns to tap capital markets.

Islamic finance ecosystem: strong governance, rising awareness, and sustainability momentum shaping Islamic finance progress

Governance was the highest-performing indicator, due largely to its regulations sub-indicator as various jurisdictions moved to strengthen their regulatory regimes. The leading five countries remained unchanged in Governance's key metrics of Regulations, Shariah Governance, and Financial Disclosure, as scores in this indicator vary little from one year to the next. Outside of these top five, however, there were some notable improvements. Türkiye raised its disclosure score, and a rise in the number of Islamic financial institutions saw a concomitant rise in the number of Shariah scholars. Egypt and Uganda also raised their standings due to improvements in their regulatory frameworks.

Some countries are currently working towards improving their Islamic finance regulatory and Shariah governance landscapes, or have managed to improve so far in 2025. These include Iraq, Malta, Somalia, Kenya, Sri Lanka, Pakistan and Algeria.

Growth in Islamic finance is also largely dependent on knowledge and awareness of the industry's benefits and how it works. The top performing countries in the IFDI's Knowledge and Awareness indicators include the industry's most prominent centres: Malaysia, Saudi Arabia and the UAE. Indonesia leads in Knowledge, however, due to wide public participation in the country's retail sukuk market. Pakistan, Kuwait and Bahrain are among the leading countries in terms of Awareness, while Azerbaijan has improved noticeably in this area following Baku's hosting of the COP29 climate conference. Meanwhile, the Maldives and Hong Kong are prioritising Islamic finance talent development, as seen in initiatives they have each undertaken in this area.

Sustainability is an increasingly important area of the Islamic finance industry. However, the IFDI's Sustainability indicator had the lowest coverage, with 60% of countries surveyed scoring zero. The top five countries in this indicator remained the same from the year before. The most notable improvement outside the top five was shown by Türkiye, a result of improved sustainability reporting and greater disbursement of CSR-related funds. This moved the country up into ninth place.

When inspecting the sustainability metrics, the ESG sukuk market surpassed \$50 billion in outstanding value by the end of 2024, with global issuances up 14.7% on year, though growth moderated from 2023. ESG sukuk issued by GCC-based institutions has been the main driver of growth, bolstered by new markets such as Qatar and Kuwait, as more GCC corporates came to market following COP28 in Dubai. Another indicator of the growing importance of sustainability is Malaysian banks driving growth in sustainable Islamic financing, which is supporting a range of sectors from renewable energy and green buildings to data infrastructure, SME development and low-carbon transport.

The global Islamic finance industry at a glance in 2024



Total Islamic finance assets

US\$ **6tn**



YOY Growth of Islamic finance assets

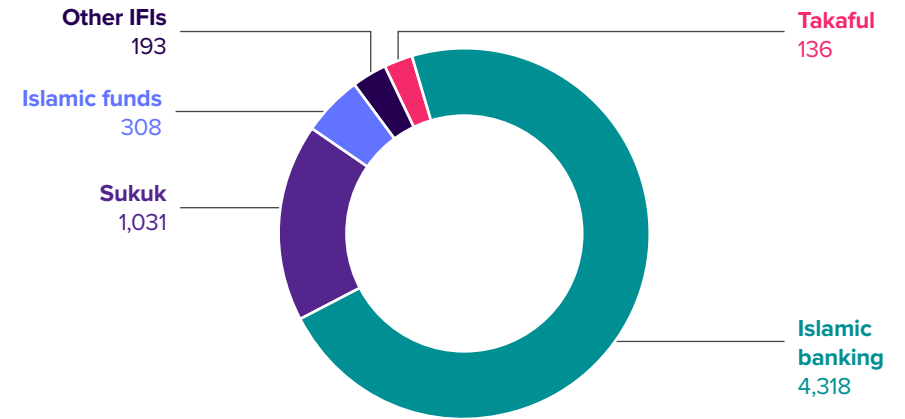
21%



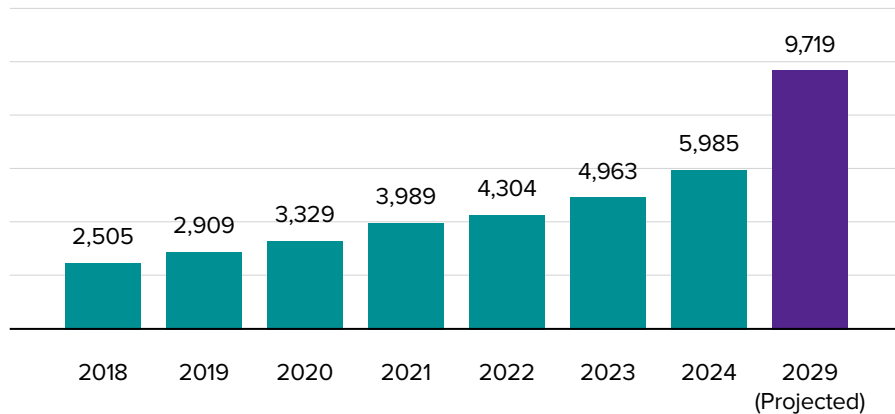
Total Islamic financial institutions

2,255

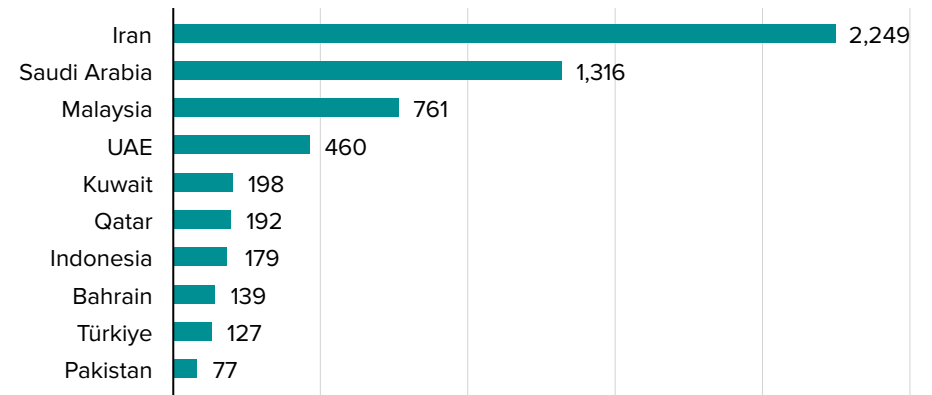
Islamic finance assets by sector and asset class (US\$ billion, 2024)



Islamic finance assets growth (US\$ billion, 2018 - 2024)



Top countries by Islamic finance assets (US\$ billion, 2024)



Islamic finance industry's supporting ecosystem in 2024

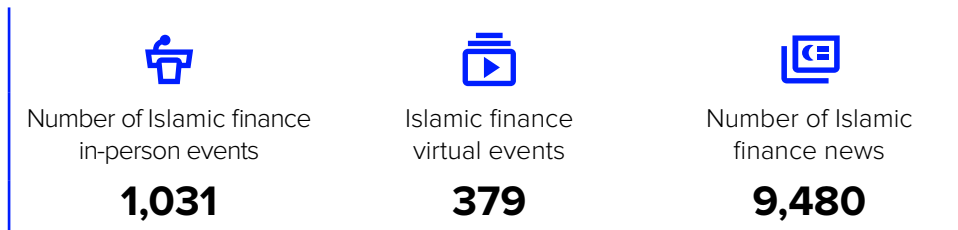
Governance



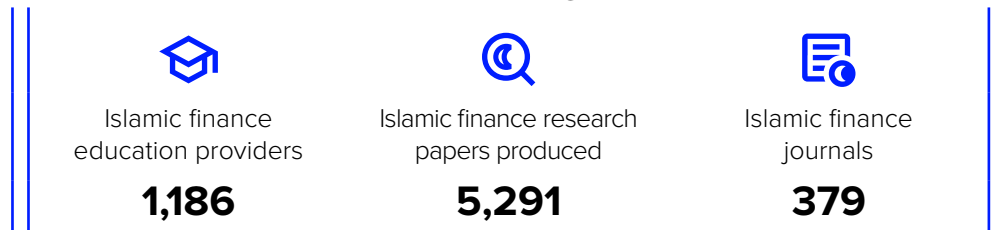
Sustainability



Awareness



Knowledge



Most developed Islamic finance markets according to IFDI 2025

(Based on financial performance and supporting ecosystem metrics outlined in IFDI)

1
Malaysia



2
Saudi Arabia



3
United Arab Emirates



4
Indonesia



5
Pakistan





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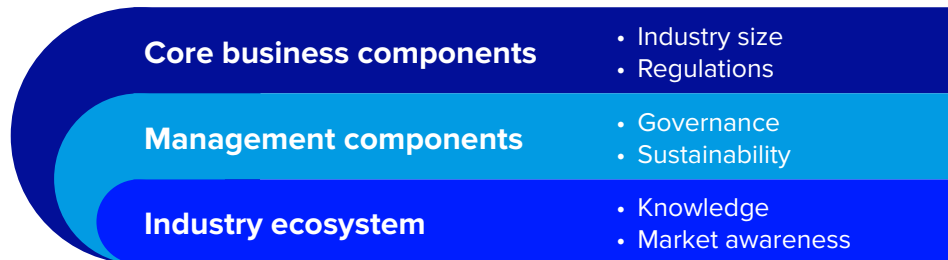
Global Islamic finance development indicator



Introduction to the Islamic finance development indicator

A global pulse on the development of the Islamic finance industry

While asset sizes and performance are widely used indicators of well-being in the financial industry, they attract a disproportionate share of attention when compared to other important concerns, such as governance, awareness and education. Measurements used by the Islamic finance industry, however, are more aligned with the concept of ‘holistic accountability’, which the industry and its stakeholders take as their responsibility to develop in a coherent manner.



The Islamic Finance Development Indicator (IFDI) is a single measure that captures a holistic assessment of the Islamic finance industry across all of its sectors. The IFDI is a composite weighted index that measures the overall development of the Islamic finance industry by providing an aggregate assessment of the performance of all its parts, in line with Islamic principles. The indicator combines several sub-indicators measuring key aspects of the industry. Breaking down the data in this way helps reveal the disparities, differences and movements within crucial areas of the Islamic finance industry that may not be so readily discernible in wider-ranging, aggregated data.

The IFDI is also a global-level composite of country- and unit-specific data. Released each year, the report provides a comprehensive and up-to-the-minute view of the state of the global industry.



Strategic insights

The IFDI provides strategic insights into the development of Islamic finance across a variety of industry sectors. Stakeholders are thus able to acquire a comprehensive understanding of the industry’s strengths and areas for improvement.



Global comparisons

It allows comparison of progress between different countries and regions. This global perspective helps in identifying best practices and adapting strategies accordingly.



Stakeholder confidence

The report strengthens investor confidence. When stakeholders can see a transparent and well-defined framework for measuring industry growth, they are more likely to invest in Islamic financial products and services.



Policy formulation

It can be used by policymakers to shape regulations and policies that promote sustainable growth in the industry. The report can guide them in creating a thriving environment for Islamic finance institutions as well as other supporting stakeholders.

What are the underlying components of IFDI?

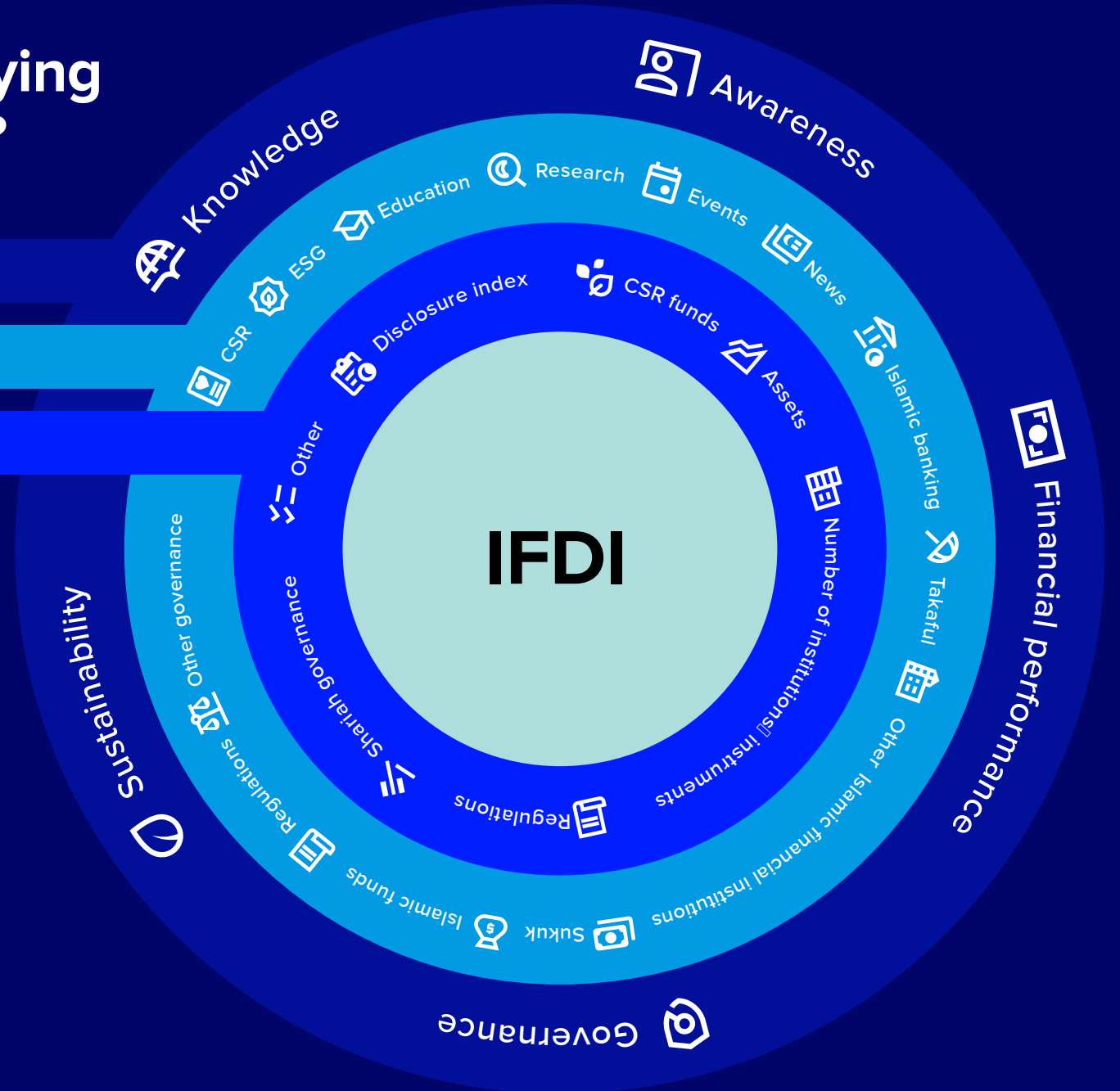
Indicator grouping

Indicator components

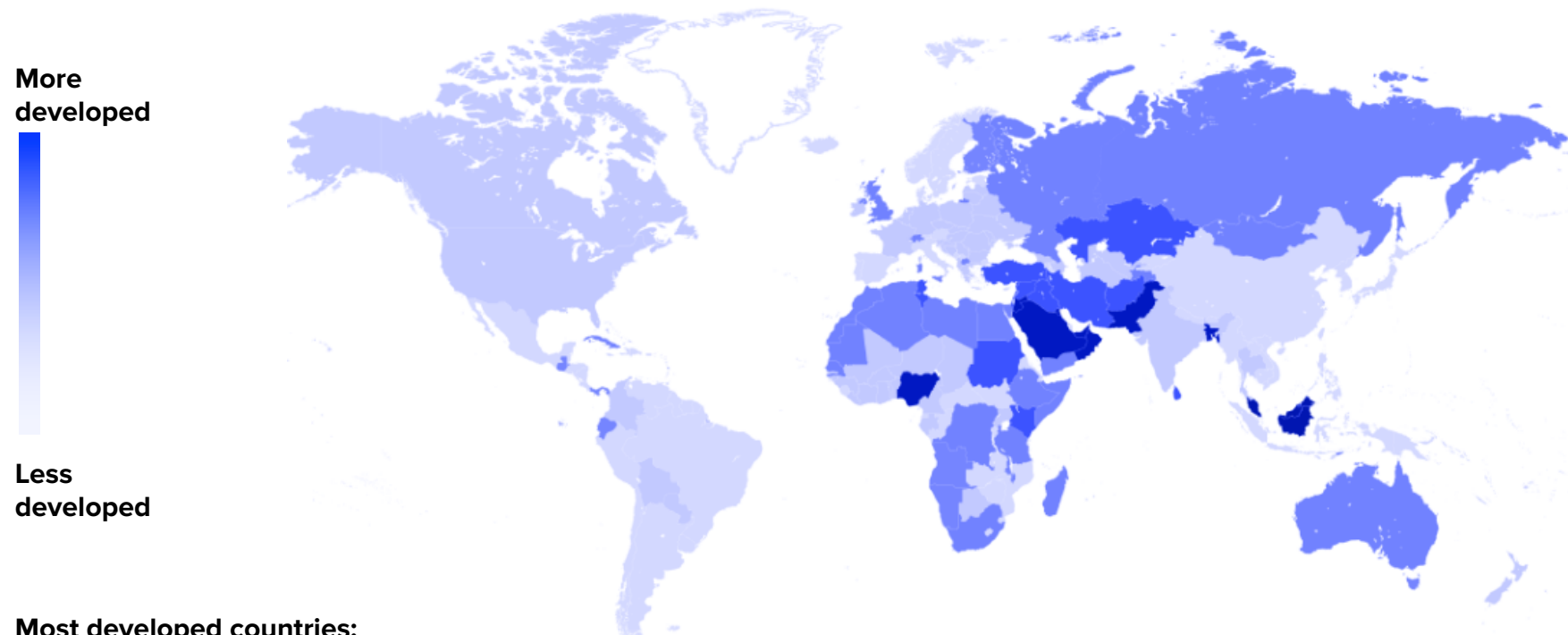
Sample metrics











The composite indicator is composed of five key areas driving development of the Islamic finance industry: Financial Performance; Governance; Sustainability; Awareness; and Knowledge.

These areas reflect the core elements of the industry and are aligned with contemporary priorities such as regulatory frameworks, sustainability, and public engagement. Each plays a fundamental role in shaping the industry's evolution as a globally recognised financial system.



A global overview of Islamic finance development (based on IFDI scores)



1	2	3	4	5	6	7	8	9	10
Malaysia	Saudi Arabia	United Arab Emirates	Indonesia	Pakistan	Kuwait	Bahrain	Iran	Qatar	Türkiye
									

Top IFDI countries and global average score for 2025

#							
Ranking	Country	IFDI Score	Financial performance	Governance	Sustainability	Knowledge	Awareness
1	Malaysia	135	144	98	155	101	200
2	Saudi Arabia	114	136	73	111	48	200
3	United Arab Emirates	92	88	85	56	50	200
4	Indonesia	75	59	76	32	200	49
5	Pakistan	72	40	78	24	88	200
6	Kuwait	67	47	79	29	17	195
7	Bahrain	66	47	84	30	22	173
8	Iran	64	119	55	-	21	6
9	Qatar	40	31	64	27	8	69
10	Türkiye	39	33	65	26	41	15
11	Bangladesh	38	31	80	17	13	19
12	Oman	34	17	75	23	15	37
13	Brunei Darussalam	31	9	72	14	22	44
14	Iraq	30	31	59	1	4	20
15	Jordan	29	16	51	41	28	14
Global average		11	8	20	8	6	11

*The scores are rounded up, except for 200, which is the maximum attainable score

Bank Negara Malaysia

Malaysia's defining role in shaping Islamic finance

Islamic finance has evolved from a niche proposition to a globally recognised financial system, with total assets reaching close to US\$6.0 trillion as of end 2024. Malaysia, alongside other pioneering jurisdictions, has played a formative role in shaping the trajectory of this industry.

With the establishment of key Islamic financial institutions since the early 1980s, Malaysia has operated a dual financial system where Islamic finance functions in parallel with conventional finance. This model has matured into a robust ecosystem, underpinned by resilient institutions, a wide range of financial instruments, and a comprehensive enabling infrastructure. This integrated approach has enabled Malaysia to advance Islamic finance in a manner that is both sustainable and pragmatic.

As of 2024, Islamic financing accounts for over 46% of Malaysia's total financing, while the Takaful sector accounts for nearly 24% of industry premiums. Malaysia also accounts for a 36% share of outstanding global sukuk. These figures underscore the sector's vitality. Against a backdrop of sustained growth, Bank Negara Malaysia (BNM) envisions Islamic finance delivering even greater impact – economically, socially, and environmentally. BNM has galvanised efforts to steer the development of Islamic finance as a catalyst for progressive, sustainable, and inclusive economic growth, anchored in the following strategic areas:

Advancing value-based solutions

Islamic finance is, at its core, driven by values. It is anchored in principles of fairness, transparency, and social justice. In Malaysia, these values have been institutionalised through Value-Based Intermediation (VBI), a system jointly developed by BNM and the industry to encourage Islamic financial institutions to align their operations with outcomes that generate positive and sustainable impact, extending beyond immediate stakeholders. Since the start of this journey in 2018, the Islamic finance industry has facilitated over US\$154.4 billion in VBI-aligned initiatives, empowering micro, small and medium enterprises (MSMEs), expanding access to affordable housing, enhancing public infrastructure, and supporting renewable and green projects.

Fostering financial inclusion

Inclusivity is the *raison d'être* of Islamic finance, bringing the Muslim community into the modern economy and having a strong emphasis on serving underserved and vulnerable communities. A notable example is the iTEKAD programme launched in 2020. Aptly named from the Malay phrase meaning "I am determined", iTEKAD mobilises zakat funds, philanthropic capital and microfinancing, supplemented with structured training and mentoring. iTEKAD aims to support MSMEs to build business capabilities, generate sustainable income, and improve their socioeconomic standing. To date, iTEKAD has supported over 10,000 participants via the social finance disbursed. In 2025, the programme was further strengthened with a risk protection component, to help MSMEs safeguard their livelihoods during economic uncertainty or in the face of adverse risk events.

Catalysing sustainable finance

The principles of Islamic finance inherently promote environmental stewardship and responsible resource management. These are values that align seamlessly with the broader sustainable finance agenda. Shariah-compliant instruments such as green sukuk offer innovative pathways to mobilise capital for renewable energy, climate resilience and environmentally sustainable projects. Reflecting this momentum, the financial industry's value-based initiatives in net-zero and green financing rose from US\$3.51 billion in 2022 to US\$5.51 billion in 2023. These efforts directly support Malaysia's national priorities, as outlined in strategic frameworks such as the National Energy Transition Roadmap and the New Industrial Master Plan.

Promoting innovation and digitalisation

Innovation remains a cornerstone of Malaysia's Islamic finance strategy. Embracing digital technology is essential to broadening access, particularly among underserved and unserved segments of the population. As part of the broader digital banking framework, licences have been approved for two Islamic digital banks, with both now operational. These digitalisation efforts are expected to enhance financial inclusion, deliver tailored Shariah-compliant solutions, and elevate customer experience through technology.

Beyond infrastructure, BNM is actively nurturing impact-driven financial innovation. At the Global Islamic Finance Forum in October 2025, BNM hosted the MIFC Global Impact Challenge, in collaboration with global and local partners. This initiative aims to catalyse financial innovations that strengthen social resilience and address climate-related challenges.

Cognisant of the importance of Shariah considerations to keep up with an increasingly digital financial system, BNM is also committed to promoting research on this front, including in collaboration with its recently established Digital Asset Innovation Hub. A notable progress on this is the publication of the working paper on 'Fundamentals of Modern Money and its Application to Central Bank Digital Currency (CBDC): An Exploratory Shariah Analysis' in July 2025, which discusses a Shariah analysis of modern money, taking into view classical Shariah conception and historical perspectives of money in past Islamic civilisations.

Strengthening capacity building and talent development

Sustained growth in Islamic finance demands continuous investment in talent and institutional capacity. Malaysia has long recognised this imperative and established dedicated institutions such as the INCEIF University, which has to date seen students across more than 85 countries graduate. Complementing this is the industry-led Islamic Banking and Finance Institute Malaysia (IBFIM), which has certified over 15,000 individuals globally. Additionally, the Chartered Institute of Islamic Finance Professionals (CIIF) and Association of Shariah Advisors in Islamic Finance (ASAS) were also established to enhance the quality standards of Islamic finance professionals locally and internationally.

To foster greater Shariah connectivity and mutual recognition, Malaysia also founded the Centralised Shariah Advisory Forum (CSAF) in 2018. With participation growing from seven to 20 member countries over the past five years, the CSAF has strengthened national Shariah boards through knowledge exchange, experience sharing, and best practice dissemination across the countries. BNM remains committed to nurturing talent critical to the continued development and advancement of Islamic finance.

Elevating the role of Islamic finance: opportunities ahead

BNM sees immense potential for Islamic finance to deepen its impact, both in Malaysia and globally. One strategic opportunity lies in enhancing market access for investment. Islamic finance is positioned to bridge investment gaps, particularly in sustainable finance and Sustainable Development Goals (SDG) initiatives, given its alignment with Shariah principles.

To meet SDG targets, member countries of the Islamic Development Bank (IsDB) are estimated to require annual funding of between US\$700 billion and US\$1 trillion. This represents approximately 40% of the global SDG financing gap (2021).

With global ESG sukuk expected to surpass US\$60 billion in outstanding value by end-2026, Islamic finance is increasingly recognised as a vital channel for funding sustainability-linked projects, diversifying the investor base, and supporting ongoing regulatory reforms. Malaysia is committed to expanding the use of sukuk and other Islamic investment vehicles to finance ESG-aligned initiatives. The industry is also ready to share its expertise with stakeholders seeking to leverage Shariah-compliant capital.

Beyond capital mobilisation, cross-border collaboration is essential to unlocking the full potential of Islamic finance. Malaysia continues to engage actively with international partners through platforms such as the Islamic Financial Services Board, the International Islamic Liquidity Management Corporation and bilateral partnerships. These engagements foster knowledge exchange, harmonisation of standards, and the development of a more integrated global Islamic financial market. BNM believes that deeper regional cooperation will enhance Islamic finance's resilience and accessibility.

Key catalysts such as value-based solutions, sustainability, innovation, and talent will continue to shape the future of Islamic finance. These priorities also support Malaysia's broader structural reform agenda. As the industry evolves, Malaysia remains open to learning from diverse operating models and collaborating with global partners to scale the system to greater heights. In this spirit, we are guided by the timeless wisdom of the Quran:

“And cooperate in righteousness and piety, but do not cooperate in sin and aggression.” — Surah Al-Ma'idah (5:2)

This encapsulates Malaysia's approach to Islamic finance: a commitment to shared values, ethical collaboration, and building a more inclusive global financial ecosystem.



**Shaik Abdul
Rasheed Ghaffour**

Governor of Bank
Negara Malaysia

Shaik Abdul Rasheed Ghaffour is the 10th Governor of Bank Negara Malaysia. He was appointed for a five-year term effective 1 July 2023. In his role as Governor, Rasheed also serves as the chair of the Bank's Board of Directors, Monetary Policy Committee and Financial Stability Executive Committee.

Rasheed joined the Bank in 1988 and has helmed various positions across the breadth of the Bank's primary functions. These include monetary policy and economics, international reserves management and financial markets, financial sector development, and banking regulations. In 2016, he assumed the role of Deputy Governor.

Rasheed has also played a leading role in driving the Bank's advocacy efforts on economic affairs, including in the areas of social protection and labour market reforms. This includes to support and advise the Government on issues relating to the management of the pandemic. He also played key roles in the development and implementation of the Financial Sector Masterplan and Financial Sector Blueprints.

At the international level, Rasheed has served and been a member of various international platforms, such as the Islamic Financial Services Board and Bank for International Settlements. He has also championed various efforts to strengthen regional financial integration and cooperation, such as the ASEAN Banking Integration Framework. Previously, he also served as the Alternate Executive Director of the Southeast Asia Voting Group Office of the International Monetary Fund.

Rasheed attended St. John's Institution in Kuala Lumpur, prior to obtaining his Bachelor of Economics from Universiti Malaya. Rasheed also holds a Masters of Business Administration from Saïd Business School, University of Oxford.

IFDI 2025 results: top 10 countries maintain rankings

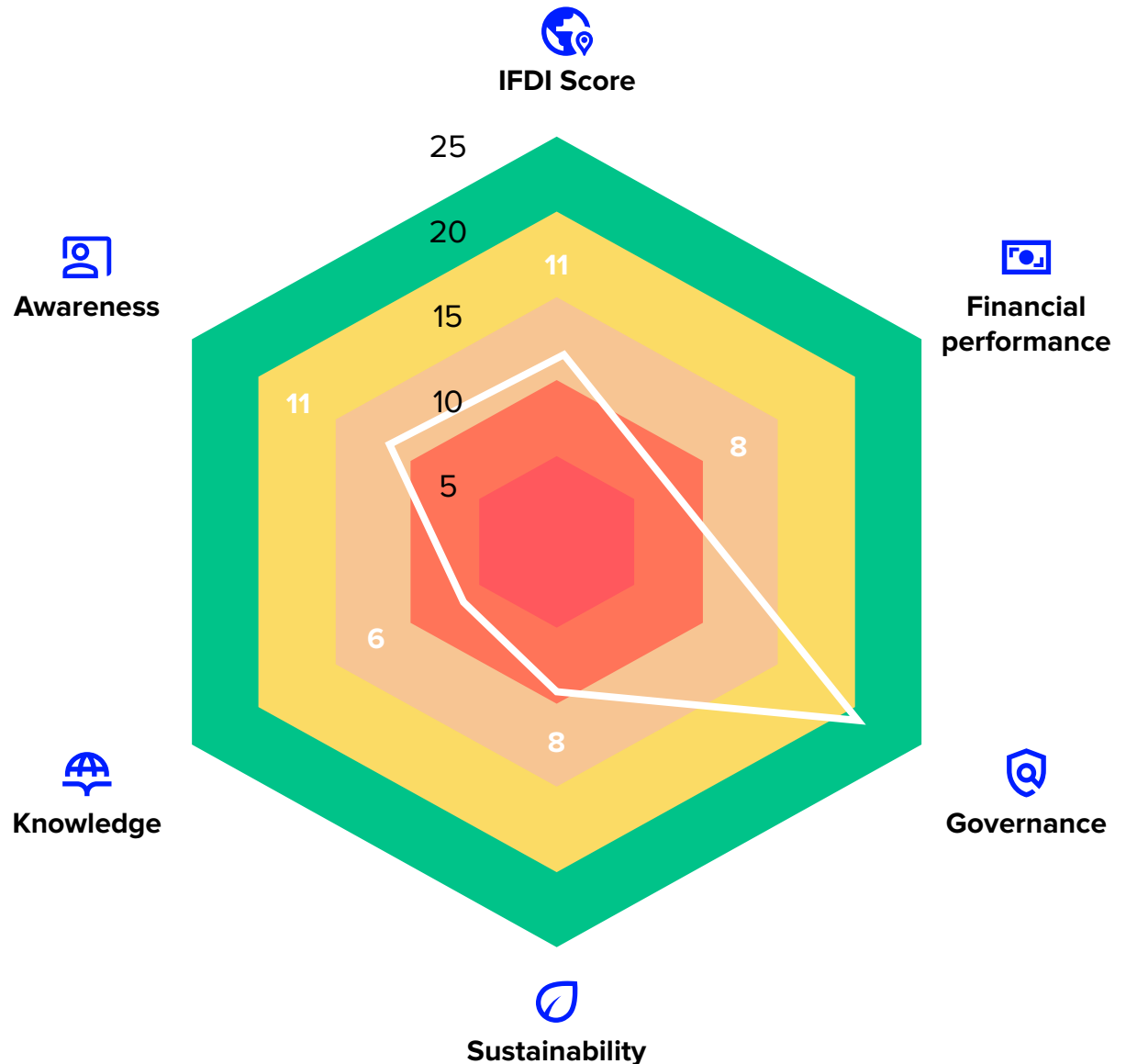
The 2025 IFDI assessed the performance of 140 countries, up from 136 in the previous year. Despite this expansion, the global average IFDI score declined to 11, as most of the newly added countries improved in just one indicator while scoring zero in the others. The new entrants are South Sudan, Jamaica, Kosovo and Lesotho.

The top 10 countries maintained their positions in the rankings, reflecting sustained efforts to develop their Islamic finance industries across all five indicators. Notably, Malaysia and the UAE ranked within the top five for each individual indicator, as detailed in the respective sections of this report.

Beyond the top 10, several countries showed significant improvements. Palestine, ranked 27th, recorded higher scores in Awareness, Governance and Financial Performance. Djibouti, ranked 37th, improved in Awareness and Financial Performance, and although its overall score increased only marginally, it managed to surpass other countries with similar scores.




Among the five indicators, Governance recorded the highest average score globally, largely driven by its Regulations sub-component, which continues to be a strong contributor due to the presence of formal regulatory frameworks.

Global average indicators scores for 2025



*Click on the each indicator for more details

Financial performance indicator

Sub-indicator	 Islamic financial institutions (Islamic banking, Takaful, other Islamic financial institutions)			 Sukuk			 Islamic funds			
Underlying metrics	Assets (US\$ million)	Number of full-fledged institutions and windows	Number of listed institutions	Number of sukuk issued and outstanding	Value of sukuk issued and outstanding (US\$ million)	Number of listed sukuk	Number of Islamic funds	Net asset value of Islamic funds (US\$ million)	Number of Islamic funds launched	Number of Islamic asset managers

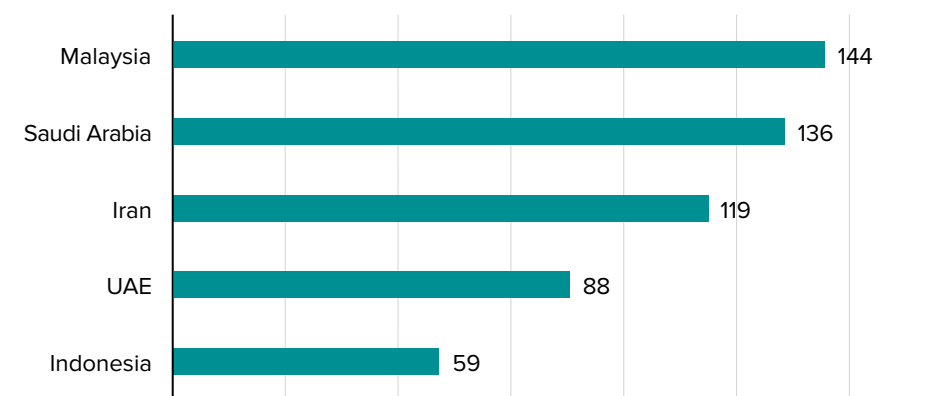
Sectoral shifts seen beyond top five countries

The Financial Performance indicator evaluates the five core sectors and asset classes of the Islamic finance industry. It incorporates metrics such as the total value of each sector, the number of institutions and instruments, and listings across markets.



While the five top-performing countries maintained their positions from the previous year, there were notable shifts within the top 15. For example, Bangladesh dropped out of the top 10 due to a downturn in its Islamic banking sector in 2024. Several full-fledged Islamic banks faced pressure as depositors withdrew funds amid allegations of irregularities and weak governance. In contrast, Islamic windows at conventional banks continued to grow. This contrasting performance led to a weakened showing for Bangladesh in the Islamic banking component of the Financial Performance indicator.

A noteworthy country in this year's Financial Performance rankings is Tanzania. Although still outside the top 15, it has shown promising improvements across several components of the Islamic financial system. The issuance of additional sukuk boosted metrics such as the number of sukuk launched, outstanding volumes, and total value. Furthermore, the country's Takaful and Islamic banking sectors also expanded with the entry of new market participants.

Top performing countries for the financial performance indicator (By indicator score)



Governance indicator

Sub-indicator	 Regulations							 Other governance				
Underlying metrics	Islamic banking	Accounting and auditing	Shariah governance	Takaful and retakaful	Sukuk	Islamic funds	Fintech sandbox	Centralised Shariah committee	Number of scholars with SSB membership	Number of scholars with more than 5 SSB memberships	Number of IFIs with 3 SSB members or more	Disclosure index score

Governance indicator performance stable with few developments

The Governance indicator is split between two equally weighted sub-components. The first, Regulations, is based on the foundation of regulatory frameworks for various sectors and asset classes. This does not assess the quality or effectiveness of the regulations, so the scores tend to remain relatively stable over time, but any newly introduced regulation can lead to an immediate improvement in the Regulations score.

The second sub-component, Other Governance, focuses on Shariah governance and the transparency of Islamic financial institutions, as reflected in their financial reporting disclosure index scores. Shariah governance is partially influenced by the number of Islamic financial institutions within a country – the greater the number, the higher the representation of Shariah scholars and related metrics – in addition to the presence of a centralised Shariah committee overseeing individual Shariah boards.

Governance scores tend to vary little from year to year, except where countries had a relatively small base in the previous year. In the three key metrics of regulations, Shariah governance, and disclosure, the top five countries remain unchanged. However, there have been notable improvements outside the top rankings. For example, Türkiye recorded higher disclosure index scores and an increase in the number of Islamic financial institutions, which led to a rise in

the number of Shariah scholars. Elsewhere, Egypt and Uganda saw improved rankings primarily due to enhancements in their regulatory frameworks.

Top performing countries for the governance indicator

(By indicator score)



Sustainability indicator

Underlying metrics	Disclosed funds distributed to charity, zakat and qard al-hasan (US\$ million)	Number of ESG sukuk outstanding	Value of ESG sukuk outstanding (US\$ million)	Number of ESG Islamic funds outstanding	Value of ESG Islamic funds outstanding (US\$ million)	Sustainability guidelines	Sustainability reporting index
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Limited coverage in sustainability indicator, but progress is emerging

Sustainability in Islamic finance is assessed through three main components within IFDI, focused on both Islamic financial institutions (IFIs) and Islamic capital markets. For capital markets, metrics include the numbers and values of ESG sukuk and ESG Islamic funds, while for IFIs, assessments are based on disclosures such as sustainability reporting, and the amounts of zakat and qardh al-hasan disbursed.

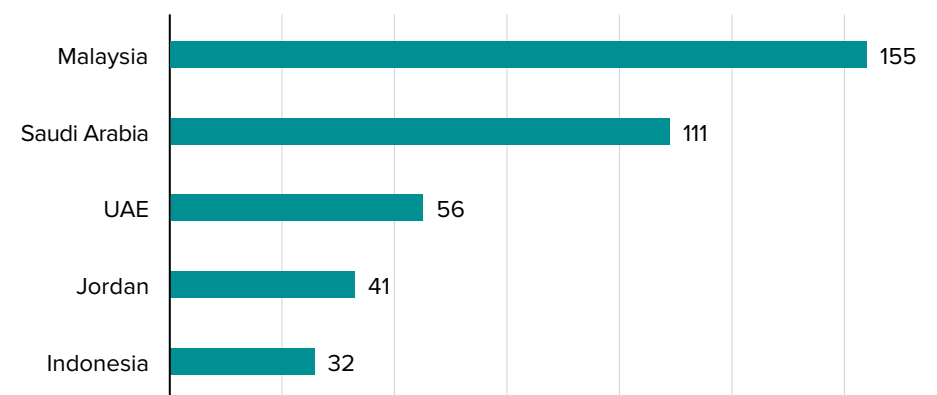
The Sustainability indicator has the lowest coverage among all IFDI dimensions, with 60% of countries scoring zero. In most cases, countries that do register scores do so due to the existence of sustainability-related guidelines, which are typically dependent on the presence of Islamic finance infrastructure, either through financial institutions or capital markets.

The contributing metrics with the least representation is ESG Islamic funds, followed by ESG sukuk. Both of these are found in just a few markets.

The top five performing countries in this indicator maintained their rankings from the previous year, except for the UAE and Jordan, which swapped positions due to higher disbursement volumes reported by UAE-based institutions. Outside the top five, Türkiye showed notable improvement, driven by enhanced sustainability reporting and increased disbursement of CSR-related funds, moving it up to ninth place.

Top performing countries for the sustainability indicator

(By indicator score)



Knowledge indicator

Underlying metrics	Number of institutions offering training courses in Islamic finance	Number of institutions offering degrees in Islamic finance	Number of published research papers on Islamic finance	Number of Islamic finance journals
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Knowledge and awareness remain central to Islamic finance literacy and uptake

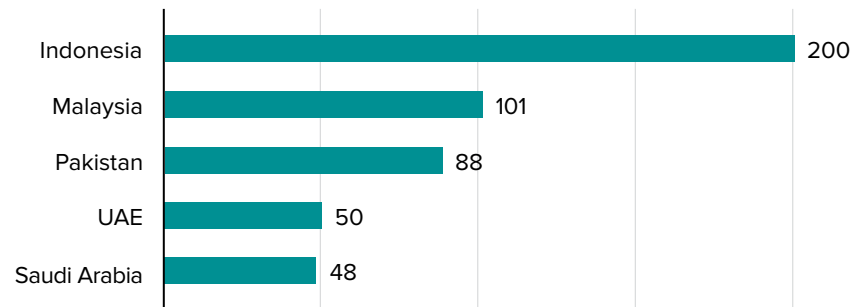
The Knowledge and Awareness indicators are key contributors to the development of the Islamic finance industry. Both play a vital role in enhancing public understanding, which in turn supports the adoption of Islamic banking products, investments, and other financial services.

The Knowledge indicator evaluates Islamic finance education and research. Education equips industry professionals with a strong foundation in Islamic finance principles, while research contributes to the sector’s advancement through generating insights and innovation.

The Awareness indicator focuses on initiatives to improve public understanding and consumer protection. These include Islamic finance events – whether virtual, in-person, or hybrid – as well as media coverage and news reporting, all of which help raise visibility and engagement with the industry.

Top performing countries for the knowledge indicator

(By indicator score)



Awareness indicator

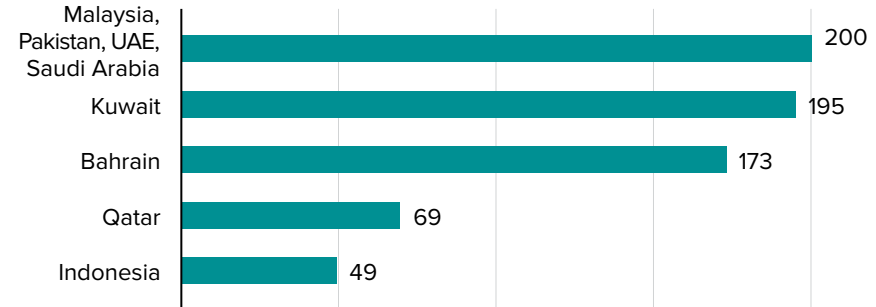
Underlying metrics	Number of in-person events	Number of online events	Number of Islamic finance news
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Knowledge and Awareness are most developed in countries with well-established Islamic finance ecosystems, as reflected by their higher overall IFDI scores and the presence of large numbers of Islamic financial institutions. This tends to result in greater media coverage and stronger performance across related metrics.

Notably, some countries demonstrate strong performance in Islamic finance knowledge despite not being among the top-ranked overall – Jordan and Tunisia are key examples. In terms of awareness, Azerbaijan saw a notable increase following Baku’s hosting of the COP29 event in December 2024, which spurred several Islamic finance events and related media coverage in the country. The Maldives also saw a rise in Islamic finance events in 2024, but much of the media attention there was focused on the country’s sukuk debt crisis.

Top performing countries for the awareness indicator

(By indicator score)



Interview

UK Islamic Finance Council (UKIFC)

How has the Islamic finance industry evolved in the UK in the past five years, and which industry segment do you see as having the greatest potential?

Over the past five years, the Islamic finance industry in the UK has made meaningful progress, both domestically and globally. It is important to view the UK through two lenses: first, as a domestic market; and second, as a global financial centre with influence across the Islamic finance ecosystem.

On the global front, the UK continues to play a pivotal role. London Stock Exchange remains a key listing venue for dollar-denominated sukuk, particularly green and sustainable issuances. The London Metal Exchange also remains central to commodity murabaha liquidity management solutions globally.

A standout development has been the growth of the green sukuk market. The UK, through LSEG and in collaboration with ICMA and IsDB, has been instrumental in shaping the Green, Social, and Sustainability Sukuk Guidelines (2024). This has helped harmonise market understanding, increase awareness, and facilitate issuances, reinforcing the UK's leadership in sustainable Islamic finance.

Domestically, the market has grown steadily. A notable milestone is the acquisition of Ahli Bank UK by Kuwait Finance House, which is expected to bring approximately £1.2 billion in assets into the UK's Islamic banking sector. Gatehouse Bank continues to perform strongly, particularly in real estate-backed finance, and has carved out a unique position in the market.

Regulatory clarity has also improved. For instance, the UK government recently resolved capital gains tax concerns related to Islamic buy-to-let products — a long-standing industry issue. Through the UK Islamic Finance Council (UKIFC), we continue to engage with policymakers via the All-Party Parliamentary Group (APPG) on Islamic and Ethical Finance to address such challenges.

Another area of significant momentum is Islamic FinTech. The UK's progressive FinTech environment has enabled Islamic FinTechs to flourish, not just domestically, but also as software-as-a-service (SaaS) providers to Islamic banks in markets like Malaysia and the GCC. This cross-border collaboration is creating a two-way bridge: UK FinTechs are exporting innovation, while also enabling foreign Islamic banks to enter the UK market more easily.

We are also seeing rapid growth in bridging finance, particularly through platforms like Nester and Yielders. These FinTechs are addressing short-term real estate financing needs and feeding into broader Islamic commercial property finance solutions.

Looking ahead, one of the most exciting developments is the UK government's work on Shariah-compliant student loans. This initiative has reached critical milestones and, if implemented, would make the UK one of the first countries globally to offer such a facility — a major step forward in financial inclusion.

In terms of future potential, Islamic FinTech, particularly those evolving into SaaS providers, holds the greatest promise. It is scalable, globally relevant, and well-aligned with the UK's strengths in innovation and financial services.

Do you see awareness as a challenge for consumer uptake in the country?

It is important to distinguish between awareness and acceptance. Awareness is about knowing Islamic finance exists; acceptance is about being willing to use it. The latter is often shaped by perceptions around pricing, accessibility, and service quality, not necessarily Shariah compliance.

In the UK, both remain challenges. Misconceptions persist; for example, that Islamic finance is not ‘truly Halal’, complex, or expensive and only for high-net-worth individuals. But awareness alone is not enough. It only matters when products are available and accessible. You cannot educate consumers about Islamic car finance, for instance, if no one offers it.

This is a common issue in markets where Islamic finance penetration is below 15%. In contrast, markets with 30–50% penetration have typically overcome these barriers through broader product availability and deeper consumer familiarity. Without a credible, usable product ecosystem, awareness campaigns have limited impact. Once products are in place, awareness and acceptance tend to follow naturally.

There is growing demand for Islamic financing and investment from non-Muslim consumers. Please elaborate.

Demand from non-Muslim consumers is certainly growing, particularly in areas where Islamic finance offers practical or ethical advantages. On the deposit side, non-Muslims are drawn by the competitive returns and strong governance frameworks. In home financing, Islamic structures often suit British expats and overseas buyers better than conventional mortgages, especially when purchasing UK property from abroad.

In the retail investment space, platforms like Wahed have made Shariah-compliant investing more accessible and appealing to a broader audience, including ethically minded non-Muslims. These platforms combine ease of use with values-based screening, which resonates beyond the Muslim community.

Pensions are a particularly promising area. UK law mandates that employers offer pensions, and under the Equalities Act, they must provide a Shariah-compliant option if one is available. Funds like HSBC’s Islamic Global Equity Index, now managing over £10 billion, are widely used by providers like Aviva and Phoenix Group. Local government pension schemes are also under increasing pressure to comply, especially following legal opinions highlighting the risk of indirect discrimination.

Is FinTech leading growth in the UK rather than traditional Islamic financial institutions?

Yes. In many ways, Islamic FinTechs have filled the gap left by traditional banks, especially since major UK banks exited the Islamic retail space post-2008. FinTechs are agile, consumer-centric, and have introduced innovative solutions in areas like retail investing, bridging finance, and ethical banking.

However, scaling requires collaboration. The real growth opportunity lies in strategic partnerships between nimble FinTechs and capital-rich institutions, both in the UK and globally. Most UK Islamic FinTechs lack the balance sheet strength to scale independently, which has led many to pivot to SaaS models or seek partnerships with established financial institutions. This model, where FinTechs provide the tech and banks provide the capital, is emerging as the most viable path forward.

Could UK Islamic banks provide green financing to international clients?

Yes, and the opportunity is significant. Islamic finance principles naturally align with sustainability, especially in sectors like renewable energy and infrastructure. At UKIFC, we estimate over US\$400 billion in potential for Islamic finance to support sustainability-linked projects globally.

UK-based banks, including those with Islamic windows, are well-positioned to participate in syndicated green financing for international clients. Institutions like HSBC and Standard Chartered already have strong sustainability mandates. Structuring these deals in a Shariah-compliant way could enhance their relevance in key markets across the Middle East, Southeast Asia, and Africa.

However, Islamic banks need to proactively position themselves as funders of choice in this space. While the values are aligned, the sector has historically lagged in sustainability leadership. By stepping forward, UK Islamic banks could become go-to partners for global green finance — turning alignment into action.

Omar is a Chartered Accountant by profession, having worked in audit and private equity. He specialises in ESG/sustainable/responsible finance and has spearheaded a number of sector development initiatives since 2008.

Omar has advised numerous financial institutions across London, the GCC and Africa and has been appointed by governments and regulators to advise on enabling policy and regulatory frameworks for Islamic finance. He worked with the United Nations (UNDP) on developing and launching the pioneering SDG Financial Products Platform and has authored several papers and reports on the PRI, SDGs, UN PRB, inclusive growth and Islamic finance.

Omar holds several board advisory roles, including for the UK Islamic Finance Council (UKIFC), the King's Trust Scotland and Oxford University Faith-Aligned Impact Finance, and he actively supports Glasgow Museums on preserving South Asian Heritage in Scotland.



Omar Shaikh

Advisory Board Member
and Director of UKIFC

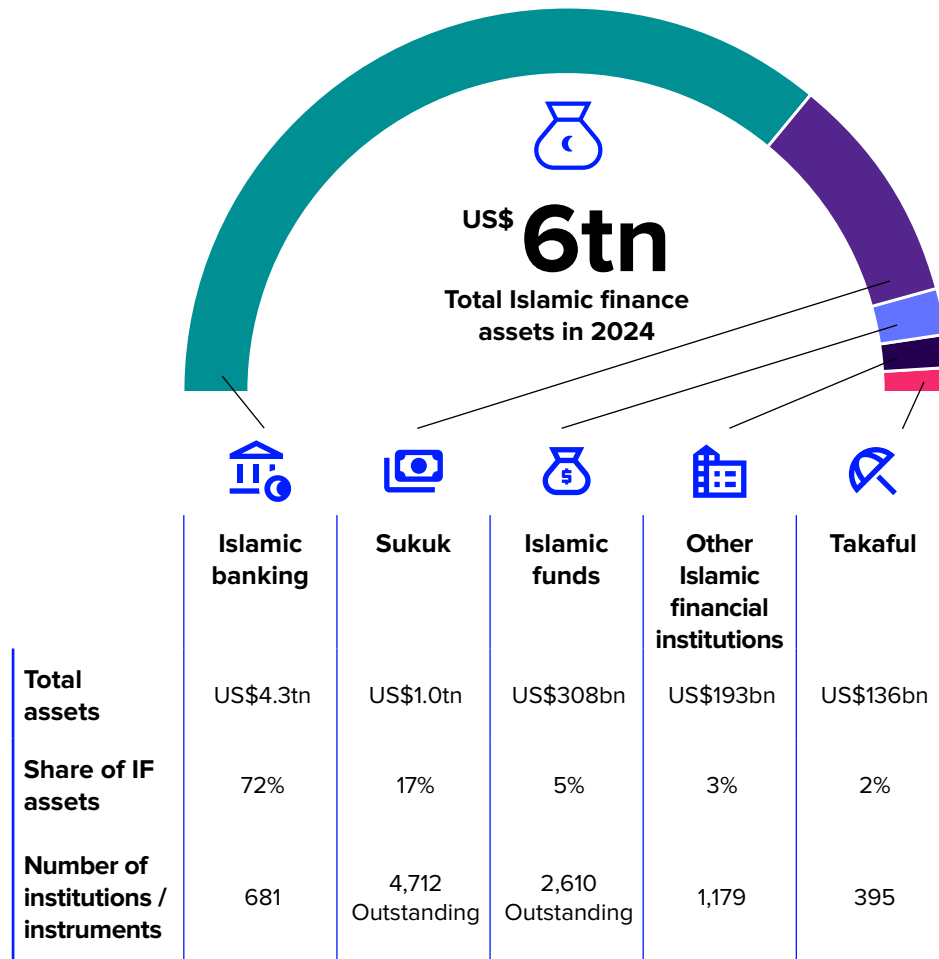
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Financial performance

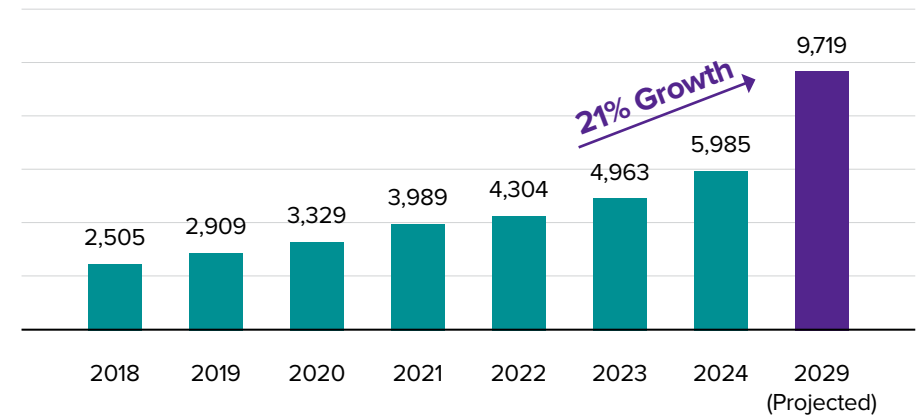


Global overview of the Islamic finance industry in 2024

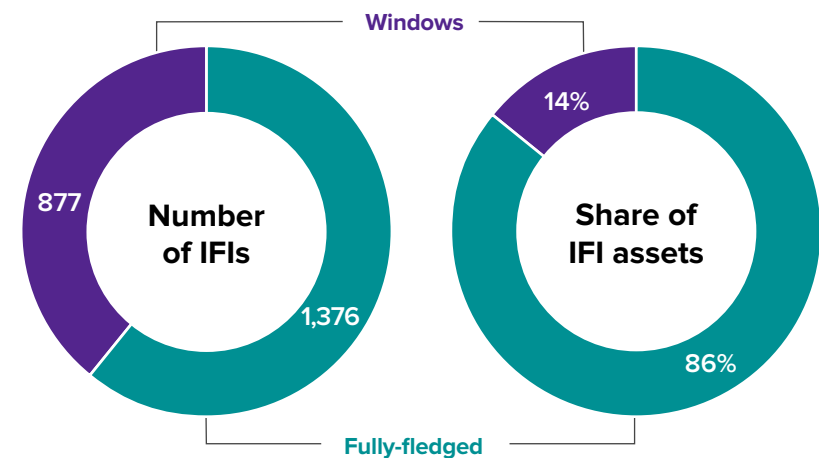
Islamic finance industry breakdown by sector and asset class (2024)



Islamic finance assets growth (US\$ billion, 2018 - 2024)

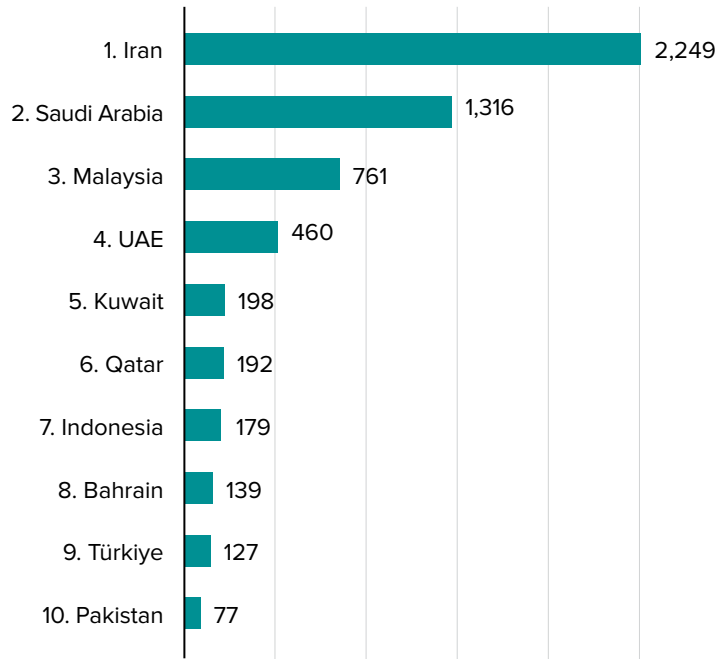


Islamic financial institutions breakdown (2024)

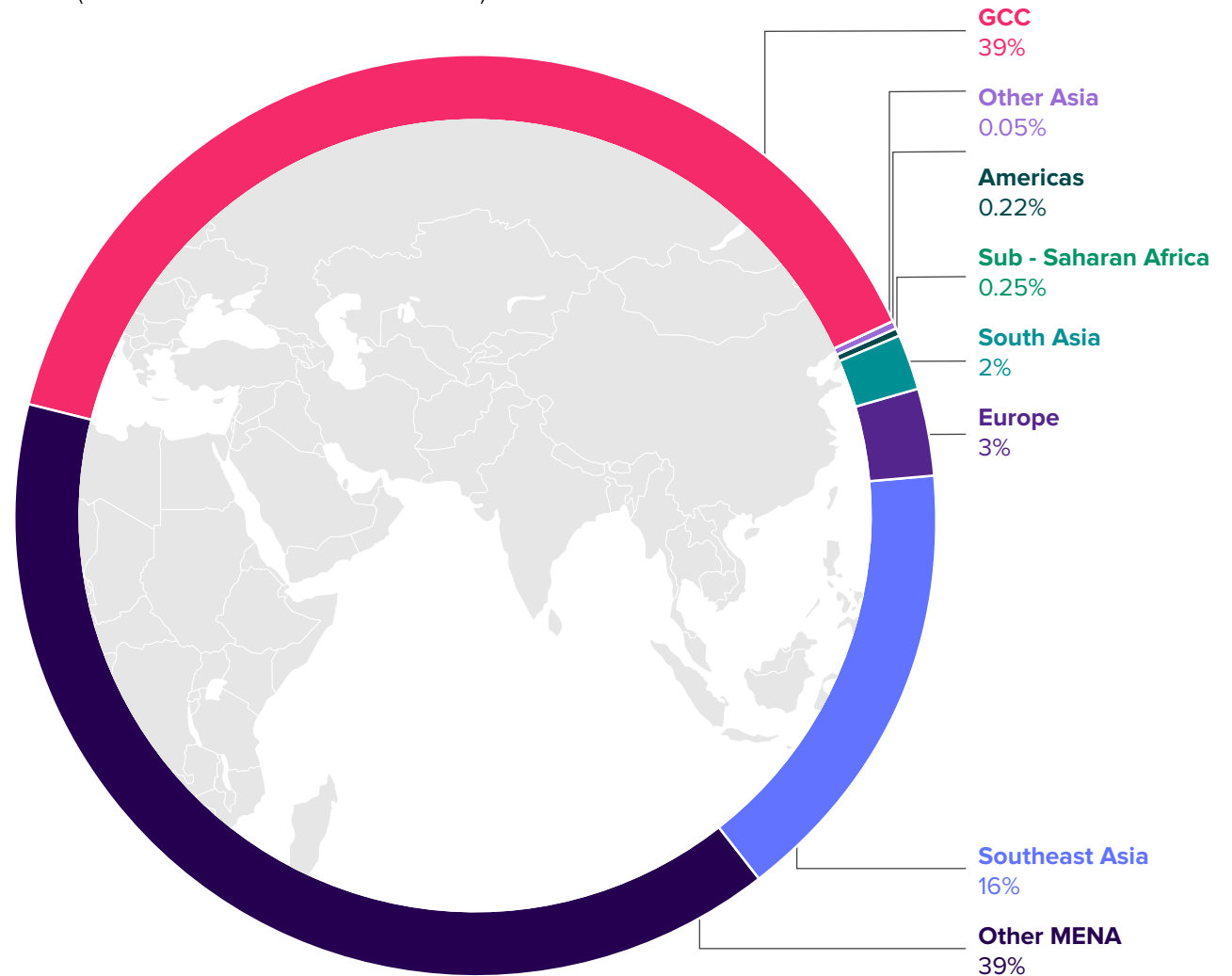


Financial performance

Top countries by Islamic finance assets
(US\$ billion, 2024)



Islamic finance assets distribution by region
(Share of Islamic finance assets)



98

Countries with Islamic finance presence in 2024

Global overview of the Islamic finance industry

Islamic finance maintains growth momentum ahead of 50-year milestone

As the Islamic finance industry approaches its 50-year milestone, it looks poised to enter a new phase of growth and expanding global influence. Since the establishment of the first Islamic bank—Dubai Islamic Bank—in 1975, the industry has grown massively, extending its reach across neighboring regions and far beyond. By 2024, the industry was valued at US\$5.98 trillion, reflecting a remarkable 21% growth in assets during the year. A special feature in this report will explore the evolution of Islamic finance over the past five decades.

Despite the industry's presence in 98 countries, it remains centred mostly on Muslim-majority countries, whether through Islamic financial institutions or Islamic capital markets. The three largest markets – Iran, Saudi Arabia and Malaysia – collectively account for US\$4.3 trillion, or 72% of global Islamic finance assets. Regionally, the GCC and the rest of MENA each hold US\$2.34 trillion in assets, while Southeast Asia is nearing the US\$1 trillion mark. OIC countries represent 98% of the industry's total assets.

Most sectors and asset classes within Islamic finance recorded double-digit growth in 2024, demonstrating strong demand and appetite for the industry. This is particularly evident in Islamic banking, which holds 72% of total industry assets.

Looking ahead, the industry is expected to be shaped by key trends including cross-border connectivity, regulatory advancements and strategic initiatives led by national governments over the coming five years. Based on current trajectories, the industry is projected to reach US\$9.7 trillion in global assets by 2029, with an average annual growth rate of 10%.

Dedicated roadmaps for Islamic finance in the UAE, the Philippines and Türkiye

While the following sections of this report will explore sector-specific developments and initiatives in different countries, some nations have taken a broader approach by launching comprehensive roadmaps aimed at developing the Islamic finance industry in multiple sectors and asset classes.

The Cabinet of the United Arab Emirates – a key global hub for Islamic finance, with Islamic finance assets totalling US\$460.4 billion in 2024 – approved the UAE's Strategy for Islamic Finance and Halal Industry in May 2025. The strategy sets ambitious targets, including increasing Islamic banking assets from AED 986 billion (US\$268.5 billion) to AED 2.56 trillion (US\$700 billion) within six years. It also aims to raise the value of locally listed sukuk to AED 660 billion (US\$179.8 billion) and internationally listed sukuk to AED 395 billion (US\$107.6 billion). A dedicated committee, chaired by the Governor of the Central Bank of the UAE, will oversee the implementation of the strategy.

In Asia, the government of the Bangsamoro Autonomous Region in the Philippines launched its Islamic Finance Roadmap 2024–2028 in December 2024. The roadmap's five chapters each address different aspects of the industry. As of 2024, the Philippines had four Islamic financial institutions, and there were new players coming into its Islamic banking and Takaful sectors. A 2024 survey conducted by the Asian Development Bank in the Philippines—covering 450 individuals (92% of whom were Muslim) and 50 business owners—revealed strong interest in Islamic finance, with 78% of individuals and 88% of business owners expressing willingness to use Islamic financial services.

In Türkiye, the Presidency's Medium-Term Programme (2025–2027), launched in September 2024, includes a strategic objective to position the country as a leader in participation finance. This is being pursued through the development of a dynamic participation finance ecosystem centred on the Istanbul Financial Centre, enhancing the legislative infrastructure for participation insurance, establishing an International Islamic Infrastructure and Liquidity Corporation to facilitate financing for infrastructure projects and improve institutions' access to liquidity, and resolving issues such as double taxation.

The golden jubilee of Islamic finance: foundations and frontiers

The modern Islamic finance industry began to take shape in the 1960s pioneered by institutions such as Egypt’s Mit Ghamr Savings Bank and Malaysia’s Tabung Haji. While Mit Ghamr was short-lived, it introduced key concepts of interest-free banking, and Tabung Haji provided a structured way for Muslims to save for the Hajj pilgrimage. These early initiatives laid the foundation for a more comprehensive financial system grounded in Shariah principles.

The formal establishment of this system is widely marked by the founding of Dubai Islamic Bank in 1975—the world’s first commercial Islamic bank in the modern sense. This milestone was soon followed by the emergence of other banks offering Shariah-compliant products, driven by growing societal demand.

Exponential growth of industry with milestones in its journey

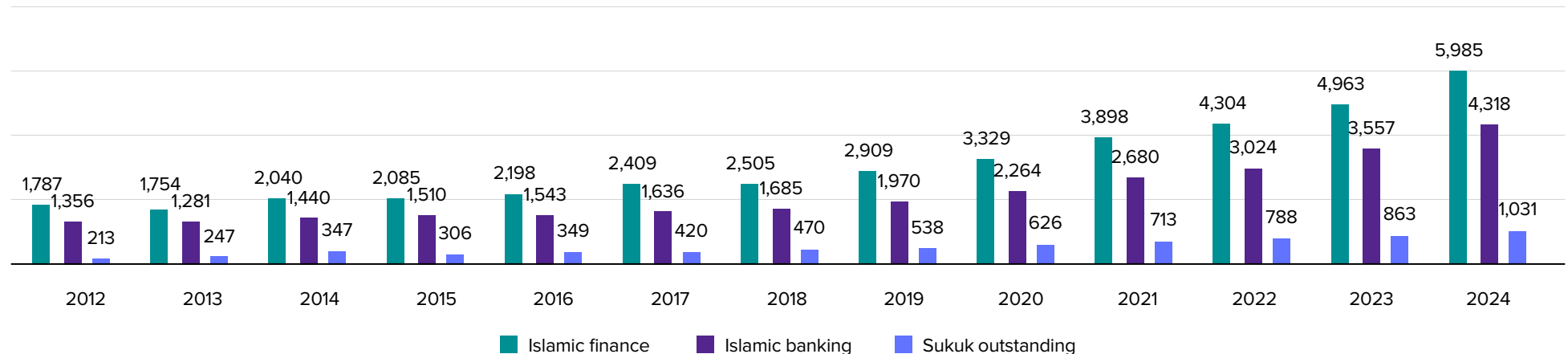
The Islamic finance industry has seen consistent double-digit annual growth in recent years, driven by rapidly expanding Muslim populations and growing interest from non-Muslim investors. Despite reaching nearly US\$6.0 trillion in assets, however, Islamic finance remains a small segment of the world’s financial market, with Islamic banking accounting for just 2.3% of global banking assets as of 2024.

The Islamic finance industry today is dominated by two key pillars:

- Islamic banking, which contributes more than 70% of total assets.
- Sukuk (Islamic bonds), which recently reached a US\$1 trillion valuation.

Meanwhile, other industry sectors such as Takaful (Islamic insurance), Islamic funds, and Shariah-compliant investment vehicles continue to evolve alongside banking and sukuk.

Growth of Islamic finance industry assets by sector
(US\$ billion, 2012 - 2024)



According to Kuwait Finance House Research, the industry surpassed its first US\$1 trillion in global assets in 2010 – 35 years after the establishment of the first Islamic bank. IFDI data in subsequent years have revealed an exponential level of growth, with the second trillion achieved in 2014, the third in 2020, the fourth in 2022, and the fifth in 2024.

This growth is a result of several key drivers: a large underbanked Muslim population; rising wealth in OIC countries, supported by elevated oil prices; government support and policy frameworks; participation by conventional banks in Islamic finance; and growing acceptance of Islamic financial products across diverse markets.

The development of the Islamic finance industry has been shaped by various growth factors across distinct historical periods.

Key events in the evolution of the global Islamic financial industry

1960s – 1970s	1980s
<p>1963 Establishment of Mit Ghamr Savings Bank in Egypt and in Malaysia the Prospective Hajj Pilgrims Savings Corporation, now known as Lembaga Tabung Haji.</p>	<p>1981 Introduction of Modaraba Companies Rules in Pakistan.</p>
<p>1975 Launch of Dubai Islamic Bank, the first modern Islamic commercial bank, and the Islamic Development Bank Group.</p>	<p>1982 Establishment of Qatar Islamic Bank.</p>
<p>1977 Establishment of Kuwait Finance House.</p>	<p>1983 Launches of Bank Islam Malaysia (Malaysia's first Islamic bank) and Islami Bank Bangladesh, and enactment of Malaysia's Islamic Banking Act, which enabled a dual banking system.</p>
<p>1978 Faisal Islamic Bank of Sudan begins operations.</p>	<p>1983–1984 Iran and Sudan transition to interest-free banking.</p>
<p>1979 Pakistan initiated Islamisation of its banking system; Sudan launched world's first Takaful company; launches of Bahrain Islamic Bank, Jordan Islamic Bank and Faisal Islamic Bank of Egypt.</p>	<p>1985 Malaysia launched its first Islamic mutual fund; Türkiye's Al Baraka Turk Participation Bank begins operations.</p>
	<p>1988 Al Rajhi Bank becomes first Islamic bank in Saudi Arabia.</p>

Special feature

1990 First corporate sukuk issued by Shell MDS in Malaysia.

1991 Establishment of AAOIFI in Bahrain.

1991 Launch of Bank Muamalat Indonesia, the country's first Islamic bank.

1999 Introduction of the Dow Jones Islamic Market Index, the first Islamic index; establishment of the Islamic Corporation for the Development of Private Sector.

2010 International Islamic Liquidity Management Corporation (IILM) founded to address cross-border liquidity needs.

2011 Introduction of the first Islamic Interbank Benchmark Rate by Thomson Reuters.

2014 UK issued first Western sovereign sukuk; Meem digital bank launched in Saudi Arabia as the world's first digital Islamic retail bank; Malaysia introduced Sustainable and Responsible Investment (SRI) Sukuk Framework.

2017 Islamic banking debuted in South America with Trustbank Amanah in Suriname; Tadau Energy issued the first corporate green sukuk.

2018 Indonesia issued the first sovereign green sukuk .

1990s

2000s

2010s

2020s

2001 Bahrain issued the world's first sovereign sukuk; establishment of the General Council for Islamic Banks and Financial Institutions (CIBAFI).

2002 Formation of the Islamic Financial Services Board (IFSB) in Malaysia, International Islamic Financial Market (IIFM) in Bahrain, and Meezan Bank in Pakistan.

2004 Launch of the UK's first Islamic retail bank: the Islamic Bank of Britain.

2005 Establishment of the International Centre for Education in Islamic Finance (INCEIF) in Malaysia.

2006 Dubai Islamic Financial Market becomes world's first Islamic stock exchange; Malaysia launched its first Islamic ETF (MyETF-DJIM25).

2009 Singapore issued the first non-OIC sovereign sukuk.

2020 Malaysia issued Sukuk Prihatin, the world's first digital sukuk; Etihad Airways issued first transition sukuk.

2022 Malaysia launched MyOR-i, the world's first Islamic overnight rate benchmark.

2023 AAOIFI proposes Standard 62 to introduce stricter regulatory guidelines.

Pre-1990: Building foundations: Growth in this period was driven by a boom in resource valuations, increased entrepreneurial activity with the introduction of concepts such as mudaraba companies, and growing advocacy from academics, scholars and supportive governments. These factors led to the establishment of pioneering Islamic banks in markets such as the GCC and southeast Asia, and in Iran and Sudan to the conversion of entire financial systems to Islamic principles.

1990–2000: Regulatory recognition and infrastructure development:

This decade saw increasing regulatory support, product innovation, and the development of financial infrastructure. While the ‘tiger economies’ of South Korea, Singapore, Hong Kong and Taiwan boomed during this decade, the emerging ‘tiger cub’ economies of Malaysia and Indonesia were able to play a significant role in advancing Islamic finance. At the same time, Islamic banks were beginning to emerge in the GCC, Malaysia and Pakistan, while Islamic financial ecosystems were strengthened through regulations.

2001–2010: Liquidity boost and sukuk expansion: Fuelled by a surge in oil prices and surplus liquidity, this period witnessed rapid growth in Islamic finance. The sukuk market gained momentum, with several landmark issuances. Financing for various ‘mega projects’ and real estate investment became prominent asset classes within Islamic finance. Both global and domestic banks created Islamic windows and subsidiaries, and an increasing number of countries became interested in establishing or growing the sector. Governments began to actively promote Islamic finance through regulatory frameworks, national financial strategies, and sovereign sukuk issuance. Standard-setting bodies such as AAOIFI and IFSB continued to enhance industry practices, particularly in Shariah governance and risk management. Supporting institutions, such as education and research providers, were also being created.

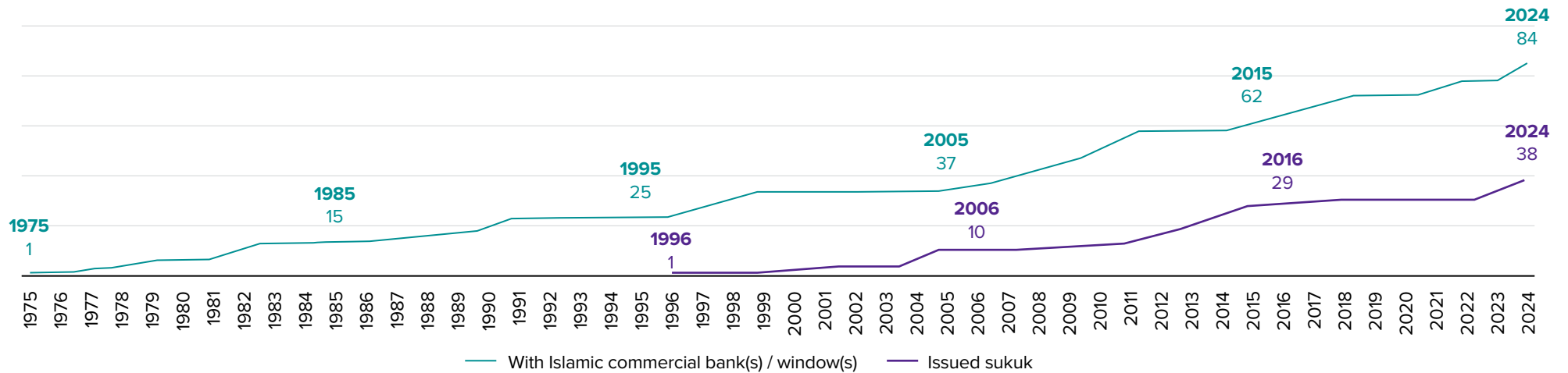
2010 Onward: Rapid expansion and resilience: Since 2010, the industry has expanded into emerging markets across the Middle East, Central Asia, Latin America and Africa, with yet more governments beginning to show support for the industry. Innovation became a defining feature of the industry, with increasing numbers of products and tools being introduced, as seen in the emergence of digital Islamic banks, FinTech integration, and green and sustainable sukuk.

The industry has also demonstrated remarkable resilience during global financial crises, including the 2008 financial crisis and the fallout of the COVID-19 pandemic, during which it continued to show double-digit asset growth. This stability is largely a result of its Shariah principles, which emphasise the prohibition of speculation, limited leverage, risk-sharing, ethical investing, and asset-backed financing. These principles have helped to insulate Islamic financial institutions from systemic risks and speculative bubbles, enhance stability during liquidity crunches, and align the interests of financiers with customers and entrepreneurs as risks are shared rather than transferred.

Core countries lead industry, with non-OIC markets also on the rise

From the following chart, it can be seen that there is a growing number of countries participating in the Islamic finance industry – whether by establishing their first Islamic bank or issuing their first sukuk – demonstrating the strength of the global expansion and diversification of the sector.

Global Development of Islamic Finance Since Inception (Number of Countries, Cumulative)



A core group of countries has led the development of Islamic finance since its inception. These include GCC countries (excluding Oman), Pakistan, Bangladesh, Malaysia, Iran, Türkiye and Sudan. These markets have consistently contributed to the industry’s growth through their large numbers of Islamic financial institutions, significant asset volumes, and strong regulatory and government support. Their leadership is reflected in their ranking among the top markets for Islamic finance assets and development, as measured by indices such as the IFDI.

Some countries began their Islamic finance journey later but have rapidly ascended in terms of development. Notable examples include Indonesia, which has shown a strong commitment to building a comprehensive Islamic economy. Egypt, Nigeria, Oman, Morocco and Brunei have also made significant strides in

the past decade, and are increasingly recognised for their regulatory reforms, institutional growth, and innovation in Islamic financial products.

Non-OIC countries are also becoming important players in Islamic finance, particularly in emerging asset classes such as Islamic funds. Key financial hubs include the UK, Luxembourg, Singapore and South Africa. As of 2024, 84 non-OIC countries have either expressed interest in or are actively operating in the Islamic finance space. Their combined Islamic finance assets reached US\$95.2 billion in 2024, from US\$37.3 billion in 2012, with growth primarily driven by Islamic funds – unlike OIC countries, where Islamic banking dominates. There are now more than 1,000 Islamic financial institutions serving non-OIC markets.

Several Islamic financial institutions in non-OIC countries report a growing share of non-Muslim clients, attracted by the industry's emphasis on universal ethical principles, transparency, exclusion of unethical industries, and support for real economic activities. These values align closely with ESG investing, making Islamic finance appealing to agnostic and values-driven investors.

In addition to Islamic banking, these markets are introducing Islamic pension funds, Shariah-compliant mortgages, Islamic student financing, and Islamic FinTech solutions. This diversification reflects a broader effort to serve Muslim communities more holistically while also attracting ethical investors from all backgrounds.

Future direction: consolidation, competitiveness and innovation

As Islamic finance becomes increasingly mainstream across its core markets, it is now competing directly with conventional financial systems—locally, regionally and globally. The industry continues to evolve, and this is evident in several emerging trends over recent years.

Islamic banking, in particular, is seeing increased consolidation in more mature markets. Mergers and acquisitions have become more common, with a notable preference for establishing Islamic banks over their conventional counterparts. These consolidations enhance operational efficiency and market reach, enabling Islamic banks to compete more effectively, especially in the retail and corporate banking segments.

In markets such as the GCC, Islamic finance is no longer a niche offering but a competitive force within the broader financial landscape. Islamic banks and Takaful operators are increasingly offering competitive pricing and services, positioning themselves as viable alternatives to conventional institutions.

Innovation remains a key driver of growth and relevance for the industry. The ability to innovate while maintaining Shariah compliance has allowed Islamic finance to adapt to changing market needs. Two major areas of innovation – FinTech and sustainable finance – have gained significant traction. Fintech is expanding access to financial services in underserved regions. Technologies such as mobile applications, artificial intelligence, and blockchain are making it easier to identify and access Shariah-compliant financial products. These innovations also support SMEs and promote financial literacy.

In the realm of sustainable finance, Islamic finance is rapidly embracing green and ethical investment principles. Green and sustainable sukuk are emerging as key instruments, with countries like Malaysia, Indonesia and the UAE positioning themselves as hubs for Islamic sustainable finance.

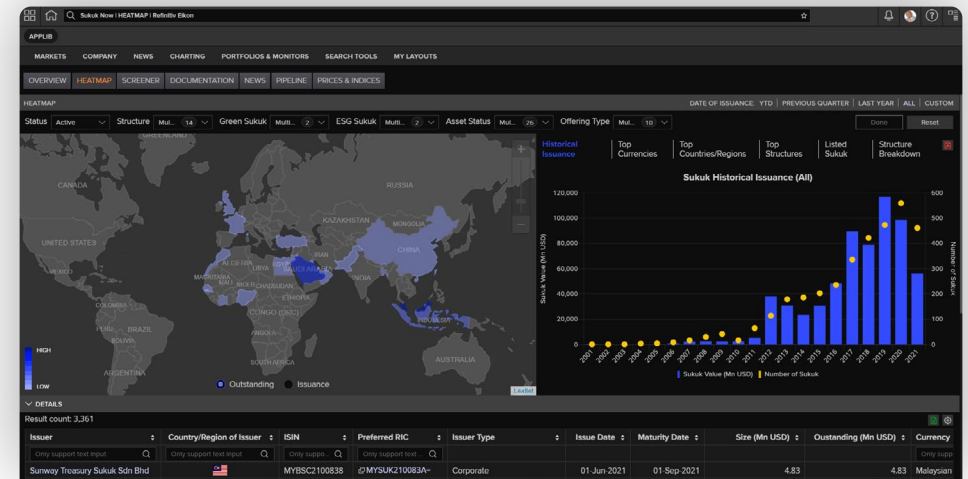
Never miss a Sukuk beat



Sukuk Now is an app on LSEG Workspace offering a 360° overview of the Sukuk market. Via an easy-to-use interface, users can perform quick analysis of the market size and trends; gain deep knowledge about the market and its various structures and transactions; and make informed decisions when it comes to investment in the most sought-after asset class in the Islamic finance industry.

Key features:

- Simplified screener with advanced analytics: list, charts and breakdown views (new)
- Interactive world heat map for outstanding and issued Sukuk (new)
- All charts and results are customisable and exportable to PDF and Excel (new)
- Breakdown analysis allows for comparison with previous period (new)
- Real-time news feed
- Research, compliance and legal documents
- Price discovery, tradability and liquidity
- League tables, indices and industry benchmarks
- Pipeline and announced Sukuk



Find out more: lseg.group/Sukuk-now

Islamic banking



Total Islamic banking assets in 2024

US\$ **4.32tn**



Growth in Islamic banking assets in 2024

21%

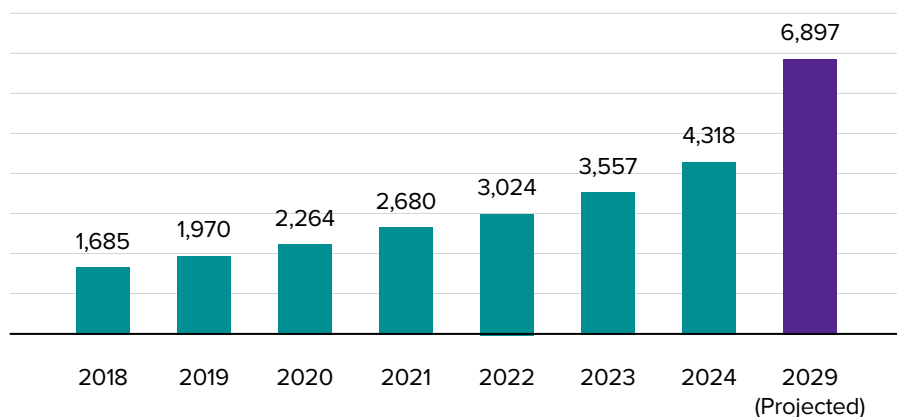


Total Islamic banks including Islamic windows

681

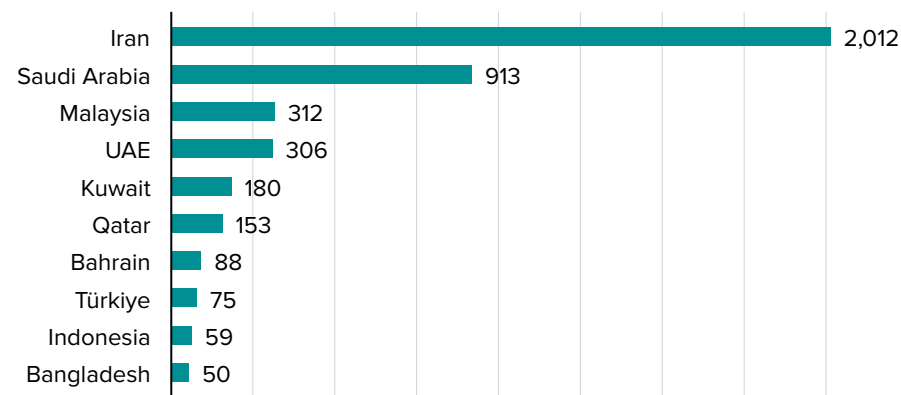
Islamic banking assets growth

(US\$ billion, 2018 - 2024)



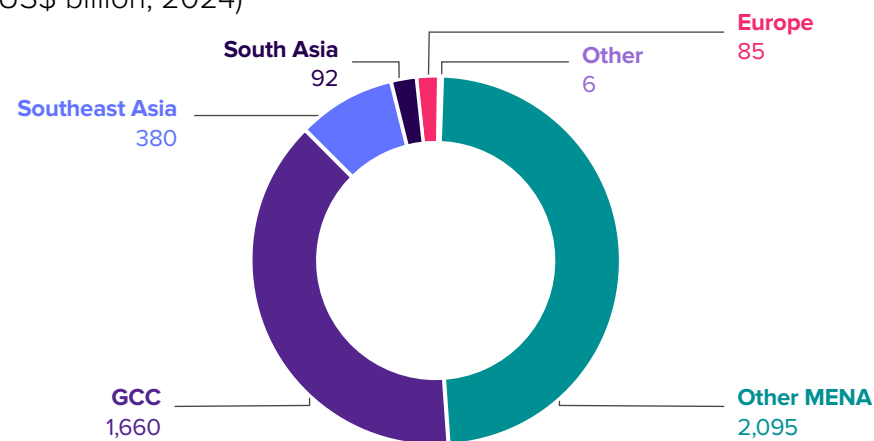
Top countries by Islamic banking assets

(US\$ billion, 2024)



Islamic banking assets by region

(US\$ billion, 2024)



Islamic banking expanding fast in sub-Saharan Africa

Islamic banking was present in 84 markets in 2024. Islamic banking is gaining particular traction in sub-Saharan Africa, where there are now 104 Islamic banks and Islamic banking windows operating across 28 countries. Several conventional banking groups have launched Islamic windows in several countries in the region – including FNB Islamic and Coris Bank Baraka – thereby expanding the reach of Islamic banking into niche African markets such as Benin and Togo.

A common driver of Islamic banking expansion in the region is the proactive role of central banks. One example is Uganda, which now hosts two Islamic banks, and where its Insurance Regulatory Authority is working to introduce Takaful by licensing the country's first Shariah-compliant insurance operator. The most recent country to take steps in this direction is Eswatini. In a 2024 LinkedIn post, the Central Bank of Eswatini announced it would look to attract more Islamic banks to the country. Approved activities include accepting Islamic placements and deposits, offering Shariah-compliant financing products, and arranging deals in Islamic financial instruments.

Mixed recognition of Islamic banking windows

Islamic banking windows accounted for 48% of the total number of Islamic banks globally in 2024 and 14% of total Islamic banking assets, at US\$619.9 billion. Islamic banking windows are operational in 67 countries, predominantly in Bangladesh, Indonesia and Saudi Arabia.

Some countries do not permit Islamic banking windows. These include Qatar, and potentially Bangladesh, where the latest draft of the Islami Bank Company Act 2024 proposes that banks in that country must either change their business model or form a subsidiary to ensure a level playing field.

However, others are actively enabling Islamic windows to expand Shariah-compliant financial services. Kazakhstan's Agency for Regulation and Development of the Financial Market announced in April 2025 that it is drafting legislation to allow conventional banks to offer Islamic financial services through window operations. The proposed law includes provisions for qualification requirements and the maintenance of separate financial records. Kazakhstan currently has four Islamic banks in operation.

In 2024, Maybank Philippines and CARD Bank were granted licences to operate Islamic banking windows, joining the country's sole full-fledged Islamic bank: Amanah Bank. However, in May 2025, Bangko Sentral ng Pilipinas proposed that Islamic banking windows should either transition into full-fledged Islamic banks or meet universal bank capital requirements within five years.

International Islamic Liquidity Management Corporation

Strengthening Islamic finance through liquidity innovation – the IILM’s expanding role

The global Islamic finance industry continues its robust growth trajectory, with assets expanding 21% in 2024 to reach US\$6.0 trillion and projected to exceed US\$9.7 trillion by 2029¹. Yet, despite this momentum, liquidity management remains one of the most persistent and complex challenges confronting Islamic financial institutions (IFIs). Unlike their conventional counterparts, Islamic banks operate under structural and regulatory constraints that limit their access to high-quality liquid assets (HQLA) and standardised liquidity tools.

At the heart of this challenge lies a scarcity of Shariah-compliant, short-term instruments; the underdevelopment of secondary markets; and divergent Shariah interpretations across different jurisdictions. These factors combine to impede IFIs’ ability to meet short-term obligations, manage balance sheets efficiently, and optimise returns on surplus funds.

Over the past decade, the International Islamic Liquidity Management Corporation (IILM) has emerged as a pivotal institution in addressing these systemic bottlenecks. Its expanding short-term sukuk programme, supported by a diverse membership of central banks and multilateral institutions, has become a cornerstone of the global Islamic liquidity ecosystem.

Liquidity management in Islamic finance – structural and regulatory constraints

Islamic banks face unique limitations in liquidity management. Conventional banks rely heavily on treasury bills, government bonds, and repos to manage short-term funding. Islamic banks, in contrast, cannot access these instruments due to their interest-bearing nature. Instead, they largely depend on sukuk, the supply of which remains insufficient and is concentrated in longer maturities.

The lack of widely accepted Islamic repo structures compounds the problem, depriving banks of an essential tool to convert assets into cash without incurring losses. Many jurisdictions also restrict Islamic banks from placing funds with conventional banks, which narrows counterparty options and further constrains liquidity.

Regulatory divergence adds another layer of complexity. Differences in Shariah interpretations result in inconsistent application of instruments such as tawarruq, wakala, and commodity murabaha across markets. Varying scholarly views on sukuk asset composition also affect tradability, undermining secondary market activity.

As a result, many IFIs resort to either investing in long-term, highly rated sukuk that do not benefit from an active secondary market or holding substantial proportions of their liquidity in idle cash, central bank reserves, or short-term placements – assets that often do not qualify as Level 1 HQLA under Basel III. This creates inefficiencies that weaken balance sheet management, profitability and resilience.

¹ICD-LSEG Islamic Finance Development Report 2024: From Niche to Norm

Central banks and market infrastructure – filling the gaps

Central banks have increasingly recognised the importance of developing Shariah-compliant liquidity facilities to level the playing field for Islamic banks. Several have rolled out bespoke solutions:

- **Bank of England's Alternative Liquidity Facility (2021):** Provides Islamic banks with access to remunerated deposits under a wakala model, backed by a portfolio of sukuk.
- **Qatar Central Bank (2022):** Launched treasury sukuk to support Islamic banks with a Shariah-compliant equivalent of treasury bills for managing excess liquidity.
- **Central Bank of UAE (2023):** Introduced dirham-denominated Islamic treasury sukuk in collaboration with the UAE Ministry of Finance in 2023 as sovereign domestic sukuk issuances to regulate liquidity management and reserve requirements of Islamic financial institutions.
- **Bank Indonesia (2023):** Launched SUVBI, a short-term foreign currency sukuk, to enhance exchange rate stability and deepen money markets.
- **Central Bank of Jordan (2024):** Rolled out short-term liquidity facilities ranging from overnight to one week for Islamic banks.
- **Central Bank of Nigeria (2025):** Introduced three new liquidity instruments targeted at non-interest financial institutions: the Non-Interest Financial Institutions' Master Repurchase Agreement, CBN Non Interest Asset Backed Securities (CNI ABS), and the CBN Non Interest Note (CNIN).

- **Central Bank of Oman (2025):** Launched an electronic system designed to provide Shariah-compliant, Omani rial, liquidity management instruments for Islamic banking entities, with two liquidity provision instruments introduced at this stage: qard hassan and restricted mudaraba

These initiatives underscore the growing awareness that without market-based, Shariah-compliant liquidity tools, Islamic banks will remain disadvantaged. However, the limited reach of these country-specific solutions highlights the need for cross-border instruments that foster integration, scalability and resilience.

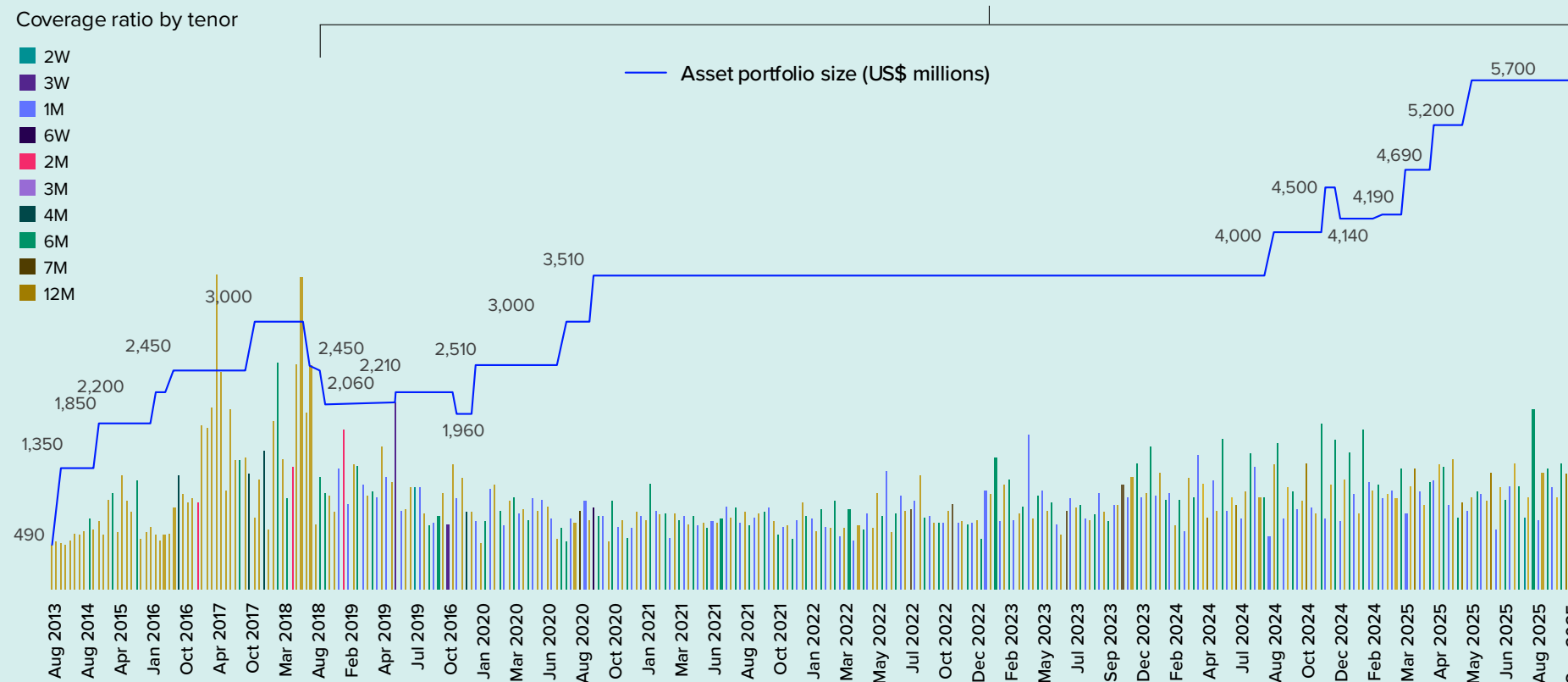
The IILM – bridging cross-border liquidity gaps

Established in 2010 and headquartered in Kuala Lumpur, the IILM was mandated to provide highly rated, tradable short-term sukuk to address the structural liquidity challenges of IFIs. Backed by a pool of sovereign, supranational and central bank-linked sukuk assets, its issuances are drawn from an asset-backed commercial paper (ABCP)- type programme and designed to be both cross-border and Shariah-compliant, with wide acceptance across jurisdictions.

The IILM's track record speaks volumes:

- **Scale and frequency:** From a monthly average of US\$702 million in 2019, issuances are projected to increase to between US\$1.5 billion and US\$1.8 billion per month in 2025. Total annual issuances are expected to rise to between US\$20 billion and US\$22 billion in 2025, from US\$8.42 billion in 2019. This translates to a CAGR of 17%, highlighting the strong and accelerating demand for high-quality, Shariah-compliant liquidity instruments.

The IILM track record – US\$130.55 billion through 325 sukuk



(Data as at 17th September 2025)

- High-quality assets:** As of September 2025, IILM sukuk and assets outstanding stood at US\$5.7 billion, representing a 38% increase from US\$4.14 billion as at end-2024. This expansion reflects the continued robustness of the IILM's asset portfolio, with 66% of the asset obligors rated AA- and above, exceeding the stipulated eligible minimum rating requirement of A by both S&P and Fitch, greater diversification across the GCC region, and healthy representation from sovereigns (46%), government-related entities (43%) and supnationals (11%). As part of its expanded offering, the IILM now provides short-term placements of up to 365 days for qualified obligors, which will also form part of the IILM's asset pool.
- Tradability:** The tangibility ratio refers to the proportion of tangible (physical) assets in a portfolio compared to the total assets. There must be a sufficient proportion of tangible assets backing the financial instrument to meet the minimum Shariah standards, enabling tradability of the sukuk in the secondary market. The IILM sukuk programme maintains a robust tangibility ratio (currently at 66%), exceeding the minimum requirement of 51%, and highlighting the significant share of real-economy assets that underpin the sukuk.

Executive insights

The IILM outstanding asset portfolio

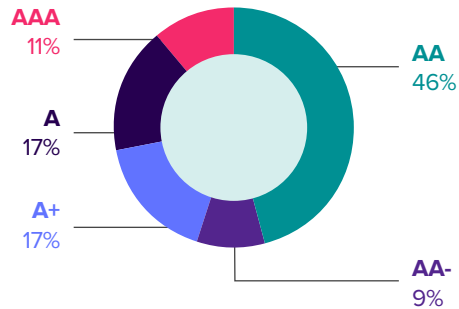
In line with its strategic objectives, the IILM aims to significantly grow its assets over time, enabling the expansion of IILM short-term sukuk, thereby enhancing its market presence and supporting development of the global Islamic global markets.

Outstanding asset portfolio

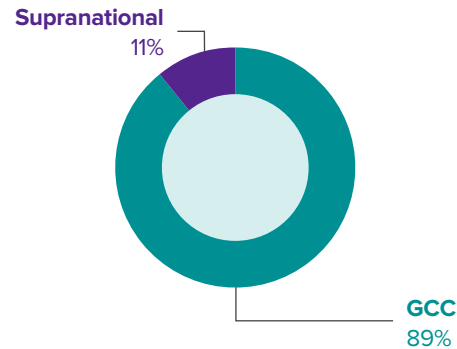


Asset portfolio breakdown

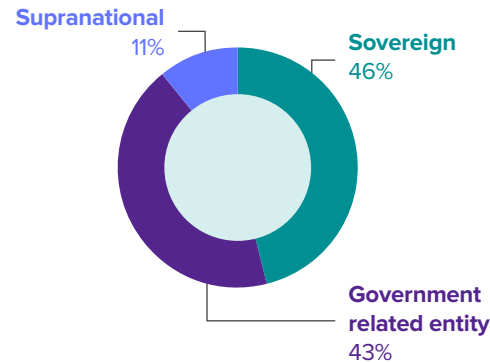
Rating breakdown
(S&P, Fitch)



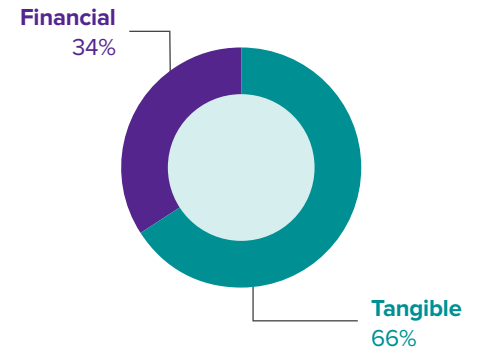
Regional breakdown



Sectoral breakdown



Tangibility ratio

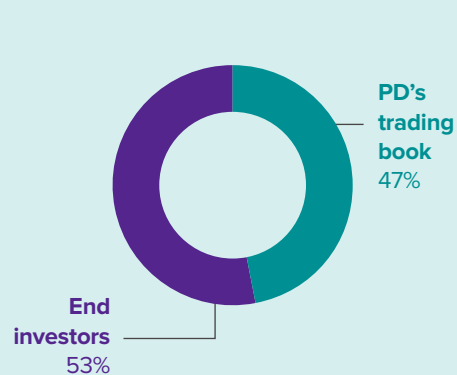


Market recognition: Rated 'A-1' by S&P and 'F1' by Fitch, IILM sukuk are widely recognised as HQLA instruments and used by several central banks in structuring their own liquidity tools. Market-deepening initiatives are further supported by the ongoing regulatory harmonisation efforts to achieve HQLA Level 1 status across jurisdictions, which would reinforce IILM sukuk's role as a global Shariah-compliant liquidity instrument and expand the Islamic money market.

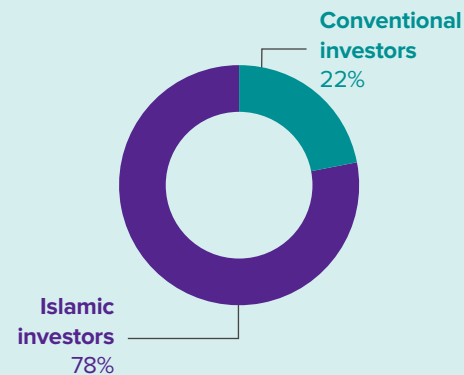
Investor base: While predominantly banks (75%) and Islamic investors (78%), the investor base has broadened to include conventional institutions (22%), while extending its reach across central banks, pension funds and sovereigns, and the increasing participation of asset management and private banking on the back of conducive market conditions and higher supply of IILM sukuk. Geographical distribution has widened, with investors' participation spanning the GCC, Asia, Africa and Europe.

Profile of IILM sukuk investors in primary market – YTD 2025

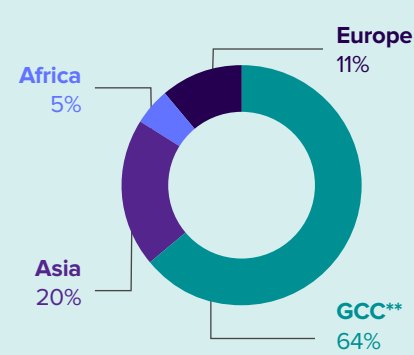
Investors distribution breakdown



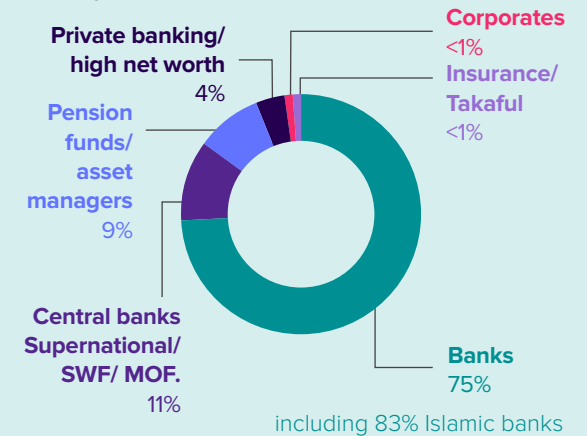
Nature of investors



Investors regional breakdown



Type of investors



Distribution network: The IILM has fostered a conducive liquidity landscape by strengthening its growing primary dealer network, with currently 15 institutions across diverse geographies, incentivising them through performance-linked fees and preferential allocations. Since 2024, five new primary dealers have been onboarded from diverse jurisdictions, further strengthening the IILM's global reach:

- Affin Islamic Bank (Malaysia)
- Meethaq Islamic Banking, Bank Muscat (Oman)
- Golden Global Investment Bank (Türkiye)
- Kuwait International Bank (Kuwait)
- AlRayan Bank (Qatar)

This combination of regular issuance, broad investor participation, and secondary market support has established IILM sukuk as the de facto benchmark for short-term Islamic liquidity instruments.

Indeed, it is worth noting the latest development of a benchmark for a US dollar sukuk fund by Arqaam Capital, which showcases the application of IILM sukuk as the appropriate Shariah-compliant reference, risk-free curve for Islamic bills, a new performance measure tailored for Shariah-compliant portfolios. Traditionally, risk-adjusted returns like the Sharpe ratio have used benchmarks that do not reflect the ethos of Islamic finance. By leveraging the IILM 1-month sukuk rate as the 'risk-free rate', this new framework offers a more relevant and meaningful benchmark for Islamic investors.

Shariah integrity: the foundation of market confidence

Besides scale, the credibility of IILM sukuk rests on its commitment to stringent Shariah compliance. Its hybrid wakala structure, underpinned by a 66% tangible asset ratio currently – well above the 51% minimum set by AAOIFI and IFA – ensures tradability and reduces ambiguity for investors.

This conservative stance enhances investor confidence and positions the IILM ahead of regulatory developments.

Besides, the IILM is one of the only asset-backed sukuk in the market, whereby the profit paid to certificate holders is generated from the sovereign entities' underlying assets. With AAOIFI preparing to introduce Standard 62, which will tighten requirements on sukuk structures, the IILM is already well aligned by utilising the asset-backed structure in its short-term sukuk programme, mitigating potential disruptions and reinforcing its role as a global standard-bearer.

The road ahead: strengthening and deepening Islamic liquidity management

To further enhance liquidity management in Islamic finance, the IILM identifies several key strategic initiatives:

1. Deepening the market

Expanding the supply and frequency of Islamic liquidity instruments – particularly new short-term sukuk from various issuers globally – will enable more effective price discovery and invigorate market activity.

2. Enhancing secondary market liquidity

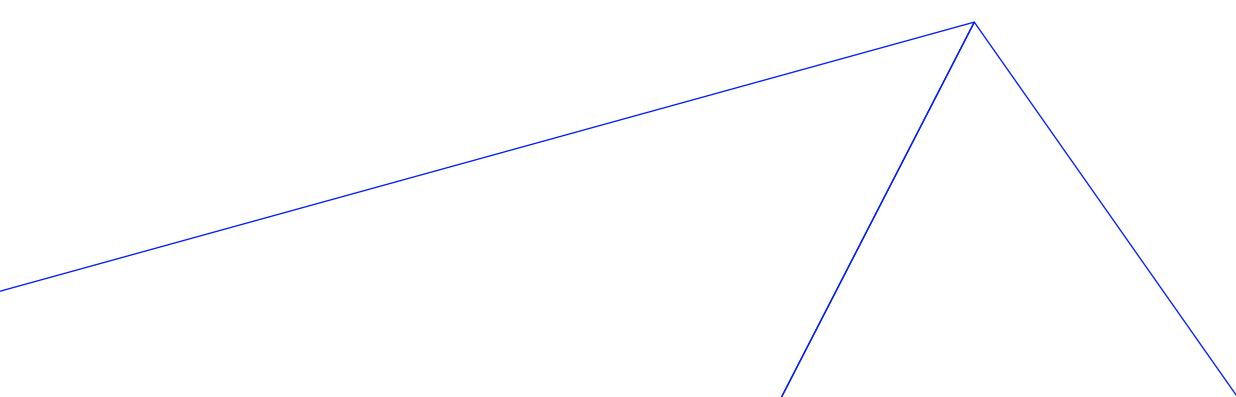
Promoting active market-making, increasing repo transactions, and encouraging broader buy-side participation are essential to improving the tradability and overall liquidity of Islamic instruments.

3. Advancing regulatory harmonisation

Greater coordination among regulators and Shariah standard-setting bodies is vital to align liquidity management practices across jurisdictions and foster a more integrated Islamic financial market.

4. Driving innovation in liquidity tools

Introducing innovative liquidity management instruments and technologies can significantly enhance efficiency and provide Islamic financial institutions with more robust solutions.



5. Building capacity and awareness

Targeted education, training, and cross-sector collaboration will empower institutions and stakeholders to effectively adopt, adapt and scale liquidity management frameworks.

These forward-looking initiatives reflect the IILM's commitment to enabling a more resilient, efficient and inclusive Islamic financial ecosystem.

Conclusion: towards a resilient and integrated Islamic liquidity framework

As the Islamic finance industry approaches US\$7 trillion in assets, including US\$1 trillion in sukuk, liquidity management will remain a central determinant of stability, competitiveness and growth. The progress made by central banks in developing bespoke liquidity facilities is encouraging, but a scalable, cross-border solution is indispensable.

The IILM continues to fill this critical gap, offering IFIs high-quality, Shariah-compliant, short-term instruments that are recognised globally, widely tradable and structurally resilient. By combining strong issuance momentum, rigorous Shariah integrity and an expanding investor base, the IILM has laid the groundwork for a more liquid, integrated and inclusive Islamic financial system.

The continued evolution of IILM sukuk and complementary liquidity tools is essential to future-proofing Islamic finance. By strengthening its liquidity backbone, the industry can unlock its full potential as a robust, sustainable and globally connected alternative to conventional finance.



About IILM:

The International Islamic Liquidity Management Corporation (IILM) is an international organisation established in 2010 by central banks, monetary authorities and multilateral organisations to develop and issue short-term Shariah-compliant financial instruments to facilitate effective cross-border liquidity management for institutions that offer Islamic financial services.

The current members of the IILM Governing Board are the central banks and monetary agencies of Indonesia, Kuwait, Malaysia, Mauritius, Nigeria, Qatar, Türkiye and the United Arab Emirates, as well as the multilateral Islamic Corporation for the Development of the Private Sector. Membership of the IILM is open to central banks, monetary authorities, financial regulatory authorities, multilateral organisations, or government ministries or agencies that have regulatory oversight of finance or trade and commerce.

The IILM is hosted by Malaysia and headquartered in Kuala Lumpur.

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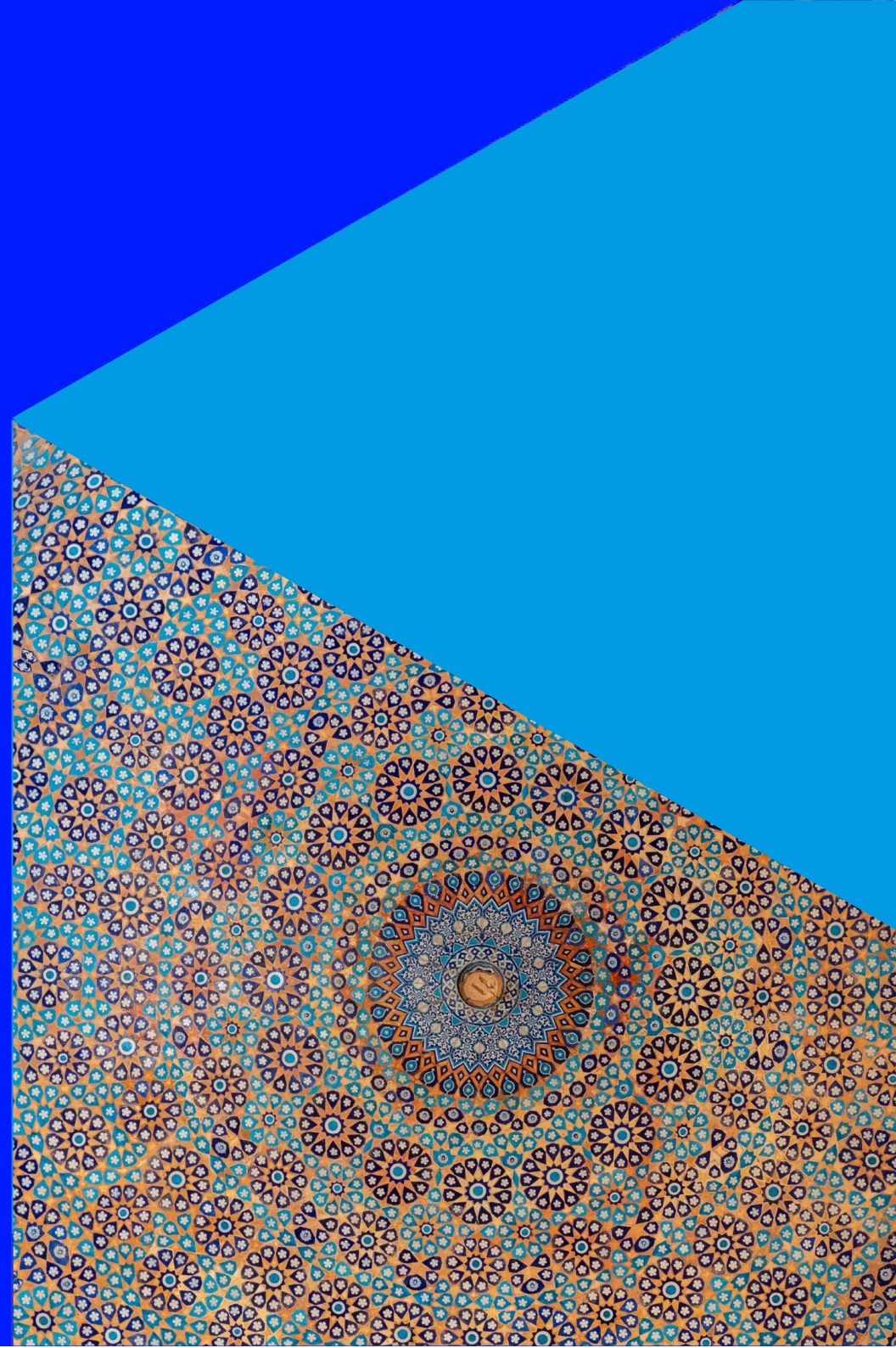
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Total Takaful assets in 2024

US\$ **136bn**



Growth in Takaful assets in 2024

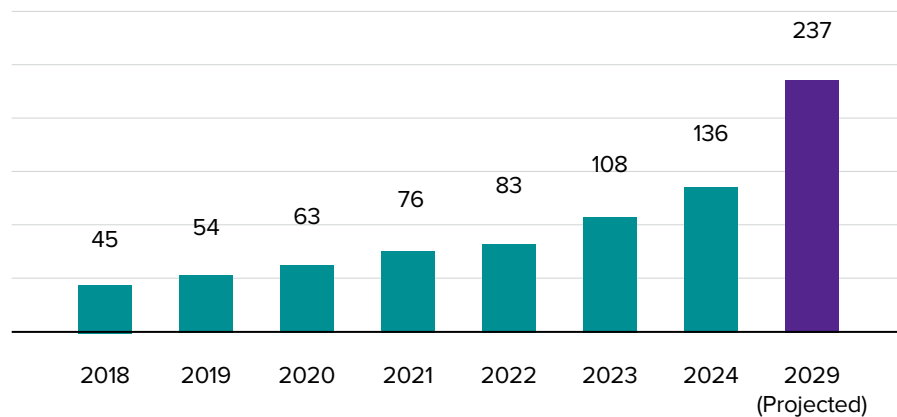
26%



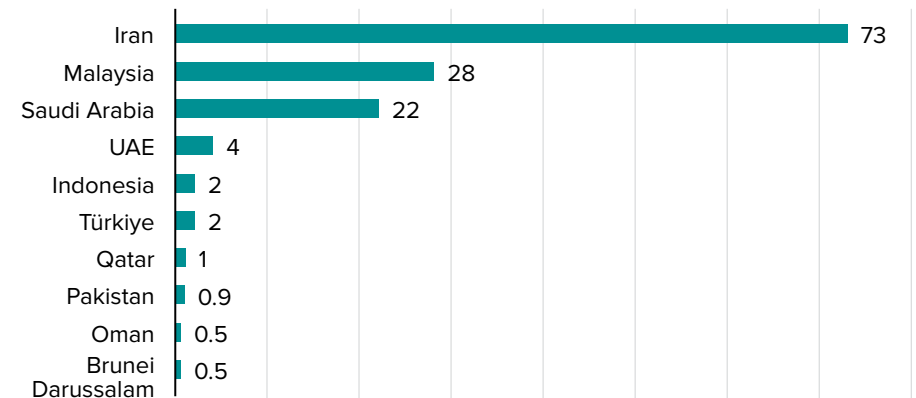
Total Takaful operators including Islamic windows

395

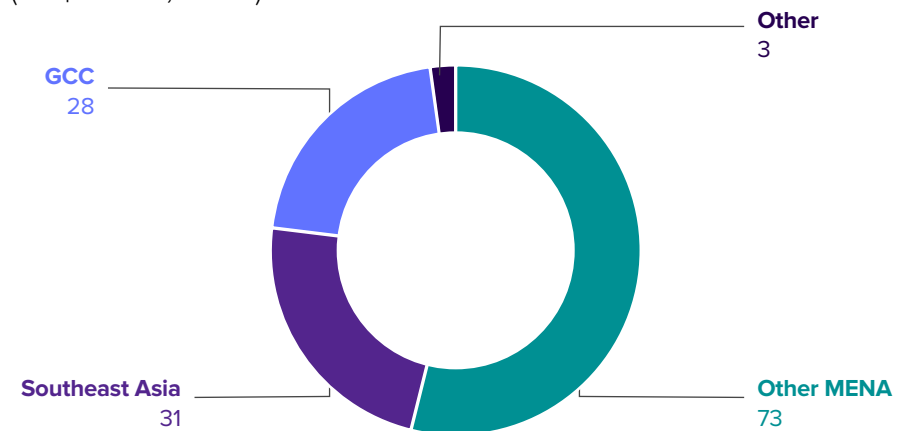
Takaful assets growth
(US\$ billion, 2018 - 2024)



Top countries by Takaful assets
(US\$ billion, 2024)



Takaful assets by region
(US\$ billion, 2024)



New countries setting their sights on Takaful

With 395 Takaful operators active across 53 countries globally in 2024, new markets are showing interest in joining the industry in 2025. In Uganda, the Insurance Regulatory Authority has begun introducing the concept of Takaful to potential stakeholders through the means of workshops. One company has already met the licensing requirements, and reportedly, discussions are underway with other operators to offer Takaful services, including insurers from Sudan, which has a long-established Takaful sector. The Ugandan regulator issued Takaful guidelines in 2024, the same year the country also established its first Islamic bank.

In Central Asia, where four Takaful operators were active in 2024, the Kyrgyzstani regulator held parliamentary hearings to discuss draft legislation on insurance, including provisions for Takaful, in response to growing demand.

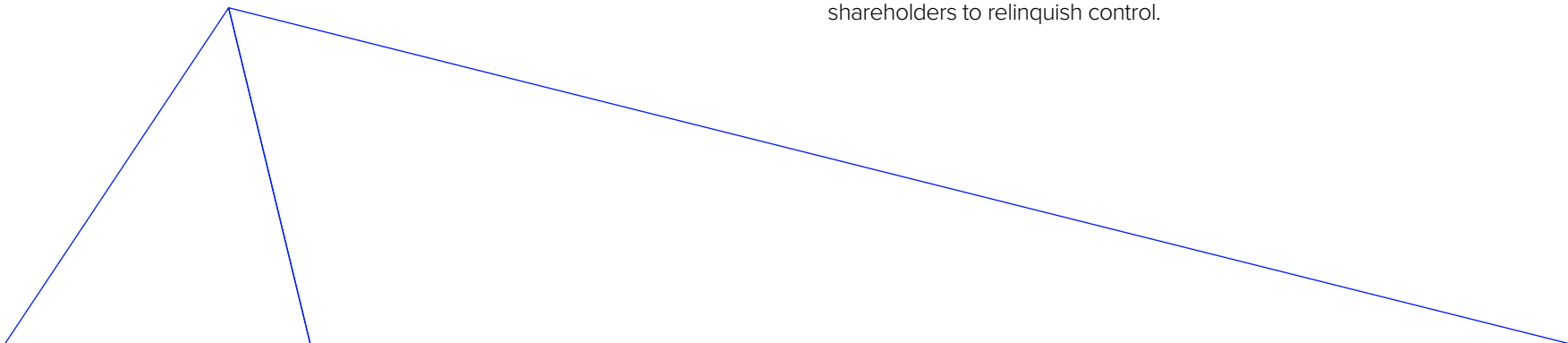
Takaful may also be introduced to Australia, with Orient Insurance (UAE) having reported it is engaging with the Australian Prudential Regulatory Authority to obtain the necessary approvals to launch Takaful operations. Also, in the Philippines, the first Takaful operator was launched by Pru Life UK in November 2024, followed by the launch of the country's first Takaful insurance product in January 2025 by Cebuana Lhuillier Insurance Brokers and Etiqa Insurance.

Consolidation activities among Takaful operators persist in the GCC, though not always successfully

Consolidation is a recurring theme in the Takaful sector, particularly within the GCC. In Saudi Arabia, one of the largest Takaful markets, consolidation is being driven by new regulatory capital requirements and weak profitability caused by intense competition. A new rule requiring insurers to cede 30% of their reinsurance to local firms from January 2025 has added to the pressure.

Potential mergers in Saudi Arabia include Saudi Enaya and Salama Cooperative Insurance, as well as MedGulf and Buruj, which have all signed binding merger agreements. Additionally, Liva and Malath have extended a non-binding merger agreement from 2024 to August 2025, and United Cooperative Assurance and Arabia Insurance have both signed non-binding agreements. In Bahrain, Al Hilal Life and its subsidiary Al Hilal Takaful were acquired by Solidarity Bahrain, enabling the latter to expand into the regional insurance market, including Kuwait.

However, not all consolidation efforts come to fruition. In the UAE, Aman and Salama did not proceed with their proposed transaction, and Abu Dhabi National Takaful terminated a deal to acquire Aman's family Takaful portfolio. The high level of competition in the UAE's insurance sector continues to pare profitability for Takaful operators. Standard & Poor's has said regulatory intervention may be necessary to support the sector. The agency also noted that failed consolidation efforts are often due to elevated stock market valuations and reluctance among management and shareholders to relinquish control.



Other Islamic financial institutions



Total OIFI assets in 2024

US\$ **193bn**



Growth in OIFI assets in 2024

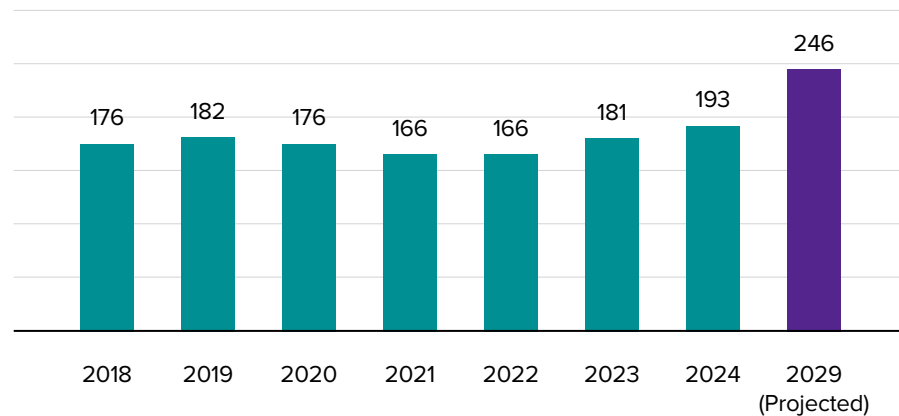
6%



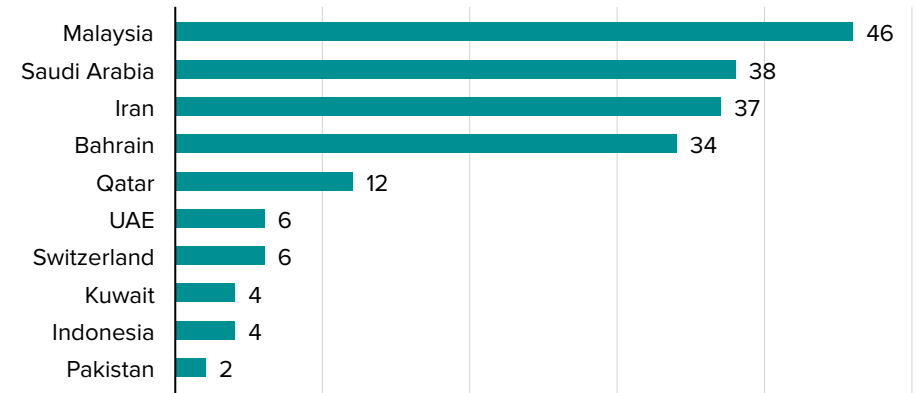
Total OIFIs including Islamic windows

1,179

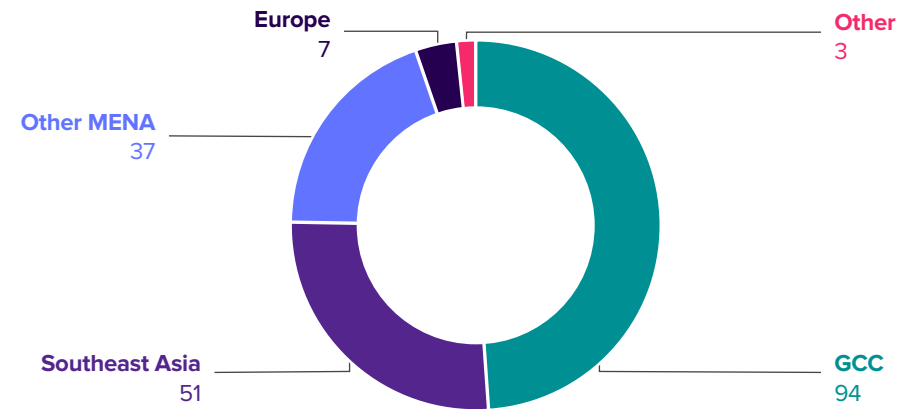
OIFI assets growth
(US\$ billion, 2018 - 2024)



Top countries by OIFI assets
(US\$ billion, 2024)



OIFI assets by region
(US\$ billion, 2024)



Pakistan strategy to develop Islamic finance in the non-banking financial sector could boost OIFI growth

Other Islamic financial institutions (OIFI), non-banking financial institutions excluding Takaful, in Pakistan held US\$2.3 billion in assets in 2024. This places the country in 10th place globally in terms of sector size. The majority of these OIFIs are mudaraba companies, which serve as unique collective investment vehicles meeting the financial needs of SMEs. OIFIs collaborate with partners, investment firms and Islamic FinTechs to expand their reach and impact.

Following the Federal Shariat Court's ruling in 2022 prohibiting interest-based financial practices, the Securities and Exchange Commission of Pakistan (SECP) released the Strategic Action Plan 2024–2026 in November 2024. This roadmap is aimed at strengthening the non-banking Islamic financial sector, including Takaful.

The plan envisions a 15% increase in the existing share of Islamic finance within the non-banking financial sector by 2026. Key recommendations include increasing the floatation (or operation through the Religious Board and Registrar Modaraba) of modarabas, and promoting innovation in Islamic funds management.

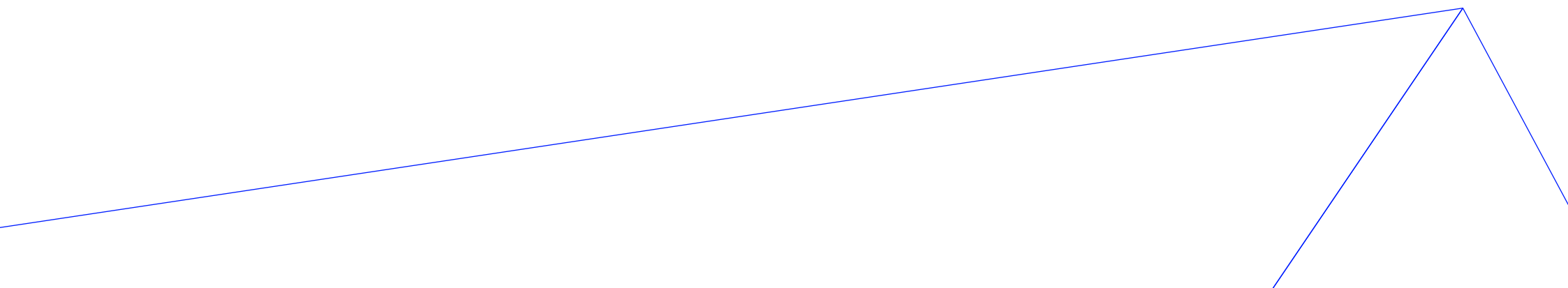
Stakeholders involved in the initiative include the SECP, the Pakistan Stock Exchange (PSX) and the Islamic and Finance Department of the State Bank of Pakistan.

SECP initiatives that could enhance the OIFI sector

- To enable and promote Shariah-compliant trading at the PSX by licensing new Shariah-compliant brokers
- To invigorate the mudaraba sector by floating new mudaraba companies with innovative business models
- To develop Shariah-compliant digital financing products and platforms
- To update the Modaraba Ordinance 1980 through putting into effect the Modaraba Ordinance (Amendments) Act
- To support innovators and assist in the refinement of ideas for the development of Islamic financial products and services under the SECP's Innovation Office initiative

Source: strategic action plan 2024-26, SECP

The sector's development in Pakistan also hinges on capacity-building initiatives and awareness campaigns. These elements – highlighted in the action plan – will be discussed in the next chapter of this report.



Sukuk



Total sukuk value outstanding in 2024

US\$ **1tn**



Growth in sukuk value outstanding in 2024

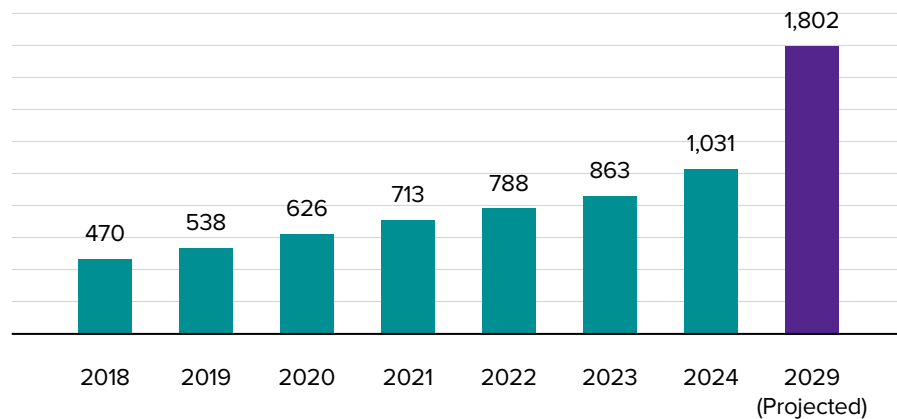
20%



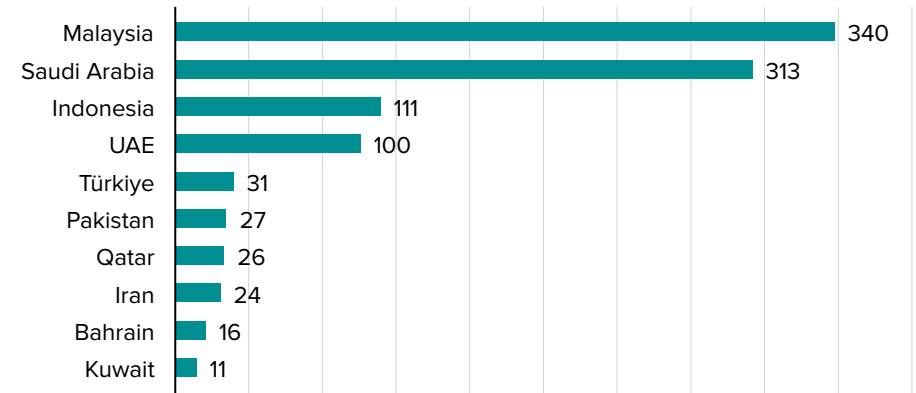
Number of sukuk outstanding

4,712

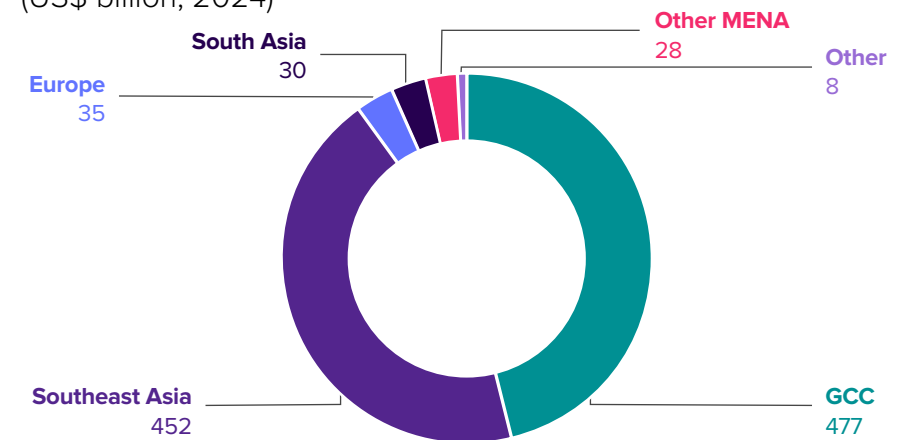
Sukuk value outstanding growth
(US\$ billion, 2018 – 2024)



Top countries by sukuk value outstanding
(US\$ billion, 2024)



Sukuk value outstanding by region
(US\$ billion, 2024)



Sukuk market hits US\$1 trillion mark

The global sukuk market surpassed US\$1 trillion in outstanding value in 2024, a milestone reached despite a slowing rate-cut cycle, economic uncertainty and geopolitical tensions. This reflects the market's resilience and signals a shift in its role: sukuk are no longer a niche financing tool but a mainstream instrument for sovereign and corporate funding. Global sukuk issuance rose to US\$254.3 billion in 2024, an 11% increase from the previous year. This was largely driven by robust activity in the GCC, with Saudi Arabia leading the charge. Governments remained the dominant issuers, accounting for 58% of total sukuk issuance, as fiscal deficits and refinancing needs prompted sovereigns to tap capital markets.

Debt refinancing continues to be a key driver, with approximately 55% of outstanding sukuk set to mature by 2030. A significant portion, US\$105 billion, is due in 2025 alone. With oil prices having fallen below fiscal breakeven levels for several GCC states, sukuk issuance is expected to remain elevated in the near term, especially as policy rate cuts make debt markets more attractive.

Saudi Arabia leads surge in issuance

Issuances from Saudi Arabia were the primary driver of sukuk market growth in 2024, reaching US\$75.3 billion – a 53% increase from 2023. This was largely attributed to increasing funding needs resulting from widening fiscal deficits and regulatory capital needs as oil prices declined throughout the year.

The Saudi government emerged as the world's largest sukuk issuer, accounting for 17% of total issuance. It raised US\$42.3 billion, including US\$17 billion in refinancing for debt maturing between 2024 and 2026. The increase in government borrowing was driven by efforts to sustain public spending commitments under Vision 2030, while managing budgetary pressures stemming from lower oil revenues.

In addition to sovereign issuance, major government-related entities in Saudi Arabia also tapped the sukuk market. The Public Investment Fund and Saudi Aramco raised US\$3.5 billion and US\$3 billion, respectively, while Saudi Electricity Company issued US\$7.6 billion, reflecting continued demand for capital to support infrastructure and strategic investment programmes.

Standard 62 sparks industry debate

AAOIFI released the draft of its Shariah Standard No. 62 in November 2023. The proposed standard aims to reinforce Shariah authenticity in sukuk structures by mandating the actual legal transfer of ownership of the underlying assets from issuers to investors. This includes transferring associated risks and ensuring investors have genuine recourse to the assets – a significant departure from current practices where beneficial ownership or symbolic asset transfers are often used.

Despite a proposed phased implementation plan, the draft sparked widespread debate across the Islamic finance industry, particularly in the UAE, where AAOIFI compliance is mandatory. Market participants raised concerns that implementing the draft in its current form would introduce substantial contractual and operational complexities, deterring both issuers and investors, especially those for whom Shariah compliance is not required.

In April 2025, AAOIFI confirmed that the draft standard is undergoing revisions based on industry feedback, with the official launch and implementation now expected to begin in 2026. This delay has eased some market concerns, offering hope that the final version will incorporate more practical provisions.

Interview

Ministry of Finance of the Republic of Indonesia

Could you outline the key pillars of Indonesia's sovereign sukuk strategy, including traditional, retail, and ESG-linked instruments, and explain the policy, market, and developmental drivers behind this diversified approach?

Sovereign sukuk serve as an alternative financing instrument while supporting the growth of the Islamic finance sector. Their issuance diversifies government financing sources, and offers investors who prioritise Shariah principles a viable option in both domestic and global markets. Sukuk diversification supports debt management, market development and broader participation. First, it expands the investor base by attracting diverse market segments. Second, it accommodates different financing needs with varied tenors and currencies. Third, it promotes Islamic financial literacy and inclusion, especially through retail sukuk's encouragement of public participation. Finally, it enhances fiscal credibility and market stability.

As part of Indonesia's Government Securities (SBN), sovereign sukuk are issued in various forms tailored to market needs and fiscal objectives. Since their debut in 2008, Indonesia has issued IDR 3,181.8 trillion (US\$223.8 billion) of sovereign sukuk, with an outstanding amount of IDR 1,681.4 trillion (US\$118.2 billion), equivalent to 21% of total outstanding government securities. According to the Directorate General of Budget Financing and Risk Management (DJPPR) issuance strategy, the goal is a continuous increase in the contribution of sovereign sukuk, aiming for 25-30% of total government securities issued.

The government issues sukuk regularly through bi-weekly auctions, alternating with conventional bonds. Wholesale investors can access project-based sukuk

(PBS), which finance infrastructure and so have medium- to long-term maturities, and Islamic treasury bills (SPNS) for short-term cash management. Beyond wholesale, retail sukuk are offered to individual Indonesian investors.

On the international stage, Indonesia is a leading global sukuk issuer, with cumulative issuance of US\$36.2 billion since 2009. These sukuk not only broaden investor participation but also enhance Indonesia's role in global Islamic finance and financial diplomacy.

Indonesia has also pioneered thematic sukuk, notably green sukuk, to finance climate-friendly projects. In 2018, it became the world's first issuer of global sovereign green sukuk, with cumulative issuance reaching US\$7.7 billion by 2025. These sukuk have earned 16 international awards to date. Domestically, retail green sukuk were introduced in 2019, raising IDR 44.6 trillion (US\$2.7 billion) by 2025. Altogether, global and domestic issuances have mobilised IDR 84.72 trillion (US\$5.1 billion) for projects such as renewable energy, sustainable transport and waste management.

Another innovation is Cash Waqf-Linked Sukuk (CWLS), which integrate fiscal policy with Islamic social finance. Both temporary and permanent cash waqf are invested in CWLS, with the returns then directed to social programmes, thereby optimising waqf funds' utilisation. Since its launch in 2020, CWLS has mobilised IDR 1.17 trillion (US\$71 million) and received global recognition, such as the IsDB Prize for Impactful Achievement in Islamic Economics 2023.

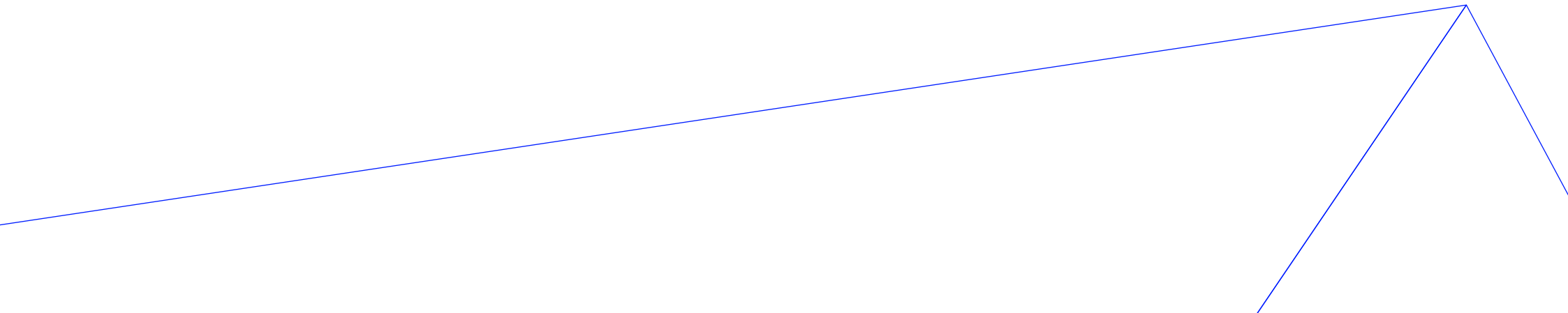
How have retail sukuk been received by the public, and which investor segment has shown the most interest? What impact has this had on financial literacy, financial inclusion and public participation in national development?

Since its introduction in 2009, retail sukuk have consistently received strong demand from the Indonesian public, attracting over 400,000 individual investors and raising IDR 548.6 trillion (US\$33 billion). This success has been driven by several factors: Retail sukuk is a safe, government-guaranteed instrument; it is fully Shariah-compliant; and it offers competitive returns. This was accomplished without offering an excessive new issuance premium. Currently, pricing for the retail market is almost the same as for the wholesale market. Retail sukuk's relatively affordable minimum investment also makes it inclusive, enabling participation from diverse segments of society.

Beyond being a financing tool, retail sukuk has played a strategic role in promoting financial literacy and inclusion. Through direct investment experiences, the public gains experience in financial planning and exposure to the investment process while contributing to financing government projects such as infrastructure, education, healthcare and sustainable development. The issuance of thematic instruments, including green sukuk under the Savings Sukuk series and Cash Waqf Linked Sukuk (CWLS), has further attracted social and sustainability-minded communities.

In its early years, investors were dominated by the middle-to-upper class with prior investment experience. However, since the introduction of digital distribution channels in 2018, the investor base has expanded to younger generations. Millennials now make up 52.1% of total investors, though their contribution to invested funds is only 20.8%. Baby Boomers and Gen-X remain dominant in volume, contributing 36.5% and 38.3%, respectively, and collectively accounting for nearly three-quarters of total investment. Meanwhile, the Gen-Z segment has begun to emerge, contributing 0.9% of volume and 4.1% of investors, highlighting strong long-term potential demand.

The generational diversity demonstrates retail sukuk's dual function as both a financing instrument and a tool for cultivating an investment culture. Its evolution, from traditional distribution to online platforms, has enabled the broader participation among millennials and Gen-Z. Strategically, this ensures a sustainable investor base, positioning retail sukuk as a cornerstone of both Islamic finance development and inclusive national growth.



As the world's largest issuer of green sukuk, could you share Indonesia's experience with its green sukuk programme and its expansion to include retail sukuk?

In 2018, Indonesia became the first country to issue a sovereign green sukuk, and it continues to develop a sustainable financing framework aligned with international standards such as the International Capital Market Association (ICMA)'s Green Bond and Social Bond Principles, and the Sustainability Bond Guidelines. The issuance attracted strong international demand, demonstrating both the appeal of Islamic finance and growing investor appetite for sustainable instruments.

The debut green sukuk was aimed at financing climate-friendly and environmentally sustainable projects, aligned with the government's commitments under the Paris Agreement and its Nationally Determined Contribution (NDC) targets. The issuance attracted strong international demand, demonstrating both the appeal of Islamic finance and the growing investor appetite for sustainable instruments. Proceeds from green sukuk are earmarked for eligible green projects such as renewable energy (solar, hydro, geothermal), energy efficiency, resilient infrastructure, waste management, sustainable transport, and climate resilience and adaptation programmes.

Indonesia has consistently reported on the allocation and impact of these funds, ensuring transparency and accountability, which has boosted investor confidence. Green sukuk-funded projects significantly reduce annual greenhouse gas (GHG) emissions across several areas, including energy efficiency, sustainable transport, railway infrastructure, conversion of motorcycles to electric power, and sustainable natural resource management through forest and land rehabilitation.

After the inaugural issuance, Indonesia continued with multiple green sukuk offerings, diversifying maturities and structures. The programme helped establish Indonesia as a benchmark issuer in the global sustainable finance market and supported the development of the domestic sukuk market. It also positioned Indonesia as a leader in combining Islamic finance with ESG. In April 2025, Indonesia expanded the use of different categories for the use of proceeds, increased reporting transparency, and tightened exclusion criteria to ensure sustainability through the new Sustainable Government Securities Framework.

To deepen financial inclusion and broaden participation, Indonesia began issuing retail green sukuk in 2019. This allowed individual investors, including ordinary citizens, to directly contribute to financing environmentally friendly projects. Retail sukuk are sold through online platforms and local banks, making them more accessible to the wider public. This expansion not only raised financing but also increased public awareness of sustainable investment and climate action.

Tell us about the introduction of orange sukuk. Could we expect to see further ESG-linked sukuk innovations, such as blue sukuk?

We do not anticipate issuing a sovereign orange sukuk at this time. Nevertheless, one of our state-owned financial institutions, PT Permodalan Nasional Madani (PNM), became the first in Indonesia to issue both orange bonds and sukuk through a Sustainable Public Offering (PUB) structure in mid-2025. The total issuance comprised of IDR6 trillion in conventional orange bonds and IDR10 trillion in orange sukuk mudaraba. Indonesia's orange sukuk represent a groundbreaking step in merging social impact, gender equality and Islamic finance, marking a historic milestone in driving funding for women's economic empowerment programmes.

Executive insights

Apart from green sukuk, Indonesia has issued other thematic financing instruments such as its ESG innovations in the form of conventional bonds. In May 2023, Indonesia made global financial history by issuing the world's first publicly offered sovereign blue bond, raising approximately JPY 20.7 billion (US\$140 million) in the samurai bond market in Japan. These were issued under both 7- and 10-year tenors, with coupon rates of 1.2% and 1.43%, respectively. The funds raised were earmarked for nurturing the blue economy, especially areas such as coastal protection, sustainable management of fisheries and aquaculture, marine biodiversity conservation and mangrove rehabilitation.

Furthermore, Indonesia has been a global pioneer in issuing sovereign SDG bonds, combining financing with the country's commitment to the United Nations Sustainable Development Goals (SDGs). In September 2021, Indonesia became the first Asian country to issue a sovereign SDG bond in the international market. Denominated in EUR (€500 million), the bond attracted strong investor interest, reflecting a strong global appetite for impact-oriented investments.

Indonesia will continue to explore and innovate in managing its sukuk programme, with a focus on adapting to our financing strategy and market demand. While we are always open to new instruments, any future innovations such as blue sukuk will depend on our long-term goals and a thorough assessment of market appetite.

**Deni Ridwan, PhD**

Director of Islamic Financing
at the Ministry of Finance,
Republic of Indonesia

Deni Ridwan manages the Indonesian Ministry of Finance's major budget financing instrument, Islamic Financing. Deni, who is based in Jakarta, oversees the management of Islamic government bonds. This includes formulation of Islamic financing, execution of Islamic financing transactions, development and deepening of the Islamic financing bond market, and innovation in Islamic financing securities instruments.

Deni has over 25 years of professional public policy experience in the financial services sector, focused on banking and insurance. Deni began his career as a government auditor for the insurance sector in 1996. He was assigned to the Banking Restructuring Program from 1997 to 1998, represented the MoF at the Resolution Group (ReSG) and Financial Stability Board (FSB) from 2016 to 2018, and was assigned as Director for Risk Management and Legal, Secretariat of Financial System Stability Committee, from 2018 to 2020.

Deni Ridwan holds a Diploma in Accounting from the State College of Accountancy (STAN) in 1996, a Bachelor of Accounting from the University of Indonesia in 2000, a Master of Business and Information Technology (MBIT) in Business Analysis from the University of Melbourne in 2006, and a PhD in Accounting and Finance from Victoria University in 2014.

Islamic funds



Total Islamic funds AuM outstanding in 2024

US\$ **308bn**



Growth in Islamic funds AuM outstanding in 2024

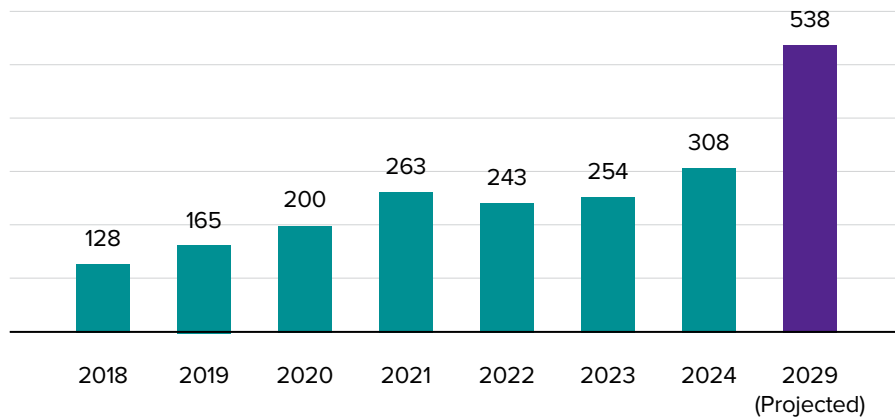
21%



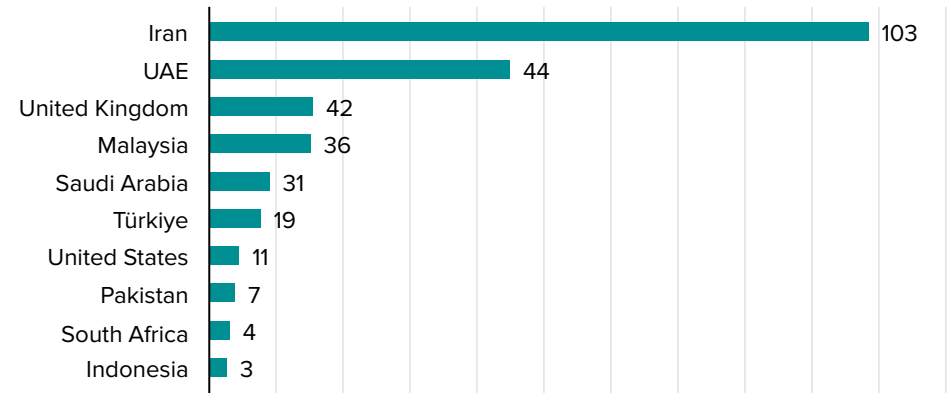
Number of Islamic funds outstanding

2,610

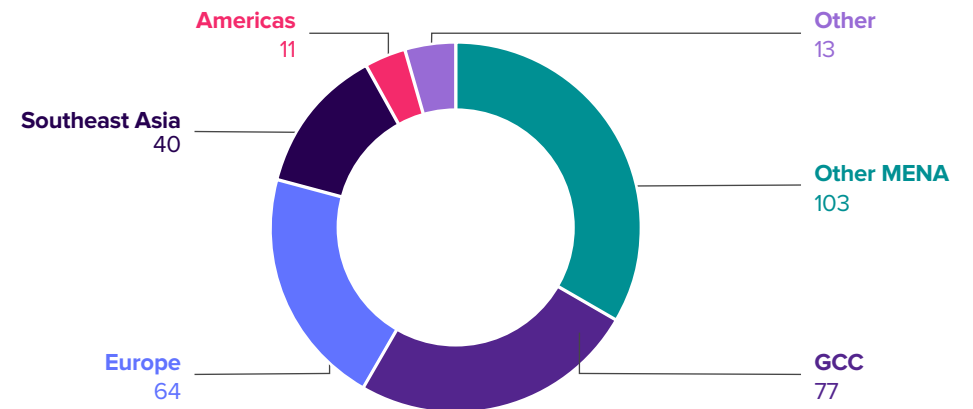
Islamic funds AuM outstanding growth
(US\$ billion, 2018 - 2024)



Top countries by Islamic funds AuM outstanding
(US\$ billion, 2024)



Islamic funds AuM outstanding by region
(US\$ billion, 2024)



Despite notable growth in sukuk issuance, sukuk funds lag behind

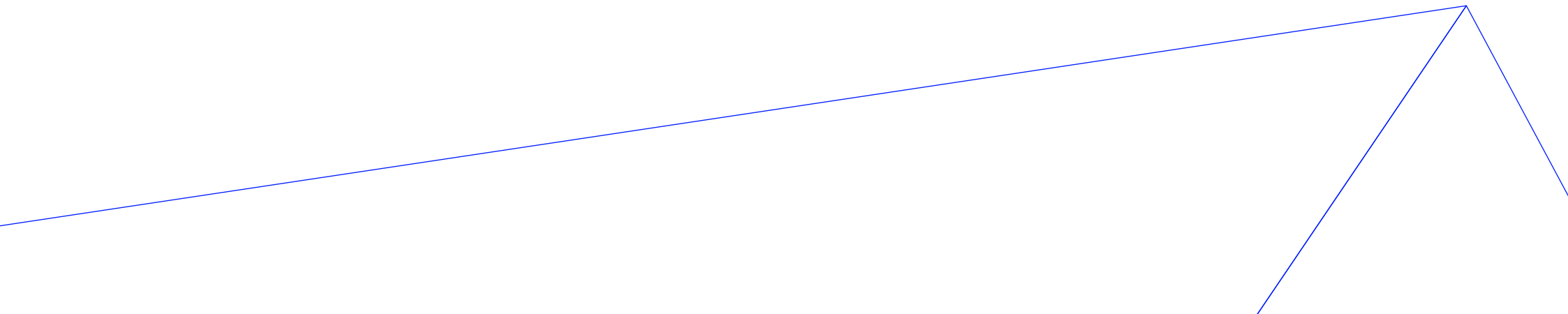
By 2024, sukuk funds were valued at US\$15.3 billion in total assets, having grown 37% from the previous year. However, these sukuk funds still form a small segment of the global Islamic fund market, accounting for just 9% of total outstanding Islamic fund value. Most sukuk funds are domiciled in Malaysia, with the top five countries in this asset class accounting for 87% of global sukuk fund assets.

Sukuk have historically shown price stability during market downturns, making them less volatile than other asset classes, including conventional bonds. This is largely due to issuers being concentrated in the stable GCC region. However, most investors typically adopt a buy-and-hold strategy, leading to low liquidity, limited price visibility, and higher trading costs. This poses challenges for fund managers trying to match index benchmarks. Moreover, passive sukuk funds, such as ETFs and index funds tend to carry higher fees than their conventional counterparts due to these structural constraints.

Pioneering Islamic ETF launches signal growing interest outside core markets

Nine Islamic ETFs were launched by asset managers across eight countries in 2024, including South Africa's first Islamic ETF in October. In January 2025, Kazakhstan introduced its and Central Asia's first Islamic ETF, listed on the Astana International Exchange.

A notable development followed in May 2025, when Hong Kong launched an ETF tracking Saudi government and agency sukuk. This move aligned with Hong Kong's ambition to deepen ties with the Middle East and revive its Islamic finance agenda, as highlighted by Financial Secretary Paul Chan during the Capital Markets Forum in Saudi Arabia. It followed earlier sovereign sukuk issuances by Hong Kong in 2014, 2015, and 2017. Conversely, Saudi Arabia launched an Islamic ETF tracking Hong Kong stocks in October 2024, catering to Middle Eastern investors and further bridging the financial markets of the two regions. These Shariah-compliant ETF initiatives are part of a growing trend to internationalise Islamic finance and enhance its cross-border accessibility.



Ethiopian Capital Market Authority & FSD Ethiopia

A strategic imperative unlocking inclusive finance for Ethiopia's growth

As Ethiopia's financial sector enters a new and dynamic era with the establishment of the Ethiopian Capital Market Authority (ECMA) and the launch of the Ethiopian Securities Exchange (ESX), our strategic focus must extend beyond conventional capital market products. To truly build an inclusive and resilient market, we must address the significant and growing demand for Shariah-compliant financial products. With a substantial portion of Ethiopia's population following the Muslim faith, the development of a robust Islamic capital market is a strategic and commercial imperative.

To lay the groundwork for this, ECMA has commissioned an Islamic Capital Market Roadmap study in partnership with key stakeholders, including FSD Ethiopia, FSD Africa, and UNDP. This comprehensive study, prepared by the UK-based Islamic Finance Advisory & Assurance Services (IFAAS), serves as our blueprint for integrating an Islamic capital market that is both viable and aligned with Ethiopia's broader economic development goals.

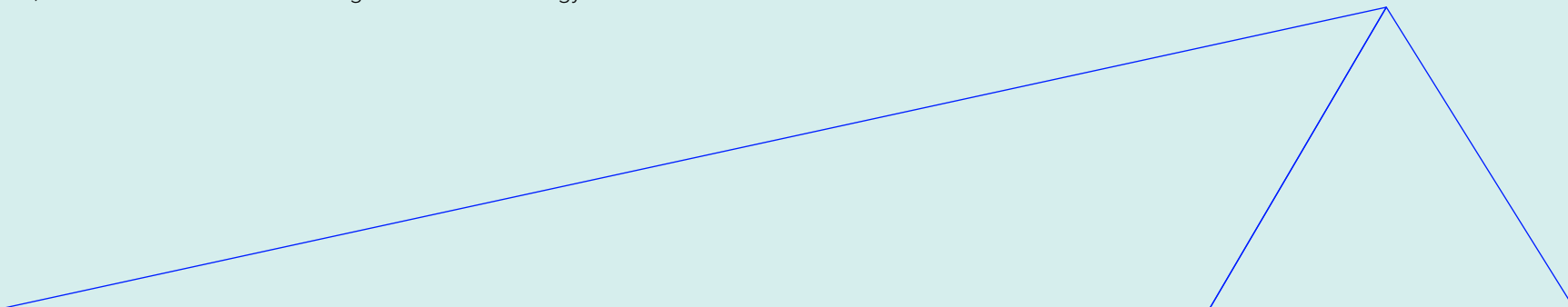
The strategic value of Islamic capital markets

Globally, Islamic finance is a powerful force, with the industry now valued at an estimated US\$6.0 trillion. Capital market products, such as sukuk and Islamic funds, alone account for more than US\$1.0 trillion of these assets. The success stories of nations like Malaysia, Indonesia and Saudi Arabia demonstrate how these instruments can effectively mobilise large-scale capital for vital public and private projects, from infrastructure and housing to renewable energy initiatives. Even

countries with Muslim-minority populations, such as the UK, have embraced these instruments to diversify their financial ecosystems and attract global investment.

For Ethiopia, the development of an Islamic capital market offers three strategic benefits:

- **Financial inclusion:** Islamic capital products offer a secure and ethical alternative for a large segment of the population that has been historically reluctant to engage with conventional financial systems due to the prohibition on interest. This opens a significant, untapped source of domestic savings and investment.
- **Resource mobilisation:** The Islamic capital market can create powerful new channels for mobilising domestic resources. By leveraging products like sukuk, we can directly link the savings of individuals to major national development projects, fostering a sense of ownership and collective progress.
- * **Access to new capital:** The establishment of a Shariah-compliant market positions Ethiopia as an attractive destination for foreign direct investment from global Islamic finance hubs across the Middle East and Southeast Asia. This creates a new pipeline of capital, diversifying our investor base and strengthening our economic ties.



Overcoming strategic hurdles

While the potential is clear, the roadmap identifies several key challenges that must be addressed with a strategic approach:

- **Policy alignment:** There must be a unified national policy for Islamic finance to minimise the risk of fragmented initiatives. We must establish a clear, overarching framework to guide the sector's development and ensure all stakeholders are aligned on a common vision.
- **Legal and tax ambiguity:** The unique structure of instruments like sukuk, which are asset- rather than debt-based, can be subject to legal and tax uncertainties. A tailored tax legislation will minimise additional costs and make Islamic capital market products competitive with their conventional alternatives.
- **Governance and trust:** To attract both domestic and international investors, a credible and consistent mechanism for Shariah compliance is crucial. Establishing a central, independent Shariah advisory board would harmonise standards and build the trust necessary for market credibility.
- **Awareness and education:** There is a significant need for a public awareness campaign to bridge knowledge gaps. We must actively communicate that Islamic finance is an ethical, asset-backed model of wealth creation and fair risk-sharing, not free financial services.

A roadmap for action

The roadmap provides a series of recommendations designed to address these strategic challenges head-on:

- **Policy and regulation:** The roadmap calls for the formation of a National Islamic Finance Task Force to design a cohesive national policy. This policy would ensure that the sector develops within a supportive and well-regulated environment.
- **Market development:** We must introduce key products to anchor the market. The recommendation to launch a retail sukuk programme to finance public projects is a cornerstone of this strategy. We will also develop a clear regulatory framework for government and corporate sukuk issuance.
- **Strengthening governance:** The establishment of a Shariah advisory board is critical to provide consistent guidance, harmonise standards, and ensure the integrity of all Islamic financial products. This will serve as a powerful signal of credibility to investors.
- **Public awareness:** A targeted public awareness campaign is essential to demystify the sector, clarify key principles, and promote the benefits of inclusive finance to a wider audience.

A foundation for an inclusive future

By implementing this roadmap, Ethiopia can build a truly inclusive capital market ecosystem. The expansion of Shariah-compliant products will allow a significant portion of our population to participate fully in the formal financial system, creating new opportunities for wealth-building and long-term investment.

Moreover, the introduction of instruments such as green and sustainability-linked sukuk can help us align our capital market with our national development and climate goals. By learning from the experiences of global leaders, we can attract capital for critical sectors like renewable energy and sustainable infrastructure.

The Islamic Capital Market Roadmap is a practical, forward-looking blueprint. By systematically addressing regulatory gaps, strengthening governance, and introducing key products, we can build a resilient and inclusive Islamic capital market that mobilises capital for national development and positions Ethiopia as an attractive destination for global Islamic finance.



Ethiopian Capital Market Authority

The Ethiopian Capital Market Authority (ECMA) was established as the apex capital market regulator on 10 June 2021 under the Ethiopian Capital Markets Proclamation (No. 1248/2021). As part of the Ethiopian government's Homegrown Economic Reform Program, ECMA is tasked with building, regulating, and supervising a strong capital market ecosystem. Its main goal is to transform the country's financial sector from one based on traditional financial institutions to a modern, diverse financial landscape. By creating regulations, developing policies, and licensing the necessary market infrastructure, the ECMA aims to promote a well-functioning capital market that supports Ethiopia's economic growth.



FSD Ethiopia

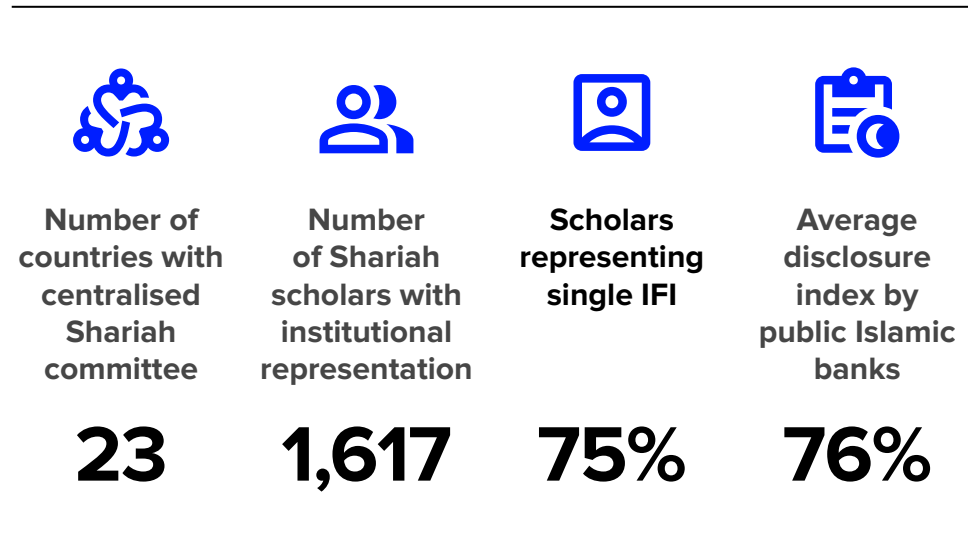
FSD Ethiopia is a development agency established in 2022 to build accessible, inclusive, and sustainable financial markets that drive economic growth and human development. Guided by strategic pillars – financial markets and financial inclusion, with gender mainstreaming and climate as cross-cutting themes – the organisation works with the government, private sector, and development partners to strengthen Ethiopia's financial sector. Powered by a growing team and supported by core donors including the Gates Foundation and UK FCDO, FSD Ethiopia is part of the Africa-wide FSD Network, contributing to financial sector transformation across the continent.

3.

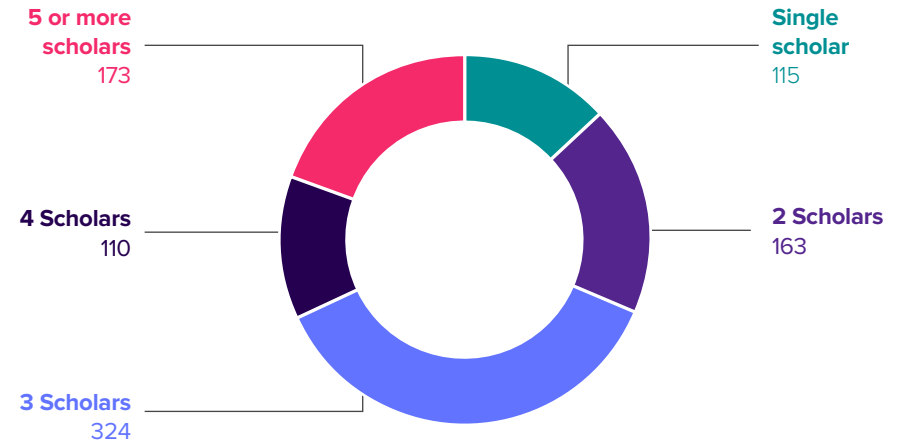
Islamic finance ecosystem



Islamic finance governance landscape in 2024



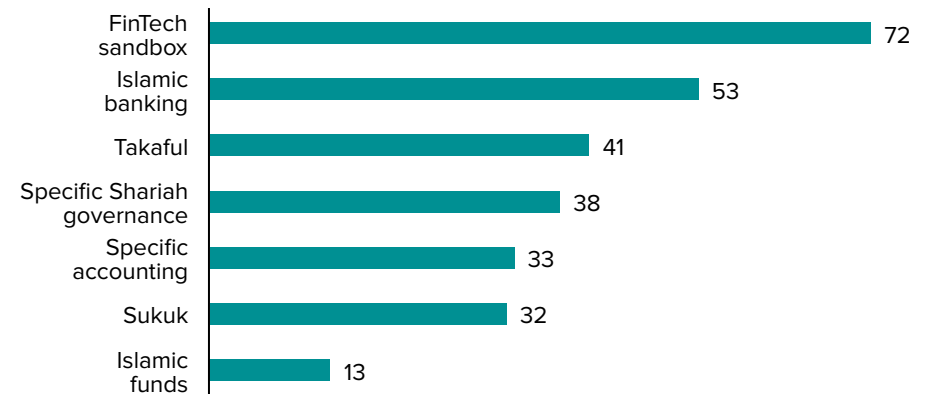
Number of IFIs per number of Shariah board representatives



Top countries in governance metrics

Ranking	Number of scholars with at least 1 board membership		Number of institutions with more than 3 SSB members		Disclosure index for public Islamic banks	
	Country	Number of scholars	Country	Number of IFIS	Country	Disclosure index score
1	Bangladesh	240	Bangladesh	58	Bahrain	95%
2	Indonesia	172	Saudi Arabia	55	Malaysia	93%
3	Malaysia	159	Malaysia	52	Kuwait	92%
4	Saudi Arabia	116	UAE	44	Saudi Arabia	92%
5	Pakistan	103	Kuwait	36	UAE	91%

Number of countries per regulation



Regulation of Takaful and sukuk gains momentum

As of 2024, 57 countries have implemented at least one form of Islamic finance regulation (102 countries if FinTech sandbox is included), including those related to Takaful. Among the latest to introduce Takaful guidelines is Uganda, which in August 2024 issued a regulatory framework covering key aspects of Shariah-compliant insurance, such as risk management, capital adequacy, valuation and technical provisions.

In Somalia, President Dr Hassan Sheikh Mohamud signed several new laws in May 2025, including the Takaful Bill, which is aimed at broadening the financial services landscape for individuals and businesses. The legislation also seeks to improve consumer and investor protection. Meanwhile, Egypt formally recognised Takaful insurance contracts in its new Insurance Law introduced in 2024. The country had five Takaful operators as of that year.

On the sukuk front, several countries are advancing regulatory frameworks. The Financial Committee of the Iraqi Parliament began reviewing proposals for a Sukuk Investment Law in October 2024. The Central Bank of Iraq is also advocating for sukuk to be incorporated into sovereign budget financing strategies. Before introducing legislation, the central bank is prioritising awareness-building among Islamic banks and financial institutions.

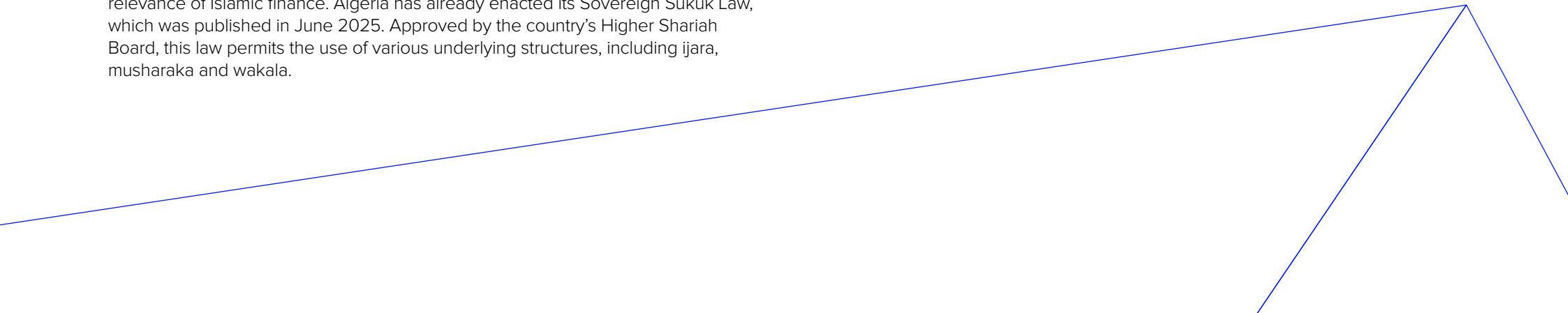
In Europe, the Malta Financial Services Authority launched a public consultation in July 2025 on a sukuk regulatory framework, acknowledging the growing global relevance of Islamic finance. Algeria has already enacted its Sovereign Sukuk Law, which was published in June 2025. Approved by the country's Higher Shariah Board, this law permits the use of various underlying structures, including ijara, musharaka and wakala.

Islamic capital markets continue to be monitored in terms of Shariah governance

Currently, 23 countries have established central Shariah boards. The latest to move in this direction is Kenya, where in April 2025, the National Treasury and Capital Markets Authority began forming a central board to guide investors on Shariah-compliant capital market products and support the issuance of sukuk and Islamic Real Estate Investment Trusts (REITs). This followed the issuance of Kenya's first sukuk in April 2024, valued at KSH 3 billion (US\$23 million), by Linzi Finco Trust Islamic, and listed on the Nairobi Stock Exchange.

In Sri Lanka, the Securities and Exchange Commission issued guidelines in 2024 for Shariah scholars serving market institutions, intermediaries, public companies and collective investment schemes. In May 2024, the Commission approved a list of Shariah scholars for Islamic capital market products listed on the Colombo Stock Exchange. This preceded the issuance of the country's first listed sukuk by energy company Vidullanka in June 2025, amounting to LKR 500 million (US\$1.67 million).

In Pakistan, the SECP introduced regulatory amendments in April 2025 to enhance Shariah governance for mutual and pension funds, further strengthening the Islamic capital market framework in that country.



Islamic finance sustainability landscape in 2024



Total value of
ESG sukuk
outstanding

US\$ **61.5bn**



Total value of
ESG Islamic
funds outstanding

US\$ **9.7bn**



Number of countries
with sustainability
guidelines

50



Average
sustainability reporting
index score

49%



Total CSR
funds
disbursed

US\$ **1.65bn**

Top countries in sustainability metrics



CSR funds



Sustainability disclosure index



ESG sukuk



ESG Islamic funds

Ranking	CSR funds		Sustainability disclosure index		ESG sukuk		ESG Islamic funds	
	Country	Amount disbursed (US\$ million)	Country	Score	Country	Value outstanding (US\$ million)	Country	Value outstanding (US\$ million)
1	Saudi Arabia	1,128	Malaysia	100%	United Arab Emirates	16,800	United states	7,942
2	Jordan	185	United Arab Emirates	85%	Malaysia	15,336	Malaysia	1,234
3	Kuwait	78	Sri Lanka	74%	Saudi Arabia	13,710	Saudi Arabia	250
4	United Arab Emirates	65	Türkiye	74%	Indonesia	12,113	United kingdom	172
5	Qatar	64	Saudi Arabia	73%	Bahrain And Qatar	1,000	Luxembourg	55

ESG sukuk market surpasses US\$50 billion, propelled by GCC bank issuance

The ESG sukuk market marked a significant milestone by surpassing US\$50 billion in outstanding value by the end of 2024. Global issuances of ESG sukuk totalled US\$15.4 billion in 2024, up 14.7% from 2023. ESG sukuk accounted for 1.8% of global ESG bond issuance and 6.2% of total sukuk issuance.

The issuance of ESG sukuk by GCC-based institutions has been the main driver of market growth in recent years, bolstered by new markets including Qatar and Kuwait, as more GCC corporates entered the market following COP28 in Dubai. Around 52% of total issuance was by GCC-based banks, which issued most of the largest sukuk during this period. This trend is expected to continue as the region remains committed to sustainability, and investor demand for ESG-compliant financial instruments grows.

Several GCC governments have been laying the groundwork for issuing ESG debt. Oman, Qatar and Saudi Arabia each released sovereign sustainability or green financing frameworks in 2024. The frameworks establish guidelines and criteria for eligible projects, ensuring investors that the funds will be used for genuine environmental and social benefits, which is essential for the successful issuance of ESG debt instruments.

Malaysia's Islamic banks stepping up sustainable Islamic financing

Malaysian banks continued to drive the growth and development of sustainable Islamic financing, supporting a wide range of sectors from renewable energy and green buildings to data infrastructure and SME development. This demonstrates the versatility of Islamic finance in addressing climate goals.

Bank Islam Malaysia, for example, has been actively involved in financing renewable energy projects and directly contributes to the National Energy Transition Roadmap (NETR), which aims for net-zero emissions by 2050. The bank announced that it had exceeded its initial 2025 target of MYR 4 billion in green financing, achieving

MYR 4.8 billion, and had set an ambitious target to grow its sustainable finance portfolio to MYR 28 billion by the end of 2025. The bank fulfilled 93% of the revised target by the end of 2024, covering initiatives such as its Ihsan Sustainability Investment Account (ISIA) and its SMER SMART Eco Financing Program-I (ECO).

Islamic finance expands into voluntary carbon markets

Voluntary carbon markets (VCMs) – platforms where entities trade carbon credits to offset emissions – have gained traction as a flexible mechanism to finance climate action. Shariah-compliant pathways for participation have begun to emerge amid growing demand for ethical and climate-aligned capital.

In May 2024, XTCC launched the world's first Shariah-compliant multi-currency carbon credit investment ecosystem, enabling investors to access high-integrity credits sourced from renewable energy, nature-based solutions, and blue carbon projects. This investment option marks a significant step towards integrating traditional Islamic finance with global efforts to combat climate change.

RVCMC (Regional Voluntary Carbon Market Company) followed with the launch of its exchange platform in November 2024 at COP29 in Baku, Azerbaijan. Backed by Saudi Arabia's Public Investment Fund and Tadawul Group, the platform integrated Islamic finance-compatible infrastructure and hosted inaugural trades of over 2.5 million tonnes of carbon credits, supporting climate projects across the Global South, including Malaysia, Pakistan and Ethiopia.

In 2022, Malaysia had advanced its own Shariah-aligned carbon market. Bursa Carbon Exchange auctioned its first nature-based carbon credits, from the Kuamut Rainforest Conservation Project in Sabah, in July 2024. Together, these initiatives signal growing institutional commitment to embed Islamic finance into global climate solutions.

Islamic finance knowledge & awareness landscapes in 2024



IF education providers

1,186



IF degree providers

751



IF research papers produced
[2022 | 2024]

5,291



IF journals

379



IF in-person events

1,031



IF online events

379



IF news

9,480

Top countries in knowledge and awareness metrics



Education

Ranking	Education		Degree		Research Papers		Journals	
	Country	Number of IF education providers	Country	Number of IF degree providers	Country	Number of IF research papers produced	Country	Number of IF journals
1	Indonesia	536	Indonesia	422	Indonesia	4,005	Indonesia	332
2	Pakistan	150	Pakistan	35	Malaysia	353	Malaysia and Saudi Arabia	9
3	Saudi Arabia	60	Malaysia	34	Türkiye	201	Türkiye	6
4	United Arab Emirates	56	Saudi Arabia	29	Iran	176	Iran and Pakistan	5
5	Malaysia	54	United Arab Emirates	23	Pakistan	132	UK and US	3



In-Person Events

Ranking	In-Person Events		Online Events		News	
	Country	Number of IF in-person events	Country	Number of OF online events	Country	Number of news
1	Pakistan	526	Kuwait	100	Saudi Arabia	2,865
2	Indonesia	118	Bahrain	49	United Arab Emirates	1,392
3	United Arab Emirates	116	Malaysia	40	Malaysia	1,285
4	Malaysia	86	United Arab Emirates	38	Bahrain	769
5	Bahrain	25	Indonesia and Saudi Arabia	31	Kuwait	627

Maldives and Hong Kong prioritising talent development in Islamic finance

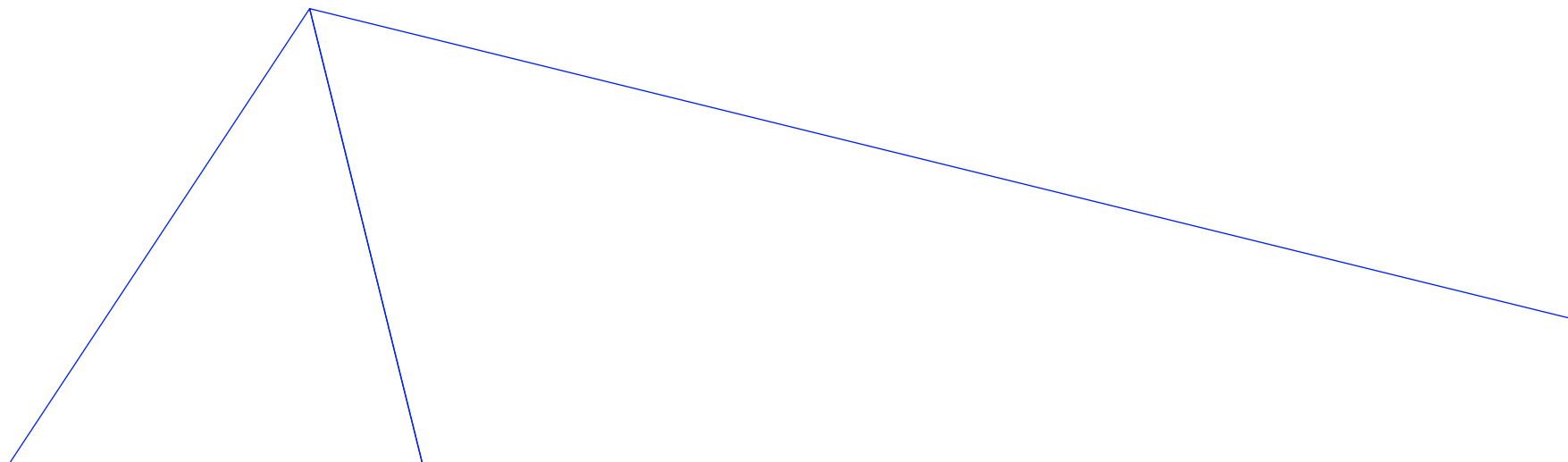
With Islamic finance assets in the Maldives reaching US\$1.9 billion in 2024 and supported by 11 dedicated institutions, there has been a natural and growing emphasis on raising awareness and building capacity within the sector. In February 2025, the central bank, Maldives Monetary Authority (MMA), launched its Tamweel Islamic Finance Initiative, which centres on two key pillars: raising public awareness of Islamic finance, and enhancing training and capacity-building efforts.

As part of this initiative, the MVR 5 million (US\$325,000) Capacity Development Fund was established to support talent development. Additionally, a dedicated television quiz show also titled Tamweel was launched in collaboration with local Islamic financial institutions to help further engage the public.

The MMA also announced 35 fully and partially funded higher education scholarships in Islamic finance for Maldivian nationals, signalling a clear commitment to building long-term expertise in the sector.

Meanwhile, Hong Kong is also taking steps to address talent gaps in Islamic finance. Islamic banking and finance have been included in the government's Talent List, which identifies over 60 professions facing local shortages. This inclusion allows qualified professionals in Islamic finance to benefit from fast-track immigration schemes, such as the General Employment Policy, the Admission Scheme for Mainland Talents and Professionals, and the Quality Migrant Admission Scheme.

This aligns with Hong Kong's broader ambitions to revitalise its Islamic finance sector, and reflects the region's strategic intent to attract global expertise to support sectoral growth.



Methodology

Concept and background

The Islamic finance industry operates within a wider financial environment that is always evolving. For the industry to prosper, it will therefore need to constantly advance and innovate, not merely to maintain the strength of the core industry but to stay ahead of the curve. Islamic financial institutions, market players, regulators and other authorities have made determined efforts to seek out one another in order to improve industry cooperation and alignment. Reliable information and data are essential to the success of these efforts.

The Islamic Finance Development Indicator is the definitive barometer of the current state of the industry across its fundamentals. It introduces a new way of measuring development by combining data on different elements of the industry into a single, composite indicator. The index assesses the performance of each of the industry's key areas in line with its inherent faith-based objectives, with data for national and industry-level components. The different components that make up the Indicator – Financial Performance, Governance, Sustainability, Knowledge and Awareness – are of fundamental importance to the development of a global industry. The optimal level of development in any of the indicators or sub-indicators is pegged to a maximum score of 200.

The data employed in the Islamic Finance Development Indicator (when aggregating data and computing indicator scores) are based only on publicly disclosed information and data provided by different authorities. This ensures both reliability and consistency in the results.

Key objectives

The indicator is a product of a number of key indicators measuring particular aspects of the industry. Breaking down the data into these different areas reveals the disparities and movements that are less visible in the wider-ranging, aggregated numbers.

Level 1: Global indicator

- Present one single indicator to show the pulse of the global Islamic finance industry's overall health
- Provide an indicator that is reliable and unbiased
- Inform Islamic finance stakeholders and investors about the industry's performance
- Gauge future industry growth

Level 2: Country indicator

- Assess the current state and growth potential of Islamic finance within each country
- Highlight the performance of Islamic finance institutions in particular markets
- Track progress and provide comparisons across different countries and regions

Level 3: Specific indicator

- Measure growth within different key areas of the industry
- Enhance Islamic finance market transparency and efficiency
- Identify issues that are preventing growth within the industry
- Help market players formulate practical solutions to face current obstacles
- Assist in setting new targets, goals and standards for Islamic finance institutions and regulators

Country list

IFDI 2025 covers 140 countries and dependencies with a presence in Islamic finance either directly or in other metrics such as news, education or events on the industry. These countries are divided into eight broad regions.

GCC (Gulf Cooperation Council)	Other MENA (Middle East and North Africa excluding GCC)	Europe	Other Asia	Americas	Sub-Saharan Africa
Bahrain	Algeria	Albania	Luxembourg	Bahamas	Angola
Kuwait	Egypt	Austria	Macedonia	Bolivia	Benin
Oman	Iran	Belgium	Malta	Brazil	Botswana
Qatar	Iraq	Bosnia and Herzegovina	Netherlands	Canada	Burkina Faso
Saudi Arabia	Jordan	Bulgaria	Norway	Cayman Islands	Burundi
United Arab Emirates	Lebanon	Croatia	Poland	Chile	Cameroon
	Libya	Cyprus	Portugal	Guyana	Chad
Southeast Asia	Mauritania	Czech Republic	Romania	Jamaica	Comoros
Brunei Darussalam	Morocco	France	Serbia	Mexico	Djibouti
Cambodia	Palestine	Georgia	Slovakia	Suriname	Ethiopia
Indonesia	Sudan	Germany	Slovenia	Trinidad and Tobago	Gabon
Malaysia	Syria	Greece	Spain	United States	Gambia
Myanmar	Tunisia	Guernsey	Ukraine		Ghana
Philippines	Yemen	Hungary	United Kingdom		Guinea
Singapore		Ireland			Guinea-Bissau
Thailand		Italy			Ivory Coast
Vietnam		Jersey			Kenya
		Kosovo			Lesotho
South Asia		Latvia			Liberia
Afghanistan		Liechtenstein			Malawi
Bangladesh					Mali
India					Mauritius
Maldives					Mozambique
Nepal					
Pakistan					
Sri Lanka					
					Namibia
					Niger
					Nigeria
					Rwanda
					Senegal
					Seychelles
					Sierra Leone
					Somalia
					Somaliland
					South Africa
					South Sudan
					Tanzania
					Togo
					Uganda
					Zambia
					Zimbabwe

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Disclaimer

The data in this report is believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings and conclusions that the report delivers are based on information gathered in good faith from both primary and secondary sources, the accuracy of which we are not always in a position to guarantee. The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of LSEG.

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