Assessment of the Global Islamic Finance Industry Development - An Analytical Statistical Study during 2016-2023

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Abstract:

This study aimed to measure the progress of the Global Islamic Finance Industry (IFI) using the Islamic Finance Development Indicator (IFDI). This study utilizes descriptive analysis to explore the theoretical aspects about the IFI, as well as focused on how to assess each of the Global indicator, main indicators and sub-indicators of the IFDI. Then, statistics were presented on these indicators during 2016-2023 using IFDI reports. This study concluded that the Global IFDI rose in the years 2016-2021, however, a decline was recorded in 2022-2023, this is due to some adjustments were made in the assessment of the IFDI. This study also concluded that the majority of the sub-indicators (23 out of the 24 sub-indicators) of the IFDI showed positive annual growth rates averages ranging between 1.07% and 17.62% during the study period.

Keywords: Islamic Finance Industry, Islamic Banks, Takaful, Sukuk, Islamic Finance Development Indicator.

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1. Introduction:

The Islamic Finance Industry (IFI) has introduced a financial and banking jurisprudence that fundamentally opposes the capitalist logic inherent in the conventional finance industry. It establishes new principles among the parties of financial intermediation based on profit and loss sharing rather than an interest-based lending system.

Since its inception, this industry has experienced significant developments in terms of asset growth, geographical and international expansion, and the regulatory and legislative frameworks governing its activities. Among the countries implementing Islamic financial practices, only Sudan and Iran have established an entirely Islamic financial system as an alternative to the conventional one. Other countries vary in their adoption, acceptance, application, regulation, and support of Islamic finance and in the extent to which they benefit from it.

In the recent years, many studies focused on the assessment of the IFI's development, where the metrics that have been addressed varied from one study to another. Priyatno et al. (2025) assessed IFI development using maqashid sharia principles, profit-sharing ratios, and zakat distribution as key performance metrics. Sirat et al. (2024) took a banking-sector-focused approach, measuring IFI development through Islamic banking total assets. In contrast, Hafizah et al. (2024) assessed IFI development by analyzing sharia financial product adoption rates, public awareness, and fintech-driven financial inclusion. Finally, Shanty and Surur (2024) evaluated IFI growth using a scientometric approach, analyzing trends in research publications, government policies, and sharia index performance.

Against this background, it is clear that the assessment of the IFI's development has been approached from various perspectives, with different studies emphasizing specific metrics rather than a comprehensive evaluation. Therefore, the present study attempts to fill this research gap, using the Islamic Finance Development Indicator (IFDI) to assess the IFI's development. This indicator is a comprehensive measure of the health and progress of Islamic finance institutions globally.

Research Problem: Based on the above, the main research question of this study is: *How can the development of the global Islamic finance industry be assessed?*

Research hypotheses: To address the research question, the following hypothesis has been formulated: The IFDI assesses the development of the Islamic finance industry by integrating diverse metrics related to the quantitative and qualitative development of this industry.

Objectives of the Study: the study has the following broad objectives:

- Understanding the concept, advantages, and areas impacted by the Islamic finance sector;
- Comprehending the evaluation of the Development Indicator of the IFI;
- Analyzing the development of the IFI during 2016-2023.

Significance of the Study: This study's significance lies in assessing the Development of the IFI, wich has seen rapid advancement in recent years in many countries around the world. This growth is assessed based on multiple metrics for all sectors of the IFI. The IFDI provides the current landscape and growth opportunities of the IFI, supporting economic policy decisions related to its impact and connections within the broader economic ecosystem.

Study Methodologie: The study employs a descriptive methodology to collect, classify, and analyze data on the concept, advanteges and sectors of the Islamic Finance Industry, as well as the assessement of the development indicators of this Industry. Additionaly, a descriptive statistic is utilized, in the empirical section, to analyze the development of the Global Indicator, Main Indicators and Sub-Indicators of the IFDI, based on the Annual Growth Rate (%) and Average Growth (%) during 2016-2023.

Study Section: This study is organized into three main sections as follows:

- General Overview of the Islamic Finance Industry;
- Islamic Finance Development Indicator (Generalities & Assessment);
- An Analytical Statistical Study on the Development of the IFI during 2016-2023.

2. Overview of the Islamic Finance Industry (IFI):

2.1. Concept of the IFI:

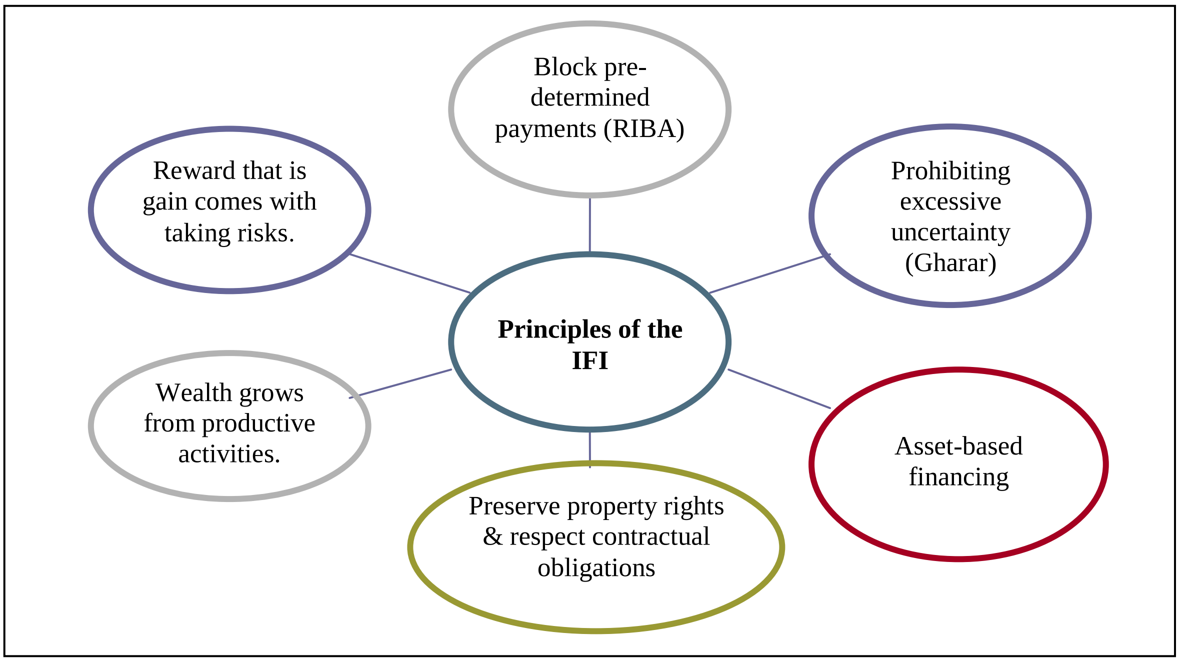
The emergence of the IFI dates back to the 1970s as a result of the collapse of conventional financial markets and the need for financial products that comply with Islamic law. The industry focuses on creating a financial structure centered on sharing risks. without resorting to debt contracts that adopt interest rates (Iqbal & Mirakhor, 2013, p. 25).

Islamic finance is about financial activities that adhere to Islamic or Shariah laws. It emphasizes ethical business practices by steering clear of interest or usury, instead relying on profit and loss-sharing arrangements.(Harahap et al., 2023, p. 1). The IFI is also defined as a developmental, diversifying, and innovative process for financial instruments in financial markets, including monetary markets. It offers opportunities to mitigate risks through an Islamic framework that mandates adherence to the profit-and-loss sharing concept while abandoning the condition of interest-based transactions to stimulate legitimate financial dealings. This aims to meet new financing needs that contribute to social and economic welfare in society (مرغاد، 2013، صفحة 48).

2.2. Principles of the IFI:

The most important principles of the IFI can be summarized in the following figure:

Fig (1): Principles of the IFI



Source: Prepared by the researchers, based on (Hussain et al., 2015, p. 6).

2.3. Advantages of the IFI:

The IFI offers several advantages, the most notable of which include:

- **Offering Alternatives for Conventional Financial Products:** The IFI strives to provide alternatives to conventional products, which requires the ability to innovate in an environment lacking incentives for creativity. A scarcity of creative individuals further compounds this challenge, the need for Islamic financial institutions to embrace a culture of innovation, and their commitment to research and development. It also necessitates that innovators are well-versed in Sharia concepts that can foster authentic creativity (مفتاح & عمري، 2012، صفحة 236).
- **Scientific Research:** Research in the IFI enhance the understanding of the Islamic economy's framework. to keep pace with advancements in financial sciences and to adopt a neutral stance toward these developments. It is essential not to prohibit certain financial transactions unless Sharia explicitly forbids them hastily. If a prohibition is determined, an alternative is provided, thereby alleviating the hardship faced by Muslim consumers who engage with conventional financial products (خنيوة & علي موسى، 2011، صفحة 643).
- **Sustainability:** Ensuring the continuity of the Islamic financial system as a whole is vital. Each of its components benefits from the creation of new products that meet client needs within the framework of halal compliance. Islamic financial engineering supports Islamic banks by helping them balance their resources and uses and profitably manage their liquidity.

2.4. Sectors of the IFI:

The IFI comprises five primary sectors:

- **Islamic Banks:** Islamic banks are defined as "financial and banking institutions that do not engage in interest-based transactions, either receiving or giving, and comply with the rules and principles of Sharia in all their activities and dealings" (خليف، 2006، صفحة 92). Noting that the lack of interest in transactions distinguishes Islamic banks from traditional ones, so it is essential to develop alternative methods that generate returns. wich can come from productive sources, like investment activities ,trading real assets and leasing assets. (Musa et al., 2020, p. 30).
- **Takaful (Islamic Insurance):** Takaful insurance is defined as "a cooperative arrangement among a group of individuals, known as the 'participants' pool,' who may face a certain risk or risks. The aim is to mitigate the impact of these risks on any participant by compensating them for damages resulting from such risks. This is achieved through each member’s commitment to contribute a specified amount as a donation, known as a 'premium' or 'contribution,' as outlined in the insurance policy or 'participation contract. Islamic insurance companies also invest the funds on behalf of the participants, as a mudarib or as a wakil, or both" (جعفر، 2006، صفحة 88).
- **Non-Banking Islamic Financial Institutions:** This includes Islamic financing companies, Islamic housing cooperatives, leasing and Mudarabah companies, Islamic microfinance institutions, and institutions managing Hajj funds, endowments, and zakat.
- **Sukuk:** Sukuks are certificates that hold equal value and represent a shared ownership in tangible assets, property rights, and services. Sukuk are commercial papers that give investors title to the underlying asset. Therefore, sukuks are not debt securities, but more

akin to deposits or certificates of ownership for a proportionate share in a project or asset, and conferring rights to an appropriate portion of cash flows, all in accordance with Shariah principals regarding the nature and purpose of the asset or project and the cash flows (Hussain et al., 2015, p. 19).

- **Islamic Investment Funds:** These funds aggregate savings from investors to deploy and invest them according to Islamic methods and principles. The fund is managed in accordance with Sharia principles, investing exclusively in Islamic financial instruments such as stocks, Sukuk, and other compliant financial products. Examples include funds investing in stocks of Islamic companies listed on the stock exchange, sukuk funds, etc.

3. Islamic Finance Development Indicator (Generalities & Assessment)

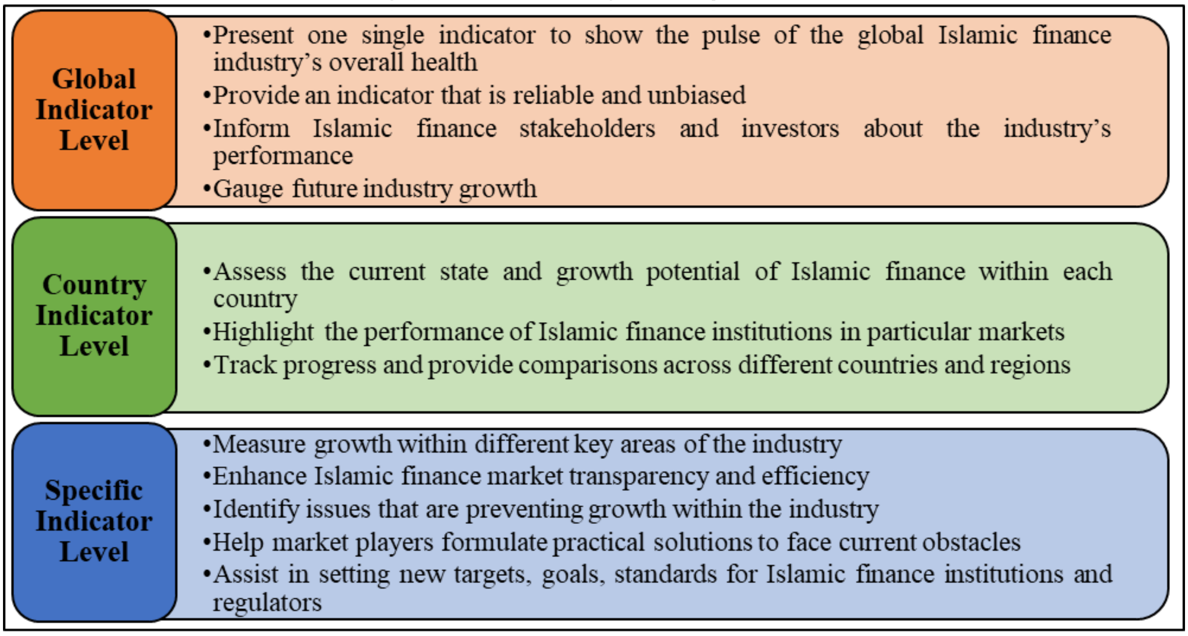
This section determines the concept of IFDI, its levels and the objectives of these levels. This section also presents the main indicators and sub-indicators of the IFDI, and finally focuses on how to assess these indicators.

3.1. Overview of the IFDI:

The Islamic Finance Development Indicator (IFDI) is an index that offere a complete evaluation of how all the sectors of this industry perform. This index is calculated by collecting data comprehensively from 136 countries and is measured according to 10 main metrics. The IFDI is published annually by The Islamic Corporation Private Sector (ICD) in collaboration with Thomson Reuters and, since 2019, in partnership with Refinitiv. With the release of a detailed report that gives specific indicators for each country or unit, along with initial figures measuring the level of development and growth of the Islamic finance sector each year.

The IFDI comprises three levels, each with specific objectives, as illustrated in the following diagram:

Fig (2): Levels and Objectives of the IFDI

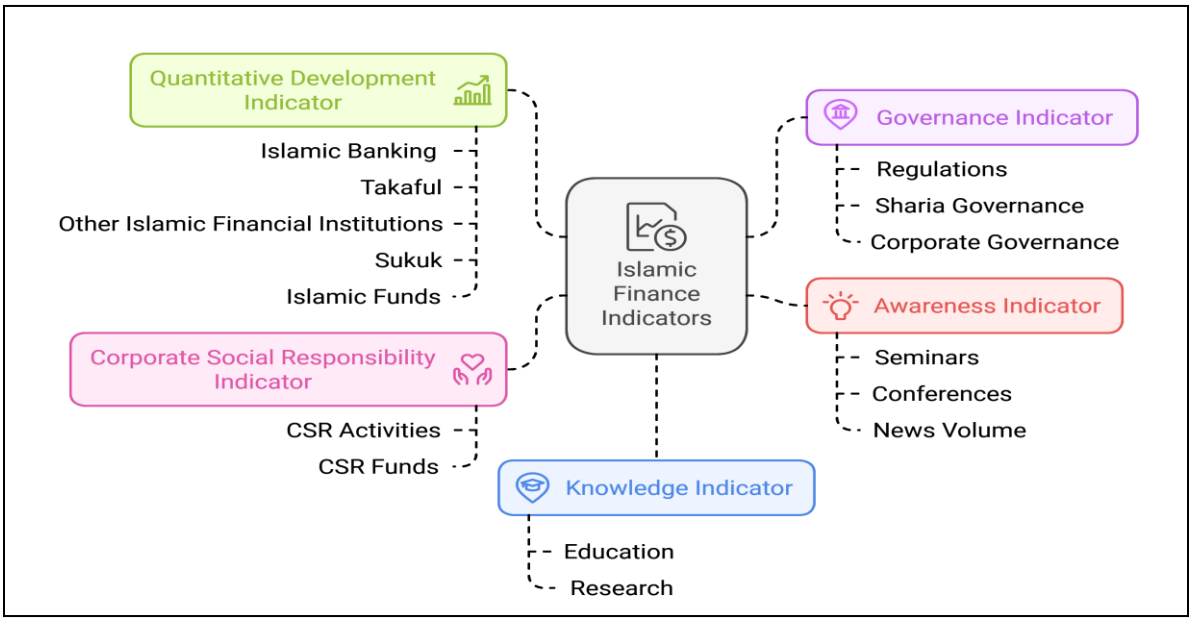


Source: Prepared by the researchers, based on (ICD-REFINITIV, 2022, p. 77).

3.2. Components of the IFDI:

Figue (03) below shows that the IFDI consists of five primary indicators, and each one of them includes several sub-indicators.

Fig (3): Components of the IFDI



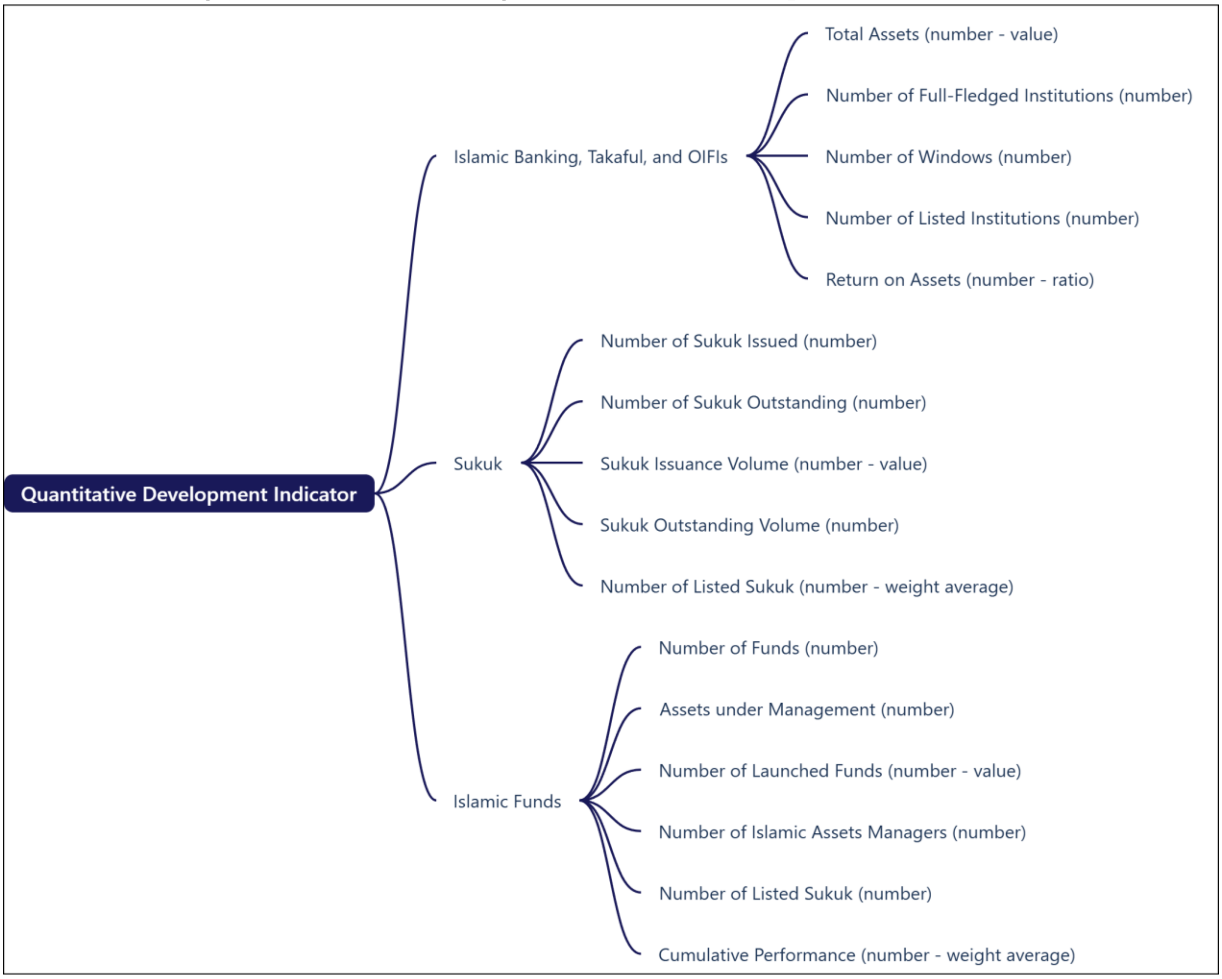
Source: Compiled by the researchers based on (IFG IFDI Team, ICD-THOMSON REUTERS 2018, p. 6).

Notably, in 2022, several modifications were made to the IFDI by creating new sub-indices, redistributing the weights of the five main indicators (focusing on financial and governance components) and adding new dimensions related to environmental, social and financial technology variables (ICD-REFINITIV, 2022, p. 11).

3.3. Assessment of the Development Indicators for IFI:

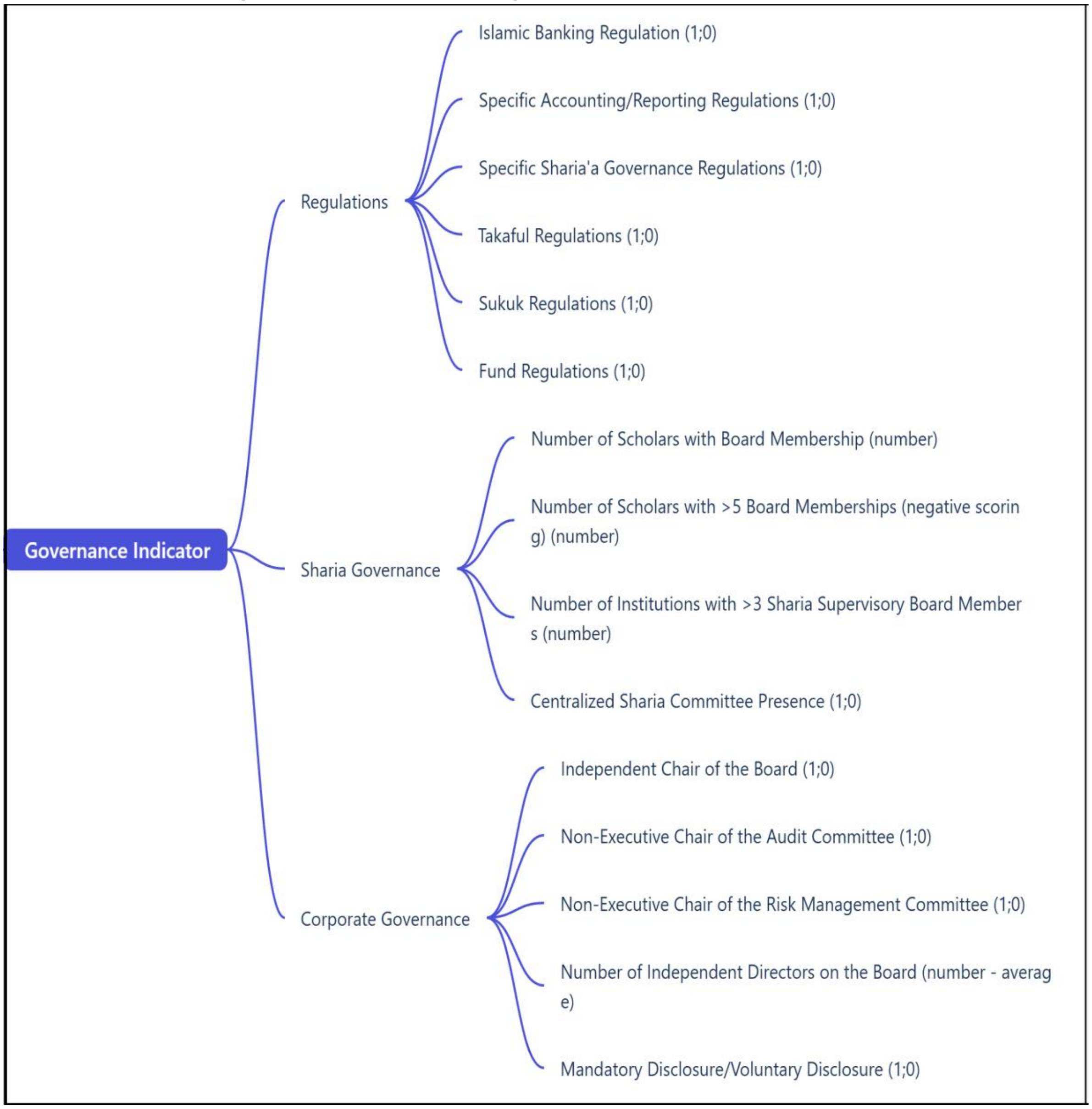
The development indicators of the IFI are evaluated by using several measures, summarized in the graphs below, where: Figure (04) shows the measures used to evaluate the quantitative development index; Figure (05) shows the measures used to evaluate the governance index; and Figure (06) shows the various measures used to evaluate the remaining main indicators.

Fig (4): Metrics for Assessing the Quantitative Development Indicator for IFI



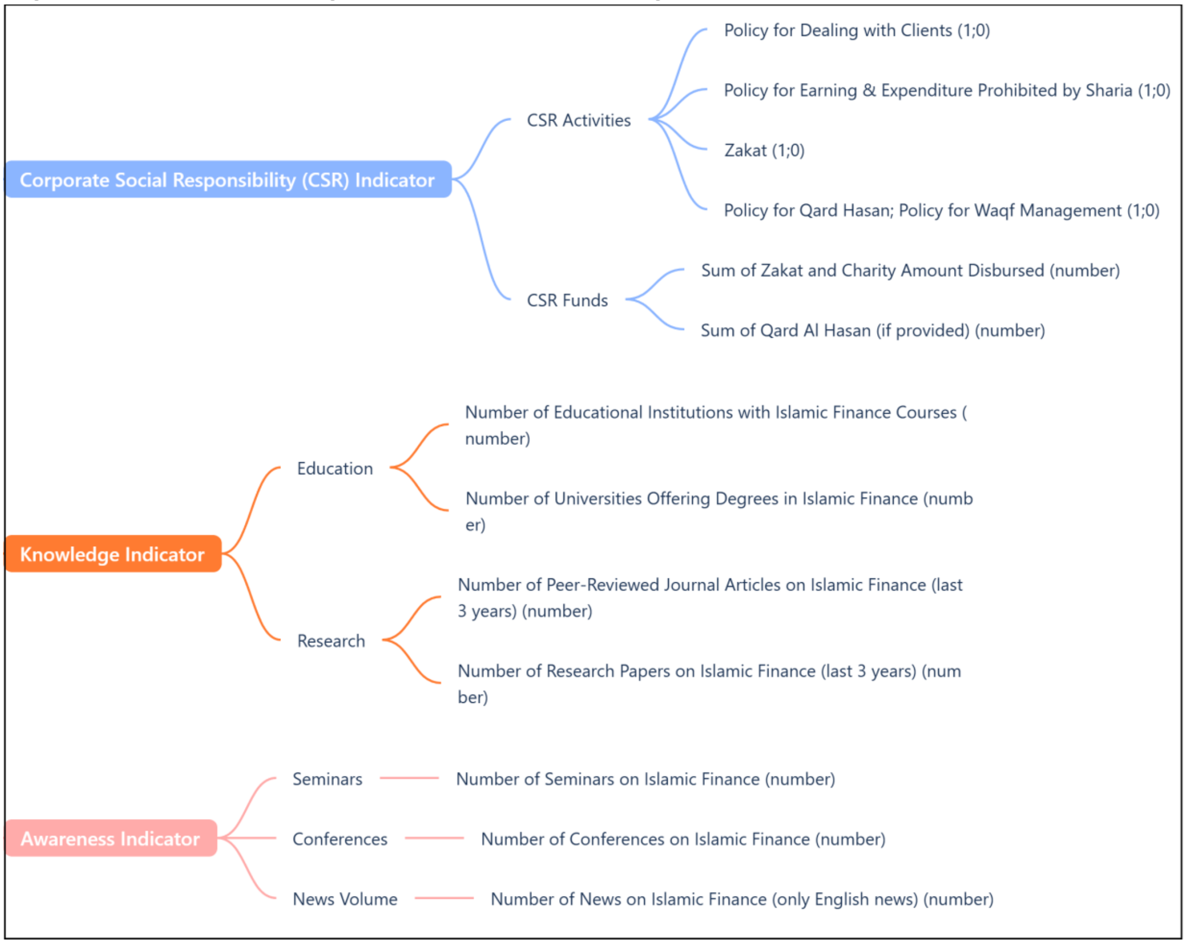
Source: Compiled by the researchers based on (IFG IFDI Team, ICD-THOMSON REUTERS 2018, pp. 16-22).

Fig (5): Metrics for Assessing the Governance Indicator for IFI



Source: Compiled by the researchers based on (IFG IFDI Team, ICD-THOMSON REUTERS 2018, pp. 27-32).

Fig (6): Metrics for Assessing the CSR Indicator, Knoledge Indicator and Awareness Indicator for IFI



Source: Compiled by the researchers based on (IFG IFDI Team, ICD-THOMSON REUTERS 2018, pp. 23-36).

4. An Analytical Statistical Study on the Development of the IFI during 2016-2023:

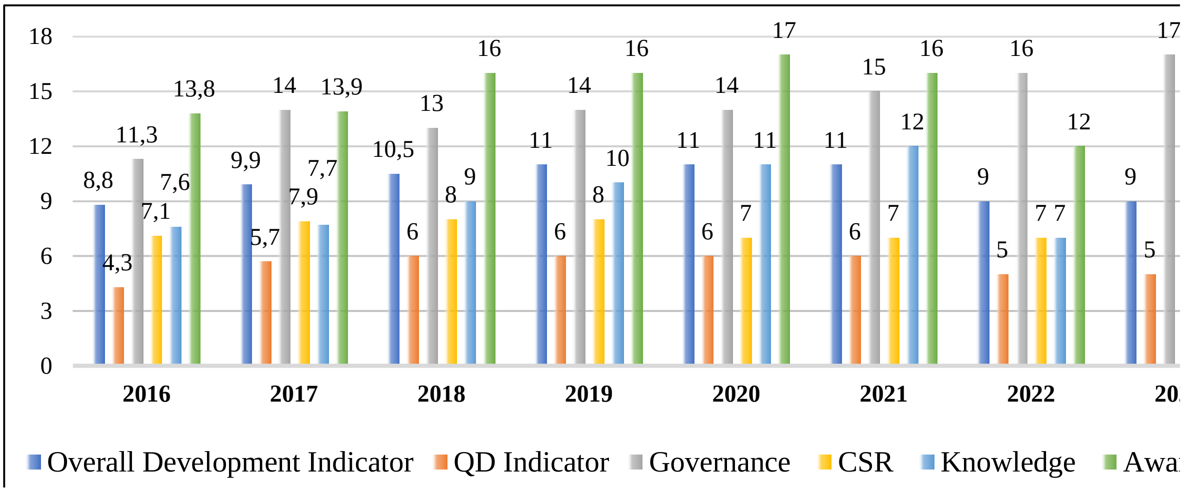
This section focuses on some statistics on the IFDI, as well as statistics on the main indicators and sub-indicators of the IFDI, and finally presents statistics on some of the metrics used to assess these indicators, during 2016-2023.

4.1. Statistics on the Global Indicator and the Main Indicators of the IFDI:

According to available data (see Figure 7 below), the Global Development Indicator for the IFI rose from 8.8 in 2016 to 11 in the years 2019, 2020, and 2021, with strong performance across all the main indicators. The Quantitative Development Indicator (QD) saw an increase in its average value, from 4.3 in 2016 to 6 in 2021. Similarly, the Governance Indicator rose from 11.3 in 2016 to 15 in 2021. Both the Knowledge Indicator and Awareness Indicator experienced growth between 2016 and 2021, reaching values of 12 and 16 in 2021, compared to 7.6 and 13.8 in 2016, respectively. However, the Corporate Social Responsibility (CSR) Indicator declined in 2020-2021, stabilizing at an average value of 7 during these years compared to 8 in 2018-2019.

In the years 2022-2023, a decrease in the IFDI was observed, with the value dropping to 9 compared to 11 during 2019-2021. This decline is attributed to a reduction in the values of most key indicators, with the averages of the QD, Knowledge, and Awareness Indicators falling to 5, 7, and 12 in 2022-2023, respectively, compared to 6, 12, and 16 in 2021. It should be noted that the reasons for this decrease in 2022-2023 compared to previous years cannot be precisely determined due to methodological changes in the assessment of these indicators in 2022, as previously mentioned.

Fig (7): Average Values of the Global Indicator and the Main Indicators of IFDI (2016-2023)



Source: Prepared by the researchers based on: (ICD-THOMSON REUTERS, 2017, p. 15); (ICD-THOMSON REUTERS, 2018, p. 10); (ICD-REFINITIV, 2019, p. 15); (ICD-REFINITIV, 2020, p. 12); (ICD-REFINITIV, 2021, p. 13); (ICD-REFINITIV, 2022, p. 12); and (ICD-LSEG, 2023, p. 13).

In 2023, country-specific values of the IFDI ranged from 0 to 103, with the highest score achieved by the best-performing country. The average value of this indicator across all countries (136 countries) was approximately 9. An examination of Table 1 below makes it clear that Malaysia achieved the highest value in the IFDI globally in 2023, with a value of 103, Saudi Arabia came in second position, with an indicator value of 70, then Indonesia in the third place with an Indicator value of 58, while Bahrain and Kuwait came in the fourth and the fifth place with an Indicator value of 54 for each of them. The global leadership of these countries in the IFDI is due to their achievement of the first five ranks in almost all the main indicators of this Indicator. For example, Malaysia achieved the first place in 4 main indicators out of 5 indicators while it ranked second in the remaining indicator (Knowledge Indicator). As for Saudi Arabia, it ranked second in both the Quantitative Development Indicator and the Governance Indicator, while it ranked third in the Knowledge Indicator, and fifth in the Awareness Indicator. Indonesia was able to lead the countries in the Knowledge Index with a value of 200, outperforming the rest of the countries (Malaysia 112, Saudi Arabia 54…), and with this high value, Indonesia was able to achieve the third place globally in the IFDI. As for Bahrain and Kuwait, they were among the top five countries in only two of the five main indicators of the IFDI.

Tab (1): Top Countries by Average Global Indicator and Main Indicators Scores of IFDI in 2023

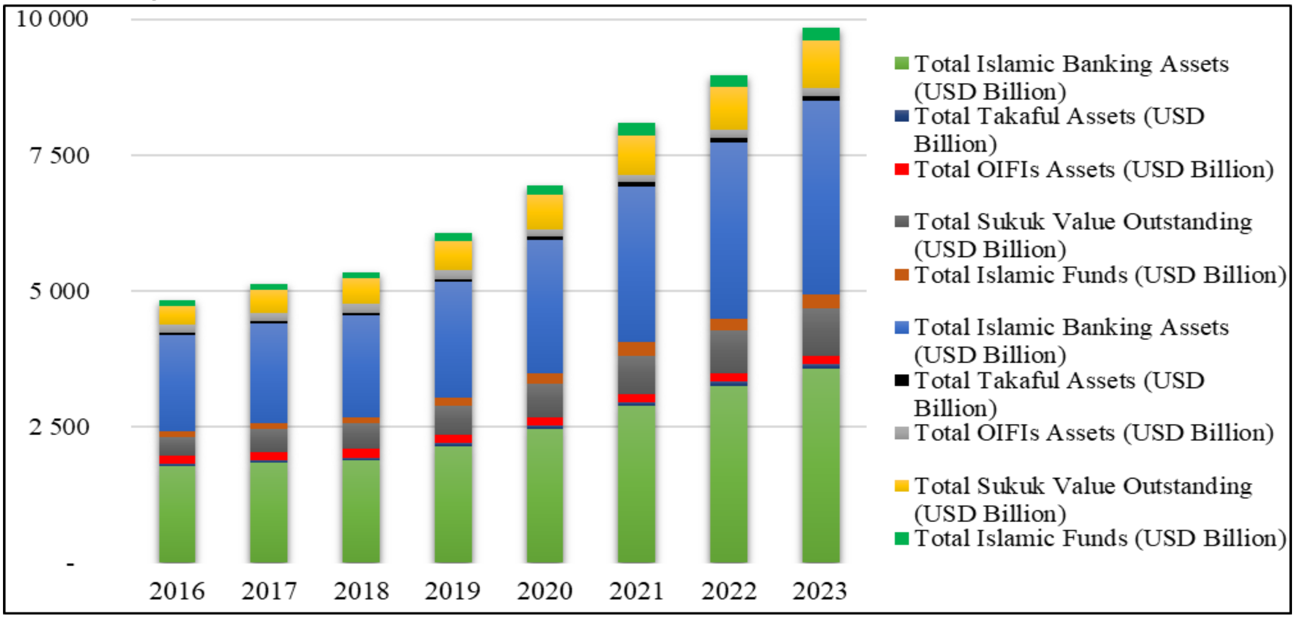
Indicators	Indicator Value	Top Five Countries Globally				
Global Average IFDI	**9**	Malaysia (103)	Saudi Arabia (70)	Indonesia (58)	Bahrain (54)	Kuwait (54)
QD	**5**	Malaysia (84)	Saudi Arabia (56)	Iran (48)	Kuwait (36)	Turkey (34)
Governance	**17**	Malaysia (95)	Oman (94)	Bahrain (80)	Maldives (80)	Pakistan (75)
CSR	**9**	Malaysia (124)	Saudi Arabia (122)	Jordan (109)	Sri Lanka (60)	Singapore (60)
Knowledge	**7**	Indonesia (200)	Malaysia (112)	Saudi Arabia (54)	Pakistan (46)	Jordan (40)
Awareness	**12**	Malaysia (152)	Kuwait (142)	Bahrain (120)	UAE (120)	Saudi Arabia (116)

Source: Compiled by the researchers based on: (ICD-LSEG, 2023, pp. 13-23).

4.2. Statistics on the Sub-Indicators of the QD Indicator (2016-2023):

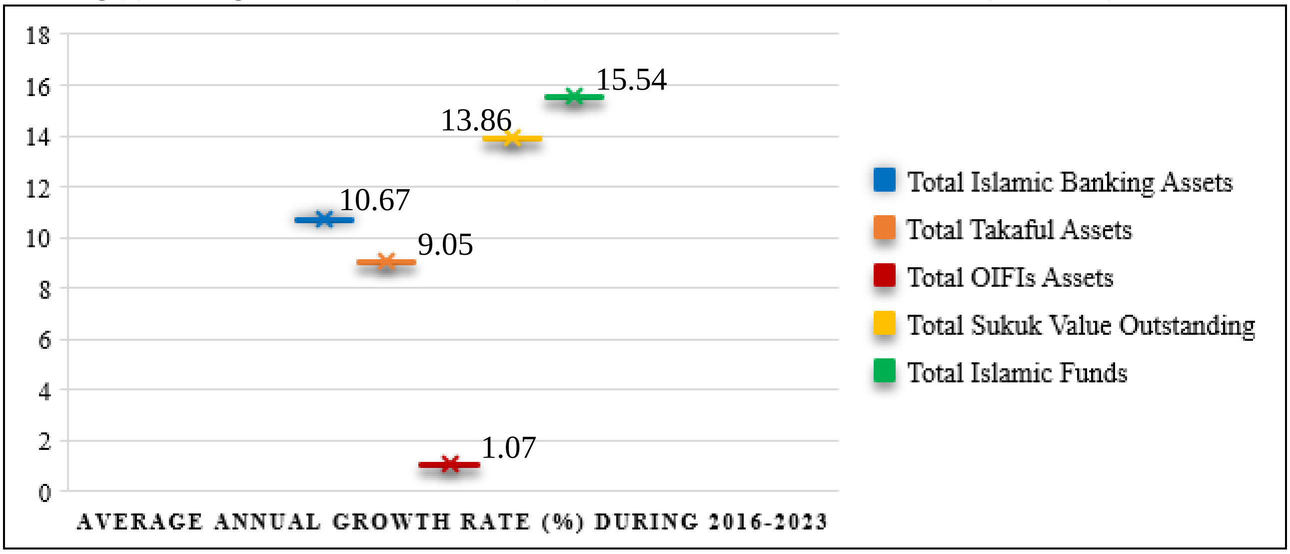
Based on Appendix 1, Figure 8 and Figure 9 (see below), all metrics of the Quantitative Development Indicator of the IFI showed a positive development during 2016-2023. By comparing the average annual growth rate values of these indicators, it is clear that the Total Islamic Funds witnessed an average annual growth rate estimated at 15.54% during the study period, as the value of these funds amounted to $254 billion in 2023 compared to $99 billion in 2016, followed by the Total Sukuk Value Outstanding with an average annual growth rate estimated at 13.86%, then the Total Islamic Banking Assets with an average estimated at 10.67%, then the Total Takaful Assets with an average estimated at 9.05%, and finally the Total OIFIs Assets with an average annual growth rate estimated at 1.07%. The increase in the assets of IFI is due to the spread of this industry in many countries of the world in recent years, which led to an increase in the number of Islamic financial institutions during this period. All institutions of the IFI increased during the study period, as the Number of Islamic Banks reached 618 banks in 2023 compared to 494 banks in 2016. The Number of Takaful Operators also increased from 339 companies in 2016 to 364 companies in 2023. The Number of OIFIs reached about 1,000 institutions in 2023 compared to 574 institutions in 2016. In addition, the Number of Sukuk Outstanding and the Number of Islamic Funds Outstanding issued doubled during the study period, as the Number of Sukuk Outstanding reached about 5,268 Sukuk in 2023 compared to 2,438 Sukuk in 2016, while the Number of Islamic Funds Outstanding reached about 2,400 funds compared to 1394 boxes in 2016.

Fig (8): Evolution of the sub-indicators of the QD Indicator for the IFI (2016-2023)



Source: Prepared by the researchers based on data from Appendix 1.

Fig (9): Average Annual Growth Rate (%) of the QD Sub-Indicators for the IFI (2016-2023)

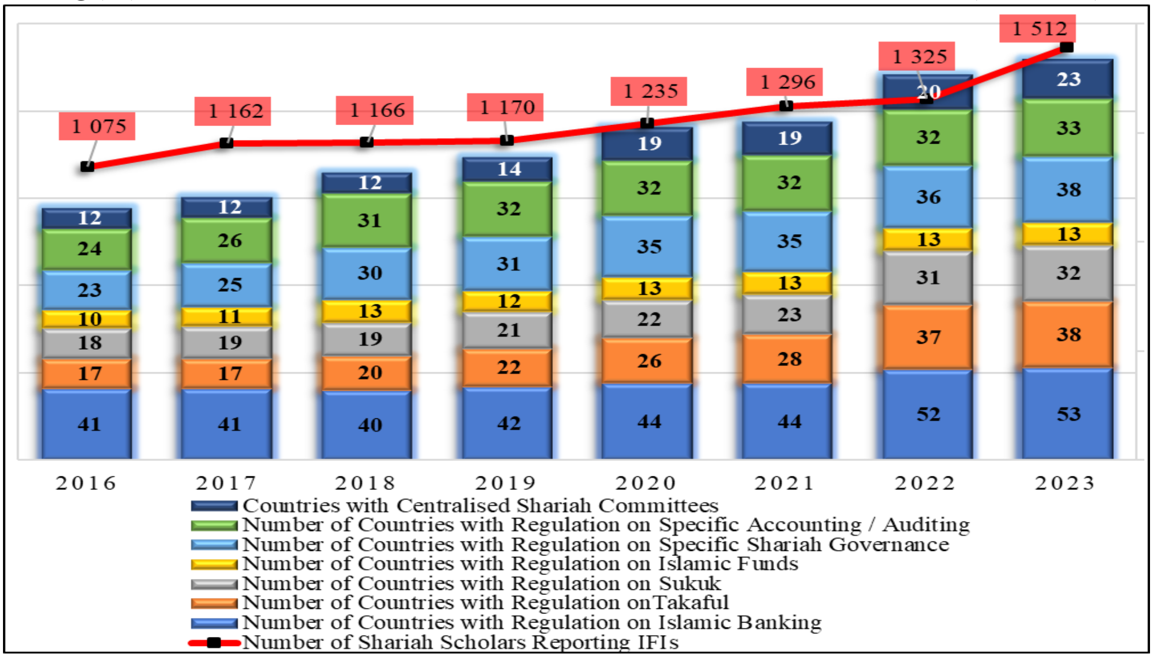


Source: Prepared by the researchers based on data from the Appendix 1.

4.3. Statistics on the Sub-Indicators of the Governance Indicator (2016-2023):

An examination of the Appendix 2 and the Figure 10 (see below), makes it clear that all sub-indicators of the Governance index showed an increase during most of the study years, as the annual growth averages for all of these indicators recorded positive values, ranging between 3.92% (for the Number of Countries with Regulation on Islamic Banking indicator) and 12.62% (for the Number of Countries with Regulation on Takaful indicator). In general, the number of countries that have laws specific to Islamic financial institutions increased during the period 2016-2023, as the number of countries with regulation on Islamic banking reached 53 countries in 2023 compared to 41 countries in 2016, while the number of countries with regulation on takaful increased to 38 countries compared to 17 countries in 2016, and the number of countries with regulation on sukuk and the number of countries with regulation on Islamic funds increased to 32 countries and 13 countries in 2023 compared to 18 countries and 10 countries, respectively, in the year 2016. It is also noted from that there is an increase in the number of countries with regulation on specific shariah governance, with regulation on specific accounting / auditing, countries with centralised shariah committees, where the number of these countries reached 38, 33, and 23 countries respectively in 2023 compared to 23, 24, and 12 countries in 2016. As for the number of shariah scholars reporting IFIs, their number increased to reach 1512 shariah scholars in 2023 compared to 1075 of shariah scholars in 2016.

Fig (10): Evolution of the sub-indicators of the Governance Indicator for the IFI (2016-2023)



Source: Prepared by the researchers based on data from the Appendix 2.

4.4. Statistics on the Sub-Indicators of the CSR Indicator (2016-2023):

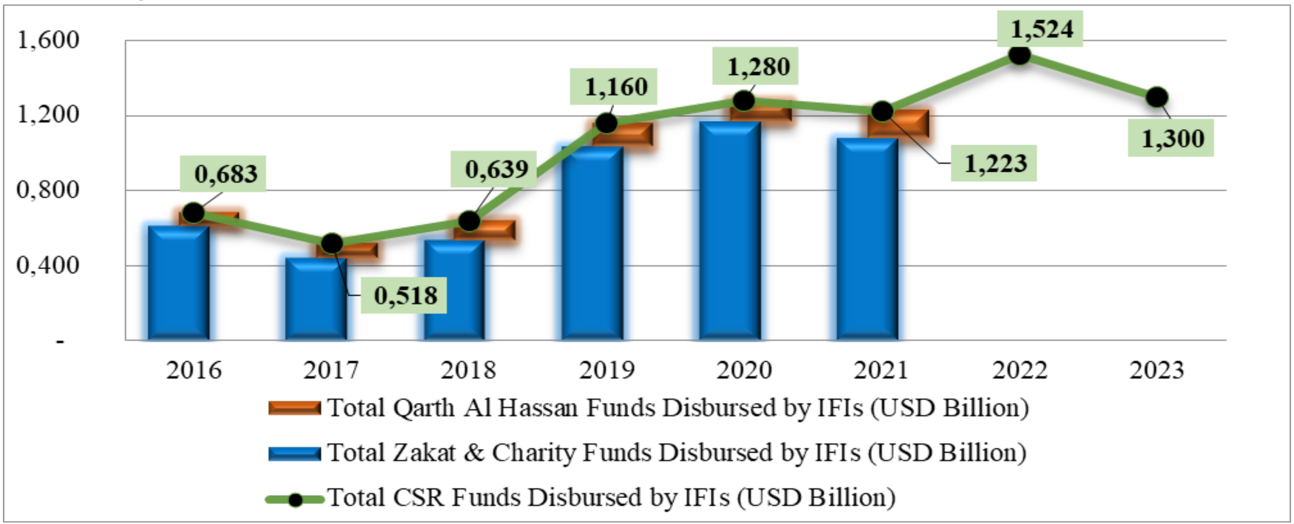
From the Table 2, and the Figure 11, it is noted that the sub-indicator of the Total CSR Funds Disbursed by IFIs reached $1,300 billion in 2023 compared to $0.683 billion in 2016, and this sub-indicator achieved an average annual growth estimated at 13.79% during the period 2016-2023. These distributions are mainly related (approximately 88%) to Zakat & Charity Funds Disbursed by IFIs and the remaining percentage (12%) is related to Qarth Al Hassan Funds Disbursed by IFIs.

Tab (2): Evolution of the sub-indicators of the CSR Indicator for the IFI (2016-2023)

Sub-Indicators	2016	2017	2018	2019	2020	2021	2022	2023	Average Growth (%)
CSR Funds Disbursed by IFIs (USD Billion)	0,683	0,518	0,639	1,160	1,280	1,223	1,524	1,300	/
Annual Growth Rate (%)	/	-24,16	23,36	81,53	10,34	-4,45	24,61	-14,70	13,79
Zakat & Charity Funds Disbursed by IFIs (USD Billion)	0,607	0,442	0,531	1,030	1,160	1,08	/	/	/
Annual Growth Rate (%)	/	-27,18	20,14	93,97	12,62	-7,22	/	/	18,47
Qarth Al Hassan Funds Disbursed by IFIs (USD Billion)	0,076	0,076	0,108	0,129	0,118	0,15	/	/	/
Annual Growth Rate (%)	/	0,00	42,11	19,44	-8,53	24,37	/	/	15,48

Source: Compiled by the researchers based on:(ICD-THOMSON REUTERS, 2017);(ICD-THOMSON REUTERS, 2018);(ICD-REFINITIV, 2019); (ICD-REFINITIV, 2020);(ICD-REFINITIV, 2021);(ICD-REFINITIV, 2022); and (ICD-LSEG, 2023).

Fig (11): Evolution of the sub-indicators of the CSR Indicator for the IFI (2016-2023)



Source: Prepared by the researchers based on data from the previous table.

4.5. Statistics on the Sub-Indicators of the Knowledge Indicator (2016-2023):

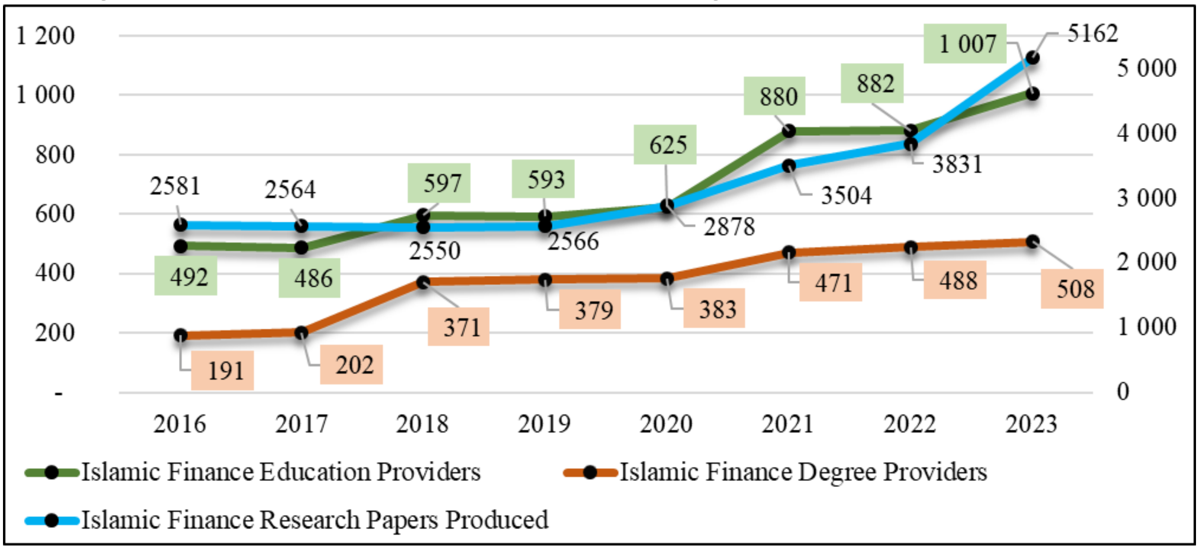
Base on the Table 3 and the Figure 12, it is clear that all Knowledge Indicator metrics showed an increase during most of the study years, and these metrics achieved a positive average annual growth rate during 2016-2023. The average annual growth of the Islamic finance degree providers sub-indicator during this period was about 17.62%, as the Islamic finance degree providers reached 508 in 2023 compared to 191 in 2016. While the average annual growth of the Islamic finance education providers sub-indicator was about 11.65% during the period 2016-2023, As the quantity of institutions offering Islamic finance education continues to grow in 2023 and reached about 1007 compared to 492 in 2016. As for the Islamic finance research papers produced sub-indicator, the average annual growth during the period 2016-2023 was about 11.06%, as the number of Islamic finance research papers produced doubled during this period (5162 papers in 2023 compared to 2581 papers in 2016).

Tab (3): Evolution of the sub-indicators of the Knowledge Indicator for the IFI (2016-2023)

Sub-Indicators	2016	2017	2018	2019	2020	2021	2022	2023	Average Growth (%)
Education Providers	492	486	597	593	625	880	882	1 007	/
Annual Growth Rate (%)	/	-1,22	22,84	-0,67	5,40	40,80	0,23	14,17	11,65
Degree Providers	191	202	371	379	383	471	488	508	/
Annual Growth Rate (%)	/	5,76	83,66	2,16	1,06	22,98	3,61	4,10	17,62
Research Papers Produced	2 581	2 564	2 550	2 566	2 878	3 504	3 831	5 162	/
Annual Growth Rate (%)	/	-0,66	-0,55	0,63	12,16	21,75	9,33	34,74	11,06

Source: Compiled by the researchers based on:(ICD-THOMSON REUTERS, 2017);(ICD-THOMSON REUTERS, 2018);(ICD-REFINITIV, 2019); (ICD-REFINITIV, 2020);(ICD-REFINITIV, 2021);(ICD-REFINITIV, 2022); and (ICD-LSEG, 2023).

Fig (12): Evolution of the sub-indicators of the Knowledge Indicator for the IFI (2016-2023)



Source: Prepared by the researchers based on data from the previous table.

4.6. Statistics on the Sub-Indicators of the Awareness Indicator (2016-2023):

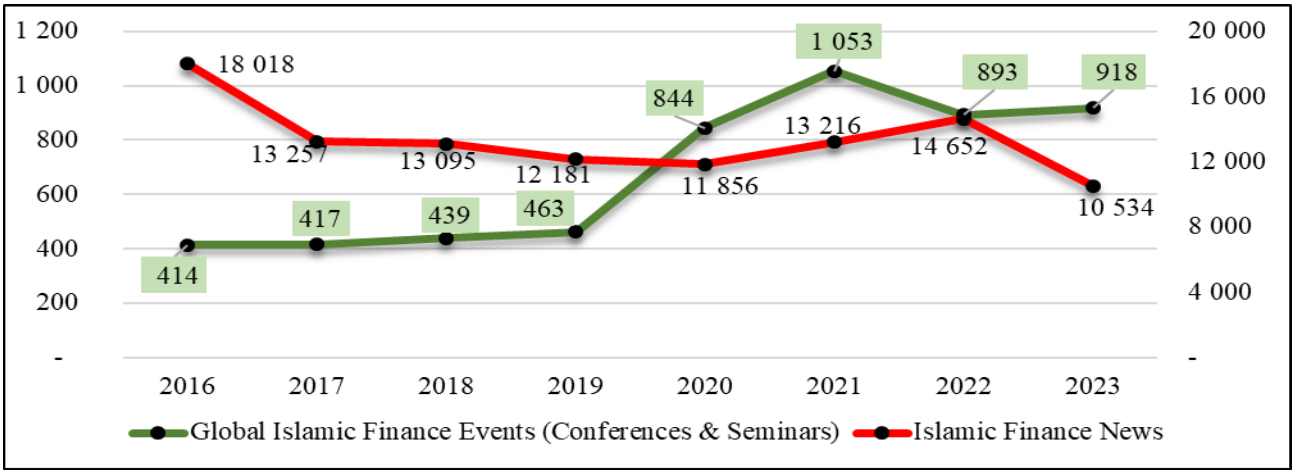
From the Table 4, and the Figure 13 (see below), it is noted that the Global Islamic Finance Events (Conferences & Seminars) sub-indicator showed a positive average annual growth rate estimated at 15.16% during 2016-2023, as the number of seminars and conferences in IFI at the global level reached about 918 events in 2023, compared to 414 events in 2016. However, it is noted that the Islamic finance news sub-indicator witnessed a decline during most of the study years, as the average annual growth rate of this sub-indicator was estimated at -6.15%, and the number of Islamic finance news reached its lowest value in 2023 compared to the study years, as the number of these news reached about 10,534 news in 2023 compared to 18,018 news in 2016.

Tab (4): Evolution of the sub-indicators of the Awareness Indicator for the IFI (2016-2023)

Sub-Indicators	2016	2017	2018	2019	2020	2021	2022	2023	Average Growth (%)
Conferences & Seminars on Islamic Finance	414	417	439	463	844	1 053	893	918	/
Annual Growth Rate (%)	/	0,72	5,28	5,47	82,29	24,76	-15,19	2,80	15,16
Islamic Finance News	18 018	13 257	13 095	12 181	11 856	13 216	14 652	10 534	/
Annual Growth Rate (%)	/	-26,42	-1,22	-6,98	-2,67	11,47	10,87	-28,11	-6,15

Source: Compiled by the researchers based on:(ICD-THOMSON REUTERS, 2017);(ICD-THOMSON REUTERS, 2018);(ICD-REFINITIV, 2019); (ICD-REFINITIV, 2020);(ICD-REFINITIV, 2021);(ICD-REFINITIV, 2022); and (ICD-LSEG, 2023).

Fig (13): Evolution of the sub-indicators of the Awareness Indicator for the IFI (2016-2023)



Source: Prepared by the researchers based on data from the previous table.

5. Conclusion:

The development of the IFI is measured by the Islamic Finance Development Indicator (IFDI), which comprises five main indicators (Quantitative Development, Governance, Corporate Social Responsibility, Knowledge and Awareness), each one has a multiple sub-indicator, as shown bellow:

- Quantitative Development Indicator (QD) is measured by assessing the quantitative dimensions (growth, expansion, depth, market performance, and financial soundness) of the five core sectors within the IFI (Islamic banks, Takaful companies, other Islamic financial institutions, Sukuk, and Islamic funds).
- Governance Indicator is measured by assessing the quality of Sharia governance to ensure that Islamic institutions and financial instruments comply with Sharia standards. It also assesses the quality of governance processes and risk management to safeguard stakeholders. It includes: regulation (laws), Sharia governance, and corporate governance.
- CSR Indicator measures the social contribution of the IFI in alignment with Islamic principles. It includes CSR funds disbursed (charity, zakat and qard al-hasan) and disclosed CSR activities.
- Knowledge Indicator assesses the availability and quality of education to ensure that industry professionals are well-versed in Islamic jurisprudence and financial principles. It also measures research outputs to ensure that the industry's foundations and growth are knowledge-based.
- Awareness Indicator is measured by assessing the consumer understanding of the principles underpinning the IFI. It includes forums, conferences, and published news.

Based on the above, it is clear that the assessement of the IFI’s development goes beyond just measuring financial performance (QD). There is also a need to investigate the industry’s infrastructure, including its management components (Governance and Corporate Social Responsibility) and industry ecosystem (Knowledge and Awareness) to see whether it is heading in the right direction, whether globally or in individual countries. Thus, it is concluded that the Research hypothesis is accepted.

It should be mentioned that in 2022, adjustments were made to the IFDI calculation, primarily by introducing the Islamic FinTech variable and assigning greater weights to the Quantitative Development and Governance indicator in the overall score.

The findings of the analytical statistical study of the global IFDI, as well as its main indicators and sub-indicators during 2016-2023 are shown bellow:

- The Global IFDI rose from 8.8 in 2016 to 11 in 2021. However, a decline was recorded in 2022-2023, with the indicator dropping to 9, the reasons for which remain unclear due to recent changes in its calculation. Also, most of the main indicators of the IFDI showed an increase during 2016-2021, and a decrease in 2022-2023.
- Globally, Malaysia, Saudi Arabia, Indonesia, Bahrain and Kuwait ranked first in the IFDI in 2023.
- The majority of the sub-indicators of the IFDI (23 out of the 24 sub-indicators shown above) witnessed an increase during most of the study years, which was reflected in the positive average annual growth rate values of these sub-indicators during 2016-2023, where this average ranged between 17.62% and 1.07%, which illustrates the development of IFI in these years, with the possibility of this development continuing in the coming years. It should be noted that there was only one sub-indicator that showed a negative average annual growth rate during the study period, and this is related to the Islamic Finance News sub-indicator.

Based on study's findings, the research recommends that future studies should explore the impact of regulatory frameworks and emerging financial technologies, particularly Islamic FinTech, on the industry's growth and stability. Additionally, industry stakeholders should focus on enhancing governance mechanisms and educational initiatives to ensure sustainable development. However, the study faces several limitations. The adjustments made to the IFDI calculation in 2022, including the emergence of the Islamic FinTech variable and changes in indicator weighting, which pose challenges in comparing trends before and after these modifications. Moreover, data availability and methodological constraints, such as inconsistencies in reporting standards across countries, may impact the accuracy of the assessment. The unexplained decline in the IFDI from 2022 to 2023 further underscores the need for more granular analysis to identify the underlying causes. Future research should address these limitations by employing robust methodologies and exploring country-specific case studies to provide deeper insights into the industry's trajectory.

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Appendix:

Appendix (1): Evolution of the sub-indicators of the QD Indicator for the IFI (2016-2023)

Sub-Indicators	2016	2017	2018	2019	2020	2021	2022	2023	Average Growth (%)
Total Islamic Banking Assets (USD Billion)	1 769	1 831	1 882	2 133	2 453	2 875	3 244	3 569	/
Annual Growth Rate (%)	/	3,50	2,79	13,34	15,00	17,20	12,83	10,02	10,67
Total Islamic Banks	494	505	520	526	527	566	610	618	/
Annual Growth Rate (%)	/	2,23	2,97	1,15	0,19	7,40	7,77	1,31	3,29
Total Takaful Assets (USD Billion)	48	46	47	54	63	77	85	86	/
Annual Growth Rate (%)	/	-4,17	2,17	14,89	16,67	22,22	10,39	1,18	9,05
Total Takaful Operators	339	324	335	336	323	335	344	364	/
Annual Growth Rate (%)	/	-4,42	3,40	0,30	-3,87	3,72	2,69	5,81	1,09
Total OIFIs Assets (USD Billion)	143	145	152	155	147	138	145	153	/
Annual Growth Rate (%)	/	1,40	4,83	1,97	-5,16	-6,12	5,07	5,52	1,07
Total OIFIs	574	560	592	645	745	778	917	999	/
Annual Growth Rate (%)	/	-2,44	5,71	8,95	15,50	4,43	17,87	8,94	8,42
Total Sukuk Value Outstanding (USD Billion)	349	420	470	538	626	713	788	863	/
Annual Growth Rate (%)	/	20,34	11,90	14,47	16,36	13,90	10,52	9,52	13,86
Total Number of Sukuk Outstanding	2 438	2 590	2 887	3 420	3 805	4 426	4 806	5 268	/
Annual Growth Rate (%)	/	6,23	11,47	18,46	11,26	16,32	8,59	9,61	11,71
Total Islamic Funds (USD Billion)	99	123	116	150	183	244	220	254	/
Annual Growth Rate (%)	/	24,24	-5,69	29,31	22,00	33,33	-9,84	15,45	15,54
Total Number of Islamic Funds Outstanding	1 394	1 410	1 701	1 749	1 698	1 903	2 233	2 399	/
Annual Growth Rate (%)	/	1,15	20,64	2,82	-2,92	12,07	17,34	7,43	8,36

Source: Compiled by the researchers based on:(ICD-THOMSON REUTERS, 2017);(ICD-THOMSON REUTERS, 2018);(ICD-REFINITIV, 2019); (ICD-REFINITIV, 2020);(ICD-REFINITIV, 2021);(ICD-REFINITIV, 2022); and (ICD-LSEG, 2023).

Appendix (2): Evolution of the sub-indicators of the Governance Indicator for the IFI (2016-2023)

Sub-Indicators	2016	2017	2018	2019	2020	2021	2022	2023	Average Growth (%)
Number of Countries with Regulation on Islamic Banking	41	41	40	42	44	44	52	53	/
Annual Growth Rate (%)	/	0,00	-2,44	5,00	4,76	0,00	18,18	1,92	3,92
Number of Countries with Regulation onTakaful	17	17	20	22	26	28	37	38	/
Annual Growth Rate (%)	/	0,00	17,65	10,00	18,18	7,69	32,14	2,70	12,62
Number of Countries with Regulation on Sukuk	18	19	19	21	22	23	31	32	/
Annual Growth Rate (%)	/	5,56	0,00	10,53	4,76	4,55	34,78	3,23	9,06
Number of Countries with Regulation on Islamic Funds	10	11	13	12	13	13	13	13	/
Annual Growth Rate (%)	/	10,00	18,18	-7,69	8,33	0,00	0,00	0,00	4,12
Number of Countries with Regulation on Specific Shariah Governance	23	25	30	31	35	35	36	38	/
Annual Growth Rate (%)	/	8,70	20,00	3,33	12,90	0,00	2,86	5,56	7,62
Number of Countries with Regulation on Specific Accounting / Auditing	24	26	31	32	32	32	32	33	/
Annual Growth Rate (%)	/	8,33	19,23	3,23	0,00	0,00	0,00	3,13	4,84
Countries with Centralised Shariah Committees	12	12	12	14	19	19	20	23	/
Annual Growth Rate (%)	/	0,00	0,00	16,67	35,71	0,00	5,26	15,00	10,38
Number of Shariah Scholars Reporting IFIs	1 075	1 162	1 166	1 170	1 235	1 296	1 325	1 512	/
Annual Growth Rate (%)	/	8,09	0,34	0,34	5,56	4,94	2,24	14,11	5,09

Source: Compiled by the researchers based on:(ICD-THOMSON REUTERS, 2017);(ICD-THOMSON REUTERS, 2018);(ICD-REFINITIV, 2019); (ICD-REFINITIV, 2020);(ICD-REFINITIV, 2021);(ICD-REFINITIV, 2022); and (ICD-LSEG, 2023).