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Global Islamic Fintech Report

Executive Summary

2023/24

Strategic Partner:

مركز قطر للمال
Qatar Financial Centre

Fintech Partner:

DDCAP Group™

Launch Partner:

Wahed

Executive Summary

Rafi-Uddin Shikoh
Founder & MD
DinarStandard

Abdul Haseeb Basit
Co-Founder & Principal
Elipses

The Global Islamic Fintech Report 2023/24, builds our on annual review of this sector with greater analysis than ever before.

Now in its third year, the report is a collaborative effort between DinarStandard, a leading Islamic economy management consultancy, and Elipses, a leading ethical digital finance advisory and investment firm. The findings within are a staple for government policy makers, Islamic Fintechs, and investors in the domain with an estimated market size of transaction volume, a country-level benchmarking index, industry opinions, an analysis of gaps and potentials across major sub-categories and geographical areas, and for the first time an in depth look at 100 notable Islamic Fintechs globally using DinarStandards proprietary Impactintell platform.

The global market size of Islamic Fintech transaction volume was estimated to be USD 138 billion in 2022/23 and is anticipated to reach USD 306 billion by 2027 at a CAGR of 17.3% compared to overall global Fintech industry, which is expected to develop at a CAGR of 12.3% over the same time period.

The largest countries in terms of estimated transaction volume are Saudi Arabia, Iran, Malaysia, the United Arab Emirates, Indonesia and Kuwait.

Meanwhile, the GIFT Index 2023/24 lists Malaysia, Saudi Arabia, Indonesia, the United Arab Emirates, and the United Kingdom as the top five Islamic Fintech conducive ecosystems in the world. The index applied a total of 19 indicators across five different categories for each country, namely Talent, Regulation, Infrastructure, Islamic Fintech Market & Ecosystem, and Capital.

In addition to the top five strongest ecosystems, the hub analysis suggests that Bahrain, Pakistan, Qatar and Türkiye are rapidly growing ecosystems.

The report also identifies the hurdles and opportunities in the sector, through a survey of Islamic Fintech practitioners and industry service providers. The major hurdles identified include; Access to Capital, Consumer Education, Regulation, Finding Top Talent and the complexity of Geographic Expansion. We have seen a proliferation of Islamic Fintechs despite these hurdles, with our database now including 417 firms globally, and the more mature players in the industry have made significant steps to scale. For example, Wahed has expanded to five jurisdictions and acquired Niyah in recent years to add banking functionality to it's robo-advisory services, as well as launching Wahed Ventures to allow its users access to early stage investment opportunities, often supporting the fundraises of other Islamic Fintechs. Similarly Alami Shariah, a peer to peer lender in Indonesia has pivoted to launch Hijra Bank. Additionally Abhi in Pakistan has added to its earned wage access product with invoice factoring and payroll solutions as well as relocating their global headquarters to the UAE to further support their scaling journey.

The developed players in the market are setting the tone for the up and coming Islamic Fintechs with bigger funding rounds, consolidation, diversification of products and global expansion. Despite the challenges the sector continues to grow apace.

DinarStandard, through the launch of Impactintell, an analytical tool for a deeper dive into Islamic Fintechs and Elipses, through the launch of the Islamic Fintech Fund remain committed to supporting this sector as it continues to develop the next generation of products and services in Islamic Financial Services. ■

Analyst Brief

Najmul Haque Kawsar
Senior Consultant
DinarStandard

Islamic Fintech, harmonizing Shariah principles with innovative financial solutions, has been witnessing a transformative journey.

In last year, the Islamic Fintech market continued its growth trajectory, fuelled by a Muslim youth population with native digital literacy and a desire for Shariah-compliant financial services. The sector has shown resilience and innovation, with startups and established players alike introducing solutions ranging from digital banking and peer-to-peer lending to Insurtech and wealth management. Countries like Indonesia, Malaysia, and the Saudi Arabia have emerged as hotspots, leveraging their supportive regulatory frameworks and strong Islamic finance ecosystems.

Technological advancements have been at the heart of Islamic Fintech's evolution. DeFI technologies leveraging Blockchain and smart contracts have started to play a pivotal role in ensuring transparency and compliance with Islamic finance principles. Moreover, artificial intelligence and machine learning are being introduced to personalize financial services and enhance risk assessment. Notably, the industry has seen a surge in platforms offering microfinance and zakat (almsgiving) management, reflecting a blend of ethical finance and social impact.

Regulatory progress has been a double-edged sword. On one hand, jurisdictions like Saudi Arabia and Malaysia have made strides in creating conducive environments for Islamic Fintechs, offering regulatory sandboxes and digital banking licenses. On the other hand, the lack of standardized global Shariah compliance guidelines for Islamic Fintechs continues to pose challenges. However, there is a growing consensus among scholars and practitioners on the need for harmonization, which is a positive sign.

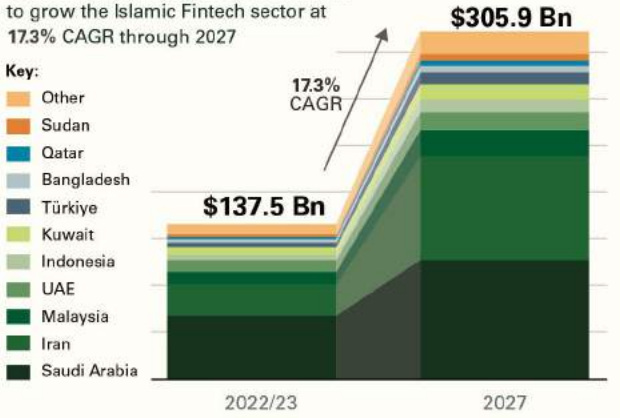
Despite the opportunities, the sector is not without its challenges. Issues such as customer trust, digital literacy, and cybersecurity remain prevalent. Moreover, the unique nature of Islamic finance, which prohibits interest and speculative activities, calls for innovative risk-sharing models for startups. This is particularly important in light of the ongoing VC winter. Fintechs and regulators alike are grappling with these issues, striving to strike a balance between innovation and adherence to Islamic principles. According to our GIFT survey, after capital, the most important hurdles for Islamic Fintech growth are consumer education, and regulation respectively. MDB knowledge bodies like IsDBI can help educate consumers through awareness building programmes, and connect leading regulators with emerging ones through reverse linkage projects.

Looking ahead, the Islamic Fintech sector is poised for further growth. The increasing interest in ethical and socially responsible investing aligns well with the principles of Islamic finance. Moreover, as the global economy grapples with post-pandemic recovery and geopolitical conflicts, there is a significant opportunity for Islamic Fintech to contribute to economic resilience and inclusive growth. Partnerships between traditional financial institutions and Fintech startups, cross-border collaborations, and investments in financial education are key areas that can propel the sector forward. ■

With a market size of USD 138 Bn in 2022/23, projected at USD 306 Bn in 2027, and 417 Islamic Fintechs globally, the Islamic Fintech industry continues to mature

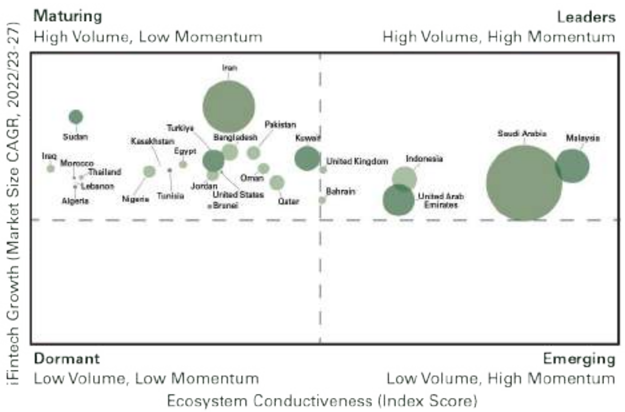
Market Size

OIC countries are expected to continue to grow the Islamic Fintech sector at 17.3% CAGR through 2027



Islamic Fintech Maturity Matrix

Malaysia, UAE and Indonesia are Leader Hubs, with Saudi Arabia moving from Emerging to leaders. Bahrain, Bangladesh, Egypt, Iran, Jordan, Kuwait, Nigeria, Oman, Pakistan, Qatar and Türkiye are maturing with lower conduciveness to Islamic Fintech but display relatively high growth at the domestic level in market size.



Bubble size = Islamic Fintech market size for 2022/23

Industry Views

Top hurdles and enablers based on 100+ respondents

What are the greatest hurdles to growth for your firm

1. Capital ▲
2. Consumer Education ▼
3. Regulation =
4. Finding Talent =
5. Geographic Expansion ▲

What are the greatest enablers to growth for your firm

1. Capital =
2. Geographic Expansion ▲
3. Unserved Customers ▲
4. Regulation =
5. Finding Talent ▼

Country Index

The GIFT Index of 64 key Islamic Fintech markets show OIC countries ominating in the top 10 and the top 20 with five non-OIC countries in the top 20

1. Malaysia =
2. Saudi Arabia =
3. Indonesia =
4. United Arab Emirates =
5. Unites Kingdom =
6. Bahrain =
7. Kuwait =
8. Qatar ▲+1
9. Oman ▲+8
10. Singapore ▼-2
11. Pakistan =
12. Hong Kong ▼-2
13. Australia ▲+5
14. Bangladesh =
15. Iran ▼-3
16. Switzerland ▲+5
17. United States ▼-4
18. Türkiye ▼-2
19. Jordan ▼-4
20. Brunei =

Key:
OIC Country
Non-OIC Country
= No Change to 2022
▲+# Increase to 2022
▼-# Decrease to 2022

Islamic Fintech Database

Of the 417 Islamic Fintechs globally, the top 10 countries produce 81% of Islamic Fintechs, with 69% of Islamic Fintechs in top 5 sub-sectors

Volume by Country

1. Indonesia 65
2. Malaysia 57
3. UAE 47
4. = Saudi Arabia 43
5. = UK 43
6. Qatar 24
7. USA 20
8. Pakistan 15
9. = Egypt 11
10. = India 11

Volume by Sector

1. Finance **224**
2. Save & Invest **103**
3. Give & Protect **31**
4. Others **59**

Top 5 Sub-Sectors:

1. Alternative Finance **64**
2. Payments **63**
3. Raising Funds **62**
4. Wealth Management **57**
5. Deposits & Lending **49**

Islamic Fintech Heatmap

Opportunity spaces persist across most verticals in South & Central Asia, North America, MENA-Other & Sub Saharan Africa as well as in Capital Markets, Insurance and Social Finance verticals globally.

Region	SE Asia	MENA-GCC	Europe	South & Central Asia	North America	Sub-Saharan Africa	MENA-OTHER	Grand Total
Alternative Finance	24	21	12	3	1	2	1	64
Back Office	4	6	3		2			15
Capital Markets	3	5	1					9
Deposits and Lending	11	11	14	3	2	5	2	48
Digital Assets	3	12	7	1	4			27
Enabling Technologies	12	12	1					25
Insurance	8	4		1	1	1		15
Payments	16	31	3	10			3	63
Raising Funds	31	9	11	4	2	2	2	61
Social Finance	5	1	3	1	4	1	1	16
Technology Providers	5	3	4	5		2		19
Wealth Management	16	16	7	3	10	2	1	55
Total	138	131	66	31	26	15	10	417

Low — High

See full Islamic Fintech Database in Appendix 4

The global Islamic Fintech market size was USD 138 Bn in 2022/23, and is projected to grow at 17.3% CAGR to USD 306 Bn by 2027

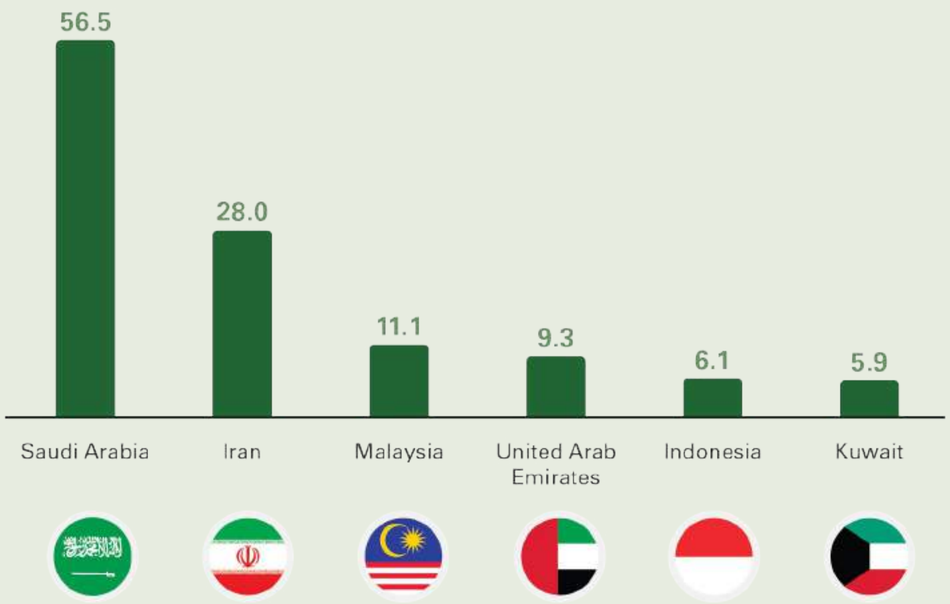
- **Current:**
  The estimated global Islamic Fintech market size in 2022/23 was USD 138 Bn. This represents 1.2% of the current global Fintech market size, based on transaction volumes and assets under management.

- **Projected:**
  The global Islamic Fintech market size is projected to grow at 17.3% CAGR to USD 306 Bn by 2027. This compares favorably to the conventional Fintech CAGR of 12.3%.

- **Top 6 Markets:**
  The top 6 OIC Fintech markets by transaction volume and assets under management for Islamic Fintech are Saudi Arabia, Iran, Malaysia, UAE, Indonesia and Kuwait. Each had a estimated market size in 2022/23 of over USD 5 Bn. Collectively, the Top 6 markets account for 85% of the global Islamic Fintech market size, continuing the dominance of two regional centres for Islamic Fintech.

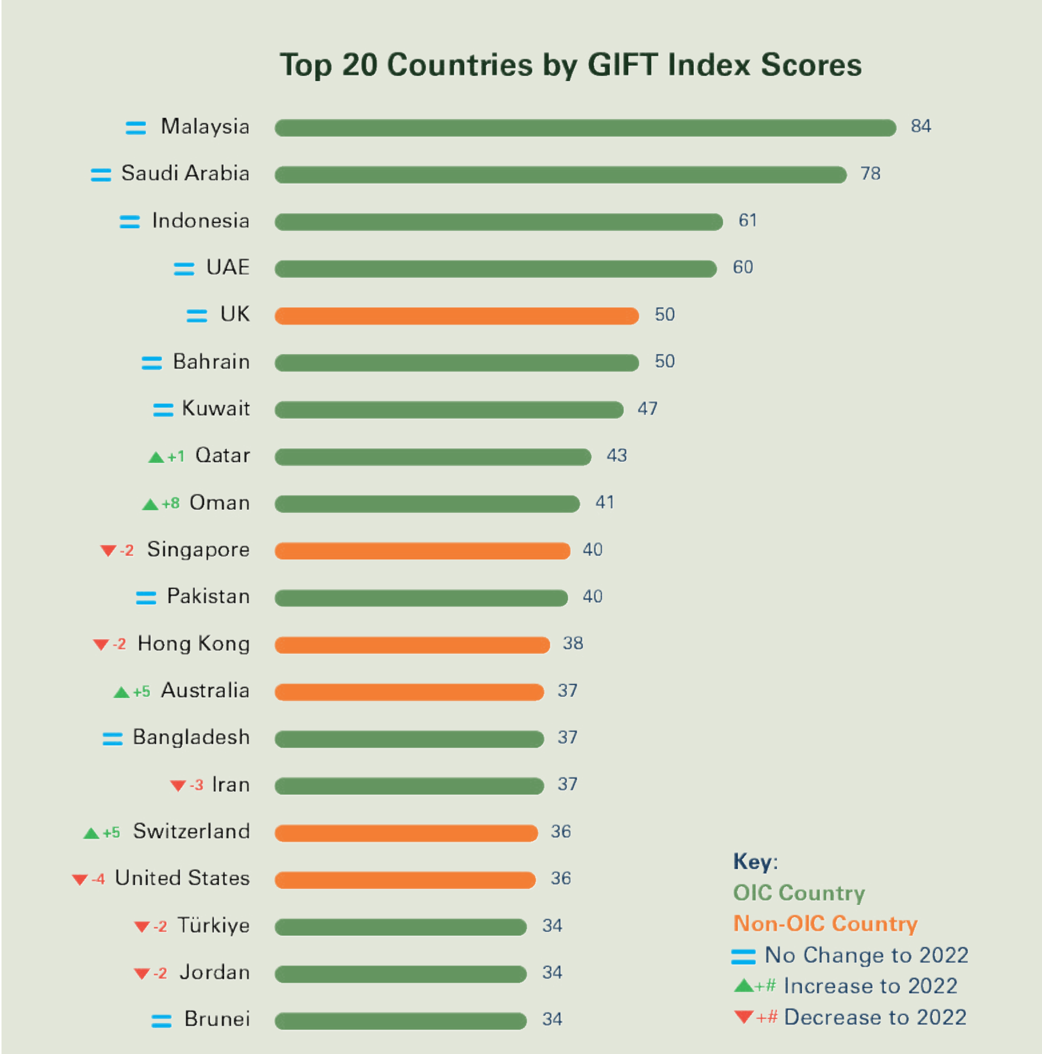
Note:
The metric applied was estimated and projected transaction volumes and assets under management, not corporate revenues.

Top 6 Islamic Fintech Market Sizes 2022/23 (USD Bn)



Malaysia, Saudi Arabia, Indonesia, UAE, UK, Bahrain and Kuwait remain as the top 7 leaders of the Index; Qatar and Oman improve their positions to occupy the top 10

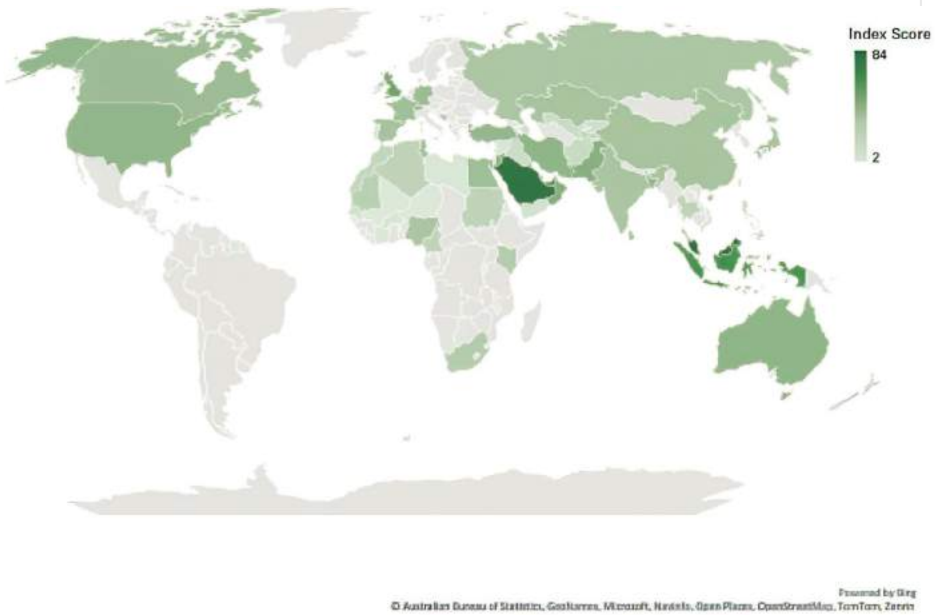
- **Results:**
  The top 7 countries in the index, Malaysia, Saudi Arabia, Indonesia, UAE, UK, Bahrain and Kuwait remain unchanged
- **Top 10:**
  Within the Top 10, Qatar improves it's position and Oman makes strong strides to join the top 10 for the first time.
- **Top 20:**
  Amongst the Top 20 the biggest improvements are in non-OIC countries.



The heatmap overview and regional comparison shows continued strong OIC region showings

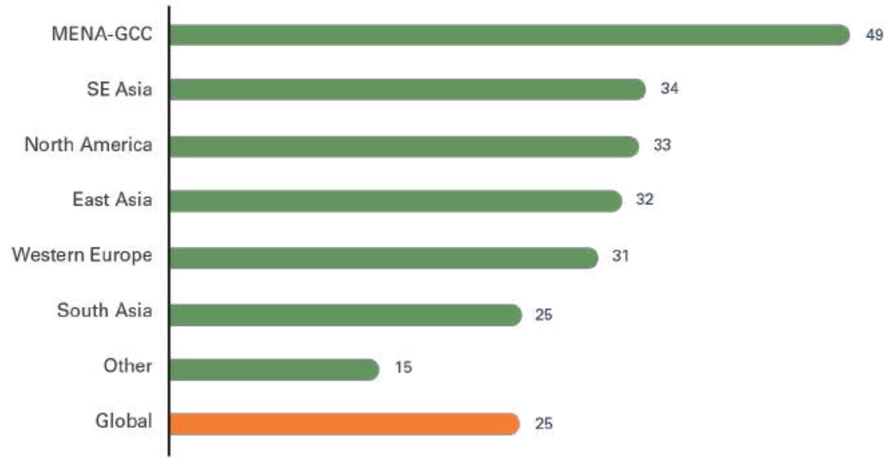
The heatmap overview suggests strong showings by regions that are also strong in Islamic finance, e.g. SE Asia and the MENA-GCC region

Heatmap: Global Islamic Fintech Ranking 2023/24



However, regional comparison suggests several non-OIC regions are also quite conducive to Islamic Fintech, e.g. Americas and Europe

Regional Comparison (Median Values)



Note: Median Values were used for regional comparisons to avoid skewing effect of outliers. Global median based on 64 countries analysed

Hubs Analysis - Dominant Hubs

Malaysia

GIFT Index Rank **1**

GIFT Index Score: **84**

Hub Self Assessment

Ecosystem Representative

FAOM – Fintech Association of Malaysia

Market Size

2022/23: $11.1bn — 2027: $23.7bn

CAGR: 16.3%

Saudi Arabia

GIFT Index Rank **2**

GIFT Index Score: **78**

Hub Self Assessment

Ecosystem Representative

فنتك السعودية FintechSaudi

Market Size

2022/23: $56.5bn — 2027: $106.0bn

CAGR: 13.4%

Indonesia

GIFT Index Rank **3**

GIFT Index Score: **61**

Hub Self Assessment

Ecosystem Representative

Fintech Syariah Indonesia

Market Size

2022/23: $6.1bn — 2027: $11.8bn

CAGR: 14.1%

United Arab Emirates

GIFT Index Rank **4**

GIFT Index Score: **60**

Hub Self Assessment

Ecosystem Representative

DIFC FinTech Hive | HUB71

Market Size

2022/23: $9.3bn — 2027: $15.4bn

CAGR: 10.6%

United Kingdom

GIFT Index Rank **5**

GIFT Index Score: **50**

Hub Self Assessment

Ecosystem Representative

Innovate Finance | UK Islamic Fintech Panel

Market Size

2022/23: $ 0.5bn — 2027: $ 1.0bn

CAGR: 15.7%

Bahrain

GIFT Index Rank **6**

GIFT Index Score: **50**

Hub Self Assessment

Ecosystem Representative

Bahrain FinTech Bay

Market Size

2022/23: $ 0.5bn — 2027: $ 0.8bn

CAGR: 10.6%

Hubs Analysis - Selected Emerging Hubs

Qatar

GIFT Index Rank **8**

GIFT Index Score: **43**

Hub Self Assessment

Ecosystem Representative: QATAR FINTECH HUB

Market Size

2022/23	2027
$2.1 bn	$ 4.0 bn

CAGR: 13.6%

Pakistan

GIFT Index Rank **11**

GIFT Index Score: **40**

Hub Self Assessment

Ecosystem Representative

Market Size

2022/23	2026
$ 1.9 bn	$ 4.4 bn

CAGR: 18.5%

Türkiye

GIFT Index Rank **18**

GIFT Index Score: **34**

Hub Self Assessment

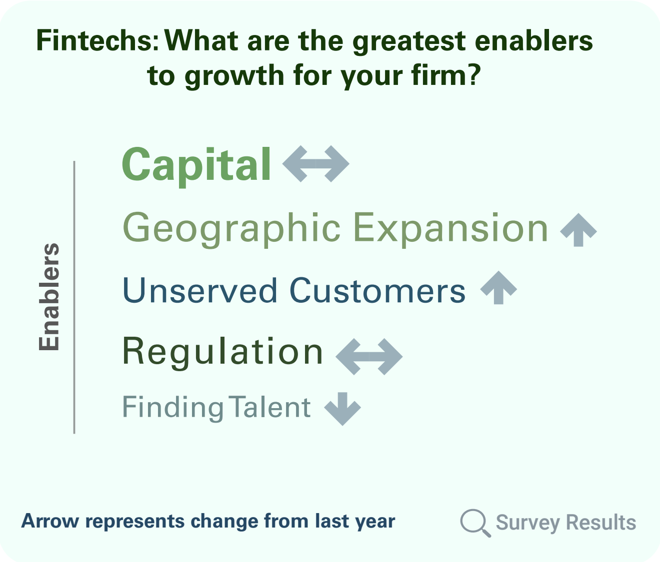
Ecosystem Representative: FINTECH ISTANBUL

Market Size

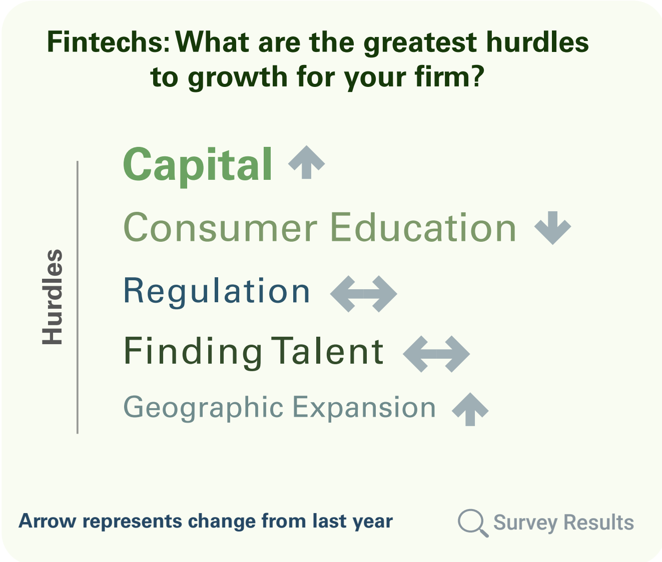
2022/23	2027
$ 4.4 bn	$ 9.7 bn

CAGR: 17.2%

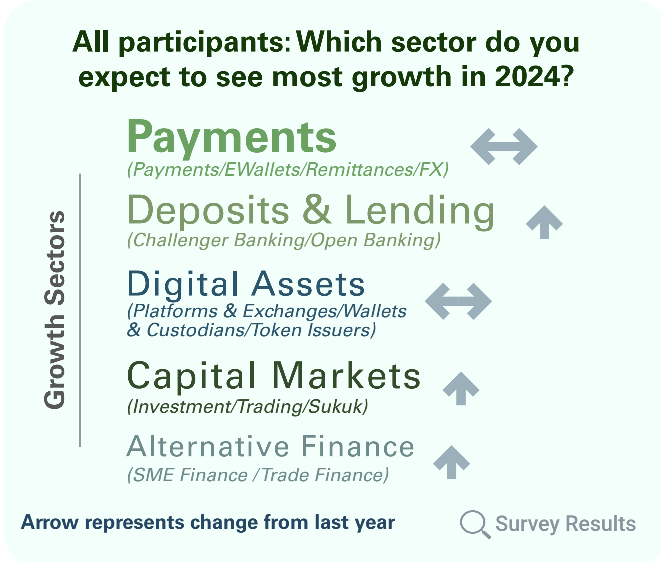
Survey Results



- Making capital more accessible for Islamic Fintechs remains the greatest enabler of continued growth in the sector
- As the sector matures, more Islamic Fintechs see Geographic Expansion as an opportunity for continued growth
- Finding talent plays lesser importance due to strides made in many jurisdictions to attract overseas talent and train local talent for a digital economy
- Unserved customer segments are seen as a growing opportunity for Islamic Fintechs
- Right sized Regulation with clarity and interoperability of regulatory licenses remains a key enabler



- Access to Capital regains the top spot as a hurdle for growth with Islamic Fintechs reporting a more challenging capital environment since Covid-19 and due to more recent macroeconomic challenges
- Consumer Education remains an ongoing key hurdle to growth identified by Islamic Fintechs
- Regulatory compliance and Finding Talent remain challenges, with the focus on Geographic expansion highlighting the complexity of doing so an increasing hurdle
- Juxtaposed with enablers, it's clear that continued efforts in all these areas are required to maintain growth in the Islamic Fintech sector



- Payments remains the vertical with the highest expected growth in terms of growth of existing firms, new firms and investment.
- Deposits and Lending, Capital Markets and Alternative Finance are becoming more important growth sectors
- Digital Assets remains a key growth vertical with the potential of this sector to support many other sectors in Islamic Fintech

Islamic Fintech Categories: Growth & Investment Opportunities

Strategic Implications/ Key Insights

Leaders:
Payments, Alternative Finance, and Deposits & Lending: These sectors are notably saturated, yet they persist in exhibiting robust growth dynamics, positioning them as attractive, accessible opportunities for investors.

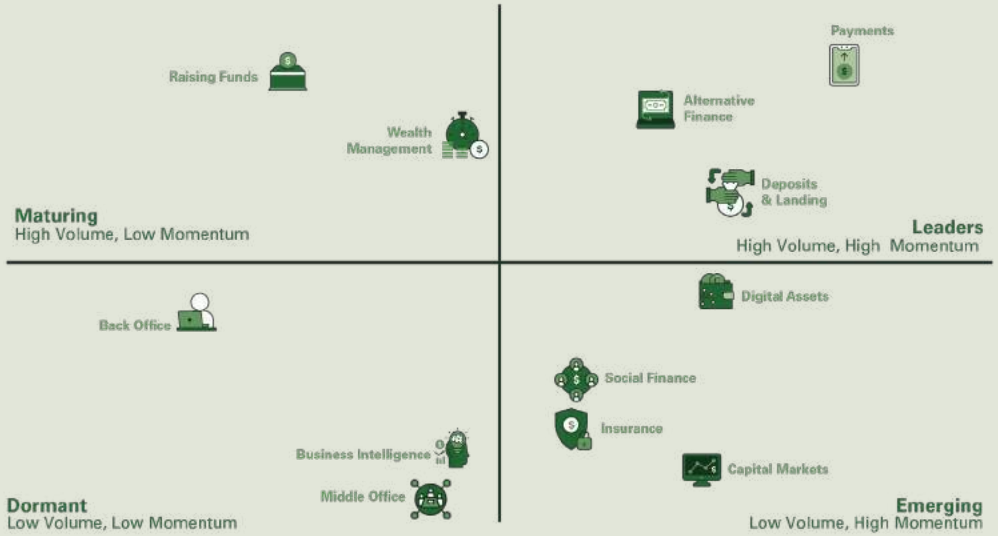
Emerging:
Social Finance, Digital Assets, Insurance, and Capital Markets: These domains maintain a growth trajectory. Despite a comparatively reduced number of participants relative to leading sectors, they are anticipated to experience substantial volume expansion in the forthcoming period.

Maturing:
Raising Funds and Wealth Management: Characterized by a high density of firms, this sector anticipates a decline in the influx of new entrants. It represents a prime candidate for consolidation or diversification within the industry, suggesting strategic opportunities for stakeholders.

Dormant:
Back Office, Business Intelligence, and Middle Office: These segments exhibit both low activity and modest growth, signaling their ongoing emergence and early development stage within the industry.

Outlook:
In the current macroeconomic landscape and VC winter, the limited access to capital is expected to continue, underscoring the critical need for specialized funds in Islamic Fintech. Moreover, the industry presents significant consolidation opportunities, either through acquisitions or by fostering deeper collaborations with mature sector firms.

Gaps and Opportunities by Category



See full Islamic Fintech Database in Appendix 4

Islamic Fintech Geographies: Growth & Investment Opportunities

Strategic Implications/ Key Insights

Regional Analysis
SE Asia, MENA-GCC and Europe lead the way across all segments

Global gaps persist in Sub-Saharan Africa, MENA-Other (ex-GCC)

Segment Analysis
Segment gaps: Globally, the sectors of Capital Markets and Shariah-compliant Insurance exhibit significant underdevelopment, featuring fewer than ten Fintech entities operating within each segment.

Payments: These solutions represent a notably untapped opportunity, within the established Fintech markets of Europe and North America.

Digital Assets: The domain of wallets, exchanges, and other digital assets is currently on an upward trajectory, presenting considerable prospects for further expansion.

Outlook
Sectors demonstrating limited activity are unlikely to evolve positively without strategic intervention. For instance, the expansion of Capital Markets and Insurance sectors necessitates greater involvement from Islamic Fintechs alongside Islamic Banks and Insurers.

Furthermore, regions such as Sub-Saharan Africa and the broader MENA region, which have shown limited activity thus far, could benefit from enhanced ecosystem development and regulatory clarity. Such measures would foster entrepreneurship and innovation in the finance sector.

Gaps and Opportunities by Region

Region	SE Asia	MENA-GCC	Europe	South & Central Asia	North America	Sub-Saharan Africa	MENA-OTHER	Grand Total
Alternative Finance	24	21	12	3	1	2	1	64
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Low — High

See full Islamic Fintech Database in Appendix 4

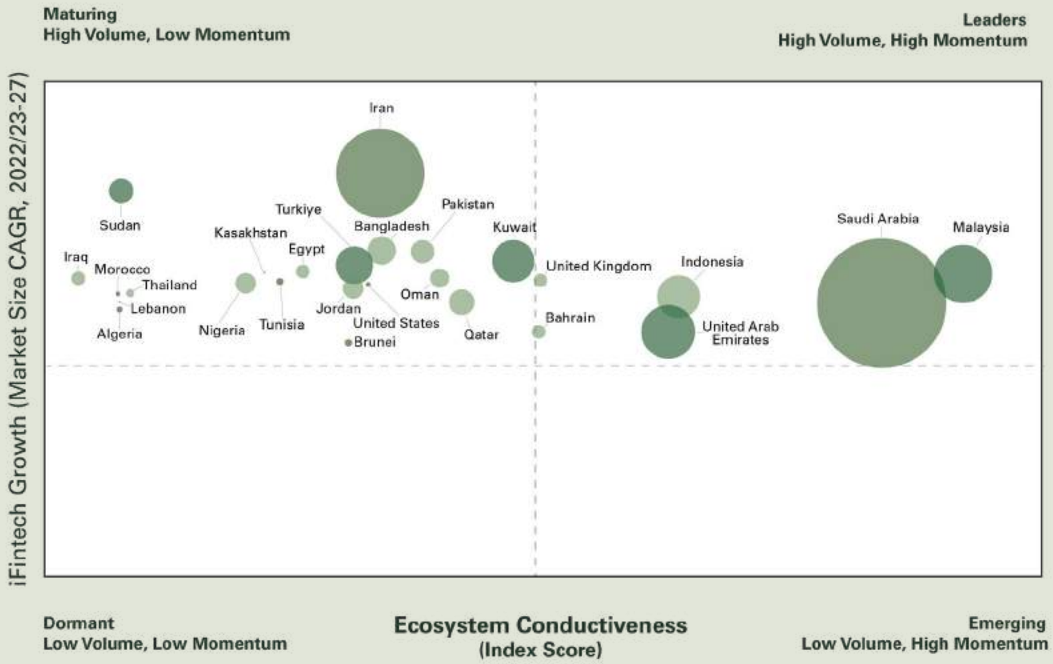
Islamic Fintech Hubs: Growth & FDI Opportunities

Strategic Implications/ Key Insights

Leading Hubs:
Malaysia, Saudi Arabia, UAE, Indonesia, UK and Bahrain are Leader Hubs

Outlook
All other jurisdictions are maturing with lower conduciveness to Islamic Fintech but display relatively high growth at the domestic level in market size. To support further development, jurisdciational policy makers should adopt greater progressive regulatory approaches, develop the capital infrastructure required for a digital economy and invest in the local talent base to support a more technology based and entrepreneurial economy.

iFinetch Hubs Maturity Matrix



Bubble size = Islamic Fintech market size for 2022/23

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