1 INTRODUCTION TO THE ISLAMIC FINANCE DEVELOPMENT INDICATOR ........ 3
1.1 The Concept .......................................................................................................................... 3
1.2 Definition .................................................................................................................................. 3
1.3 Objectives .................................................................................................................................. 4
1.4 ICD- Refinitiv Islamic Finance Development Indicator Diagram ........................................... 4

2 THEORETICAL FRAMEWORK ................................................................................................. 5
2.1 Quantitative Development ...................................................................................................... 7
2.2 Social Responsibility .............................................................................................................. 7
2.3 Governance ................................................................................................................................ 8
   2.3.1 Regulation .......................................................................................................................... 8
   2.3.2 Corporate Governance ....................................................................................................... 9
   2.3.3 Sharia Governance .......................................................................................................... 11
2.4 Knowledge ............................................................................................................................. 12
2.5 Awareness ................................................................................................................................ 12

3 METHODOLOGY ...................................................................................................................... 13
3.1 Data Collection ....................................................................................................................... 13
3.2 Indicator Universe .................................................................................................................. 13
3.3 Review Frequency and Data Availability ................................................................................ 13
3.4 Indicator Calculation Methodology ........................................................................................ 13
3.5 Country Universe .................................................................................................................... 14

4 INDICATOR FEATURES & DATA DISSEMINATION ................................................................. 16
4.1 QUANTITATIVE DEVELOPMENT INDICATOR ................................................................. 16
   4.1.1 Background ....................................................................................................................... 16
   4.1.2 Data Specification ............................................................................................................ 16
4.2 KNOWLEDGE INDICATOR .................................................................................................... 22
   4.2.1 Background ....................................................................................................................... 22
   4.2.2 Data Specification ............................................................................................................ 23
4.3 GOVERNANCE INDICATOR ................................................................................................... 25
   4.3.1 Background ....................................................................................................................... 25
   4.3.2 Data Specification ............................................................................................................ 25
4.4 CORPORATE SOCIAL RESPONSIBILITY INDICATOR ...................................................... 32
   4.4.1 Background ....................................................................................................................... 32
   4.4.2 Data Specification ............................................................................................................ 32
4.5 AWARENESS INDICATOR ..................................................................................................... 34
   4.5.1 Background ....................................................................................................................... 34
   4.5.2 Data Specification ............................................................................................................ 35
1 INTRODUCTION TO THE ISLAMIC FINANCE DEVELOPMENT INDICATOR

The ICD Refinitiv Islamic Finance Development Indicator ('Indicator') is an initiative arising from a long-term strategic partnership agreement between the Islamic Corporation for the Development of the Private Sector (ICD), a member of the Islamic Development Bank Group which holds a vested interest in the development of Islamic finance, and Refinitiv, the global integrated information services provider.

The overall objectives underpinning the Indicator are straightforward - simplification, quantification, and communication. The Indicator is intended to simplify the fragmented elements of the Islamic finance industry and make its whole as well as the sum of its parts quantifiable so that such information can be communicated to and understood by the wider world.

The Indicator will also provide policymakers and market practitioners precise numbers that reflect the indigenous values of the Islamic finance industry and will assist economic policy decisions in regard to the industry and its effects on and links within the wider economic ecosystem.

1.1 The Concept
The Islamic finance industry operates within a Darwinian business and financial environment that demands it adapt to constant change. Within this framework survival itself demands innovation and advancement that will both strengthen the very core of the industry as well as always keep it steps ahead of the curve. In the aftermath of the global financial crisis Islamic financial institutions, market players, regulators and other authorities have more purposefully sought out one another in order to improve the process of industry-wide cooperation and alignment. Reliable information and data are key to this exercise.

The Islamic Finance Development Indicator is intended to represent the overall health and development of the Islamic finance industry worldwide with one composite and weighted numerical measure; it is the true barometer of the state of the industry across its fundamentals. The Indicator is a new way of measuring Islamic finance development by combining data of the industry's different elements into a singular composite Indicator. This quantified information will help facilitate further comprehension of how the different parts of the market are developing over time.

1.2 Definition
The ICD Refinitiv Islamic Finance Development Indicator is a composite weighted index that measures the overall development of the Islamic finance industry by providing an aggregate assessment of the performance of all its parts, in line with Islamic principles.

The Indicator is a single measure that captures a holistic assessment of the Islamic finance industry across all sectors. It is a product of a number of key sub-indicators underlining the industry. Disaggregation of data helps expose the disparities, differences and movements that may not be exclusively covered in wide-ranging aggregate terms.

The Indicator is a global level composite indicator with country- and unit-specific level indicators. The composite indicator will be released annually, with a full report of each country and unit-specific level indicator and raw numbers.

Each metric within the composite indicator's constituents will be equally weighted and aggregated, i.e. all variables are given the same weight. In addition, normalization is carried out prior to any data aggregation of variable indicators that have different measurement units.
At the Country Composite Indicator level, country indicators will be normalized to render them comparable as the size of each country varies. Various economic measures will be considered while measuring the health of the Islamic finance industry in each country.

1.3 Objectives

Composite Indicator Level
- One single indicator that provides a pulse of the health of the global Islamic finance industry
- An indicator that is reliable and unbiased
- Informs current and potential Islamic finance stakeholders/investors about the industry’s performance
- Gauge future forecasts for the industry’s growth

Country Indicator Level
- Assess the current state and growth potential of Islamic finance in each country
- Highlight the performance of IFIs in particular markets and their possible determinants
- Track changes over time and make comparisons across regions and countries

Unit Specific Level
- Measure the industry’s growth from various perspectives
- Enhance Islamic finance market transparency and efficiency
- Identify factors, problems and issues that prevent the growth of the industry
- Help market players formulate practical solutions to face current obstacles
- Assist in setting new targets, goals, standards for IFIs and regulators

1.4 ICD- Refinitiv Islamic Finance Development Indicator Diagram

The indicator operates on multiple levels, as depicted below:
2 THEORETICAL FRAMEWORK

The word ‘development’ in Islam signifies well-rounded development. When an individual’s life is assessed from an Islamic point of view, their monetary or financial wealth is the least important consideration. Instead, an individual’s measurement is based on fulfilling their responsibilities towards God, family and the wider society.

Similarly, for Islamic financial institutions, measuring their performance or development entails an assessment of how well they have carried out their responsibilities in regard to their religious, economic, legal, ethical and discretionary responsibilities.

Therefore, in the context of measuring the development of the Islamic finance industry, an indicator must take stock of what the industry holds itself accountable to and in line with its Islamic economic underpinnings.

While there is no doubt that financial health by way of asset size or performance is an assumed indicator of the wellbeing of the industry, traditionally it has taken a disproportionate share of attention as compared to other dimensions. This is a function of the value ascribed to quantititative financial numbers in the overall financial markets and the rarity of other indicators in relation to their development, performance and responsibilities and relationships to society. In contrast, measurements for the Islamic finance industry should be aligned to a holistic accountability concept that the industry and its stakeholders can take as their responsibility to develop in a coherent manner.
The different components that make up the Indicator are selected based on an outline of the key constituents of the industry as a whole and are based on key contemporary issues such as Corporate Governance, Corporate Social Responsibility, Knowledge and Awareness. All are fundamentally important for the development of the industry as a global business. These components include:

<table>
<thead>
<tr>
<th>Quantitative development of IFIs and markets ('Quantitative')</th>
<th>The industry’s social contribution in line with Islamic principles ('Social Responsibility')</th>
<th>The quality of sharia governance to ensure that Islamic financial institutions and instruments comply with sharia standards ('Sharia Governance')</th>
<th>The quality of Governance and Risk Management measures to protect stakeholders ('Corporate Governance')</th>
</tr>
</thead>
<tbody>
<tr>
<td>The availability and quality of education to ensure that the industry’s professionals are well-versed in Islamic commercial jurisprudence and Islamic finance principles ('Education')</td>
<td>The output of research to ensure that the industry’s foundations and development are based on substantive knowledge ('Research')</td>
<td>Awareness to facilitate better consumer protection and understanding of the principles on which Islamic finance is founded ('Awareness')</td>
<td>Development of an enabling and supportive regulatory infrastructure for Islamic banking, sukuk, takaful and funds to flourish within a particular jurisdiction / country ('Regulation')</td>
</tr>
</tbody>
</table>

Due to the similarities in scope, the accountabilities of sharia governance, corporate governance, risk management and regulation are combined within the overall framework of Governance while the accountabilities for education and research are combined into the framework of Knowledge. Hence, the overall framework will measure the following features of the Islamic finance industry, all of which have several sub-components further identified as follows:

**QUANTITATIVE DEVELOPMENT**
- Islamic Banking
- Takaful
- Islamic Financial Institutions
- Sukuk
- Funds

**KNOWLEDGE**
- Education
- Research

**CSR**
- Funds Disbursed to Charity / Zakat / Qard Hasan
- Disclosed CSR activities

**GOVERNANCE**
- Regulation
- Sharia Governance
- Corporate Governance

**AWARENESS**
- Seminars
- Conferences
- News
**Individual Sub-components**

Measuring the holistic development of the Islamic finance industry is a challenge. While the theoretical framework (as earlier illustrated) provides a starting point for structural reference, building on multiple individual components and creating a coherent framework requires that each section is individually addressed; this is the work of measuring micro-development in context.

Invariably, the choice of measurements as sub-components and their relevance to measuring Islamic finance development is riddled with subjective value judgments and a trade-off of available and readily accessible data sources (either those that are extant or those that can be built up from existing primary data points).

The following is an elaboration of the individual sections and our justifications for their individual measures.

### 2.1 Quantitative Development

To assess the quantitative development of IFIs and markets, it is necessary to look at all the sub-sectors of the industry and review their quantitative dimensions.

<table>
<thead>
<tr>
<th>Islamic banking</th>
<th>Takaful</th>
<th>Other IFIs (investment companies, micro-finance institutions etc)</th>
<th>Sukuk – Islamic securities</th>
<th>Islamic Funds</th>
</tr>
</thead>
</table>

There are effectively 5 sub-sectors of the Islamic finance industry as listed below.

The framework assesses the development of each sector with three quantitative dimensions:

- **Growth Expansion and Depth**
  - These indicators should provide unit-specific (institution / instrument) and country specific average measures of growth, expansion and depth, such as total assets, total number of full-fledged IFIs and windows. In the context of funds and sukuk, specific indicators of growth and expansion unique to each are constructed.

- **Market Performance**
  - These indicators provide unit-specific (institution / instrument) and country-specific average measures on the performance of IFIs and instruments, such as the bid/ask price spread for sukuk.

- **Financial Soundness**
  - Where relevant, these indicators provide unit-specific (institution / instrument) and country-specific average measures of financial soundness such as asset quality, earnings and efficiency of Islamic banks.

### 2.2 Social Responsibility

As an industry that is founded on a system of ethics and fairness, the Islamic finance industry holds itself responsible for ensuring the wellbeing of its stakeholders and the broader society which it serves. The Accounting and Auditing Organization for IFIs (AAOIFI) developed a comprehensive set of guidelines which requires IFIs to fulfill obligations to a variety of stakeholders which are affected by them. The Governance Standard for IFIs No. 7 Corporate Social Responsibility Conduct and Disclosure requires IFIs to develop, within their means and capacity, policies and procedures to embed social responsibility in all of their activities.
The standard was based on a wider conceptual framework of accountability of IFIs beyond their legal and economic requirements to cover religious and societal accountability.

To appropriately assess social responsibility of the industry and within the limited data parameters, two composite measures are considered:

i. **CSR Conduct of IFIs**: In the absence of standardized CSR reports from IFIs, the CSR conduct of IFIs are measured through an index based on the AAOIFI Governance Standard for Islamic Financial Institutions No. 7 that reviews the annual report of IFIs and the disclosures relating to the IFI. An obvious limitation of this measure is that the IFIs may not disclose all of its CSR activities and hence there may be a gap between what they disclose and what activities they actually undertake. While this is a current limitation, it is hoped that as this indicator is continuously released and as general awareness among IFIs grows about the requirement to disclose CSR activities, IFIs will start disclosing all of their contributions.

ii. **Cumulative distribution of funds through Charity, Zakat and Qard Hasan**: This measure reviews the relative value of funds disbursed by Islamic financial institutions either through charity, zakat (compulsory contributions) and/or qard hasan (benevolent interest-free loans). The measure is provided as a function of the size of the IFI’s total assets so as to provide relative comparisons.

### 2.3 Governance

The health of the Islamic financial industry is directly aligned to the development of the infrastructure that supports its growth. Without enabling regulations, effective corporate and sharia governance, and appropriate risk management oversight, the Islamic finance industry may grow but not at the levels were it to have the appropriate controls in place. Without these necessary governance mechanisms, the industry in any particular country may suffer loss in investor and consumer confidence, appropriation of funds, or worse, a collapse of the financial institutions involved. Furthermore, as AAOIFI has stated: “the financial services industry (whether conventional or Islamic) is one in which ‘trust’ is vital.” Sound governance practices serve to enhance public confidence.

The indicator measures several simple and effective proxies to assess the development of governance of Islamic financial institutions in a particular country based on a combination of AAOIFI and Islamic Financial Services Board (IFSB) standards.

#### 2.3.1 REGULATION

Regulation of the financial services industry is intended to protect jurisdictions from systemic risk associated with monetary flows and also to protect consumers in an environment of high information asymmetry and unequal bargaining power between financial institutions and consumers.

In the context of the development and health of the Islamic financial services industry, regulation takes on more significance. In most jurisdictions, Islamic banks and financial institutions are handicapped by regulations that do not cater to their *modus operandi* and are primarily built for conventional banks -based and financial services.

The products offered by Islamic financial institutions have specificities that require a customized approach to regulation to ensure that Islamic financial institutions have a level playing field when compared to conventional financial institutions. For instance, their relationships with their depositors are based on profit and loss sharing and hence require regulatory oversight that is akin to investment funds in relation to disclosure. On the other hand, many Islamic financing transactions require ownership of physical assets, which are generally considered impermissible by conventional financial institutions. These and other particularities require unique regulations, without which, it would be very difficult for Islamic financial institutions to even operate, let alone develop a competitive position in relation to their conventional peers.
This component of the Indicator assumes that most countries have regulations covering their financial services sector and will therefore focus on whether or not the country has implemented regulations covering their Islamic financial services sector, including regulations for banks, takaful (Islamic insurance) companies, other Islamic financial institutions, sukuk and funds. To avoid subjectivity, the component does not distinguish between the quality of regulations. Rather, it seeks to ascertain whether dedicated regulations or provisions exist for each particular sector.

2.3.2 CORPORATE GOVERNANCE

Corporate Governance, as defined by the European Central Bank and used by the OECD, is: ‘Procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making.’

The Islamic Financial Services Board (IFSB) defines Corporate Governance in relation to Islamic financial institutions as follows:

A defined set of relationships between a company’s management, its Board of Directors, its shareholders and other stakeholders which provides the structure through which:

i. The objectives of the company are set; and
ii. The means of attaining those objectives and monitoring performance are determined.

In the context of institutions offering Islamic financial services (IIFS), good corporate governance should encompass:

1. A set of organizational arrangements whereby the actions of the management of IIFS are aligned, as far as possible, with the interests of its stakeholders;
2. Provision of proper incentives for the organs of governance such as the Board of Directors, SSB and management to pursue objectives that are in the interests of the stakeholders and facilitate effective monitoring, thereby encouraging IIFS to use resources more efficiently; and
3. Compliance with Islamic Shari`ah rules and principles

The AAOIFI states ‘that there is no one-size fits all structure that would guarantee effectiveness or soundness in governance. In this sense, good governance is not just a matter of prescribing particular structures or a matter of complying with pre-established rules.’ Additionally, AAOIFI enunciates several principles of governance which include:

<table>
<thead>
<tr>
<th>Effective sharia-compliance structures</th>
<th>Fair treatment of equity holders</th>
<th>Equitable treatment of fund providers and other significant stakeholders</th>
<th>Fit and proper conditions for board and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective oversight</td>
<td>Audit and governance committee</td>
<td>Risk management</td>
<td>Avoidance of conflicts of interest</td>
</tr>
<tr>
<td>Appropriate compensation policy oversight</td>
<td>Public disclosures</td>
<td>Code of conduct and ethics</td>
<td>Appropriate enforcement of governance principles and standards</td>
</tr>
</tbody>
</table>

2 AAOIFI (2010) Governance Standards for Islamic Financial Institutions (GSIFI) No. 6 Statement on Governance Principles for Islamic Financial Institutions
The IFSB is more instructional, and has provided the following as key requirements for IIFS:\(^1\):

- Establishment of a **Governance committee** with representation from a member of the audit committee, a sharia scholar (preferably from the sharia board of the IFI) and a non-executive director
- Establishment of an **Audit Committee** comprising at least 3 members elected by the board from its non-executive members
- Ensuring that the **reporting of the IIFS** are in compliance with internationally recognized accounting standards which are in compliance with sharia rules and principles and are applicable to the Islamic financial services industry as recognized by the supervisory authorities of the country
- Information on the basis of profit distribution and allocation to investment account holders and the utilization of Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR)
- Have in place appropriate mechanisms for obtaining rulings from sharia scholars, applying fatawa and monitoring sharia-compliance in all aspects of their products, operations and activities, in addition to making all the rulings of the sharia board available for public display.\(^4\)

While some of the requirements relate to items that cannot be properly monitored from publicly available information, the principle requirements enunciated by both AAOIFI and IFSB (with the exception of sharia governance and risk management oversight which is covered in a different section of the IFDI) are as follows:

1. The requirement of independent directors and chairman of the Board to avoid conflicts of interest
2. The establishment of independently chaired **Audit and Governance committees** to maintain financial reporting and governance oversight, and
3. Appropriate internationally recognised and sharia-compliant **financial reporting and disclosure** that takes into consideration the disclosure requirements for investment account holders.

- **Risk Management**

  The mitigation of risk is considered an integral part of financial services as for the most part, financial services institutions are specialist intermediaries of risk. Managing risk appropriately is value additive as resources expended to mitigate risk should be less than the potential losses that can be incurred if such risks are not avoided.

  Hence, the appropriate mechanisms to monitor risk in each Islamic financial institution should be part of the measure of health and wellbeing of the institution and the industry at large. However, risk management is a process, a part of organization culture, and does not necessarily have clear indicators of where an institution has a strong risk management system. Therefore, it becomes difficult to assess the subjective qualities of risk management across several institutions in different jurisdictions.

  Nevertheless, monitoring from organizational leadership and in particular the board of directors may go a long way to assess the firms' commitment to a risk management culture.

  Hence, the measure for Corporate Governance will consider some of the principles mentioned above which can apply broadly across all types of institutions:

  - The number of independent directors on the Board and independent non-executive chairman of the Board of Directors
  - Existence of a Governance Committee and Independent Chair of the Governance Committee
  - Existence of an Audit Committee and Independent Chair of the Audit Committee

---


\(^4\) Requirements for sharia are excluded here as they are covered in the section for sharia governance.
International financial reporting quality that takes into consideration the disclosure requirements of investment account holders

Whether the firm has an active risk management culture by reviewing whether the chair of the committee is non-executive / independent

2.3.3 SHARIA GOVERNANCE

Sharia compliance is a key determinant of choice (and for some consumers, the only determinant) of whether or not to engage the services of an Islamic financial institution. Indeed, it can be indisputably considered as the raison d’être of the Islamic financial system and all its institutions. Yet, what is considered to be sharia-compliant differs vastly due to interpretations of the sharia by different schools of thought (Mathhab) and the nature of Islamic law itself which is considered to be a set of principles to be interpreted on a case-by-case basis rather than a comprehensive rule book of laws, even though much has been codified and can be considered firm laws.

As a result, regulators and standard setters have instead focused on the sharia governance system, which is defined as ‘structures and processes adopted by the stakeholders of Islamic financial institutions to ensure compliance with sharia rules and principles’.

The Islamic Financial Services Board (IFSB) further defines sharia governance as the ‘set of institutional and organisational arrangements through which an IIFS ensures that there is effective independent oversight of sharia compliance over each of the following structures and processes:

a. Issuance of relevant sharia pronouncements/resolutions
b. Dissemination of information on such sharia pronouncements/resolutions to the operative personnel of the IIFS who monitor the day-to-day compliance with the sharia pronouncements/resolutions vis-à-vis each transaction and every level of operations
c. An internal sharia-compliance review/audit for verifying that sharia-compliance has been satisfied, during which any incident of non-compliance will be recorded and reported, and as far as possible, addressed and rectified
d. An annual sharia-compliance review/audit for verifying that the internal sharia-compliance review/audit has been appropriately carried out and its findings have been duly noted by the sharia board.’

While the implementation and enforcement of these measures cannot always be verified, they are directly related to the principal actors who influence and provide the highest level of oversight to the sharia compliance process, i.e. scholars.

The AAOIFI maintains that each Islamic financial institution should have at least 3 members in their sharia supervisory board.

It is widely acknowledged that the strain on sharia scholars is likely to impact on the level of governance oversight they can have of each financial institution.

Hence, the number of boards a scholar sits on reduces their sharia governance oversight capabilities as they would not be able to provide effective supervision to the activities of the financial institution.

As a result, we consider that a greater number of board appointments reduces a scholars’ governance oversight, by a proportionate amount and that it has the ability to influence the oversight performance of the sharia supervisory board, particularly if one or more scholars has several board appointments.

We assume that the capacity of scholar oversight is reduced with more than 5 board appointments on the basis that more than 5 board appointments consumes a disproportionate amount of time (less than 2 months on average in a year for each institution assuming 30 days of leave per year).

---

Subsequent to that, we assume that every additional board membership represents a decline in oversight.

From the perspective of measuring the industry’s development, it is not only the micro (institutional) level development that matters but also macro (regulatory) support that the sharia governance system receives. It is widely recognised that establishing a national level sharia committee or council can have a direct impact on the clarity and quality of sharia governance on a national basis. A national sharia committee can ensure that the country follows a similar set of practices and processes across the various institutions offering Islamic financial services. More importantly, it becomes easier to develop rules and procedures to review the conduct of Islamic financial institutions, as there is one set of interpretations and one body to adjudicate the matter of sharia-compliance.

We therefore measure the quality of sharia governance in a country based on whether the country has a national level sharia committee.

2.4 Knowledge

The development of the Islamic financial services industry in any country or jurisdiction is a function of the human capital resources that can supply the knowledge and skills required to sustain and enhance the functioning of the industry. It is not enough to have professionals who have training and experience in conventional banking and financial markets, as they lack the depth of expertise in the Islamic law of commercial transactions and Islamic finance to innovate or provide incremental advances to the practices of Islamic finance. As such, much of the industry’s development in a country relies on a cadre of trained professionals who have a combined exposure to finance / banking and a structured study of Islamic finance inclusive of its core principles.

We assess the knowledge development of the Islamic financial services industry by reviewing the number of training/educational courses and degree programs available in each country along with the amount of research produced by each country relating to Islamic economics and finance.

2.5 Awareness

A consistent concern raised by professionals in the Islamic financial services industry is that there is little awareness and understanding of Islamic financial services by the masses. Indeed, Malaysia’s 10-Year Financial Sector Blueprint which includes strategy to develop the Islamic financial system in Malaysia included a key focus area of consumer education. It states: ‘Consumer education and awareness about Islamic banking is critical to its success and future development. A consumer education program needs to be developed to enhance public awareness of the features of Islamic banking products and services.’

Awareness by consumers can lead to better quality of services as consumers vote with their feet if the services offered are not up to par. If consumers do not know about Islamic financial services, they cannot determine the quality of the services being offered, while the potential market base of customers interested in Islamic financial services will also be limited.

We assess awareness of Islamic financial services through two key proxies: the number of events related to Islamic finance in a particular country and the number of English-language news articles related to Islamic finance or financial institutions in a particular country.

---

3 METHODOLOGY

3.1 Data Collection
The data employed in the Islamic Finance Development Indicator, when aggregating data and computing indicator values, only include information that is publicly disclosed. The employment of disclosed information ensures reliability and consistency of results.

3.2 Indicator Universe
The composite indicator universe is composed of a quantifiable value of five main indicators: Quantitative Development indicator, Knowledge indicator, Corporate Social Responsibility (CSR) indicator, Governance indicator and Awareness indicator. Eligible for consideration are sub-indicators and components which will be aggregated to measure the health of each indicator and its weighted effect on the composite indicator.

3.3 Review Frequency and Data Availability
The composite indicator will be released annually with a full-year trend analysis report. The required data will be collected manually by the IFG team in Bahrain, or the Zawya Content Team.

3.4 Indicator Calculation Methodology
The methodology for calculating the Indicator values has been developed based on the following key characteristics:

Key Characteristics
1. Each indicator and sub-indicator should be equally weighted, ensuring no dimension has greater importance or preference to any other
2. The indicator should be capable of measuring growth in any of the given dimensions
3. The indicators are restricted to 200
4. The absolute values should be adjusted or rationalised based on the overall size of the country/economy to ensure comparability among countries
5. The methodology should have minimal subjectivity, and be based on a consistent formula across metrics
   - The Global Indicator is based on the Arithmetic Mean of the individual Country Indicators
   - The Country Indicators are based on the Arithmetic Means of their individual Indicators
   - The Individual Indicators are based on the Arithmetic Means of their Sub-indicators
   - The Sub-indicators are based on the sum of the Metric Values of their individual Metrics

The Metric Value are designed to be aggregated to provide the Sub-indicator values

For numerical values ($ amounts) and numbers (e.g. number of courses on Islamic finance):

\[
\text{Metric Value} = \frac{\text{Absolute Value}}{\text{(Scale Value x Rationalizing Coefficient)}} \times \frac{\text{Metric Weight}}{2}
\]
For percentage values (e.g. return on assets):

\[
\text{Metric Value} = \frac{\text{Absolute Value}}{\text{Scale Value}} \times \frac{\text{Metric Weight}}{2}
\]

For yes/no values (e.g. are there regulations for Islamic banks):

\[
\text{Metric Value} = \text{Metric Weight} \times \begin{cases} 
1 & \text{if yes}, \\
0 & \text{if no}
\end{cases}
\]

Scale Value is the average for all absolute values for that metric (not including zeros) for the specified year (Base year). This value forms the basis of our scale for that metric and will remain unchanged for future years. This will ensure the development of the metric is not restricted to a particular range, and the first year will form the base year against which relative growth in the metric is measured.

The Metric Weight is designed to ensure that metrics of a particular Sub-indicator are weighted to ensure that all Sub-indicators are comparable, regardless of the number of metrics used to derive each. The Metric Weight is calculated as follows:

\[
\text{Metric Weight} = \frac{100}{\text{Total metrics within the Sub-Indicator}}
\]

The Rationalising Coefficient is specific to each country and is designed to adjust the scale based on the size of the country. This is designed to ensure comparability of the indicator values across countries.

The Rationalising Coefficient is calculated as follows:

\[
\text{Rationalising Coefficient} = 1 + \frac{\text{Average}}{\text{Median GDP}}, \frac{\text{Population}}{\text{Median Population}}, \frac{\text{Banking Assets}}{\text{Median Banking Assets}}
\]

We have designed the Rationalising Coefficient to compare the relevant size of countries based on the size of their GDP, population and banking sector assets. These are compared to median value for all countries (so as not to be skewed by extreme values at both ends of the scale). The average variance is reduced by half and applied to the Metric Value formula (when applicable) to adjust the Scale Values.

3.5 Country Universe

- All OIC countries are included
- All non-OIC countries with presence of Islamic financial institutions are included
### Country list (131 countries)

<table>
<thead>
<tr>
<th>GCC (Gulf Cooperation Council)</th>
<th>Other MENA (Middle East and North Africa Excluding GCC)</th>
<th>France</th>
<th>Ukraine</th>
<th>Guyana</th>
<th>Mauritius</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>Algeria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuwait</td>
<td>Egypt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oman</td>
<td>Iran</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qatar</td>
<td>Iraq</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Jordan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Lebanon</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southeast Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brunei Darussalam, Cambodia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Sudan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Syria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td>Tunisia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Yemen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Bosnia and Herzegovina</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>Bulgaria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>Cyprus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>Czech Republic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>Denmark</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Other Asia                      |                                                        |        |         |        |           |
| Other Asia                      |                                                        |        |         |        |           |
| Latin America                   |                                                        |        |         |        |           |
| Mexico                          |                                                        |        |         |        |           |
| Suriname                        |                                                        |        |         |        |           |
| Trinidad and Tobago United States |                                                  |        |         |        |           |
| Rwanda                          |                                                        |        |         |        |           |
| Senegal                         |                                                        |        |         |        |           |
| Seychelles                      |                                                        |        |         |        |           |

| Sub-Saharan Africa              |                                                        |        |         |        |           |
| Angola                          |                                                        |        |         |        |           |
| Benin                           |                                                        |        |         |        |           |
| Botswana                        |                                                        |        |         |        |           |
| Burkina Faso                    |                                                        |        |         |        |           |
| Burundi                         |                                                        |        |         |        |           |
| Cameroon                        |                                                        |        |         |        |           |
| Chad                            |                                                        |        |         |        |           |
| Comoros                         |                                                        |        |         |        |           |
| Djibouti                        |                                                        |        |         |        |           |
| Gabon                           |                                                        |        |         |        |           |
| Ghana                           |                                                        |        |         |        |           |
| Guinea                          |                                                        |        |         |        |           |
| Guinea-Bissau                   |                                                        |        |         |        |           |
| Ivory Coast                     |                                                        |        |         |        |           |
| Kenya                           |                                                        |        |         |        |           |
| Malawi                          |                                                        |        |         |        |           |
| Mali                            |                                                        |        |         |        |           |
4 INDICATOR FEATURES & DATA DISSEMINATION

4.1 QUANTITATIVE DEVELOPMENT INDICATOR

4.1.1 BACKGROUND

The Quantitative Development Indicator is a weighted index of Islamic finance institutions, per country, that provide Islamic financial products and services.

Rationale

This indicator is an essential measure of the industry; it provides the size, depth and long-term sustainability of the sector as a whole. Financial institutions are considered the backbone of the industry given their size and track record. The scope of measures that constitute the quantitative development indicator is structured to reliably evaluate each element of the financial institutions.

To assess the quantitative development of IFIs and markets, it is necessary to look at all the sub-sectors of the industry and review their quantitative dimensions. There are effectively 5 sub-sectors of the Islamic finance industry: Islamic banking, Takaful, Other IFIs (investment companies, micro-finance institutions etc.), Sukuk and Funds.

The framework assesses the development of each sector in terms of its size and performance. The metrics should provide unit-specific (institution / instrument) and country-specific average measures of size such as total assets, total number of standalone IFIs and windows, and listed institutions. In the context of funds and sukuk, specific metrics unique to each are constructed. The performance metrics provide unit-specific (institution / instrument) and country-specific average measures on the performance of IFIs and instruments, such as the average return on assets, or the bid/ask spread (for sukuk).

4.1.2 DATA SPECIFICATION

1.1.2.1 Sub Indicator: Islamic Banking

Islamic banking consists of all institutions licensed as banks operating in a sharia-compliant manner including investment / retail / wholesale / specialised banks. This sub-indicator covers both full-fledged Islamic institutions as well as windows.

Market Development

Market development measures the level of Islamic banking development by calculating banking assets, number of standalone banks and windows and other key factors as follows:

- Metric: Banking Asset

This component is represented by the sum of total Islamic assets as reported by each Islamic financial institution or window. This will be summed up to reach the Total Bank Assets for each country. This is a crucial component given banks play a significant role in terms of the overall size of Islamic finance industry.

- Metric: Number of Full-Fledged Banks

Full-fledged financial institutions are those which base their overall operations on sharia-compliant products and services. This component is a quantifiable measure of the full-fledged Islamic financial institutions to assess the growth of 100% sharia-compliant banks within a country.

- Metric: Number of Windows

This component will assess the number of Islamic windows operating through conventional banks. It serves the local market need with minimal infrastructure, as the core functions are outsourced to the conventional
establishment. This component will measure the number of Islamic windows within a country, and feed into the evaluation of the overall market appetite for sharia-compliant products.

- **Islamic banks listed on a country exchange**
  This component is a quantitative measure, representing the number of Islamic banks that are listed on a country’s exchange. The more companies listed, the more transparent the Islamic banking industry.

**Financial Assessments**
This component assesses the financial standing of Islamic banks in a country based on ratio analysis. All components within the financial assessment will be presented by percentages.

- **Return on Assets (ROA)**
  As the name implies, return on assets (ROA) gauges how efficiently a bank can squeeze profit from its assets, regardless of size. A high ROA is a tell-tale sign of solid financial and operational performance.

  **Formula:** \( \text{Net Income} / \text{Total Assets} \)

**Notes**
- The institutions universe covers full-fledged Islamic banks, windows and Islamic segments
- The institutions universe includes both private and public institutions
- If the holding company is full-fledged Islamic, we consider the financials of the holding company and not the subsidiary
- Information on individual institutions is restricted to publicly available financial statements
- All amounts are converted into US dollar based on the exchange rate at the end of the fiscal year
- All information is based on information available online or within Refinitiv database

**Data Requirements**

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Assets</td>
<td>Institution and Country Level</td>
<td>Number (Value)</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Full-Fledged Banks</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Windows</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Listed Islamic banks</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>Institution and Weighted Average on the Country Level</td>
<td>Number (ratio)</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>
4.1.2.2 Sub Indicator: Takaful

Takaful is analysed based on the sector’s market development; this will consist of the size of the market, and other measures as follows:

**Market Development**

This will evaluate the level of Takaful development in a quantitative measure by calculating: assets movements, the number of Takaful companies in each country, the growth in existing companies and brokers, as well other aspects.

- **Metric: Takaful and retakaful assets**
  Takaful Assets will be represented by the sum of total assets as reported by each takaful company for the policyholders’ fund and the shareholders’ fund. This will be summed up to find the Total Takaful Assets for each country.

- **Metric: Number of takaful and retakaful companies**
  This component is a measure of the full-fledged takaful companies and assesses the growth of 100% sharia-compliant takaful operations within each country. In addition, this component will measure the stability of the takaful industry by quantifying the retakaful companies within each country. As third party insurers, retakaful insures the insurance companies by reducing the risk of paying large claims generated from policyholders on extraordinary majeure.

- **Metric: Takaful and retakaful companies listed on a country exchange**
  This component measures the number of takaful and retakaful companies that are listed on a country’s exchange.

**Financial Assessments**

This assesses the financial standing of takaful in a country, based on ratio analysis. All components within the financial assessment will be presented in percentages.

- **Metric: Return on Assets (ROA)**
  As the name implies, return on assets (ROA) gauges how efficiently a company can squeeze profit from its assets, regardless of size. A high ROA is a tell-tale sign of solid financial and operational performance.

  **Formula:** Net Income / Total Assets

**Notes**
- The institutions universe covers full-fledged takaful and retakaful institutions, windows and Islamic segments
- The institutions universe includes both private and public institutions
- If the holding company is full-fledged Islamic, we consider the financials of the holding company and not the subsidiary
- All information is based on information available online or within Refinitiv database
- Information on individual institutions is restricted to publicly available financial statements
- All amounts are converted into US dollar based on the exchange rate at the end of the fiscal year

**Data Requirements**

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takaful &amp; Retakaful Assets</td>
<td>Institution and Country Level</td>
<td>Number (Value)</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Takaful &amp; Retakaful companies</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>
4.1.2.3 Sub Indicator: Other Islamic financial institutions

‘Other Islamic financial institutions’ (OIFIs) are the institutions licensed to provide financial services other than banking activities. It includes investment, leasing, asset management and advisory companies and other financing institutions.

Market Development

This will evaluate the level of development of other Islamic financial institutions in a quantitative measure by calculating assets movements, the number of these companies in each country, the growth in existing companies and brokers as well other aspects.

➤ Metric: Other IFIs’ Assets

Other Islamic financial institutions’ assets is represented by the sum of total assets as reported by each institution that offers Islamic financial services.

➤ Metric: Number of other IFIs

This component is a quantifiable measure of full-fledged Islamic financial companies to assess the growth of 100% sharia-compliant operations within a country. In addition, this component will add measure to the stability of the overall Islamic finance industry by quantifying these other IFIs within a country.

➤ Metric: Other financial institutions listed on a country exchange

This component is a quantitative measurement of other financial institutions that are listed on a country’s exchange. The more companies listed on the exchange, the more transparent is the Islamic financial industry.

Financial Assessments

This assesses the financial standing of other IFIs in a country, based on ratio analysis. All components within the financial assessment will be presented in percentages.

➤ Metric: Return on Assets (ROA)

As the name implies, return on assets (ROA) gauges how efficiently a company can squeeze profit from its assets, regardless of size. A high ROA is a tell-tale sign of solid financial and operational performance.

*Formula: Net Income / Total Assets*

Notes

- The institutions universe covers full-fledged Islamic institutions, windows and Islamic segments
- The institutions universe includes both private and public institutions
- If the holding company is full-fledged Islamic, we consider the financials of the holding company and not the subsidiary
- All information is based on information available online or within Refinitiv database
- Information on individual institutions is restricted to publicly available financial statements
- All amounts are converted into US dollar based on the exchange rate at the end of the fiscal year
4.1.2.4 Sub Indicator: Sukuk
Sukuk commonly refers to the Islamic equivalent of bonds. However, as opposed to conventional bonds, which merely confer ownership of a debt, sukuk grant the investor a share of an asset, along with the commensurate cash flows and risk.

**Market Development**
This will evaluate the level of sukuk development in a quantitative measure by calculating sukuk movements, the number of sukuk in each country, sukuk growth and other measures as follows:

- **Metric: Number of sukuk issuance**
The number of sukuk issued (international + domestic) during the fiscal year per country

- **Metric: Number of sukuk outstanding**
The number of sukuk outstanding (international + domestic) as the end of the fiscal year per country

- **Metric: Volume of sukuk issuance**
The volume of sukuk issued (international + domestic) during the fiscal year per country

- **Metric: Sukuk outstanding volume**
The volume of sukuk outstanding (international + domestic) as the end of the fiscal year per country

- **Metric: Number of listed sukuk**
The number of sukuk listed (international + domestic) as at end of the fiscal year per country. Like conventional bonds, global issuers list their sukuk on domestic and international exchanges as a way of boosting demand for their papers worldwide; listed sukuk are considered more attractive in terms of liquidity and tradability.

**Market Performance**
This measures sukuk performance by assessing the liquidity of outstanding papers as at the end of the fiscal year per country

- **Metric: bid/ask spread**
The average spread between bid and ask of all outstanding sukuk (international + domestic) per country is calculated to measure liquidity which reflects sukuk performance.

- **Notes**
  - Sukuk bid/ask prices are limited to available prices available on Refinitiv Eikon.
  - The sukuk universe includes both domestic and international sukuk.
  - All information is based on information available online or within Refinitiv database.

- **Data Requirements**

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Sukuk</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Outstanding Sukuk</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Sukuk Issuance Volume</td>
<td>Country Level</td>
<td>Number (Value)</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Sukuk Outstanding Volume</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Listed Sukuk</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Bid / Ask Spread</td>
<td>Country Level</td>
<td>Number (Weighted Average)</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

**4.1.2.5 Sub Indicator: Islamic funds**

Funds are investment vehicles financially independent of the institutions that establish them. The funds are managed on the basis of either mudaraba or agency contract. Islamic funds are those that meet all of the requirements of sharia and the principles articulated for "Islamic finance."

This is a weighted index of all Islamic mutual funds per country, which will assess the position of the Islamic funds market within the Islamic finance Industry.

**Market Development**

This will evaluate the level of Islamic mutual funds development in a quantitative measure by calculating the net asset value (NAV), the number of funds in each country, growth and other key factors as follows:

- **Metric: Number of funds**
  This number will represent the number of active mutual funds in each country. The fund location will be selected based on the asset manager location.

- **Metric: Assets under Management**
  This measures the total assets under management (AuM) of all funds for each country. This is an important measure to show the sector’s development in a country, as well as its place at the macroeconomic level. A bigger pool of assets under management indicates a more developed funds sector. This metric will also shed light on the size of the number of funds.

- **Metric: Number of Islamic funds launched**
  This measure the number of Islamic mutual funds launched in the specified year in each country. This number will be based on the asset manager location.
Metric: Number of Islamic asset managers

This number will provide a statistical representation of the number of asset managers per country. This metric will help us understand market dynamics and whether the funds market in any particular country is diversified over vast resources or concentrated to a few asset managers. We can derive from this metric whether to expect the same management approach or a different one depending on the spread of funds.

Market Performance

This measures the Islamic funds sector performance by assessing cumulative performance as at the end of the fiscal year per country.

Cumulative Performance

This is the percentage change - over a specified period of time in a mutual fund's net asset value, with the ending net asset value adjusted to take into account the reinvestment of all income dividends and any capital gains distributions made by the fund. It is almost always calculated before the deduction of sales charges and taxes payable by the shareholder on the income dividends and capital gains distributions.

Notes

- Islamic funds cumulative performances are limited to available information available on Lipper.
- All information is based on information available online or within Refinitiv database.
- All amounts are converted into US dollar based on the exchange rate at the time of the conversion.

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Funds</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Assets under Management</td>
<td>Country Level (Value)</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of launched funds</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of Islamic Asset Managers</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Cumulative Performance</td>
<td>Country Level (Weighted Average)</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.2 KNOWLEDGE INDICATOR

4.2.1 BACKGROUND

Knowledge Indicator is a weighted index of two main sub-Indicators - education and research - which are the main requirements that build the base for any industry. Education and research are the input factors that are needed to reach depth and efficiency in the market.

Rationale

The development of the Islamic financial services industry in any country is a function of the human capital resources that can supply the knowledge and skills required to sustain and enhance the functioning of the industry. It is not enough to have professionals with training and experience in conventional banking and
financial markets as they lack the depth of expertise in Islamic law of commercial transactions and Islamic finance to innovate or provide incremental advances to the practice of Islamic finance. As such, much of the industry’s development in a country relies on a cadre of trained professionals who have a combined exposure to finance / banking and a structured study of Islamic finance inclusive of its core principles.

We assess the knowledge development of the Islamic financial services industry by reviewing the number of training courses and degree programmes available in each country along with the amount of research produced by each country relating to Islamic economics and finance.

4.2.2 DATA SPECIFICATION

4.2.2.1 Sub Indicator: Education

Education as a sub-indicator measures the number of institutions providing formal teaching and training programmes for Islamic finance. This index is vital to the industry as it reflects the extent and depth of the qualified pool of human capital working in the industry.

- **Metric: Number of universities, school and educational institutions with course(s) on Islamic finance**
  
  This metric includes the sum of universities, schools, and educational institutions with course(s) on Islamic finance per country through reviewing the courses in any institution tagged as an education provider for Islamic finance in each country.

  - **Notes**
    - Islamic finance courses that include both educational courses, training/practical courses and professional certificates
    - Educational courses refer to academic degrees (Diploma, Bachelor, Masters, PhD)
    - The course has to be fully dedicated to Islamic finance topics and not account for only part of the course objectives
    - Some other facility types are also included (banks, companies, organizations, and financial institutions)
    - Some universities provide Islamic finance courses included as modules under an academic programme; these courses are disclosed in the IF Courses sheet with the programme title
    - Online education providers are included as well and are classified under the country where the main office is headquartered
    - All education providers that offer Islamic finance degrees are also counted as course providers
    - All information is based on information available online

  - **Data Requirements**
    - **Metric: Number of universities that offer a degree(s) in Islamic finance**
      
      This metric includes the sum of universities and colleges that offer a degree on Islamic finance per country through reviewing the degree in any university tagged as an education provider for Islamic finance.

      - **Notes**
        - Educational degrees include academic qualifications Diploma, Bachelor, Masters, PhD
        - The degree has to be fully dedicated to Islamic finance topics and not account for only part of the degree objectives or requirements
• Some other facility types may be included (banks, companies, organizations, and financial institutions)
• Online education providers are included as well and are classified under the country where the main office is headquartered.
• All information is based on information available online

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of universities that offer a degree(s) in Islamic finance</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.2.2.2 Sub Indicator: Research

Research is defined as the study and the systematic investigation into resources and materials in order to reach new conclusions. Like any other industry, Islamic finance needs research and peer-reviewed journals in order to discover and develop solutions to problems, create new products and services, and bring knowledge and depth to the business. Research from the last three years is considered as countries need to produce regular/ongoing research to benefit from development for this criteria.

Metric: Number of peer-reviewed journal articles on Islamic finance for the last three years

Peer-reviewed journal articles primarily appear in academic, scientific or other scholarly publications and are assessed by an impartial panel of two or more experts in the field. The focus is generally to assure that an article is literally accurate, provides new information in a specified field and meets the proofreading and editorial guidelines of the publication. This metric includes the sum of Islamic finance peer-reviewed journal articles per country segregated based on the published article/author location.

Notes
• Any article about Islamic finance within a journal that has an editorial board
• Peer-reviewed collection is limited to articles produced in the last three years
• The country classification will be according to the author’s institution, where they wrote and issued the journal article.
• If there are several authors with different institutions from the same country, the article classification will based on the lead/first author affiliation’s location only
• All information is based on information available online
• All information is limited to English coverage

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Peer-Reviewed Journal Articles</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

Metric: Number of research papers on Islamic finance for the last three years

Research papers base systematic investigation and study materials and sources including research development, testing and evaluation, to develop facts and reach new conclusions. Islamic finance is still in the growing phase of its life cycle and faces many challenges to its expansion which creates the need for extensive studies and research in order to reach innovative solutions. This metric includes the sum of Islamic finance research papers per country segregated based on the published article/author location.
Notes

- Islamic finance reports, books and book reviews are not included in the universe
- Research papers collection is limited to papers produced in the last three years
- The country classification will be according to the author’s institution, where they wrote and issued the journal article.
- If there are several authors with different institutions from the same country, the article classification will be based on the lead/first author affiliation's location only
- All information is based on information available online
- All information is limited to English coverage
- For model purposes, research published include both peer-reviewed and research papers

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Research Papers produced</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.3 GOVERNANCE INDICATOR

4.3.1 BACKGROUND

The Governance indicator is a weighted index of the sharia ecosystem of a country. It is measured by assessing three factors: Regulations, Corporate Governance and Sharia Governance.

Rationale

The health of the Islamic finance industry is directly aligned to the development of the infrastructure that supports its growth. Without enabling regulations, effective corporate and sharia governance, and appropriate risk management oversight, the Islamic finance industry may grow but not at the levels of growth were it to have the appropriate controls in place. Without these necessary governance mechanisms, the industry in any particular country may suffer loss in investor and consumer confidence, appropriation of funds or worse, a collapse of financial institutions. Furthermore, as stated by AAOIFI: “The financial services industry (whether conventional or Islamic) is one in which ‘trust’ is vital... Sound governance practices serve to enhance public confidence”.

Islamic finance principles emphasise the need for strong governance and regulations; these are essential in Islamic finance as they provide legitimacy to the practices of Islamic financial institutions and inform and facilitate their decision-making processes. The Governance indicator provides a degree of assurance with regard to the development of a sound Islamic finance industry. The indicator measures several simple and effective proxies to assess the development of governance of Islamic financial institutions in a particular country based on a combination of AAOIFI and IFSB standards.

4.3.2 DATA SPECIFICATION

4.3.2.1 Sub Indicator: Regulations

Regulation of the financial services industry is intended to protect the country from systemic risk associated with monetary flows and also to protect consumers in an environment of high information asymmetry and unequal bargaining power between financial institutions and consumers.

In the context of the development and health of the Islamic financial services industry, regulation takes on greater significance. In most jurisdictions, Islamic banks and financial institutions are handicapped by regulations that do not cater to their modus operandi and are primarily built for conventional banks offering...
interest-based loans and financial services. The products offered by Islamic financial institutions have specificities that require a customised approach to regulation to ensure that Islamic financial institutions have a level playing field with conventional financial institutions. This component of the indicator assumes that most countries have regulations covering their financial services sector and will therefore focus on whether or not the country has implemented regulations covering their Islamic financial services sector, including regulations for banks, takaful companies, other Islamic financial institutions, sukuk and funds. To avoid subjectivity, the component does not distinguish between the quality of regulations. Rather, it seeks to ascertain whether regulations exist for each particular sector through dedicated regulations or provisions/amendments in the conventional law itself. Countries that make amendments to only allow Islamic finance practices are not considered.

- **Metric: Islamic banking regulations**
  Islamic banking regulations are provided to regulate Islamic banks differently from conventional operators. Regulations will provide guidance for the day-to-day operations and policies, and impose a significant corporate governance requirement to insure compliance with the sharia.

- **Metric: Specific accounting/reporting regulations for Islamic finance**
  These are the regulatory requirements and guidelines, specifically related to financial reporting requirements for Islamic finance operators (banks, takaful, retakaful and other financial institutions) to ensure the transparency and adequacy of disclosures.

- **Metric: Specific sharia governance regulations for Islamic finance**
  These regulations are applied to enhance operational efficiency and ensure alignment to sharia principles. Sharia governance regulations promote the harmonisation of sharia interpretation to provide assurance on sharia compliance and confidence in Islamic financial institutions.

- **Metric: Takaful regulation**
  Takaful regulations are established to rule the Islamic insurer differently from conventional operators. Regulations will provide guidance for the day-to-day operations and policies, and impose a significant corporate governance requirement to ensure compliance with sharia. If the takaful industry in a country is well regulated, it will effect more stability and enforcement within the industry.

- **Metric: Sukuk regulation**
  Sukuk regulations are established to rule the issuance of sukuk differently from conventional bonds. The regulations broadly cover eligibility and conditions for issuance of sukuk, disclosure and reporting requirements, and appointment of trustees and sharia advisors.

- **Metric: Islamic funds regulation**
  Islamic funds regulations are set for the establishment of Islamic funds by applying sharia rulings. The regulations broadly cover eligibility and conditions for establishing a fund, management and supervision, disclosure and reporting requirements, and appointment of trustees and sharia advisors.

- **Notes**
  - Regulation is applicable for the relevant fiscal year, and regulations set after the period under review will not be applicable
  - The regulations are sourced from the country’s central bank or other dedicated regulatory bodies for other asset classes such as insurance.

- **Data Requirements**
4.3.2.2 Sub Indicator: Sharia Governance

Sharia-compliance is a key determinant of choice (and for some consumers, the only determinant) of whether or not to engage the services of an Islamic financial institution. The sharia governance index will be measured by: total number of scholars in the country, number of scholars with more than 5 board memberships, and number of institutions with more than four sharia supervisory boards. It will give an overview on the effectiveness, responsibility and accountability of sharia board members.

- **Metric: Number of scholars with at least one board membership**
  This refers to the number of scholars with at least one board membership within the country. The value of this sub-index will be numeric and present the sum of all scholars.

- **Metric: Number of scholars with more than 5 board memberships (negative scoring)**
  This metric will show the sum of scholars with more than 5 board memberships, then broken down per country with negative correlation. We consider that a greater number of board appointments reduces a scholars’ governance oversight by a proportionate amount, and that it has the ability to influence the oversight performance of the sharia supervisory board, particularly if one or more scholars have several board appointments.

  We assume that scholar oversight is reduced with more than 5 board appointments on the basis that more than 5 board appointments consumes a disproportionate amount of time (less than 2 months on average in a year for each institution assuming 30 days of leave per year). Subsequent to that, we assume that every additional board membership represents a decline in oversight.

- **Metric: Number of institutions with more than 3 SSB members**
  This metric will show the sum of institutions with more than 3 SSB members within each country. AAOIFI maintains that each Islamic financial institution should have at least 3 members in their sharia supervisory board.

- **Metric: Centralized sharia committee**
This refers to whether a centralised sharia committee exists within a country. Development at the institutional level and regulatory support both play an important role in the sharia governance of each country. It is widely recognised that establishing a national level sharia committee or council can have a direct impact on the clarity and quality of sharia governance on a national basis and can ensure that similar sets of practices and processes are followed across institutions offering Islamic financial services. More importantly, it becomes easier to develop rules and procedures to review the conduct of IFIs with one set of interpretations and one body to adjudicate sharia-compliance.

Notes
- Collection is limited to annual and other reports produced for the relevant fiscal year which are available on institutions’ websites. If no information is in the report, the information on the website will be used
- Standalone Islamic institutions and Islamic windows will be considered
- The institutions universe includes both private and public institutions
- All information is based on information available online or within Refinitiv database

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of scholars with at least one board membership</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of scholars with more than 5 board memberships</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Number of institutions with more than 3 SSB members</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Centralized Shari Committee Presence</td>
<td>Country Level</td>
<td>0/1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.3.2.3 Sub Indicator: Corporate Governance

While some of the requirements relate to items that cannot be properly monitored from publicly available information, the principal requirements enunciated by both AAOIFI and IFSB (with the exception of sharia governance which is covered in a separate section) are as follows: the requirement of independent directors and chairman of the Board to avoid conflicts of interest, the establishment of independently chaired Audit and Governance committees to maintain financial reporting and governance oversight, and the requirement of independent chairman of risk management committee to avoid conflicts of interest.

In addition, we will also evaluate the financial statements of IFIs, using a scoring-based system, to evaluate if the disclosures are in line with corporate governance-leading practices. A list of items considered is provided on the following page.

- Metric: Independent chairperson of the Board
  The main role of the chair of the Board is to manage the Board of Directors of the Company and act as a direct liaison between the Board and the management of the Company. Here we will assess the separation between the role of the chair and the CEO as the chair should be independent from the management of the financial institution and free of any interest and any business or other relationship which could interfere with the chair’s independent judgment other than interests resulting from Company shareholdings and remuneration.
Metric: Non-executive chair risk management committee
To ensure independence and protection of the governance process, a non-executive director is preferred as chair of the Risk Management Committee. The chair should not be involved in the day-to-day running of the business but supervise executive activity and contribute to the development of strategy.

Metric: Non-executive chair of the audit committee
To ensure independence and accuracy of financial reporting, a non-executive director is preferred as chair of the Audit Committee.

Metric: Number of independent directors on the board
Similar to the chair’s independence, the board should consist of independent members from the management of the financial institution and free from any interest and any business or other relationship which could interfere with their independent judgment.

Notes
- Collection is limited to annual and other reports produced for the relevant fiscal year which are available on institutions' websites
- Standalone Islamic institutions and Islamic windows will be considered
- The institutions universe includes both private and public institutions
- All information is based on information available online or within Refinitiv database

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent chair of the Board</td>
<td>Institution and Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
<tr>
<td>Non-executive chair of the Audit Committee</td>
<td>Institution and Country Level</td>
<td>0/1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
<tr>
<td>Non-executive chair of the Risk Management Committee</td>
<td>Institution and Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
</tbody>
</table>

The above three metrics will be grouped for each company which will lead to a score out of 3 for each company then averaged by country

Metric: Disclosure index
Another component that falls under corporate governance is disclosure index which measures the level of transparency of the financial institution vis-à-vis reporting to the public. This component is represented by the sum of total disclosed items in the annual report as reported by each financial institution. This will be averaged at the country level calculation.

Data Requirement

Mandatory Disclosure
a. Auditor’s report
i. Existence of key financial statements consisting of the profit and loss account, the balance sheet and the statement of change in financial position.
ii. Notes to the Account
1. Balance Sheet Items:
   o Capital and its breakdown
   o Deposits and its breakdown
   o Other Liabilities and provisions breakdown
   o Cash and Balance breakdown
   o Balance with other banks breakdown
   o Investments and its breakdown
   o Financing and its breakdown
   o Fixed assets and their breakdown
   o Contingent liabilities & breakdown (off-balance sheet items)
2. Profit and Loss Account items:
   o Profit earned and its breakdown
   o Other income and its breakdown
   o Financing expenses (similar to interest expenses for IFIs) and its breakdown
   o Operating expenses and its breakdown
   o Directors’ fee and allowances
3. Capital adequacy reporting items:
   o Total Capital adequacy ratio
   o Tier1 capital
   o Tier2 capital
   o Risk-weighted Capital Assets

b. Director’s report
   o Narrative statement of company’s affairs
   o Amount of dividend proposed
   o Report on Corporate Governance
   o Composition of Board of Directors
   o Details of attendance of each director at BOD meetings
   o Number of BOD meetings held and dates
   o Classification of directors as executive or outsider
   o Information on management/executive committee of the board
   o Composition of Audit Committee
   o Number of meetings held and date
   o Classification of directors as executive or non-executive
   o Information on management/executive committee of the board
   o Composition of Audit Committee
   o Number of meetings held and date of Audit Committee
   o Information regarding remuneration committee
   o Information on remuneration of all the directors/MD
   o Disclosure of materially significant related party transactions
   o Disclosure of accounting treatment & policies
   o Disclosure of information on the quarterly result/press release to website
   o Disclosure of the listing information on stock exchanges
   o Disclosure of the market price data
   o Disclosure of the performance

c. Management discussions and analysis
   o Report on Management Discussion and Analysis (MDA)
   o Information regarding remuneration committee
   o Information on remuneration to all the directors/MD
   o Discussion of material development in HR including number of people employed
d. Sharia reporting
- Disclosure of the role of sharia advisors or board in supervising the bank’s activities
- Disclosure of policy of earnings or expenditures prohibited by sharia’a
- Disclosure of restricted assets or assets pledged as security

• Voluntary disclosure

a. Other details of Auditor’s report

Background about the bank/general corporate information:
- Basic organisation structure/chart/description of corporate structure
- Date of establishment
- Official address/registered address/address for correspondence
- Web address of the bank/email address
- Corporate information - Information about branches
- List of the shareholders who own 5% or more

Corporate Strategy & Governance:
- Management’s objectives and strategies/corporate vision/motto/statement of corporate goals or objectives
- Details about directors (other than name/title)/background of the directors/academic/professional/business experiences
- Number of shares held by directors
- List of senior managers (not on the board of directors)/senior management structure
- Background of senior managers
- Directors’ engagement/directorship of other companies

Financial performance:
- Financial ratios and statistics
- Comparative financial statement

b. Segmental reporting

c. Risk management reporting

General risk management:
- Discussion of overall risk management philosophy and policy
- Information on Risk management committee
- Information on assets-liability management committee

Credit risk exposure:
- Quantitative information on gross loan positions
- Disclosure of credit rating system/process
- Ageing schedule of past due loans and advances (NPA)
- Disclosure about risk management process (use of risk-mitigating tools such as collaterals, guarantees, netting agreement, managing concentrations)

Market risk exposure:
- General descriptions of market risk

Currency risk:
- Significant concentrations of foreign exchange exposure by currency
- Broken down by assets and liabilities
Liquidity risk exposure:
- Maturity information about deposits and other liabilities

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory/ Voluntary Disclosure</td>
<td>Sum of Institutional level and averaged on Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.4 CORPORATE SOCIAL RESPONSIBILITY INDICATOR

4.4.1 BACKGROUND

The Social Responsibility Indicator is a weighted index that measures Islamic banks’ duty to fulfill their accountability through two sub indicators: Corporate Social Responsibility (CSR) activities and distribution of funds through Zakat, Qard Hasan and Charity.

Rationale

Social Responsibility indicates banks’ compliance with their role in accordance with Islamic values and ethos that aim for fairness and equity. This indicator will distinguish IFIs from their counterparts and inform us of the extent of the Islamic finance industry’s contributions towards Islamic objectives. To this end, AAOIFI issued its Governance Standard for Islamic Financial Institutions No.7 outlining mandatory and recommended conducts to implement CSR.

4.4.2 DATA SPECIFICATION

Sub Indicator: CSR activities

Social Responsibility in Islam is compulsory when it comes to implementation of zakat. Other mandatory components will also be included as they will reveal the financial institution’s obligations towards other stakeholders.

Funds distributed to charity, Qard Hasan, and Awqaf are voluntary. Covering all these components will inform us of the extent of CSR.

These items will be included as a checklist that needs to be ticked off on an annual basis at the institutional level, then to be aggregated to a country level.

- Mandatory CSR Conduct of Islamic Financial Institutions

<table>
<thead>
<tr>
<th>Component</th>
<th>Requirements</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy for Screening</td>
<td>The availability of criteria for screening clients</td>
<td>Institution and Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
<tr>
<td>Clients</td>
<td>stipulating specific provisions for it which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>can be found in the annual report</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Policy for Dealing with Clients
The availability of provisions relating to avoidance of onerous terms on clients, dealing with late payments, dealing with insolvent clients, obligations and rights of both parties, terms and conditions under which credit is extended to clients etc. This can be found in annual reports.

**Institution and Country Level**: 0 / 1
**Data Type**: Discrete
**Period**: Annually

### Policy for Earning & Expenditure Prohibited by Sharia
The disclosure in the annual report of impermissible or haram transactions in form of aggregate descriptions, amounts and reason of undertaking such transactions.

**Institution and Country Level**: 0 / 1
**Data Type**: Discrete
**Period**: Annually

### Employee Welfare
The disclosure of stipulating provisions showing equal opportunities for all employees regardless of gender, race, religion etc., as well as expected behaviors from employees. This can be disclosed in form of quotas/ targets and achievements of the year in the annual report showing targeted and disadvantaged groups.

**Institution and Country Level**: 0 / 1
**Data Type**: Discrete
**Period**: Annually

### Zakat
The disclosure of zakat in financial statements in accordance with provisions of Financial Accounting Standard No. 1 General Presentation and Disclosure and Financial Accounting Standard No. 9 on zakat.

**Institution and Country Level**: 0 / 1
**Data Type**: Discrete
**Period**: Annually

### Voluntary CSR Conduct of Islamic financial institutions

<table>
<thead>
<tr>
<th>Component</th>
<th>Requirements</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy for Qard Hasan</td>
<td>The availability of formal scheme operated by the bank for related parties to place their funds in use for Qard Hasan and aggregate purposes for which such loans are made.</td>
<td>Institution and Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
<tr>
<td>Social, Development and Environment Based Investments</td>
<td>The availability of social impact investments showing targets for such investments that play a role in assisting poor, needy, heavily indebted individuals and families. Also assists in development of research and education and other targets stipulated by AAOIFI. It also measures the disclosure of investments that offer significant growth potential for a country, infrastructure of a country or SMEs as well as investments that aid in protecting the environment.</td>
<td>Institution and Country Level</td>
<td>0 / 1</td>
<td>Discrete</td>
<td>Annually</td>
</tr>
</tbody>
</table>
The availability of established code of conduct in dealing with customers and active measures taken to develop customer service skills. Also, surveys are available to provide customer service feedback.

Policy for SMEs and Social savings
The availability of encouragement of micro- and small business savings, as well as savings for marriages and community-based programmes through special features and terms for these types of investment depositors.

Policy for Charitable Activities
The availability of established charity fund along with target groups, communities and institutions and means by which charity is disbursed is shown.

Policy for Waqf Management
The availability of a Waqf management department based on sharia guidelines and rules along with fair rate structure is established by the bank.

Sub Indicator: Distribution of funds through Charity, Zakat and Qard Hasan
As well as the checklist for CSR activities, a continuous measure will assess the distribution of funds through Charity, Zakat and Qard Hasan on an annual basis.

Data Requirements

<table>
<thead>
<tr>
<th>Component</th>
<th>Requirements</th>
<th>Specification</th>
<th>Measuremen t</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat &amp; Charity</td>
<td>Sum of zakat and charity amount disbursed as provided in the annual reports.</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
<tr>
<td>Qard Al Hasan</td>
<td>Sum of Qard Al Hasan, if provided, in the annual report.</td>
<td>Institution and Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

4.5 AWARENESS INDICATOR

4.5.1 BACKGROUND

Market Awareness Indicator is a weighted index of Islamic finance market awareness per country. It is measured by assessing three components: conferences, seminars and news volume.

Rationale
A consistent concern raised by professionals in the Islamic financial services industry is that there is little awareness and understanding of Islamic financial services by the masses. Awareness by consumers can lead
to better quality of services as consumers vote with their feet if the services offered are not up to par. If consumers do not know about Islamic financial services, they cannot determine the quality of the services being offered, while the potential market base of customers interested about Islamic financial services will also be limited.

4.5.2 DATA SPECIFICATION

4.5.2.1 Sub Indicator: Seminars
A seminar is usually a small group meeting (less than 100) that gathers to debate and raise new issues. It gives the opportunity to explore a certain topic by discussions, develop a feedback-based plan, discuss roadblocks and sometimes even reach solutions.

Islamic finance needs seminars to discuss in depth major issues that prevent industry development in order to reach mutual recommendations and practical solutions. A greater number of seminars in a country reflects higher interest by market players to explore Islamic finance and interact with field experts.

- **Metric: Number of seminars on Islamic finance**

- **Notes**
  - Seminars are defined as gatherings of less than 100 Islamic finance professionals and/or other industry stakeholders
  - Major global/regional events are considered, plus local events within each country (information to be available online)
  - Seminars collection is based on primary research covered through online search, IFG briefings archive, global news providers and events' organisers websites.

- **Data Requirements**

<table>
<thead>
<tr>
<th>Component</th>
<th>Specification</th>
<th>Measurement</th>
<th>Data Type</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Seminars</td>
<td>Country Level</td>
<td>Number</td>
<td>Continuous</td>
<td>Annually</td>
</tr>
</tbody>
</table>

1.1.2.2 Sub Indicator: Conferences

A conference is a large gathering of individuals (more than 100) to discuss matters of common interest. Such gatherings give attendees the opportunity to network with major players in a certain field and they are essential in the development of any industry.

Islamic finance has developed rapidly during the last few years due to the discussions and issues raised during conferences. These conferences help market participants stay ahead of the curve and learn new practices. They are also fertile grounds for business networking.

- **Metric: Number of conferences on Islamic finance**

- **Notes**
  - Conferences are defined as gatherings of more than 100 Islamic finance professionals and/or other industry stakeholders
  - Major global/regional events are considered, plus local events within each country (information to be available online)
  - Conferences collection is based on primary research covered through online search, IFG briefings archive, global news providers and events' organisers websites.

- **Data Requirements**
1.1.2.2 Sub Indicator: News Volume

News is the communication through a broadcast or a published report/story of selected information on recent events to third party or mass audience.

This component covers the number of English-language news stories published per country covering all recent events on all topics related to Islamic finance, from sharia-compliant equity, sukuk, Islamic funds, sharia issues, Islamic banking products and services to innovation, education, regulation and legal matters.

News is the fundamental force behind market movement. Journalists and correspondents will usually cover stories that reflect the public interest and that will have a major impact on society. Therefore, a higher number of news coverage of Islamic finance reflects higher market interest in the industry. In contrast, deeper media coverage will also increase market awareness and knowledge of Islamic finance and will encourage research and innovation.

- **Metric: Number of news on Islamic finance**
  - **Notes**
    - Major global/regional news providers are considered, plus local providers within each country (that are available online)
    - Regional news are added to the total number of news for each country within the region (E.g. MENA, SEA, OIC, and Global)
    - Due to language limitations only English news are considered
  - **Data Requirements**