

ADB

ASIAN DEVELOPMENT BANK

Islamic Fintech: Global Trend and Use Cases

Feb 2023

PREPARED BY

IFAAS

ISLAMIC FINANCE ADVISORY & ASSURANCE SERVICES



LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ADB	Asian Development Bank
ADGM	Abu-Dhabi Global Market
AuM	Assets Under Management
BNM	Bank Negara Malaysia
CBB	Central Bank of Bahrain
CMA	Capital Market Authority
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DLT	Distributed Ledger Technology
FCA	Financial Conduct Authority
FSRA	Financial Services Regulatory Authority
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
IFAAS	Islamic Finance Advisory & Assurance Services
KSA	Kingdom of Saudi Arabia
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium-Sized Enterprises
NBFI	Non-Banking Finance Institutions
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
PRA	Prudential Regulation Authority
PSP	Payment Service Provider
RegTech	Regulatory Technology
SCA	Securities and Commodities Authority
SAMA	Saudi Central Bank
SCM	Securities Commission Malaysia
SECP	Securities and Exchange Commission of Pakistan
SMEs	Small and Medium-Sized Enterprises
UAE	United Arab Emirates
UK	United Kingdom
USD	United States Dollar
VARA	Virtual Assets Regulatory Authority

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Preface

- The report explores 6 leading Islamic fintech markets, namely, Malaysia, Indonesia, Saudi Arabia, United Arab Emirates, Bahrain and the United Kingdom. It covers a snapshot of these jurisdictions, including legislative and regulatory environments, and highlights from their fintech ecosystem. Further, it demonstrates a diverse set of non-banking fintech use cases. The novel use cases, such as equity crowdfunding, charity crowdfunding, Peer-to-Peer (P2P) financing, wealth management, alternative financing, blockchain and cryptocurrency, which originated in top Islamic finance and fintech hubs, are presented so that they might be evaluated for adoption in Pakistan.
- As an exploratory study of the development of fintech instruments and solutions in various peer-jurisdictions, the report plays an important role in increasing public awareness in various areas of Shariah compliant fintech solutions within the capital market and non-banking market segments.



Project Background

The Asian Development Bank (ADB) has sponsored the 'Islamic Finance for Inclusive Growth Project' (Project) under its Technical Assistance No. 9453-REG to the government of Pakistan, with the overarching objective to support the development of Islamic finance in Pakistan in an inclusive and sustainable manner. Hence, the ADB has commissioned IFAAS (Islamic Finance Advisory & Assurance Services), an international Islamic finance consulting firm headquartered in the UK, to lead on the delivery of the said objective in Pakistan. In this regard, the Securities and Exchange Commission of Pakistan (SECP) is the Lead Government Agency and the primary stakeholder for this Project.

One of the key workstreams, in line with the agreed upon Technical Assistance No. 9453-REG, is to assist the SECP to revamp the existing legal framework related to Islamic finance and provide opportunities for policy interventions to support Islamic finance market activities. Hence, in order to assess the current legal, regulatory, and supervisory environment of Islamic finance in Pakistan, IFAAS has embarked on an on-site fact-finding mission by conducting a set of meetings and roundtable discussions at the offices of each stakeholder from the public and private sectors, among others. Furthermore, a diagnostic study mapping the landscape of the local Islamic capital market, Non-Banking Finance Institutions (NBFIs), and Takaful, among others was conducted. While the non-banking sector in Pakistan is found to have a well-established regulatory framework for traditional financial offerings, there is a growing recognition of the importance of building a comprehensive fintech ecosystem that can effectively connect and leverage Islamic Fintechs.

Accordingly, it has been agreed to produce an exploratory study about the development of the fintech instruments/solutions in several peer-jurisdictions that can play the role of catalyst for the Islamic Capital Market growth. The cases have been selected to cover different areas of Shariah - compliant fintechs within the capital market and non-banking market segments.



1. Introduction



Retail investors
now make up an
estimated

23%

of US equity
trading volume

- Tech-based new business models, new regulations, concerns surrounding data privacy/cyber security and the growing participation of retail investors are reshaping the capital markets landscape. These new global trends are expected to influence the dynamics of capital markets and their better understanding will help in taking the right steps to promote capital markets' growth in emerging economies. One notable global trend is the democratization of capital markets. Today, new products are being developed that allow retail investors to allocate capital to private market alternatives. Market data became readily accessible online and new technologies have significantly reduced the cost of trading and other barriers to entry. This means that more people can trade, at any time, from anywhere. Retail investors now make up an estimated 23% of US equity trading volume, which represents more than a two-fold increase since 2010. Capital market processes have also become more digital as market participants demand faster execution speeds and seamless access to information. In fact, the democratization of markets is directly linked to the digitization movement in all sectors including capital markets.
- During the last three decades, several revolutionary technologies such as artificial intelligence, blockchain, internet of things, data analytics and cyber security solutions have emerged. These technologies have been rapidly used in various business models to redesign trading processes, settlement systems, payments, and capital raising. Furthermore, while regulators and lawmakers were initially skeptical about cryptocurrencies, most regulators during the last few years have come up with regulations allowing trading them under licensed digital assets trading exchanges.

2020

250 of the top private fintech startups internationally had raised nearly

USD 50 Billions

in aggregate funding.

2021

a record number of fintech deals drove overall global investment to

USD 210 Billions

with 5,684 total transactions

- The impact of these technologies is not limited to enhancing the processes, but it is also reshaping the markets. Some functions traditionally performed by large financial firms are being performed by a new set of competitors. As a result, institutions across the value chain are redefining their roles, taking on new responsibilities, partnering with new technology providers, and introducing new ways of operating in order to keep pace with their clients' needs. As of 2020, 250 of the top private fintech startups internationally had raised nearly USD 50 billion in aggregate funding.¹ In 2021, a record number of fintech deals drove overall global investment to USD 210 billion, with 5,684 total transactions (venture capital, private equity, and mergers and acquisitions).² To this extent, Islamic fintech witnessed increasing attention in the last two years. The estimated Islamic fintech market size for the Organization for Islamic Cooperation (OIC) countries in 2020 was USD 49 billion based on transaction volumes.³
- To this extent, this part explores the leading 6 Islamic Fintech markets as reported by the Global Islamic Fintech Report 2021. These countries are Malaysia, Indonesia, Saudi Arabia, United Arab Emirates, Bahrain and the United Kingdom.⁴ A snapshot of these jurisdictions, including legislative and regulatory environments and highlights from their fintech ecosystem, are provided first in the following section. This is then followed by a presentation of selected fintechs and digital product use cases from these jurisdictions.

¹ <https://www.weforum.org/agenda/2021/09/six-issues-to-define-the-future-of-capital-markets/>

² "Pulse of Fintech H2 '21 - Global", KPMG, January 2022

³ Global Islamic Fintech Report 2021.

⁴ Global Islamic Fintech Report 2021.



2. Countries Snapshot

Table 1 portrays the market size and key verticals of leading Islamic fintech markets. Saudi Arabia remained in the first position with a market size of USD 26 billion followed by Malaysia, United Arab Emirates (UAE) and Indonesia. However, the number of verticals was found to be higher in Indonesia followed by UK and UAE. All the markets provided the majority of Islamic fintechs except Bahrain where only limited Islamic fintechs were found available. Deposits and Lending as well as wealth management were found to be available across the countries. The solutions for Alternative finance, Deposits and Lending, Payments and Raising funds were found higher across the countries compared to other Islamic fintechs.

Table 1: Market size and Verticals of Leading Islamic Fintech markets⁵



Vertical/Country (Market Size)	Malaysia (\$4.8 bn)	Indonesia (\$4.2 bn)	KSA (\$26.0 bn)	UAE (\$4.8 bn)	Bahrain (\$265 M)	UK
Accounting		2	4			
Alternative Finance	7	4	13		1	9
Business Intelligence	1		1			
Capital markets			1		1	1
Deposits and Lending	5	9	3	6	3	11
Digital Assets		1		8	2	3
Enabling Technologies	3		2	3		1
Insurance	3	3				
Payments	3	6	4	10		1
Raising Funds	7	27	5	3		8
Social Finance	2	3		1		2
Technology Providers	1			2		1
Wealth Management	5	6	5	8	1	8
TOTAL	37	61	38	42	7	45

⁵ DinarStandard & Elipses- Global Islamic Fintech Report 2022

2.1. Malaysia





General Information

- Malaysia has a population of 32.37 million⁶ with a GDP of USD 337.28 billion⁷. According to the UN Human Development Report, Malaysia is positioned at the very-high spectrum of the Human Development Index (HDI).⁸ Malaysia's HDI value increased from 0.643 to 0.810, an increase of 26.0%. Malaysia's Gross National Income (GNI) per capita increased by about 177.3% between 1990 and 2019.

Figure 1: HDI value of Malaysia⁹



Legislative and Regulatory Regime

- In Malaysia, the Central Bank of Malaysia, known as Bank Negara Malaysia (BNM), and the Securities Commission Malaysia (SCM) are the two regulatory bodies responsible for the financial sector. BNM regulates financial institutions including banks, insurers, payment system operators, insurance brokers, money brokers, financial advisers and adjusters. The SCM, on the other hand, regulates capital market activities and specifically capital market intermediaries, including fund managers, corporate finance advisors, investment advisors, financial planners and persons who deal in securities, derivatives and private retirement schemes.¹⁰
- With regard to Islamic finance, the Islamic Financial Services Act 2013 (IFSA) is the governing law of Malaysia's Islamic finance sector. The IFSA along with the guidelines and circulars issued by BNM contains extensive provisions on end-to-end Shariah compliance, governance and enforcement.¹¹

⁶ <https://worldpopulationreview.com/countries/malaysia-population>

⁷ The World Bank

⁸ The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

⁹ UN Human Development Report

¹⁰ Baker McKenzie

¹¹ The Law Reviews

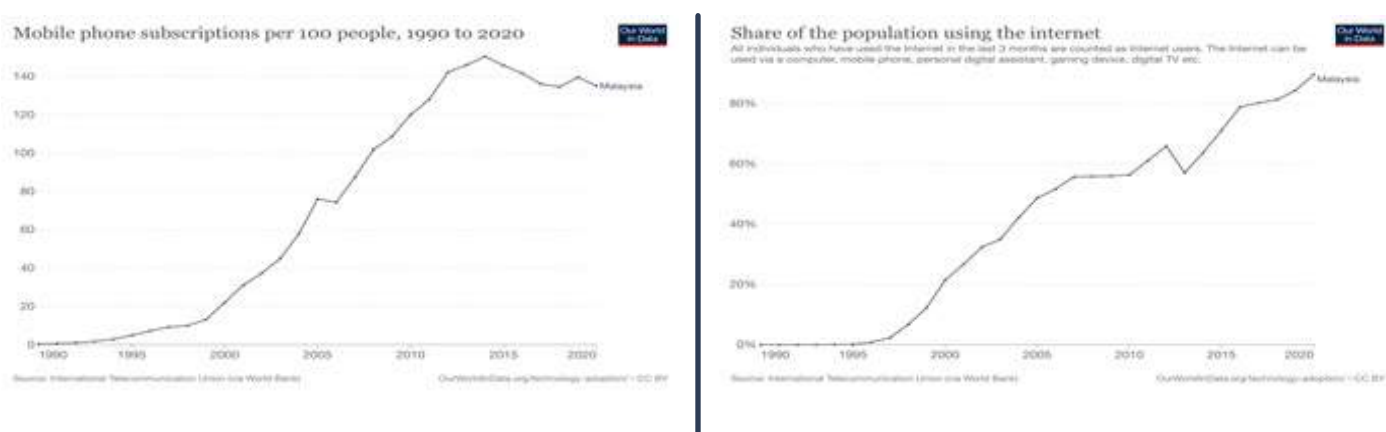
Size of the Islamic Finance Industry

- The total size of Islamic finance assets in Malaysia in 2021 accounted for USD 650 billion with a total size of 262 billion in the Islamic banking sector. The size of the Islamic capital market (Sukuk and Islamic funds) which is one of the important components of the Islamic non-banking sector in Malaysia amounted to USD 317 billion (Sukuk outstanding USD 279 billion; Islamic funds (AuM) USD 38 billion). In addition, the asset size of other Islamic financial institutions in Malaysia amounted to USD 58 billion¹².

Internet Penetration and Mobile Cellular Subscriptions

- Numerous expert analyses identified that the likelihood of fintech adoption in a country depends on its level of tech infrastructure primarily by measuring the number of mobile cellular subscriptions and the percentage of the population who use the Internet. In this regard, Malaysia has historically achieved record growth over the past three decades. Malaysia today enjoys an internet penetration of 89.6%.¹³ The mobile cellular subscription at the same time increased by 135% indicating steady growth in the population's tech adoption.

Figure 2: Mobile phone subscriptions and share of the population using the internet in Malaysia



¹² ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022

¹³ <https://datareportal.com/>



Fintech Ecosystem

- Islamic finance has captured a significant market share in Malaysia's financial sector. In December 2021, Islamic Capital Markets in the country accounted for the major share of RM 2,308.6 billion or 65.4% of the total capital market size of RM 3,530.0 billion. The key contributor in this share of RM 1,204.3 billion stemmed from the market capitalization of Shariah-compliant equities while RM 1,104.3 billion is attributable to the total outstanding Sukuk. These trends clearly highlight investors' preference for Shariah compliant financing.¹⁴
- The country is considered progressive and supportive of the Islamic finance industry. In addition, the country is considered a global leader with respect to Islamic Fintech ecosystem development¹⁵. According to the Global Islamic Fintech (GIFT) Index 2022, a composite index of 19 key indicators covering 5 categories: Islamic Fintech market & ecosystem, talent, regulation, infrastructure, and capital, Malaysia is listed as one of the top five conducive ecosystems to Islamic Fintech in the world. It enjoys a GIFT Index score of 81. Of the 375 Islamic Fintechs globally, Malaysia represents a total of 37 fintechs. Some of the Key Fintech verticals of the Country are: raising funds, payments, wealth management, deposits and lending, alternative finance, insurance, technology providers and enabling technologies.¹⁶ In 2021, the market size for Islamic Fintech in Malaysia amounted to USD 4.8 billion, a USD 1.8 billion growth from the year before. The value of Islamic Fintech in the country is expected to grow to USD 12.1 billion in 2026¹⁷.
- SCM has introduced regulations for Shariah compliant P2P and Equity Crowdfunding sectors. It has also introduced digital assets guidelines. In May 2021, SCM launched Fikra – an Islamic Fintech Accelerator Program to nurture the growth of Islamic Fintechs to advance Malaysia's Islamic capital markets. In January 2022, BNM issued also a draft framework for insure-tech firms in the country. On the banking side, BNM has recently issued a preliminary license for five digital banks, two of which will be operating under Islamic finance Law (IFSA2013).
- Among the Islamic fintech sectors in Malaysia, the financing sector enjoys the major share (59%) while other sectors such as Give and Protect, Save and Invest, and Technology represent below 15% in each sector.

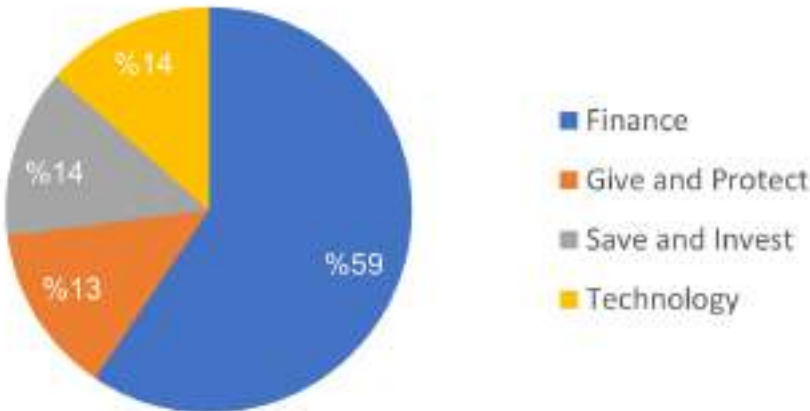
¹⁴ <https://www.capitalmarketsmalaysia.com/fund-management-islamic/>

¹⁵ Islamic Fintech Report 2021

¹⁶ Global Islamic Fintech Report 2022

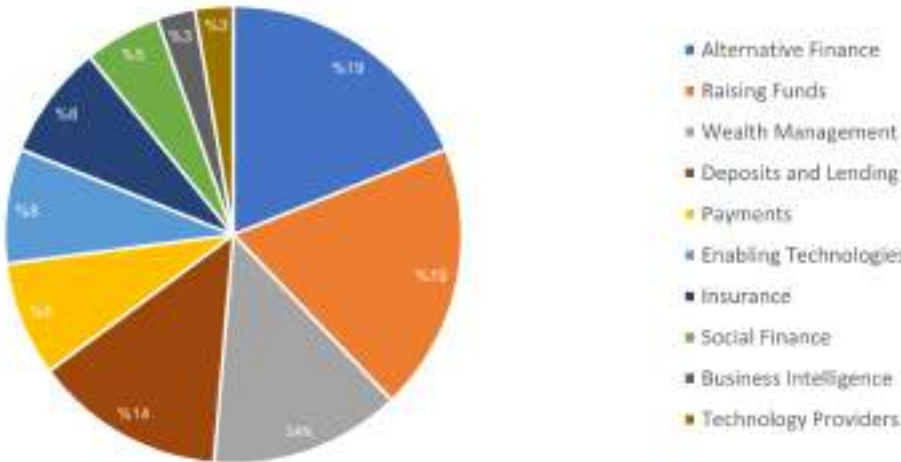
¹⁷ Statista Research Department, Sep 20, 2022

Figure 3: Composition of Islamic Fintech Sectors - Malaysia ¹⁸



Currently, a wide range of Islamic fintech verticals is functioning in Malaysia where Alternative financing and raising funds are taking the lead in terms of the number of available choices.

Figure 4: Composition of Islamic Fintech Verticals - Malaysia¹⁹



¹⁸ DinarStandard & Elipses- Global Islamic Fintech Report 2022

¹⁹ DinarStandard & Elipses- Global Islamic Fintech Report 2022



2.2. Indonesia



General Information

- With a GDP of USD 1.186 trillion and a population of over 275 million, Indonesia is the world's fourth-most populous country and the most populous Muslim-majority country²⁰. Indonesia is positioned at the high spectrum of the HDI. As of the year 2019, Indonesia's HDI was valued at 0.781 positioning the country at 107 out of 189 listed countries. Indonesia's GNI per capita increased by about 172.7% between 1990 and 2019.

Figure 5: HDI value of Indonesia ²¹



Legislative and Regulatory Regime

- While the Indonesian government strives to provide a level playing field for both conventional and Islamic finance industries, Indonesia has a relatively complex financial regulatory structure. Bank Indonesia (BI) and the Financial Services Authority (Otoritas Jasa Keuangan or OJK) are the two key regulators for the financial sector in Indonesia. BI is the main regulatory authority from licensing or registration standpoint for banking and other types of financial institutions with a special interest in assessing their impact on financial system stability. The OJK on the other hand is also involved in regulating banks, insurers and large investment firms (i.e., investment banks), brokers, financial advisers, pension funds, insurance companies and multi-finance companies for prudential and conduct purposes. OJK is also so much involved in regulating financial technology companies²²
- The Ministry of Finance (MoF), Bank Indonesia and OJK have divisions dedicated to Islamic finance within their respective organisational structures. Bank Indonesia issued its Blueprint on the Development of Shariah Banking in Indonesia in 2002, while OJK issued Roadmaps for Shariah Capital Markets (2015-2019), Islamic Banking (2015-2019) and (2020-2024), Shariah Non-Bank Finance Industry (2015-2019) and the Development of Indonesia Shariah Financing (2017-2019)²³.

²⁰ The World Bank

²¹ UN Human Development Report

²² Baker McKenzie

²³ <https://www.lexology.com/library/detail.aspx?g=6add72f6-d54f-4f3d-b837-8e7a6c24c345>

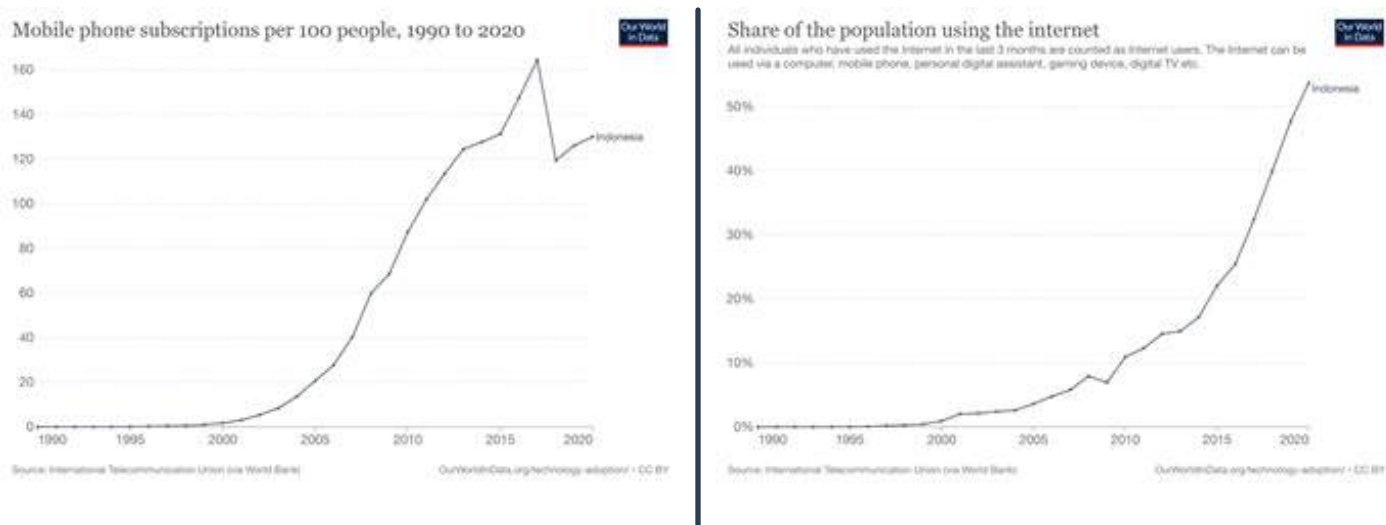
Size of the Islamic Finance Industry

- The total size of Islamic finance assets in Indonesia in 2021 accounted for USD 139 billion with a total size of USD 48 billion in the Islamic banking sector. The size of the Islamic capital market (Sukuk and Islamic funds) which is one of the important components of the Islamic non-banking sector in Indonesia amounted to USD 87 billion (Sukuk outstanding USD 84 billion; Islamic funds (AuM) USD 3 billion). In addition, the asset size of other Islamic financial institutions in Indonesia amounted to USD 58 billion²⁴.

Internet Penetration and Mobile Cellular Subscriptions

- With regards to internet penetration and mobile cellular subscriptions, Indonesia has historically achieved record growth over the past few years. The mobile cellular subscription reached over 130% and the internet penetration recorded 72.87% in 2021.²⁵

Figure 6: Mobile phone subscriptions and share of the population using the internet in Indonesia



²⁴ ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022

²⁵ Statista.com



Fintech Ecosystem

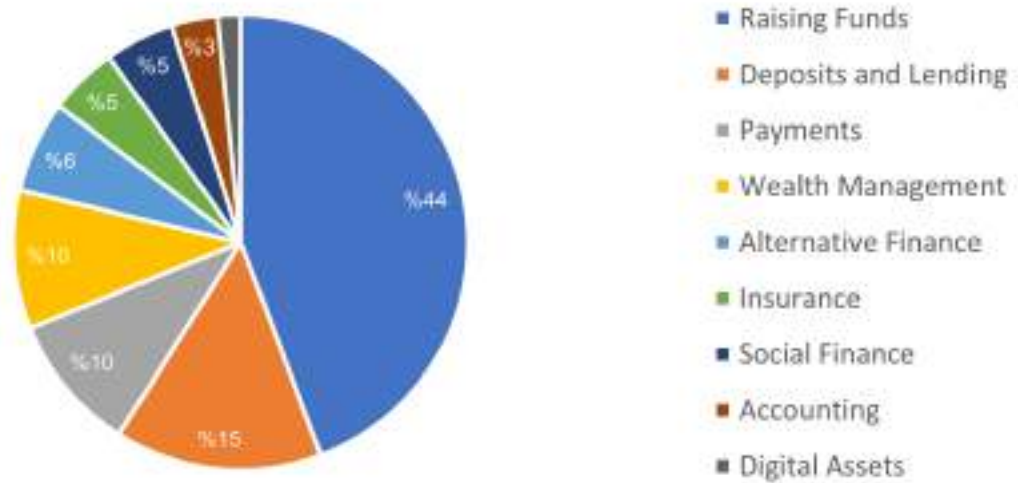
- Though 87% of the population are Muslims, the Islamic banking industry accounted for only 8% of the overall banking sector at the end of 2020. The country is currently implementing the Islamic Banking Development Roadmap 2020-2025 which aims to introduce various initiatives for the growth of the industry. With a median age of 30.2 years, Indonesia possesses a young population that is eagerly adopting digital technologies and contributing to the economic growth of the country.²⁶
- The country is working to create a vibrant ecosystem for fintech and the digital economy. According to the Global Islamic Fintech Index 2022, Indonesia is listed as one of the top five conducive ecosystems for Islamic Fintech in the world. It enjoys a GIFT Index score of 65. Of the 375 Islamic Fintechs globally, Indonesia represents a total of 61 fintechs. Some of the key fintech verticals of the Country are: alternative finance, raising funds, payments, wealth management, deposits and lending and insurance.²⁷ In this regard, 6 different regulations have been issued by BI and OJK. Together these regulations are providing a robust regulatory regime for the growth of the fintech sector.²⁸ Indonesia is witnessing a growing momentum in its Islamic Fintech sector. Indonesia has the highest number of recognised Islamic Fintech companies. In 2021, 36 Islamic Fintech firms were operating in the country with the highest concentration in the Crowdfunding segment. One of which is Alami, which has disbursed RM848.21 million (USD179.8 million) Shariah financing to the country's regional Small and Medium-Sized Enterprises (SMEs), with a majority from the telecommunication sector at 18.2%, halal food at 14.6%, and energy at 13.2%.
- Among the Islamic Fintech sectors in Indonesia, the financing sector enjoys the major share (79%) while other sectors such as Give and Protect and Save and Invest represent 10% and 11% respectively.

²⁶ <https://worldpopulationreview.com/countries/indonesia-population>

²⁷ Global Islamic Fintech Report 2022

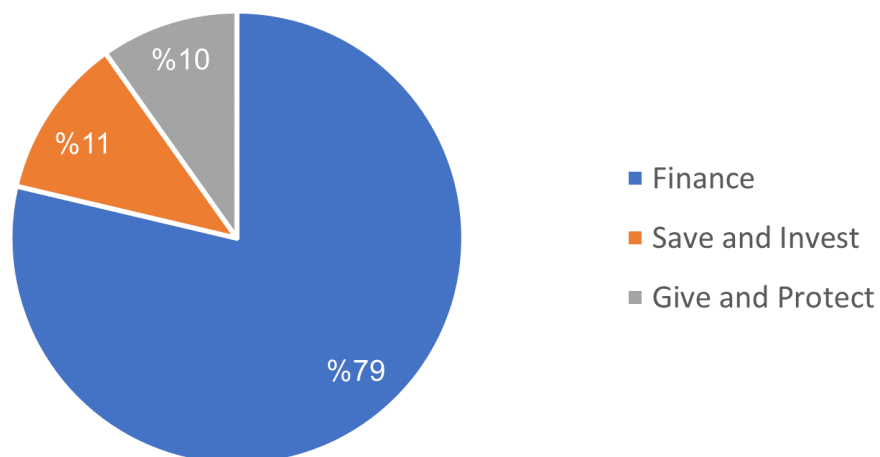
²⁸ <https://iclg.com/practice-areas/fintech-laws-and-regulations/indonesia>

Figure 7: Composition of Islamic Fintech Sectors - Indonesia ²⁹



Like the Malaysian Islamic Fintech market, currently, a wide range of Islamic Fintech verticals are functioning in Indonesia. The Islamic Fintech verticals related to Raising funds enjoys a significant share (44%) in the market in terms of the number of available choices followed by vertical Deposits and Lending (15%).

Figure 8: Composition of Islamic Fintech Verticals - Indonesia ³⁰



²⁹ DinarStandard & Elipses- Global Islamic Fintech Report 2022

³⁰ DinarStandard & Elipses- Global Islamic Fintech Report 2022

2.3. Kingdom of Saudi Arabia





General Information

- Saudi Arabia has a population of 35.898 million in the year 2020³¹ and a GDP of USD 833.5 billion³². With a median age of 31.8 years, the country consists of a mostly young population. The country has a high literacy rate of 97.95% and internet penetration of 98%³³, which makes its population digital savvy and results in the rapid embracing of e-commerce solutions. Saudi Arabia is positioned at the very-high spectrum of the HDI. As of the year 2019, Saudi Arabia's HDI³⁴ valued at 0.854 positionings the kingdom at 40 out of 189 listed countries. Saudi Arabia's GNI per capita increased by about 10.4 percent between 1990 and 2019.

Figure 9: HDI value of Kingdom of Saudi Arabia ³⁵



Legislative and Regulatory Regime

- In Saudi Arabia, the two regulators responsible for the authorization and supervision of financial institutions are the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA). SAMA regulates insurance companies, banking institutions and finance companies including those who provide financial lease services and similar financial activity. The CMA regulates Capital Market Institutions, including investment banks, asset managers, brokers, custodians and financial advisers. The CMA Listing Rules of 22/12/1426 H (22 January 2006) and the CMA Regulations of 1718/1429 (18 August 2008) are among the key regulations that govern the issuance of capital market instruments by Saudi Arabian companies, including Sukuk.³⁶

³¹ <https://www.worldometers.info/world-population/saudi-arabia-population/>

³² The World Bank

³³ <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=SA>

³⁴ The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

³⁵ UN Human Development Report

³⁶ IFCR – Islamic Finance Country Report: ISLAMIC FINANCE IN SAUDI ARABIA: Leading the Way to Vision 2030

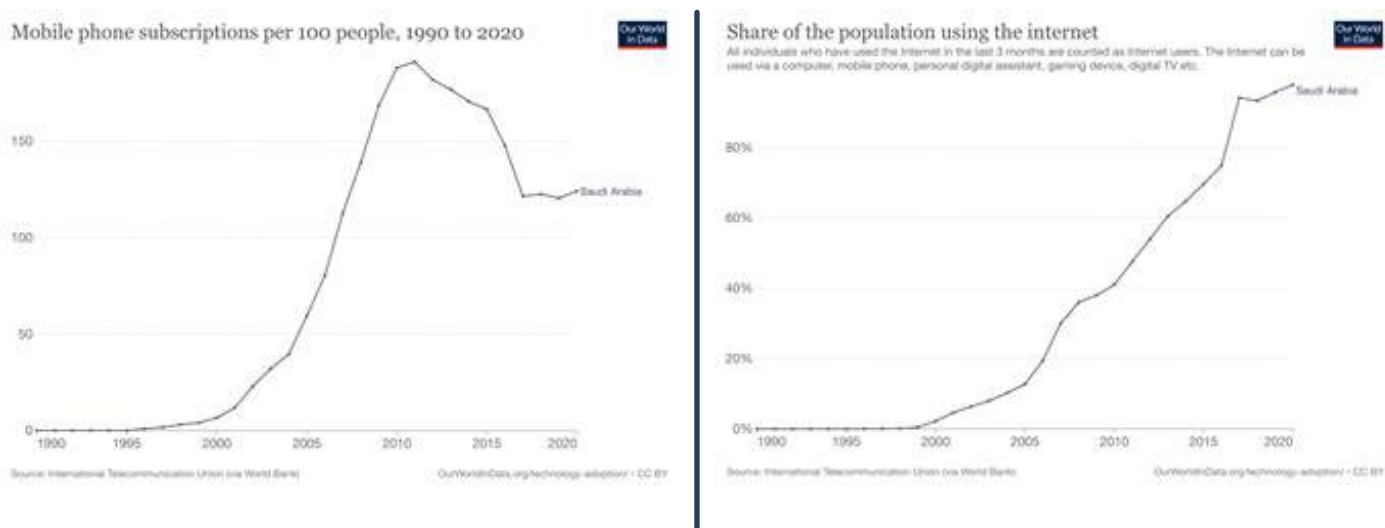
Size of the Islamic Finance Industry

- The total size of Islamic finance assets in KSA in 2021 accounted for USD 896 billion with a total size of USD 606 billion in the Islamic banking sector. The size of the Islamic capital market (Sukuk and Islamic funds) which is one of the important components of the Islamic non-banking sector in KSA amounted to USD 246 billion (Sukuk outstanding USD 194 billion; Islamic funds (AuM) USD 52 billion). In addition, the asset size of other Islamic financial institutions in the KSA amounted to USD 25 billion³⁷.

Internet Penetration and Mobile Cellular Subscriptions

- With regards to internet penetration and mobile cellular subscriptions, the Kingdom has historically achieved record growth over the past three decades. The share of its population using the internet between the years 1990 and 2020 rose by 98% and the mobile cellular subscription at the same time by 124% indicating a steady growth of the population's tech adoption.

Figure 10: Mobile phone subscriptions and share of the population using the internet in the Kingdom of Saudi Arabia



³⁷ ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022

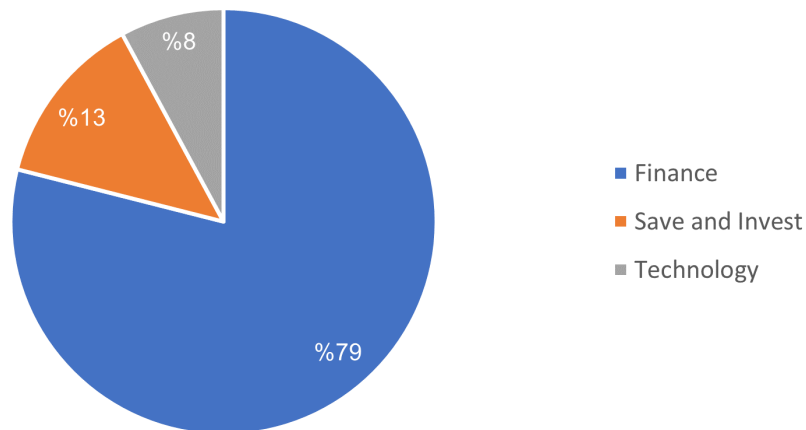


Fintech Ecosystem

- According to the Global Islamic Fintech Index 2022, Saudi Arabia is listed as one of the top five conducive ecosystems for Islamic Fintech in the world. It enjoys a GIFT Index score of 80. Of the 375 Islamic Fintechs globally, Saudi Arabia represents a total of 38 fintechs. Some of the Key Fintech verticals of the Country are: accounting, alternative finance, raising funds, payments, capital markets and wealth management.³⁸ Saudi Arabia is showing strong momentum in fintech growth.
- The fintech market in Saudi Arabia is estimated at USD 18 billion and shows high growth potential. The steady growth of active fintechs, rising from 60 in 2020 to a total of 82 in 2021, indicates a maturing ecosystem. The National Fintech Adoption Survey reports that 74% of Saudi individuals have used at least one fintech solution, while fintech adoption is above 80% for Saudis in the 16-39 years age group, indicating a strong demand for fintechs. To meet this demand, an increasing number of fintechs covering payments solutions, lending and finance apps, wealth management, crowdfunding, investment and private fundraising solutions have been introduced.
- Among the Islamic Fintech sectors in the Kingdom of Saudi Arabia, the financing sector represents the major share (79%) while other sectors such as Technology and Save and Invest represent 8% and 13% respectively.

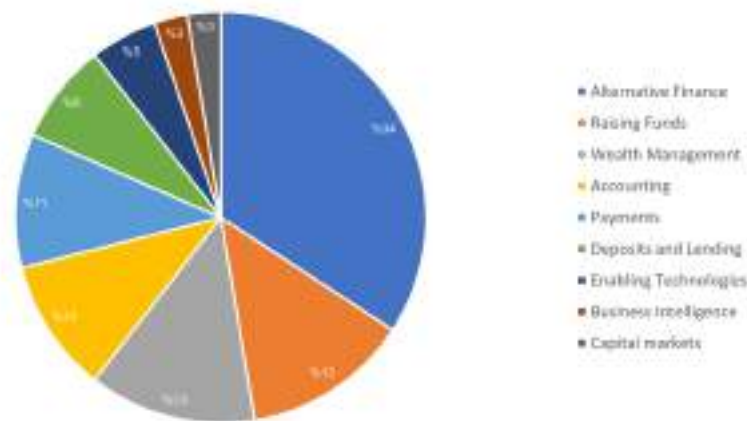
³⁸ Global Islamic Fintech Report 2022

Figure 11: Composition of Islamic Fintech Sectors – Kingdom of Saudi Arabia ³⁹



As seen in the Malaysian and Indonesian Islamic Fintech market, currently, a wide range of Islamic Fintech verticals are functioning in KSA as well where Islamic Fintech verticals related to Alternative finance taking lead with a significant share(34%) in the market in terms of the number of available choices followed by verticals Raising funds and Wealth management (13% each).

Figure 12: Composition of Islamic Fintech Verticals - Kingdom of Saudi Arabia ⁴⁰



On the regulatory side, SAMA is showing good support and launched its regulatory sandbox for fintech start-ups in 2018. The regulator issued regulations for payment services in January 2020. SAMA also issued insurance aggregation rules in February 2020 to cover InsureTech sector.⁴¹ SAMA has also introduced Open Banking in the country which is working as a catalyst for the growth of new business models. New laws governing the fintech sector, notably debt-based crowdfunding and payment service provider (PSP) activities in Saudi Arabia were also introduced. Furthermore, CMA has also created Lab Fintech and supported such initiatives e.g., Equity Crowdfunding, Micro Sukuk, Robo Advisory and Distributed Ledger Technology (DLT).

³⁹ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁴⁰ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁴¹ Saudi Arabian Monetary Agency

2.4. United Arab Emirates





General Information

- As of 2020, the United Arab Emirates has an estimated population of 9.9 million, with more than 80% expatriates and a GDP of USD 358.9 billion.⁴² The UAE is a federation of seven emirates including Dubai, which is an international hub for entrepreneurship, start-ups and fintechs. The United Arab Emirates is a young nation with an advanced and modern economy. A favourable tax regime, ease of doing business, and easy access to capital help the country in attracting human talent from across the globe. As per IMD's World Digital Competitiveness Ranking 2020, The UAE is ranked first in the Arab region and 13th globally.
- According to the UN Human Development Report, UAE is positioned at the very-high spectrum of the HDI with a rank of 31 out of 189 listed countries. The UAE's GNI per capita increased by about 34.1 percent between 1990 and 2019.

Figure 13: HDI value of the United Arab Emirates ⁴³



Legislative and Regulatory Regime

- At the federation level, the UAE has two main regulators: the Central Bank of the UAE (CB) and the Securities and Commodities Authority (SCA). The CB and SCA both regulate and supervise on a federal level. The CB regulates all banks, insurers, insurance brokers, finance companies, and payment service providers while the SCA regulates listed companies, securities traders and markets. In addition, there are two more notable regulators for international businesses, namely; The Dubai Financial Services Authority (DFSA), which is the regulator of the Dubai International Financial Centre (DIFC), and the Financial Services Regulatory Authority (FSRA), which is the regulator of the Abu-Dhabi Global Market (ADGM).

⁴² The World Bank

⁴³ UN Human Development Report

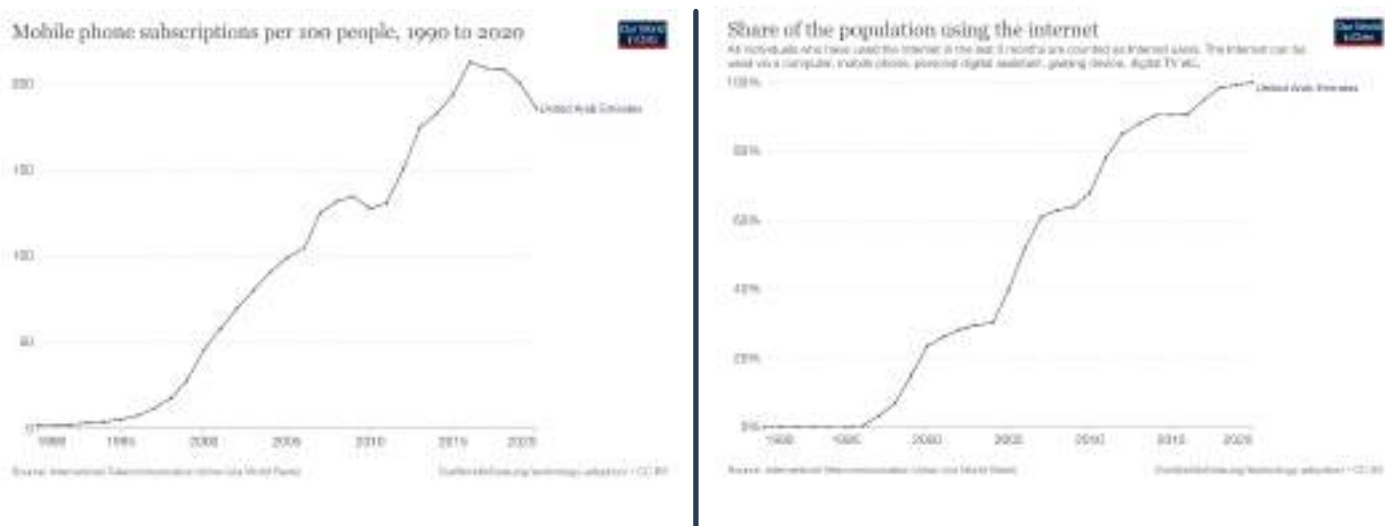
Size of the Islamic Finance Industry

- The total size of Islamic finance assets in the UAE in 2021 accounted for USD 252 billion with a total size of USD 192 billion in the Islamic banking sector. The size of the Sukuk outstanding which is one of the important components of the Islamic non-banking sector in the UAE amounted to USD 49 billion. In addition, the asset size of other Islamic financial institutions in the UAE amounted to USD 6 billion⁴⁴.

Internet Penetration and Mobile Cellular Subscriptions

- With regards to internet penetration and mobile cellular subscriptions, the Emirates has one of the highest records in the world with around 100% of the population using the internet.

Figure 14: Mobile phone subscriptions and share of the population using the internet in the United Arab Emirates



⁴⁴ ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022



Fintech Ecosystem

- The UAE strategically positioned itself as an international hub for innovative tech solutions and start-ups⁴⁵ with a solid fintech ecosystem, the country hosts many initiatives including RegTech labs and digital labs, tech competitions and accelerator programs, making the UAE a progressive fintech destination. 42 Fintech start-ups are reported to be operating in the country in 2021.⁴⁶ The number of Islamic Fintechs out of this group stands at 32 in the same year.⁴⁷ The market size of Islamic Fintechs in 2020 was USD 3.7 billion and is expected to reach USD 11 billion by 2025. The UAE has recently announced the opening of the DIFC Innovation Hub, a welcoming addition to the fintech infrastructure in the region and a reinforced commitment from the UAE government to nurture the growth of new and emerging industries. According to the Global Islamic Fintech Index 2022, the UAE is listed as one of the top five conducive ecosystems for Islamic Fintech in the world. It enjoys a GIFT Index score of 60. Of the 375 Islamic Fintechs globally, the UAE represents a total of 42 fintechs. Some of the Key Fintech verticals of the Country are: payments, deposits and lending, digital assets, wealth management, raising funds and capital markets.⁴⁸
- Among the Islamic Fintech sectors in the UAE, the financing sector represents nearly half of the share (48%). The second large sector is the Save and Invest (38%). The remaining portion was shared by the sectors 'Technology' (12%) and 'Give and Protect' (2%)

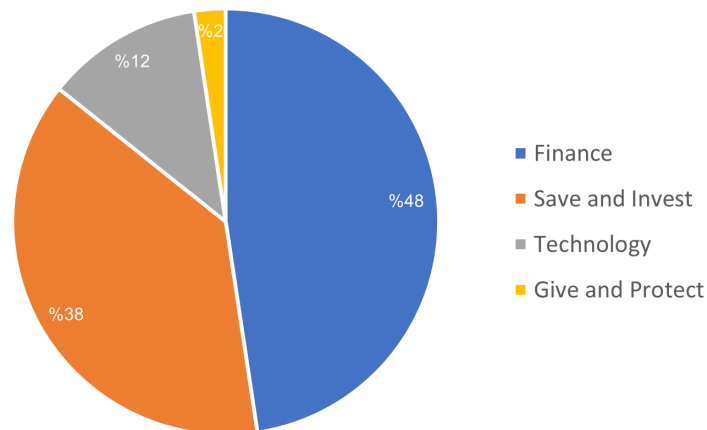
⁴⁵ <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=AE>

⁴⁶ <https://fintechnews.ae/uae-fintech-startups-dubai-abu-dhabi/>

⁴⁷ The Fintech Report 2021

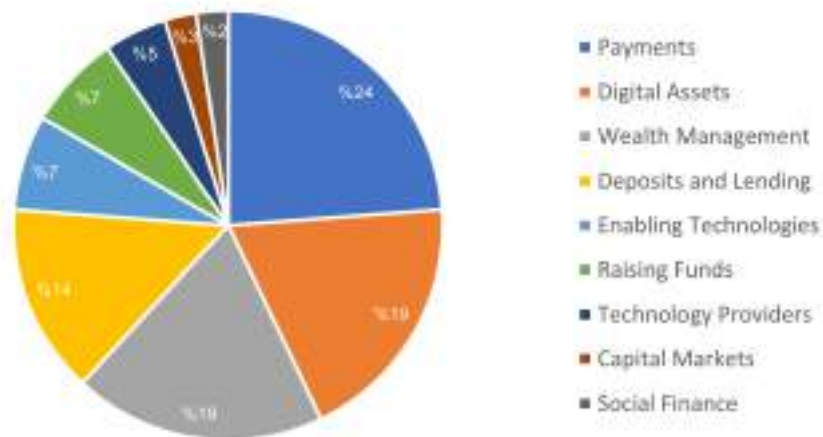
⁴⁸ Global Islamic Fintech Report 2022

Figure 15: Composition of Islamic Fintech Sectors – United Arab Emirates ⁴⁹



In terms of verticals, a wide range of Islamic Fintech verticals are functioning in the UAE as well where Islamic Fintech verticals related to Payments taking lead with a share of 24% in terms of the number of available choices followed by verticals Digital assets and Wealth management (19% each).

Figure 16: Composition of Islamic Fintech Verticals - United Arab Emirates ⁵⁰



On the regulatory front, the country introduced changes in the DFSA rules relevant to crowdfunding in August 2017. In 2020, The UAE Central Bank introduced debt-based Crowdfunding Activities Regulations⁵¹. It has also issued several 'Payment Services Regulations' to cater to the recent development in payment solutions.⁵² In February 2022, the Emirate of Dubai enacted Law No. 4 of 2022 on the Regulation of Virtual Assets (Crypto assets) and established the Dubai Virtual Assets Regulatory Authority ("VARA").

⁴⁹ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁵⁰ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁵¹ Circular No. 7

⁵² <https://www.lexology.com/library/detail.aspx?g=7efb2ddc-d24d-461a-a267-ebe9834e5659>

2.5. Kingdom of Bahrain





General Information

- Bahrain is a small island country with a population of 1.5 million and a GDP of USD 38.8 billion.⁵³ The country has taken steps forward to embrace the digital economy and fintech industry with the development of a wide range of financial innovations and initiatives. Bahrain is ranked 4th in the Arab digital economy report 2020. It is moving from being an emerging country in fintech to becoming one of the leading countries in the region.
- According to the UN Human Development Report, Bahrain is positioned at the very-high spectrum of the HDI. As of the year 2019, Bahrain's HDI is valued at 0.852 positioning the country at 42 out of 189 listed countries. Bahrain's GNI per capita increased by about 4.1% between 1990 and 2019.

Figure 17: HDI value of the United Arab Emirates of the Kingdom of Bahrain ⁵⁴



Legislative and Regulatory Regime

- The financial sector in Bahrain is regulated and supervised by the Central bank of Bahrain (CBB). The CBB functions as the single regulator for the entire financial system since 2002. With more than 400 licensed financial institutions, a full range of financial services, with particular concentrations in wholesale banking, insurance, and funds/asset management, are available in the market. This financial sector accounts for more than 27% of the Gross Domestic Product.
- Bahrain's banking system consists of both Conventional and Islamic Banks, and is the largest component of the financial system, accounting for over 85% of the total financial assets.⁵⁵ Islamic banks are considered mature and offer a range of competitive financial products. For all Islamic banks, The accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) are compulsory. This also includes conventional banks that maintain Islamic windows.⁵⁶

⁵³ The World Bank

⁵⁴ UN Human Development Report

⁵⁵ Baker McKenzie

⁵⁶ The Law Reviews

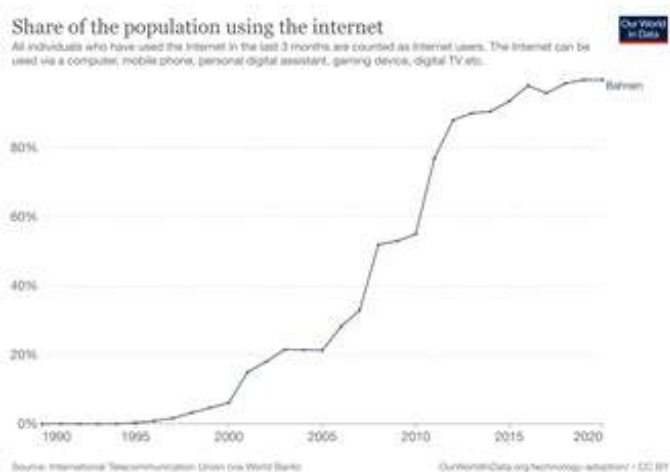
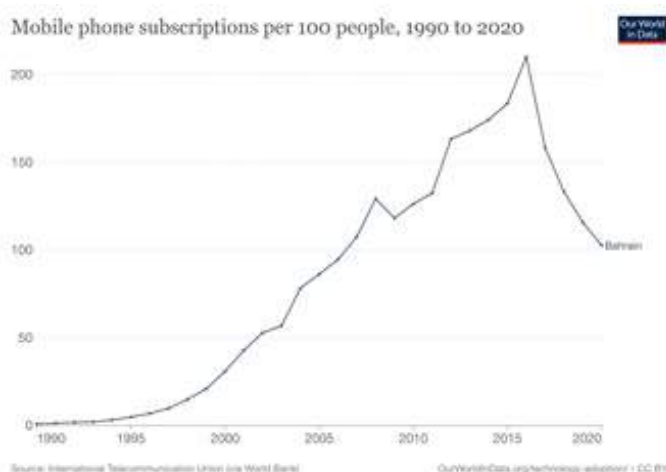
Size of the Islamic Finance Industry

- The total size of Islamic finance assets in the Kingdom of Bahrain in 2021 accounted for USD 106 billion with a total size of USD 92 billion in the Islamic banking sector. The size of the Sukuk outstanding which is one of the important components of the Islamic non-banking sector in the Kingdom of Bahrain amounted to USD 13 billion⁵⁷.

Internet Penetration and Mobile Cellular Subscriptions

- The share of Bahrain's population using the internet is around 99.6%, and the mobile cellular subscription is more than 100% indicating a digital-savvy population and a high potential for tech adoption.

Figure 18: Mobile phone subscriptions and share of the population using the internet in the Kingdom of Bahrain



⁵⁷ ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022



Fintech Ecosystem

- According to the Global Islamic Fintech Index 2022, , Bahrain is listed as one of the top ten conducive ecosystems for Islamic Fintech in the world. It enjoys a GIFT Index score of 46. Of the 375 Islamic Fintechs globally, Bahrain represents a total of 7 fintechs. The country's key Fintech verticals include: digital assets and deposits and lending.⁵⁸Historically, the CBB has proved to be a progressive regulator. The CBB hosts a FinHub which is the region's first cross-border, digital innovation platform that connects and facilitates collaboration between financial institutions and fintechs under its supervision.⁵⁹ CBB introduced its regulatory sandbox in 2017 and since its inception, 18 start-ups have graduated from there. The country stands high on the ease of doing business global index with a ranking of 43⁶⁰ (where 1 is the highest). In December 2021, CBB has announced its new Regulatory Sandbox Framework which is expected to introduce a more efficient and effective environment.
- The Central Bank is actively introducing new regulatory changes to modernize the country's financial system. It started these changes in April 2017 by introducing Cloud First Policy, and since then the following modules have been added/amended in its rule book to facilitate digital finance: Fintech Regulatory Sandbox – May 2017, Crowdfunding Module – August 2017, Personal Data Protection Module – July 2018, Open Banking Module – Dec 2018, Crypto Assets Module – February 2019, Digital Financial Advisor Module (Robo Advisor) March 2019, Insurance Aggregator Module – August 2019, Amendments to the CBB Rulebook Volume 5 (Type 3: Financing Companies) to enable Buy Now Pay Later (BNPL) companies – February 2022.⁶¹
- At present, there are over 90 fintech companies active in Bahrain and among them, several Islamic Fintech firms are also included. Bahrain is actively transitioning into a digital and cashless economy, where the government has launched its Economic Recovery Plan to spur economic growth, create 20k jobs, and attract direct investments into the country worth USD 2.5 billion by the year 2023.⁶²
- The Islamic Fintech sectors in the Kingdom of Bahrain mainly consist of two sectors i.e. Finance and Save and Invest. While the financing sector represented 57%, the remaining portion (43%) was represented by Save and Invest.

⁵⁸ Global Islamic Fintech Report 2022

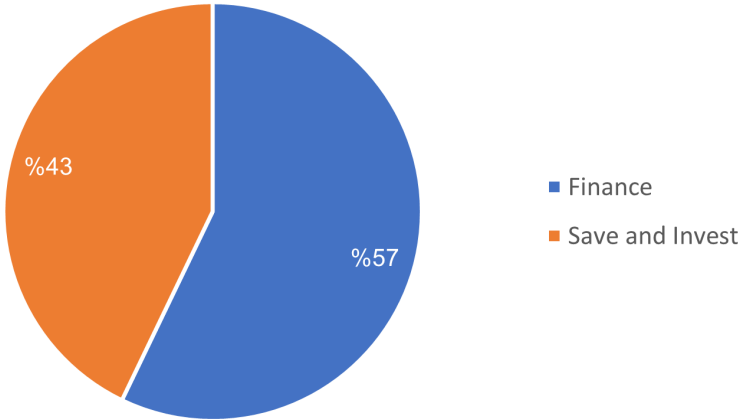
⁵⁹ Central Bank of Bahrain (CBB)

⁶⁰ <https://knoema.com/atlas/Bahrain/topics/World-Rankings>

⁶¹ Bahrain Ecosystem Report 2022

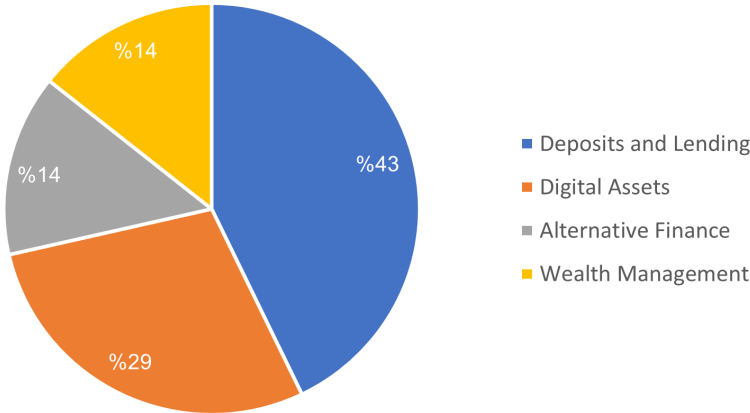
⁶² Bahrain Ecosystem Report 2022

Figure 19: Composition of Islamic Fintech Sectors- Kingdom of Bahrain ⁶³



Unlike other countries under the study, the availability of Islamic Fintech verticals was found to be relatively lesser in the Kingdom of Bahrain financial market. Among the available verticals the share of Deposits and Lending was found to be significant (43%) followed by Digital Assets (29%).

Figure 20: Composition of Islamic Fintech Verticals – Kingdom of Bahrain ⁶⁴



⁶³ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁶⁴ DinarStandard & Elipses- Global Islamic Fintech Report 2022

2.6. United Kingdom





General Information

- The UK has a Muslim population of 3.372 million⁶⁵ and Islam is the second largest religion after Christianity. The country has a notable Islamic finance sector for Sukuk. The UK issued a GBP 500 million (USD 686.9 million) Sukuk in 2021. The Country has 4 full-fledged Islamic banks and 20 financial institutions that are offering Islamic financial products. However, most of these products are plain vanilla and there is not much product innovation that caters to the needs of British Muslims. This mismatch of customer needs and quality Islamic finance services is being bridged by Islamic Fintechs with their unique solutions.
- According to the UN Human development report the United Kingdom is positioned at the very-high spectrum of the HDI. The UK is ranked 13 out of 189 listed countries. The UK's GNI per capita increased by about 51.3% between 1990 and 2019.

Figure 21: HDI value of the United Arab Emirates of the United Kingdom⁶⁶



Legislative and Regulatory Regime

- In the UK, the Prudential Regulation Authority (PRA) (part of the Bank of England) and the Financial Conduct Authority (FCA) are mainly responsible for the authorization and supervision of financial institutions. The PRA regulates banks, insurers and investment banks. The FCA regulates all other firms such as investment firms, asset managers, hedge funds, brokers, financial advisers, insurance intermediaries, consumer credit firms and payment providers. These firms are called "solo-regulated firms." The FCA supervises all types of firms for conduct purposes. Firms supervised by the PRA for prudential purposes are also supervised by the FCA for conduct purposes. These firms are called "dual-regulated firms."⁶⁷ With regard to Islamic finance institutions, the two principal regulatory authorities are the PRA and the FCA. Both regulators hold Islamic financial institutions to the same standards of regulation as conventional banks.⁶⁸

⁶⁵ https://en.wikipedia.org/wiki/Islam_in_the_United_Kingdom

⁶⁶ UN Human Development Report

⁶⁷ Baker McKenzie

⁶⁸ The Law Reviews

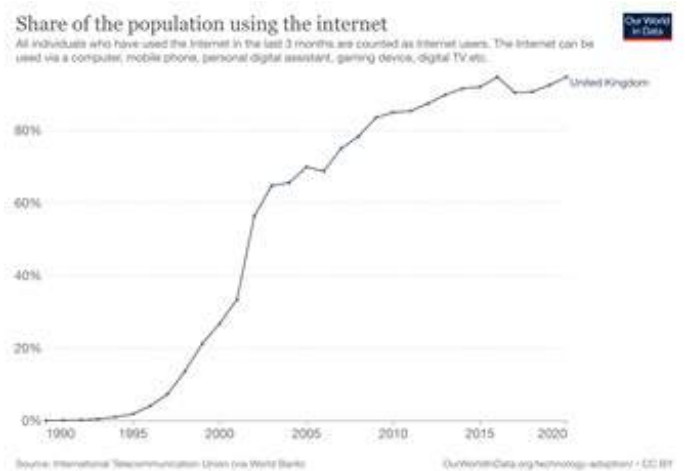
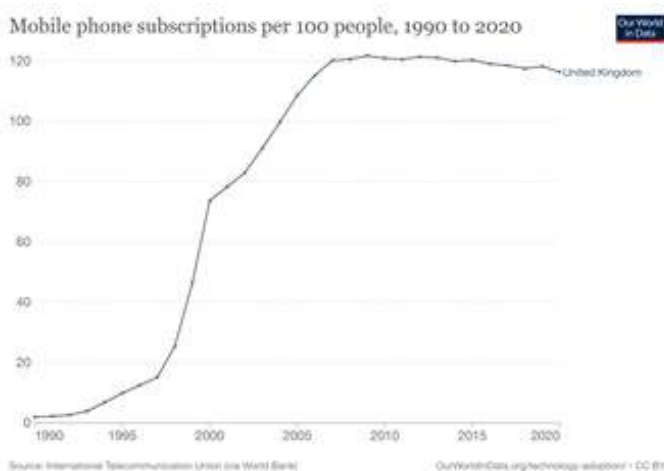
Size of the Islamic Finance Industry

- The total size of the Islamic banking sector in the UK in 2021 accounted for USD 7.5 billion. The size of the Islamic funds (AuM) which is one of the important components of the Islamic non-banking sector in the UK amounted to USD 20 Billion in 2021⁶⁹.

Internet Penetration and Mobile Cellular Subscriptions

- The share of its population using the internet stands at around 95% and the population with a mobile cellular subscription is at 116% indicating a steady growth of the population's tech adoption.

Figure 22: Mobile phone subscriptions and share of the population using the internet in the United Kingdom



⁶⁹ ICD – REFINITIV ISLAMIC FINANCE DEVELOPMENT REPORT 2022



Fintech Ecosystem

- According to the Global Islamic Fintech Index 2022, the UK is listed as one of the top five conducive ecosystems for Islamic Fintech in the world. It enjoys a GIFT Index score of 50. Of the 375 Islamic Fintechs globally, the UK represents a total of 45 Fintechs. Some of the Key Fintech verticals of the Country include: deposits and lending, alternative finance, wealth management, payments, social finance and technology providers.⁷⁰
- The United Kingdom is one of the most important global financial centers and rightly dubbed as a global super fintech hub with its more than 2500 Fintechs representing investments amounting to USD 37.3 billion⁷¹. Its pioneering regulatory environment, advanced technology sector, abundant talent pool and support infrastructure allows it to play a pivotal role in the development of Islamic Fintechs. As of 2021, there were 40 Islamic Fintechs operating in the country and led by the challenger bank segment.⁷²
- The UK's fintech sector is made up of 23 different sub-segments, which can be grouped into 8 broad categories – banking, RegTech, InsurTech, lending, payments, WealthTech, quote aggregators and accounting, auditing and cash flow management. The UK overall has clear strengths in WealthTech and payment technologies that account for more than 50% of all fintechs in the country.⁷³ Financial Services Authority (FSA) and Bank of England are the regulators of the fintech sector of the country and Islamic Fintechs are represented by the UK Islamic Fintech Panel. As far as fintech regulations are concerned, the regulations that pertain to a certain business activity class also apply to relevant fintech businesses.
- Among the Islamic Fintech sectors in the United Kingdom, the financing sector represents the major share (67%) followed by the sector Save and Invest (25%). The remaining portion of 8% was shared equally between the sector 'Technology' and 'Give and Protect'.

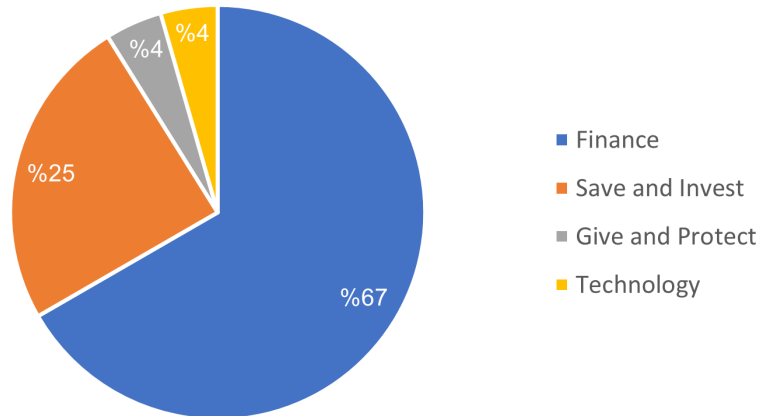
⁷⁰ Global Islamic Fintech Report 2022

⁷¹ <https://home.kpmg/uk/en/home/media/press-releases/2022/02/uk-fintech-investment-soars-to-37-billion-in-2021.html>

⁷² Global Islamic Fintech Report 2021

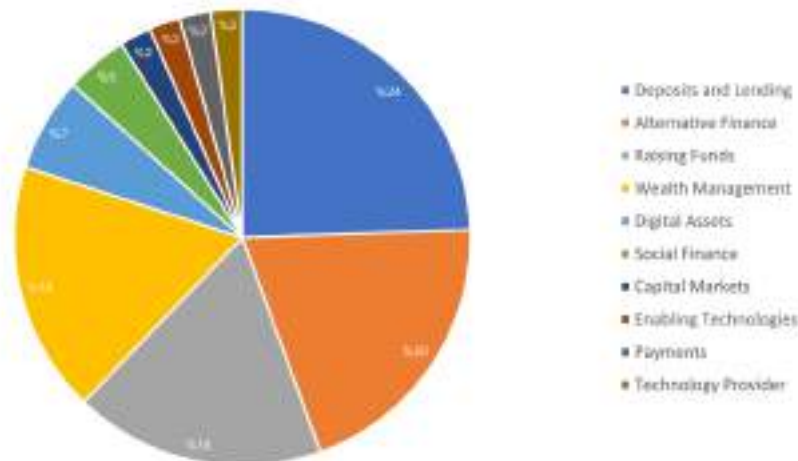
⁷³ <https://www2.deloitte.com/uk/en/pages/financial-services/articles/uk-fintech-landscape.html>

Figure 23: Composition of Islamic Fintech Sectors - United Kingdom ⁷⁴



Like other mainstream Islamic financial markets, the United Kingdom also has witnessed a wide range of active presence of Islamic Fintech instruments. Among these, Deposits and Lending (24%) as well as Alternative financing (20%) together enjoy nearly half of the market share followed by Raising funds and Wealth management Islamic Fintech verticals.

Figure 24: Composition of Islamic Fintech Verticals – United Kingdom ⁷⁵



⁷⁴ DinarStandard & Elipses- Global Islamic Fintech Report 2022

⁷⁵ DinarStandard & Elipses- Global Islamic Fintech Report 2022

3. Fintech Case Studies





- Islamic Fintechs are increasingly at the forefront of innovation, providing tangible use cases of Shariah compliant financing in underserved segments among others. In this section, several leading fintech use cases based on the importance of their value proposition, level of activity, market presence and Socio-economic impact have been selected for showcasing the success stories. These innovative use cases, originating from leading Islamic finance and fintech hubs can also be considered to be adopted in the Pakistani capital markets for their further growth and development. While each use case may provide more than one solution addressing more than one vertical, these cases have been tracked in the six categories for the ease of the reader. The title of each use case is highlighting the key value proposition that makes them unique. Furthermore, it is pertinent to highlight that the accuracy of the information on Shariah compliance and the underlying Shariah structure for each case study is solely based on the information/data provided by reliable public resources about the company.

3.1. Equity Crowdfunding

- Impact investment and social housing through Equity Crowdfunding

Ethis Crowd



Solution Brief

- Ethis Group operates investment platforms approved by regulators in Indonesia, Malaysia, and Dubai, together with a charity platform named Global Sadaqah.

Description and Analysis

- Ethis works on a crowdfunding business model and is active both in P2P financing and Equity financing. The solution has gained traction and cross border acceptability. Ethis offers its investors the opportunity to diversify their investments in companies and projects that include short term SME financing, low-income housing, tech companies, income generating assets and impact charity.
- Ethis platform is best known for providing impact investment opportunities for social housing development projects in Indonesia in which small investors from around the globe are enabled to contribute to financing low-cost housing projects in Indonesia. By leveraging government price control and support for such projects, the risk of default from the developers is mitigated. These Indonesian social housing development projects have been operational since 2014.
- The Shariah compliant financing platform boasts 37,000 + transactions on its platform that resulted from 457+ campaigns involving investors/campaigns from 84+ countries. The platform has gained credibility and trust in the market. Regional and global recognition and acceptance have shown that Islamic crowdfunding solutions are viable and provide alternative financing to marginalized, neglected and emerging sectors in the economy.

Underlying Shariah Structure

- The key underlying Shariah contracts used for equity crowdfunding solutions are Mudarabah and Musharakah contracts which allow two or more parties to combine their assets, labour or liabilities for the purpose of making profits. The agreement between the two parties does not guarantee a profit or capital. The profit made from the venture then is divided among the shareholders based on the agreed profit-sharing-ratio (PSR).⁷⁶



Indonesia



**Total Funding:
\$4.5 M**



ethis.com

⁷⁶ <https://ethis.co/my/shariah-page/>



Solution Brief

- CrowdToLive is a UK-based fintech company offering an innovative property crowdfunding platform regulated by the FCA. It was launched in 2016 and works on a simple business model of connecting property users to a pool of investors, enabling them to join together and purchase a property.

Description and Analysis

- CrowdToLive claims to revolutionize the residential property financing and investment market in the UK. They offer to solve the problem of high loan application rejection which is currently as high as 40%. CrowdToLive tackles the affordability crisis with its equity-based solution. CrowdToLive achieves this by facilitating direct investment in residential properties while home buyers rent to own their properties through Ijarah and Musharakah based product structure. The result is a fruitful debt-free partnership for all. Buyers can own their homes without incurring debt whilst investors can reap the rewards of the housing market.
- The investment starts with a minimum investment amount of GBP 100. CrowdToLive charges an upfront fee of 3% on each transaction funded on the platform. They assist in rent collection and a fee of 2% is charged on monthly rental collection. Finally, an exit fee of 1% is paid by the home buyer each time they increase their ownership of the property. On the other hand, homebuyers pay a minimum of 5% down payment towards the purchase price of the house and the rest of the amount is funded by the investors. Homebuyers/tenants pay the rent on the balance of the value. The investor can expect to get a 5% annual rate of return on this buy-to-let investment platform. In July 2020, the platform had a community of over 7,000 users and offered 2,600 properties for financing worth GBP 600 million.

Underlying Shariah Structure

- The Underlying Shariah structure of CrowdToLive is Ijarah and Musharakah. By utilizing these two core structures, CrowdToLive facilitates direct investment in residential properties while home buyers rent to own their properties through Ijarah- and Musharaka-based product structures, resulting in a debt free partnership allowing buyers to own their homes without incurring debt. Furthermore, the platform connects a person looking to raise equity financing to a pool of investors, enabling them to jointly purchase a property under the Musharakah structure.⁷⁷



UK



**Total Funding:
\$ 0.250 M**



crowdtolive.com

⁷⁷ <https://crowdtolive.com/blog/crowdtolive-ceo-interview-with-islamic-finance-news/>

- Agricultural Financing

iFarmer



Solution Brief

- iFarmer was established in January 2019 in Dhaka, Bangladesh, and is an agritech financing platform providing farmers with access to finance, training, knowledge, and the market. It simultaneously provides investors an opportunity to invest their funds in a farm based on an equity financing model.

Description and Analysis

- The company has secured a client base exceeding 71000, and has facilitated funding to the tune of BDT 1.77 Billion within a relatively short period. The platform has helped in selling 80,000 tones of farm produce and has 5,000 registered retailers.
- Since iFarmer is a two-sided platform, it serves different customers on each side. It identifies farmers as its key market-enabling side which drives traffic onto the platform. Farmers are provided several services which are managed through their Sofol app. The company appoints facilitators who work with farmers to onboard them on the app as well as help them in creating their profiles after authenticating their identity. After the completion of Know you Customer (KYC), a farmer's credit ranking is generated which becomes part of their credentials. The platform also provides farmers training, soil testing, call centre support, support in selling farm produce, and procuring various farm-related supplies from the nearby network of suppliers.
- On the other side of the market, iFarmer works with financial institutions and other lending partners to offer financing to MSMEs focused on the agriculture sector. Recipients of these investments are enterprises that include farmers, traders, retailers and other businesses affiliated with agriculture. iFarmer uses alternative data and its own proprietary credit scoring algorithm to identify the viability of customers. Based on iFarmer customer assessment, their lending partners approve the applications and transfer the funds to applicants. To safeguard the investments of funders, iFarmer insures the farms where investments are being channelled. The company keeps monitoring the funded businesses to ensure that these are profitable and will repay the investments at maturity.

Underlying Shariah Structure

- iFarmer offers Shariah compliant agriculture financing through the concept of Mudarabah for receiving and managing the fund for agriculture purposes. The company offers both regular (fixed return) and Shariah compliant (profit and loss sharing) investment options to investors and uses a portfolio approach to ensure expected returns for investors.⁷⁸



Bangladesh



**Total Funding:
USD 2.8 M**



ifarmer.asia

⁷⁸ <https://ifarmer.asia/?locale=en>

3.2. Charity Crowdfunding

- Charity Crowdfunding to Support Individuals In Raising Funds For Emergencies

Kitafund



Solution Brief

- Kitafund is a non-profit, donation based crowdfunding platform for medical, humanitarian needs, education, and emergencies, established by Kita Global Group in 2015. The platform hosts and features campaigns that have been verified/endorsed by the kitafund team.

Description and Analysis

- Kitafund provides a valuable service to individuals who require immediate help and may find it difficult to reach out to their social circle for financial help. The screening and verification process at the portal filters out undeserving applicants. When all the information checks out, Kitafund will then launch the fundraising campaign and begin raising money. Money raised on the platform does not go to the recipient's bank account, but instead is paid directly to respective hospitals and other service providers for bill-related payments.
- In collaboration with Tulus Digital, Kitafund is providing an online zakat payment service to selected zakat organizations and verified organizations in Malaysia. Kitafund also manages and runs Skolafund.com which supports students with their financial needs. It has been reported that the fund has so far disbursed USD 83.900.⁷⁹

Underlying Shariah Structure

- Kitafund provides online direct Zakat payment services.⁸⁰ Kitafund uses donation-based crowdfunding to raise funds for their projects. Donation-based crowdfunding systems allow contributors to direct their Zakat, Hiba and Sadaqat (no matter how little) to a variety of causes.⁸¹



Malaysia



Total Funding:
N/A



kitafund.com

⁷⁹ <https://craft.co/kitafund>

⁸⁰ <https://kitafund.com/zakat>

⁸¹ <https://journal.unisza.edu.my/jmtp/index.php/jmtp/article/download/170/72>

- Charity Crowdfunding Platform Matching Donors and Campaign Runners

Kitabisa



Solution Brief

- Kitabisa was launched in 2013. It literally translates to “We can” in Indonesian (Bahasa Indonesia). Kitabisa is Indonesia’s most popular online charity crowdfunding platform.

Description and Analysis

- Kitabisa is a charity crowdfunding platform that matches donors and campaign runners. It follows a due diligence process to authorize the campaigns which could range from medical, educational, and elderly support or run by non-profit organizations to raise funds for their operations.
- Leveraging on e-KYC (Electronic Know Your Customer) system, which is an electronic user recognition system, more than 300 new fundraisers are checked every day. Kitabisa also collaborates with hundreds of hospitals to verify and ensure the authenticity of medical documents. Similar collaborations with dozens of foundations and social institutions throughout Indonesia are established to assist the verification process directly. In addition, to enhance transparency, Kitabisa has introduced an automated reporting system so that every time a fundraiser makes a disbursement, it will automatically be sent as a report via email to the donor, appear in the inbox feature in Kitabisa application, and appear in the Latest News section on the fundraising page.
- Kitabisa works closely with many partners to provide workshops and training sessions that specifically address digital technology for non-profits. The platform also facilitates the donation of Zakat to various organizations that it has verified. Individuals can pay their Zakat through the platform to the organization that resonates more with their choices to support.
- Kitabisa has collected over USD 40 million in donations through crowdfunding to support more than 785 initiatives.

Underlying Shariah Structure

- The underlying Shariah structures used by Kitabisa are Ijarah, Wakalah bil Ujah, and Ju’alah contracts. Based on these contracts, Kitabisa charges a fee (Ujah) as sort of compensation for its work helping fundraising activities.⁸²



⁸² <https://blog.kitabisa.com/model-operasional-kitabisa-sesuai-dengan-syariat-islam/>

- Charity Crowdfunding Platform for Personal Needs and Charitable Organizations

YALLAGIVE



Solution Brief

- YallaGive was launched in 2018. It is the first licensed charity crowdfunding platform in the UAE. The platform is also officially registered in the UK. The platform allows for raising funds for personal needs as well as for charitable organizations.

Description and Analysis

- YallaGive only allows registered charities or verified users to open accounts on the platform. It has created a verification system to block scams. The platform supports the areas of humanitarian & support, health and medical, social and community, environment and nature, climate change, pets, refugees' emergencies, sports and challenges, special needs and education for raising financing.
- Another interesting feature of this platform is its acceptability of cryptocurrency donations, such as Bitcoin. The company's cryptocurrency payment gateway facilitates over 83 cryptocurrencies.
- The platform has 68,000+ members and has run 2801 campaigns so far. It has successfully raised AED 66,981,000 for various causes.



UAE



**Total Funding:
unfunded**



yallagive.com/en

3.3. P2P Financing

- Bridging The Funding Gap for Small and Medium Businesses Through P2P Solution

Forus



Solution Brief

- Forus Capital was established in 2019. Its objective is to bridge the funding gap for SME in Saudi Arabia while offering investors attractive opportunities to invest in the SME debt market.

Description and Analysis

- Forus targets three classes of investors: everyday investors, high-net-worth investors, and institutional investors. On the investment side, the company applies different limits for different types of investors for internal risk management as well regulatory compliance.
- Forus platform is using Tawarruq for structuring its financing products which are as follows:
 - Working Capital Financing: The product is offered for a period of up to 36 months and has a financing limit of SAR 5 million for financing. It applies a profit rate starting from 0.8% per month.
 - Invoice Financing: It is offered to finance the account receivables of SMEs. It is short-term financing for a period not exceeding one year. The value of financing is capped at 80% of the outstanding invoice amount. The applicable profit rate starts from 0.7% per month.
 - Instant Financing: This has been designed to purchase finished stocks that customers want to sell later. It has an upper financing limit of SAR 500,000 and is offered for a 1-12 month period. The applicable profit rate starts from 0.7% per month.
- The platform offers different investor plans: for starters, professionals, and investment institutions. Investors can choose their investments, or automate their investments for better diversification. With such automation, the investors are enabled to define their target risk profile. Investors can either subscribe to standard automated strategies or create their own automated strategies by defining some parameters including expected rate, maturity, country, and more. Investments then are concluded automatically in line with the defined strategy. Since its inception, Forus platform has successfully originated more than SAR 60 million in deployed financing to more than 57 SMEs.

Underlying Shariah Structure

- Forus Financial claims to comply with Islamic Shariah rules and provisions through Shariah Committee supervision of all operations, agreements, policies and procedures. The core adopted Shariah structure is Tawarruq.⁸³



Saudi Arabia



**Series A
(undisclosed)**



forusinvest.com/en

⁸³ <https://forusinvest.com/en/shariah-compliance>

- P2P Financing Solution With Secondary Marketplace Option

Beehive



Solution Brief

- Beehive was launched in November 2014. It is the first P2P lending platform offering its services in the Middle East and North Africa (MENA) region. The platform is regulated by the DFSA which is the financial regulatory agency of the special economic zone in Dubai. Beehive offers both conventional interest-based financing as well as Shariah compliant financing facilities.

Description and Analysis

- Beehive applies a standard process to screen SMEs for authorizing their eligibility on the platform. Beehive credit team evaluates the application within three days and assigns a risk band (i.e. A, B, C or D). Once that has been achieved, the request for financing is listed on the platform as an available financing opportunity for investors to select and invest. The financing can be raised to meet various needs such as cash flow management, purchase of supplies, opening a new branch or expanding the business, and financing account receivables.
- Interestingly, the platform offers the investors a “Transfer Facilities” option to get an immediate exit. It is a secondary marketplace in which investors can transfer outstanding finance parts to other investors registered on Beehive. With this option, investors who need liquidity can exit and those with access to liquidity can diversify their portfolio by accessing closed investment opportunities.
- Beehive welcomes two types of investors on its platform – retail investors and professional investors. Investors can participate from a minimum amount of AED 100 (Approx. USD 27) and up to AED 3 M (Approx. USD 816 Thousand). However, for becoming a working capital investor, AED 10,000 is the requirement. Beehive is generating a 10% average return on the investments and investors receive monthly returns. Investors also have the option to select to diversify their portfolio by setting their strategies.
- According to the Beehive website, businesses have borrowed more than AED 1 billion through the platform since its inception. The Platform boasts over 15,000 registered investors.

Underlying Shariah Structure

- Beehive is open for conventional and Islamic finance requests. According to Beehive, the company has a three-member Shariah board that monitors Shariah compliance of its Islamic business. It has also an internal team to check the Shariah compliance of the businesses requesting financing. Beehive team checks that the business activity and use of funds comply with the principles of Shariah. If the business activity and use of funds comply, Beehive identifies the request as “Shariah Compliant” and Islamic investors are able to place bids on the marketplace. In this case, a tawarruq mechanism through the UAE based Commodity Murabahah platform “DMCC Tradeflow” is used to structure the Shariah compliant financing. Any finance requests that do not comply with the principles of Shariah are processed under a conventional finance structure, restricting Islamic investors from bidding on the request. ⁸⁴



**UAE and
MENA region**



**Total Funding:
\$ 15.5 M**



beehive.ae

⁸⁴ <https://www.beehive.ae/sharia-processing/>

- Value-based P2P Solutions For Better Alignment With Sustainable development Goals (SDGs)

ALAMI Sharia



Solution Brief

- ALAMI was established in 2017. It provides Peer to Peer financing platform to investors/beneficiaries. The company has adopted a Shariah and Environmental, Social, and Governance (ESG) principles compliant business model. Currently, ALAMI focuses the financing on impact sectors such as agriculture, aquaculture, and healthcare. In 2021, the Group has acquired a Shariah compliant bank (BPRS Cempaka Al-Amin) with a plan to expand to digital banking services.

Description and Analysis

- ALAMI P2P platform facilitates invoice financing, purchase order financing, and community-based financing which is provided to community members and coordinated through community administrators. Using multiple Shariah contracts, all these financings are claimed to be Shariah compliant based on the fatwa of the National Shariah Board. Interestingly, the platform offers pricing incentives in the financings that practice sustainability in their business model.
- ALAMI has successfully disbursed financing of more than IDR 2.27 trillion to more than 8,500 MSME projects. The average return on these investments is 15% with 0% non-performing financing. ALAMI's ecosystem covers 482 cities/regencies in 34 provinces across Indonesia. The reach and volume of financing of the company have made it a flagship institution in this space.

Underlying Shariah Structure

- ALAMI provides a number of different financing options each with specific underlying Shariah structures. The Invoice financing option offers two types of products namely: Accounts receivables financing, based on Qard Hassan and Wakalah and the Supply Chain financing, based on Qard Hassan, Hawalah, Musharakah and Murabahah. Furthermore, the Purchase Order Financing utilizes different underlying Shariah contracts such as Murabahah, Musharakah, Ijarah, Musharakah Mutanaqisah (Diminishing Musharakah), Ijara Muntahiyah Bittamlik (Ijara ending with ownership)⁸⁵



Indonesia



**Total Funding:
\$ 67.5M**



alamisharia.co.id/id

⁸⁵ <https://alamisharia.co.id/en/purchase-order-financing/>

3.4. Wealth Management

- Retail Investment Platform

COCOA INVEST

COCOA
I N V E S T

Solution Brief

- Cocoa Invest is a retail investment platform that was established in 2015. The platform help customers invest in a diversified portfolio of Shariah compliant investment funds based on the customers' risk profile. The investment plans of Cocoa Invest are professionally managed by experts and comprise of stocks, Islamic bonds, real estate, and commodities worldwide.

Description and Analysis

- Cocoa Invest strictly operates in Shariah compliant assets. It places investments in high-quality funds certified as ethical and halal by some of the world's largest asset managers. Some of the funds include a basket of shares or Sukuk. Others include assets such as commodities, for example, precious metals and agricultural goods. Such investments result in risk diversification and effectively manage asset price risk.
- The investment team of Cocoa Invest monitors and adjusts the mix of funds in investment plans according to the financial market environment to help investors stay on track in achieving their investment objectives. The system of Cocoa Invest collects data from global financial markets on a daily basis. By utilizing the technological facilities, Cocoa Invest has the benefit of cost-reduction which subsequently benefits their customers by way of reduced fee rates.

Underlying Shariah Structure

- The company use products that comply with the Morgan Stanley Capital International (MSCI) Islamic series to exclude Shariah non-compliant securities through business activity and financial ratio screening. The company also leverages on including Sukuk instruments to provide an equivalent risk-reducing income-producing asset class.



Bahrain



**Total Funding:
N/A**



cocoainvest.com

⁸⁶ <https://cocoainvest.com/minimum-amount-to-invest/>

- Automated Wealth Management Solution

Sarwa



Solution Brief

- Sarwa was established in 2017 to provide an automated wealth management solution through an online platform and App, Sarwa enables individuals to trade stocks, Exchange Traded Funds (ETFs) and cryptocurrencies. The company operates under two legal entities; Sarwa Digital Wealth (Capital) Limited is regulated by the FSRA in the ADGM and Sarwa Digital Wealth Limited is regulated by the DFSA in the DIFC.

Market Reach and Services

- Sarwa investment account can be opened with only USD 5. Sarwa customer onboarding takes only few minutes to sign-up. Once that is done, the customer answers some important questions that enable the system to propose a winning investment strategy. Sarwa recommends a specific stock-to-bond allocation of customers’ recommended portfolio strategy. This portfolio strategy is designed to reflect the total world market to help maximize expected returns while minimizing risk. Alternatively, customers can also select from two other portfolio strategies that might match their investing preferences:
 - Sarwa SRI – This is a socially responsible portfolio strategy
 - Sarwa halal – This is a Shariah compliant portfolio strategy
- Sarwa aims to bring maximum, low-cost returns on the customers’ investments. To achieve this goal, they use rebalancing, dividend reinvesting, and tax optimization services that are otherwise time-consuming and complicated to manage by individual customers themselves and only available to the High Net Worth customers.
- The solution comes with a mobile app. The company does not charge trading commissions or transfer fees for local accounts, and has no minimum funds requirement. Their management fee ranges between 0.5-0.85 percent per annum and is among the lowest in the industry.
- Sarwa invests funds in low-cost index funds based on customer risk profiles to achieve the highest possible returns. The company is regulated by DFSA and enjoys minimal cost due to its internet-based operations and distribution channels. Sarwa claims to maintain a high level of cyber security arrangements for the safe keeping of funds and confidentiality.

Underlying Shariah Structure

- Sarwa offers a wide range of conventional as well as halal Portfolios. The Company’s halal portfolios offer halal investment options to its customers utilizing the Shariah structure of Murabahah and Wakalah Sukuk.



⁸⁷ <https://help.sarwa.co/hc/en-us/articles/360004168998-Risk-level-2-7-Conservative->

Bareksa



Solution Brief

- Bareksa was established in 2013 as an integrated financial and investment marketplace licensed as a Mutual Fund Selling Agent from the Financial Services Authority since 2016. In 2019, Bareksa was acquired by an Indonesian digital wallet called OVO with the objective of allowing users to invest in mutual funds directly within the OVO app.

Description and Analysis

- Bareksa is an online mutual fund marketplace and financial Robo advisory that lets anybody with a mobile device access the opportunity to invest. Bareksa facilitates investment in mutual fund products managed by licensed investment managers in Indonesia. Users can invest as low as IDR 10,000 (Less than one USD). Bareksa is also a distribution partner authorized by the Indonesian Ministry of Finance to sell retail Government Securities (SBN) online. Bareksa also provides investment advice to various investors through its robo advisory services which are authorized by the OJK. The robo advisor is an analytics engine that gathers the required information and based on market data and risk profiles of investors suggests suitable investment strategies/ products.
- By leveraging Cloud computing technology, Bareksa was able to seamlessly autoscale compute power for its hundreds of services. This means that by maintaining a small technical team of few engineers, Bareksa can have the almost unlimited technical ability to scale to accommodate any demand. Furthermore, instead of focusing on operational efficiency and platform performance, the engineers focus on product innovation, such as real-time market analysis and product customization.
- It is worth mentioning that Bareksa today provides also other services such as saving and investment products for Ummrah as well as an online gold investment solution. It also offers a funds management solution to institutional investors. Bareksa also provides various information services such as market data, content, research, analysis, and news for the public. While this encourages them to use company services, it contributes to public awareness regarding financial technology.

Underlying Shariah Structure

- While the company website offers limited details regarding the Shariah governance structures and Shariah screening methodology, it mentions that the Shariah mutual funds offered by the company are invested only in financial securities in accordance with Shariah rules and principles or in the Shariah Securities List (DES).⁸⁸



Indonesia



**Total Funding:
\$ 19 M**



bareksa.com

⁸⁸ <https://www.bareksa.com/reksadana>

- Digital Gold Savings and Trading

HelloGold



Solution Brief

- HelloGold was established in 2015 with the objective of creating a secure and flexible solution to a traditional saving method. While keeping savings in physical gold comes with risks as well as inflexibility, the company offers a Shariah compliant mobile application to buy, save, sell and redeem physical gold.

Market and Services

- HelloGold offers savings in physical gold from as low as RM1. Customers can buy, sell, transfer, redeem and even take physical delivery of their gold. The security of physical gold is maintained by the company. The purchased gold is fully allocated to the buyer. The gold offered by HelloGold is 99.999% pure investment grade gold and sourced from an international gold refiner called – Produits Artistiques Métaux Précieux (PAMP), which is a part of the London Bullion Market Association (LBMA).
- The company through its mobile App also offers a “Smart Saver” product that helps its customers set and achieve their gold saving targets. The App also provides users with instant information relating to gold market prices.
- HelloGold has attracted over 200,000 users during the last 7 years.

Underlying Shariah Structure

- Gold is a Ribawi item, which means those who buy it need to be careful and make sure it meets certain conditions under Shariah law. For HelloGold and similar solutions, the two key Shariah conditions to comply with are the following:
 1. The accounts shall be backed by physical gold that is fully allocated, and
 2. The process of buying and selling physical gold is completed within the time limit allowed by the scholars to consider the transaction is completed on spot.
- The company claims to comply with the above conditions and other requirements set by AAOIFI Shariah Standard No 57 on Gold and its trading. It has also a fatwa from an independent Shariah advisory firm confirming its Shariah compliance.⁸⁹



Malaysia



Total Funding:
N/A



hellogold.com

⁸⁹ <https://help.hellogold.com/en/how-is-hellogold-shariah-compliant/>

3.5. Alternative Financing

- At Point of Sale Instant Financing Solution

IFIN



Solution Brief

- IFIN (Islamic Finance Initiation Network) is the first of its kind Shariah compliant Fintech facilitating instant financing. IFIN offers a state-of-the-art platform that links Islamic Financial Institutions (IFIs) with retailers, MSMEs, corporates, to digitalise the financing process. IFIN's mission is to make Islamic financing faster, cheaper and more inclusive. IFIN is currently operating in Oman and Türkiye and soon will be operational in Saudi Arabia, Malaysia and other countries.

Description and Analysis

- For IFIs, IFIN offers dedicated solutions that target the IFIs' widest customer base, consumers and MSMEs, helping such institutions to be where their customers are, extending their services beyond standard business hours, significantly reducing their costs, minimising either operational and/or Shariah non-compliance risk while ensuring superior customer experience.
- For corporates and MSMEs, IFIN helps to nurture their business and manage transactions from the comfort of their office or home, saving them time and efforts to focus on their business rather than on financing. IFIN facilitates collaboration between suppliers and purchasers through an automated, secure and Shariah-compliant Supply Chain Finance solution.
- For retailers, help your business skyrocket with enhanced sales opportunities. Have direct connections to all IFIs through a simple click of a button and enjoy a seamless finance process.

Underlying Shariah Structure

- IFIN does not depend on a specific underlying Shariah contract nor reinforce a specific product, it rather offers the technology platform that enable the financing partners to offer instant financing using a wide range of Shariah compliant contracts. Shariah compliance on the platform is ensured through the following:
 - IFI will use its existing products' documentation which have been approved by its Shariah supervisory board.
 - Each product's process has the required built-in controls to ensure that the transactions are completed accurately and in accordance with Shariah requirements – the system will not allow any step of the transaction to be processed unless the previous step has been completed.
 - IFIN registers the date and time of each step of the transaction and facilitates the generation of audit reports thereof, thus facilitating the performance of the required Shariah audits.
 - Only major retailers with good governance and controls in respect of their goods and employees will be added to the platform to minimise fraud.



Bahrain



**Total Funding:
N/A**



ifin-services.com

- Interest-free salary backed financial solution

Payday



Solution Brief

- PayDay Takaful (PDT) is a next generation technology partner to insurers, banks and SMEs aiming to empower workforces and smartly increase their productivity thru a unique Shariah-compliant set of insurance cover coupled with tailored financial solution.

Description and Analysis

- PDT partners with SMEs to provide their workforces the protection they need against unforeseen circumstances before the pay day without impacting the pay cycle or cash flow. PDT offers micro-insurance covers coupled with tailored interest-free salary-backed financial solution in a fully digital manner. Therefore:
 - For Workers, PDT is a financial wellbeing app providing them with a tailored financial protection to their needs.
 - For SMEs, PDT is a smart tool to increase business performance by creating a more engaged and productive workplace with neither administration nor financial hassles.

Underlying Shariah Structure

- PDT is a Shariah compliant solution in form and substance. As the name signifies, PDT offering is built upon the "Takaful" Islamic insurance. The compliance with the Shariah is extended to the interest-free financial solutions (salary-backed) that represents the right of every subscriber in PDT.



Tunisia



**Funding:
N/A**



pdtakaful.com

- Salary Advancements and Personal Financing Solution

FlexxPay



Solution Brief

- FlexxPay was established in 2018 as an innovative solution to manage the interim salary withdrawal needs of employees. Employers on a routine basis have to deal with advance pay requests that take time and also affect the productivity of employees. FlexxPay concept is rooted in pay-check discounting facilities practiced in several western countries.

Market Reach and Services

- It has been estimated that more than 50% of the workforce faces difficulty in managing unexpected expenses that may arise before the month's end. This results in advance salary requests, expensive credit card loans, informal borrowing with a higher cost, and accepting extra work with unfair terms. Such measures distract employees from work while they are resolving the financial issue. FlexxPay solves this problem and deals directly with employers.
- To use FlexxPay solution, employers have to sign up and give access to employee salaries. Once that is done employees can log into the system and check their earned salaries. FlexxPay system allows them to withdraw earned salaries instantly without involving the employer.
- The startup has seen rapid adoption by the customer and has been embraced by notable employers such as Zain, Wall Street Exchange, iPay, Afia Insurance, KITOPI.

Underlying Shariah Structure

- While there is limited information available about the detailed structure, the company claims that the solution is Shariah compliant in which employees are not charged interest on their transactions. The company also secured a Sharia compliance certification for its platform from an independent Shariah advisory firm.⁹⁰



UAE



**Total Funding:
\$4.5 M**



flexxpay.com

⁹⁰ https://www.flexxpay.com/public/Sharia_Certificate.pdf



Solution Brief

- EdAid is a student financing solution. Licensed by FCA, it started its operations in 2016. It partners directly with schools to defer tuition payments until after students graduate and start earning from their jobs or businesses. For educators, EdAid provides the legal, regulatory, and customer support to make deferred payments easy – from the time of application approval until tuition expenses have been fully paid. The benefit to students is that they avail affordable and easy financing for their studies.

Market Reach and Solution

- EdAid makes it easier to pay for education. It enables students in the UK, US, and Canada to access a world-class education without having to pay the full tuition upfront. EdAid works directly with education providers to facilitate deferred tuition payments. Universities select high-performing students who would benefit from flexible, affordable financing, and EdAid manages the process from identity checks to collecting payments on the financing.
- EdAid raises funding from corporations, individuals and alumni of the universities. The payment is not a donation but an interest free loan to the desiring / eligible students. Students can choose from various plans such as a short term plan of 1-2 years or a deferred tuition repayment plan. They do not pay interest on the university fee paid through EdAid but repayments are linked to Consumer Price Index (CPI) to avoid an inflationary decrease in loan value. Lenders / Funders can keep the funds available to other students once they start receiving repayments.
- Corporation funding the students are not bound to provide employment to funded students and the same is true for students who can work as they choose. EdAid also receives funding from the advertising budget of companies that want to spend money on ever-green marketing endowments. The platform also assists students in finding jobs and gives valuable advice so that they start earning as soon as possible. Once employed, repayment is based on the gross earnings of the borrowers.
- During repayment, graduates pay their tuition fees via income-contingent payments, meaning a graduate only pays when they are earning. While repayment may be linked to inflation, EdAid does not charge any interest on the transactions. Though they charge a fixed processing fee to funders.

Underlying Shariah Structure

- In 2017, EdAid launched its first ever Shariah compliant crowdfunding platform to finance Muslim Students interest-free. The underlying Shariah structure utilised for this purpose is Qard Hassan.⁹¹



⁹¹ <https://p2financenews.co.uk/2017/03/16/edaid-launches-first-ever-sharia-compliant-crowdfunding-platform/>

- Self-Funding Group Financing

Hakbah



HAKBAH

Solution Brief

- Hakbah is a fintech startup focusing on alternative financial saving, permitted by SAMA. It was established in 2018 and has raised seed finance for expanding its operations.

Description and Analysis

- Hakbah is modernizing financial saving via its intelligent platform by offering a comprehensive one-stop-shop solution for 'Savings Groups' to initiate, manage, join, and pay directly within the mobile app. Saving groups have been in practice in several countries of the world and are traditionally used to boost saving for meeting objectives such as buying a car, marriage, education, etc.
- Hakbah easily helps to create a new 'Savings Group' and invites group members through their smartphone invites. The group manager sets the duration of the group and the monthly contribution amount. Invitations are then sent to join the group to new members, who sign in on terms and conditions and join the 'Savings Group'.
- Monthly instalments are deducted through Mada Card and at the time of payment disbursement, payments are transferred to the designated bank account of the group member.
- The solution saves members from the hassle of follow-up for payment and issues like default by members who have already received group saving amounts. As everything is documented and automated mismanagement is avoided and members can resort to legal recourse if there is any need.

Underlying Shariah Structure

- While the company does not formally announce itself as a Shariah compliant company, the solution has been referred to as a Shariah compliant solution by several research and reports. The reason is probably that the structure of Hakbah is a common practice by Muslims in many OIC countries. And as far as it does not involve interest, it is assumed to be Shariah compliant. The structure is often referred to as Money Circle or Rotating Savings and Credit Association (ROSCA). The traditional practice of Money Circle involves a group of people, who contribute fixed periodic (usually monthly) amount of money into a pool, and each group member receives the pooled amount periodically (usually monthly) based on some order. While traditional practice involves meeting in persons and handling the cash, Hakbah digitized the process.



Saudi Arabia



**Total Funding:
\$ 1.2 M**



hakbah.sa

3.6. Blockchain and Crypto

- Smart-Sukuk: Microfinance Solution Leveraging on Blockchain Technology

Blossom
Finance



Solution Brief

- Blossom Finance started its operation in 2014 in the US. The venture moved to Indonesia in 2015 as the country represents the market fit with the business model. Blossom is financed by renowned venture investors like Tim Draper, Boost VC and Jabbar International Ventures.

Description

- Blossom Finance operates on an entirely innovative business model. It aligns itself with SDG goals, ethical finance and impact finance ideologies. It has identified micro-enterprises as its target market but does not finance them directly. The solution raises funds from investors on its platform. The funds are then invested in micro businesses through Islamic Microfinance Institutions (MFIs).
- Blossom Finance platform uses blockchain technology (Ethereum Blockchain ERC20 Token) for issuing "smart Sukuk". Investors buy the Sukuk and receive blockchain tokens for tracking their investment performance. The money is invested in Islamic Microfinance Institutions operating throughout Indonesia that deal with thousands of small businesses and have intimate knowledge of their sponsors and operations. These close relations enable robust due diligence and post-disbursement monitoring. Funded businesses are actively checked on a daily/weekly basis to ensure they are on track and productive. The investment in Islamic Microfinance Institutions enables the investor to effectively spread their investments across hundreds of small businesses, reducing the impact of business failure risk.
- Blossom generates a monthly report about the progress of investment and the impact it is making from information directly collected by it and through Islamic Microfinance Institutions. Blossom generated a Return on Investment (ROI) of 15.5% through investing in 234 MSMEs in 2020. The investments were made through two variable rates Sukuk.

Underlying Shariah Structure

- Blossom Finance claims to offer halal, ethical investments into micro-businesses that make a positive social impact by combining investors' funds with the funds of other similar investors and utilize the funds across a wide range of various micro-businesses. According to the website, Funds are distributed to local small businesses through various structures including Mudarabah, Murabahah, Musharakah and Ijarah



Indonesia



Total Funding:
N/A



blossomfinance.com

- Emerging Crypto Exchange in Middle-east

COINMENA

COINMENA | كوين مينا

Solution Brief

- CoinMena was founded in 2019 and is headquartered in Bahrain. It is the first Shariah compliant digital assets exchange licensed and regulated by the CBB. In January 2022, the platform also obtained a second license to operate in Europe.

Market Reach and Services

- CoinMENA provides its customers with services allowing them to directly buy, sell, store, and receive digital assets safely and securely. It also offers a deposit and withdrawal facility in local currency. At present, the exchange is dealing in 13 different digital assets, including; Bitcoin, Ethereum, Ripple, Litecoin, Bitcoin Cash. The minimum trading amount of the platform is USD 10. The exchange is currently offering its services in Bahrain, United Arab Emirates, Saudi Arabia, Kuwait, and Oman.
- CoinMENA additionally provides its customers with over-the-counter (OTC) trading for sizable transactions. The company distinguishes itself through competitive fees, high liquidity, bilingual support, multiple digital asset support and the ability to transact in multiple currencies.
- Customer onboarding requires Anti-Money Laundering (AML) and KYC compliance. Once customers' account is verified, they would need to fill out the OTC form and an exchange member of the team contacts them to address customer requirements. CoinMENA aims to maintain high standards of security. The exchange is witnessing continuous growth trend as it achieved a growth rate of 140% in its trade volume in the previous year.

Underlying Shariah Structure

- Shariah scholars around the world hold different opinions regarding the Shariah compliance of Crypto. While the CoinMENA claims that the exchange is Shariah compliant, the website provides little information about the Shariah governance structure.



Bahrain



**Total Funding:
\$9.5 M**



coinmena.com

- Crypto Exchanges with Tighter Regulations

Luno Malaysia
Sdn. Bhd.

LUNO

Solution Brief

- Luno Malaysia Sdn. Bhd. is a crypto investment platform operating in Malaysia that facilitates trading and storing crypto assets. It is the first regulator-approved cryptocurrency exchange in Malaysia. Luno Malaysia Sdn. Bhd. is licensed by the Securities Commission of Malaysia.

Description and Analysis

- So far, more than 10 million people have chosen to invest in crypto with Luno with more than 40 markets across North America, Africa, Asia and Europe, working to spread the word.
- Following the regulation of the Securities Commission Malaysia, Luno allows trading in selected coins only. To list any new coin, a pre-approval is required. Luno is also subject to strict E-KYC regulations. The regulator specifies the type of information they should obtain from customers, including identifying customers and verifying their identity. Other requirements include the need to have adequate management information and record keeping systems in place, appointing a compliance officer as well as ensuring that any suspicious transactions are reported to the Central Bank promptly. The Guidelines from the regulator also set out the requirements relating to fundraising activity through digital token offering, operationalisation of initial exchange offering (IEO) platform and provision of digital asset custody.
- It is worth mentioning that in 2020 Malaysia Shariah Advisory Council of SCM issued a resolution on Crypto assets. The resolution allows issuing Shariah compliant tokens with a few conditions. Furthermore, the resolution differentiates between crypto assets without any underlying asset and those that are held to be commodities, and crypto assets that are backed by 'ribawi' items and hence they are subject to the rules of 'Sarf'.

Underlying Shariah Structure

- Luno does not claim to be Shariah compliant. However, while Crypto is still a widely controversial topic in many countries, the Malaysian Shariah Advisory Council of SCM issued a resolution on Crypto assets in 2020. The resolution allows issuing Shariah compliant tokens with a few conditions. Furthermore, the resolution differentiates between crypto assets without any underlying asset and those that are held to be commodities, and crypto assets that are backed by 'ribawi' items and hence they are subject to the rules of 'Sarf'. Accordingly, many Muslims in Malaysia deal with cryptos through regulated exchanges such as luno.



Malaysia



Total Funding:
N/A



bitoasis.net



Conclusion



Innovative fintech solutions have reshaped the financial market landscape significantly since the last decade. The efficiency and effectiveness of banking and non-banking activities have been remarkably enhanced by integrating fintechs in it. Furthermore, it enabled the creation of a new frontier of innovative, ethical, sustainable and socially impactful financial solutions in the financial market such as Islamic fintech. There is a growing recognition of the importance of building a comprehensive fintech ecosystem that can effectively connect and leverage Islamic fintechs. This was demonstrated by exploring the jurisdictions, legislative and regulatory environments, as well as the fintech ecosystems of the leading 6 Islamic fintech markets – Malaysia, Indonesia, Saudi Arabia, United Arab Emirates, Bahrain and the United Kingdom.

Given the high levels of information and communication technology penetration in Pakistan, along with a large and tech-savvy young population, it is particularly relevant to develop the fintech ecosystem in the country. By providing innovative financial services to the public, fintechs can help to reach and serve the unserved and underserved market segments and contribute to the growth of the Islamic capital markets and as a result bringing higher levels of economic growth and prosperity. The case studies of Islamic fintech verticals portrayed in this report should help in understanding the current state of global development and encouraging the adoption of further innovative Shariah compliant solutions for the non-banking and capital market segments in Pakistan.

The background of the page is a dark blue gradient with a complex network of white and light blue lines connecting various points, creating a web-like or molecular structure. Some points are highlighted with small, glowing blue circles.

ADB

ASIAN DEVELOPMENT BANK

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