

## WHY ISLAMIC FINANCE?

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Islamic Finance is defined as a banking or financing activity which complies with the Shariah law, its interpretation, and practical application through the development of Islamic economics<sup>1</sup>.

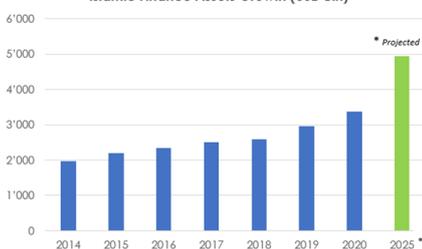
The Shariah-compliant investor engages exclusively in the quest for “acceptable” profit. The reason why Islam governs every aspect of a Muslim's life, even those aspects that a non-Muslim would deem to be outside the domain of religion, lies in the very word “Islam”, which literally means submission, submission to the will of Allah<sup>2</sup>. The profit is acceptable only when its generation respects the precepts of the Shariah Law which are based on the intended outcomes of furthering the protection and preservation of religion (faith), life, intellect, progeny, and property (wealth).

This is the background which sheds a light on the concept of Islamic Finance, an approach informed by the principal prohibitions in Islam which rests on four pillars: *Riba* (prohibition of interest), *Gharar* (ban on excessive uncertainty), *Maysir* (prohibition of gambling), and *Haram* (ban on investing in forbidden activities like gambling and goods like alcohol and pork, etc.).

### THE ISLAMIC FINANCE INDUSTRY

The Islamic Finance industry has been growing rapidly in the last few years, evolving from a niche market to an influential segment of the global financial landscape. The sector growth has been fuelled by the expansion of the Muslim population and the increasing level of ethical credibility after the 2008 financial crisis<sup>3</sup>.

Islamic Finance Assets Growth (USD Bln)



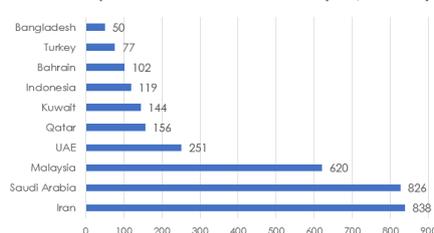
Source: Islamic Finance Development Report 2021- Refinitiv

The Islamic Finance industry registered an average yearly growth rate of 9.4% in the years 2014-2020, with peaks at 14% and 15% in 2019 and 2020 respectively<sup>4</sup>. The overall size<sup>5</sup> of the Islamic finance market can easily be estimated considering the components of the Islamic finance industry:

- 1'595 Islamic financial institutions
- 1'008 Islamic finance education providers
- 1'235 shariah scholars
- 844 Islamic finance events
- 47 regulations
- 2'878 Islamic finance research papers
- 128 ESG/CSR USD Bin disbursed
- 11'856 news on Islamic finance.

The global Islamic Finance market remains largely concentrated in Iran, Saudi Arabia, and Malaysia, which total 71.7% of the total assets in 2020.

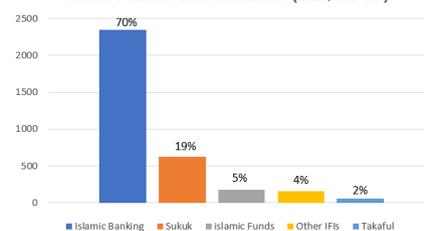
Top Countries in Islamic Finance Assets (2020, USD Billion)



Source: Islamic Finance Development Report 2021- Refinitiv

Islamic Banking has increased its presence in many International Monetary Fund (IMF) member countries, becoming systemically important in Asia and the Middle East. Islamic banking comprises 70% of the market share compared to the other Islamic products. Similarly, the expanding global Sukuk<sup>6</sup> market is helped by the interconnectedness of issuers and investors worldwide.

Islamic Finance Assets Distribution (2020, USD Bln)



Source: Islamic Finance Development Report 2021- Refinitiv

### ISLAMIC SUSTAINABLE FINANCE

The Quranic concept of vicegerency on Earth<sup>7</sup>, which asserts mankind's responsibility to take on stewardship over resources on earth and preservation of wealth, resonates well with sustainability principles that advocate businesses having a positive impact on the environment, economy and society<sup>8</sup>. Sukuk in renewable energy and other environmentally-friendly assets amounted to an issuing volume of US\$5.5 billion in 2020 and an additional US\$7 billion by September 2021, a boom in the near future<sup>9</sup>.

In line with this growing trend, REYL is active within the sustainable Shariah compliant investing since 2020, by way of arranging and structuring green Shariah compliant investments. It is also the case of Premium Alziraea Fund (Prestige Group)<sup>10</sup> launched in 2022, and the Asteria Planet Shariah fund, a co-development between REYL and Asteria, its impact investing affiliate.

<sup>1</sup> Source: Wikipedia

<sup>2</sup> Source: “Heaven's Bankers: Inside the Hidden World of Islamic Finance” – Harris Irfan 2015

<sup>3</sup> Source: “Realizing the potential of Islamic finance” The World Bank, March 2012

<sup>4</sup> Source: Islamic Finance Development Report 2021- Refinitiv

<sup>5</sup> Same as above

<sup>6</sup> A sukuk is the Islamic equivalent of bonds

<sup>7</sup> The man is the vicegerent of Allah on earth (al-Baqara 2/ 30) and he is not left uncontrolled (without purpose) (al-Qiyama 75/ 36) according to the statements of the Quran

<sup>8</sup> Source: Nor Shamsiah Mohd Yunus- Governor of Bank Negara Malaysia

<sup>9</sup> Source: “IFN Sustainability Report” March 2022, - Craig Reeves – CEO and founder of Prestige Group

<sup>10</sup> [https://www.linkedin.com/posts/kroma-capital-partners\\_shariahcompliant-impactinvesting-wastemanagement-activity-68894463047135233-IQHH](https://www.linkedin.com/posts/kroma-capital-partners_shariahcompliant-impactinvesting-wastemanagement-activity-68894463047135233-IQHH)



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