

FINANCE > FOOD > FASHION > TRAVEL > MEDIA AND RECREATION  
PHARMACEUTICALS > COSMETICS



2020/21

# State of the Global Islamic Economy Report

THRIVING IN UNCERTAINTY

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# Executive Summary



In a year that will go down in history, the COVID-19 pandemic set off an unprecedented chain reaction of global economic disruption. Businesses, investors, and governments across the global and Islamic economy found themselves embroiled in a financial crisis. Some used this disruption to pivot, while some businesses flourished. This eighth edition of the State of the Global Islamic Economy Report covers developments over this landmark year — pre- and post-COVID-19.

This year's report estimates that Muslims spent \$2.02 trillion in 2019 across the food, pharmaceutical, cosmetics, fashion, travel and media/recreation sectors, all of which are impacted by Islamic faith-inspired ethical consumption needs. This spending reflects a 3.2% year-on-year growth from 2018. In addition, Islamic finance assets were estimated to have reached \$2.88 trillion in 2019. **The pandemic is forecasted to result in an 8% decrease in global Muslim spending in 2020 for the Islamic economy sectors covered in this report. All of these sectors, except travel, are expected to return to pre-pandemic spend levels by the end of 2021. Muslim spend is forecasted to reach \$2.4 trillion by 2024 at a 5-year Cumulative Annual Growth Rate (CAGR) of 3.1%.**

Despite the havoc wreaked by COVID-19, the past year saw many notable developments in the Islamic economy — led by an acceleration in digital transformation, disruption in global supply chains, and increased government focus on food security-related investments. The global Islamic economy continues to be underpinned by eight **key drivers**, including a large and growing Muslim population, an increasing adherence to Islamic ethical values impacting consumption, and a growing number of national strategies dedicated to halal products and service development.

Countries continue to build more robust Islamic economy ecosystems. Malaysia currently leads the overall **Global Islamic Economy Indicator (GIEI)** rankings for the eighth consecutive year, while Saudi Arabia moved up to second place, followed by the UAE and Indonesia. New entrants to the top 15 include Nigeria (#13), Sri Lanka (#14), and Singapore (#15). Brunei, Sudan, and Bangladesh have fallen out of the top 15.

Several **national Islamic economy strategies** were launched last year, most notably Indonesia's mandatory halal law, which came into force for halal food products. Saudi Arabia also launched a **national regulation** system for halal products during the same month. Indonesia and the Philippines formed strategic partnerships to expand their halal trade, as did Japan and Malaysia. In the Islamic finance sector, Pakistan, Qatar, and Kuwait announced plans for new centralized regulations. Despite the hit to the tourism sector, Saudi Arabia remains invested in its Vision 2030 strategy and is planning to launch a \$4 billion tourism fund focused on travel technology and supporting mixed-use destinations.

COVID-19 related disruptions have forced the heavily import-dependent 57 member Organization of Islamic Cooperation (OIC) countries to prioritize **food security**, with both the UAE and Saudi Arabia launching extensive programs to strengthen **self-sufficiency**. Saudi Arabia and Indonesia are also pushing for the local manufacturing of pharmaceuticals. The Global Report on Food Crises has estimated that COVID-19 will result in a doubling of the current level of food insecurity, with 265 million people on the brink of starvation globally, many of whom are from OIC countries. The Islamic Development Bank (IsDB) responded by launching a \$2.3 billion financial aid package to support 27 member countries in containing COVID-19.

The **Social Impact** section introduced last year continues to recognize businesses and organizations that are taking steps towards the United Nations (UN) Sustainable Development Goals (SDGs) for 2030. A year closer to the 2030 deadline, the industry has made some progress — for example, BIMB Investment Management Berhad, a wholly-owned subsidiary of Bank Islam Malaysia Berhad, launched its first Robo-Intelligence Sustainable Shariah-ESG investing online platform — but there is still a long way to go.

**Investments** in the Islamic Economy fell drastically as COVID-19 spread across the world. This year's report expanded its investment analysis lens to track merger/acquisitions (M&A), private equity, and venture capital transactions across the broader Islamic Economy markets. Investments in Islamic economy-relevant sectors across OIC and select non-OIC markets fell by 13% to \$11.8 billion in 2019/20 from \$13.6 billion in 2018/19. Indonesia, Malaysia, and the UAE saw the highest number of investments, with Indonesia bagging 25% of all deals recorded. In terms of sectors, halal food and Islamic finance comprised 52% and 42% of the total deal value, respectively.

Digitalization is rapidly transforming the **halal food** sector, a trend accelerated by the spread of COVID-19. E-commerce and online grocery/delivery became critical as people had to stay at home due to social distancing restrictions. The halal food industry moved a step closer towards the standardization of halal regulation, with the Standards and Metrology Institute for Islamic Countries (SMIIC) publishing key halal standards. In the wider ecosystem, Malaysian Islamic banks CIMB and Standard Chartered Saadiq have launched initiatives to help the country's halal food small and medium enterprises (SMEs) grow, a much-needed move across the Islamic Economy. Muslim spend on food increased by 3.1% in 2019 from \$1.13 trillion to \$1.17 trillion, and is expected to drop slightly in 2020, before growing to reach \$1.38 trillion in 2024 at a 5-year CAGR of 3.5%.

This past year, the **Islamic finance** sector saw an enhancement of regulations to drive trust and growth in the sector. The UAE launched a new initiative to create a unified global legal and regulatory Islamic finance framework. Indonesia, Qatar, and Kuwait also announced new centralized regulations. The Islamic finance sector saw heavy M&A activity in both the banking and takaful sectors, and consolidation is expected to continue amid the prevailing weak economic conditions. COVID-19 also led to accelerated fintech adoption in the form of robo-advisory, digital banks, and online and app-based investment platforms, further leading to the launch of fintech-focused investment funds such as MEC Ventures. Islamic finance assets were valued at \$2.88 trillion in 2019, and are expected to remain the same in 2020 and grow at CAGR of 5% between 2019 to 2024 to reach \$3.69 trillion.

COVID-19 crippled the **travel and tourism** industry in completely unforeseen ways — global events including the Tokyo Olympics were postponed, airlines went bankrupt, and the hospitality sector crashed. Most importantly, the mainstays of the Muslim travel business, the hajj and umrah, were cancelled or curtailed, further compounding losses. Despite the grim environment, investors are still looking at long-term growth, especially in the travel technology area. Indonesia's Traveloka raised \$250 million in July 2020 while Indonesian travel company Pigijo raised \$861,000 in its IPO. Muslim spend on travel increased by 2.7% in 2019 to \$194 billion and is expected to fall to \$58 billion in 2020, before recovering to pre-pandemic levels by 2023 growing at a 5-year CAGR of 1.4% between 2019 to 2024.

**Modest fashion** continued to appeal to mainstream players over the past year, including Banana Republic and Disney, the latter collaborating with Malaysian hijab brand dUck on their Frozen 2 collection. Modest sportswear, especially swimwear, grew in popularity as new niche players emerged in the segment. Dutch sports hijab pioneer, Capsters BV, was acquired by Malaysia's Innovatia and new menswear lines were also launched. The arrival of the pandemic, however, was a huge setback to the industry. Many small businesses were forced to close, some permanently, such as The Modist. E-commerce capabilities, including social commerce, became essential to business owners. The industry is expected to recover slowly, but without a strong ecosystem and sustainable financing, businesses will not be able to scale. Muslim spend on apparel was valued at \$277 billion in 2019, is expected to drop by 2.9% to \$268 billion in 2020. Muslim spend on apparel will grow at a 5-year CAGR of 2.4% from 2019 to 2024 to reach \$311 billion in 2024.

The halal **pharmaceuticals** market is poised for growth, especially in the preventive care segment, as COVID-19 has led to a renewed focus on improving health and immunity. Companies have been collaborating with governments and each other to launch new halal-certified drugs and medical devices. The pandemic also gave a boost to the telemedicine sector, with companies like Egyptian healthcare app, Vezeeta, raising \$40 million in funding. Muslim spend on pharmaceuticals was valued at \$94 billion in 2019, and is expected to drop to \$87 billion in 2020, growing at a CAGR of 2.3% between 2019 and 2024 to \$105 billion.

In the **halal cosmetics** industry, more companies, such as Cosmecca Korea and Brazil's Biozer, sought halal certification to export to Muslim markets, especially Indonesia, where halal certification for cosmetics is being phased in. The country's new cosmetics e-commerce platform, Sociolla, raised \$40 million in its latest venture capital funding round. The sector is growing into its own with leading international B2B exhibitions featuring halal cosmetics for the first time. In other notable developments, luxury halal cosmetics products from UK brand Baroque & Rose featured in gift bags handed out at the 2020 Golden Globes' awards, while multinational Nivea launched halal-certified creams and sprays during Ramadan in Indonesia. As in other sectors, COVID-19 caused sales to plunge, forcing companies to adopt digital marketing and e-commerce channels as strategic sales and marketing channels. Muslim spend on cosmetics increased by 3.4% in 2019 to \$66 billion, and is forecasted to drop by 2.5% in 2020. Muslim cosmetics spend will grow at a 5-year CAGR of 2.9% to reach \$76 billion by 2024.

COVID-19 had a relatively positive impact on the **media** sector. While the cancellation of live events and production hit the industry hard, online media consumption surged. Ramadan, arguably the most important month for media companies in Muslim consumer markets, saw record viewership as Muslims spent the holy month in lockdown. The month also saw Turkish series *Dirilis: Ertugrul* drawing hundreds of millions of viewers from around the world, including in South Asia where the series was dubbed in Urdu. Malaysia launched Nurflix, a Muslim-themed streaming platform, while Saudi Arabia continues to invest in its media sector with the Ministry of Culture creating dedicated cultural councils to oversee the country's film, art, and architecture scene. Muslim spend on media and recreation was estimated at \$222 billion in 2019, and is expected to drop to \$214 billion in 2020 before returning to 2019 levels in 2021. Muslim media spend will grow at a 5-year CAGR of 3.9% between 2019 to 2024 to reach \$270 billion in 2024.

While losses mount and uncertainty looms over the future, opportunities in the Islamic economy are a silver lining in a world that is being dramatically reshaped by COVID-19. The Islamic economy has continued to address the other pressing global challenges of socio-economic inequity and climate change, which are only being exacerbated by the pandemic. By shining a light on the continuing developments in the Islamic economy and signals of opportunity, we hope this report will help governments, businesses, and investors not just survive, but thrive in the days to come.

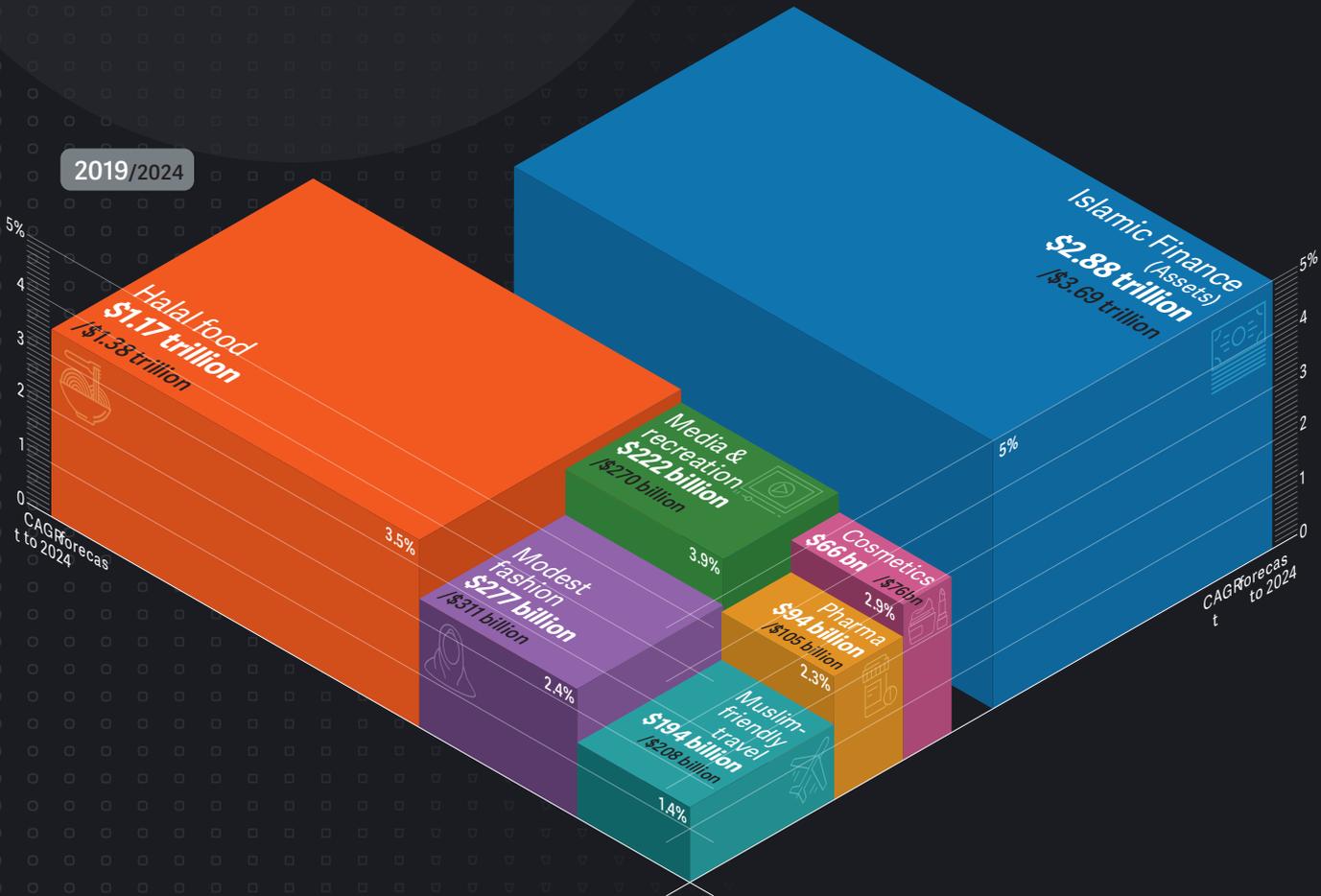
# The Global Islamic Economy



Represented by **\$2.02 trillion** of consumer spending by **1.9 billion** Muslims across six real-economy sectors (2019 est.)



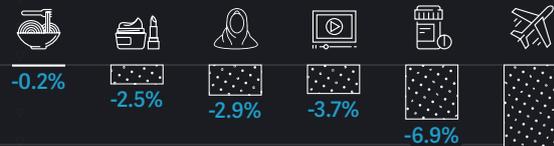
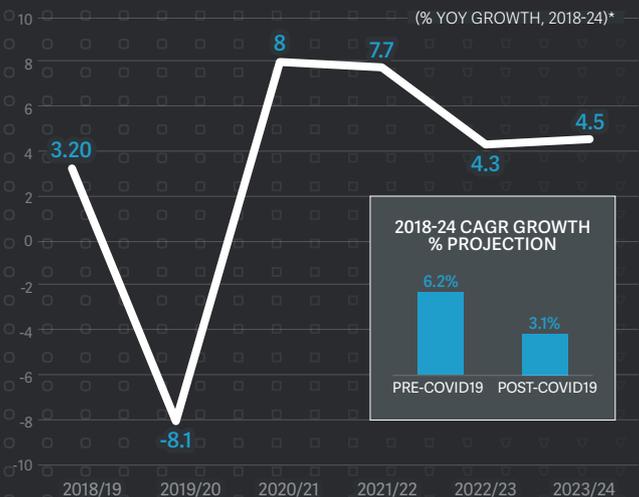
**\$2.88 trillion** of Islamic finance assets (2019 est.)



## COVID-19 Impact Projections

Projected 5-year CAGR of 3.1% (2019-2024) to reach \$2.4 trillion by 2024

## Global Muslim spend on halal products & lifestyle sectors



## Worst hit sectors by COVID-19

Travel worst hit, while Food fares the best

(2019-20 EST. GROWTH)



# Introducing the Islamic Economy and Drivers of Opportunity

## The Islamic Economy

The Islamic economy is anchored in Muslims’ worldview of their faith — its principles and values adopted as a “way of life”. These habits and customs, that have now found a broader, universal appeal, guide consumption behavior and business practices.

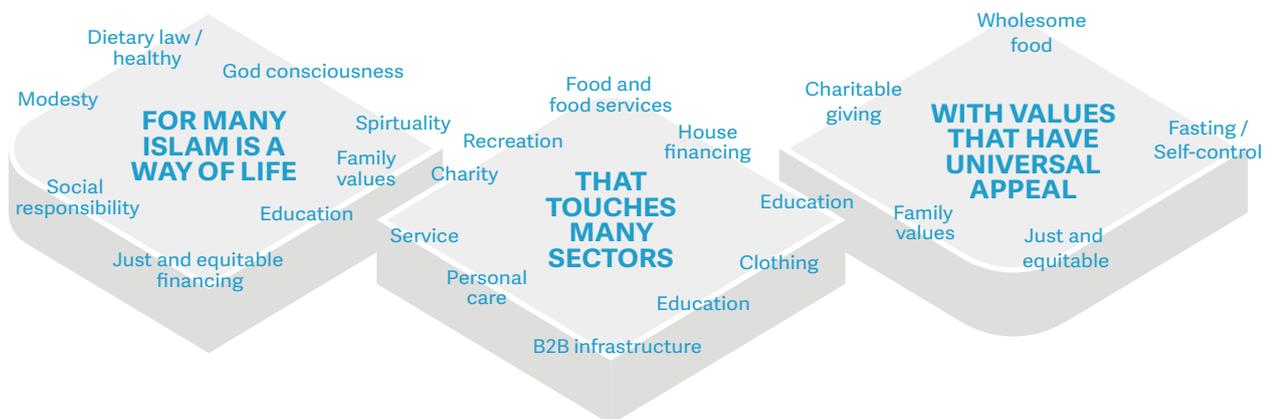
### Definition

Since its launch in 2013, this annual report series has defined the “Islamic economy” as “sectors comprising core products/services that are structurally affected by Islamic ethics and law.” Islamic law, underlying the notion of “halal” or permissible, directly impacts the core products and services offered in a number of economic sectors, including food, finance, clothing, tourism, media and recreation, pharmaceuticals, and cosmetics. While other sectors such as education and philanthropy are impacted by Islam’s values and principles, these are not in the scope of this report.<sup>1</sup>

In this chapter, we present the principles underlying Islamic laws pertinent to these sectors and the key drivers shaping the global Islamic economy’s growth.

It is vital to recognize that there are variations in the adherence and practice of Islam among Muslims. Nevertheless, the fact that many Muslims identify Islam as being important in their lives has driven a multi-trillion-dollar market opportunity across the core sectors of the Islamic economy.<sup>2</sup>

The principles shaping the core sectors of the Islamic economy are derived from the Quran (the Muslim holy book believed to be the word of God), and the Sunnah (the sayings and the way of life of the Prophet Muhammad (pbuh)). The following section sheds light on the impact of Islamic law and ethics on the core sectors of the Islamic economy.



1. DinarStandard. *State of the Global Islamic Economy Report 2019/20*. Dubai: SalaamGateway, 2019.

2. Ibid



## Halal Food, Pharmaceuticals and Cosmetics

Islamic law is clear about what food items are forbidden, such as swine and intoxicants, and what is “halal” or permissible. The rules related to food are also relevant to pharmaceuticals and cosmetics using halal ingredients, especially in the case of ingested products. Most Muslim majority countries have laws in place that specify which ingredients are considered halal, and may require certain locally produced or imported products to be halal certified.



## Islamic Finance

Several guidelines are provided in the Quran and hadith to ensure just and fair business transactions, including the prohibition of usury (riba). Key injunctions relating to business transactions include halal (permissible) fund usage/investments and the responsibilities of transacting parties.



## Modest Fashion

With respect to clothing and fashion, both the Quran and hadith place an emphasis on preserving modesty. This is reflected in the many common elements of Muslim dress even with the diverse interpretations of ‘modesty’ among Muslims across the world.



## Islamic Media & Travel

Another essential value imparted in both the Quran and hadith is spending time constructively and positively while avoiding unlawful activities such as gambling and drinking alcohol. These values affect Muslims’ choice of entertainment and recreation as well as tourism activities.



Many Islamic values, from those focusing on just and equitable business practices to those encouraging charitable endeavors and social responsibility resonate with the ethical and moral values shared by people around the world, transcending religious and cultural boundaries. Several mainstream banks have adopted Islamic financial services and instruments in non-majority Muslim markets and have managed to attract non-Muslim clientele. Tourist establishments that have applied halal tourism guidelines, have managed to attract non-Muslim travelers seeking a family-friendly environment.

DEMAND-SIDE DRIVERS

SUPPLY-SIDE DRIVERS

# Islamic Economy Drivers



large, fast-growing, and young muslim population



Islamic values driving lifestyle practices



digital connectivity



growth of ethical consumption



government regulations



intra-OIC trade growth



participation of global top brands



national Islamic economy strategies

# Demand-Side Drivers

## A Large, Fast-Growing, and Young Muslim Population

The Muslim demographic is one of the strongest demand-side drivers for the Islamic economy's growth. According to the Pew Research Center's Forum on Religion and Public Life, the global Muslim population which reached 1.9 billion in 2019,<sup>3</sup> is expected to grow twice as fast as the overall world population, reaching 3 billion by 2060 (a 70% increase from 2015) and will represent 31.1% of the global population.<sup>4</sup> The Pew Research Center estimates that the Muslim population will also remain predominantly young in 2050, with 60% aged 15-59 and 24% under 15 years of age.<sup>5</sup> To put this in perspective, only 16% of the Muslim population will be 60-plus in 2050 while the same age group in Europe will represent more than 28% of the region's population.<sup>6</sup>

## Islamic Values Driving Lifestyle Practices

Globally, Muslim consumers are increasingly pushing for halal products and services, with a 2018 Pew Research Center finding that Muslims widely rate religion as being 'very important' in their lives while only 54 percent of the general population shares the same opinion. These sentiments were most strongly felt in Muslim-majority countries in the Asia-Pacific region such as Pakistan, Indonesia and Afghanistan, with more than 90 percent of the population rating religion as being 'very important'. In Middle Eastern and North African countries, 70 percent of the population accorded religion the same importance.<sup>7</sup>

## Digital Connectivity

With social distancing measures being applied across the world, digital connectivity is playing an important role in enabling cross-border e-commerce/m-commerce. With 15 of the top 50 countries ranked according to smartphone penetration being OIC countries,<sup>8</sup> the demand for practical, digital Islamic economy solutions is gaining momentum, covering various sectors from Islamic finance and halal food to Islamic lifestyle products and services. According to World Bank data, 65% of the population in the Middle East and North Africa had access to the internet in 2018, compared to 49%<sup>9</sup> of the global population.<sup>10</sup>

## Growth of Ethical Consumption

Many of the values underpinning the Islamic economy sectors are universal and appeal to ethical consumers. A global study by Nielsen indicated that 66% of consumers are willing to pay more for ethical/sustainable products. Younger consumers were even more committed, with 73% of millennials willing to pay more.<sup>11</sup> With the rise of ethical consumerism, many halal brands have attracted both Muslim and non-Muslim consumers, from halal organic brands such as Saffron Road to ethical micro-finance platforms such as Ethis Crowd and Blossom Finance.<sup>12</sup>

# Supply-Side Drivers

## Government Regulations

There is increasing government involvement in regulating and certifying halal products in Muslim-majority countries. In many Islamic countries, designated national bodies, such as the UAE's ESMA, Saudi Arabia's SFDA, and Malaysia's JAKIM, monitor and provide accreditation to halal certification bodies. Government involvement has raised awareness of specific halal product requirements and has led to increased compliance, leading to the growth of various sectors of the Islamic economy.

## Intra-OIC Trade Growth

Intra-OIC trade is continuously growing, facilitating the development of Islamic economy sectors. In 2018, 31 OIC members reached the intra-OIC 25% trade target set in the "OIC-2025: Programme of Action." The share of intra-OIC trade in the overall foreign trade of OIC member states increased by 7% in 2018, reaching \$381.4 billion.<sup>13</sup> Islamic financing across OIC countries is also playing a decisive role.

## Participation of Global Top Brands

The Islamic economy space has attracted the attention of top global brands creating innovative products and services across sectors. From Deutsche Bank, HSBC, Citi, and MasterCard offering Islamic finance products to Nestle, Carrefour, Walmart, and Whole Foods providing halal retail products, the involvement of top global brands in the Islamic economy space underlines and focuses attention on the importance of the Islamic economy space to global multinationals.

## National Islamic Economy Strategies

Searching for new economic growth areas, many countries, both Muslim-majority and otherwise, are now seriously focusing on the Islamic economy for economic diversification. For many of the oil-producing Muslim-majority countries, March 2020 marked the steepest one-month drop in oil prices on record, while the pandemic caused a further collapse in demand (estimated to decline by 9% in 2020).<sup>14</sup> As a result, countries such as Saudi Arabia, the UAE, Nigeria, Kazakhstan, Indonesia, and Malaysia have increased their focus on the Islamic economy.

3. Jeff Diamant. *The countries with the 10 largest Christian populations and the 10 largest Muslim populations*. Pew Research Center. April 1, 2019.

4. Michael Lipka and Conrad Hackett. *Why Muslims are the world's fastest-growing religious group*. Pew Research Center. April 6, 2017.

5. *The Future of World Religions: Population Growth Projections, 2010-2050*. Pew Research Center. April 2, 2015.

6. Department of Economic and Social Affairs - Population Division. *World Population Ageing 2015 (ST/ESA/SER/A/390)*. New York: United Nations, 2015.

7. *The Age Gap in Religion Around the World*. Pew Research Center. June 13, 2018.

8. *Global Mobile Market Report*. NewZoo. 2020.

9. World population figure is for 2017.

10. *Individuals using the Internet (% of population)*. The World Bank. Accessed October 21, 2020.

11. Nielsen. *The Sustainability Imperative*. The Nielsen Company, 2015.

12. DinarStandard. *State of the Global Islamic Economy Report 2018/19*. Dubai: SalaamGateway, 2018.

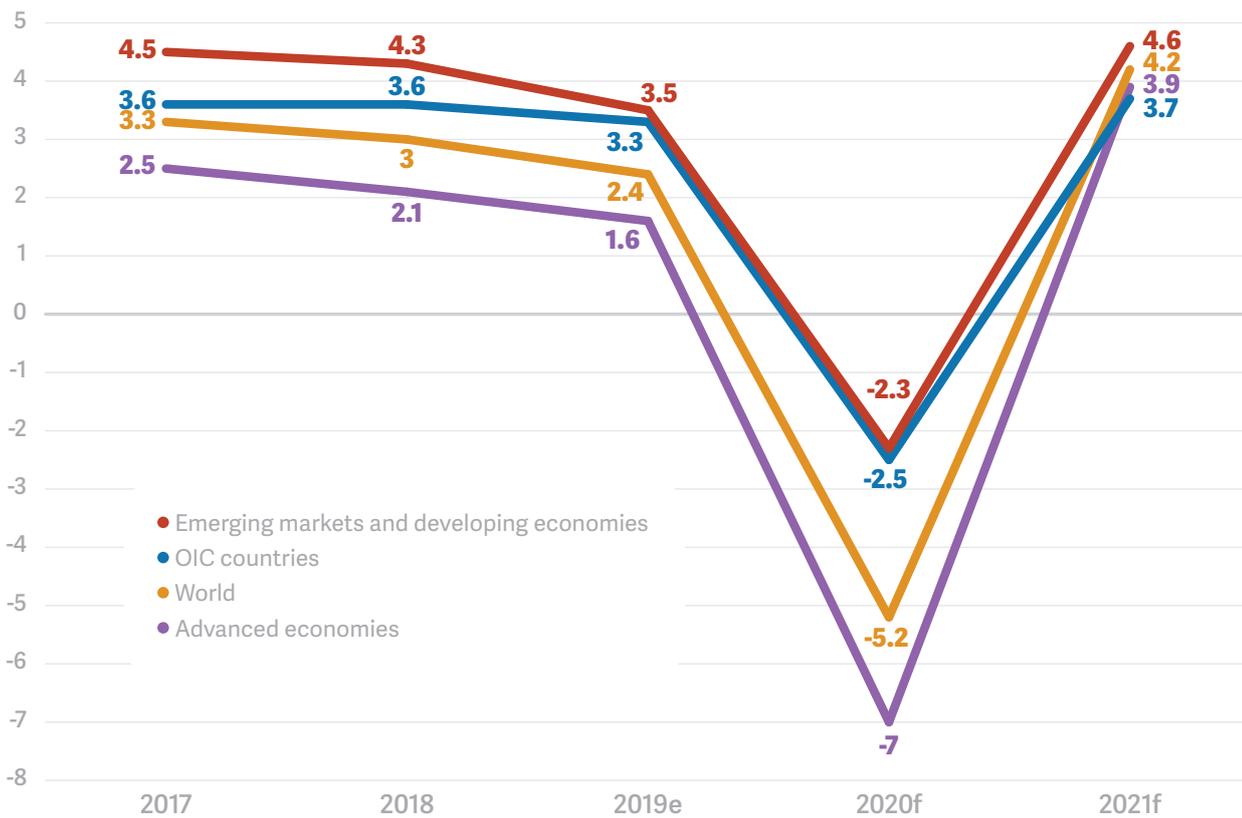
13. *Report of the OIC General Secretariat*. Istanbul: 35th Ministerial Session of the COMCEC. November 25-28, 2019.

14. World Bank. *Global Economic Prospects*. June 2020.

# COVID-19: Impact on the Islamic Economy

## COVID-19's Global Impact on GDP and Employment

**Real GDP annual growth estimates and forecasts (% CHANGE)**



### JOB LOSSES



**400 million**

Full-time jobs lost

*Working hours equivalent Q2 2020, ILO*

### RISING POVERTY LEVELS



**Poverty levels regress 30 years**

Jeopardizing the UN's SDG of ending poverty by 2030

### ECONOMIC STIMULUS



**\$11 trillion**

Government-introduced financial measures through June 2020, IMF



## The global economy is forecast to shrink by 5.2% in 2020, making this the steepest global recession since World War II

According to the World Bank's baseline forecast, the global economy is forecasted to shrink by 5.2% in 2020, the steepest global recession since WWII, and nearly triple the depth of the 2009 global recession. Most economies are forecasted to experience recessions in 2020, with advanced economies expected to shrink by 7%, the emerging markets and developing economies by 2.5%, and OIC countries<sup>15</sup> by 2.3%. This forecast is based on the assumption of the pandemic receding, leading to the lifting of domestic mitigation measures and the easing of negative global spillovers during the second half of the year.<sup>16</sup>

In many ways, the economic recession induced by COVID-19 is considered unique. In addition to being the first recession within the last 150 years to be triggered entirely by a pandemic, it is also the first time in the previous six decades that emerging markets and developing economies experienced an output contraction. This recession has also triggered the fastest and steepest global growth forecast downgrades than any recession on record.<sup>17</sup>

## The resulting recession may cause a reversal in poverty levels, bringing them to levels last recorded 30 years ago

The consumption contraction resulting from the chain reaction caused by COVID-19 poses a global threat to the UN's SDG of ending poverty by 2030. Extreme scenarios (20% contraction in consumption) predict that some regions will experience a severe reversal in poverty levels, bringing them to levels last recorded 30 years ago and erasing a decade of progress in the fight against poverty. For the MENA region, even less extreme scenarios (10% contraction in consumption) would intensify the growing trend in poverty—detected first in 2013—to reach levels similar to 1990 for two poverty lines (\$1.9/day and \$3.2/day poverty lines).<sup>19</sup>

## Working hours equivalent to 155 million full-time jobs have been lost due to job losses and restrictions on working hours globally, with women workers being disproportionately affected

According to the UN's International Labour Organisation (ILO), global working hour losses during the first quarter of 2020 reached 5.4% (equivalent to 155 million full-time jobs), with estimates for the second quarter of 2020 reaching 14% (equivalent to 400 million full-time jobs) compared to the fourth quarter of 2019. While the decline in some countries is due to shorter working hours, in other countries, loss of employment is the leading cause. While upper-middle-income countries were the hardest hit (9.3% decline) in the first quarter of 2020, the lower-middle-income countries became the hardest hit by the second quarter (16.1% decline).<sup>18</sup>

Women workers have been disproportionately affected, as a higher percentage of women work in the hard-hit service sector as well as certain labor-intensive segments of manufacturing, which are suffering from supply chain disruptions and lower consumer demand.

## Governments have introduced financial measures equivalent to \$11 trillion in the form of capital injections, loans and guarantees, and budget increases

To protect people and businesses from the economic fallout of COVID-19, more than two-thirds of governments worldwide rolled out fiscal measures that the IMF estimates to have reached \$11 trillion in June 2020. Half of these measures consist of liquidity support in the form of capital injections, loans, and guarantees, while the other half consists of higher fiscal spending allowances and tax relief packages.

15. Data is for 51 OIC countries. Data for Guyana was excluded as estimate GDP change in 2020 was estimated at 51.1% which would distort average.

16. World Bank. *Global Economic Prospects*. June 2020.

17. Ibid

18. ILO. *ILO Monitor: COVID-19 and the world of work 5th edition*. June 30, 2020.

19. Sumner, Andy, Chris Hoy, and Eduardo Ortiz-Juarez. *Estimates of The Impact Of COVID-19 On Global Poverty, WIDER Working Paper 2020/43*. Helsinki: UNU-WIDER, 2020.

# The New Normal

## COVID-19-related restrictions have driven a change in consumer behavior while accelerating digital transformation across sectors

COVID-19 has fast-tracked digital transformation across most sectors of the economy. With social distancing measures in place, consumer behavior is changing, with many converting to online grocery shopping, banking, education, and entertainment. Businesses have had to adapt and are increasingly relying on digital technology to allow consumers to shop online as well as allow employees to work remotely.<sup>20</sup>

## The drive to automate is expected to structurally impact the labor market and employment

While the use of automation and artificial intelligence (AI) applications have been increasing over the last decade, COVID-19 has highlighted the need for automation in many areas to comply with social distancing measures. The increased use of automation and AI will likely significantly impact the labor market, leading to structural change and demand for new skills.<sup>21</sup> Examples include meat processors such as Tyson Foods using robot butchers for slaughtering,<sup>22</sup> and US airline Delta using robotic process automation (RPA) to deal with cancellation requests due to the crisis.<sup>23</sup>

## Effects of COVID-19 on Islamic Economy Sectors

The COVID-19 pandemic is forecasted to result in an 8% decrease in Muslim spend between 2019 and 2020 in the Islamic economy sectors covered in this report. While Muslim spend on the travel sector is estimated to be severely impacted — it is expected to fall from \$194 billion in 2019 to \$58 billion in 2020 — Muslim spend on other sectors, such as food, apparel, media, and recreation are expected to drop slightly, as highlighted in each relevant chapter.

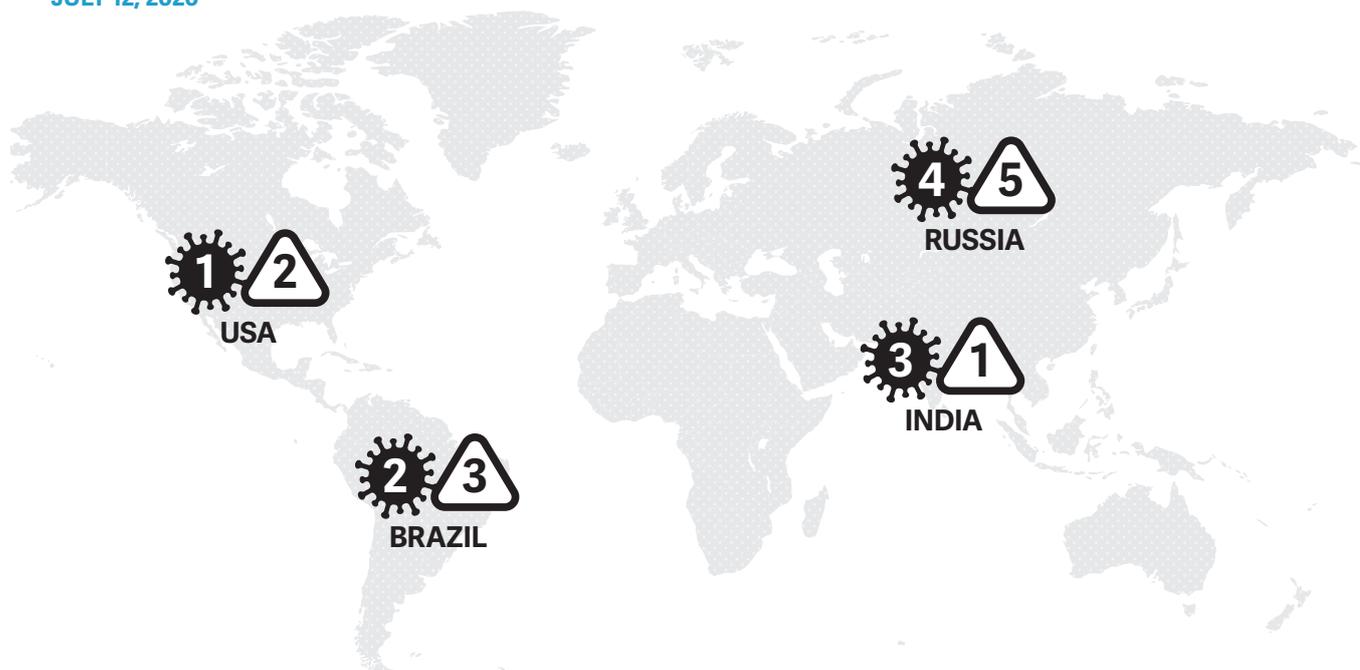
Some of the top exporting countries in the world have been severely affected by COVID-19. Manufacturing, production, and logistics have been disrupted, affecting the global supply chain.

This has caused major supply chain disruptions in various Islamic economy sectors, prompting calls for local manufacturing in critical sectors such as food and pharma.

## Specific to the Islamic economy sectors, the top four countries hit by COVID-19 are among the top five global halal product exporters

JULY 12, 2020

-  global ranking in COVID-19 confirmed cases
-  global halal product exporter rank



20. Konzept (18): Life after COVID-19. Deutsche Bank. May 13, 2020.

21. Mark Muro. Will the covid-19 pandemic accelerate automation? The Economist. April 22, 2020.

22. Jacob Bunge and Jesse Newman. Tyson Turns to Robot Butchers, Spurred by Coronavirus Outbreaks. Wall Street Journal. July 9, 2020.

23. Intelligent Automation Lead For Delta Air Lines. RPA Star. 2018

## Effects of COVID-19 on Islamic Economy Sectors

With social distancing measures in place, e-commerce platforms have flourished across multiple sectors. Innovative ideas were used by businesses in most sectors to adapt and survive, including virtual fittings (fashion), meal kits (food), and virtual tours (travel).

### Food

- ▲ Food security initiatives
- ▲ E-commerce, delivery, and cloud kitchens
- ▲ Healthy/functional/clean label foods
- ▲ Snacks and meal replacements
- ▲ Proteins and alternative proteins
- ▲ Plant-based foods
- ▲ At-home cooking and baking products
- ▲ Agri/Food-tech
- ▲ Meal kits/Ready-to-Eat/Ready-to-Cook/Frozen Food
- ▲ Supply-chain disruptions/Alternative sourcing
- ▼ Dining out
- ▼ B2B foodservice sales

### Travel

- ▲ Virtual travel/tours
- ▲ Online ticketing and booking
- ▲ Sustainable tourism
- ▲ Domestic tourism
- ▲ Private transport
- ▲ Safety and hygiene protocols
- ▲ Big data and data analytics
- ▲ Hotels and large facilities doubling as quarantine centers
- ▼ International travel
- ▼ Shared travel modes, accommodation, and travel tours
- ▼ Religious pilgrimages
- ▼ Small, independent brands and businesses

### Financial Services

- ▲ Reduced profit levels and capital depletion
- ▲ Increased moratoriums on mortgage payments and loans
- ▲ Cyber fraud and phishing attacks
- ▲ Digitalization
- ▲ Uncertainty in valuations and due diligence
- ▲ Fintech
- ▲ Personal financial management tools
- ▲ Online payments
- ▲ Credit risk defaults, liquidity problems, and lower loan payments
- ▼ Physical banking & customer-facing processes

### Media & Recreation

- ▲ Online content, apps, and subscription revenue
- ▲ Monetization of library content
- ▲ Supply chain disruptions
- ▲ AR and VR effects
- ▲ Ad credits and ad grants
- ▼ Live events and event management business
- ▼ Live streaming and online release of movies
- ▼ Content production
- ▼ Revenue from ads
- ▼ Traditional media
- ▼ Subscription sales
- ▼ Print distribution

### Cosmetics

- ▲ Skincare
- ▲ Protection and cosmeceutical products
- ▲ Clean label beauty products
- ▲ Beauty influencers
- ▲ Online streaming of new launches
- ▲ Eye makeup
- ▼ Salons and sales from salons
- ▼ Travel retail sales
- ▼ Under-the-mask makeup, fragrances, hair-styling products, sun care, hair coloring, nail polish, shaving products
- ▼ Small, independent brands and businesses

### Modest Fashion

- ▲ PPE manufacturing and design
- ▲ Online fashion events
- ▲ Sustainable fashion and made-to-order clothing
- ▲ E-commerce and social commerce
- ▲ Digital marketing and online influencers
- ▲ Virtual lookbooks, real-time collaborative design, 3D digital fabric sampling, and digital prototypes
- ▲ Virtual fitting/try-ons
- ▼ Fabric availability
- ▼ Fashion shows
- ▼ Formal and party wear

### Pharma

- ▲ Telemedicine for physical and mental health ailments
- ▲ Local manufacturing
- ▲ Home-based healthcare products
- ▲ Vitamins and immunity-boosting supplements
- ▲ Pharmaceutical and medicine delivery services
- ▲ Medical tourism
- ▼ Pharma-sales interactions
- ▼ Clinical trials
- ▼ In-person doctor visits and prescriptions

# The Global Islamic Economy Indicator



## Purpose and Methodology

The Global Islamic Economy Indicator (GIEI) offers a comprehensive picture of countries that are currently best positioned to address the multi-trillion-dollar global halal economy opportunity.

In its eighth year, the purpose of the GIEI is to benchmark the leading national ecosystems best able to support the development of Islamic economy business activity relative to their size. The GIEI is a composite weighted index that measures the overall development of the Islamic economic sectors by assessing the performance of its parts in line with its broader social obligations. It is made up of 49 metrics organized into four components for each of the seven sectors of the Islamic economy (Islamic finance, halal food, Muslim-friendly travel, modest fashion, media/recreation, halal pharmaceuticals/cosmetics). The different components that make up the indicator are as follows:

- **Financial sub-indicators:** metrics that gauge the size of the sector
- **Governance sub-indicators:** metrics to gauge the halal certification and Shariah regulatory landscape (as applicable)
- **Awareness sub-indicators:** metrics to understand the extent of awareness the sector has built through the press as well as through related events
- **Social sub-indicators:** metrics to understand the social impact of the sector

The GIEI is calculated by applying a weightage to each of the sector indicators. This weightage is the proportion of the sector's consumer spend when compared to the Islamic economy spend as a whole. Accordingly, the Islamic finance and halal food sectors are accorded the highest weightage. Data used in the calculation of the indicator is from 2019 and does not account for the impact of COVID-19.

To enhance the indicator as it moves towards its second decade, some changes are being introduced into the methodology. The Indicator coverage has been extended from 73 to 81 countries. Eight countries have been added to the indicator, including Spain, Bosnia and Herzegovina, and Japan. In addition, the food exports to OIC countries metric has been expanded to include total exports across 23 food sub-sector Harmonized Codes (HC), compared to 'meat and live animals' exports as the only sector that was considered earlier (see methodology section for further details).



## Top 15 Global Islamic Economy Indicator Score Rank

### 1. Malaysia

2. Saudi Arabia

3. UAE

4. Indonesia

5. Jordan

6. Bahrain

7. Kuwait

8. Pakistan

9. Iran

10. Qatar

11. Oman

12. Turkey

13. Nigeria

14. Sri Lanka

15. Singapore

## Top 10 Indicator Score Rank By Sector

### HALAL FOOD



1. Malaysia
2. Singapore
3. UAE
4. Indonesia
5. Turkey
6. Iran
7. South Africa
8. Pakistan
9. Brunei
10. Russia

### ISLAMIC FINANCE



1. Malaysia
2. Saudi Arabia
3. UAE
4. Jordan
5. Bahrain
6. Indonesia
7. Kuwait
8. Pakistan
9. Qatar
10. Nigeria

### MUSLIM- FRIENDLY TRAVEL



1. Malaysia
2. UAE
3. Turkey
4. Thailand
5. Tunisia
6. Indonesia
7. Azerbaijan
8. Jordan
9. Singapore
10. Albania

### MODEST FASHION



1. UAE
2. Turkey
3. Indonesia
4. Malaysia
5. Spain
6. Italy
7. Bangladesh
8. Canada
9. France
10. Iran

### PHARMA & COSMETICS



1. Malaysia
2. UAE
3. Singapore
4. Iran
5. Egypt
6. Indonesia
7. France
8. South Africa
9. Turkey
10. Tunisia

### MEDIA & RECREATION



1. UAE
2. Malaysia
3. Singapore
4. United Kingdom
5. Indonesia
6. Brunei
7. Bahrain
8. Lebanon
9. Kuwait
10. Netherlands

## Indicator score breakdown for top 15 ranking countries

Country	GIEI	Halal Food	Islamic Finance	Muslim-Friendly Travel	Modest Fashion	Pharma & Cosmetics	Media & Recreation
1. Malaysia	290.2	209.8	389.0	98.3	43.7	80.2	59.9
2. Saudi Arabia	155.1	51.1	234.2	36.8	22.1	33.4	34.7
3. UAE	133.0	104.4	142.5	78.3	235.6	72.1	125.3
4. Indonesia	91.2	71.5	111.6	45.3	57.9	47.5	43.6
5. Jordan	88.1	39.6	124.6	43.3	18.5	39.1	31.6
6. Bahrain	86.9	42.2	121.9	31.9	16.7	33.5	42.3
7. Kuwait	73.3	42.2	99.2	27.1	17.5	33.3	40.8
8. Pakistan	70.9	54.7	91.1	23.6	30.6	32.5	12.9
9. Iran	64.0	60.5	74.0	28.8	33.5	55.9	26.6
10. Qatar	63.1	44.3	80.1	36.7	20.3	32.1	40.2
11. Oman	60.0	47.1	73.4	33.2	28.7	33.5	35.3
12. Turkey	55.9	70.7	49.9	62.7	75.1	43.3	34.6
13. Nigeria	53.1	20.7	76.6	14.1	19.8	21.6	16.7
14. Sri Lanka	49.2	27.3	66.6	13.3	26.2	20.1	18.4
15. Singapore	47.4	125.2	16.9	42.6	30.6	62.9	46.8

# Leading Countries

Malaysia leads the overall Global Islamic Economy Indicator (GIEI) rankings for the eighth year. This year saw Saudi Arabia move up to the second position, with the UAE and Indonesia following. New entrants to the top 15 include Sri Lanka, Nigeria, and Singapore. Iran moved up four places to ninth overall. Brunei, Sudan, and Bangladesh have moved out of the top 15.



## Malaysia

Malaysia retains its top position in the overall GIEI rankings, as well as leading in Islamic finance, halal food, travel, and pharmaceuticals & cosmetics.

Malaysia has shown consistent growth across all the sectors, with export to OIC numbers increasing in food, pharmaceuticals, and media and recreation. Strong awareness and governance credentials have allowed Malaysia to rank higher than other countries with larger export volumes.

Malaysia is a leader in Islamic banking knowledge and plans to send its Islamic finance graduates abroad to help build the industry globally, especially in non-Muslim majority countries.<sup>24</sup> Malaysia also ranked as the world's best country to invest in or do business in by CEO World Magazine in 2019,<sup>25</sup> which speaks to its strong trade partnerships with fellow OIC countries.



## Saudi Arabia

Saudi Arabia moved up two positions in the overall GIEI ranking. This results from a strong performance in the Islamic finance indicator and a significant rise in ranking within the modest fashion indicator.

The value of Islamic finance assets in Saudi Arabia increased by 16%. The value of outstanding sukuk rose by 20%, which is the second-highest sukuk value among the countries evaluated, while the value of Islamic funds increased by 62%. Zakat and

charity increased by 231%, making Saudi Arabia the highest-ranking country in terms of zakat and charitable contributions.

Saudi Arabia scored favorably on the modest fashion indicator, advancing its ranking by 14 positions. The country's first flagship fashion event, Fashion Futures, took place in late 2019, setting the stage for further growth of the country's industry.<sup>26</sup>



## United Arab Emirates

The UAE dropped one place, moving to the third position from the second position it held last year. This is primarily due to a strong push by Saudi Arabia in the Muslim markets, which led to its moving up two positions. However, the UAE ranked first in the modest fashion and media and recreation indicators and second in the Muslim-friendly travel and pharma and cosmetics indicators.

The UAE retained its ranking in Islamic finance, with a 61% increase in zakat and charity value. The acquisition

of Noor Bank by Dubai Islamic Bank made it one of the world's largest Islamic banks with assets worth \$74.3 billion.<sup>27</sup> British VC, Hambro Perks, has set up an office in Abu Dhabi and is expected to make more investments in the region and halal markets.<sup>28</sup> Improvements in the awareness and governance credentials across the Islamic Economy sectors will allow the UAE to further improve its ranking.



## Indonesia

**Indonesia continues to rise in overall rankings. Scoring strongly on awareness across sectors has allowed the country to rank within the top 10 of all sectors.**

Indonesia moved up 47 places to reach the fifth position within the media and recreation indicator and 19 places to rank sixth in the pharma and cosmetics indicator. This is mainly due to the country outdoing other countries in awareness. Indonesia moved up eight positions in the halal food indicator ranking, helped by its exports to OIC countries.

Within Islamic finance, Indonesia saw increases in the value of sukuk and the value of Islamic funds. The

awareness of and demand for Islamic finance is also strong, with Indonesia holding the largest number of related events and ranking second in the number of research papers. Within media and recreation, Indonesia held 20 associated events during 2019, which resulted in the significant rise of its media and recreation indicator ranking. The Halal Product Assurance law No.13/2014 came into effect in October 2019 and requires mandatory halal certification for all halal products. This has led to significant growth in the halal food, pharma, and cosmetics sectors and a trend that is expected to continue.<sup>29</sup>



## Jordan

**Jordan has moved up by two places from the previous report. This is largely due to a strong performance within the Islamic Finance indicator, with an 11% increase in assets.**

Jordan retained the eighth position within the Muslim-friendly travel indicator. IF assets increased by 11%, while Islamic funds rose by 6%. The value of zakat and charity also

increased by 13%. The expansion of its Shariah council allowed for a positive increase in the governance indicator within the Islamic finance indicator. The country's Jordan Islamic Bank won the Global Finance's 2020 Islamic Finance Awards Country Award as its balance sheet grew by \$6.3 billion in 2019 and posted a 10% increase in profit.<sup>30</sup>

24. Nur Duz, Zehra. *Malaysia to maintain pioneer role in Islamic banking*. Anadolu Agency. December 25, 2019.

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29. Cochrane, Paul. *Halal cosmetics 2020: More traction in Asia led by demand from Malaysia, Indonesia, and exports from South Korea*. SalaamGateway. January 28, 2020.

30. Stubing, Darren. *World's Best Islamic Financial Institutions 2020: Fair Winds Before The Storm*. Global Finance. May 12, 2020.

# Promising Countries

Nigeria, the UK, and Thailand have all made significant progress in the overall global Islamic economy indicator and at a sub-indicator level. Nigeria is the only African country ranked in the top 15 overall indicator ranking this year. The UK and Thailand also progressed by six and 13 ranks, respectively.



## Nigeria

### BIG MOVES

Islamic Finance: <b>+4</b>	Modest Fashion: <b>+15</b>
----------------------------	----------------------------

Nigeria moved up within the Islamic finance indicator with a 14% increase in IF assets and an 18% increase in the number of IF institutions. Awareness around Islamic finance in the form of news articles and events also grew. Modest fashion is an area with much potential for the country, with many small modest fashion brands already established. Nigeria has the fifth largest Muslim population in the world<sup>31</sup> and has the potential to improve governance and awareness within the country as well as address export opportunities to OIC countries from Africa.



## United Kingdom

### BIG MOVES

Halal Food: <b>+18</b>	Muslim-Friendly Travel: <b>+15</b>
Modest Fashion: <b>+19</b>	Pharma and Cosmetics: <b>+13</b>
Media and Recreation: <b>+4</b>	

The UK's strong movements within the ranking came about mainly through strong awareness credentials. The UK performed strongly in the Islamic Finance indicator with a 27% increase in IF assets and a 41% increase in Islamic funds' value. The UK can potentially move into the top three within the media and recreation indicator as it now ranks fourth. The UK is considered the Islamic economy center of Europe, with multiple startups emerging within the Islamic Economy sectors.<sup>32</sup> Exports of modest fashion to OIC countries also have the potential to increase further as consumers show an increasing preference for European-inspired clothing.



## Thailand

### BIG MOVES

Islamic Finance: <b>+24</b>	Halal Food: <b>+16</b>
Muslim-Friendly Travel: <b>+6</b>	Pharma and Cosmetics: <b>+10</b>

Thailand made significant movements in the Islamic finance indicator rankings, moving up by 24 ranks. This increase comes from a 9% increase in IF assets and improved awareness credentials in Islamic finance. There is an excellent opportunity to expand the halal travel offerings in Thailand, particularly for visitors from its Muslim-majority neighbors. Thailand is also implementing incentives to encourage investors in the food industry, which is also a good opportunity to expand its halal food industry.<sup>33</sup>

31. Diamant, Jeff. *The countries with the 10 largest Christian populations and the 10 largest Muslim populations*. Pew Research Centre. April 1, 2019.

32. London VC Hambro Perks to invest in Islamic startups & set to open an office in Abu Dhabi's Hub71. Magnitt. July 7, 2019.

33. Ferrer, Benjamin. Thai food sector sees string of investments worth US\$184m, indicating confidence despite COVID-19. Food Ingredients First. July 27, 2020.



# Investments in the Islamic Economy



## Overall Islamic Economy Investment Activity

**Investment activity fell sharply as the financial crisis deepened.**

The Islamic economy has not been immune to the impact of the pandemic, as investments in the Islamic economy fell by 13% in 2019/20 to \$11.8 billion from \$13.6 billion in 2018/19. The number of relevant M&A, private equity, and venture capital transactions fell from 197 in 2018/19 to 156 in 2019/20.

The top 5 countries in terms of the number of investment deals maintained their ranking, with Indonesia attracting a large share of investments. Together, investments in the halal food and Islamic finance sectors accounted for more than 90% of total deal value.



2020 began on an optimistic note, with low inflation, low unemployment, and steady economic growth. COVID-19 began to spread towards the end of January but the pandemic's impact was not fully felt until the second quarter, with global M&A deal volume nearly halving in the second quarter, falling from 4,308 deals to 2,630.<sup>34</sup> Traditional PE exits slowed significantly over the second quarter of 2020, with global exit announcements 70% lower in May 2020 than the previous year.<sup>35</sup>

**In the Islamic economy, merger and acquisition transactions accounted for 55% of transactions recorded over the past year. The number of M&A transactions was slightly higher than last year, with companies consolidating to build stronger balance sheets in the wake of the COVID-19-driven recession. Some M&A transactions were also postponed or canceled because of the pandemic, such as the \$8.8 billion acquisition of Bahrain's Ahli United Bank by Kuwait Finance House.**

In line with the global scenario, Islamic economy private and growth investments fell as new barriers emerged, with investment firms unable to conduct due-diligence in person or visit production facilities. The investment environment remains highly uncertain as businesses are struggling to function amid multiple disruptions.

At \$11.8 billion, investments in the Islamic economy sectors are merely 0.3% of the total global M&A, private equity and venture capital investments in consumer, financial services, media, luxury, and pharma — estimated at \$3.4 trillion.<sup>36</sup> This is despite the Islamic economy contributing to more than 15% of the world's GDP in PPP.

### METHODOLOGY

In a revision of the method used in the previous report, we extended our analysis to look at all sector-relevant OIC companies and Islamic-economy focused companies outside the OIC that were subject to merger and acquisition activities (M&A) or raised funds through venture capital or private equity funding during the past year (August 1st, 2019, through July 31st, 2020). The same methodology was applied to the previous year's transactions to allow like-for-like comparisons. The full details are in the methodology section.

### Investments Overview in 2019/20

	# Total Deals	Value \$000s
<b>SECTOR</b>		
Halal Food	61	6,110,020
Islamic Finance	38	4,925,120
Media	27	121,050
Travel & Tourism	14	340,103
Halal Pharma	9	156,980
Modest Fashion	4	3,450
Halal Cosmetics	3	124,700
<b>DEAL TYPE</b>		
M&A	86	9,031,089
PE	10	455,840
VC	60	2,294,495
<b>TOTAL</b>	<b>156</b>	<b>11,781,424</b>

## Top 10 M&A transactions by disclosed value

Sector/Sub-Category	Target	Year	Deal Value, \$000s	Acquiror
Halal Food/ Processed Food	Pinehill Company (British Virgin Islands)	2020	3,000,000	Indofood CBP SUKSES MAKMUR TBK, PT (Indonesia)
Islamic Finance/Banking	PT Bank Permata Tbk (IDX:BNLI) (Indonesia)	2020	2,168,850	Bangkok Bank Public Company Limited (SET:BBL) (Thailand)
Islamic Finance/Banking	Noor Bank PJSC (UAE)	2020	893,500	Dubai Islamic Bank P.J.S.C. (DFM:DIB) (UAE)
Islamic Finance/Banking	Banque Saudi Fransi (SASE:1050) (Saudi Arabia)	2019	575,650	Ripplewood Advisors L.L.C. (USA)
Halal Food/Ingredients	Dangote Flour Mills Plc (Nigeria)	2019	484,000	Crown Flour Mills Nigeria Limited (Nigeria)
Islamic Finance/Takaful	Asuransi Adira Dinamika PT (Indonesia)	2020	414,000	Zurich Insurance Group Ltd (Switzerland)
Halal Food/Ingredients	F & B Nutrition Sdn Bhd (Malaysia)	2019	239,410	Southern Capital Group (Singapore)
Islamic Finance/Banking	Alizz Islamic Bank SAOG (Oman)	2020	178,730	Oman Arab Bank SAOG (MSM:OAB) (Oman)
Islamic Finance/Banking	Bahrain Islamic Bank B.S.C. (BAX:BISB) (Bahrain)	2020	164,390	National Bank of Bahrain BSC (BAX:NBB) (Bahrain)
Islamic Finance/Banking	Oman Arab Bank SAOG (MSM:OAB) (Oman)	2020	119,470	Arab Bank Group (ASE:ARBK) (Jordan)

## Top private equity transactions by disclosed value

Sector/Sub-Category	Target	Year	Deal Value, \$000s	Investor(s)
Travel & Tourism/OTA	Traveloka Group of Companies (Indonesia)	2020	250,000	Qatar Investment Authority (Qatar), GIC Pte (Singapore)
Media/E-commerce	Carsome Sdn Bhd (Malaysia)	2019	50,000	Gobi Partners (China) and others
Halal Food/Restaurants	Tim Hortons Gulf Franchise (UAE)	2020	50,000	Gateway Partners (Singapore)
Islamic Finance/Banking	PT Mitrausaha Indonesia Grup (Indonesia)	2020	40,390	-
Halal Food/Agribusiness	PT Borneo Ketapang Permai (Indonesia)	2019	25,250	First Resources Limited (SGX:EB5) (Singapore), PT Subur Arum Makmur (Indonesia)
Media/E-commerce	Jiji.ng Online Marketplace Nigeria Limited (Nigeria)	2019	21,000	Knuru Capital (UAE)
Halal Food/Food delivery	Farm to Fork Sdn Bhd (Malaysia)	2020	18,000	Woowa Brothers Corp. (Korea) and others
Halal Food/Agribusiness	NASECO (Uganda)	2020	1,200	Pearl Capital Partners (Uganda)

## Top 10 venture capital transactions by disclosed value

Sector/Sub-Category	Target	Year	Deal Value, \$000s	Investor(s)
Halal Food/Food Delivery	PT Aplikasi Karya Anak Bangsa (Gojek) (Indonesia)	2020	1,200,000	Mitsubishi Corporation (Japan) and others
Halal Food/Food Delivery	PT Aplikasi Karya Anak Bangsa (Gojek) (Indonesia)	2020	375,000	Facebook (USA), PayPal (USA)
Halal Food/Restaurants	PT Bumi Berkah Boga (Kopi Kenangan) (Indonesia)	2020	109,000	Sequoia Capital (India) and others
Islamic Finance/Banking	FinAccel Pte Ltd (Singapore)	2019	90,000	Asia Growth Fund (Singapore) and others
Halal Food/Food Delivery	Kitopi Catering Services LLC (UAE)	2020	60,000	Knollwood (USA)
Cosmetics/E-commerce	PT Social Bella Indonesia (Sociolla) (Indonesia)	2020	58,000	Temasek Holdings (Singapore) and others
Cosmetics/E-commerce	PT Social Bella Indonesia (Sociolla) (Indonesia)	2019	40,000	Temasek Holdings (Singapore) and others
Pharmaceuticals/ Telemedicine	Vezeeta.com (Egypt)	2020	40,000	Gulf Capital (UAE) and others
Halal Food/Food Delivery	Jahez (Saudi Arabia)	2020	36,500	Impact46 (Saudi Arabia)
Islamic Finance/Wealth Management	Wahed Invest LLC (USA)	2020	25,000	Saudi Aramco Entrepreneurship Ventures (Saudi Arabia)

34. M&A Deal Volume and Value Plummets by Half. Law Societye. July 30, 2020.

35. Alastair Green and Laurens Seghers. Preparing for private-Equity Exits in the COVID-19 Era. McKinsey & Company. June 11, 2020.

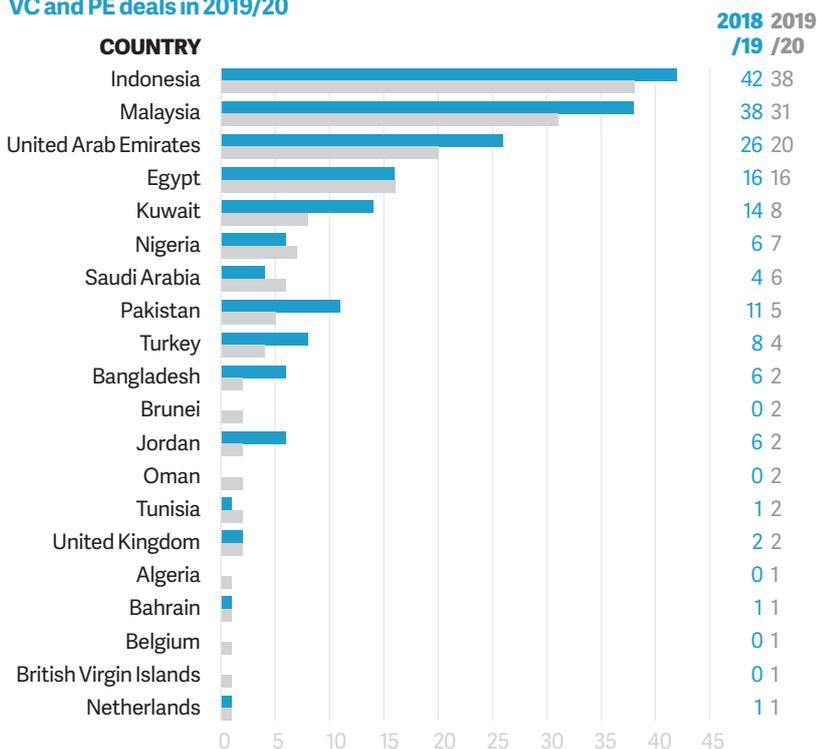
36. White & Case, KPMG, Crunchbase

# Investments by Geography

The top five countries in terms of investment activity last year — Indonesia, Malaysia, the UAE, Egypt, and Kuwait — maintained their leads in 2019/20. Nigeria and Saudi Arabia climbed two and four places respectively to rank at #6 and #7 while Pakistan, Turkey, and Bangladesh ranked lower than last year. Jordan slipped out of the top 10.

Indonesia ranked ahead of all countries with 38 transactions, with close to 25% of all recorded transactions, higher than the 21% it held last year.

Top 20 countries by number of M&A, VC and PE deals in 2019/20



# Investments by Sector

## Halal Food

While the pandemic deeply impacted the HORECA (Hotel, Restaurant and Catering) sector, other sectors such as Ready-to-Eat meals and food delivery witnessed explosive growth. In terms of total deal value, halal food grew by 219% to \$6.3 billion.

Top 3 countries by number of deals in Halal Food in 2019/20

Malaysia	16
Indonesia	10
UAE	8

- Two deals accounted for over 70% of the halal food sector's total deal value — the \$2.9 billion acquisition of Indomie noodles manufacturer Pinehill by Indonesia's Indofood and Gojek, Indonesia's largest food delivery company, which raised \$1.5 billion in late-stage venture capital funding.

- The halal food sector's attractiveness was also apparent outside the OIC, where private equity-owned French company Isla Delice acquired Belgium's Hoca Meats, which specializes in manufacturing and processing meat products.

## OUTLOOK

Investments in the halal food sector are expected to continue, especially in delivery, health-based and functional food, and Ready-to-Eat/Ready-to-Cook segments.

## Islamic Finance

Total deal value fell by more than 50% in the Islamic finance sector, falling from \$10.7 billion in 2019/2020 to \$4.9 billion.

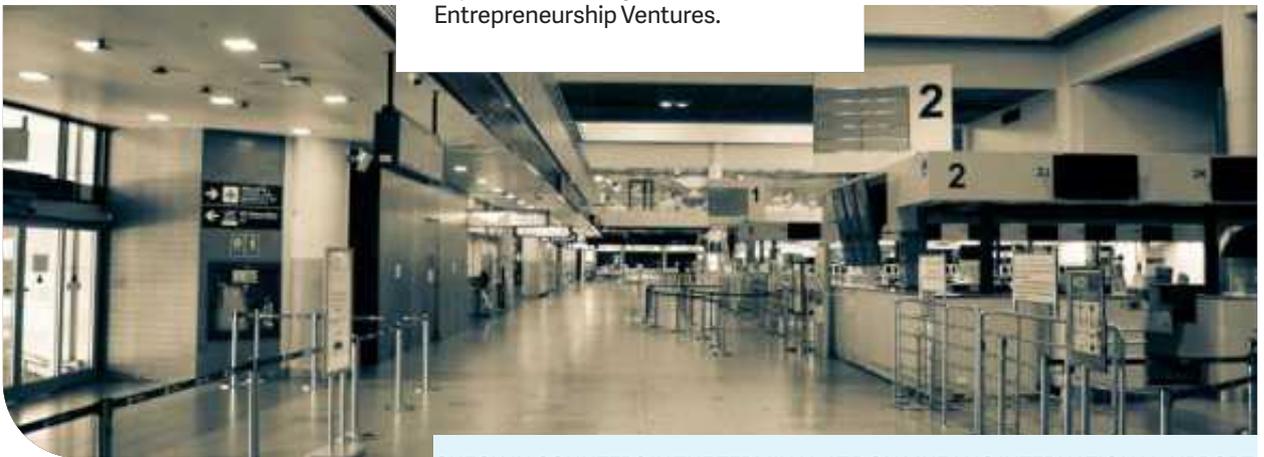
### Top 3 countries by number of deals in Islamic finance in 2019/20

Indonesia	14
UAE	7
Kuwait	5

- In a deal valued at \$2.16 billion and aimed at acquiring a larger presence in Indonesia, Thailand's largest corporate bank, Bangkok Bank, acquired an 89.2% stake in the Indonesian bank, Bank Permata, which offers both conventional and Shariah-compliant services.
- In the UAE, Noor Bank was acquired by Dubai Islamic Bank to become one of the largest Islamic banks in the world, with assets exceeding \$75 billion.
- Investments in the fintech sector are also heating up, with the USA's robo-advisory platform, Wahed Invest, raising \$25 million in a venture capital round led by Saudi Aramco Entrepreneurship Ventures.

### OUTLOOK

As Islamic finance products gain acceptance and equivalence with conventional finance products, Islamic finance institutions will continue to benefit from strong demand for Islamic banking products, as will fintech-based trading platforms, enabling platforms, and contactless payments companies. Given the weakening of oil-based economies in the Middle East and the ongoing financial crisis, consolidation through M&A activity is expected to continue in the sector.



CHECK-IN COUNTERS IN THE TERMINAL AT DON MUEANG INTERNATIONAL AIRPORT, THAILAND, CLOSED DURING THE CORONAVIRUS OUTBREAK.

IMAGE CREDIT: PRADPRIEW / SHUTTERSTOCK.COM

## Muslim-Friendly Travel

The travel and tourism sector was devastated by the pandemic, with several international airlines declaring bankruptcy. In the Islamic economy, the number of deals fell from 22 in 2018/19 to 14, with total deal value falling from \$560.8 million to \$340 million. Given the push towards digital transformation across sectors and especially in the travel sector, it's no surprise that online travel agencies (OTA) dominated the list.

### Top 3 countries by number of deals in Muslim-friendly travel in 2019/20

Indonesia	4
Malaysia	3
Turkey	2

- Indonesian OTA Traveloka lead the list with a \$250 million private equity investment from two sovereign wealth funds — Qatar Investment Authority and Singapore's GIC.
- Turkey's bus and airline ticket sales platform, Obilet.com, raised \$5 million from the European Bank for Reconstruction and Development (EBRD) and Earlybird Venture Capital.
- In the UK, HalalBooking, which allows users to book Muslim-friendly hotels and villas, raised \$2.5 million.

### OUTLOOK

With the looming uncertainty in the global markets and a pandemic yet to subside, investments are expected to remain few and confined to domestic travel and OTAs.

## Apparel and Modest Fashion

Despite large players such as Modanisa and IDH expanding, there were few investments in the apparel and modest fashion sector. The pandemic further paralyzed the industry as fabric manufacturing came to a halt in China, disrupting global downstream operations. Recorded investments in the clothing sector fell from seven in 2018/19 to four in 2019/20.

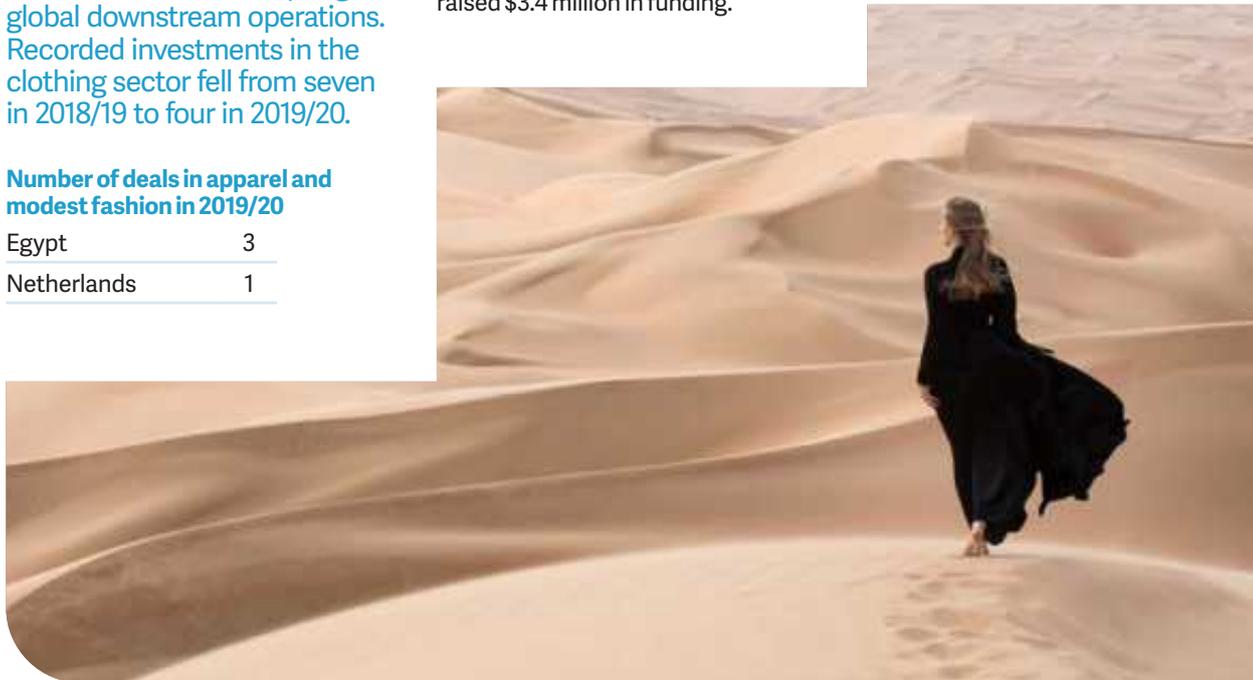
### Number of deals in apparel and modest fashion in 2019/20

Egypt	3
Netherlands	1

- In a win for innovative modest fashion design, Malaysian-firm Innovacia acquired Dutch sports hijab pioneer, Capsters, for an undisclosed amount.
- Egypt's Dice manufacturing, a producer of sports and casual wear for men and women, raised \$3.4 million in funding.

### OUTLOOK

Investments in the modest fashion sector are expected to remain low until the economy recovers.



## Pharmaceuticals

The number of investments in pharmaceutical companies fell by 40% from 15 in 2018/2019 to nine in 2019/2020. However, total deal value rose by 64% to \$156.9 million in 2019/20 from \$95.7 million in 2018/19. The deals in the sector were dominated by M&A activity in Egypt and Indonesia.

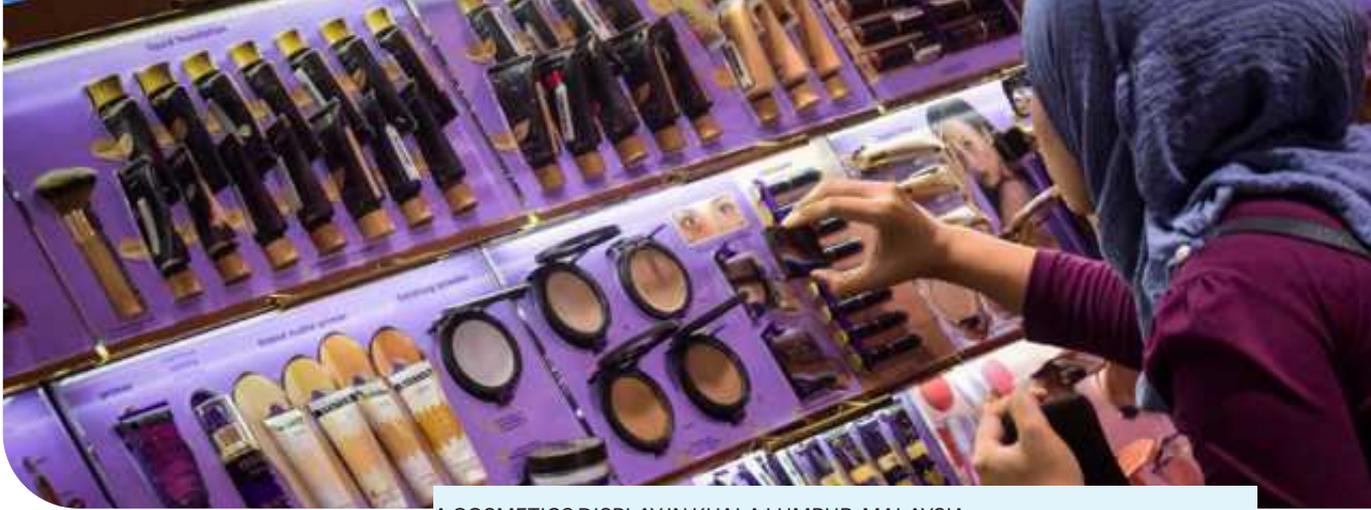
### Number of deals in pharmaceuticals in 2019/20

Egypt	4
Indonesia	2
Kuwait	1
Malaysia	1
Nigeria	1

- The \$69 million acquisition of a majority stake in Kuwait Saudi Pharmaceutical Industries Co. by leading Gulf distributor, Mezzan Holding, accounted for nearly 45% of total deal value in the sector
- Sweden's Bactiguard acquired Malaysian firm Vigilenz, a manufacturer of medical devices and consumables, for an undisclosed amount. The acquisition will enable Bactiguard to capture a greater share of the advanced wound care market and access Vigilenz' regional distribution network in South East Asia. Vigilenz has also received halal certification for some of its products.
- Egypt's healthcare app Vezeeta raised \$40 million in a series D round led by Gulf Capital as the telemedicine and online pharmacy sector heats up.

### OUTLOOK

Health has assumed greater importance at both the individual and the government level. Immunity-boosting supplements, telehealth apps, and at-home medical devices will see significant growth in the short term.



A COSMETICS DISPLAY IN KUALA LUMPUR, MALAYSIA.  
IMAGE CREDIT: HAFIZ JOHARI / SHUTTERSTOCK.COM

## Cosmetics

Investments in the cosmetics sector grew to \$124.7 million from \$45 million last year but remained relatively small compared to other sectors, similar to the previous year. The number of investments grew from one in 2018/19 to three in 2019/20.

### Number of deals in cosmetics in 2019/20

Indonesia	2
Turkey	1

- Indonesia's online beauty products marketplace, Sociolla, owned by Social Bella, raised \$98 million through its series D and E funding rounds led by Singaporean funds— Temasek Holdings, Jungle Ventures, East Ventures, and Pavillion Capital.
- Japan's Daio Paper Corporation acquired Turkish personal care and cosmetics company, Özen Kisisel Bakim Ürünleri Üretim A.S. from Yıldız Holding for \$26.7 million.

### OUTLOOK

Online cosmetics marketplaces and apps will become more popular with customers, as will delivery. In the short term, self-care products will play a more critical role than makeup and cosmetics as consumers stay at home.

## Media & Entertainment

COVID-19 disrupted the production of movies, concerts, live shows, and TV programs. At the same time, with people now spending more time at home due to social distancing restrictions, online media consumption has rapidly increased, with new websites, apps, online learning, and Over-The-Top (OTT) players such as Netflix bringing in high user engagement.

### Top 3 countries by number of deals in media in 2019/20

Malaysia	10
Indonesia	6
UAE	4

- Indonesian Gojek's video streaming service, GoPlay, independently raised \$15 million from Singapore's Golden Gate Ventures and Chinese investment firm ZWC Partners.
- Nigeria's online marketplace, Jiji.ng, raised \$21 million from Knuru Capital.
- UAE-based Almentor.net, one of the world's largest platforms offering Arabic video-based education, raised \$4.5 million, led by Egyptian venture capital fund Sawari Ventures.

### OUTLOOK

While the number of deals in the media & entertainment sector has fallen slightly over 2019/20, it is expected that the demand for online content will drive more deals in this sector as people continue to stay at home.

# Signals Of Opportunity

COVID-19 will depress corporate and private sector investments in the short term. However, investment activity in some sectors is already picking up, with companies such as Gojek and Wahed Invest raising funds in the throes of the pandemic.

## ◆ Silver linings remain in private and growth investment

At the end of 2019, global dry powder stood at a record \$2.3 trillion,<sup>37</sup> giving private equity investors a substantial runway for investment opportunities. Indonesian travel tech company, Pigijo, and Pakistan-based meat exporter TOMCL's initial public offerings (IPOs) amid the pandemic are also a sign of the Islamic economy's growing strength. Private investors with a long-term, dedicated sector strategy should expect to see strong returns as economies recover. There may also be attractively priced opportunities towards early next year when there is less market uncertainty.

## ◆ Technology-based pivots are a significant portion of new investments

Technology investments are rising across sectors — from food delivery apps to fintech-based wealth management platforms to e-commerce apps. The trend should continue as more companies look towards digital platforms to engage with their customers, run leaner operations, and build more resilient supply chains.

## ◆ More investments in local manufacturing are taking place

COVID-19's arrival was marked by panic buying of food and medical supplies, raw material shortages, and broken supply chains. Investments in domestic production are expected to show continued growth as OIC countries' governments prioritize food security and companies move closer to local markets.

## ◆ Shariah-compliant financing is growing but at a slow pace

With the global economy facing a financial crunch, SMEs and MSMEs are now in greater need of Islamic financing alternatives. There has been some growth in this area with more Islamic-financing options available, including Shariah-compliant trade finance; however, the demand far exceeds supply.

## ◆ Indonesia remains a lucrative market for investors

The new mandatory halal law has caused companies to make a beeline for the Indonesian market. The country continues to lead in the number of investment deals earned across the Islamic Economic sectors covered in this report.

## ◆ Islamic finance: Growing demand for Shariah-compliant Islamic investments, particularly Socially Responsible and Impact (SRI) Investments

The financial crisis has brought Islamic social finance to the forefront. Developments such as the UK's One Endowment Trust, which aims to become a £1 billion waqf fund, are paving the way for this segment's growth.

## ◆ Pharmaceuticals: Preventive care in the spotlight

Nutraceuticals, immunity-boosting products, and home-based healthcare devices have shown high growth during the pandemic. The increased emphasis on staying healthy is expected to drive further growth in the halal pharmaceuticals sector.

## ◆ Media and recreation: More Islamic-themed shows are now available, while online media consumption is at a record high

The market is taking on more Muslim-themed shows. Still, with a larger segment of Muslims now turning to online media than ever before, there is a glaring gap in the market for Muslim-themed international content and streaming platforms. With one of the largest Islamic markets, Saudi Arabia, investing heavily in developing its media industry, the sector is expected to see steady growth.

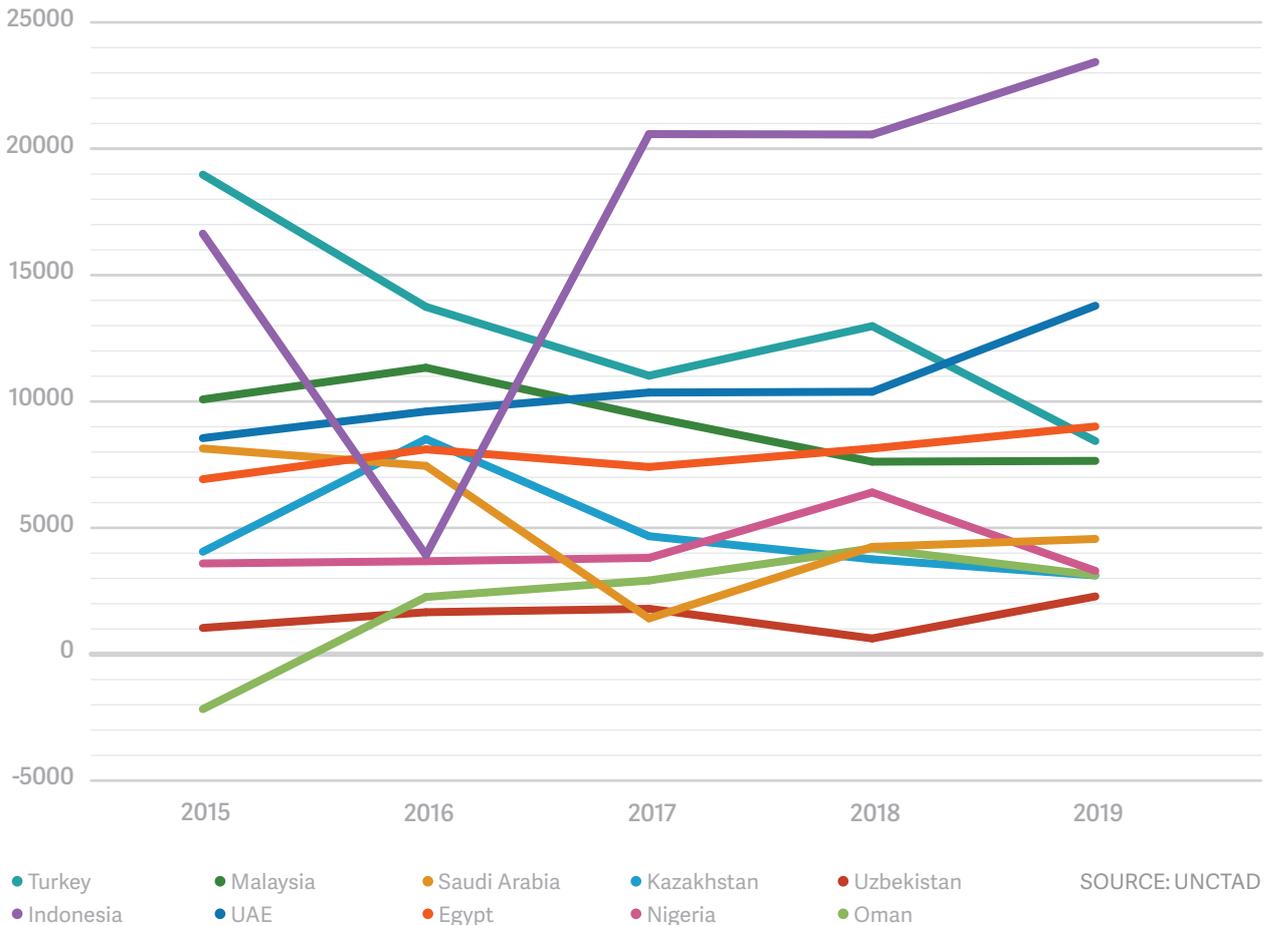
37. McKinsey's Private Markets Annual Review. McKinsey & Company, February 19, 2020.

# Foreign Direct Investment (FDI)

Indonesia, the UAE, and Egypt led the OIC in FDI inflows in 2019, with inflows steadily increasing over the last five years. The ranking differed slightly when it came to greenfield FDI projects, with Egypt, the UAE, and Saudi Arabia leading the top 10.

The pandemic has had a dramatic impact on FDI. According to the UN Conference on Trade and Development (UNCTAD)'s World Investment Report 2020, global FDI will decrease by up to 40% in 2020, bringing FDI below \$1 trillion for the first time since 2005.<sup>38</sup> FDI is expected to fall by 5 to 10% in 2021 and begin to recover in 2022 as the global economy recovers.

## Top 10 countries by FDI inflow in 2019 (\$ MILLIONS)



## FDI Outlook

Trade conflicts, the fourth industrial revolution, and more nationalistic policies were already impacting international investments. COVID-19's onset has further drastically impacted both short-term and long-term investments. However, the pandemic has also led to intense sovereign fund investment interest in food and essentials, securing supply chains, and forming new domestic and regional strategies.

▪ Governments across the Islamic economies are shifting their focus towards building resilience in the domestic sector, as evidenced by Saudi Arabia and the UAE sovereign wealth funds investing heavily in domestic industrial development by attracting international partners. OIC-based sovereign wealth funds had approximately \$3.2 trillion in assets in 2019, and this will open up wider regional investment activity.

▪ Given most OIC countries' high dependence on food imports, the halal food sector is a key area of investment interest when it comes to securing food supply chains. This is evidenced by this year's food investments drawing more than 52% share of total investments' deal value. The trend is expected to continue over the next year.

38. United Nations Conference on Trade and Development. *World Investment Report 2020*. Geneva: United Nations, 2020.

# Special Feature: Successful Women Entrepreneurs in the Islamic Economy

More women are opting for entrepreneurship across the globe. In fact, data shows that should women and men participate as entrepreneurs equally, there could be a potential boost of 3-6% to global GDP, rising by almost \$5 trillion.<sup>39</sup>

When it comes to entrepreneurship, gender disparity is still a reality, with some regions such as Europe and MENA being more affected — the percentage of women entrepreneurs in the adult population stands at 6% and 9%, respectively. At the same time, the MENA region reflects a 24% higher rate of intention among women to participate in entrepreneurship compared to Europe.<sup>40</sup> There is a need to design entrepreneurship ecosystems that will allow these intentions to turn into reality.

Understanding the journeys of those who have walked these paths before can help decision-makers better support women's entrepreneurship. With this intention, we dedicate this special feature to women entrepreneurs who are playing an essential role in developing markets in the global Islamic economy and across Muslim-majority countries.

Read about their journey to success and learn more about their future plans for their sector.



39. Shalini Unnikrishnan and Cherie Blair. *Want to Boost the Global Economy by \$5 Trillion? Support Women as Entrepreneurs*. BCG Global. July 30, 2019.

40. Global Entrepreneurship Monitor. *GEM 2018/2019 Women's Entrepreneurship Report*. London: GEM, 2019.



**Entrepreneur:**  
**Farah Emara**

**POSITION:**  
CEO & Co-Founder

**COMPANY:**  
FreshSource

**You founded FreshSource, Egypt's first B2B platform for agri-goods, with your brother Omar Emara in 2019, connecting farms to businesses and providing last-mile solutions. Why did you start this venture?**

I was working with P&G, and my brother was at Goldman Sachs in London, working in fintech. We found that nearly half of all the food produced in Egypt is wasted before it reaches the retailer due to a lack of market access for smallholder farmers and exploitation by traders. So far, we have managed to increase farmers' income by nearly 20% and helped them sell for 15% lower than their competitors.

**What has this journey been like?**

The journey within the industry has been very difficult, given that we are trying to introduce something new to a traditional industry. We have met with a lot of resistance from people who do not want to change their ways and are hesitant to trust a new idea. This has taken a lot of time to develop and work through.

**What's been a managerial success?**

Attracting top talent. We have people who left IBM and Uber and came from abroad to work in Egypt. Another accomplishment is being able to raise investment. It also gives you support and confidence that there are other individuals willing to back you up and trust you enough to invest their money in your idea.

**Which female entrepreneurs inspire you?**

Navena Dahari, one of the largest female investors in Egypt. She started in finance at a time when there were no women at all in the sector.

**Egypt is the fourth largest Islamic economy food consumer market, with around \$89 billion spend (2018). How can halal companies tap this opportunity?**

I believe that the halal market is the future because the Muslim population is growing. What FreshSource and other companies can do is try to see how they can improve this industry using technology, such as blockchain, to monitor and track livestock. We are planning to implement blockchain technology to provide our consumers with the confidence and knowledge of where their food has originated from and the chain that it has gone through. It can help ensure food is halal. Any company that can merge technology and halal food will really boom.



To watch the full video interview on Salaam Gateway, scan/click this QR code.



**Entrepreneur:**  
**Amany Killawi**

**POSITION:**  
Co-Founder

**COMPANY:**  
LaunchGood

**Why did you establish LaunchGood in the Islamic social finance sector?**

As a social worker, I got into youth organizing and needed to raise funds for some of my projects, and that’s when I stumbled into crowdfunding a decade ago. It was during these times that I met my co-founder, Chris, who was one of the very few people in the space. He had crowd-funded a film on Kickstarter, and I was crowdfunding on Indiegogo. We both joked that we might be the first Muslims on both those platforms. It built an interest within the community, and that’s when Chris had the idea of LaunchGood. He brought me on board with our other co-founder, Omar, and together we started dreaming about the concept of LaunchGood – a platform to raise funds and inspire others to create their own projects, and that’s how it was born.

**What have you learned along the way?**

You must have a deep curiosity to learn and explore. One of my mentors always says that entrepreneurship is like adult learning. It’s like creating your own syllabus, and you are learning everything you can about your space, everything you need to succeed, and it’s actually quite fun when you look at it from that angle.

**How did you finance LaunchGood?**

We bootstrapped and never got any outside funding. When we first launched, we went to Silicon Valley and tried to pitch to investors. They were not too interested, probably because it was too niche. We ended up starting LaunchGood from a \$10,000 angel investment from a friend, which we paid back and grew LaunchGood to where it is today. We won some competitions along the way, which definitely helps, but we are proud to say that we built it from scratch.

**Which entrepreneurs inspire you the most? Why do you look up to them?**

I recently discovered the journey of the founder of Nike, Phil Knight, and it was incredible. It mirrors a lot of what we are facing now. Other entrepreneurs I am also looking to connect with are the female founders of ‘JustGiving,’ whose journeys are like mine. This is basically like the ‘GoFundMe’ of the UK, in Europe.

**How important is social finance in supporting the overall Islamic economy?**

The role of fintech is sort of just waking up to over a billion Muslims as consumers and their specific financial needs. One of the things we’re exploring is localizing payments, like for our donors in Malaysia and the UK, for options that are more relevant to them.



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**Entrepreneur:**  
**Tan Sri Datin  
 Paduka Siti  
 Sa'diah Binti  
 Sh Bakir**

**POSITION:**  
 Board Member —  
 Non-Independent,  
 Non-Executive Chairman

**COMPANY:**  
 DuoPharma

**Tell us more about Duopharma Biotech and the role it plays in the halal pharmaceuticals market.**

Duopharma Biotech Berhad is a Malaysia-based investment holding company and leading pharmaceutical business that undertakes manufacturing, distribution, and the import and export of pharmaceutical products and medicines. We have hit significant halal conformance and certification milestones in line with the Department of Islamic Development, Malaysia (JAKIM), the national halal authority and certification body. In collaboration with PanGen Biotech Inc. from South Korea, Duopharma Biotech has successfully developed an erythropoietin biosimilar product, commercialized under the brand name ERYSAA. This drug stimulates the production of red blood cells in anemic patients undergoing kidney dialysis.

**How has this journey been?**

I have an excellent board and management team, and together, we have overcome quite a lot of challenges. I joined the company in 1974 and stayed until retirement in 2012. During that time, I was able to grow the company to RM2 billion (\$500 million). I am grateful to be the only lady in Malaysia able to achieve this milestone and reach such heights in my career. I developed a lot of my leadership skills from my father and business leaders. When I received the CEO of the Year Award in 2009, I acknowledged the many male figures who have supported me.

**What leadership advice would you give to business leaders or those starting a career?**

I believe leadership is an art and science. Over the years, I have developed my own principles of leadership, the 5Cs. These are CAPABILITY – be confident in what you want to do and have a quality that inspires others. COMMITMENT – develop strategic direction and have a high level of conviction in the face of challenges. CONTINUOUS LEARNING – the organization must have a learning culture. CREATIVITY – learn the art of juggling work. COORDINATION – people first.

**What other Fourth Industrial Revolution technologies is Duopharma Biotech considering deploying?**

Duopharma Biotech is constantly looking at integrating technologies not only into the manufacturing line but throughout the entire ecosystem. We strongly believe that technology, for example, regenerative medicine, digitalization, automation, artificial intelligence (AI), and blockchain, when used correctly, are key to bringing the company to the next level.

Following this vision, a total investment of more than RM 300 million (\$72 million) has been allocated and is expected to be spent over 5 years. All the investments will have elements of digitalization, automation, and AI, which I believe is essential in spurring innovation. Ultimately, the technology that we have invested in will make our products safer and of higher quality. Thus, it should be beneficial to our customers and society.

Our recent investment in Naluri Hidup, a local digital wellness company that provides healthcare software solutions, marks the beginning of our foray into healthcare digitalization.



To watch the full video interview on Salaam Gateway, scan/click this QR code.



**Entrepreneur:**  
**Mauli Teli**

**POSITION:**  
CEO & Director

**COMPANY:**  
Ecotrail Personal Care Pvt. Ltd. (Iba Cosmetics)

**Why did you start Iba Halal Care?**

It all started when two sisters, Mauli and Grishma Teli, who worked in the USA as professionals in management consulting and biotech research, respectively, quit their jobs and moved back to their hometown in India. We dreamed of starting a cosmetics and personal care company focused on developing, manufacturing, and marketing eco-ethical products that would address unmet consumer needs. We founded Ecotrail Personal Care in 2012, and Iba Cosmetics was launched in 2014. We meet the ethical needs of all consumers, including Muslims, Jains, vegetarians, and vegans.

**What has this journey been like?**

The journey, like any entrepreneurial venture, has had its share of rewards and challenges. What has been most rewarding is the validation of the halal cosmetics concept and the need for it in the form of the positive consumer feedback and loyalty that Iba enjoys today. We have been able to grow from two boutique retail stores in our hometown, Ahmedabad, in Gujarat, to a nationally recognized brand selling across thousands of retail outlets and online in multiple portals, including Amazon, Nykaa, Flipkart, as well as our own brand website.

**How did you raise capital?**

We raised venture capital funding from two investors over the last five years, from the brand launch, because of the differentiated and unique concept of halal and vegan cosmetics and being the first and only brand in India offering such products.

**Are you expanding outside of India?**

We have entered the UAE market in the past year through a trusted partner, and we are thrilled to now have Iba products available for purchase through Amazon and soon through other online and offline channels. We hope to grow in other markets too in the coming year – Bahrain, Saudi Arabia, Qatar, and Bangladesh, to name a few.

**India is the largest Muslim consumer market for cosmetics, with around \$6 billion spend (2018). What are the opportunities in India's halal cosmetics market?**

To continue taking advantage of the opportunity for halal cosmetics and to grow further, what is needed is higher consumer awareness. Being the only brand focusing on this unique selling position (USP), we are the path-breakers, and so, the onus is on us to reach out to potential consumers in our target segment and make them aware of Iba.



To watch the full video interview on Salaam Gateway, scan/click this QR code.



**Entrepreneur:**  
**Melanie Elturk**

**POSITION:**

Founder

**COMPANY:**

Haute Hijab

**What prompted you to establish Haute Hijab?**

My husband and I run Haute Hijab together. We started back in 2010, so this year is actually our tenth anniversary. It has been a long ride. Living in the West, growing up in America, I just didn't have the hijabs that I wanted to make me feel beautiful, confident, and comfortable, and that really fit my style and aesthetic. I knew I was not alone in that. I knew that the hijab is something a lot of girls struggle with and rightly so, particularly living in the West. I really wanted to build a community of Muslim women, to elevate us as women, and to help those who are struggling. This aspect of on the ground community building was just as important as the product itself. It was really those two things in tandem that drove us to start the business.

**What are some of the most important lessons you have learned building Haute Hijab?**

When we first started, we didn't have the capital to put out this clothing line that we had dreamed up, so I got as many scarves as I could from vintage stores, which were one-of-a-kind growing up, put those up on the site and launched. By the second day, every single one of those vintage scarves had sold out. We got \$800-\$1,000 every week, which we invested back into funding our clothing line. You just have to think outside the box

and be creative about how you can solve issues. Have a mindset that this is an opportunity rather than an obstacle.

**What is your proudest accomplishment with Haute Hijab?**

In terms of one of my goals of normalizing the hijab, a proud moment was in 2017, when hijabs for photoshoots were not common. A campaign reached out for hijabs, and a few months later, we saw our hijab on a beautiful woman on posters plastered on every single GAP window across the world.

**Where do you see Haute Hijab in the next 10 years?**

This year, our international growth has expanded by 20%, so it now makes up 30% of our total revenue from only 10% back in January 2020. In the next decade, I hope that we will reach the premier global hijab level, servicing as many countries and on the ground physically, not just sending them from the USA.

**How is Haute Hijab impacting modest fashion?**

Our brand is playing a part in the community, where we are one of those brands out there that millions of Muslim women can turn to and say, here's a ground that is validating me as a Muslim woman, that is acknowledging me and my needs and desires.



To watch the full video interview on Salaam Gateway, scan/click this QR code.



**Entrepreneur:**  
**Nafisa Bakkar**

**POSITION:**  
 Co-Founder & CEO

**COMPANY:**  
 Amaliah

**Why did you establish Amaliah, a media company and agency that seeks to create meaningful moments for Muslim women?**

Amaliah began to create more space for Muslim women to speak on our own terms. Over the last five years, this has developed across mediums and formats such as podcasts and events. We also established our agency, which was in response to cultural change across the advertising and media industry. We've worked with brands like Universal, Lush, Pinterest, Waterstones, and major other agencies to help create a better understanding of Muslim audiences and to reach our audience through our channels.

**What impact has Amaliah had?**

We have a digital footprint of over 4.2 million each month and a contributor community of over 300. Through articles, videos, our award-winning podcasts, our social channels, events, and brand partnerships, our work seeks to surface the many different voices and experiences within our communities.

**What is it like to work in the UK, one of the top five Muslim media consumer markets, with around \$10 billion spend (2018)?**

We have seen great growth in our agency, which works with brands and advertising agencies to offer insights, consultation, and strategies to engage with Muslim consumer

markets in a more meaningful way. If we look at demographic data, groups termed as "minorities" are actually the global majority.

**How has the sector evolved?**

We are seeing that brands and agencies want to work with multiple partners for their media and communication that speak specifically to a targeted group. Amaliah has worked with other publishers like gal-dem and Guap, who speak to women of color and non-binary people and youth. We have worked on briefs that we wouldn't have expected to when starting out, like the James Bond film franchise, to input a communication strategy that speaks to a new generation of viewers.

**Amaliah initially started as a modest fashion blog, but you have also acquired Halal Gems, a halal food discovery platform. What future opportunities do you see for these sectors?**

Amaliah and Halal Gems started by curating experiences, ideas, and moments that already exist. The next wave for us is to create and shape experiences. We already do this with the Halal Gems food festival, which in 2019 saw 90,000 attendees and has seen over 160,000 attendees over the last three years. We want to develop these events to become part and parcel of people's social calendars when looking for things to do and experience.



**Entrepreneur:**  
**Tengku Suzana  
 and Elaine Tee**

**POSITION:**  
 Co-Founders

**COMPANY:**  
 Have Halal Will Travel

**What sparked the idea for Have Halal Will Travel?**

*Tengku Suzana:* We started Have Halal Will Travel (HHWT) because we realized that there was an unmet need. Elaine and I were exchange students in Seoul, South Korea, in 2013, together with Mikhail, our third partner, when we realized it was extremely difficult to get information on halal food. That's when the idea first developed.

**What is the reach of Have Halal Will Travel?**

*Tengku Suzana:* HHWT is the largest travel and lifestyle platform for Muslims in Asia. We reach over 9 million individuals through our channel. Through our engaging content, we enable Muslims to explore the world without compromising our faith. Beyond what we do as a travel and lifestyle platform, our vision has always been to keep peace through travel. We see travel as a force for peace.

**What is your proudest achievement?**

*Tengku Suzana:* Seeing our content bringing people of different faiths and backgrounds together. It's heartwarming to see the community planning trips together. Also, seeing Muslims visiting more exotic destinations and immersing in local cultures that they weren't as willing to travel to in the past.

**What's the future for the sector?**

*Tengku Suzana:* The future of travel content will be in user-generated stories. Tapping into this community will help us enable Muslim travelers to experience a better trip.

**How did you deal with the COVID-19 pandemic?**

*Elaine Tee:* We had to adapt our content to allow us to satisfy the wanderlust of our community while they were still stuck at home during the crisis, for example, by sharing international recipes. Then we started sharing what people could do domestically while maintaining safety. Our brands also had to come up with different strategies to keep people engaged.

**Which female entrepreneurs inspire you?**

*Elaine Tee:* For me, it's Vivvy Yusof, co-founder of the hijab brand dUCk and online retailer FashionValet in Malaysia. I admire her dedication and passion to her business. When she first started, many people didn't think she would make it. No one imagined she'd be able to grow a fashion business to its current scale while having a family and personal life.



To watch the full video interview on Salaam Gateway, scan/click this QR code.

# Special Feature: Gen Z Perspective on the Islamic Economy

*Born in the era of smartphones; we're creative, we're entertained. We strive for climate action; we aspire to create positive change. We Netflix it, we TikTok it. You name it, we trend it. We are the modern generation – "Gen Z" is our nomination.*

## Gen Z are tech-savvy, rooted in ethical and sustainable values

Generation Z (also known as Gen Z, iGen, homelander or post-millennials) are emerging to take their place in marketers' spotlights, right after millennials. By most definitions, this segment of the population refers to the generation born after 1995. They have arrived in time with the Fourth Industrial Revolution, yet they are growing up amidst the biggest threats of our time: climate change, cyberattacks and the unprecedented — the COVID-19 pandemic.

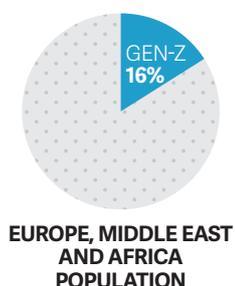
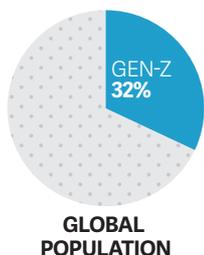
Gen Z are holding those around them to a higher standard when it comes to social impact, hence they are loyal to brands that don't just promise but

prove to meet these goals. Rooted in ethical and sustainable core values, while adapting to advancing technology, the halal/Islamic economy is best positioned to attract this 32%<sup>41</sup> of the population.<sup>42</sup>

This feature on Gen Z presents the views of select global, active Gen Z influencers/micro-influencers on the halal economy. Read their thoughts, shopping and spending habits, challenges, and suggestions for the halal industry. We hope their rich yet varying perspectives will help industry players understand and evaluate the needs of this growing, crucial demographic.

## Key stats on Gen Z

### Demographic <sup>43</sup>



### Brand Search and Purchase

GLOBAL SPENDING POWER ALMOST **\$100 billion** <sup>44</sup>

**6/10** PURCHASE ITEMS ON MOBILE PHONES <sup>45</sup>

Gen Z search for more information on brands through search engines, social media, consumer reviews and mobile apps

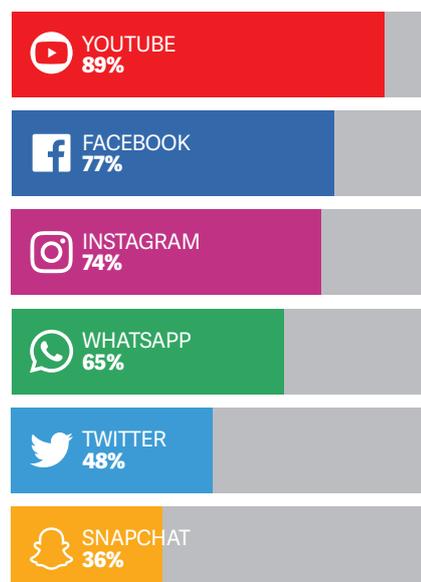
#### HOW GLOBAL GEN Z INTERNET USERS RESEARCH BRANDS



Source: Globalwebindex

### Top Social Media: Gen Z

VISITED/USED ACCOUNTS



Source: Globalwebindex



To watch a video of Gen Zs sharing their views on the Islamic economy sectors, scan/click this QR code.

41. Johnny Wood. *Generation Z will outnumber Millennials this year*. World Economic Forum. August 23, 2018.

42. Ibid

43. *Gen Z Effects In Today's Digital World*. AdColony. Accessed October 21, 2020.

44. Ibid

45. *Report: Generation Z*. Global Web Index. Accessed October 21, 2020.

# Meet Our Gen Z Commentators



**Tamsir Lo & Idy Lo**  
@les\_jumeaux\_lo

Sénégal | Age: 25

*"We are twins and we sing only religious music and recite the Quran on all our pages."*



**Melfiana Goldiena Putri**  
@melfianaputri

Indonesia | Age: 20

*"I am constantly trying to contribute to the world through my views as an economic student, writer, and fashion enthusiast."*



**Mohammed Turq**  
@mohammed\_turq

India | Age: 23

*"I mostly convey my thoughts on humanity through my artwork."*



**Sameea Rahat**  
@islamicart\_bysameerahat

United Kingdom | Age: 24

*"An accountant in the making; a passionate Islamic artist and calligrapher accentuating the beauty and wisdom of Allah almighty's beautiful words."*



**Faisal Latif**  
@justfaisallatif

United States | Age: 24

*"I am a student of knowledge, Muslim Youtuber, singer, speaker, filmmaker, poet, coach and mentor ultimately aiming to inspire goodness."*



**Yasmine Benabderrahmane**  
@yasmineabenab

United Arab Emirates | Age: 17

*"I aim to build a future that my society failed to offer."*



**Abdulla Bin Kalban**  
@Motionarabia

United Arab Emirates | Age: 24

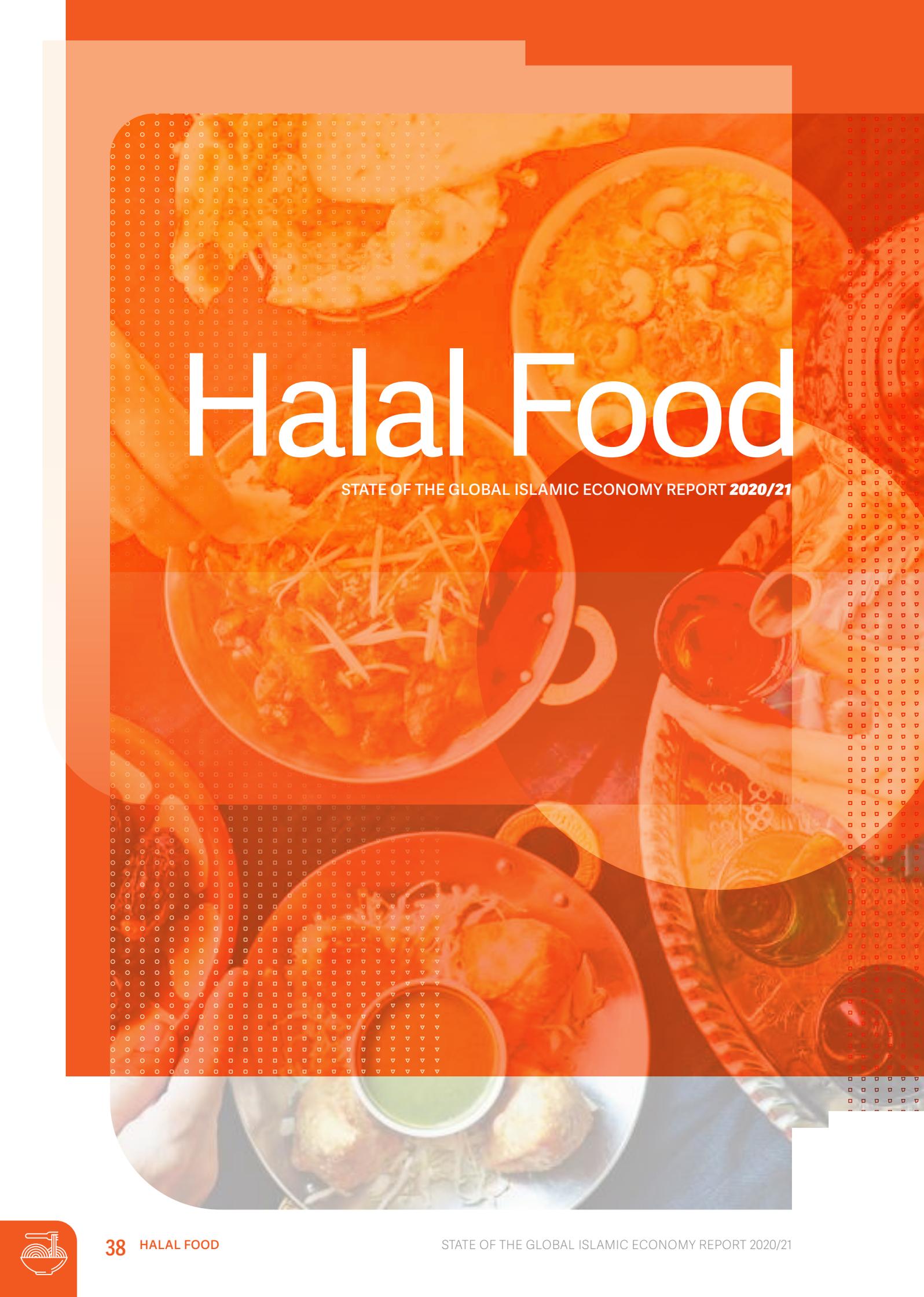
*"We provide our own content that people enjoy watching. What we like is that we have above average interactions and it motivates us to work more on our content."*



**Zeina Ihab Zakaria**  
@zeina\_ihab

Egypt | Age: 19

*"I'm a Potterhead (a diehard Harry Potter fan) with a passion for learning about all things genetics. I'm pursuing a Biotechnology Bachelor's degree and adore teaching elementary students."*



# Halal Food

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT **2020/21**





*Muslim spend on food increased by 3.1% in 2019 to \$1.17 trillion from \$1.13 trillion in 2018. The COVID-19 crisis is not expected to result in a significant drop in Muslim spend for 2020, with a drop of 0.2% forecasted. A CAGR of 3.5% is expected between 2019 and 2024, with Muslim spend expected to reach \$1.38 trillion by 2024.*

The COVID-19 pandemic has proved to be challenging for global food production and distribution, and the halal food sector is no exception. Indeed, three out of the five largest food exporters to the OIC countries – Brazil, India and Turkey – were severely impacted.

Changes in consumer behavior affected off-the-shelf sales in both positive and negative ways, with more demand for particular foods over others. COVID-19 driven meat shortages, for example, led to a greater demand for alternative proteins.

A more subdued Ramadan this year due to stay-at-home restrictions caused a drop in retail sales, with revenues at casual and fine dining restaurants dropping by as much as 85% worldwide at the height of the pandemic.

On the other hand, home deliveries spiked, with outlets such as the USA's The Halal Guys making particular use of cloud kitchens, a growing trend that was given a major push in 2020. In February, Emirati cloud kitchen platform Kitopi raised \$60 million in series B funding.

Unsurprisingly, there was a flurry of investment in food related apps during the pandemic, from the \$36 million raised for Saudi Arabian delivery startup Jahez, to a commission-free food ordering website, DeliverDXB, launched in Dubai.

Investment into producers also continued despite COVID-19. Shares in Pakistan's The Organic Meat Company's IPO were oversubscribed by 1.7 times, while Ajinomoto, a Japanese seasoning company, invested \$85 million in a halal production line in Malaysia.

The ingredients sector is also attracting attention, with Symrise, a German flavors producer, opening a creativity center in Egypt to develop customized products for the Middle East and Africa markets. One of the biggest developments is \$300 million being invested in Malaysia and ASEAN's first halal gelatin plant and industrial park, by the local subsidiary of Japan's Sanichi Technology.

Halal trade has expanded, with multiple agreements inked with key food producers, and non-OIC countries partnering with Muslim-majority countries, such as Brazil and the UAE, to tap the burgeoning halal market.

There have also been solid moves in improving halal standards, notably the OIC's Standards and Metrology Institute for Islamic Countries (SMIIC) producing five new halal standards, including one for food additives and four related to conformity assessment.

With the demand for traceability – from farm to fork – on the rise, and more customers seeking out halal certified products, the halal food sector is set to continue being the driver of the Islamic economy.





# Halal food



Represented by **\$1.17 trillion** of spending by **1.9 billion** Muslims on food & beverage. (2019 est.)

**\$200 billion**  
of Food and Beverage  
exports to OIC\* countries  
(2019)



Top 5 halal food consumer markets (2019)



Top 5 countries exporting to OIC (2019)

The thickness of the lines is proportional to the value of the country's exports



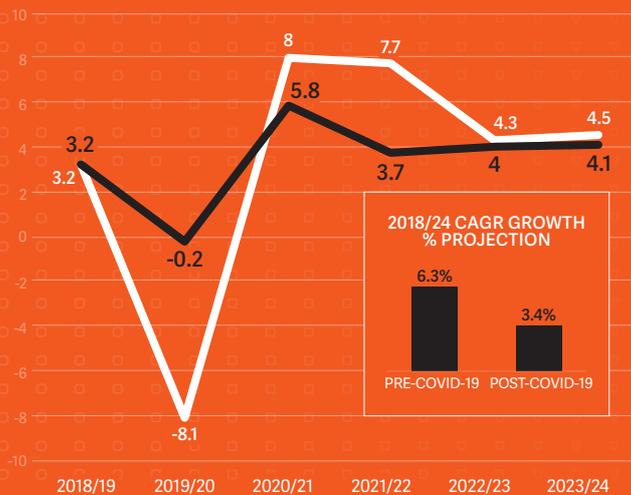
## COVID-19 Impact Projections

Projected 5-year CAGR of 3.5% (2019/24) reaching \$1.38 trillion by 2024

## Global Muslim spend on food versus all halal products & lifestyle sectors

(% YOY GROWTH, 2018/24)\*

● All products/sectors ● Halal food



All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections base-lined using IMF Outlook from April 2020. Halal and related products exports based on ITC Trademap 2019 data. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Despite depressed global FDI, sovereign wealth fund led food security and supply-chain investments are rebuilding momentum

**\$6.11 billion**  
in halal-related food industry  
investments 2019/20\*

Indonesia: Indofood's \$2.9 billion acquisition of Indomie noodles MENA market manufacturer Pinehill

Europe: PE firm Perwyn backed French halal products leader Isla Delice acquired Belgium's Hoca Meats

## DEALS

Top countries with # of related deals

(2019/20)

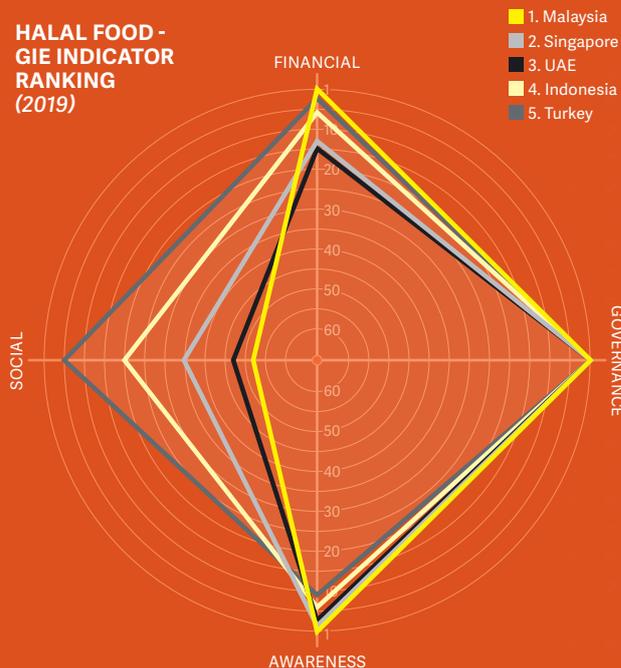
16 Malaysia	10 Indonesia	8 UAE	27 Others	61 TOTAL
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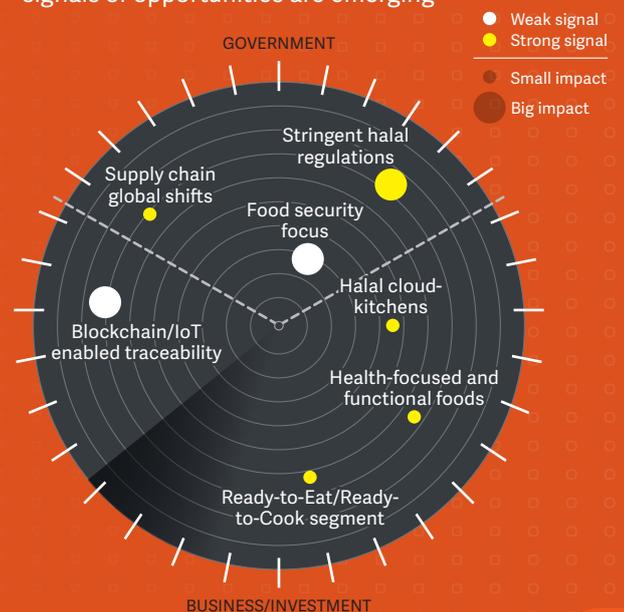
### Government Benchmarks

HALAL FOOD - GIE INDICATOR RANKING (2019)



### Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging



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# 2019/20 Developments



## Revenue Developments

**The halal food industry continues to show promise despite industry players being severely impacted by the COVID-19 pandemic.**

### Latest projections:

Muslim spend on food increased by 3.1% in 2019 to \$1.17 trillion from \$1.13 trillion in 2018, with Indonesia, Bangladesh, and Egypt ranked as the top three countries by spend, retaining their positions from last year. The COVID-19 crisis is not expected to result in a significant drop in Muslim spend for 2020, with a drop of 0.2% forecasted. A CAGR of 3.5% is expected between 2019 and 2024, with Muslim spend expected to reach \$1.38 trillion by 2024.

Note: This does not represent the actual value of 'halal' certified product consumption. It represents the core addressable Muslim consumer markets spending in the food sector.

COVID-19 has had a detrimental effect across the food value chain, except for a few sectors such as grocery e-commerce and packaged retail foods. ✳

- The largest exporters to OIC member countries were impacted by the pandemic with four out of five — Brazil, India, France and the USA — being severely impacted.<sup>1</sup>
- Stay-at-home restrictions, along with the plunge in tourism, have devastated the HORECA (Hotel/Restaurant/Café) sector — with

revenues falling by as much as 85% globally.<sup>2</sup> Consequently, B2B ingredient companies' foodservice-focused divisions saw sales shrink, while sales of packaged retail foods and baking goods surged.<sup>3</sup>

- Ramadan and Eid-al-Adha household budget cuts, a curtailed hajj, and canceled trade events further compounded revenue losses. The postponed Tokyo Olympics alone resulted in an estimated loss of \$3 billion in the global halal trade.<sup>4</sup>



## Companies are moving quickly to adapt to new consumer preferences

With home cooking booming, e-commerce and quick delivery capabilities have become indispensable for retailers, inviting new entrants and investments. ✳

- Saudi supermarket giant BinDawood Holding and UAE's Carrefour reported their e-commerce sales to have increased by 200% and 59%, respectively, during the pandemic.<sup>5</sup>
- Grocery e-commerce drew large investments, especially from food delivery companies. Germany's Delivery Hero acquired Dubai's

grocery marketplace, InstaShop, for \$360 million while Turkish 10-minute grocery delivery startup, Getir, raised \$38 million to expand internationally.<sup>6</sup>

- Italy saw the launch of the first European multi-vendor marketplace for halal products, Deenary.com.<sup>7</sup>



Lifestyle diseases and, more recently, COVID-19 are driving demand for healthier options — functional, organic, clean-label, plant-based, low-fat, and low-sugar foods.

- In a historic IPO, the shares of Pakistan's The Organic Meat Company Ltd. (TOMCL), a major halal meat exporter, were oversubscribed by 1.7 times.<sup>8</sup>



- Nestlé invested approximately \$21 million in building its largest factory for Milo, its popular health drink, in Chembong, Malaysia, and announced plans to build a \$100 million plant-based facility in China.<sup>9 10</sup>
- Ready-to-eat (RTE) and Ready-to-cook (RTC) have soared in popularity.
- Indonesia's Indofood acquired MENA-focused instant noodles manufacturer, Pine Hill, for \$3 billion.

- Malaysian brand, Ramly Food Industries, announced investments of \$200 million in setting up its largest frozen food facility in South East Asia.<sup>11</sup>
- In the UK, retailer M&S Food announced its own range of Western cuisine halal ready-meals.<sup>12</sup>



HALAL PRODUCTS IN A FRENCH SUPERMARKET.  
IMAGE CREDIT: JACKY D / SHUTTERSTOCK.COM

## The sector continues to attract investors and innovation

Market leaders, especially ingredient manufacturers, are moving production closer to the halal market.

- Sanichi Technology is developing ASEAN's first halal gelatin plant and industrial park with a gross development value of \$300 million.<sup>13</sup>
- German-headquartered flavors giant, Symrise, inaugurated a new facility in Egypt to develop customized products for the African and Middle Eastern markets.<sup>14</sup>
- Japanese flavor leaders Takasago and Ajinomoto are setting up halal production facilities in Indonesia and Malaysia, respectively.<sup>15 16</sup>
- Arla Foods invested \$55 million in setting up a cheese production facility in Bahrain that will double as a strategic hub to cater to the MENA region.<sup>17</sup>

Innovative food continues to emerge in the halal food space.

- An Argentinian startup, Michroma, engineered filamentous fungi to create novel but natural food colors that are vegetarian and halal-friendly.<sup>18</sup>
- Russia's Space Food Laboratory, JSC, created the first halal food in space using unique packaging and completely natural ingredients for a UAE astronaut.<sup>19</sup>
- UK-based Frankie's Farm launched Streaky Lamb Macon, a pork-free bacon alternative to be sold at Asda, which will be available in its halal/chilled aisles.<sup>20</sup>



# Operational Developments

## Traceability, a focus on operational efficiency, and new business models continue to drive change.

The industry is taking steps to optimize supply chains.

- Malaysia's Halal Development Corporation (HDC) is expected to launch its online marketplace, the Halal Integrated Platform (HIP), in December 2020. HIP will help domestic companies become export-ready and bring industry stakeholders together to solve commercial issues, especially those related to sourcing hard-to-find halal raw ingredients and semi-processed food.<sup>21</sup>

Digital transformation is taking place at a rapid pace. ✨

- Startups such as Turkey-born FineDine<sup>22</sup> and Bahrain's Eat<sup>23</sup> have raised undisclosed investments to digitize ordering and enable data analytics.
- From robot-based slaughtering to beverage-making robots—such as the DrinkBot now being tested by The Halal Guys—automation is expected to play an increasingly important role in the industry.<sup>24</sup>
- US-based halal certifying body, IFANCA, resorted to virtual halal audits due to lockdown restrictions on a case-by-case basis.<sup>25</sup> ✨
- Sucofindo, the auditor appointed by Indonesia's government-backed regulator, has announced it will use a blockchain service designed by Singapore company WhatsHalal for laboratory testing.<sup>26</sup>

Increased focus on food delivery has accelerated restaurants' adoption of cloud kitchen models.

- USA's The Halal Guys has been aggressively expanding through cloud kitchens,<sup>27</sup> while the UAE-based cloud-kitchen platform, Kitopi, has raised \$60 million to cater to the UAE market.<sup>28</sup>
- Dahmakan, a Malaysian food-delivery startup that creates its meals via cloud kitchens, raised \$18 million in a Series B funding round.<sup>29</sup>

More initiatives are underway to improve halal certification processes and traceability.

- France has begun digitizing the entire French food chain, including its halal food production and exports in a four-stage \$3.3 million program, Num-Alim, from 2020 to 2023.<sup>30</sup>
- Indonesian poultry company PT Belfoods is working with McDonald's Indonesia to introduce blockchain-based food traceability tools in the fast-food giant's restaurants.<sup>31</sup>
- South Korea's largest telecom firm, KT, along with blockchain developer B-square, plans to digitally systemize and simplify halal certification and authentication.<sup>32</sup>
- Singapore-based WhatsHalal, a one-stop halal certification enterprise solution, raised undisclosed seed funding for regional expansion and technology development.<sup>33</sup>





PAKISTANI VILLAGERS PLANT RICE IN A FIELD IN LAHORE.  
IMAGE CREDIT: A M SYED / SHUTTERSTOCK.COM

## National and Trade Developments

**2019-2020 was a momentous period for the industry with the launch of many new national halal strategies and trade relationships.**

Several countries introduced new halal regulations.

- In a historic regulation, Indonesia made halal certification mandatory for halal food products and established the Halal Products Certification Agency (BPJPH).<sup>34,35</sup>
- Saudi Arabia approved the launch of the kingdom's national system for halal products, clarifying the roles of related regulating bodies SFDA and SASO.<sup>36</sup>
- In Pakistan, the Pakistan Halal Authority (PHA) is expected to begin functioning in the federal capital to promote halal products within the country and abroad.<sup>37</sup>
- The Iranian government launched a program to integrate its halal systems to play a larger role in the halal food industry.<sup>38</sup>
- Launch of halal logos: Egypt's Council of Ministers introduced the 'Halal in Egypt' mark for Egyptian halal exports,<sup>39</sup> while the Philippines' Department of Trade and Industry (DTI) also launched an official national halal logo.<sup>40</sup>

COVID-19 has forced import-dependent OIC governments to take immediate steps to ensure food security. ✨

- Saudi Arabia pledged 2 billion riyals (\$533.3 million) to fund imports and secure food via indirect and direct loan programs that will finance agricultural projects.<sup>41</sup>
- The UAE's government has partnered with the UN's Food and Agriculture Organization (FAO) to improve the country's food safety control systems and ramp up its agriculture and aquaculture systems.<sup>42</sup> It also issued a strategic food security law that ensures food supply across the country<sup>43</sup> and established a public-private partnership to improve food security.<sup>44</sup>
- Kuwait's Wafra International Investment Company made a \$100 million commitment to invest in Pure Harvest Smart Farms' climate-controlled greenhouses.<sup>45</sup>

Non-OIC countries continue to partner with OIC countries to tap into the lucrative halal market.

- Through a partnership with MUFG, Japan's largest bank, Malaysia's HDC announced that 40 Japanese companies would participate in its Halal Integrated Platform next year.<sup>46</sup>
- The HDC also began collaborating with the Malaysia External Trade Development Corporation (MATRADE) in Chennai to expand Malaysia's presence in India's halal sector.<sup>47</sup>
- Singapore's Warees Halal also entered into an agreement with Japan's Tourist Bureau to promote and provide halal certification and related services.<sup>48</sup>
- The Philippines and Indonesia announced a government-to-government (G2G) agreement to facilitate the export of Philippine halal products to Indonesia.<sup>49</sup>
- Brazil signed an MOU with the UAE's Halal Trade & Marketing Center (HTMC) to diversify its halal offerings to include gourmet foods, ingredients, and animal feed, among others.<sup>50</sup>
- In line with its food industry strategy for 2030, South Korea plans to target the halal market, especially in Indonesia, through linking exports to the Korean Wave.<sup>51</sup>



# Ecosystem Developments

## Governments and stakeholders are taking steps to strengthen the industry.

The industry made significant yet siloed progress towards unified halal standards.

- SMIIIC member states have come together to produce five new halal standards for OIC, including one for food additives, and four related to conformity assessment.<sup>52</sup> SMIIIC is also developing Halal Quality Infrastructure standards, which will provide guidelines on strengthening the halal regulatory ecosystem.<sup>53</sup>
- The UAE-based International Halal Accreditation Forum (IHAF) gained six new members, including Japan, Costa Rica, Bulgaria, Belarus, Sudan, and South Korea, taking its membership to 37 countries.<sup>54</sup>
- A few halal compliance players have had allegations of misconduct leveled against them, making it clear that more transparency and compliance enforcement is needed to restore consumer trust.<sup>55 56 57 58</sup>
- Brazil's meat processors are preferring to sell to China because catering to OIC countries' different halal standards is a challenge.<sup>59</sup>

Stakeholders have recognized the need to improve halal-industry education.

- The Indonesian government estimates it will need nearly 4,500 MUI-certified auditors to reach its 500 regencies over the next four years as the mandatory halal law is enforced.<sup>60</sup>
- Malaysia's HDC launched digital economy-related training courses, among other entrepreneurship programs, to help SMEs build ICT skills.<sup>61</sup>

Banks are supporting the growth of the halal industry.

- Standard Chartered Saadiq has partnered with Malaysia's HDC to help local businesses grow beyond the country's borders.<sup>62</sup>
- In Malaysia, CIMB will allocate up to \$23 million in financing for companies that want to become halal-certified — nearly 90% of local SMEs do not have halal certification.<sup>63</sup>
- Modern Industrial Estate (MIE), the developer of Indonesia's Modern Halal Valley (MHV), partnered with four Islamic banks—Bank Mandiri Syariah, BRI Syariah, BNI Syariah and Bank Muamalat Indonesia—to develop Indonesia's first integrated halal industrial cluster.<sup>64</sup>

### SMIIIC PUBLISHES NEW HALAL FOOD STANDARDS FOR THE OIC

- 1) OIC/SMIIIC 24:2020, General Requirements for Food Additives and, Other Added Chemicals to Halal Food;
- 2) OIC/SMIIIC 33:2020, Conformity Assessment – Example of a Certification Scheme for Halal Products (ISO/IEC 17067 + Islamic rules);
- 3) OIC/SMIIIC 34:2020, Conformity Assessment - General Requirements for Bodies Operating Certification of Persons Involved in the Halal Related Activities;
- 4) OIC/SMIIIC 35:2020, Conformity Assessment - General Requirements for the Competence of Laboratories Performing Halal Testing (ISO/IE 17025 + Islamic rules);
- 5) OIC/SMIIIC 36:2020, Conformity Assessment - General Requirements of Proficiency Testing for Halal Purposes.



For the latest articles on halal food on Salaam Gateway, scan/click this QR code.



# Social Impact Developments

## While climate change remains a concern, there were few developments in sustainably and ethically produced food.

- As part of its nationwide Food Waste Pledge, the UAE's partnership with UK food-tech firm Winnow helped the country recover nearly 2 million meals in 2019.<sup>65</sup>
- Thai halal food-processing leader Charoen Pokphand Foods committed to making 100% of its plastic food packaging reusable, recyclable, up-cyclable, or compostable over the next decade.<sup>66</sup>
- Recognizing the role Singapore's OneAgrix is playing in enabling African farmers' participation in halal fair trade, the International Trade Centre, a joint-mandate agency of the United Nations and World Trade Organization, signed an MOU with the company to jointly work towards the UN's SDGs.<sup>67</sup>

# Signals Of Opportunity

The industry has seen several significant developments over the past year that are evidence of the continued rising demand for halal food. Reforms are still needed across the halal compliance ecosystem, but the industry continues to move forward.

◆ COVID-19-related supply-chain disruptions have demonstrated the need for larger investments in local and regional production.

The push for local and regional production has never been more urgent, given food security concerns as well as local industry growth and export opportunities. Led by agri-tech and food-tech, having essential food products, especially ingredients, produced locally will help secure availability, allow shorter delivery times, and enable R&D and innovation in local cuisines and products.

◆ The digital transformation of the industry is accelerating due to COVID-19.

COVID-19 has been a wake-up call for the halal industry to be digital-ready even as the Industrial Revolution 4.0 wave is transforming the global food industry. Governments and corporates are taking steps to digitize supply chains, enable data tracking and traceability from farm to fork, adopt manufacturing automation and cost-reduction technologies, and help micro-SMEs and SMEs build the skills required to thrive in the digital economy.

◆ Islamic financial institutions can expand their SME proposition by enabling halal trade and connectivity.

Growing examples of Malaysian Islamic Banks facilitating halal trade and financing show the way for other Islamic banks to expand their SME offerings.

◆ Consumers are on the hunt for healthy yet convenient food that can be delivered.

Stay-at-home restrictions have led to an increased demand for the delivery of meals that are not just flavorful and healthy but are also available in convenient and snackable forms. Themed cloud kitchens, food delivery, ready-to-eat, and online groceries are robust growth areas.

◆ The new SMIC standards are here — it is time for governments to take the next step.

Political issues, trade agreements, and varying halal standards are hurting governments, the industry, and consumers. A harmonized halal standard will create more opportunities for all stakeholders.

◆ There is potential for halal to expand its relevance as a more pure, healthier food type.

Safe, hygienic, and healthy food is now a global concern. Halal food, which by its nature is subject to more compliance and traceability, can provide greater assurance to consumers of its safety and purity.



# Strategic Considerations by Stakeholder

## Overview

The halal food industry was not as severely impacted by COVID-19, though the HORECA sector was badly hit. Consumer patterns changed to reflect the new normal of staying—and eating—at home. Grocery staples and grocery delivery grew, as did the sales of baking goods, Ready-to-Eat foods, snacks and meal kits. Healthy and functional foods, including plant-based foods became popular as some areas faced meat shortages. Industry players have moved closer to the halal markets, especially in the ingredients sector. With governments prioritizing food security, investments in strengthening regional supply and existing trade partnerships are expected to go up.



## Investors

### Silver linings remain despite COVID-19's detrimental impact on the halal food industry.

**+** **Opportunity 1:** Markets are ripe for investment with COVID-19 driving the need to realign supply chains ✨

The demand for halal food has grown along with the need to secure supply. There are investment opportunities for expansion into new markets as well as for setting up food processing facilities close to markets impacted by supply-chain disruptions.

**Developments:** Isla Delice acquired Belgium's Hoca Meat Products.<sup>68</sup>

**Analogs:** Poultry processor Cargill expanded its business in Latin America with the acquisition of Colombian brand Campollo in 2018.<sup>69</sup>

**Potential Outcomes by 2030:** Halal food multinational companies will dominate the industry.

**+** **Opportunity 2:** Incorporating traceability will enhance consumer trust and loyalty amid heightened concerns for food safety ✨

COVID-19 has made consumers more particular about food safety and hygiene. Traceability achieved through blockchain can be a differentiator for businesses in the halal industry; however, the high costs of implementing these solutions can be a barrier. By working with governments, investors can effect real change in the industry.

**Developments:** Indonesia's largest integrated poultry company, PT Sierad Produce Tbk, has adopted blockchain for its B2B food products.<sup>70</sup>

**Analogs:** AgriDigital, an Australian blockchain startup focused on agri-commodities trade, raised \$5.5 million to expand to North America.<sup>71</sup>

**Potential Outcomes by 2030:** Halal traceability will be built into manufacturing processes and immediately verifiable by consumers.

**-** **Challenge 1:** COVID-19 has deepened an already weak investor sentiment ✨

Given the contraction of economies and widespread uncertainty, the current investment climate is poorer than an already weak 2019. The lack of notable exits in the current halal food industry may also act as a deterrent.

**Risk:** Without clear evidence of viability, halal food investments will be restricted to a smaller audience of passionate, committed investors.



# Governments

## Competition in the halal industry is on the rise, and national halal industries can play a significant role only if backed by government support and robust policy.

### **+** **Opportunity 1:** Strategic trade partnerships between OIC countries can strengthen their halal industries and economic growth in these turbulent times ✨

With the global economy moving into a recession, OIC governments can strengthen their halal industries and economies through strategic partnerships and free trade agreements. If OIC countries refuse to work with neighboring members, their supply chains may become more vulnerable and further endanger their country's food security.

**Developments:** Indonesia's Halal Cluster Network was created through MOUs signed between Halal Parks in Malaysia, Indonesia, and Spain.<sup>72</sup>

**Analogs:** Dairy giant Arla Foods is a cooperative owned by farmers in seven European countries.<sup>73</sup>

**Potential Outcomes by 2030:** Islamic economies will create global food industry leaders.

### **+** **Opportunity 2:** Investing in local manufacturing and agriculture through public-private partnerships (PPP) will boost both food security and economic growth while reducing import dependence ✨

Import dependence on raw materials has made OIC countries vulnerable to disruptions in the food supply, while also making food manufacturing more expensive. Where possible, governments must build or invite investment to develop produce and ingredients locally through food-tech and agri-tech. This will enable countries to quickly scale up halal production and exports and improve the resilience of supply chains.

**Developments:** The UAE's Emirates Food Security Council has established a public-private partnership to improve food security.<sup>74</sup>

**Analogs:** Saudi Arabia has achieved 60% self-sufficiency in poultry and vegetables, and 109% in milk and dairy products.<sup>75</sup>

**Potential Outcomes by 2030:** Most raw materials will be domestically sourced with the surplus exported.

### **+** **Opportunity 3:** With the publication of OIC/SMIIC halal standards, OIC members now hold the power to take the halal industry to the next level

Adopting uniform halal standards across the industry will act as a multiplier for trade within the OIC and outside it. OIC countries must rise above political and trade conflicts and ensure they implement these harmonized halal standards through systematic capacity building. This will guarantee ethical food production, improve process efficiency, and strengthen both the perception and share of halal products in the global food trade.

**Developments:** SMIIC has published new halal standards for OIC.

**Analogs:** HACCP and ISO standards ensure consumer safety and trust.

**Potential Outcomes by 2030:** Halal food raises the bar for high-quality, ethical food, and is equally preferred by non-Muslim consumers.

### **+** **Challenge 1:** Without detailed, concrete data to create an accurate picture of halal food manufacturing and consumption, any plans for improvement are only half measures

From sourcing to consumption, there is little concrete data in the halal industry, hampering understanding of supply and demand while also preventing traceability efforts. Governments must partner with public and private entities to gather the required data.

**Risk:** Holding off digitizing the food chain limits the industry from achieving its full potential and reduces trust in the system.



# Businesses

**With new markets opening up and consumption patterns changing, agility is needed to be able to make the most of these opportunities.**

**+** **Opportunity 1:** With food security a priority in OIC, food leaders outside the OIC can grow faster by moving closer to the region and catering to its demand for halal

With highly import-dependent OIC countries concerned about food security, halal food leaders outside the OIC can benefit from setting up manufacturing facilities in these countries, giving them access and insights into the whole region.

**Developments:** Symrise's Creative Center in Egypt will develop customized products for the African and Middle Eastern markets.

**Analogs:** Nestlé set up its manufacturing hub in Malaysia and became a leader in halal.<sup>76</sup>

**Potential Outcomes by 2030:** For multinational companies, sales from new markets may easily outdo sales in their home countries.

**+** **Opportunity 2:** Cloud kitchens have become more important for the restaurant and QSR industry as a more cost-effective and low-touch model ✨

E-commerce and delivery have become an integral part of the F&B industry. As the food and grocery delivery space heats up in the aftermath of COVID-19, F&B businesses can cut costs and scale faster by switching to the cloud-kitchen model. Grocery chains can also switch to 'dark stores,' which are based on the same model.

**Developments:** The UAE-based cloud-kitchen platform Kitopi, raised \$60 million in Series B funding.<sup>77</sup>

**Analogs:** US-based CloudKitchens raised \$400 million at a valuation of nearly \$5 billion.<sup>78</sup>

**Potential Outcomes by 2030:** Most food services will operate through ghost kitchens.

*Food insecurity is threatening the lives of millions across the world and more so in the OIC countries. I urge halal food producers to address gaps from food trade disruptions. Islamic finance must play a crucial role in building food supply chains in these countries."*

**— H.E. YERLAN BAIDAULET, DIRECTOR GENERAL, ISLAMIC ORGANIZATION FOR FOOD SECURITY (IOFS)**





*I believe that blockchain will have an immense impact on the value chain of the food industry. People are generally oblivious to what has been sprayed on the food they eat or how it has been handled, so using blockchain to promote the traceability of food will have a transformative impact on the whole sector."*

— FARAH EMARA, CO-FOUNDER AND CEO, FRESHSOURCE

**+** **Opportunity 3:** Ready meals and meal kits have shown solid growth as more consumers are cooking and eating at home due to COVID-19 restrictions ✨

Ready-to-eat meals and ready-to-cook products, including frozen foods and meal kits, are expected to grow as people continue to cook and eat at home. Several brands have also launched ready-to-eat meals focused on children and babies.

**Developments:** UK's M&S Food launched its own range of halal RTE meals.

**Analogs:** Germany-based HelloFresh's revenue grew 68% year-on-year in the first quarter of 2020 to \$754.8 million.<sup>79</sup>

**Potential Outcomes by 2030:** Consumer spend on meal kits and RTE/RTC subscription services will eclipse consumer spend on produce and pantry staples.

**+** **Opportunity 4:** COVID-19 has pushed healthy and hygienic food into the spotlight

COVID-19 has led to a spike in demand for healthy foods, including clean-label foods, immunity-boosting foods and supplements, diabetes-friendly foods, and plant-based/vegan foods. This is an excellent opportunity for Islamic economy companies to leverage the halal and tayyib proposition to engage and convert more customers, both Muslim and non-Muslim.

**Developments:** The UAE manufacturer Healthy Farm's plant protein burgers bagged the Most Innovative Halal Product award at Gulfood.<sup>80</sup>

**Analogs:** Pepsi acquired Be & Cheery, a Chinese company that sells plant-based online snacks, for a reported \$705 million.<sup>81</sup>

**Potential Outcomes by 2030:** Halal will be synonymous with health and purity for consumers.

**+** **Challenge 1:** SMEs are in dire need of support to survive the crisis

The pandemic has harmed businesses and forced many into losses, with SMEs bearing the brunt of the impact. However, high financing costs, raw material import duties, and high certification and compliance costs were an obstacle even before the pandemic.

**Risk:** Without financial aid and adequate mentoring and support, SMEs will collapse and take the industry with them.





# Technology Case Study: Cloud Kitchens

The global food service market size was valued at US\$ 3.4 trillion in 2018 and is expected to reach US\$ 4.2 trillion by 2024, a 3.6% CAGR during the forecasted period.

The COVID-19 pandemic has had some negative impacts on the global food sector – especially on dine-in restaurants and Quick Service Restaurants (QSR). Consumers are reducing spend in restaurants driven by a rise in hygiene concerns, stay-at-home trends and mass gathering restrictions. In March 2020, almost all restaurants in the MENA region closed, with a 60% decline in customers.

To meet the increased demand for online food deliveries, cloud kitchens are gaining more interest in the market. Also known as ghost kitchens, these are delivery-only, rentable kitchen spaces. The F&B version of Amazon, cloud kitchens host multiple brands with a shared infrastructure. Some also offer technology support and end-to-end services.

Cloud kitchens are expected to become a major part of the restaurant and QSR business models in the post-COVID-19 new normal.





## Kitopi, UAE

UAE-based Kitopi, a managed cloud kitchen platform, was launched in 2018 and now operates around 30 cloud kitchens across the US, UK, and the Middle East.

Kitopi caters to the entire customer experience journey — from call center to delivery — allowing restaurant owners to focus on running their dine-in space, marketing, and menu development.

A large part of Kitopi's competitive advantage is their in-house suite of applications (collectively known as a smart kitchen operating system - "SKOS") which optimizes all aspects of kitchen operations in real time to maximize efficiency and increase utilization. These include access to state-of-the art infrastructure at a

minimal capital expenditure, expertly trained staff, and industry focused technology.

Kitopi has currently partnered with Nathan's Famous, well known in the US for their hot dogs, to offer the brand's popular halal hot dogs in the UAE.

Adopting safety measures against the coronavirus, Kitopi has installed thermal cameras in kitchens and leveraged AI technology powered cameras to help identify any anomalies in their kitchens and better protect their staff.

### GLOBAL BENCHMARKS

#### Deliveroo's Editions

UK based cloud kitchen, Deliveroo's Editions, supports 2,000 virtual restaurant brands across the UK, a 150% year-on-year growth, by partnering with 1,200 restaurants.

#### CloudKitchens

US based CloudKitchens provides "smart kitchens" for delivery-only restaurants, and recently closed a US\$ 400 million funding round from Saudi Arabia's sovereign wealth fund.

### OPPORTUNITY ADDRESSED

Kitopi sees great potential in the cloud kitchen model with the global food service market expected to reach US\$ 4.2 trillion by 2024. Many existing restaurants are struggling to manage the growing demand for food delivery, especially during the COVID-19 pandemic, while also satisfying customers who wish to dine in. Calling it 'Franchise 2.0', Kitopi aims to maximize efficiency and enable restaurants to plug in and scale up globally by managing deliveries and allowing restaurants to focus on running their dine-in space and marketing.

### COMPANY TRAJECTORY

A team of 1,000 plus members globally, Kitopi operates in three markets with more than 30 kitchens and partnerships with over 120 restaurants.

With the rise in demand for online groceries during the pandemic, Kitopi launched its groceries vertical in March 2020 called "Shop Kitopi" for essentials and other food items delivery in Dubai.

Kitopi recently closed its Series B round of funding, raising \$60 million from new and existing global investors.

### KEY TAKEAWAYS

- Kitopi represents a successful case of an innovative startup leveraging technology and the cloud kitchen concept to maximize efficiency and enhance user experience.
- The company's recent funding amid the pandemic and rapid growth is evidence of the confidence investors have in this business model and its future growth.



# Gen Z Perspective ON HALAL FOOD

## VIEW

Halal food is any food that is not prohibited by the Qur'an. The Halal certificate helps me in choosing food, especially when I travel abroad.

**Melfiana Goldiena Putri (Indonesia)**

Halal food is that which follows the Islamic law in slaughtering the animal and it also includes the foods which are permissible for Muslims. I consider a food to be Halal when a Muslim brother assures me it is Halal

**Mohammed Turq (India)**

Halal food philosophy for me is that it is hygienic and fresh, where meat is slaughtered in the name of Allah (provider of sustenance) and it is without free radicals. Halal certification by a national or worldwide representative organization lends the credibility to the food being halal.

**Sameea Rahat (UK)**

Halal food guides Muslims on what they should eat. Anyone can label food as halal. For me, if I was out of the country, I have to know how exactly the chicken, or any sort of meat, has been butchered.

**Abdulla Ahmad Bin Kalban (UAE)**



## HALAL FOOD MEANS THE FOOD THAT ISLAM DOES NOT FORBID EATING.

**Tamsir Lo & Idy Lo (Senegal)**

## SINCE I LOVE JAPANESE FOOD, MY FAVORITE RESTAURANT IS YOSHINOYA AND IT IS ALSO HALAL.

**Melfiana Goldiena Putri (Indonesia)**

## SHOPPING HABITS

I buy my groceries from stores like Aswaq or the nearest Co-op. I try to avoid eating any food that could be haram or non-halal because anyone can label them, so I prefer eating fish or just salad and carbs.

**Abdulla Ahmad Bin Kalban (UAE)**

Favorite brands are KFC, Kathia. We use "Foodyas.com" to locate the nearest, preferred restaurants.

**Tamsir Lo & Idy Lo (Senegal)**

Favorite Brands are Al Baraka Meats Limited, Chenab Foods, Arshad Foods, Shan Foods, Taqwa Halal Foods, Zabiha Limited and more. I usually use halal food authority websites to find the right restaurants nearby, like halalhmc.org and zabihah.com.

**Sameea Rahat (UK)**

Favorite Brands are McDonalds, Domino's, Tropicano. I prefer homemade food, but if I go outside, I locate halal restaurants by exploring with my friends.

**Mohammed Turq (India)**



# SPENDING HABITS

We spend \$300 on average a month. There are enough outlets in Senegal that offer halal food, however, they do not offer a wide range of halal food brands.

**Tamsir Lo & Idy Lo (Senegal)**

## I SPEND £300-350 (\$290-450) MONTHLY ON FOOD.

In the UK, there are many halal food outlets and eateries. The food can also be purchased online which is delivered to our doorstep.

**Sameea Rahat (UK)**

I spend around 1,000 INR (\$14) monthly. I live in a Muslim community where there are enough halal food outlets.

**Mohammed Turq (India)**

I spend Rp 1,500,000 (\$100) monthly on food. In Indonesia there are many brands and restaurants which provide halal food.

**Melfiana Goldiena Putri (Indonesia)**

There are enough outlets that sell halal food. In fact, I believe 99.99% of the food here is halal. However, I mostly eat at home, and if I had to order from outside, I'd order those mentioned before.

**Abdulla Ahmad Bin Kalban (UAE)**



## CHALLENGES

In Senegal, non-Muslims have a positive view on halal food, and in fact they prefer it over non-halal food.

**Tamsir Lo & Idy Lo (Senegal)**

In the UK, there is no challenge, except that sometimes the restaurants are located a little far from home or my workplace. I have seen non-Muslims also love the food and many recognize it as more hygienic, apart from providing a different taste experience.

**Sameea Rahat (UK)**

When in a non-Muslim country, I don't want to waste my time searching for halal food because I'd rather cook my own food.

**Abdulla Ahmad Bin Kalban (UAE)**

Overall, people in my country respect all the choices made by every religion since the first principle of Pancasila is "KETUHANAN YANG MAHA ESA", which means we respect every religion which exists in Indonesia.

**Melfiana Goldiena Putri (Indonesia)**

**NO CHALLENGES REALLY. IN FACT, MOST OF MY NON-MUSLIM FRIENDS BELIEVE THAT HALAL FOOD IS BEST FOR THEM AS IT IS HEALTHIER.**

**Mohammed Turq (India)**

@MOHAMMED\_TURQ

## MY SUGGESTION

I would like to see more of blended, oil-free, and free from animal fat, non-GMO and organic fruits and vegetables (though these are halal but not as hygienic as one would like). Also, strong marketing and promotion, like through use of social media influencers.

**Sameea Rahat (UK)**

Better marketing of halal food, making it accessible and less expensive for everyone in the country.

**Tamsir Lo & Idy Lo (Senegal)**

Better marketing can attract people towards halal food brands.

**Mohammed Turq (India)**

I don't have any specific suggestions since everything in my country is Halal. Brands have covered all aspects to better attract consumers in Dubai (like marketing, restaurant design, social media influencers).

**Abdulla Ahmad Bin Kalban (UAE)**

I want to see more halal Korean food!

**Melfiana Goldiena Putri (Indonesia)**



# Halal as an Institution



Halal certification is more than a logo and more than a regulatory requirement – it's thought leadership, a sustainable institution, a committed community with dedicated partnerships, integrated compliance and the growth engine of the global Islamic economy. It enables food security and nutrition equity to one fourth of the world's population.

The development of the halal economy is dependent on a solid infrastructure.

In the food, pharmaceutical and cosmetics space this goes beyond understanding ingredients. It includes developing halal guidelines and requirements and maintaining strict compliance programs to gain the trust and confidence of all stakeholders.

Food and nutrition are basic human needs. For Muslims, consuming Halal products is not a choice, it is a matter of faith. Every person is entitled access to essential nutrition. Halal certification makes this possible for over a billion consumers.

## Paving the way for the halal economy

The Islamic Food and Nutrition Council of America (IFANCA®) was founded in 1982 to address the needs of halal consumers in a changing global landscape. Since inception, IFANCA has been at the forefront of finding solutions to complex issues.

When the global halal community was concerned about the use of alcohol in flavors and consumer goods, IFANCA conducted organoleptic tests, in 1986, to determine the level where it had no detectable sensory impact. Today, that level has been adopted by most regulatory bodies and incorporated into standards.

As the halal community struggled with the presence of gelatin in food and pharma, IFANCA developed a traceability system that tracks the production and movement from the cow to the consumers, so that the users can trust their nutritional supplements were undoubtedly Halal.

When the US government decided to provide halal and kosher meals to the soldiers, we worked with the food industry, specifically with a company called My Own Meals (R) to develop Halal certified meals ready-to-eat (MREs). In addition, this made it possible for food supplies to be provided to Muslims in regions afflicted by natural or man-made disasters.

On the new technology side, IFANCA certified as halal, the very first GMO ingredient in the world, the enzyme chymosin, making the production of Halal certified cheese products more feasible.



IFANCA best practices have been incorporated by key industry players such as Abbott, Pepsico, Coca Cola, Pfizer, and Cargill. Working with halal certification bodies throughout the world, our pioneering work continues.

Since 1999, IFANCA has been hosting annual conferences that bring together industry, regulators and certifying bodies to address key issues in the halal regulatory space.

Working with regulators and certifiers we co-founded the World Halal Food Council, a global membership organization working to increase cooperation among halal certifiers.

We have built a global halal community which is committed to making halal a mainstay in industry regulatory best practices. To our clients, we are not simply a certifier, but a partner that is key to successful compliance programs. IFANCA guidelines have touched every part of the supply chain — from raw ingredients to finished goods.

In recognition of its efforts, IFANCA received the Global Islamic Economy award from Dubai in 2013, for halal compliance and standardization.

Our work plays a critical role in the practice of consuming halal products for billions of halal consumers around the world. From emerging markets to developed economies, from supermarkets to campus dining, IFANCA is addressing the challenges of food security and nutrition equity.

Looking ahead, IFANCA will continue its work to harmonize standards further and to share best practices with all stakeholders. With our partners in industry and regulatory, we look forward to building even greater acceptance of halal products among all consumers.

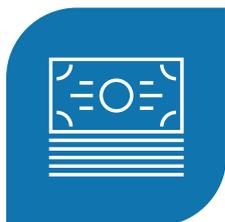
It has been an amazing journey that was possible only with the partnership of certification and accreditation bodies, government regulators, educators, marketers, importers, exporters, manufacturers, and customers.

At IFANCA, we are very proud of the work we do — because halal certification is more than a logo and more than a regulatory requirement.



# Islamic Finance

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT 2020/21



*This report estimates that the value of Islamic finance assets increased by 13.9% in 2019 from \$2.52 trillion to \$2.88 trillion. Due to the impact of the COVID-19 crisis, the value of Islamic finance assets is expected to show no growth in 2020, but is expected to rebound and grow at a 5-year CAGR of 5% from 2019 onwards to reach \$3.69 trillion by 2024.*

The COVID-19 pandemic halted the growth of the Islamic finance sector this year but stimulated the development of more inclusive and socially driven finance, whether through crowdfunding, public-private partnerships, or support for SMEs.

The pandemic delayed mergers and acquisitions, such as Kuwait Finance House's merger with Bahrain's Ahli United Bank and National Commercial Bank's merger with Samba Financial in Saudi Arabia.

Prior to COVID-19, there was a wave of investments, mergers, and the launch of new financial platforms. For example, the UAE's Dubai Islamic Bank (DIB) acquired Noor Bank to become one of the largest Islamic banks in the world. In the UK, an Islamic fintech banking app, Niyah, was released, and a Shariah-compliant challenger bank, Rizq, was launched. P2P crowdfunding platforms have also been established and expanded from the UK to Malaysia.

The takaful (insurance) sector has also developed rapidly, with several mergers and acquisitions, particularly in the Gulf and Indonesia.

Governments, especially in OIC countries, have been keen to bolster Islamic finance, and this past year has seen many initiatives and measures to drive the sector forward, from issuing Islamic banking licenses to amending regulations. New Islamic banks are also set to be established in Tajikistan, Uganda, and the Philippines, and digital Islamic banks in Kazakhstan and Malaysia.

Sukuk have become one of the most prominent Islamic finance funding mechanisms utilized in recent years, and have proven popular in infrastructure development to offset the possibility of corruption in public tenders.

Over the past year, sukuk have been announced and issued in South Africa, Nigeria, the UK, the Gulf, and Southeast Asia. Sukuk activity decreased during the pandemic, but issuance still occurred, notably, in the case of Riyadh-based Wethaq issuing a fintech sukuk, and the Islamic Development Bank's \$1.5 billion sustainability sukuk.

Numerous social impact-related investments and initiatives backed by Islamic banks and institutions are also gaining traction, from green sukuk to climate bonds, to social financing and zakat governance.





# Islamic Finance



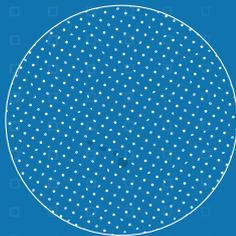
Represented by **\$2.88 trillion** in Islamic finance assets globally (2019 est.)



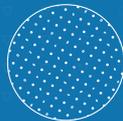
Top 10 countries by Islamic finance assets (2019)

**1462**

Islamic financial institutions globally



**\$536 billion** value of outstanding sukuk

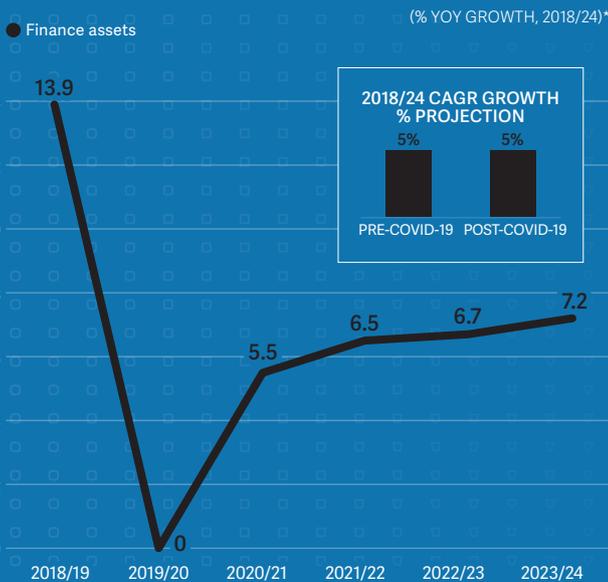


**\$137 billion** value of Islamic funds

## COVID-19 Impact Projections

Projected 5-year CAGR of 5% (2019/24) reaching \$3.69 trillion by 2024

### Projected Islamic finance assets growth



Islamic Finance sector sizing data provided by ICD-Refinitiv Islamic Finance Development Indicator 2020 data. All other estimates including 'signals' by DinarStandard Research & Advisory. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. FDI figures based on UNCTAD 2019 data. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Islamic fintech investments and financial institution consolidation through M&A is expected to continue

**\$4.93 billion**

in recorded Islamic finance investments 2019/20\*

USA: Robo-advisory platform, Wahed Invest, raising \$25 million in a venture capital round led by Saudi Aramco Entrepreneurship Ventures.

UAE: Noor Bank was acquired by Dubai Islamic Bank to become one of the largest Islamic banks, with assets exceeding \$75 billion.

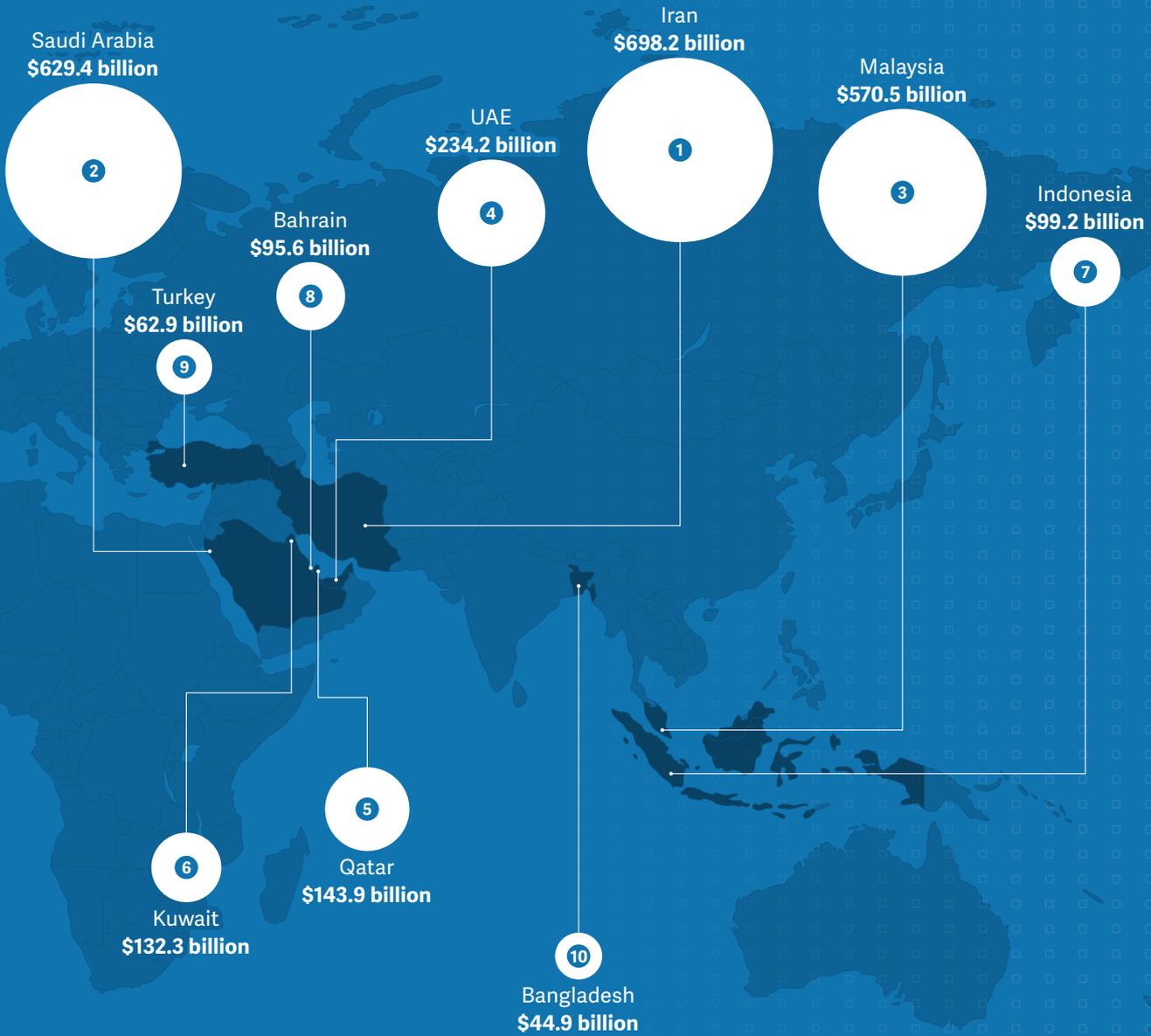
## DEALS

Top countries with # of related deals

(2019/20)

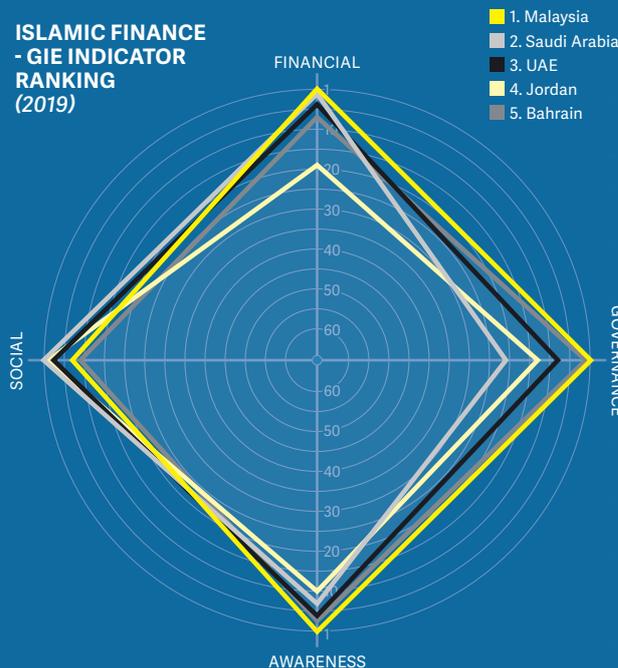
14	7	5	12	38 TOTAL
Indonesia	UAE	Kuwait	Others	





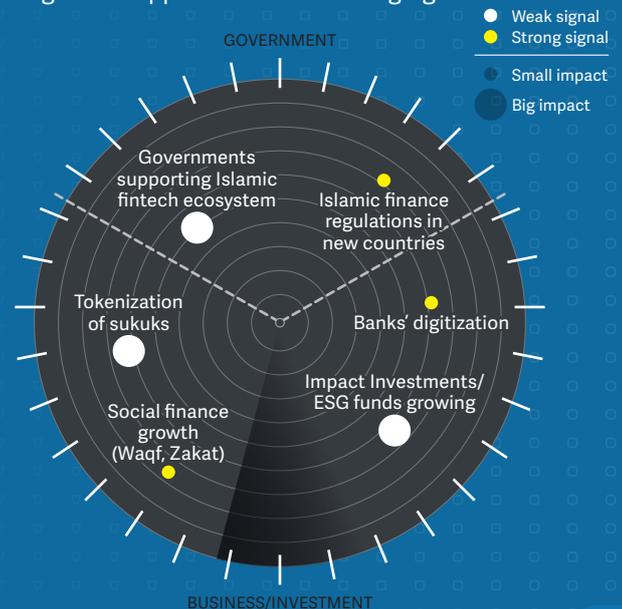
## Government Benchmarks

### ISLAMIC FINANCE - GIE INDICATOR RANKING (2019)



## Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging





# Championing Halal and Sustainable Business Across ASEAN and Beyond

The world is undergoing a time of unprecedented change, but the global economy remains resilient. Businesses that are prepared will be able to access significant opportunities and reap the benefits as we face this new paradigm.

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# 2019/20 Developments

## Revenue Developments

**Islamic finance assets showed strong growth in 2019, however, COVID-19 has been a setback for the industry.**

### Latest projections:

This report estimates that the value of Islamic finance assets increased by 13.9% to \$2.88 trillion in 2019 from \$2.52 trillion in 2018. Iran, Saudi Arabia, and Malaysia rank as the top three countries by the value of Islamic finance assets and retain their positions from last year. Due to the impact of the COVID-19 crisis, the value of Islamic finance assets is expected to show no growth in 2020, but is expected to rebound and grow at a CAGR of 5% from 2020 onwards to reach \$3.69 trillion by 2024.

**Islamic financial and multilateral institutions have stepped up to provide financial support in the wake of COVID-19. ✨**

- Islamic Development Bank launched a \$2 billion COVID-19 aid package. It extended financing to both the public and private sectors to minimize the spread and impact of COVID-19 in IsDB member countries and to build their resilience.<sup>82</sup>
- Abu Dhabi Islamic Bank (ADIB) has announced the contribution of 25 million UAE dirhams (\$6.81 million) as a response to the pandemic, in line with national efforts to address the current health and economic crisis.<sup>83</sup>
- Nizwa Bank, the only purely Islamic bank in Oman, pledged 600,000 Omani rials (approx. \$1.5 million) for COVID-19 financial support, with half of the amount donated to support the Ministry of Health and the rest directed towards COVID-19-affected customers.<sup>84</sup>
- India-based fintech ecarworld.in launched a P2P platform offering vehicle financing under the ijarah rent-to-own model and provided a moratorium to its buyers for two months.<sup>85</sup>

**Global sukuk issuances have slowed due to the COVID-19 pandemic. However, some notable distributions have still occurred, some related to fintech implementation. ✨**

- Wethaq, a financial services platform based in Riyadh, issued the first fintech sukuk on its securities market infrastructure for the Islamic capital markets under the supervision of the Dubai Financial Services Authority (DFSA).<sup>86</sup>
- Saudi British Bank issued 5 billion Saudi riyals (\$1.3 billion) of sukuk maturing in 2030.<sup>87</sup>
- Islamic Development Bank issued its debut \$1.5 billion sustainability sukuk. Proceeds were for social projects under IsDB's Sustainable Finance Framework.<sup>88</sup>
- The UAE's Dubai Islamic bank issued a \$1 billion 5-year sukuk, attracting 170 investors, of which almost 50% came from outside MENA. The order book reached over \$4.5 billion.<sup>89</sup>





## Consolidation of the banking and takaful sectors has been spurred by a weak economy.

The banking industry saw several mergers and acquisitions (M&A); however, the biggest planned merger was postponed due to COVID-19.

- COVID-19 disruption caused the merger of Kuwait Finance House Bahrain (KFHB) and Ahli United Bahrain (AUB) to be delayed.<sup>90</sup> 🌟
- Dubai Islamic Bank (DIB) completed the acquisition of Noor Bank to become one of the largest Islamic banks in the world.<sup>91</sup>
- The National Bank of Bahrain (NBB) increased its ownership stake in the country's oldest Islamic bank, Bahrain Islamic Bank (BisB), to 78.8%.<sup>92</sup>
- The National Commercial Bank (NCB) of Saudi Arabia initiated \$15.6 billion merger talks with Samba Financial.<sup>93</sup>

The takaful sector has continued to develop, with M&A activity on the rise.

- Walaa Cooperative Insurance Company and MetLife AIG ANB Cooperative Insurance, both based in Saudi Arabia, announced their merger.<sup>94</sup>
- In Indonesia, the Swiss-based Zurich Insurance Group converted its business into a general takaful company after Zurich acquired 80% of PT Asuransi Adira Dinamika Tbk.<sup>95</sup>
- The UAE-based Dar Takaful completed the acquisition of Noor Takaful for a sum of \$58.5 million.<sup>96</sup>
- Saudi-based insurance company, Tawuniya, announced the launch of a new comprehensive insurance policy covering umrah and hajj pilgrims.<sup>97</sup>
- Siraj Holding, a private investment firm based in Oman, announced the acquisition of Al Hilal Takaful from Al Hilal Bank, a wholly-owned subsidiary of Abu Dhabi Commercial Bank.<sup>98</sup>

## From challenger banks in the UK to new Islamic banks, the industry continues to evolve.

New players in Islamic banking and investment have emerged in various parts of the world.

- Tajikistan's first full-fledged Islamic bank, OJSC Tawhidbank, opened for business, licensed under the central bank, the National Bank of Tajikistan.<sup>99</sup>
- UAE-based Aafaq Islamic Finance officially launched its core banking, Islamic banking, and payment platforms.<sup>100</sup>
- Three financial institutions, including two foreign and one local bank, have applied to Uganda's central bank to offer Islamic banking services in the country.<sup>101</sup>
- UK-based pension provider, Options, joined forces with Wahed Invest to launch a fully diversified, Shariah-compliant workplace pension.<sup>102</sup>

There were notable new launches in the UK, including the growth in Shariah-compliant challenger banks. These are new, smaller retail banks looking to 'challenge' the UK's largest four banks.

- Challenger banking apps, Niyah and Rizq, were launched in the UK, with the former being recognized as the country's first fintech Islamic banking app and ethical financial marketplace.<sup>103 104</sup>
- The UK's first Islamic P2P crowd-funder, Qardus, was launched to facilitate financing for SMEs. The platform will be open to investors in the UK and Europe.<sup>105</sup>
- Two new Shariah-compliant wealth management platforms have been beta launched in the UK – Kestrl, an open-banking-based app that also offers budgeting, and Minted, a gold trading and savings platform.<sup>106</sup>

A wider array of investment avenues are now available for Shariah-conscious investors.

- Islamic mortgage lender Manzil partnered with Neo Connect, a Canadian fund distribution platform, to launch the latter's first Islamic investment product, the Shariah-compliant Manzil Mortgage Investment Fund.<sup>107</sup>
- One Endowment Trust, a new charitable foundation, was set up in the UK with a first investment worth £1.75 million, consisting of 21 residential apartments. The fund will focus on real estate investments and developments, private equity, sukuk, and Islamic funds.<sup>108</sup>
- Nigeria-based FBNQuest Asset Management launched an Open-Ended Mutual Halal Fund Aimed at ethical investments.<sup>109</sup>
- SP Funds Dow Jones Global Sukuk ETF became the first to offer an exchange-traded fund (ETF) focusing on sukuk, making them accessible and tradable for broader audiences.<sup>110</sup>





## Operational Developments

### New business models and customer experience improvements are driving the digitalization of financial services and investments in the sector.

Financial services are being digitally transformed to provide enhanced and more convenient customer services, which will, in turn, build brand loyalty

- Pakistan's Islamic fintech, SadaPay, received in-principle approval from the country's central bank for its mobile wallet, which allows users to receive payments from 45 countries.<sup>111</sup>
- Qatar Islamic Bank (QIB) launched a new digital onboarding process – its QIB mobile app will give customers a more convenient way to access the bank's services.<sup>112</sup>
- MyEG, Malaysia's electronic government service provider, set up a new subsidiary for Islamic financing activities to provide Islamic financial leasing and other credit-granting activities.<sup>113</sup>

- Malaysian-based Sedania As Salam Capital Sdn Bhd announced the launch of Assidq.com, an Islamic online marketplace that offers a wide range of Islamic personal financing products and Islamic credit cards.<sup>114</sup>
- Bahrain Islamic Bank's (BISB) new digital service, Tejoori Instant Finance, will allow customers to obtain instant finance—within five minutes—against a pledge from their mudharabah Tejoori account.<sup>115</sup>
- Al Rayan Investment in Kazakhstan will establish a digital bank focused on the development of Islamic banking products and investments.<sup>116</sup>

Investments in the fintech sector continued, with digitalization ongoing.

- Al Salam Bank-Bahrain has partnered with China-based MSA Capital to launch MEC Ventures, a technology-focused \$50 million venture capital fund,<sup>117</sup> that will also invest in fintech companies.<sup>118</sup>
- USA-based Wahed Invest landed \$25 million in a venture funding round led by multinational oil company Saudi Aramco's venture fund, Wa'ed Ventures.<sup>119</sup>

# National and Trade Developments

## Governments have launched new Islamic finance initiatives, including COVID-19 related financial packages and support schemes.

### New national Islamic finance initiatives were launched.

- The Islamic Corporation for the Development of the Private Sector (ICD), a member of the IsDB Group based in Saudi Arabia, announced its decision to assist Azerbaijan's Kapital Bank with technical advisory services for Islamic finance development in Uzbekistan.<sup>120</sup>
- South Africa announced the beginning of work on a rand-denominated sukuk for the financial year 2020/2021.<sup>121</sup>
- Malaysia's largest Islamic bank, Maybank Islamic, the Shariah-compliant division of the state-backed lender Maybank, launched its first overseas branch in Dubai.<sup>122</sup>
- Indonesia's National Islamic Finance Committee (KNKS) changed its name to National Sharia Economy and Finance Committee (KNEKS) as part of a new strategy and the formation of new executive management. KNEKS will cover four areas; halal product industry development, Islamic finance development, Islamic social finance development, and increasing Islamic business activities.<sup>123</sup>

### Several countries' governments and their central banks introduced financial schemes as a measure to soften COVID-19's impact on their economies, which also affected the Islamic finance landscape. ✨

- The central banks of the United Arab Emirates (UAE) announced stimulus plans as a response to the global pandemic. The support package for banks and businesses in the country was upped to 256 billion dirhams (\$70 billion) from the 100 billion dirhams announced earlier.<sup>124</sup>
- The Saudi Arabian Monetary Authority prepared a 50 billion SAR (\$13.3 billion) package to help SMEs cope with the pandemic.<sup>125</sup>
- The Indonesian government launched an initiative to provide financial assistance measures for the public and private sectors through various governmental bodies, including its central bank, to contain COVID-19's impact.<sup>126</sup>

- Bank Negara Malaysia, the central bank, allocated 3.3 billion RM (\$791 million) worth of financing facilities under its "Fund for SMEs" to provide support in sustaining business operations, safeguarding jobs, and encouraging domestic investments.<sup>127</sup>
- Bahrain's retail banks, finance, and micro-finance firms, including Islamic financial institutions, agreed to grant citizens a six-month waiver without fees, compound interest, or increase in the profit or interest rate as instructed by the Central Bank of Bahrain.<sup>128</sup>
- The Central Bank of Kuwait announced adjustments to specific regulations and macro-prudential policy tools to empower banks in addressing the challenges they face because of the pandemic.<sup>129</sup>

# Ecosystem Developments

## Governments issued new regulations, including new initiatives to harmonize rules across the industry

### New regulations and advisories related to Islamic finance were issued to strengthen the industry.

- The UAE launched a new initiative to create a unified global legal and legislative framework for the Islamic finance sector to expand its reach in response to calls for greater standardization.<sup>130</sup>
- Malaysia's central bank issued a guidance document for the Value-based Intermediation Financing and Investment Assessment Framework (VBIAF) to facilitate the implementation of a risk management system for assessing the financing and investment activities of Islamic financial institutions.<sup>131</sup>

- Kuwait parliament announced the formation of a Shariah board for the banking sector to ensure that Kuwaiti banks abide by Islamic law.<sup>132</sup>
- Qatar will soon implement a centralized approach to regulating Islamic finance.<sup>133</sup>
- Securities and Exchange Commission of Pakistan (SECP) approved the Regulations for Murabaha Share Financing (MSF) in line with its efforts to develop and strengthen the capital market.<sup>134</sup>

### Microfinance guidelines and regulations are growing, including in Saudi Arabia. These regulations will also apply to Islamic microfinance.

- The Saudi Arabian Monetary Authority (SAMA) announced the issuance of rules governing microfinance companies, including Shariah-compliant ones, to regulate licensing provisions and further organize their activities.<sup>135</sup>
- SAMA set minimum capital limits for companies looking to offer small consumer and business loans at a minimum paid-up capital of 20 million SAR (\$5.3 million).<sup>136</sup>

# Social Impact Developments

## Several new social impact investments and initiatives have been launched.

Investments and initiatives aligned with Environmental, Social and Governance reporting (ESG) factors continue to gain traction in Islamic finance.

- Dubai Financial Market released a guide on ESG in response to growing demand from investors for comprehensive ESG reporting as they increasingly factor such data in their decision-making process.<sup>137</sup>
- BIMB Investment Management Berhad, a wholly-owned subsidiary of Bank Islam Malaysia Berhad, launched its first Robo-Intelligence Sustainable Shari'ah-ESG investing online platform.<sup>138</sup>
- Islamic Corporation for the Development of the Private Sector (ICD) announced a collaboration with Singapore's blockchain consultation company, Finterra, for sustainable business growth. The partnership would allow ICD to reach out to communities and beneficiaries in emerging markets.<sup>139</sup>
- Bond Pricing Agency Malaysia (BPAM), a registered bond pricing agency accredited by the Securities Commission of Malaysia, announced Malaysia's first Environmental, Social and Governance (ESG) Bond Index Series.<sup>140</sup>

More green sukuk were issued, continuing the trend of sukuk investment in projects linked to renewable energy and other environmental assets with tremendous social impact.

- The Islamic Development Bank issued a \$1.5 billion sukuk to support COVID-19 initiatives in the bank's 57 countries. The sukuk was issued under IsDB's Sustainable Finance Framework.<sup>141</sup> 🌱
- The government of Indonesia issued wakalah (agency) global sukuk at a total value of \$2.5 billion to fund the economic and social development of the country. One of them is a five year green sukuk worth \$750 million.<sup>142</sup>
- IsDB debuted its 1 billion euro green sukuk intended for green financing in its member countries.<sup>143</sup>

- An MoU was signed between Dubai Islamic Economy Development Centre (DIEDC), Dubai International Financial Centre (DIFC), the Dubai Financial Market (DFM), and Climate Bonds Initiative (CBI) to collaborate on growing the green sukuk sector.<sup>144</sup>

New Islamic social finance initiatives in line with the United Nations' Sustainable Development Goals (SDGs) were launched.

- UNICEF and the IsDB launched The Global Muslim Philanthropy Fund for Children. This is an innovative Muslim philanthropic fund to reach the millions of children currently in need of humanitarian support in line with the UN's SDGs.<sup>145</sup>
- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) announced a collaboration with the United Nations High Commissioner for Refugees (UNHCR) to enhance Islamic social finance. The initiative is intended to exchange areas of expertise, create zakat governance standards for international humanitarian organizations, and develop other areas of Islamic philanthropy for UNHCR.<sup>146</sup>
- The Islamic Finance Council UK (UKIFC) and Malaysia's International Shari'ah Research Academy for Islamic Finance (ISRA) issued the first report to assist and encourage active engagement from the Islamic finance sector towards achieving UN SDGs by the global Islamic finance sector.<sup>147</sup>

Islamic microfinance continues to grow in some countries through the provision of services and support for Micro, Small, and Medium Enterprises (MSMEs).

- Senegal announced the opening of the first Islamic microfinance windows through a five year program valued at \$79.2 million and supported by the IsDB, which aims to provide financing to about 50,000 SMEs across the country.<sup>148</sup>
- Ebdaa Bank for Microfinance announced "School Loan," a financing facility to give entrepreneur customers access to better financial resources and provide incentives to activate business and fill it with school supplies.<sup>149</sup>
- The European Bank for Reconstruction and Development (EBRD) announced a new \$5 million loan in local currency to Egypt-based Tanmeyah Micro Enterprise Services to increase access to finance for women-led MSMEs under the bank's Women in Business (WIB) program.<sup>150</sup>



For the latest articles on Islamic finance on Salaam Gateway, scan/click this QR code.

SOLAR FARM LOCATED ON THE OUTSKIRTS OF BEIJING, CHINA





# Signals Of Opportunity

While COVID-19 has dampened sukuk issuances and impacted the liquidity and profitability of financial services companies, improved industry regulation, the emergence of new fintech players, and the growing popularity of ESG investments are promising signs for the sector's resurgence.

## ◆ Fintech implementation continues to grow, with more investment avenues available for investors.

The implementation of financial technology in Islamic finance has been increasing, including in the digitalization of Islamic financial services and the issuance of fintech-related sukuk. This creates an opportunity for fintech companies to further their expansion by providing Islamic financial services. For investors, there are now even more investment avenue options.

## ◆ The robo-advisory arena is heating up as more players enter.

Digital investment management, with the help of robo-advisors, remains concentrated among a few players. However, it is anticipated that this will change with more tech companies coming onto the scene.

## ◆ Collaboration between key players on the rise.

Islamic finance-related initiatives have been increasing in many countries, including collaboration between key players in the industry. This cross-border collaboration has magnified the size and types of investments, offering more opportunities for stakeholders.

## ◆ The establishment of new Islamic finance regulations and guidelines has helped the industry stay attractive and have plenty of room for growth

Islamic finance regulations and guidelines have grown in several countries, including in non-Muslim majority countries. Some of these rules and regulations are related to Islamic microfinance, which will allow SMEs and micro-SMEs access to Islamic financing.

## ◆ Social impact initiatives have gained even more importance, especially due to COVID-19.

Social impact-related investments and initiatives that are aligned with environmental, social and governance (ESG) factors & sustainable development (SDG) goals continue to gain traction in Islamic finance. They have become more critical during the pandemic. This can be viewed as an opportunity for all stakeholders to contribute through the utilization of Islamic finance social finance tools.

## ◆ Digitalization of financial services has led to increased operational efficiency and performance

In keeping with the demand for digitalized services, financial institutions are remodeling and revamping their services to provide more efficient and convenient customer service experiences that will keep customers engaged and build profitable relationships.



# Strategic Considerations by Stakeholder

## Overview

The Islamic finance sector has continued to see a consolidation of Islamic banking and takaful players. Given the ongoing recession and the weakening oil economy, the trend is expected to continue. Investment activity is expected to remain weak, but investments in the fintech sector may rise as digital capabilities become more critical due to COVID-19 social distancing restrictions. The rise in wealth management tools, Shariah-compliant robo-advisory, and other investment options has opened up more investment options for consumers and is expected to drive further growth of the sector, including ESG and impact investing options. This will be bolstered by the establishment of more Islamic finance regulations which will further enhance consumer trust in the industry.



## Investors

**Islamic fintech is still at a nascent stage with Shariah-compliant social and sustainable investments still holding high potential. However, the lack of guidelines for investor protection in Islamic capital markets is a hindrance.**

**+** **Opportunity 1:** There is demand for more Shariah-compliant investment options, linked with Socially Responsible and Impact (SRI) investments and those that promote Islamic social finance.

Having several Shariah-compliant social and sustainable investment opportunities available will give investors a wider range of options. More investors are leaning towards these options as they do not want to do well only in terms of profitability but also in terms of social responsibility and ethics, including proper alignment with the universal objectives of Shariah.

**Developments:** New Islamic endowment trust set to be UK's first waqf fund combining commercial and social investments.<sup>151</sup>

**Analogs:** Demand for sustainability investments rose, with 27% of high net worth individuals interested in sustainable products.<sup>152</sup>

**Potential Outcomes by 2030:** Due to scalability, there will be later stage propositions with proven metrics, creating even more options.

**+** **Opportunity 2:** The continuous rise of financial technology implementation in Islamic investment is creating a robust and optimal product and services portfolio.

The upsurge in fintech implementation is increasing the number of available options from which investors and consumers can choose. Islamic finance services also become more convenient and practical, attracting a broader and larger customer base.

**Developments:** Wethaq launched the first fintech sukuk under the supervision of the Dubai Financial Services Authority.<sup>153</sup>

**Analogs:** The Dubai-based SKYCAP Investment Management Limited is set to launch a unique investment platform for clients who want to invest across the fintech spectrum in key emerging markets.<sup>154</sup>

**Potential Outcomes by 2030:** Continuous growth of fintech implementation for Islamic investments together with consolidation in certain segments of Islamic fintech.

**-** **Challenge 1:** There is still a lack of investor protection in Islamic finance.

There is no globally adopted, harmonized regulatory framework to protect investors in Islamic private market investments as yet which could affect the demand for halal investments in the future.

**Risk:** Growth of Islamic investments could be stagnant and make it difficult to gain a bigger market share in the global economy. Customers in Muslim markets will opt for ethical solutions instead of pure Islamic propositions.

*“Fintech can be used as a tool for the Islamic finance industry to resolve the current issues and problems that inhibit the Islamic finance industry from realizing its true potential. This tool could change how we interact with the customer, how we present our products, how we process our products, all of which increases the Islamic investment avenues that are available.”*

— DR. SHAHER ABBAS - MANAGING DIRECTOR AT IFIN SERVICES (ISLAMIC FINANCE INITIATION NETWORK)

## Government

**Governments can take advantage of the increasing interest in Islamic finance by establishing a supportive environment that can further boost growth.**

**+** **Opportunity 1:** Fostering a more robust Islamic finance ecosystem through the establishment of a stronger set of regulations.

Increasing interest in Islamic finance in both retail and investment means that the establishment of financial regulations supporting Islamic finance would create a better and more holistic ecosystem.

**Developments:** Qatar approved the implementation of a more centralized approach of Islamic finance regulation through the establishment of a centralized supervisory body and its Shariah standards.<sup>155</sup>

**Analogs:** Central banks, including Brazil’s, have issued open banking regulations in several countries.<sup>156</sup>

**Potential Outcomes by 2030:** Islamic finance has greater penetration globally, and its regulations become a benchmark for the global financial system.

**+** **Opportunity 2:** Integration of government services and digital technology to improve the service quality of the Islamic financial services industry.

Digital transformation in government services could boost efficiency and convenience, including that of Shariah-compliant services, further encouraging their use. In addition, the reduced physical contact recommended because of the COVID-19 pandemic is even more of a reason for the government to push the development of digital technology integration.

**Developments:** Malaysia’s electronic government service provider set up a new subsidiary for Islamic finance that provides Islamic financial leasing and other Islamic credit-granting activities.<sup>157</sup>

**Analogs:** Government, e-finance partner to implement ‘Digital Egypt’ strategy.<sup>158</sup>

**Potential Outcomes by 2030:** New, easier and more efficient digital services for citizens in many countries.

**–** **Challenge 1:** The growth of standards, guidelines, and regulatory frameworks related to Islamic finance is still relatively slow.

Islamic finance standardization, especially in terms of its implementation, is still low. Despite the efforts of existing Islamic finance industry players, there are many areas not yet fully addressed. Islamic social finance regulatory frameworks are also not well-developed in most OIC countries.

**Risk:** Islamic finance will struggle to catch up with the conventional system’s growth.

*“The development of Islamic finance globally, especially in newer countries entering into Islamic finance like the CIS region, requires continuous efforts of regulators in providing a level playing field with conventional financial industry, which would include enhancement of the regulatory framework such as prudential requirements, improvement of the tax environment, and establishment of necessary infrastructure LoLR facilities.”*

— DR. ALFIYA SALIKHOVA, SENIOR ASSOCIATE AT ASTANA FINANCIAL SERVICES AUTHORITY



# Businesses

## Increasing digital transformation and access to finance for SMEs through Islamic social finance instruments.

**+** **Opportunity 1:** SMEs and micro-companies can be financed through Islamic finance alternatives, leading to their sustainable growth.

SMEs are receiving increased support from institutions and governments to maintain their growth, both in terms of financial support and regulations. These forms of support include Shariah-compliant alternatives like what has recently been seen in Saudi Arabia and Malaysia.

**Developments:** FCI, the global body representing factoring and receivables finance companies, struck an agreement with International Islamic Trade Finance Corporation to support SMEs under Islamic factoring rules.<sup>159</sup>

**Analogs:** The Hong Kong Mortgage Corporation Insurance Limited (HKMCI) is introducing a new 100% loan guarantee for SMEs to help them recover from COVID-19 related business setbacks.<sup>160</sup>

**Potential Outcomes by 2030:** SMEs could absorb the growing global workforce and will choose to do their business within the boundaries of Shariah compliance.

**+** **Opportunity 2:** Digitalization of Islamic finance and banking.

This past year, the digitalization of Islamic financial products and services has been showing tremendous growth. While the pandemic boosted digital adoption because of physical distancing measures, it is a trend that is set to continue.

**Developments:** Qatar Islamic Bank launched digital onboarding for customers through a mobile application to provide more efficient access to their service.<sup>161</sup>

**Analogs:** Malaysia and Indonesia's central banks announced cooperation on innovation in payments and digital financial services.<sup>162</sup>

**Potential Outcomes by 2030:** This could support easier access and a modernized system for Islamic finance. Islamic financial institutions can improve their services and broaden their business environment.

**+** **Opportunity 3:** The severe impact of COVID-19 on the vulnerable and needy highlights the necessity for social finance. ✨

The current situation should be used as an opportunity for the Islamic financial industry to promote the social finance instruments of Islamic finance that would achieve both social and economic development.

**Developments:** UNHCR's Ramadan Campaign provides support for refugees and internally displaced families across the world through funds collected through the Refugee Zakat Fund.<sup>163</sup>

**Analogs:** The UK pledged \$248 million to the World Health Organization (WHO) and charities to help slow the spread of the coronavirus in vulnerable countries.<sup>164</sup>

**Potential Outcomes by 2030:** Raised awareness and increased utilization of Islamic social finance instruments will alleviate negative consequences of disasters and crises.

**-** **Challenge 1:** The COVID-19 pandemic puts considerable pressure on businesses in most sectors and countries, including those operating in the Islamic financial services industry.

The COVID-19 outbreak has severely hit economic activities as businesses were forced into responses that have negatively affected global workforces. The negative impacts relate to decreased profitability, lack of demand, and diminished performance.

**Risk:** This uncertainty caused by the pandemic could lead to weaker consumer purchasing power and force businesses to shut down, which, in turn, would also inhibit the development of Islamic finance.

*"The global pandemic of COVID-19 has provided humanity an opportunity for self-reflection, to set aside differences and re-align our priorities. Meaningful actions will now generate a positive and sustainable impact to the economy, community and environment in the long run and firmly enplace the values that Islamic finance has to offer."*

**— REIZAL AMIRUDDIN - SENIOR VICE PRESIDENT & HEAD, SHARIAH MANAGEMENT, AMBANK ISLAMIC BERHAD**





# Technology Case Study: Digital Wallet

A digital wallet, also known as e-wallet or mobile wallet, is a service that allows you to make payments usually through a mobile phone app. It also stores several other items a traditional wallet would hold, such as a driver's license and gift cards.

A major factor that is driving growth in the global digital wallet market is the increasing penetration of smartphones. China, India, the US and Indonesia are among the top 10 smartphone users worldwide. Other factors include the growing awareness of the use of digital wallets.<sup>165</sup>

Almost 50% of global shoppers were using digital payments pre-COVID-19, and the majority plan to continue doing so.<sup>166</sup> Digital and mobile wallets were prevalent in global POS payments, accounting for 22% in 2019. E-wallets will account for nearly a third (30%) of global consumer payments in the next five years.<sup>167</sup>



## LinkAja Shariah Service, Indonesia

LinkAja Shariah Service (“Layanan Syariah LinkAja”) is the first, and currently the only, Shariah-compliant e-wallet in Indonesia.

Four months after its launch amidst the COVID-19 pandemic, LinkAja Shariah Service has about 200,000 registered users, over 2 million transactions and a gross-transaction value of around US\$20 million.

### GLOBAL BENCHMARKS

#### Apple Pay

- HQ: USA
- Users: 441 million users
- Apple Pay accounts for about 5% of global card transactions, generating \$12.7 billion in the last quarter of 2019.<sup>168</sup>

#### Ali Pay

- HQ: China
- Users: 1.2 billion users
- AliPay is the biggest mobile-payments app in China, with a 54% market share. It launched an international version, giving foreigners in China access to the platform in China.<sup>169</sup>

### OPPORTUNITY ADDRESSED

LinkAja Shariah Service provides opportunities for Indonesian Muslims wanting to practice Shariah principles in their payment and financial transactions.

It also supports the “national non-cash movement” introduced by Bank Indonesia to encourage financial inclusion through cashless financial services. LinkAja Shariah Service aims to positively contribute towards accelerating Shariah economic and financial literacy and inclusion in Indonesia.

### COMPANY TRAJECTORY

LinkAja currently has around 50 million users (regular and Shariah), of which Shariah users are 200,000 (as of August 2020). LinkAja is targeting a one million-strong customer base by the end of 2020.

It is also working on furthering the national Shariah ecosystem through initiatives like ZISWAF (zakat, Infaq, Shodaqoh, and Wakaf) digitalization, Pesantren (Islamic boarding school), mosque-based economic development, and hajj and umrah services.

### KEY TAKEAWAYS

- LinkAja positively contributes to facilitate the national agenda of financial inclusion and cashless services.
- Its milestone success shows the importance of strong collaboration and synergy with government and Shariah partners.
- The company has successfully identified and met the rising demands for digital and social financing amidst the COVID-19 pandemic.



# Gen Z Perspective

## ON ISLAMIC FINANCE



### VIEW

Islamic finance is a Shariah compliant mode of finance and based on Quran and Sunna principles of avoiding interest and usury by offering an alternative to traditional finance.  
*Sameea Rahat (UK)*

Islamic finance is how to raise capital in accordance to Shariah Law.  
*Mohammed Turq (India)*

A financial system based on Shariah or Islamic law.  
*Melfiana Goldiena Putri (Indonesia)*

I don't have any deep understanding of Islamic finance.  
*Abdulla Ahmad Bin Kalban (UAE)*

**ISLAMIC FINANCE IS BASED ON THE PRINCIPLES OF ISLAMIC LAW (SHARIAH) AND SEEKS TO CONVEY A VISION OF JUSTICE, EQUITY AND TRANSPARENCY.**

*Tamsir Lo & Idy Lo (Senegal)*

@LES\_JUMEAUX\_LO



### SHOPPING HABITS

We would like to invest in real estate for modern Quranic schools, if one day we find the means.  
*Tamsir Lo & Idy Lo (Senegal)*

I plan to invest in financial commodities that follow the Shariah law. Currently there are no Islamic banks near my place, so I am looking for some Islamic investing schemes in my country like SBI Shariah Equity Fund.  
*Mohammed Turq (India)*

I do plan to invest in financial assets. As an economics student, I realize the importance of having financial assets is more than just a passive income or about the profit we will earn, but also the knowledge I get by investing directly in the market.  
*Melfiana Goldiena Putri (Indonesia)*

We do use specific Islamic finance-related products. I have used them for a house loan because, in Islamic banking, they try not to take prohibited money like charging people interest.  
*Abdulla Ahmad Bin Kalban (UAE)*

**I BUY GOLD AND THE EXPERIENCE SO FAR IS EXCELLENT. ONLY STARTED A COUPLE OF YEARS AGO.**

*Sameea Rahat (UK)*



## SPENDING HABITS

We prefer buying on the spot in cash. We don't rely on online payment because they are unreliable in terms of delivery. We use SGSN Connect, our bank's mobile app, and manually track our expenses on our notepad.

**Tamsir Lo & Idy Lo (Senegal)**

I use credit card and cash for online and onsite purchases respectively for ease and convenience. I use my banking mobile app.

**Sameea Rahat (UK)**

**I WOULD RATHER USE CASH FOR PURCHASES BECAUSE, BY PAYING WITH A CARD, I CAN'T SEE HOW MUCH I PAID SINCE I WILL JUST SWIPE TO PAY.**

I don't use any specific apps to track my expenses. I just receive an SMS on card payment.

**Abdulla Ahmad Bin Kalban (UAE)**

I mostly use cards for my purchases because I feel more secure using them than carrying too much cash. I use FedBook, provided by Federal Bank of India, to track my money.

**Mohammed Turq (India)**

I prefer to use my debit card and online payment as it helps me carry less items in my bag and less time spent going to ATMs. I have downloaded the Monefy app on my phone, but I rarely use it.

**Melfiana Goldiena Putri (Indonesia)**



## CHALLENGES

We don't face any problems with banking or Islamic banking in Senegal.

**Tamsir Lo & Idy Lo (Senegal)**

In the UK, I haven't had any specific challenges with banking.

**Sameea Rahat (UK)**

There are very few Islamic banks in India. I don't face any difficulty in tracking daily expenses. I often document them neatly on a ledger and use several apps on my phone to quickly get details on my transactions.

**Mohammed Turq (India)**

There are enough Islamic banks in the UAE. I don't face any challenges tracking my daily expenses because I don't regularly make purchases.

**Abdulla Ahmad Bin Kalban (UAE)**

**I OFTEN FACE PROBLEMS TRACKING MY SMALL, BUT FREQUENT PAYMENT TRANSACTIONS. I CAN HARDLY MEMORIZE IT SO AT THE END OF THE DAY, I'M SURPRISED TO SEE THAT I HAVE SPENT A LARGE AMOUNT.**

**Melfiana Goldiena Putri (Indonesia)**

## MY SUGGESTION

We want banking institutions to facilitate bank registration and create funding games to educate the youth.

**Tamsir Lo & Idy Lo (Senegal)**

I think opening a bank account should be made more convenient and straightforward. The amount of money charged on maintaining accounts should also be eliminated.

**Sameea Rahat (UK)**

I want to see more Islamic banks in my area and more choices in investment planning that strictly obey the laws of Shariah.

**Mohammed Turq (India)**

There should be courses in universities for all majors so young people understand how Islamic finance works.

**Abdulla Ahmad Bin Kalban (UAE)**

Islamic banks can rebrand their financial products by adjusting to current trends. Many young adults think that the use of Islamic banks is not 'trendy.' Awareness is key.

**Melfiana Goldiena Putri (Indonesia)**

# CIMB Islamic Launches Initiatives That Help Businesses Navigate An Economy Impacted By the Pandemic



The year 2020 will be remembered as a time of great change, with the global economy facing an unprecedented upheaval at a scale never before seen in human history. The pandemic has brought with it many challenges but also opportunities for all global markets and economic sectors. Despite increased controls resulting from unavoidable containment measures, business and trade have continued, illustrating the resiliency of global supply chains.

The Islamic economy, built on global trade routes that go back centuries and reflecting the aspirations of over 1.9 billion Muslims, has been equally resilient. In ASEAN, the region with the world's largest Muslim population, countries such as Malaysia have remained committed to the development of the Islamic ecosystem.

The pandemic has not stopped business and trade, even at the national level, where the Malaysian government has signed a Memorandum of Understanding with the governments of Japan and Korea for the enhancement of trade. This is representative of a global Islamic economy, which is expected to expand 13% by 2024, with a focus on halal food and Islamic finance. With global Islamic markets now valued at \$2.88 trillion, supply is only able to meet the demand of the world's Muslim population by 10-20%.

In this context, CIMB Islamic is committed to supporting business resiliency and innovation in the face of significant change. The pandemic has created a greater appreciation for the planet we live in, and CIMB Islamic continues to keep sustainability as a key mantra in seeking business-driven solutions that enable both people and the planet to thrive. Regarding this, the bank has been focused on connecting businesses sustainably with the global Islamic economy via its products, services, and platforms.

Several key propositions have been introduced to enable businesses to realize the opportunities represented by halal trade and the greater awareness of sustainability. Alongside this, CIMB Islamic has offered businesses payment moratoriums and access to the various government stimulus packages for relief and support during the testing times of 2020. Aimed in particular at the most needful segments of the economy, CIMB Islamic is focused on uplifting SMEs, the "backbone" of the economy in terms of business potential, sustainable growth, employment, and technological innovation.



Exemplifying this approach, Micro Biz Ready is a CIMB proposition that was developed in support of the micro SME sector in line with government measures to aid the growth of SMEs. Supporting this National Agenda, CIMB announced an allocation of MYR50 million (\$12 million) to benefit the micro SME segment, providing the base platform for its other solutions to enhance business.

CIMB Islamic's Halal Biz Ready, launched in early 2020, enables businesses to connect to global halal trade. Malaysia's SME base is challenged in terms of absolute numbers of companies with halal certification across all sectors, and access to financing remains a challenge. The proposition is intended to bridge the gap and finance the creation of more halal-certified SMEs. Alongside multiple benefits, CIMB Islamic offers up to MYR100 million (\$24 million) in total financing for SMEs to achieve halal status as well as access to different enablers across the value chain in support of a vibrant halal business ecosystem.

This theme of collaboration in enhancing business and trade continues in the Sustainable Exporters Programme, announced together with MATRADE in February 2020. Its aim was to equip SMEs with the necessary knowledge and tools to access new markets globally, where there are high standards of sustainable sourcing. In combination with the Halal Biz Ready solution, this brings the natural confluence of halal and sustainability standards together toward the goal of achieving a "sustainable halal" ecosystem of companies and trading partners.

This focus on sustainability extends beyond trade standards and into the "real" economy. CIMB in late 2019 launched Renewable Energy Financing for SMEs in Malaysia, with one of its first initiatives being the provision of 100% financing to cover the cost of solar photovoltaic system installation. To further this, CIMB Islamic is introducing Green Biz Ready, a program to support sustainable business in Malaysia and its interlinks with the global Islamic economy. The innovative program aims to provide knowledge, technical assistance, and financing for SMEs that want support in tapping green initiatives.

CIMB continues to develop its Halal Corridor strategy of enabling this ecosystem of halal buyers and sellers via its network of global banks accessible through the Trade Club Alliance (TCA). There are currently three potential corridors for halal in the development stage between Malaysia and the UK, Japan and Korea, with active business matching supported by the leading banks in those economies. There is exciting potential for further cross-pollination, with Malaysia positioning itself as a global hub with strong incentives for halal operators to locate their facilities in the country.

The acceleration of digital transformation has been a vital consequence of the pandemic, and CIMB Islamic is ready to enable businesses to adapt to this pace of change. CIMB Islamic recognizes that a realignment in business models and operations is essential in ensuring long-term sustainable growth.

With this immediate focus on enabling SMEs to move forward, the bank has developed specific modules to assist businesses in navigating an economy impacted by the pandemic and consider new ways and approaches in how to conduct business. With this, CIMB Islamic is progressing an "E-Halal Biz Ready" strategy focusing on e-commerce to enable SMEs with the tools to develop e-shops and ensure successful digital transactions and subsequent delivery.

CIMB Islamic has, in recent years, initiated a strategy known as the "Halal Corridor" to enable Malaysian businesses to take advantage of the opportunities that the global halal economy offers and remains committed to the development of this important sector. While the pandemic has brought huge challenges, it has also brought to the forefront awareness of critical factors such as quality assurance, hygiene standards, digital technologies, sustainability principles, and responsible banking. CIMB Islamic looks forward to the future with optimism and readiness to serve customers in the new normal and enable them to flourish in the coming age.



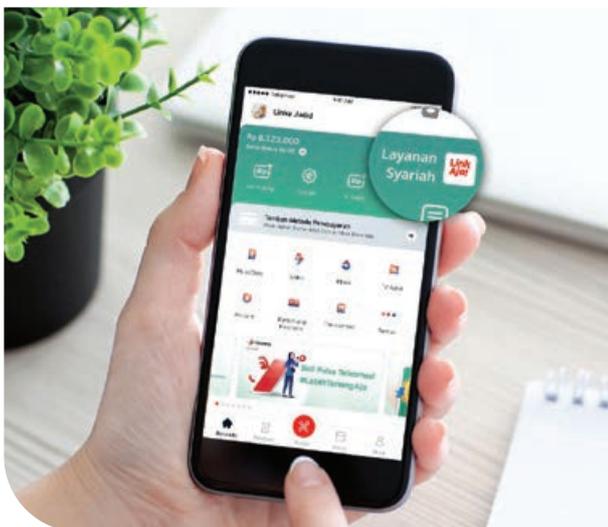
# LinkAja – The First and Only E-Money in Indonesia with Shariah Feature



THE CHAIRMAN OF MUI NATIONAL SHARIAH BOARD, MA'RUF AMIN, PRESENTING THE SHARIAH-COMPLIANCE CERTIFICATE TO LINKAJA FOR ITS SHARIAH FEATURE

LinkAja, a digital payment service owned by ten influential Indonesian State-Owned Enterprises (SOEs), embraced its business journey in Indonesia, the country with the largest Muslim population globally, as the first and only e-money with a Shariah feature certified by the Indonesian Ulema Council (MUI).

The Shariah feature of LinkAja comes as a strategic step in achieving the Indonesian Government's goal of becoming the world's Islamic economy hub by 2024. LinkAja is expected to play a critical role in the Islamic Economic Masterplan carried out by the National Islamic Economics & Finance Committee (KNEKS).



During the commemoration of the Islamic New Year 1 Muharram 1442 Hijri Celebration with KNEKS and LinkAja, the Vice President of the Republic of Indonesia, Ma'ruf Amin, mentioned that "The government appreciates LinkAja's efforts in inviting various parties to jointly build Indonesia's Shariah ecosystem. The synergy of various cross-sector parties is undoubtedly vital in the development of infrastructure facilities that can expand and strengthen the Shariah ecosystem in Indonesia."

The Shariah feature of LinkAja is made available in a Shariah specific ecosystem across 88 municipalities and 383 districts throughout Indonesia. LinkAja users can utilize its Shariah feature in mosques, zakat institutions, halal online and offline merchants, modern national and local retailers, Islamic boarding schools, Shariah banks, Islamic schools, Islamic universities, and others. LinkAja has also enabled its Shariah e-wallet for other essential services, such as prepaid telecommunication top-up, utility bill payments, e-commerce, public transportation including trains, buses, taxis, and ride-hailing apps, such as Gojek and Grab.

LinkAja has a Shariah Supervisory Board that monitors and ensures all activities align with Shariah-compliant rules, namely the placement of funds in cooperation with numerous Shariah banks, applying transaction procedures following Shariah rules, and acceptance points across LinkAja merchants.

Today, LinkAja's Shariah feature has more than 1,000,000 registered users. The company is committed to scaling up with its strategic partners, such as local governments and other institutions, to expand Indonesia's digital Shariah ecosystem.

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# Interview with Datuk Wira Dr. Hj. Rais Hussin Mohamed Ariff, Chairman of MDEC



Established in 1996, Malaysia Digital Economy Corporation (MDEC) is an agency under the Ministry of Communications and Multimedia Malaysia (KKMM) with a close to 25-year track record of successfully leading the ICT and digital economy growth in Malaysia.

Datuk Wira Dr. Hj. Rais Hussin Mohamed Ariff was appointed as the new chairman of MDEC in June 2020. Dr. Rais Hussin is an avid strategist, perennial wordsmith, social engineer, serial entrepreneur, and serious policy intellectual.

## Can you explain what Malaysia 5.0 is and how it is relevant to Malaysia's Islamic digital economy strategy?

Malaysia 5.0 is inspired by Japan's Society 5.0 initiative – a concept that proposes putting society at the center of technology so that technology serves society and not the other way around.

Malaysia 5.0 is seen as a problem-solving approach to society's challenges and problems via the deployment and application of Industry 4.0 technologies that are capable of integrating the physical and digital environments. One of the key aspects of Malaysia 5.0's vision is building digital infrastructure with a unified alliance of stakeholders both within government and across the private enterprise. This "Unity Alliance" is an economic coalition that will serve society in its migration into the digital age.

Malaysia has been at the forefront of championing Islamic banking and finance for the last three decades. The Malaysian government, through MDEC, has started serious work to embed the Islamic digital economy in the grand design of the Malaysian blueprint of the digital economy. MDEC has introduced the Islamic Digital Economy Guide (Mi'yar), a reference for startups, venture capital, and supporting ecosystem players who wish to explore and understand various components of the Islamic Digital Economy.

## What end goals or KPIs does MDEC have with its iFintech strategy?

Malaysia is already a world leader in the Islamic finance sector, and MDEC is envisioning Malaysia continuing to become a world pioneer in the Islamic financial technology (fintech) to create an inclusive fintech hub while firmly establishing Malaysia as the heart of digital ASEAN.

With initiatives such as Orbit Fintech Hub, a platform that facilitates the convergence of local and global fintech players; Fintech Booster, which enables capacity-building and provides thought leadership; MDEC's eBerkat initiative, which provides Digital Financial Inclusion, MDEC is taking the lead in driving the digital economy forward and constantly attracting digital investment for the Islamic finance marketplace.

MDEC has played a key role in creating global awareness of Malaysia's tech innovation potential. MDEC's Islamic Fintech Report 2019 includes recommendations around Islamic social-based financial instruments, encouraging all to embrace digitalization and the formation of a coordination committee at the national level.

The government has also identified Islamic finance and the digital economy as key economic growth areas to achieve its national commitment of elevating the country into becoming a nation of sustainable growth while ensuring fair and equitable distribution across income groups and urban and rural regions.

## What are some of the rising success stories of iFintech that you can highlight from Malaysia?

Malaysia's iFintech achievements include:

- Ethis Ventures – received Malaysia's first Shariah-compliant Islamic equity crowdfunding (ECF) license from the Securities Commission (SC) Malaysia in 2019. Originating in Singapore, the Islamic fintech venture builder chose Malaysia as its headquarters.

- microLEAP – a Shariah-compliant Islamic Peer-to-Peer (P2P) microfinancing platform operator and MDEC’s eBerkat partner, providing P2P Financing in Malaysia, an alternative regulated investment tool.
- Malaysian Hello Gold made the country proud, as it was the only fintech startup from Malaysia to present its unique gold saving mobile application with the participants at the United Nations General Assembly (UNGA) on “Digital Finance for Sustainable Development Goals” in 2019. Hello Gold is one of the selected companies under the UNCDF Innovation Challenge and MDEC’s eBerkat partner.
- Aspirasi, a company under Axiata Group, is a Shariah-compliant microfinancier. The company has partnered with MDEC for the eBerkat initiative.

#### What other areas of the Islamic economy have MDEC enabled or plans to enable?

MDEC focuses on the potential of Islamic social finance tools in reducing poverty levels and achieving sustainable development and shared prosperity for all, with a focus on zakat, sadaqah, and waqf.

In March 2020, MDEC, in collaboration with The Islamic Medical Association of Malaysia’s Response and Relief Team (IMARET), and local crowdfunding platforms like Global Sadaqah, pitchIN, and SimplyGiving, launched a donation drive to help supply safety equipment for the country’s COVID-19 pandemic frontline officers who were working hard to prevent the spread of the outbreak.

#### For an iFintech startup, what are the key incentives for setting up in Malaysia?

Since its inception in 1996, MDEC’s Multimedia Super Corridor (MSC) Malaysia has succeeded in driving the nation’s digital economy to new heights. The MSC Malaysia status provides eligible information, communication, and technology (ICT)-related businesses, both local and foreign, with a wide range of incentives, rights, and privileges to promote continued growth.

To capture the ASEAN market from Malaysia, MDEC is offering the Malaysia Tech Entrepreneur Programme (MTEP) via a 1-year pass for New Entrepreneurs and a 5-year pass for Established Entrepreneurs.

Moreover, MDEC has helped launch several initiatives in partnership with various industries, including the following:

##### The Orbit Fintech Hub

The Orbit is Malaysia’s Fintech Hub that serves as a congregational point for the local and foreign fintech players, allowing them to interact with industry leaders and regulators to ease solution development and early market entry.

##### Fintech Academy

MDEC is working with Institutes of High Learning (IHL) and relevant industry players to provide inputs on fintech. We have also partnered with local regulators, including Bank Negara Malaysia (BNM) and SC, to conduct regulatory boot camps where regulators will share their latest development on policies and regulations every quarter.

##### Financial Innovation Lab

Established in partnership with the United Nations Capital Development Fund (UNCDF) and BNM, the Financial Innovation Lab aims to accelerate innovation in digital financial services with new or improved solutions that empower the daily lives of low and moderate-income people.

#### Fintech Booster

Fintech Booster is a capacity-building program by MDEC, in collaboration with BNM, to assist Fintech companies, both local and foreign, in developing their products and services via three strategically crafted modules: Legal & Compliance, Business Model, and Technology.

#### eBerkat

MDEC’s eBerkat is an initiative to help Malaysians gain knowledge and digital financial services, especially to the B40 community and the MSMEs.

#### Can you share how MDEC is helping Malaysia’s iFintech ecosystem to promote greater financial inclusion?

MDEC developed and is now piloting a nationwide digital financial inclusion initiative named eBerkat that targets MSMEs and the bottom 40 percent of the income group (B40s).

The key focus of the e-Berkat initiative, which was developed in partnership with 12 fintech companies, is to introduce and expand on the concept of creating Alternative, Accessible & Affordable (3As) Digital Financial products.

The program is designed to increase awareness and understanding and encourage adoption among the underserved communities via the Savings, Lending, Investment, Payment (S.L.I.P) Digital Financial Services initiative.

The initiative will open ways for the MSMEs and B40s groups to gain access to all the digital financial instruments that they need, including those that are Shariah-compliant.

#### We hear a lot about disruption nowadays. How does MDEC’s iFintech strategy equip Malaysia to effectively respond to disruption in financial services?

MDEC sees fintech as an ongoing evolution of financial services that will complement Islamic financial services in Malaysia. For example, MDEC introduced Fintech Booster in August 2020 to further support the growth and development of fintech companies in Malaysia.

The Fintech Booster is a joint-collaboration program by MDEC and BNM, which provides capacity building resources for both local and foreign fintech companies. The Fintech Booster program has partnered with two Shariah advisors, Masyref and Tawafuq Consultancy, to provide pro bono Shariah advisory services to fintech companies, to foster and encourage fintech companies to be Shariah-compliant.

The growth of Islamic fintech in the country will impact the development of communities in rural areas as it will become a unique financial-inclusion opportunity and increase their contribution to Malaysia’s socio-economic development.

# Could Cooperation with UN Agencies Optimize the Humanitarian Impact of Islamic Philanthropy?



**By Khaled Khalifa**

UNHCR Senior Advisor on Islamic Philanthropy and Representative to the GCC

We live in a world where 1% of humanity has been forced to flee their homes. Nearly 80 million people around the globe are forcibly displaced, including 26 million refugees. If the displaced population were a country, it would rank among the top 20 largest countries in terms of population, bigger than the UK, France, South Africa, or South Korea. This situation becomes more tragic when we realize that 40% of the total are children and that 68% come from only 5 countries, namely Syria, Venezuela, Afghanistan, South Sudan, and Myanmar (Rohingya refugees).

Humanitarian response in these circumstances is made all the more challenging by the protracted and increasingly close rate at which these crises occur: the Syria crisis, which started in 2010, was followed by South Sudan in 2013, the Venezuela refugee crisis in 2014, and the Rohingya situation in 2017. The Sahel situation is the fastest-growing displacement crisis in the world right now. In less than two years, violence and insecurity have pushed 6.6 million people in the central Sahel region (the region in West Africa including Mali, Burkina Faso, and Niger) to acute hunger levels and 1.4 million people into internal displacement.

Adding to the socio-political challenges of displacement, refugees and internally displaced persons (IDPs) have been deeply affected by the COVID-19 pandemic, which came as 'an emergency on top of an emergency.' In response, UNHCR is employing its 70-year track record in protecting forcibly displaced populations through prevention and response efforts, prioritizing situations with large populations of refugees and IDPs to ensure that water, sanitation, and hygiene services are reinforced and quickly adapted. However, while the pandemic does not discriminate and can affect anyone, its impact goes beyond health, with more devastating economic consequences for refugees and IDPs, many of whom have lost their jobs and sources of livelihood and hence became more vulnerable than before.

As the displacement crisis is now at an all-time high and widely spread all over the globe, with increasingly difficult circumstances, it is becoming more challenging for concerned entities to cope with the increasing humanitarian needs. Today, with some 60% of the world's displaced population coming from member states of the Organization of Islamic Cooperation (OIC), exploring the potential of Islamic social finance becomes imperative. Islamic social finance provides a plethora of tools that could be adapted to respond to socio-economic problems. Those include, but are not limited to, zakat, sadaqah, waqf, purification funds, and humanitarian sukuk. Such tools could also combine to maximize the impact by reinforcing the imbedded social responsibility of a global Islamic finance system that is based on equity, solidarity, and doing no harm.

UNHCR's pioneering Islamic philanthropy activities, primarily through its Refugee Zakat Fund, have set a workable example in this context by providing a trusted, compliant, and above all efficient mechanism for strategic partnerships in support of the forcibly displaced. Launched by UNHCR in 2019, following a two-year pilot, the Refugee Zakat Fund aims at harnessing the power of zakat (and sadaqah) to transform the lives of the most vulnerable refugees and internally displaced families worldwide. The fund is backed by six fatwas, most recently a fatwa by the OIC's International Islamic Fiqh Academy, and is subject to strict governance, ensuring the utmost transparency at every step - from needs assessment to donation to provision of assistance. To date, the fund has helped more than one million beneficiaries spanning Yemen, Lebanon, Iraq, Jordan, Egypt, Pakistan, Bangladesh, India, and Mauritania.



While establishing grant partnerships with foundations and corporations such as the Sheikh Thani Bin Abdullah Bin Thani Al-Thani Humanitarian Fund, World Assembly for Muslim Youth (WAMY), International Humanitarian and Charity Organization, Islamic Aid and Fajr Capital, UNHCR's Refugee Zakat Fund has also widened the scope of its strategic partnerships with key Islamic organizations. In May 2020, UNHCR and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) signed a three-year MoU, intending to further develop Islamic social finance tools for the benefit of the world's most vulnerable refugees and IDPs. This partnership will allow the exchange of expertise, help create zakat governance standards for international humanitarian organizations, and develop other Islamic philanthropy tools for UNHCR, such as waqf, sukuk, and purification funds, creating a relevant avenue of engagement for Islamic banks and financial institutions.

Diversifying partnerships and funding streams are crucial. Faith-based organizations and thought leaders should work together to exemplify social solidarity tools that worked for centuries, such as Islamic finance and its underlying philanthropy tools. The time is ripe to showcase the efficiency of such tools, especially in environments that provide ample scope for evaluation and lessons learned, such as refugee situations. UNHCR's Refugee Zakat Fund is an example of this high potential and can be replicated and hopefully emulated by UNHCR and others.

During the first half of this year, UNHCR's Refugee Zakat Fund was able to support over 1.4 million refugees and

IDPs by distributing 100% of zakat received, most of which has been distributed in the form of direct cash assistance to the most vulnerable refugees and internally displaced families. Cash is a quick and efficient way of getting assistance to beneficiaries and empowering families to make the best decisions on how to care for themselves. Cash is particularly useful in making necessary purchases such as rent, food, or other immediate needs in case of lockdown, mitigating some of the negative socio-economic impacts of COVID-19 on families and communities, many of whom have lost their informal daily-wage livelihoods. Another 400 thousand beneficiaries will receive support from other Islamic philanthropy sources, including the Ramadan campaign and sadaqah donations. The underlying philosophy of UNHCR's Zakat Fund is maximizing the impact of zakat contributions by guaranteeing compliant distribution in their totality. This provides the most efficient vehicle for Muslim donors, including NGOs and zakat houses, to deliver zakat, especially in areas where the distribution cost is high and fund transfers are complicated. The overall objective is a win-win-win scenario where displaced people receive maximum assistance, donors optimize the impact of their contributions, and UNHCR achieves part of its protection mandate. This vision is based on burden-sharing and mutual accountability by capitalizing on the strengths of all partners for the benefit of the vulnerable, the marginalized, and the displaced.

With Islamic philanthropy recently sparking increased interest in humanitarian fora and among international organizations and given the inclusion of refugees in the SDG framework through a dedicated indicator, there is a historic opportunity to strategically prioritize and institutionalize Islamic Philanthropy as an innovative approach to realizing the SDGs. As philanthropy is not considered a sub-sector of conventional finance, likewise Islamic philanthropy has its own specificities and unique objectives that make it distinct from Islamic finance, especially considering the variety in Islamic philanthropy tools. It is, therefore, worth exploring Islamic philanthropy (or, in other words, Islamic social finance) as a stand-alone Islamic economy sector, among halal food, halal cosmetics and pharmaceuticals, modest fashion, halal travel, and media. This process should include a clear understanding of challenges to realize the full potential of Islamic social finance and its socio-economic impacts. In all cases, more focus on Islamic philanthropy within the Islamic economy discussion will further pave the way for philanthropic collaborations among Islamic economy sectors that thrive at their core to be ethical and serve the underprivileged.



Scan/click this QR code for the latest UNHCR Refugee Zakat Fund Reports



Scan/click this QR code to download UNHCR's GiveZakat App



# GiveZakat App

by the Refugee Zakat Fund

- 1- **Calculate your Zakat** easily and simply on our new App.
- 2- **Choose the location of the families** you want to help with your Zakat.
- 3- **Give your Zakat.** 100% of your donation reaches eligible families.
- 4- **Track your Zakat** donation until it reaches your chosen beneficiaries.
- 5- **See the impact of your Zakat.** Get closer to the families you help.



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## LEADING MALAYSIA'S DIGITAL ECONOMY FORWARD

We are MDEC, the Malaysia Digital Economy Corporation.

We lead Malaysia's digital economy forward. Our role is to build a vibrant economy and ensure that Malaysia plays a leading part in the global digital revolution. We are passionate about digital technology and its potential to transform the future of our nation and the world.

MDEC. Connecting businesses and people to the digital future.

# Interview with Redha Al Ansari, Head of Islamic Finance Research, Refinitiv



Serving more than 40,000 institutions in approximately 190 countries, Refinitiv provides information, insights, and technology that drive innovation and performance in global financial markets. Refinitiv's heritage of integrity enables its customers to make critical decisions with confidence while their best-in-class data and cutting-edge technologies enable greater opportunity. Refinitiv allows the financial community to trade smarter and faster, overcome regulatory challenges, and scale intelligently.

## **Islamic finance has returned to double-digit growth in 2019. What are the factors behind such growth? And what will drive further growth in the future?**

Islamic finance's growth and development were quite impressive in 2019, registering a double-digit growth of 14%, taking the industry's total global assets to \$2.88 trillion. This is compared to just a 3% growth in 2018. It was a solid year all-round, backed by market activities in many parts of the world, including new market entrances, mergers and acquisitions, governments passing new Islamic finance regulations, and increased sukuk activities.

So far, in 2020, the situation has changed somewhat with the spread of COVID-19. The lockdown has clearly impacted many economies worldwide, and the Islamic finance sector has not been immune to these economic downturns. However, challenging times such as these are when opportunities arise. Historically, we have seen many governments taking initiatives to move towards Islamic finance in difficult times. This year, we have seen many African countries, such as Algeria, introducing Islamic financial products to divert much-needed liquidity from its parallel or informal financial sector, valued between \$30 billion and \$35 billion, into the formal banking system. Tanzania, Tunisia, and Kazakhstan are other countries that are continuously developing their regulations to accelerate the growth of their Islamic finance sectors.

Other notable developments in terms of Islamic finance regulations have been witnessed in the UAE. Despite the long history of Islamic finance in the country, in 2019, the UAE introduced new regulations related to banking, takaful, and sukuk in order to improve its existing regulatory framework, which had not previously covered all areas of the industry. Uzbekistan is another country expected to make a significant entry into the world of Islamic finance after announcing a collaboration with IDB and UNDP to support the introduction of Islamic finance products and services.

By the end of 2019, there were 14 countries with central Shariah boards, and this number is likely to grow with the planned additions of boards in Kuwait, Qatar, and the Philippines. Central Shariah boards allow the principles and structures of Islamic finance to be harmonized at a national level and thereby promote its acceptance and growth. In fact, Islamic banking in Kuwait grew more strongly in 2019 than conventional banks did, and the introduction of a central Shariah board will further support the industry. The Philippines is an interesting case; although the Islamic finance sector is still in its infancy there, the government is taking the right steps to ensure the sector takes off on a strong note.

### **Sukuk have been growing at an extraordinary pace in the past few years. Can the industry maintain its growth trajectory in the face of the pandemic?**

Sukuk performance in the past decade has been remarkable as it continues to evolve and expand into new territories and sectors. In 2020, over \$1.35 trillion worth of sukuk have been issued since the first sukuk in 1990 in Malaysia, and over 15,000 sukuk have been issued by a variety of corporate, sovereign, and quasi-sovereign bodies across 31 countries. Interestingly, we can see around 90% of this sukuk were issued in the past 10 years, and 55% in the past five. This clearly shows the important role sukuk have been playing in funding governments and corporations over the past few years.

This market's actual expansion and growth began in 2014 when several non-Muslim-majority countries issued their debut sukuk, including Hong Kong, Luxembourg, South Africa, Senegal, and the United Kingdom. There are also compelling trends in traditional markets. Saudi Arabia, for instance, has become the first country to have more sukuk issuances than bonds. Between 2017 and Q3 2020, Saudi Arabia issued \$113.9 billion worth of sukuk, compared with \$64.2 billion in bonds. And in 2020, Saudi Arabia tapped the sukuk market with \$1.3 billion in green sukuk.

Looking more closely at sukuk issuances in the first three quarters of 2020, we see that the total issuance of \$130.5 billion exceeds the \$127.3 issued in the same period the previous year, despite the slow start at the beginning of the year. One of the reasons for the increase in sukuk issuance in 2020 is the increased funding requirements on the back of COVID-19 as governments take initiatives to revive economies.

Green sukuk have also gained momentum in the past few years. As of Q3 2020, a total of \$7.6 billion worth of green sukuk has been issued since the first green sukuk in 2017. The COVID-19 pandemic is, to an extent, encouraging issuers to tap into green sukuk as governments and corporations continue efforts to help individuals and affected sectors with aid and subsidies. A number of countries are planning to issue green sukuk in the near future, including Uzbekistan and Kazakhstan, as well as some of the principal Islamic finance markets.

### **Islamic banking and takaful are transforming through mergers and acquisitions. How is this going to impact the industry going forward?**

The consolidation wave that has swept the GCC banking sector in 2019 continued to pick up the pace during 2020. This trend is now showing signs of extending to the insurance and takaful sectors after the Saudi Arabian Monetary Authority (SAMA) announced plans to increase minimum capital requirements for insurance providers to SAR 500 million, which is five times the current requirement.

Consolidation is the way forward for the Islamic banking sector in an increasingly competitive environment. Islamic banks have long struggled to increase market share and compete with conventional banks, including in the central Islamic finance markets. The Islamic banking market share in most countries lags at under 30%, and very few have reached 40% or more. To address this issue, central banks are encouraging banks and takaful operators to consolidate.

The growth of consolidation is also partly due to over-banking in some jurisdictions. In the GCC, for instance, where some countries have over 40 banks catering to the needs of about 3 million adults, such countries can be considered over-banked. Comparing the banking structure in some of the GCC countries with advanced economies such as the United States or Canada, we see somewhat different structures. In advanced economies, a few large banks dominate the market, and a series of smaller banks struggling to compete for share. Islamic banks are required to enter the big leagues and compete for higher market share, and that is through consolidation.

# Australia: The A\$250 billion Islamic finance market uncovered

## Key highlights

- Australia is the only country to maintain 28 years of steady growth, with one of the lowest debt to GDP ratios in the world (23%)
- The relatively youthful Muslim population is economically expanding and flourishing, with Shariah-compliant solutions growing rapidly in this highly regulated but lucrative market
- A\$248 billion addressable market for Shariah-compliant finance and investment
- Established and pioneering players in Islamic finance represent a solid and risk-mitigated entry point to this profitable market

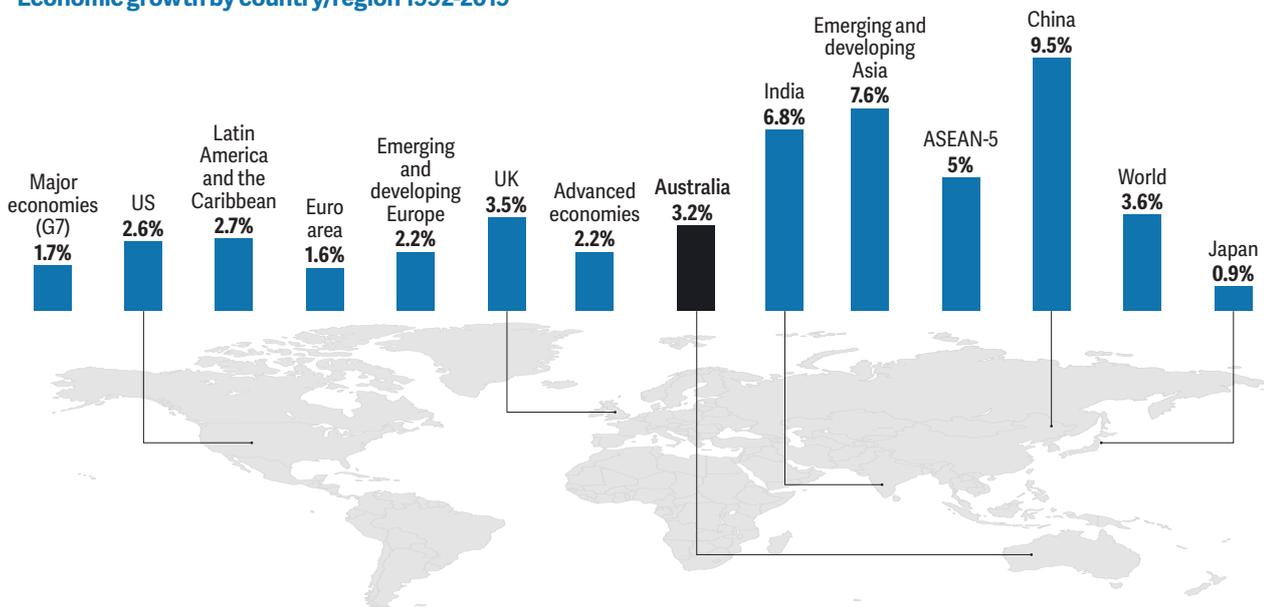
## Introduction

As part of the launch of the State of the Global Islamic Economy Report 2019, DinarStandard prepared a brief outlining Australia's standing as a top Islamic economy player for its launch of the report in Sydney, Australia. A key highlight was that Australia was the 9th top Islamic economy exporter in halal food produce, exporting over A\$5.3 billion to countries such as Indonesia and the Gulf Cooperation Council (GCC) countries.

What was not as apparent is Australia's immense untapped potential for serving the Islamic economy's other significant sector – Islamic finance and investment. One of the twenty largest economies globally, Australia is one of the few countries that, prior to 2020, experienced just two years of negative growth over the previous 6 decades.<sup>1</sup> Despite these strong fundamentals and its standing as a G20 country, Australia has yet to make its mark in Islamic finance.

This situation is somewhat surprising since, in financial terms, it has the world's fifth-largest pool of managed funds, ninth-largest stock market, and tenth-largest foreign exchange market. Australia's highly sophisticated financial services industry contributes significantly to the economy, adding A\$140 billion and employing 450,000 people.<sup>3</sup> Core drivers include mortgage financing, superannuation funds, investments, and financial planning and insurance. Moreover, market supply remains relatively concentrated: the "Big Four" banks (ANZ, CBA, NAB, and Westpac) dominate the market, holding around 75% of all domestic banking assets,<sup>4</sup> 82% of all loans, and 53% of all life insurance premiums.<sup>5</sup> Sectors with strong margins include retail superannuation funds (83.3% profit margin) and financial asset investing (63.7% profit margin).<sup>6</sup>

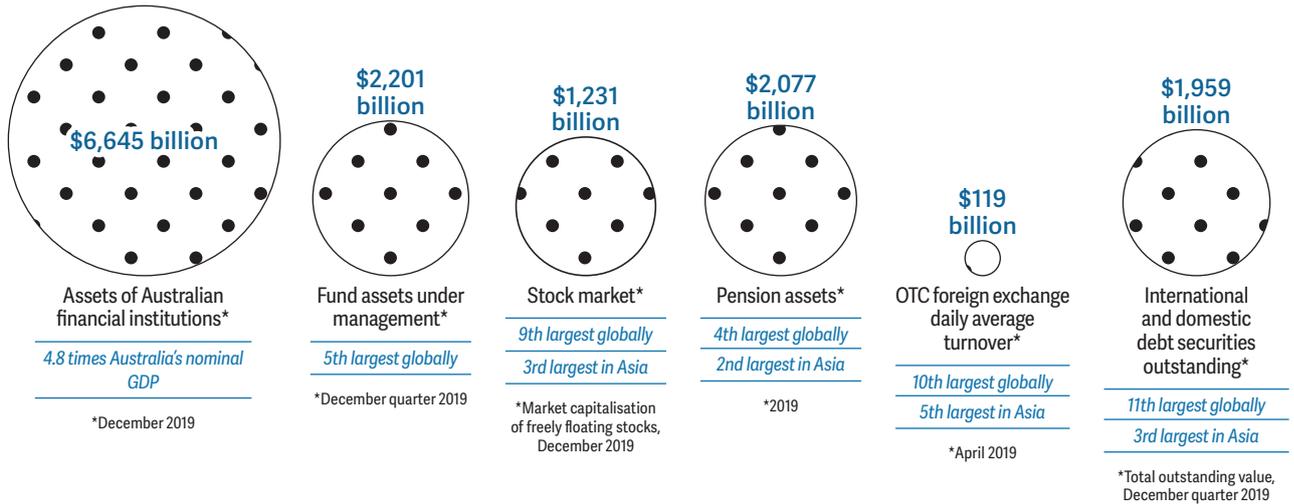
## Economic growth by country/region 1992-2019<sup>2</sup>



1. Australian Trade and Investment Commission, "Why Australia Benchmark Report," Australian Government, last modified August, 2020, <https://www.austrade.gov.au/International/Invest/Resources/Benchmark-Report>.
2. Australian Trade and Investment Commission, "Why Australia Benchmark Report."
3. The Treasury, "The strength of Australia's financial sector," Australian Government, last modified March 18, 2016, <https://treasury.gov.au/publication/backing-australian-fintech/the-strength-of-australias-financial-sector>.
4. Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, "Some Features of the Australian Banking Industry: Background Paper 1," Commonwealth of Australia, 2018, <https://financialservices.royalcommission.gov.au/publications/Documents/some-features-of-the-australian-banking-industry-background-paper-1.DOCX>.
5. Stephen Tunley, "The big banks have large fingers in your financial wallet – how big are they and is it good for you?," Balmain, last modified February, 2011, <https://www.balmain.com.au/Balmain/PublicationsDetail.aspx?Id=9>.
6. "Industries with the Highest Profit Margin in Australia in 2020," accessed November 2, 2020, <https://www.ibisworld.com/australia/industry-trends/industries-highest-profit-margin/>.

## Global significance of Australia's financial market<sup>7</sup>

IN US DOLLARS



## The Islamic Finance and Investment Opportunity

At the same time, Australia's Muslim market is also growing. In 2016, there were around 604,000 Australian Muslims, making up 2.6% of the overall population, having grown 15% over a 4-year period. This is expected to rise to almost 3% by 2021. The Muslim population is also relatively young, with 82% under the age of 45, and almost half aged 24 or under. 37.4% have a weekly household income of A\$1,250 to \$2,999.<sup>8</sup>

## Opportunities

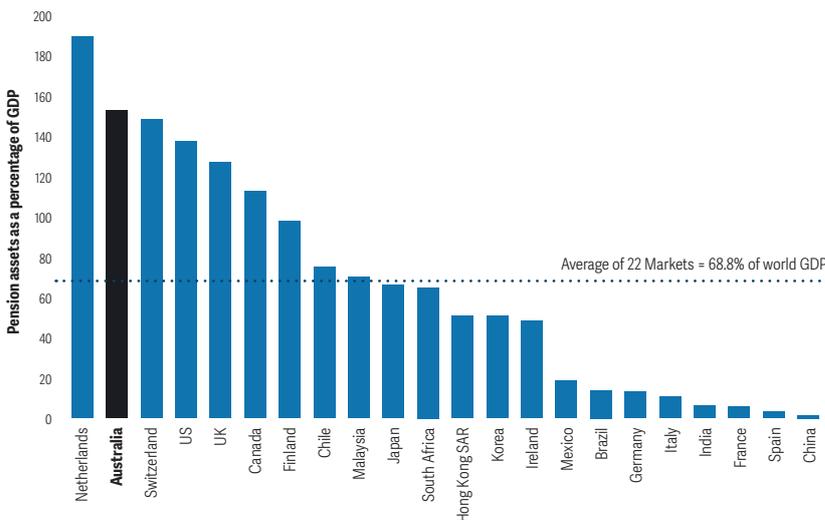
Given the size of the financial industry and the size of the growing Muslim population, there is a natural potential for Shariah-compliant financial services. There are two main opportunities for Islamic financial products and services in Australia: superannuation and mortgages.

### THE MARKET FOR SHARIAH-COMPLIANT SUPERANNUATION

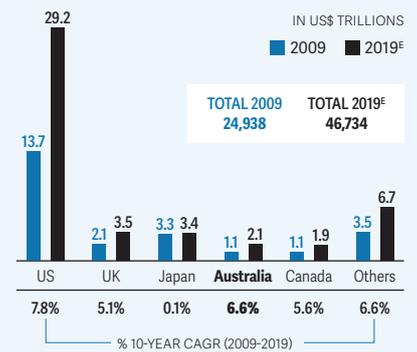
The superannuation industry is a significant driver of financial services in Australia that presents natural opportunities for Islamic products and services. In terms of size, the superannuation industry's assets were A\$2.9 trillion in June 2020, with A\$1.8 trillion in investments. These investments were made primarily in equities (49.2%), fixed income and cash (33.6%), and property and

## Global pension assets, 2019

Percentage of gross domestic product (GDP) ratio<sup>10</sup>



### TOP 5 PENSION FUND ASSETS



### Percentage share of world total 2019



7. Australian Trade and Investment Commission, "Why Australia Benchmark Report," Australian Government, last modified August, 2020, <https://www.austrade.gov.au/International/Invest/Resources/Benchmark-Report>.

8. Riaz Hassan and Laurence Lester, "Australian Muslims: A Demographic, Social and Economic Profile of Muslims In Australia," International Centre for Muslim and non-Muslim Understanding, 2015

9. "Superannuation Statistics," Superannuation, last modified August, 2020, <https://www.superannuation.asn.au/resources/superannuation-statistics>.

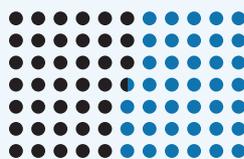
10. Australian Trade and Investment Commission, "Why Australia Benchmark Report."



## Shariah Compliant Superannuation Investment Funds and Shariah Compliant Mortgage Market Finance Market Size



**771,000**  
Muslim Population  
(2020 est.)<sup>11</sup>



**386,000**  
Aged 24 and above  
(50%)<sup>12</sup>

### SUPERANNUATION INVESTMENT FUNDS



**\$145,000**  
Size of average  
superannuation  
balance across both  
genders<sup>13</sup>



**A\$56 Bn**  
Shariah-compliant  
superannuation  
pool

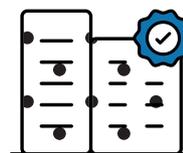


**A\$838 Mn**  
Average gross  
fund management  
fees pool  
(150 bps)

### MORTGAGE MARKET FINANCE MARKET SIZE



**A\$498,000**  
Size of average  
new mortgage



**A\$192 Bn**  
Total size of  
Shariah-compliant  
mortgage finance  
market



**A\$4 Bn**  
Average gross  
fund management  
fee pool  
(200 bps)

infrastructure (14.2%).<sup>9</sup>

With increased population aging and the rising Silver Economy, there is a need to provide Shariah-compliant superannuation services as well. At present, most offerings are interest-based and may also invest in sectors that are incompatible with Muslim retail investors' values, e.g., defense or alcohol industries. Currently, there is only one full provider of Shariah-compliant superannuation, Crescent Wealth Super, with several smaller platform players entering the market more recently. Crescent Wealth Super manages just under \$300 million in retirement funds or 0.5% of the total market of A\$55.9 billion, which suggests that there is an untapped upside potential of nearly A\$55.6 billion.

Despite its size, entering the Shariah-compliant superannuation industry in Australia presents several challenges. First, many older Muslims do not see the need for superannuation and would rather invest funds their own way, fueling the rapid growth of the Self-Managed Super Funds (SMSF) segment of the superannuation market. Second, despite the industry's overall size, Muslims are generally younger and therefore have not accumulated substantial savings compared to the broader population. Third, there is a lack of liquid investment options outside Shariah-compliant equities, particularly cash equivalent investment instruments, and liquid income-generating products denominated in Australian dollars (i.e., sukuk). As

a result, Australian superannuation providers must resort to hedging, adding an additional layer of costs.

### THE HOUSING FINANCE MARKET

The housing market provides another growth opportunity for Islamic financial products and services in Australia. In the 30 years leading up to 2015, Australian housing prices increased on average by 7.25% per year.<sup>14</sup> Currently, there are over A\$1.82 trillion in outstanding home loans in Australia, with banks providing most housing finance (96%)<sup>15</sup> and a high level of homeownership (66%). At present, mortgages are a significant driver of the financial services business in Australia since they currently provide higher margins (anywhere between 200 basis points and 350 basis points) and are less prone to disruption than other financial services areas. Currently, thousands of Muslims cannot participate in the consistent growth of the housing sector due to the lack of competitive and high-quality Shariah-compliant options. Moreover, 41.6% of Australian Muslims are married, and Australian Muslim women have 2.5 children on average, yet only 15% of Muslims fully own their properties: these figures further suggest an unmet need for mortgages catering specifically to Muslims in Australia.

11. Estimate based on 3% Muslim population of the 2020 estimated overall population of Australian 25,714, 883. "Population clock," Australian Bureau of Statistics, last modified October 26, 2020, <https://www.abs.gov.au/ausstats/abs%40.nsf/94713ad445ff1425ca25682000192af2/1647509ef7e25faaca2568a900154b63>.

12. Phillips, "Muslim Australians."

13. "FSC state of the industry report," Financial Services Council, last, 2019, <https://www.fsc.org.au/resources/fsc-state-of-the-industry-2019>.

14. Marion Kohler and Michelle van der Merwe, "Long-run Trends in Housing Price Growth," Reserve Bank of Australia, last modified September, 2015, <https://www.rba.gov.au/publications/bulletin/2015/sep/3.html>.

15. S&P Global Ratings, "An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities," S&P Global, last modified November 14, 2019, [https://www.spglobal.com/\\_assets/documents/ratings/191114-an-overview-of-australia-s-housing-market-and-residential-mortgage-backed-securities.pdf](https://www.spglobal.com/_assets/documents/ratings/191114-an-overview-of-australia-s-housing-market-and-residential-mortgage-backed-securities.pdf).

However, despite the need and significant role of home finance in the financial services industry, options for Islamic home finance remain limited in Australia, with only four traditional primarily community-based providers.<sup>16</sup> These providers rely mostly on funding from largely conventional financial institutions and provide an altogether lower level of service quality, presenting an opportunity for further competition and potential new fintech players to enter this space with a differentiated and professional proposition from the traditional community-based providers.

Recently, the criteria for mortgage lending were significantly tightened as a result of the 2019 Financial Services Royal Commission report. As a result, despite the significant size of the Shariah-compliant housing finance market, this regulatory development will work against new providers trying to break into this market. Working with existing licensed financial services providers may reduce some of the significant investment in time and dollars required to get to market.

## Summary Conclusion

With an overall market for Islamic superannuation and mortgage finance around the A\$250 billion range, overall growth prospects for Islamic finance in Australia remain bright: the market is young with very few professional operators and has much room for further expansion and diversification, and this market space may well become a noticeable contributor to the Global Islamic economy and Australia's economy in years to come.



16. William Jolly, "Islamic Home Loans: What Are Sharia Compliant Home Loans?," Canstar, last modified June 9, 2017, <https://www.canstar.com.au/home-loans/islamic-home-loans/>.





# Muslim-Friendly Travel

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT **2020/21**





*Muslim spend on travel increased by 2.7% in 2019 to \$194 billion from \$189 billion in 2018. With the impact of the COVID-19 crisis, Muslim spend on travel is expected to fall to \$58 billion in 2020 and make a recovery to 2019 levels by 2023. Muslim consumer spending on travel is expected to grow at a 5-year CAGR of 1.4% from 2019 to 2024.*

The pandemic brought the tourism industry, including Muslim-friendly travel, to a grinding halt, with tourism being one of the most adversely affected economic segments due to travel restrictions.

Governments have scrambled to support airlines and the broader tourism ecosystem while struggling to strike a balance between preventing further COVID-19 outbreaks and stimulating the economy.

For many countries, tourism is a primary foreign currency earner, and the loss of inflowing cash has had a significant impact. This extends to pilgrimage, with Saudi Arabia canceling hajj and umrah in 2020. To put this in perspective, in 2019, 18 million pilgrims visited the Kingdom, spending around \$28 billion. Another setback for the sector was the rescheduling of the Tokyo Olympics to 2021, with suppliers in Malaysia, who were intended to cater for Muslim athletes at the event, set to lose some \$300 million in potential revenues.

Investment in the sector has nevertheless continued, although at a less confident rate than before the pandemic. Indonesia-based Traveloka has raised \$250 million in additional funding, and UAE-based travel-tech startup Hotel Data Cloud secured \$350,000 in seed funding.

Meanwhile travel companies have used the cessation in activity to upgrade technology, particularly artificial intelligence (AI), to enhance user experiences and improve data management. Examples include London-based online travel agency HalalTravels, which started up in 2019, and HalalBooking.com, which developed custom data-mapping technology through a partnership with Expedia.

While there is a diminished outlook for tourism, with the expectation being that the sector will adapt to the 'new normal' over the next year or two, a much-needed boost was given to the sector at the beginning of 2020 with the release of the Standards and Metrology Institute for Islamic Countries' (SMIIC) Halal Tourism Services standard. This standard provides guidelines for managing halal tourism facilities and services.





# Muslim-Friendly Travel



Represented by **\$194 billion** in outbound travel spending by **1.9 billion** Muslims (2019 est.)



**12%** Muslim spend

**200.3 million** of outbound Muslim travelers (2019)



Top 5 Muslim travel destination countries (2019, inbound est. Muslim travelers)



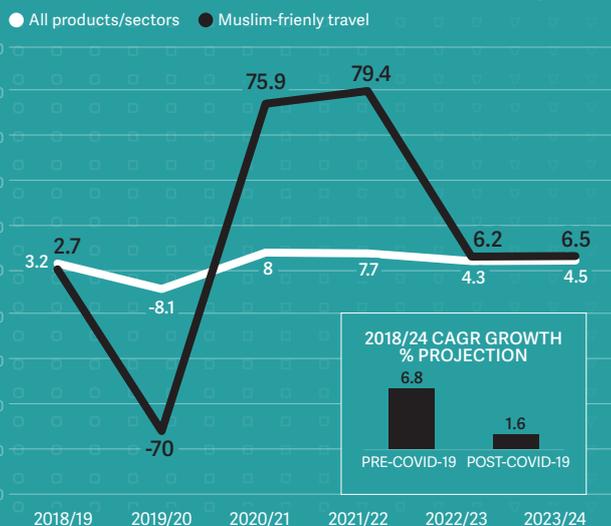
Top 5 outbound Muslim travel countries (2019, est. outbound spending)

The thickness of the lines is proportional to the value of the country's spending

## COVID-19 Impact Projections

Projected 5-year CAGR of 1.4% (2019/24) in consumer spending reaching \$208 billion by 2024

Projected Muslim spend growth on outbound travel versus all halal products/ services (% YOY GROWTH, 2018/24)\*



All estimates by DinarStandard Research & Advisory. Muslim outbound travel spend estimates & analysis by leveraging UNWTO and World Bank data as baseline. Projections base-lined using UNWTO forecasts. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Weak outlook on investments in travel, with domestic travel as a key area of focus

**\$340 million** in recorded travel sector investments 2019/20\*

Indonesian OTA Traveloka secured a \$250 million from Qatar Investment Authority and Singapore's GIC.

UK: HalalBooking, which allows users to book Muslim-friendly hotels and villas, raised \$2.5 million.

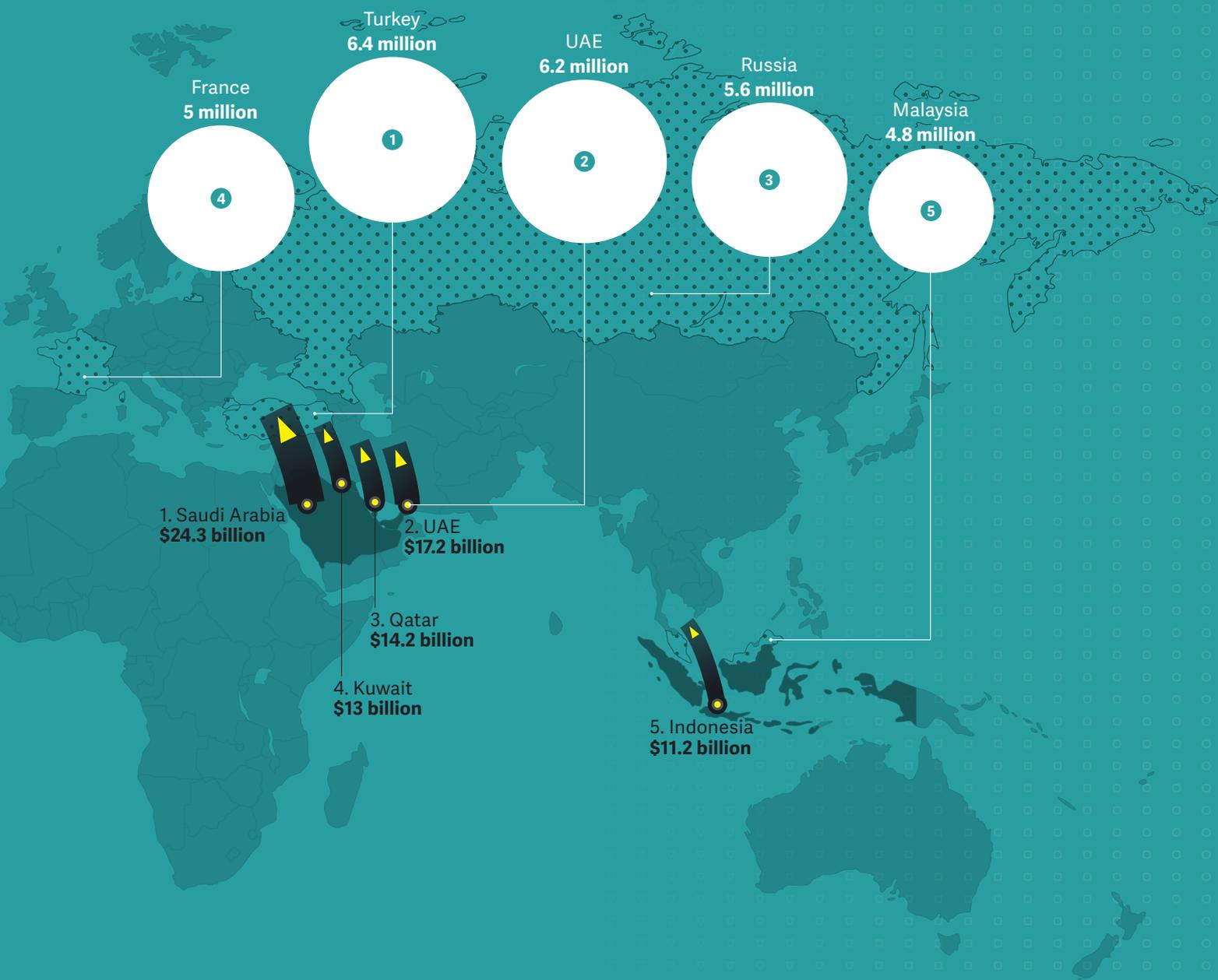
## DEALS

Top countries with # of related deals

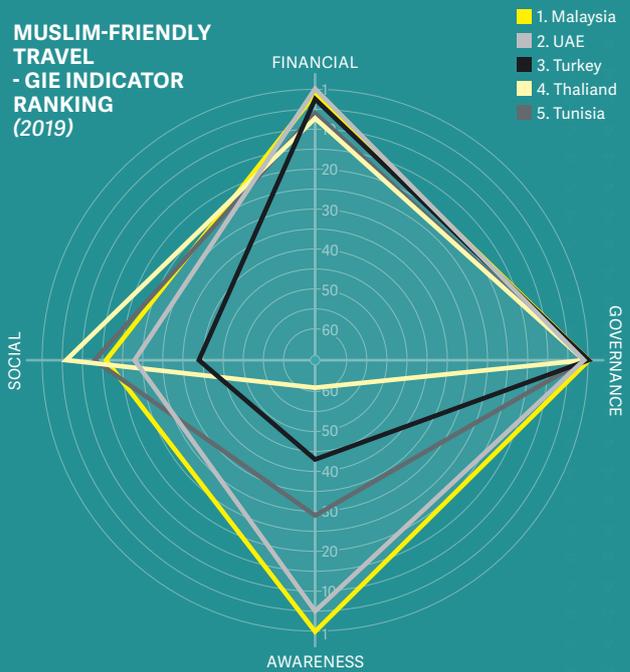
(2019/20)

4	Indonesia	3	Malaysia	2	Turkey	5	Others	14	TOTAL
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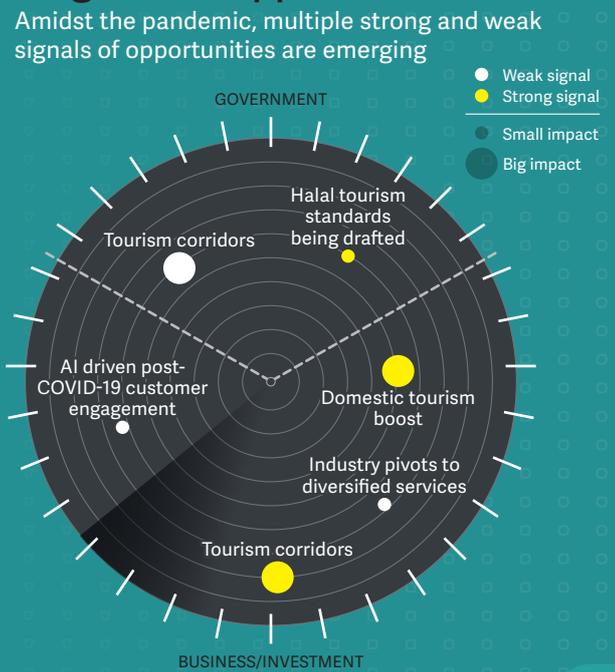




### Government Benchmarks



### Signals of Opportunities



# 2019/20 Developments



## Revenue Developments

### The global pandemic has impacted halal travel spending (as with global travel spending).

#### Latest projections:

Muslim spend on travel increased by 2.7% in 2019 from \$189 billion to \$194 billion, which is less than half of the previous year's 6.8% growth rate. Saudi Arabia, the UAE, and Qatar ranked as the top three countries by spend and retained their positions from last year. However, due to the devastating impact of the COVID-19 crisis, Muslim consumer spend on travel is expected to fall by 70% reaching \$58 billion. Muslim travel spend is expected to grow at a 5-year CAGR of 1.4% to reach \$208 billion in 2024.

Note: This does not represent the actual value of Muslim-friendly travel consumption. Rather, it represents the core addressable Muslim consumer market spending in the general travel category.

#### The lockdowns imposed by the COVID-19 pandemic have hit the travel and tourism industry the hardest. ✨

- The United Nations World Tourism Organization (UNWTO) estimated that the industry lost a total of \$320 billion in just five months — between January and May 2020.<sup>170</sup> The United Nations Conference on Trade and Development (UNCTAD) has forecasted \$2.2 trillion in losses for the industry in 2020.<sup>171</sup>

- As part of the broader travel ecosystem, Muslim travel businesses have similarly been affected by this crisis, with the situation being especially crippling for those involved in the hajj and umrah business, given that Saudi Arabia only hosted around 1,000 local pilgrims during hajj this year rather than the usual 2.5 million.<sup>172</sup>

- Hajj and umrah, as well as leisure travel, are expected to cost more post-COVID-19 due to the increased health and safety measures that need to be taken by the aviation, hospitality, and other tourism sectors.

- Small and medium enterprises (SMEs), which account for 80% of the travel and tourism sector,<sup>173</sup> are among the hardest hit by the COVID-19 crisis, with OECD predicting that over 50% of SMEs will not survive the crisis.<sup>174</sup>

- As for travel and tourism-related jobs, the World Travel and Tourism Council predicts that over 197 million travel and tourism jobs will be lost due to COVID-19 travel restrictions.<sup>175</sup>

### The COVID-19 crisis forced several travel businesses to pivot to maintain revenue streams.

Many travel businesses have expanded their services to include alternative revenue streams, as the pandemic has left travel at a standstill. ✨

- Malaysia Airlines partnered with 3Sixty, a travel retail company, to enhance its e-commerce store, Temptations, and integrate it with its frequent flyer program, as a way of generating new income streams.<sup>176</sup>

- Safinah Vacations, a luxury Muslim-friendly business focusing on yacht charters in the Caribbean, has pivoted to focus on local destinations in its native Canada.<sup>177</sup>

- Halal Travel Guide, a UK-based travel agency, began offering online tours to Bosnia with local guides as a way of supporting in-country and family businesses. This helped create a revenue stream for the company while it weathered the crisis, and at the same time, helped keep its local providers afloat.<sup>178</sup>



## Despite the adverse effects of the pandemic, there has been a silver lining in terms of investment activity.

Investments continued in the travel technology sector despite the coronavirus pandemic.

- Investors continued to finance online travel agencies (OTAs) and travel technology companies during the crisis. Total investment in the travel and tourism sector was valued at \$340 million.
- Indonesia-based Traveloka raised \$250 million in additional funding in 2020. It had previously raised around \$950 million since its foundation in 2012, \$420 million of which was raised in 2019 in a funding round led by Singapore's sovereign wealth fund, GIC.<sup>179</sup>
- UAE-based travel-tech startup Hotel Data Cloud, which uses artificial intelligence and machine learning to help hotels engage with customers, secured \$350,000 in seed funding from local and international investors.<sup>180</sup>
- Pigjio, an Indonesian travel planner and marketplace that aggregates local experiences, guides, car rentals, and homestays, was the first company of 2020 to be listed on the Indonesia Stock Exchange (IDX), raising \$861,000 in an initial IPO.<sup>181</sup>
- Online travel platform HalalBooking secured a \$2 million UK government-backed coronavirus loan. It had closed a series A round in December 2019, raising \$2.5 million.<sup>182</sup> ✈️



## Airlines in Malaysia providing dedicated hajj and umrah services.

Aviation companies in Malaysia are launching dedicated services for the Muslim market.

- Malaysia Airlines launched Amal, a dedicated hajj and umrah charter service, which targets pilgrims from Malaysia as well as neighboring countries, in 2019.<sup>186</sup> Simultaneously, Malaysia's Air Asia plans to offer dedicated hajj and umrah services, as well as Muslim-friendly services.<sup>184</sup>

## Saudi Arabia continued its efforts to increase leisure tourism.

To reduce the country's reliance on oil, especially given the drop in oil prices during the COVID-19 crisis, Saudi Arabia has continued developing the sector.

- Saudi Arabia is planning to launch a \$4 billion tourism fund to invest in travel technology and support mixed-use destinations.<sup>185</sup>
- Development has started on Amaala, one of Saudi Arabia's megaprojects, despite an \$8 billion cut in the country's Vision 2030 budget.<sup>186 187</sup>
- To counteract the adverse effects of the cancelation of international hajj and umrah travel during the COVID-19 crisis, the domestic market has been prioritized through targeted campaigns and packages. The objectives of the campaigns were to drive immediate demand post-COVID-19, increase visitors' length of stay and spend on leisure, and position Saudi Arabia as a summer destination by creating awareness of cooler areas within the country.<sup>188</sup>
- In response to the crisis and drop in oil prices, value-added tax (VAT) was increased from 5% to 15% in July. This increase, coupled with the growth in the cost of safety and hygiene measures in the tourism industry, will result in higher costs for travelers to Saudi Arabia. For example, hajj and umrah are expected to cost 30-50% more for Indonesians in 2021.<sup>189</sup>



# Operational Developments

## Technology at the forefront for online travel agencies

Technology implementation by online travel agencies (OTAs) has been growing, with some companies looking into artificial intelligence (AI) and machine learning. However, for the most part, the focus has remained on conventional technology.

- HalalTravels, an OTA established in early 2019 and headquartered in London with offices in Turkey and the US, has taken advantage of the COVID-19 crisis to revamp its software and build machine learning algorithms that track the customer journey on the website to provide personalized products.<sup>190</sup>

- The UAE-based travel-tech startup Hotel Data Cloud uses AI and machine learning to help hotels engage with customers and generate personalized content and recommendations in real-time.<sup>191</sup> The company also plans to incorporate information on hotels' Muslim-friendly services.<sup>192</sup>

- As a result of its partnership with Expedia, HalalBooking developed a custom form of data-mapping technology that allows it to augment Expedia's standard content with HalalBooking's Muslim-friendly related data.<sup>193</sup>

- Bigitec Studio, a German startup specializing in video games, launched Muslim 3D (previously Mecca 3D), a video game that allows players to go through hajj rituals as avatars, with VR options available. It also allows them to learn about Islamic history.<sup>194</sup>

- Dubai Airport has been looking into implementing AI in baggage handling, replacing immigration officers with Smart Gates (which are already in place for UAE residents), and introducing self-driving cars.<sup>195</sup> Emirates airlines will start developing an AI-powered flight assistant to provide customer support pre- and post-flight.<sup>196</sup>





## National and Trade Developments

### East Asia and Southeast Asia destinations continue efforts to attract Muslim tourists

Non-OIC countries in East Asia and Southeast Asia, such as Thailand, Taiwan, and South Korea, continued to try and accommodate Muslim tourists.

- Malaysia's Halal Development Corporation (HDC) entered into an agreement with Japan to provide halal goods for the 2020 Tokyo Olympics. The event however was rescheduled to 2021. ✨
- Taiwan built new Muslim prayer rooms in public spaces, and the Taiwan Adventist Hospital in Taipei became the country's first hospital to be certified halal, as part of the country's efforts to boost medical tourism. There has also been an increase in training offered to hotels and halal restaurants.<sup>197</sup>

- In 2019, Thailand's Ministry of Tourism hired a team from Chulalongkorn University to develop tourism products and services that catered to the needs of Muslim travelers as a result of in-depth research. The ministry also introduced new travel routes for Muslims while the university provided training courses on halal tourism for industry and government stakeholders.<sup>198</sup>
- South Korea hosted the fourth edition of Halal Restaurant Week, which aims to attract Muslim visitors to the country. A total of 152 Muslim-friendly restaurants and 40 major tourism sites and experiences participated, offering special discounts.<sup>199</sup>

### Travel bubbles established between destinations

Amid COVID-19 safety concerns, many countries have engaged in bilateral discussions to establish travel bubbles between low-risk destinations. ✨

- Malaysia focused on establishing travel bubbles with specific destinations in foreign countries that are low-risk, rather than countries as a whole.<sup>200</sup> The country has marked some of its islands as green zones, which indicates their safety, and is promoting golfing, snorkeling and diving to international tourists.<sup>201</sup>





## Ecosystem Developments

### New Muslim-friendly travel standard released.

New standardization initiatives have been undertaken, but it is still uncertain whether they will be widely adopted.

- In January 2020, the Standards and Metrology Institute for Islamic Countries (SMIIC) released its much-awaited standard, the “OIC/SMIIC 9:2019, Halal Tourism Services – General Requirements.” This standard sets guidelines for managing halal tourism facilities, products, and services in accommodation, tour packages, restaurants, and other services.<sup>202</sup>

### Hygiene and safety standard release by public and private sectors.

In response to the COVID-19 crisis, several OIC countries released country-wide hygiene and safety standards, and many hotel brands in these countries adopted international safety standards to reassure guests. ✨

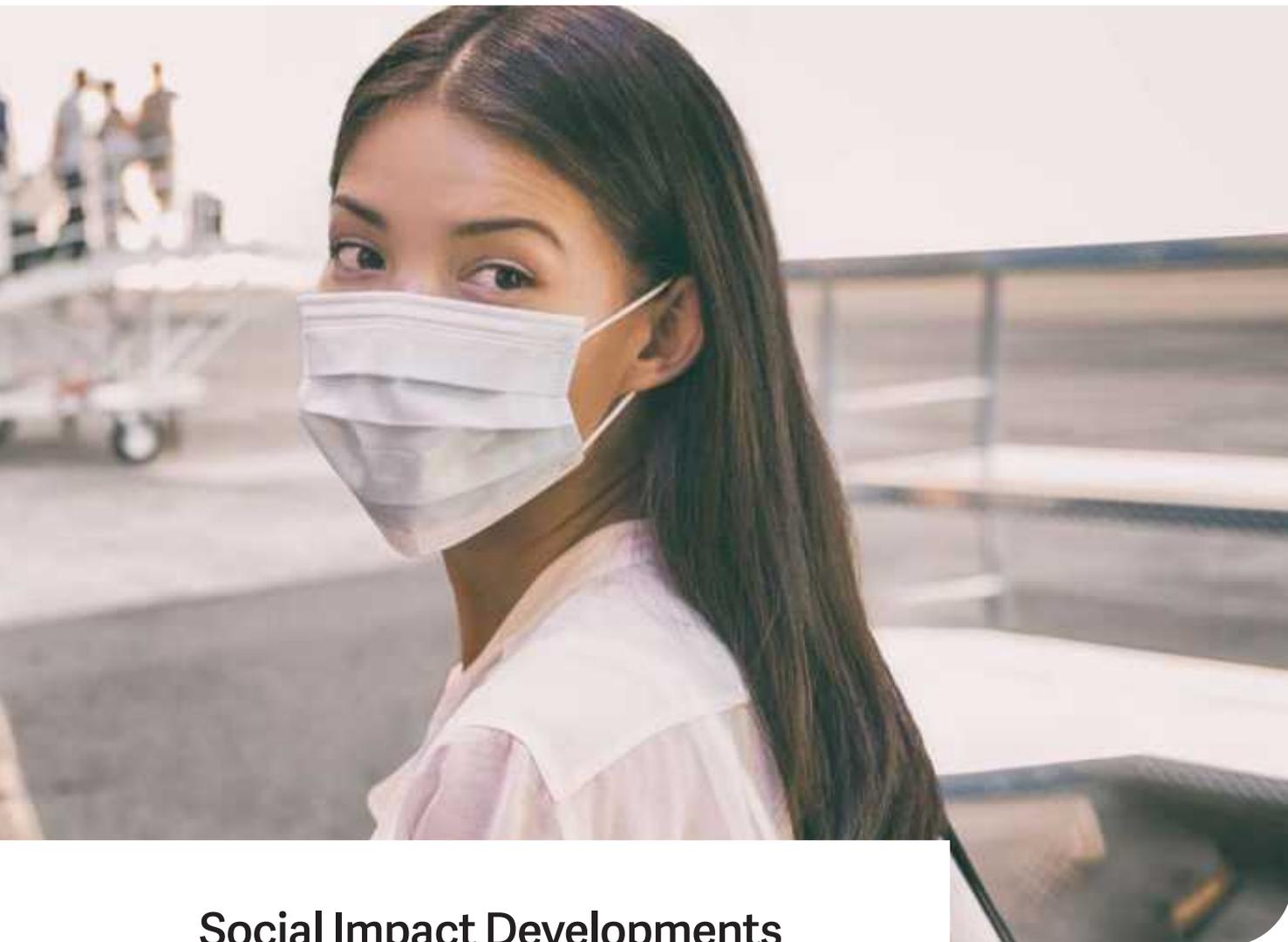
- Turkey’s tourism ministry introduced a Safe Tourism Certification Program for hotels and restaurants. The Turkish government also introduced a health insurance system for tourists as well as its citizens residing abroad.<sup>203</sup> Istanbul Airport was the first airport worldwide to receive health accreditation from the Airports Council International (ACI).<sup>204</sup>
- Countries such as Egypt, Tunisia, the UAE, Saudi Arabia, Jordan, and Indonesia have adopted the World Travel and Tourism Council’s Safe Travel’s safety and hygiene stamp of approval.<sup>205</sup>

- Several international hotels have established their own hygiene and safety standard, such as Accor, the Hilton, Marriott, Hyatt, and others.

National tourism bodies emphasized training during the downtime generated from the COVID-19 crisis.

- Malaysia’s Islamic Tourism Centre (ITC) offered a series of free online halal training sessions during the crisis. The topics covered included halal certification, the needs of Muslim tourists, and Islamic branding and marketing.<sup>206</sup>
- The Qatar National Tourism Council (QNTC) offered scholarships to UNWTO’s Tourism Online Academy.<sup>207</sup>





## Social Impact Developments

### Virtual experiences offered by travel companies.

Travel companies are increasingly offering immersive experiences that allow tourists to have closer interactions with the local community. Due to the COVID-19 crisis, several of these companies have started offering these experiences virtually. ✨

- Urban Adventures, a division of Intrepid Travel, provides experiential tours with an element of authentic local interaction. In developing the tours, they focus on generating a low impact on the environment, visiting local businesses, and using public transport whenever possible.<sup>208</sup>

- Both Airbnb and TripAdvisor's Viator, a tours and activities company, now offer online experiences with local hosts. Viator's #RoamFromHome project provides over 100 free and paid virtual experiences conducted by tour guides and local hosts. Many others have followed suit.<sup>209</sup> Halal Travel Guide is also offering virtual tours to Bosnia with local guides.

### Sustainable accommodation launched by several mainstream hospitality companies.

A few hospitality companies are innovating to reduce their carbon footprint, with one example in Norway of an energy-positive hotel project. These initiatives far surpass the environmentally friendly cosmetic schemes undertaken by most hotels.

- The first energy-positive hotel, located at the foot of a glacier in Norway, is set to open to visitors in 2023. The ring-shaped hotel design by Oslo-based architecture firm Snøhetta is designed to preserve the surrounding glaciers and fjords.<sup>210</sup>

- Tourist villas in West Africa's Cape Verde, designed by Polo Architects, use materials that match the surrounding rocky terrain to respect the local landscape.<sup>211</sup>



For the latest articles on Muslim-friendly travel on Salaam Gateway, scan/click this QR code.





# Signals Of Opportunity

Despite the COVID-19 crisis, opportunities remain in the form of pivots as well as travel technology which for now is led by the mainstream sector.

## ◆ Investment interest continues in travel technology companies.

Investment in travel technology companies continued despite the crisis, and several venture capital companies expressed interest in investing more heavily once travel recovery starts.<sup>212</sup>

## ◆ Pivots to domestic tourism as a result of COVID-19. ✨

As a result of travel restrictions coupled with health and safety concerns, the COVID-19 crisis led to an increased demand for domestic travel. Destinations can capitalize on this trend by tailoring their products and marketing to their local markets, which helps manage their risk in case of future global crises.

## ◆ SMIIC has introduced the Global Halal Tourism standard but industry support is lacking.

There is an opportunity for governments and industry players to work towards adopting a unified standard for Muslim-friendly tourism. However, standardization efforts remain fragmented.

## ◆ Mainstream travel companies have made progress in adopting AI and machine learning technology. However, Muslim-friendly travel companies have been slow in adoption.

There is an opportunity for travel companies to adopt new technology to enhance customer experience and increase retention and customer conversions.

## ◆ Mainstream companies continue to lead social impact developments, with limited focus by Muslim-friendly travel companies.

Despite the strong connection between social impact and sustainability issues and Islamic ethos, only a small number of Muslim travel companies focus on these areas, which makes it an area of opportunity.





# Strategic Considerations by Stakeholder

## Overview

Muslim-friendly travel technology companies have become the focus of a few pioneering venture capitalists' investments, opening up new opportunities in emerging economies.

Travel businesses focusing on artificial intelligence (AI) and machine learning particularly are increasing efficiencies as well as market share.

With the COVID-19 crisis leading to the formation of 'travel bubbles' with other nations deemed 'safe,' governments may also consider establishing Muslim-friendly tourism corridors that share common themes. While the COVID-19 crisis has challenged travel businesses, it has also forced many of them to pivot, opening the door to diversifying their offerings and broadening their business models which allows them to hedge their risks in case of future crises.



## Investors

Select investors see the potential of Muslim-friendly travel technology companies and have made a vote of confidence by investing in the sector.

**+** **Opportunity 1:** Travel technology companies in emerging economies have the potential to win substantial market share and simultaneously attract investment.

Select venture capitalist investors have chosen to focus on the travel technology sector, both the mainstream and specifically Muslim-friendly travel. This is an especially attractive opportunity for companies based in emerging economies.

**Developments:** Gobi Partners partnered with Pakistan-based Fatima Ventures to launch a \$20 million fund to invest in early-stage technology startups, including travel technology, in 2019.<sup>213</sup>

**Analogs:** Amid the COVID-19 crisis, US-based venture capital firm Thayer Ventures raised \$80 million to invest in travel and transportation technology startups.<sup>214</sup>

**Potential Outcomes by 2030:** The rise of a global halal online travel company valued at over \$1 billion.

**-** **Challenge 1:** Few investors are interested in Muslim-friendly travel companies, with most Muslim investors interested in traditional investments such as commercial hospitality real estate.

Most Muslim corporate and private equity investors gravitate towards low-risk traditional investments. However, most mainstream investors are not aware of the Muslim-friendly travel space and don't realize its potential.

**Risk:** The ability of startups to scale and even to survive will be hampered without access to investment.

*"It's a challenging time for startups in the travel space, but as lockdown measures relax, we predict a significant disparity in the pace of recovery among travel startups; companies that focus on religious travel might rebound faster than those in the leisure or business space, driven largely by a resilient and pent-up demand in obligatory religious travels"*

— TARAEC HUSSEIN, VP, INVESTMENTS, GOBI PARTNERS INC.



# Government

## Muslim-friendly tourism corridors can be developed through cooperation with neighboring countries.\*

**+** **Opportunity 1:** Multi-destination tourism corridors can be developed through cooperation between destinations and forming an integrated attraction focusing on a unique theme.

With the COVID-19 crisis prompting countries to form 'travel bubbles' with other nations deemed 'safe,' this is an opportunity to consider establishing Muslim-friendly tourism corridors that share unique themes.

Potential corridors include the Frankincense Route, which focuses on the trade routes between southern Arabia towards the Levant. Another potential corridor is the Trans-Saharan Trail, which connects northern African countries with sub-Saharan OIC countries.<sup>215</sup>

**Developments:** The Turkic Silk Road, comprised of Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, and Uzbekistan, was established as a sub-corridor of UNWTO's Silk Road Program, with a planned unified visa.<sup>216</sup>

**Analogs:** The Greater Mekong Subregion Tourism Corridor was initially established as an economic corridor and includes six countries in Southeast Asia linked by the Mekong River.<sup>217</sup>

**Potential Outcomes by 2030:** Countries, especially those that are not among the top tourism destinations, can gain GDP growth by cooperating with other destinations.

**+** **Challenge 1:** Lack of cooperation between governments regarding Muslim-friendly travel regulation is now coupled with siloed efforts with regards to COVID-19-related regulation.\*

There have been attempts to provide unified regulation for Muslim-friendly travel businesses, such as by SMIIC. However, this regulation has not been widely adopted by other countries, with several fragmented efforts to establish regulation, both from the public and private sectors.

**Risk:** With no precise regulation, halal travel will remain a niche, and there will be confusion among Muslim travelers on what to expect.



# Businesses

## The use of technology in addition to enhancing customer experience, provides efficiencies in the long term.

**+** **Opportunity 1:** Travel technology companies focusing on artificial intelligence (AI) and machine learning technology to enhance the customer experience and increase conversion will gain increased market share.

Muslim-friendly online travel agencies have made substantial progress, as evidenced by investments. However, there is an opportunity for travel technology companies that focus on AI and machine learning to provide customized travel options.

**Developments:** Dubai-based Hotel Data Cloud uses AI and machine learning to generate personalized content and recommendations in real-time.<sup>218</sup>

**Analogs:** Booking.com introduced a chatbot to guide customers through the reservation process and respond to special requests, which resulted in accelerated conversion.<sup>219</sup>

**Potential Outcomes by 2030:** A new breed of smart OTAs will emerge.

**-** **Challenge 1:** COVID-19's effect on travel businesses will make it a challenge to recover. ✨

Small and medium enterprises (SMEs) account for 80% of the travel and tourism sector.<sup>220</sup> With OECD predicting that over 50% of SMEs will not survive the crisis, Muslim-friendly travel businesses are at risk.<sup>221</sup>

**Risk:** Small businesses that incurred heavy losses during the COVID-19 crisis will not be able to recover.

**+** **Opportunity 2:** Tourism businesses can add new services to broaden their business models and hedge their risks in case of future crises. ✨

With the COVID-19 crisis having drastically impacted travel businesses, several companies began to offer services in line with the activities people were doing while confined to their homes (consuming media content, ordering food, gaming, and learning). Given the threat of future pandemics, businesses should diversify their offerings to better manage their risks

**Developments:** Careem, a ride-hailing service, shifted its focus from passenger transport to food delivery.<sup>222</sup>

**Analogs:** Air Canada launched a free at-home streaming service for its loyalty program members, which could eventually become a paid service.<sup>224</sup>

**Potential Outcomes by 2030:** Tourism businesses that are resilient to crises.

**-** **Challenge 2:** Loss of talent in the tourism sector due to large-scale layoffs. ✨

Many travel businesses were forced to lay off staff to mitigate their loss of revenue. However, as tourism restarts, they face the challenge of hiring skilled employees who may have secured alternative employment.

**Risk:** A decrease in the quality of services offered by tourism businesses, which will impact customer loyalty.



*“There are very few innovative global travel companies; it’s usually small startups that are sophisticated with their technology, but they don’t have the reach that the large players have. However, as a result of the COVID-19 crisis, corporates are eager to work with startups, given their agility in innovating”*

**— KEVIN CZOK, MANAGING PARTNER,  
HOTEL DATA CLOUD.**





# Technology Case Study: AI & Machine Learning

Artificial Intelligence (AI) and machine learning technologies are reshaping global industries to be more data-driven and data-lucrative.

These technologies have transformed sectors like retail, finance, healthcare and are making headway in other sectors. Among the emerging sectors adopting such tech is the travel sector, where travel chatbots, smart trip planning and travel security are gaining popularity.

Global spending on AI technology is expected to double over the next four years from \$50 billion in 2020 to more than \$110 billion in 2024.<sup>224</sup> Middle East and Africa (MEA) spending on AI is expected to reach \$374 million in 2020, of which the top three countries are South Africa (20.5%), UAE (19.7%) and Saudi Arabia (15.7%).<sup>225</sup>





## Hotel Data Cloud, UAE

Hotel Data Cloud (HDC) is a B2B content distribution platform based in the United Arab Emirates that leverages AI and machine learning to generate personalized recommendations.

It enables hotels to easily share detailed content on their hotel facilities and services in a globally standardized format that can be updated in real-time.

The information is distributed by HDC through a freely accessible data feed to online travel agencies (OTAs), offline travel agencies and governmental systems and platforms. HDC has over 11,400 hotels registered in 153 countries.

### GLOBAL BENCHMARKS

#### AltexSoft

Ukraine-based B2B travel technology consultancy, providing clients with AI and machine learning-based systems, allowing personalized travel offers, AI-driven decision support systems, hotel inventory and rate management forecasting.

### OPPORTUNITY ADDRESSED

HDC aims to incorporate AI and machine learning into the distribution system to provide hotels with efficient control over the narrative of their listing across all booking channels, while also eliminating the need to perform redundant manual updates on various platforms. Additionally, personalized recommendations enhance the user experience.

HDC is getting ready to launch a section that caters to the specific requirements of Muslim travelers. By creating a tool that easily retrieves hotel services' details related to religious requirements, HDC is filling a gap in the market. This tool will provide an improved experience for Muslim travelers, even for short trips on a lower budget.

### COMPANY TRAJECTORY

The United Nations World Tourism Organization (UNWTO) recently awarded HDC with the 'Healing Solutions for Tourism' award, recognizing it as the most disruptive travel startup in the Middle East.<sup>226</sup>

HDC has also successfully secured \$350,000 in seed funding from local and international investors.

As part of their offering to hotels, HDC has initiated a COVID-19 preparedness program that enables hotels to update over 90 attributes in terms of safety and hygiene measures related to COVID-19, on any booking website or travel agency database globally. This will help travelers easily assess crucial safety factors before making a booking decision.

### KEY TAKEAWAYS

- Using AI and machine learning, HDC provides curated smart recommendations to travelers in real time, boosting efficiency while providing a better user experience through personalization.
- HDC represents a successful case of a travel startup focusing on innovation to bridge the gap between the mainstream and a niche sector.
- The company is working with hotels to feature attributes related to the needs of Muslim travelers which will be featured in certain OTAs.



# Gen Z Perspective

## ON MUSLIM-FRIENDLY TRAVEL

### VIEWS

My ideal holiday would be visiting resorts and large cities with family and friends. I also like to visit heritage sites with people who are interested in history.

**Sameea Rahat (UK)**

I enjoy going for long drives with my family to places with natural scenic beauty. My religion has made travelling very easy by considering all our needs – like “tayamum” for ablution when there is no water, shortened prayers (Salaht ul Musafir).

**Mohammed Turq (India)**

### NOTHING IS A PERFECT HOLIDAY, BUT IT DEPENDS ON THE PEOPLE YOU TRAVEL WITH.

**Abdulla Ahmad Bin Kalban (UAE)**

### FAVOURITE DESTINATIONS

I love going to places with water, mountains and even just places to explore. I enjoy extreme sports and activities never done before, but also places with deeply rooted history and visiting places of significance. I try to make umrah once a year. I usually do my traveling arrangements online through Booking.com.

**Faisal Shahid (US)**

I've visited Toronto, New York, Kuala Lumpur, London, Mecca, Paris, Madina Munawwara, Rome, Istanbul, Dubai.

**Sameea Rahat (UK)**

A perfect holiday for me is when I am not feeling anxious about the places I want to travel to and the food I want to try.

**Melfiana Goldiena Putri (Indonesia)**

A perfect holiday trip for me would be to relax and just let myself detox. My day to day routine is quite tight. A perfect holiday would be the exact opposite of that. To me, Muslim friendly travel is a journey that does not exclude your daily obligations to God.

**Faisal Shahid (US)**

It has been my dream to visit Turkey since my childhood due to its rich culture and Islamic history. I prefer booking offline (using local agency Jaleel Travels). Uber helps me travel through cities and I use the MakeMyTrip app for exploring places.

**Mohammed Turq (India)**

I don't have a specific favorite travel destination and would rather stay in Dubai because I have everything here. If I travel, I will book my flight on my own, through Emirates. Google Maps helps me to check the locations I want to visit.

**Abdulla Ahmad Bin Kalban (UAE)**

**MY FAVORITE DESTINATION IN INDONESIA IS YOGYAKARTA. IN GENERAL, MOSQUES ARE FOUND ON EVERY CORNER, AND FOOD IS NOT ONLY HALAL BUT ALSO CHEAP. I BOOKED MY TRIP ONLINE VIA TRAVELOKA.**

**Melfiana Goldiena Putri (Indonesia)**

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## FACTORS THAT I CONSIDER BEFORE TRAVELLING ARE CLEANLINESS AND THE PRESENCE OF A MOSQUE. I WOULD DEFINITELY BE WILLING TO PAY MORE FOR HALAL-CERTIFIED HOTELS.

*Mohammed Turq (India)*

## SPENDING HABITS

I usually spend around Rp. 500,000–3,000,000 (\$34-200) for a room/day. I would be willing to pay more for a Muslim-friendly hotel outside Indonesia, but in Indonesia I think it is quite different as most hotels already provide for the needs of the Muslim traveler.

*Melfiana Goldiena Putri (Indonesia)*

I usually spend anywhere from \$50-\$150 per night. I don't specifically look for halal features, thought that may be ideal. But how many of these Muslim-friendly places actually exist?

*Faisal Shahid (US)*

I would rather spend the minimal amount on hotels because most of the time I will be outside, so that is around AED300-600 (\$82-163) per night, depending on the place or country. Also, booking in a Muslim hotel or not doesn't matter to me; it just depends on the location.

*Abdulla Ahmad Bin Kalban (UAE)*

We try to visit places and cities where we know we can find halal food and drinks.

*Sameea Rahat (UK)*



## CHALLENGES

### I TRAVEL A LOT AND I LIVE IN A NON-MUSLIM COUNTRY, SO I'M USED TO "CHALLENGES" AND HOW TO OVERCOME THEM.

Clean bathrooms are usually one. Another would be not knowing how a certain area feels about Muslims. I have an Arabic name, so immigration usually gets concerned, even though I was born in the US.

*Faisal Shahid (US)*

Halal food is my biggest challenge along with Muslim hand-showers/water in public toilets.

*Sameea Rahat (UK)*

The most common challenges I face traveling abroad are finding halal food, absence of a prayer area and cleanliness.

*Mohammed Turq (India)*

Some of the challenges that I face while travelling is finding prayer areas nearby. Another challenge as a Muslim woman are the regulations in some countries prohibiting tourists if they wear hijab (headscarf).

*Melfiana Goldiena Putri (Indonesia)*

The major challenge when traveling to a non-Muslim country is the availability of praying areas. Sometimes I have to go back to the hotel to pray.

*Abdulla Ahmad Bin Kalban (UAE)*

## MY SUGGESTION

Hotel booking apps should clarify whether Muslim hygiene requirements are met, and whether the hotel is near a mosque and halal food outlets.

*Sameea Rahat (UK)*

In my point of view, along with usual travelling features seen in the app, it should also include the location of nearby mosques, halal restaurants and hotel rooms for it to be Muslim friendly.

*Mohammed Turq (India)*

An ideal Muslim-friendly travel app should provide qibla direction, information on nearby halal restaurants, Muslim-

friendly hotels which provide halal food, and also Muslim-friendly destinations.

*Melfiana Goldiena Putri (Indonesia)*

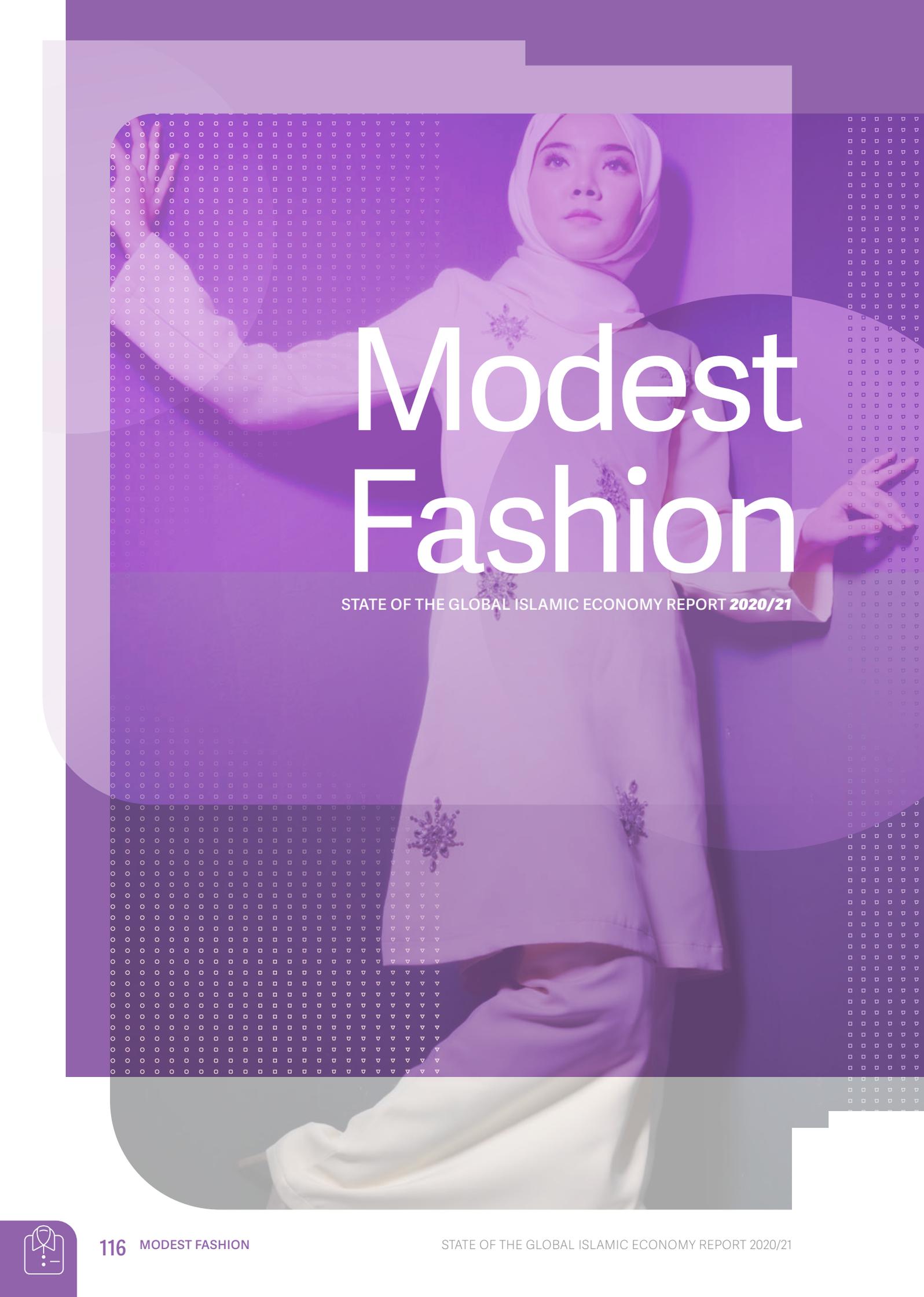
An ideal Muslim friendly travel app would be one that gives you a GPS to nearby mosques, halal restaurants and anything else a Muslim may need regardless of where they travel. It would really bring a sense of relief and comfort.

*Faisal Shahid (US)*

I'd suggest travelers to use Google Maps only because you can discover new places and halal restaurants.

*Abdulla Ahmad Bin Kalban (UAE)*





# Modest Fashion

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT **2020/21**





*Muslim spend on apparel and footwear increased by 4.2% in 2019 to \$277 billion. Iran, Turkey and Saudi Arabia rank as the top countries by spend and retain their positions from last year. Due to the impact of the COVID-19 crisis, Muslim spend is set to decrease by 2.9% in 2020 to \$268 billion but a recovery to 2019 levels is expected in 2021. Muslim consumer spending is expected to grow at a 5-year CAGR of 2.4% between 2019 and 2024 to reach \$311 billion in 2024.*

Modest fashion had been making a splash on the high streets, online, and on the catwalk until the first quarter of 2020. The COVID-19 pandemic hit the \$2.2 trillion global fashion industry hard, with sales falling and retailers reducing brick-and-mortar outlets, with some shutting down altogether.

Modest fashion companies also fell victim to the pandemic —such as The Modist, a Gulf-based luxury e-commerce platform, and Hijup UK, which closed after just 18 months of operation. A more subdued Ramadan during the pandemic impacted modest fashion sales, as the holy month is typically the biggest sales period of the year in Muslim-majority countries.

Despite the circumstances, new launches took place, and online sales gained heightened importance, particularly for fledgling and emerging brands. Brands were also keen to expand new product lines, especially sportswear geared at the modest fashion segment.

Certain brands built on the rising popularity for modest fashion with related internet searches up 90% in 2019. The broader availability of modest fashion is reflected in mainstream brands Uniqlo and Banana Republic featuring hijab collections, while fashion magazines such as Cosmopolitan have showcased the designs of Safiyya Abdallah's range, Dulce. Malaysia's hijab brand dUck collaborated with Disney to bring out its Frozen 2 collection, which sold out within hours.

Turkey's highly successful modest fashion e-commerce platform, Modanisa, opened its largest store in Istanbul, while in India, international and local brands have opened more stores, evidence of the sector's strong growth.

In Indonesia, modest fashion is flourishing online, with a new platform recently launched, Evermos, which raised \$8.25 million in series A funding. It is now set to compete with Hijup and Tokopedia.

Numerous brands have entered the modest sportswear segment over the past year, ranging from Dutch sports hijab brand Capsters BV, recently acquired by Malaysia's Innovatia Sdn Bhd, to Egypt's Spark Perform, which clothes Egyptian athletes at international sports events. A modest swimwear range for men, Zusaura, has also been introduced. Further product development includes Personal Protective Equipment (PPE), such as a hijab for healthcare workers.

Alternative sales channels are also being utilized in line with changes in consumer behavior. For example, Style Theory, a designer clothing rental platform in Indonesia and Singapore, raised \$15 million in series B funding. Mod Markit-Thrift edition was held during Melbourne Fashion Week, which included a second-hand market for modest clothes.

Modest fashion weeks have also become more widespread, with events held over the past year in Miami, Melbourne, Kigali, Nairobi, and Tanzania.





# Modest Fashion



Represented by **\$277 billion** of spending by **1.9 billion** Muslims on clothing (2019 est.)

**\$29.3 billion**  
of clothing exports  
to OIC\* countries  
(2019)



Top 5 modest fashion Muslim consumer markets (2019)



Top 5 countries exporting to OIC (2019)

*The thickness of the lines is proportional to the value of the country's exports*

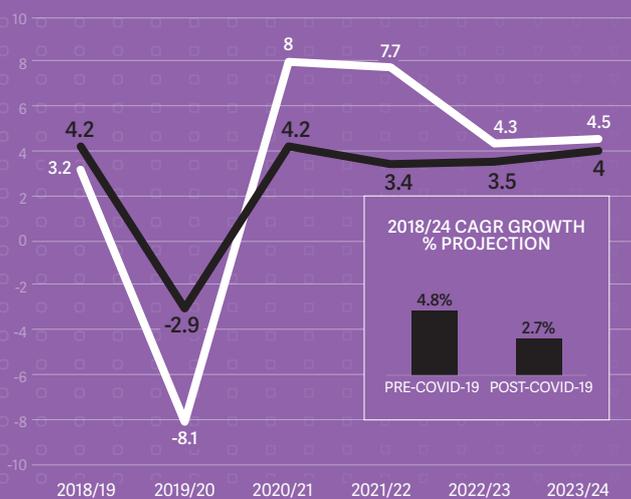
## COVID-19 Impact Projections

Projected 5-year CAGR of 2.4% (2019/24) in consumer spending reaching \$311 billion by 2024

### Projected Muslim spend growth on clothing versus all halal products/ services

(% YOY GROWTH, 2018/24)\*

● All products/sectors ● Modest Fashion



All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections base-lined using IMF Outlook from April 2020. Halal and related products exports based on ITC Trademap 2019 data. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

There were few investments in apparel and modest fashion as the sector was deeply impacted by the pandemic

**\$3.45 million**  
in recorded modest-fashion investments 2019/20\*

Malaysian-firm Innovacia acquired Dutch sports hijab pioneer, Capsters, for an undisclosed amount.

Egypt's Dice manufacturing, a producer of sports and casual wear for men and women, raised \$3.4 million.

## DEALS

Top countries with # of related deals

(2019/20)

3  
Egypt

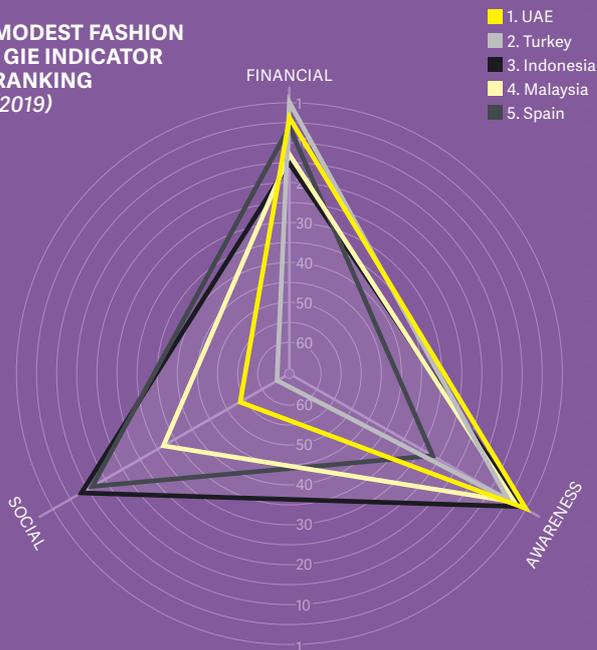
1  
Netherlands





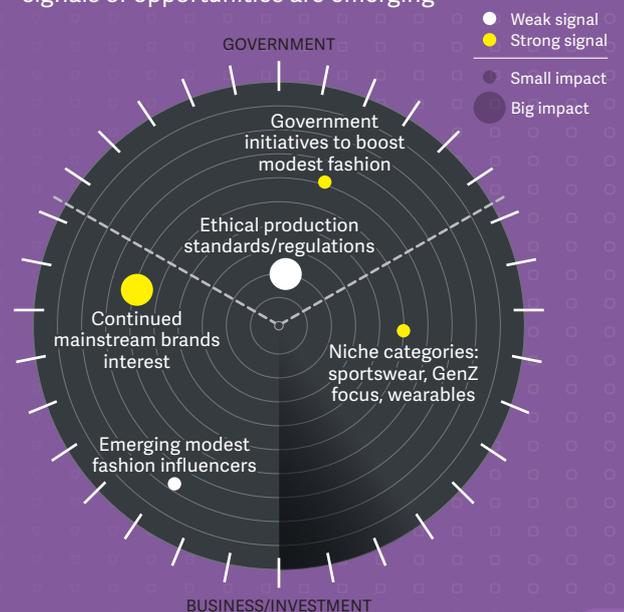
## Government Benchmarks

### MODEST FASHION - GIE INDICATOR RANKING (2019)



## Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging



# 2019/20 Developments



## Revenue Developments

The sector showed robust consumer spend and industry growth before the onset of the COVID-19 pandemic, which has had a widespread negative impact on the sector's revenues and supply chains.

### Latest projections:

This report estimates apparel and footwear spending by Muslim consumers worldwide at \$277 billion in 2019, which was a growth of 4.2% from 2018. Given the dramatic impact of COVID-19, this report estimates 2020 Muslim consumer spend will decrease by 2.9%, falling to \$268 billion. Muslim spend on apparel and footwear is expected to grow at a 5-year CAGR of 2.4% to reach \$311 billion in 2024.

Note: This does not represent the actual value of modest fashion consumption. It represents the core addressable Muslim consumer market spending in the apparel category.

Modest fashion brands continue to grow, sparking recognition, and competition.

- Internet searches for modest fashion increased by 90%, according to the fashion search platform Lyst's Year in Fashion 2019 report.<sup>227</sup>
- Safiyya Abdallah's range Dulce was featured in Cosmopolitan magazine.<sup>228</sup>
- Hijab brand dUCk collaborated with Disney for the second time on its Frozen 2 hijab collection with the products selling out online an hour after it went live.<sup>229</sup>
- Evermos, an Indonesian social commerce platform for Islamic-related products, raised \$8.25 million in series A funding and plans to compete directly with online marketplace Hijup.<sup>230</sup>

Sales were significantly affected by the COVID-19 pandemic. However, some businesses were performing negatively prior to the crisis. ✨

- Indonesian modest fashion designers were negatively affected by COVID-19 as polyester imports from China decreased, leading to price increases, slower production timelines, and lower international sales.<sup>231</sup>
- COVID-19 related restrictions prevented physical stores from opening and led to decreased sales and a greater reliance on e-commerce platforms.<sup>232</sup>
- On the 3rd of April 2020, luxury modest clothing online retailer The Modist announced that it would be closing permanently<sup>233</sup> following six months of financial struggles and staff lay-offs.<sup>234</sup>
- Hijup UK Limited underwent dissolution 18 months after incorporating in February 2018.<sup>235</sup>
- The USA's SHUKR, a unisex modest fashion website, saw sales drop by more than 50% due to the pandemic.<sup>236</sup>

IMAGE CREDIT: LITTPRO INC ON UNSPLASH



## Modest fashion continues to grow in popularity with mainstream retail offerings and expansions across non-OIC countries

Mainstream retailers have incorporated modest fashion offerings through collaborations with influencers and designers.

- UK department store John Lewis' retail report showed that shoppers are displaying a preference for "longer lengths and looser fitting styles." Sales of midi dresses increased by 152%, while ankle-length trousers increased by 33%.<sup>237</sup> Verona Collection, which has collaborated with Macy's and ASOS, has noted that smock tops have been selling out within hours of launch.<sup>238</sup>
- UK's F&F featured Instagram influencer Aaliyah Jasmine in its Ramadan 2019 modest fashion campaign launch,<sup>239</sup> while ASOS collaborated with influencer Shahd Batal on a modest fashion edit.<sup>240</sup>

- US fashion brand Banana Republic launched a range of four hijabs online.<sup>241</sup>
- Australian online shopping platform, The Iconic, launched a modest fashion edit.<sup>242</sup>
- Hana Tajima collaborated with Uniqlo once again on the Hana Tajima x Uniqlo summer collection.<sup>243</sup>
- UK's Modestwist was founded by Annabel John after she identified that the modest fashion market lacked the affordable trend-driven pieces desired by Gen Z consumers.<sup>244</sup>

Modest fashion in India is expanding as international and local modest fashion brands extended their reach by opening more stores.

- Indian brand Mushkiya opened its fourth store in Mumbai, with the fifth set to open in South Mumbai. This is in addition to nine stores in Delhi and an online platform.<sup>245</sup>
- IDH opened its first store in Hyderabad, Telangana, following stores opened in Kozhikode and Kochi, in Kerala, in early 2019.<sup>246 247</sup>



## Product development and innovation is on the rise.

More mainstream and modest fashion businesses are entering the modest swimwear market

- Swimwear brand Speedo launched the Delight Full Body Suit as part of its autumn-winter collection,<sup>248</sup> while USA's Coolibar released a sun-protective hijab for swimming.<sup>249</sup>
- Nike launched its Victory Swim modest wear collection for professional athletes featuring design innovations such as a quick-drying warp-knit fabric and a built-in hairnet.<sup>250</sup>
- Zusaura, a modest swimwear range for men, was launched in London in May.<sup>251</sup>

Product innovation has flourished in sportswear, with several new entrants in the segment

- Dutch sports hijab brand Capsters BV was acquired by Malaysian firm Innovatia Sdn Bhd with plans to expand the range to include wearable technology.<sup>252</sup>
- USA's Haute Hijab launched a line of athletic hijabs during the second quarter of 2020,<sup>253</sup> while Malaysian modest activewear company, Nashata, has launched sports hijabs for girls aged 10-16.<sup>254</sup>
- Egyptian Olympic team athletes were set to wear hijabs designed by Spark Perform, an Egyptian modest wear brand, at the Tokyo Olympic Games.<sup>255</sup>
- A Toronto Raptors' branded Nike Pro hijab was launched after being inspired by the female Muslim basketball team, the Hijabi Ballers.<sup>256</sup>

New modest fashion ranges have also been introduced to cater to niche markets and the demand for Personal Protective Equipment (PPE) among medical workers due to COVID-19-related shortages ✨

- Dr. Farah Roslan, a UK-based doctor, developed a disposable sterile headscarf to be used by hospital staff in the operating theater,<sup>257</sup> while US fashion designer, Hilal Ibrahim, launched Henna and Hijab, a range of comfortable, stay-in-place hijabs for hospital workers.<sup>258</sup>
- Halima Aden designed a comfortable matching mask and hijab sets as part of the #BandingTogether program by Allure magazine and AI tech company Anywear design.<sup>259</sup>



# Operational Developments

## COVID-19 has motivated businesses to pivot in production and operational methods.

Businesses have shifted to new marketing methods and developed their online offerings. ✨

- Indonesia's Anggia Handmade launched its own online platform called AnggiaCorp. Other Indonesian brands have considered using shopping platforms like Shopee and Zalora.<sup>260</sup> Malaysian brand, Naelofar Hijab, also launched on Shopee.<sup>261</sup>
- From selling via WhatsApp and email newsletters, to advertising on social media and implementing home sample viewing services for regular customers, Malaysian designers have embraced digital sales channels.<sup>262</sup>

The COVID-19 crisis has also motivated modest fashion businesses to pivot to producing alternative items. ✨

- Indonesian modest fashion designers have re-orientated production to facemasks and PPE to generate cash flow.<sup>263</sup>
- #thread4cause was initiated by the Arab Fashion Council in partnership with the Dubai Health Authority (DHA) to encourage the fashion sector to assist the UAE healthcare network in PPE production.<sup>264</sup> Dubai-based designer Marmar Halim used his factory to produce medical gowns and surgical masks.<sup>265</sup>
- Anggia Handmade sold more than 7,000 masks and pieces of medical PPE. They are considering creating a separate brand to focus on PPE.<sup>266</sup>

## More technology is being incorporated into businesses.

Modest fashion companies are utilizing data analytics to improve the shopping experience for their customers.

- Bangladesh's Styleline launched a revamped mobile app to integrate online and offline shopping and provide customers with an improved shopping experience.<sup>267</sup>

REFKA RUNWAY AT MODEST FASHION WEEK AT ZORLU CENTER, 2019.  
IMAGE CREDIT: BURCU ERGIN / SHUTTERSTOCK.COM



# National/Trade Developments

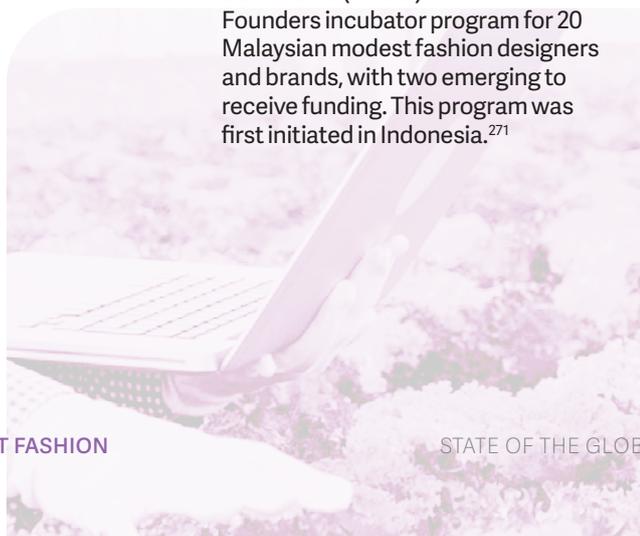
## Countries are trying to establish themselves as sector leaders.

Indonesia aims to become the world's Muslim fashion capital and has put in place several plans to facilitate this.

- The Creative Economy Agency of Indonesia, which oversees modest fashion-related issues, will merge with the Department of Tourism to form the Department of Tourism and Creative Economy.<sup>268</sup> It also launched an incubator program with Shariah-compliant banks to assist modest fashion businesses.<sup>269</sup>

Malaysia is competing to be a leader in modest fashion through initiatives to expand the industry.

- Selangor Modest Fashion is an initiative by the state government to make Selangor a major modest fashion hub in the next five years. It includes fashion showcases and trade facilitation as well as incubator and accelerator programs for designers.<sup>270</sup>
- #Markamaria and the Malaysia Islamic Investment Chamber of Commerce (MIICC) ran the Fund the Founders incubator program for 20 Malaysian modest fashion designers and brands, with two emerging to receive funding. This program was first initiated in Indonesia.<sup>271</sup>





## Ecosystem Developments

### Awareness of the sector has increased through sector-related trade and educational events.

Modest fashion weeks have been held globally in both OIC and non-OIC countries. These events provide a platform for designers and buyers to interact and allow for discussions to take place.

- For the first time, modest fashion weeks were held in Miami and planned for Beverly Hills, Los Angeles. Melbourne Fashion Week also featured a Modest Fashion Runway.<sup>272 273 274</sup>

- In Africa, the Rwanda Modesty Fashion show, Nairobi's Modesty Fashion Week, and Tanzania's Stara Fashion Week have showcased modest fashion from their respective regions.<sup>275 276 277</sup>

- Returning modest fashion weeks include ThinkFashion's Modest Fashion Week held in Amsterdam,<sup>278</sup> Lifestyle Turkey 2020,<sup>279</sup> Indonesia Modest Fashion week 2020,<sup>280</sup> Indonesia's Muslim Fashion Festival (MUFFEST),<sup>281</sup> and Qatar's Heya Arabian Fashion Exhibition.<sup>282</sup>

- However, the third edition of the Modanisa Istanbul Modest Fashion Week was postponed due to COVID-19.<sup>283</sup> Most fashion events and fashion weeks around the globe scheduled after March 2020 were indefinitely postponed. ✳

- The first Face of Hijab competition was launched in Accra, Ghana, as a way to empower Muslim women with knowledge on the importance of the hijab. It was not a beauty pageant.<sup>284</sup>

Modest fashion education is increasing through incorporation into mainstream fashion qualifications and exhibits being held at museums.

- The University of Central Lancashire, in the UK, hosted a modest fashion show to showcase the work of their most renowned graduates. They have also incorporated modest fashion into their main fashion degree.<sup>285</sup>

- The Cooper Hewitt Smithsonian Design Museum held a "Contemporary Muslim Fashions" exhibition consisting of 80 ensembles from various designers across the board and 40 photographs contextualizing them.<sup>286</sup>

Even though awareness around the freedom to wear the hijab has increased in Europe, restrictions are still being put in place in certain areas.

- A constitutional ruling in Belgium has allowed universities to ban the headscarf.<sup>287</sup>



# Social Impact Developments

Whether through the use of eco-friendly raw materials or technology, sustainability and ethics is now increasing in importance.

Modest fashion brands are incorporating sustainability into their business models and choice of fabrics

- Style Theory, a designer clothing rental platform that includes modest fashion in Indonesia and Singapore, raised \$15 million in series B funding. On average, their subscribers rent 20 pieces of clothing and two designer bags a month.<sup>288</sup>
- During MUFFEST 2019, Asia Pacific Rayon (APR) collaborated with the Indonesian Fashion Chamber (IFC) to host a fashion show featuring designs made from locally produced biodegradable viscose rayon with the aim of promoting local fabric sourcing and production of clothing.<sup>289</sup>
- The UK-based Sei Sorelle is a full coverage swimwear brand that uses sustainable fabric created from waste products such as discarded fishnets and reclaimed plastic sourced from Italian company Econyl.<sup>290</sup>
- Stylist Deborah Latouche incorporated sustainable practices such as the use of locally stocked deadstock fabrics<sup>291</sup> and local seamstresses for her line Sabirah, which launched at London Fashion Week.<sup>292</sup>
- Rabia Zargarpur collaborated with Modanisa on a sustainable ready-to-wear capsule collection called Rabia Z x Modanisa.<sup>293</sup>
- US modest street-style brand Seek Refuge donated 10% of profits to the International Rescue Committee's refugee aid efforts, with aims to double this by 2022.<sup>294</sup>

Technology can be used to help businesses become more sustainable and ethical.

- Product Lifecycle Management (PLM) software allows businesses to keep track of sustainability initiatives and improve supplier transparency and communication. A PLM system also helps streamline workflow, which will reduce energy and material consumption.<sup>295</sup>
- A group of Egyptian students created an app called Vatrina, which allows users to redesign their old clothes, sell second-hand clothes, or donate them.<sup>296</sup>

Clothing sustainability is growing in popularity with consumers and has also been the theme of many modest fashion events

- One of the top tweeted terms in ethical fashion from GlobalData's Influencer Platform is Sustainability and Ethical Hour, which is an online support community that helps businesses connect with consumers seeking ethical goods.<sup>297</sup>
- Mod Markit - Thrift edition was held during Melbourne Fashion Week and included a thrift market for modest clothes and a panel discussion on sustainability and modest fashion.<sup>298</sup>
- Sustainability was a key theme for Amsterdam Modest Fashion Week.<sup>299</sup>
- Hafizah Ghazali, Singapore's first conscious modest label, has planted more than 100 trees through the designer's initiative of donating to the IUVA Forest Regeneration program.<sup>300</sup>



For the latest articles on modest fashion on Salaam Gateway, scan/click this QR code.



# Signals Of Opportunity

Over the past year, modest fashion has increasingly been embraced by the mainstream while new entrants continue to emerge. The industry has suffered a setback due to COVID-19 but with governments actively investing in building the industry and more players going online, more opportunities are expected to open up.

◆ The introduction of omnichannel shopping during COVID-19 could lead to increased revenue growth post-crisis.

Many modest fashion businesses were pushed to incorporate new purchasing channels for their customers due to the widely implemented lockdowns. Companies that already had an established online presence pre-pandemic were not as negatively affected as those who went online only after the lockdowns began. Post-COVID-19, many modest fashion businesses would have either developed an online presence or introduced an alternative shopping method, which would allow for more opportunities to reach new customers. Online shopping grew enormously during the lockdown period, and for many shoppers it was a new experience.

◆ Ecosystem development has been beneficial to creating awareness of modest fashion as a sustainable industry.

Modest fashion weeks have taken place across the globe in both OIC and non-OIC countries, creating opportunities for both customers and fashion buyers to view the products on offer as well as create general awareness about modest fashion as an industry.

◆ Revenue developments remain steady but could grow significantly through collaborations with mainstream retailers and investments

New small-to-medium modest fashion businesses continue to emerge. However, existing businesses are not showing enough growth to allow them to compete or collaborate with mainstream players directly. Collaborations can help mainstream brands gain more insight into the modest fashion customer and incorporate modest fashion outfits on a consistent basis. The lack of significant investments in the sector has also been a hindrance.

◆ Funding is the largest impediment to seeing significant operational developments, presenting an opportunity for new Islamic-based financing products.

Implementing improvements to supply chain, operations, or new technology requires significant investment from businesses. As many financiers are not familiar with modest fashion as an industry, obtaining this investment is often difficult. The opportunity for Islamic-finance-based products as well as accelerator and incubator programs to help finance and support these businesses is significant.

◆ National developments centered around modest fashion will facilitate growth across the board.

The Malaysian and Indonesian governments are actively putting programs in place to facilitate the growth of the modest fashion industry as well as supporting industries like textiles and clothing production. Saudi Arabia's Vision 2030 includes the National Companies Promotion program, which focuses on diversifying the economy and scaling local businesses to compete globally. The introduction of incubator programs will enable companies to be more sustainable and help them grow. There is an opportunity for countries to grow supporting industries like textiles through providing designers with incentives for using locally produced fabrics among others.

◆ Social impact development has increased as modest fashion brands improve their sustainability and ethical practices as well as actively support causes through their business.

Many modest fashion brands have incorporated sustainable practices into their businesses, such as the fabrics used and limiting their carbon footprint. There is an opportunity to establish ethical suppliers for modest fashion brands who comply with standards of ethical treatment of workers, and still remain affordable.



# Strategic Considerations by Stakeholder

## Overview

While the modest fashion sector was growing before the pandemic, the lack of investments have kept the industry from growing to its full potential. The pandemic has also greatly impacted revenues and forced small businesses to shut down. While some governments are beginning to take steps towards developing and standardizing the industry, more investments from both the public and the private sector are needed to help the industry scale.



## Investors

**Strong brand loyalty among customers and unique innovations emerging from modest fashion brands present a great opportunity for investors to earn significant returns.**

**+** **Opportunity 1:** Investments in innovative modest fashion propositions will allow brands to continue developing unique products which cater to the unique needs of the modest fashion consumer.

Research and development of new and unique products requires financial backing. Modest fashion brands understand the needs of the modest fashion consumer more intrinsically than any mainstream brand could, which means that, given adequate financial support for R&D, they could design more original products. Investment will encourage modest fashion brands to increase their innovation or become market leaders with their existing product lines.

**Developments:** Dutch sports hijab brand Capsters BV was acquired by Malaysian firm Innovatia Sdn Bhd with plans to expand the range to include wearable technology.

**Analogs:** Anta Sports of China acquired Finnish Amer Sports for \$5.4 billion. Anta sports has R&D sites globally as well as a strong portfolio of intellectual property.<sup>301</sup>

**Potential Outcomes by 2030:** Unique products and designs which meet the needs of modest fashion consumers are continuously released.

*“Price point is one of the biggest challenges for the modest fashion industry. There are giants across the fashion industry with very large production capacities, having their own factories and elastic supply lines. They are able to produce at a cheaper price point, and therefore modest fashion brands, with lower production capacities are competing against industry giants. This is a key hurdle for smaller modest fashion businesses.”*

— HASSAN MAWJI, VERONA COLLECTION

**-** **Challenge 1:** The recovery of the industry post-COVID is still uncertain, especially within certain niches such as formal wear.

The recovery of the industry post-COVID is unknown. There may be a change in consumer preferences, such as the channel for purchasing behavior as a whole. Some sub-sectors such as lounge-wear may see an increase in sales while more formal attire may see a decrease until workplaces are operating as normal.

**Risk:** There is no way to predict the return on investments in fashion at this time. Although there are some indicators of possible trends, there is no way to determine what is long term.





## Government

### Quality control measures and support of the modest fashion industry could lead to increased exports, job creation, and overall sector growth.

**Opportunity 1:** Collaborations with dedicated modest fashion bodies like the Council of Modest Fashion, Islamic Fashion Design Council, and various other local associations will allow modest fashion companies to grow successfully.

Modest fashion associations actively seek out modest fashion businesses with potential. Governments could join these bodies to select businesses that need assistance or help fund incubation and accelerator programs that these bodies conduct.

**Developments:** The Modest Fashion Founders Fund, held by the Indonesian Government (Ministry of Tourism and Creative Economy) with #Markamarie, is an incubator programme for modest fashion designers and brands in Indonesia.

The Council of Modest Fashion South Africa runs a Retail Accelerator program for modest fashion businesses.<sup>302</sup>

**Analogs:** The Bridge Fashion incubator for fashion, fashion-tech, and beauty startups is backed by the Singapore government.<sup>303</sup>

**Potential Outcomes by 2030:** Modest fashion businesses export significant amounts each year and contribute to job creation and the country's GDP.

**Opportunity 2:** Governments should create strict quality standards for all exported clothing products as well as standards for labor and production waste, which will increase consumer trust.

The quality of imported garments is always of concern to retail buyers and consumers alike. Implementing standards that would assure buyers that the items they purchase would be of a certain standard would encourage them to buy those items. Including standards related to ethical and sustainable practices would also assist in attracting a wider market of buyers specifically targeting those products.

**Developments:** The Indonesian government has launched initiatives such as trade expos as well as the Modest Fashion Founders Fund incubator program to assist in the fashion industry's value chain.<sup>304</sup>

**Analogs:** France appointed three secretaries of state to the Ministry of Ecological and Inclusive Transition, one of which has focused on the waste created by the fashion sector.<sup>305</sup>

**Potential Outcomes by 2030:** Modest fashion has become synonymous with quality clothing that is ethically and sustainably produced, garnering a significant following from increasingly demanding consumers.

**Challenge 1:** The market for mainstream clothing is much larger than modest clothing, which may encourage OIC governments to invest in the mainstream instead.

Designers and governments in OIC countries may identify mainstream fashion as a more valuable export and hesitate in directing funding specifically towards modest fashion. Mainstream fashion has a significantly wider audience across many more countries.

**Risk:** Modest fashion may not be singled out exclusively for funding. This will limit the development of modest fashion as its own industry with its own unique needs.

*"The Council of Modest Fashion (CoMF) will ensure that modest fashion is not merely a trend but an industry that is here to stay. We analyze the challenges, and the opportunities, build and fix the existing platforms together. The council is not there to hold your hand all the way but to guide and facilitate any gaps that we see in the system where designers feel they cannot grow or develop or don't have the skills, they don't know how to access finance, or how to access trade markets."*

— ROSHAN ISAACS, COMF REGION DIRECTOR: AFRICA



# Businesses

## The modest fashion industry presents many opportunities for the apparel and textile industry to participate and generate significant returns.

**+** **Opportunity 1:** Mainstream fashion brands can increase their brand inclusivity by incorporating modest lines or collaborate with modest fashion companies.

Consumers are increasingly seeking brands which value inclusivity and diversity. Incorporating modest fashion lines would assist brands in reaching inclusivity targets. To do this, mainstream brands should collaborate with existing modest fashion brands. The modest brands would also bring their clientele to the mainstream brand.

**Developments:** Last year, ASOS added the Verona Collection to its retailers. The range includes hijabs as well as modest pieces.<sup>306</sup>

**Analogs:** Indian designer Sabyasachi Mukherjee collaborated with clothing giant H&M for a collection.<sup>307</sup>

**Potential Outcomes by 2030:** Modest fashion brands experience significant growth through the exposure gained from working with mainstream brands.

**+** **Opportunity 2:** Many niches within modest fashion are yet to be explored.

Within modest fashion there are many niches that have not been tapped. These include target markets such as under-25s, as well as fashion niches like streetwear or certain types of athletic wear. Although niche markets may be smaller, they attract a loyal customer base and can also sell at premium prices as they are more unique.

**Developments:** Modestwist is a UK based brand that focuses on providing trend-driven modest clothing to Muslim millennials.

**Analogs:** TooGood, a unisex brand based in the UK, achieved a 90% sell-out of full-priced goods.<sup>308</sup>

**Potential Outcomes by 2030:** Niche markets attract large numbers of loyal customers who generate significant sales and global growth.

**+** **Opportunity 3:** There is a large gap for services such as modest fashion PR and modest fashion influencer agencies.

Modest fashion brands have found difficulty in working with influencer management and PR companies which do not understand the market well.

**Developments:** Umma Models was launched in 2017 to represent models that practice modesty.<sup>309</sup>

**Analogs:** Shade Co., an influencer management company for influencers of color, helps influencers build their digital reach while assisting brands to stay relevant to diverse audiences.<sup>310</sup>

**Potential Outcomes by 2030:** PR and influencer agencies understand the requirements of modest fashion brands and can assist them in working with the best influencers for them and help them market to the public at large.

**-** **Challenge 1:** Modest fashion is perceived as a trend instead of a sustainable sector.

Mainstream brands see modest fashion as a passing trend and not as a sector that will always have customers and demand.

**Risk:** Mainstream brands will not invest a lot of money or effort into something they perceive to be short-lived.

**-** **Challenge 2:** There is no fixed definition or set of standards that regulate modest fashion.

There are no fixed guidelines for mainstream brands to follow if they want to participate in modest fashion.

**Risk:** Mainstream brands risk reputational damage by launching modest fashion items that may not be suitable.





*"It's imperative for all those entering the modest fashion industry to understand the many niches within it. So many people are making the mistake of diving into the more saturated markets of hijabs, abayas and traditional modest wear. Although these segments are prominent, there are still so many areas within this industry that remain untapped."*

**— ANNABEL JOHN,  
FOUNDER AND CEO  
MODESTWIST**

MODANISA MODEST FASHION WEEK 21 APRIL 2019, ISTANBUL, TURKEY: TILL WE COVER RUNWAY AT MODEST FASHION WEEK.  
IMAGE CREDIT: BURCU ERGIN / SHUTTERSTOCK.COM





# Technology Case Study: Omnichannel E-commerce

While 74% of global internet users reported to have bought something online, several countries have passed this global average, with Indonesia leading at 88% of internet users.

90% of members of the Indonesian Retailers Association (Aprindo) have adopted an omnichannel strategy as more consumers take to online shopping, according to the Jakarta Post.

Fashion and beauty are the top e-commerce categories, with \$620 billion in global consumer spend.<sup>311</sup>

The global e-commerce market (B2C) was valued at \$3.4 trillion in 2019, 16% of the global retail spend. Of this, at least 50% was derived from mobile transactions. This trend in e-commerce is led by more than 4.5 billion internet users worldwide and over 3.8 billion social media users, reflecting the high potential of e-commerce for the modest fashion industry.

E-commerce capabilities have become even more critical as consumers have turned to shopping online during the pandemic. Inditex, the parent company of brands like Zara and Massimo Dutti, saw online sales increase by 95% during the lockdown.<sup>312</sup> Employing other strategies along with e-commerce, such as social commerce (use of social media for selling), can further support growth and ensure a seamless user journey.



## Case Study: Hijup, Indonesia

Hijup is driving e-commerce growth through an omnichannel strategy including social commerce.

Founded in 2011, HIJUP is an omnichannel retailer that provides a digital platform for local brands and designers from across Indonesia, with 14 physical stores and one international store. It sells a range of modest fashion items, ranging from hijabs and dresses, to shoes and accessories

HIJUP has also leveraged apps and social media channels for marketing and sales, a concept commonly known as social commerce.



### GLOBAL BENCHMARKS

#### Zara

Spanish brand, Zara, is a leading fashion brand and omnichannel retailer with 3000+ retail stores and an online presence on all popular app and social media platforms. Its influencer-driven social media campaigns have been pivotal in netting the company more than 41 million followers on Instagram and 30 million on Facebook. The brand's parent company, Inditex, is planning to invest \$2.7 billion over the next few years to create a digital platform for its brands and retail stores.<sup>313</sup>

#### Nike

This sportswear and footwear giant operates more than 1,000 stores across the world and has a staggering 120 million followers on Instagram, with several more on its many dedicated handles such as @nike-women and @nikesportswear. Nike's success is largely due to its customer loyalty program that it has extended throughout its omnichannel retail strategy — from member-only express checkout in stores to 'member days' on its apps that allow NikePlus members exclusive access to products. Nike also uses sales data to offer highly localized products both online and offline.<sup>314</sup>

### OPPORTUNITY ADDRESSED

With the world's largest Muslim population, Indonesia is a lucrative market for modest fashion startups. HIJUP was initially launched to provide professional yet fashionable hijabs for working women. It has since developed into a leading modest fashion e-commerce brand in the region, providing various fashion items.

### COMPANY TRAJECTORY

HIJUP is one of the first Muslim lifestyle companies to receive investment from global investors including 500 Startups from Silicon Valley. With over 100 employees, HIJUP continues to expand in Indonesia and globally. The company's website has at least 227,000 monthly visits.<sup>315</sup>

### KEY TAKEAWAYS

HIJUP represents a successful case of a modest fashion e-commerce startup, leveraging an omnichannel strategy and social commerce concepts to efficiently meet consumer demands and go global.



# Gen Z Perspective ON MODEST FASHION

## VIEW

Fashion that shows a woman as a woman and a man as a man. The Islamic organizations can market through social media and other forms of communication the meaning of modesty in fashion.

**Sameea Rahat (UK)**

Modest fashion can be interpreted in different ways. It applies more for women. Modest fashion is something which should be applied from within us and not imposed.

**Mohammed Turq (India)**

Modest fashion is a set of clothing that conceals rather than accentuates the shape of the body and is applicable to all people. I think ground rules should be made clear on which kind of clothes are in line with Islamic law.

**Melfiana Goldiena Putri (Indonesia)**

## MODEST FASHION FOR US IS TO WEAR RESPECTABLE CLOTHES, REGARDLESS OF FAITH AND GENDER.

**Tamsir Lo & Idy Lo (Senegal)**

I don't think it only applies to Muslims alone, but Muslims do have to take it more seriously. When you call a brand or certain clothing "modest fashion", there's a greater responsibility than it just being fashionable. Rules for what makes modest clothing, modest Islamically, should be adhered to.

**Faisal Shahid (USA)**

Modest fashion is typically a term used to describe less-revealing clothing and does not apply to Muslims only, but to any other spiritual requirements or personal preferences. I don't think there should be rules on what is or isn't considered modest fashion. Instead, it should be interpreted according to the individual.

**Yasmine Benabderrahmane (UAE)**

## SHOPPING HABITS

I prefer going to the store. I want to make sure the size, materials, and quality of the clothes match my preferences. My preferred local brands are COTTONINK and The Goods Dept. I am trying to reduce my purchases of fast fashion items.

**Melfiana Goldiena Putri (Indonesia)**

I like to buy my clothes at the store in person. I don't completely trust purchasing online since there's always the waiting and I can't try on the clothes. I am trying to be more vigilant about sustainable fashion after watching an episode of Hasan Minhaj's "Patriot Act" where he addressed this issue.

**Faisal Shahid (US)**

I personally prefer buying clothes at the store or shopping at a mall because it can be very difficult to find modest clothing online that I feel comfortable with - whether it be sizes, style, etc. Unfortunately, I don't pay much attention to environmental factors due to my limited options. However, I try to refrain from purchasing items from brands with immoral policies and manufacturing.

**Yasmine Benabderrahmane (UAE)**

Our favorite brands are Adidas and Nike but modern sportswear costs too much here. We pay attention to the durability factor.

**Tamsir Lo & Idy Lo (Senegal)**

I buy in store and online, usually handbags and shoes.

**Sameea Rahat (UK)**

I shop online and at malls. I prefer going to the store when I'm with my family because it's a unique experience.

## I'M TOTALLY AGAINST BUYING NON-ENVIRONMENTALLY-FRIENDLY CLOTHING ITEMS.

**Mohammed Turq (India)**



## SPENDING HABITS

We spend once or twice a month on clothes, around \$150, both in store and online. We are willing to spend more for clothes produced sustainably.

**Tamsir Lo & Idy Lo (Senegal)**

I buy clothes twice over three months, spending between £200-300 (\$260-390). Some of my favorite stores are Selfridges, Jenners, Mango, Revolve, THF, and GAP.

**Sameea Rahat (UK)**

Depending on what I buy, my spending may range from 6,000-8,000 INR (\$80-110) yearly. I will be willing to spend more for clothes produced sustainably. My favorite online stores are Flipkart, Myntra and East Essence.

**Mohammed Turq (India)**

I was very consumptive and could easily spend more than Rp 600,000 (\$40) a month on clothing. I realize the key to being fashionable is to optimize and innovate with the limited clothes you have. I now spend less than Rp 250,000 (\$17) a month.

**Melfiana Goldiena Putri (Indonesia)**

I buy myself outfits every other year on my birthday and I'll spend around \$200-\$300. I like to shop smart. I'm not all about brand names. I buy from Amazon, H&M, Zara and Ross.

**Faisal Shahid (USA)**

**I TEND TO PURCHASE CLOTHES EVERY TWO MONTHS, BUT I BUY ACCESSORIES FAR MORE OFTEN, SPENDING ROUGHLY \$55 A MONTH. MY FAVORITE STORES ARE H&M, MUJI, AND PULL & BEAR.**

**Yasmine Benabderrahmane (UAE)**



## CHALLENGES

### SOME MODEST FASHION BRANDS DON'T COMPLETELY COMPLY WITH ISLAMIC RULINGS ON CLOTHING.

Also, I think people need to understand that women with hijab can also appear fashionable regardless of their religion.

**Melfiana Goldiena Putri (Indonesia)**

In Senegal, you cannot distinguish Muslims and non-Muslims since nearly everyone wears the same modest clothes.

**Tamsir Lo & Idy Lo (Senegal)**

Availability. Very few shops have modest fashion clothing. But I don't think that means modest fashion is perceived negatively, and the majority believe in individual's liberty.

**Sameea Rahat (UK)**

I believe modest fashion can be perceived differently and can be challenging in a non-Muslim country.

**Mohammed Turq (India)**

Modest fashion at times is perceived negatively for sisters. We live in a society that promotes and believes the less you dress, the more "liberated" you are, and the more you dress, the more sheltered you are and need "freeing".

**Faisal Shahid (USA)**

I think that with the rise of Muslim creators on social media platforms, like TikTok, a positive light has been shone on modest fashion and many non-Muslims around me enjoy my fashion sense.

**Yasmine Benabderrahmane (UAE)**

## MY SUGGESTIONS

The only way perception of modest fashion can change is when more influencers take dressing modestly properly and seriously.

**Faisal Shahid (USA)**

I want to see more products and easily accessible head scarves.

**Sameea Rahat (UK)**

I think there are enough popular categories within modest fashion.

**Mohammed Turq (India)**

In my opinion, we need to produce hijabs which can be used easily attached, like without the use of pins, while also fashionable.

**Melfiana Goldiena Putri (Indonesia)**

I would like to see more formal wear categories in modest fashion.

**Yasmine Benabderrahmane (UAE)**

We would like to see more options in modest fashion – like shoes, shorts and evening wear.

**Tamsir Lo & Idy Lo (Senegal)**



A composite image featuring a microscope, laboratory glassware, and a pipette, overlaid with a grid pattern of small squares and triangles. The background is a warm, golden-yellow color.

# Halal Pharmaceuticals

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT **2020/21**





*Muslim spend on pharmaceuticals increased by 2.3% from \$92 billion in 2018 to \$94 billion in 2019. Due to the COVID-19 crisis, Muslim spend is set to decrease by 6.9% in 2020 to \$87 billion. However, a recovery to 2019 levels is expected in 2021. Muslim consumer spending in the pharmaceutical sector is expected to increase at a CAGR of 2.3% from 2019 onwards to reach \$105 billion by 2024.*

The pandemic has highlighted the shortcomings of the wider halal pharmaceutical ecosystem. Governments have made calls for more pharmaceuticals to be manufactured locally, to avoid being negatively impacted by supply chain issues in the event of future pandemics. However, there are not yet enough halal-certified medicines and ingredients to cover these needs.

Universally accepted halal standards are not yet in place, although the OIC regulatory body, SMIIC, is working towards them. Halal pharmaceutical certification expertise is also not up to par, particularly for vaccines. This

has held back the development of a halal-certified COVID-19 vaccine—containing no haram (non-permissible) ingredients such as porcine gelatin or those derived from human fetuses—that would be welcomed by 1.9 billion Muslims.

Promising signals are afoot in halal pharmaceutical development. A Malaysian conglomerate is developing the world's first halal biosimilar drug, while joint ventures between South Korean, Indonesian and Malaysian companies are driving halal certification of pharmaceuticals. Indonesia, in particular, is a key market driver, with the country requiring mandatory halal labeling in the next few years.

Halal pharma companies teaming up with healthcare companies is equally set to improve commercialization and market availability. Private sector efforts, particularly in Malaysia, to improve both patients' and physicians' awareness of religiously permissible options for Muslim patients will propel future demand.

The halal healthcare sector is doing well in nutraceuticals and vitamins, of which there have been surging sales in 2020. Demand for halal-certified nutraceuticals rose during the pandemic, while halal certification bodies reported an uptick in applications.

The COVID-19 pandemic was equally a driver of innovation in the healthcare sector. Apps were launched, including a Shariah-compliant telemedicine solution, and healthcare hijabs for frontline workers in the USA were donated by a modest fashion brand.

Healthcare startups also attracted significant investor attention, building on strong investment in 2019, particularly in the Middle East.

With healthcare garnering renewed focus from governments due to the pandemic, and the public increasingly health conscious, the halal pharmaceutical sector and wider ecosystem is poised for major growth.





# Halal Pharmaceuticals



Represented by **\$94 billion** of spending by **1.9 billion** Muslims on pharmaceuticals (2019 est.)

**\$38.6 billion** of Pharmaceuticals exports to OIC\* countries (2019)

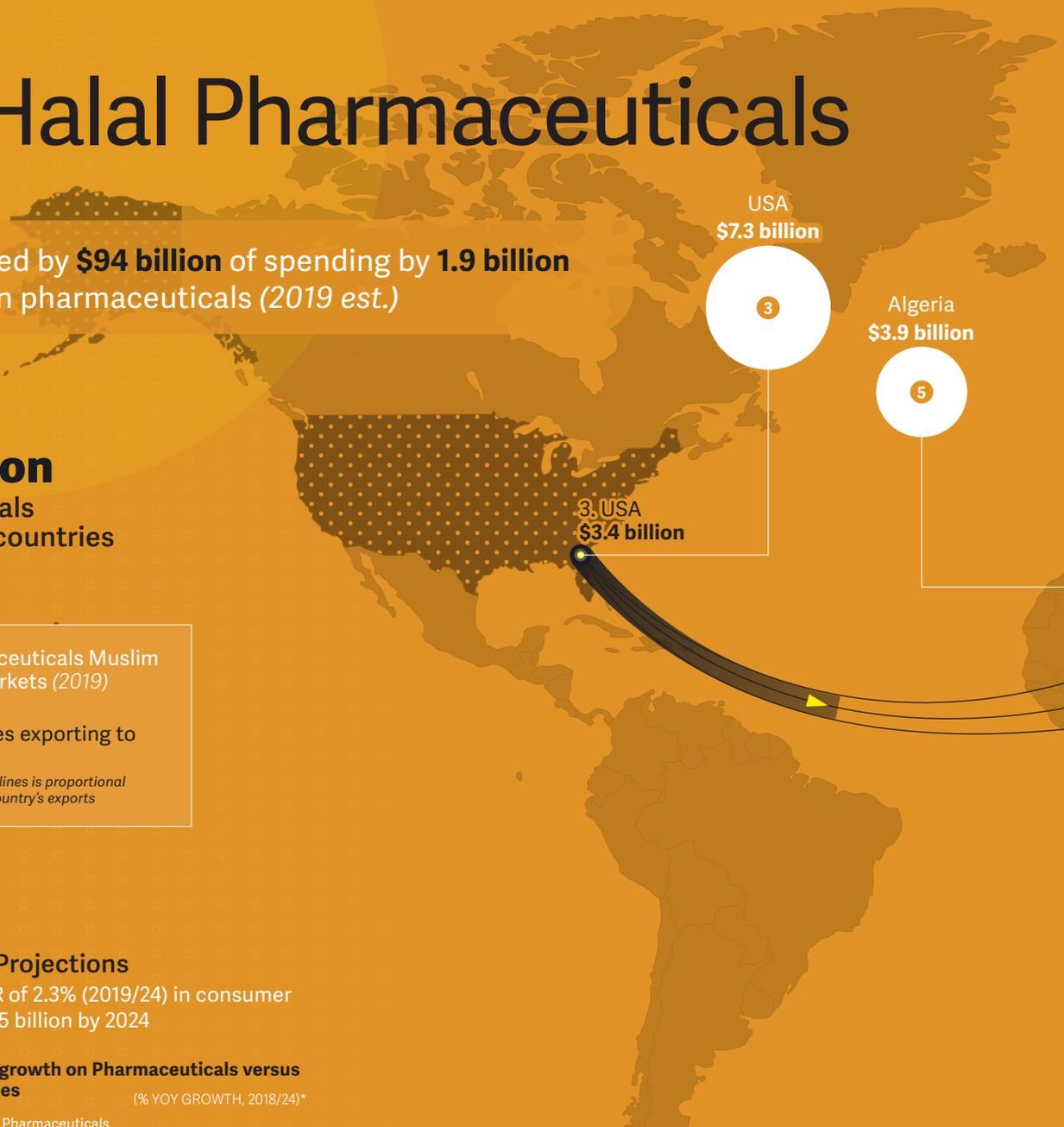


Top 5 pharmaceuticals Muslim consumer markets (2019)



Top 5 countries exporting to OIC (2019)

The thickness of the lines is proportional to the value of the country's exports



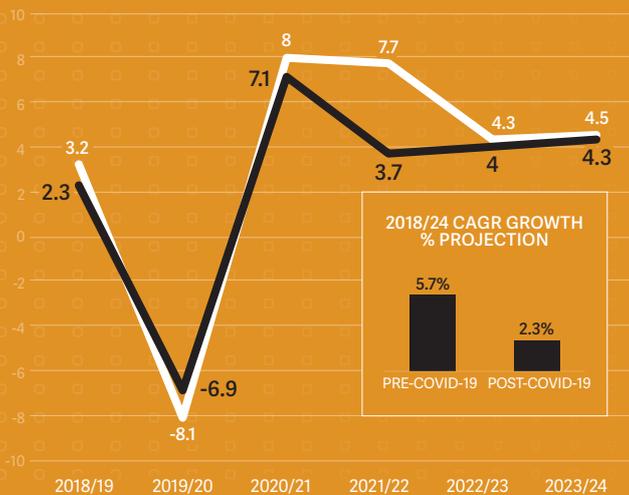
## COVID-19 Impact Projections

Projected 5-year CAGR of 2.3% (2019/24) in consumer spending reaching \$105 billion by 2024

### Projected Muslim spend growth on Pharmaceuticals versus all halal products/ services

(% YOY GROWTH, 2018/24)\*

● All products/sectors ● Halal Pharmaceuticals



All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections base-lined using IMF Outlook from April 2020. Halal and related products exports based on ITC Trademap 2019 data. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Despite depressed global FDI, government led medicinal security investments supporting activity

**\$157 million** in halal-related pharmaceutical investments 2019/20\*

Kuwait: \$69 million investment in Kuwait Saudi Pharmaceutical by leading Gulf distributor, Mezzan Holding

Egypt: Healthcare app Vezeeta raised \$40 million in a series D round led by Gulf Capital

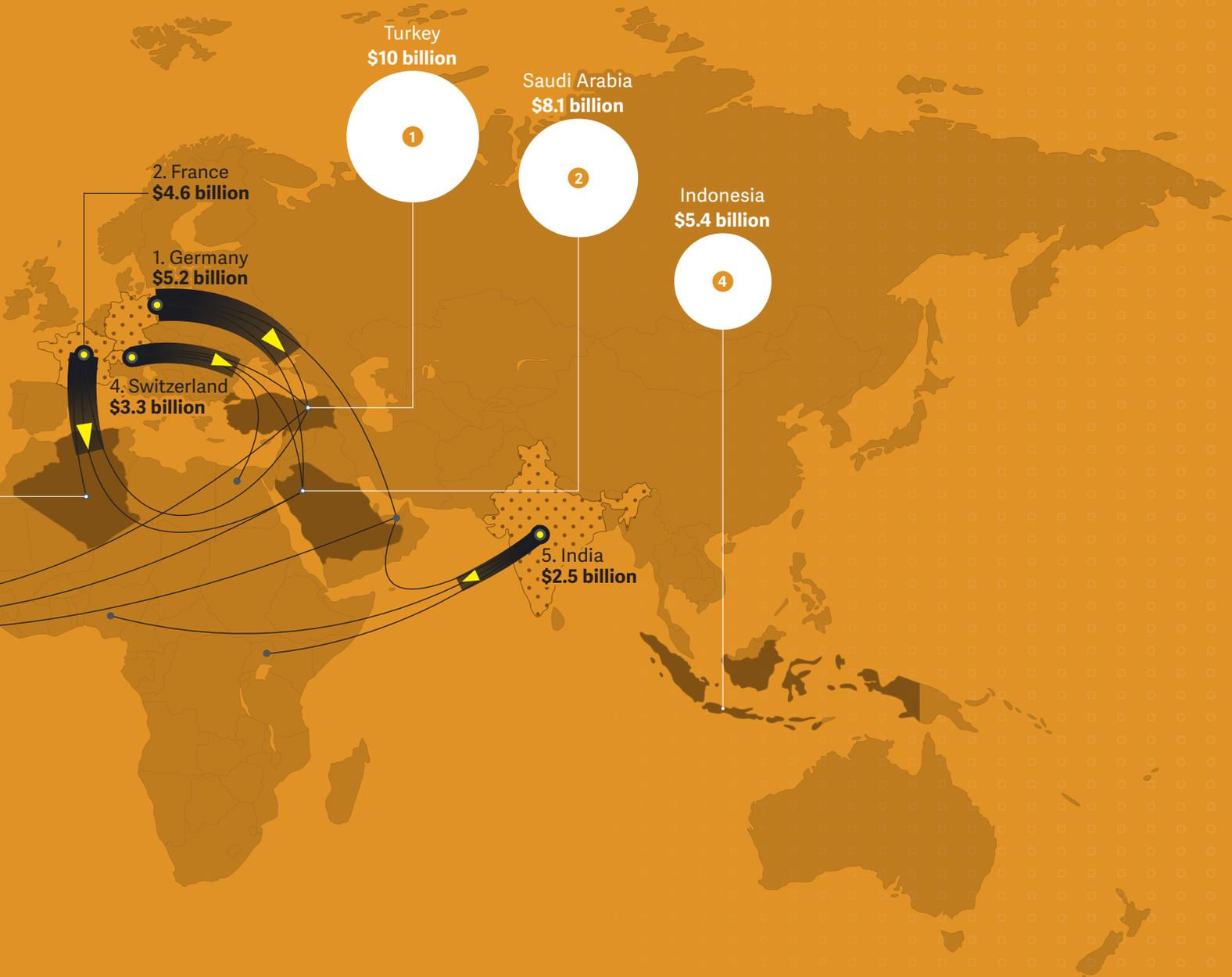
## DEALS

Top countries with # of related deals

(2019/20)

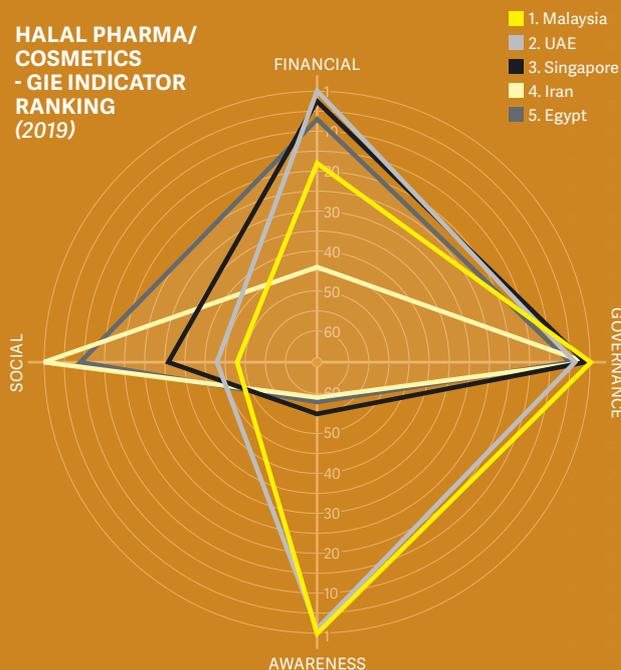
4	2	1	2	9
Egypt	Indonesia	Kuwait	Others	TOTAL





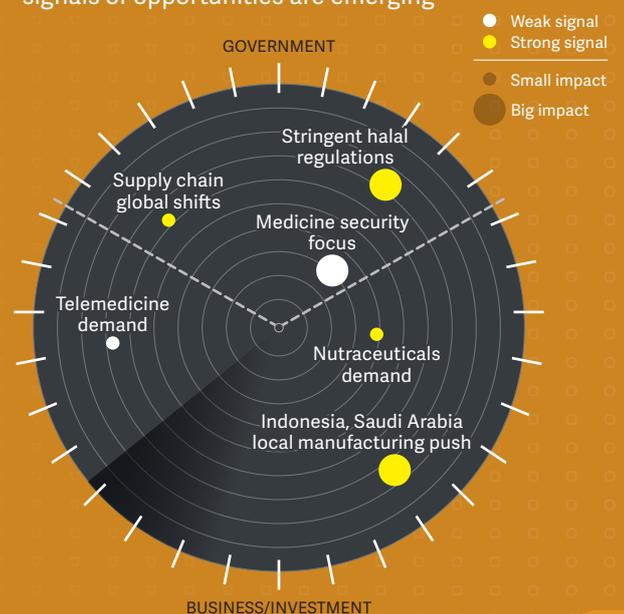
## Government Benchmarks

**HALAL PHARMA/  
COSMETICS  
- GIE INDICATOR  
RANKING  
(2019)**



## Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging



# 2019/20 Developments



## Revenue Developments

**The pharmaceutical industry has been significantly impacted by COVID-19, even as the pandemic generated heightened concerns over health. ✨**

### Latest projections:

This report presents pharmaceutical spending by Muslim consumers worldwide at \$94 billion in 2019, a 2.3% growth from 2018. Given COVID-19's extensive impact, this report estimates Muslim pharmaceutical spend to decrease by 6.9% in 2020, reaching \$87 billion. Muslim pharmaceuticals spending is expected to grow at a 5-year CAGR of 2.3% to reach \$105 billion by 2024. ✨

Note: This does not represent the actual value of 'halal' certified pharmaceuticals consumption. Rather, it represents the core addressable Muslim consumer market spending in the general pharmaceutical category.

**Demand for nutraceuticals and vitamins to boost immunity has surged during the COVID-19 pandemic, with halal-certified producers reporting strong growth. ✨**

- Demand for vitamins and nutraceuticals grew by a third in the USA in early 2020, and by 20% in March in the UK.<sup>316 317</sup>

- US-based Noor Vitamins has reported substantial growth of its halal-certified nutraceuticals due to the pandemic as it launched three new supplements.<sup>318</sup>

- Israeli firm Anlit released halal and kosher-certified products targeting respiratory immunity that can be adapted by supplement providers.<sup>319</sup>

- CBD oil, derived from cannabis, has not yet been halal-certified but is being considered as a 'halal healer' by Muslim consumers in the UK.<sup>320</sup>



## More pharma companies are eyeing halal markets ✨

**Companies are creating joint ventures, particularly to enter the Indonesian market, which is phasing in mandatory halal certification.**

- South Korea's Daewoong Pharmaceutical Co's joint venture with Indonesia's Infion obtained halal certification from MUI for biosimilar Epodion, a treatment for anemia and related kidney problems. However, with the biosimilar derived from animal cells, it has not yet been approved by Indonesia's halal authority, BPJPH.<sup>321</sup>

- A plant manufacturing anti-cancer drugs run by CKD-OTTO, the joint venture between South Korea's CKD (Chong Kun Dang Pharmaceutical Corp.) and Indonesia's Otto, received halal certification.<sup>322</sup>

**Established players are entering the halal pharmaceutical and medical devices sector.**

- Swedish medical technology company Bactiguard acquired Vigilenz, a Malaysian medical device firm, which has seven products that have been halal-certified by JAKIM.<sup>323</sup>

- South Korean pharmaceutical companies have sought halal certification for exports, such as Panzen, for an anemia treatment biosimilar.<sup>324</sup>

- The Brazilian arm of German lubricant manufacturer Fuchs received halal certification. It also has plans to sell to the pharmaceutical sector.<sup>325</sup>

**Collaborations are increasing the viability of halal pharmaceuticals, particularly in Southeast Asia.**

- Malaysia's Duopharma Biotech, government-backed investment firm VentureTECH, and South Korea's PanGen Biotech are investing in the world's first halal biosimilar, Erysaa, used to treat anemia.<sup>326</sup>

- Duopharma Biotech and Malaysia's KPJ Healthcare are collaborating to improve the halal pharma ecosystem, including guidance on prescriptions, raising awareness among physicians, and developing pharmaceutical expertise and resources.<sup>327</sup>



## Operational Developments

**Investments in startups are stimulating growth in the sector. The anticipated expansion of halal markets has led to the development of more sophisticated logistics services in Malaysia.**

Healthcare-related apps are being released, particularly in relation to COVID-19. ✨

- Healthcare startups in the Middle East and North Africa raised \$21 million in funding in 2019, with 31 firms attracting investment from 38 institutions. In 2020, Egyptian healthcare startup Vezeeta raised \$40 million in funding.<sup>328</sup>

- Malaysia's Alliance Islamic Bank launched the Halal-in-One Program to help startups expand, providing advisory services for halal certification, awareness training programs, and financial services.<sup>329</sup>

- Mumbai-based Shariah-compliant company Octaware Technologies has developed a telemedicine solution and mobile app for COVID-19-related issues.<sup>330</sup> ✨

In Malaysia, specialized logistics hubs and warehousing services are being developed for halal products.

- Malaysia's Nippon Express, a subsidiary of Japan's Nippon Express, opened the Shah Alam logistics center for halal food and pharmaceuticals.<sup>331</sup>

- Malaysia's MAB Kargo, a subsidiary of Malaysian Aviation Group, launched a halal logistics service following certification from JAKIM.<sup>332</sup>

## National/Trade Developments

**COVID-19-related supply chain disruptions have led to governments pushing for more localized drug manufacturing.** ✨

Governments have increased spending on healthcare due to COVID-19. ✨

- From Belarus to South Korea, governments have increased healthcare spending as a result of COVID-19, with the European Union announcing a \$10 billion program to improve the availability and accessibility of medicines. Some countries, like Nigeria, have slashed spending due to budget constraints.<sup>333</sup>

- There have been calls to increase local production of active pharmaceutical ingredients in the event of future pandemics, with India and China accounting for 80% of Europe and the USA's imports.<sup>334</sup>

Governments in OIC markets are also supporting the development of local pharmaceutical production.

- Indonesia's president called for an end to import dependence, with plans to mandate 95% of government-bought pharmaceuticals to be procured locally.<sup>335</sup> The country has also introduced the Halal Product Guarantee Act, requiring mandatory labeling and certification of all chemicals and biological products as halal, unless a product contains non-halal ingredients.<sup>336</sup>

- Saudi Arabia has provided incentives to bolster pharmaceutical manufacturing as part of its economic diversification plans, with preferential treatment for foreign companies producing locally and for export.<sup>337</sup>



**Muslim medical tourism is an emerging market segment.**

- Malaysia's Halal Development Corporation (HDC) signed an MoU with Acrosx Japan to launch Muslim-friendly standards to assist hospitals leading up to the Tokyo 2021 Olympics.<sup>338</sup>

- Taiwan aims to attract Muslim medical tourism, following the first Taiwanese hospital receiving halal certification.<sup>339</sup>

- To recover lost tourism revenues due to the COVID-19 pandemic, Jordan wants to bolster medical tourism, with its Private Hospitals Association developing a website to facilitate bookings.<sup>340</sup>



# Ecosystem Developments

## Regulatory standards in the sector are being strengthened.

The OIC's SMIIC will introduce halal pharmaceutical standards and has provided guidance on COVID-19. ✨

- The OIC's Standards and Metrology Institute for the Islamic Countries (SMIIC) set up a new technical committee on halal pharmaceuticals, involving ten members, to improve the standardization process.<sup>341</sup>
- The OIC launched a COVID-19 Pandemic Database for member states, which provides statistics, visualized data, and policy tools to address the pandemic.<sup>342</sup>

With the consumption of nutraceuticals rising amid the pandemic, they are being subjected to stricter regulatory measures. ✨

- The Food and Safety Standards Authority of India has directed supplement manufacturers to comply with the Recommended Dietary Allowance regulations of 2016.<sup>343</sup>
- The USA's FDA had required that changes to nutrition and supplements labels be made by January 2021 for manufacturers with less than \$10 million in sales.<sup>344</sup>
- Indonesian mandatory halal restrictions limit hand sanitizer options. MUI has allowed ethanol and alcohol usage, but not all consumers agree.<sup>345</sup>



# Social Impact Developments

## In the wake of COVID-19, Muslim organizations/groups have stepped up to extend healthcare assistance. ✨

Telemedicine, donations, and mental healthcare have been provided to Muslim communities. ✨

- The Islamic Development Bank (IsDB) has provided a \$2.3 billion response package for COVID-19 in OIC member countries. Emergency medical financing of \$40,000 was provided to Palestine.<sup>346</sup>
- Funds and organizations in the USA have provided services and telemedicine to those in need, such as Muslim-owned Premier Medicine in Michigan and the UMMA Community Clinic in Los Angeles. The Illinois-based Zakat Foundation donated more than 100,000 medical gloves to healthcare facilities.<sup>347</sup>
- Mental health support is being provided to Muslim communities during the pandemic. In the USA, the Khalil Center offers free therapy, and in the UK, the Muslim Youth Helpline does likewise.<sup>348</sup>

- US-based Noor Vitamins donated over 100,000 Vitamin C doses globally during the COVID-19 pandemic, in addition to its Ramadan campaign to provide vitamins to Muslims in need, particularly refugees.<sup>349</sup>

## Companies are bolstering their environmental credentials.

- ACG, a halal-certified Indian pharmaceutical company, received the world's first capsule certification from the non-profit certifier Clean Label Project, which prioritizes purity and environmental sustainability.<sup>350</sup>



For the latest articles on halal pharmaceuticals on Salaam Gateway, scan/click this QR code.



# Signals Of Opportunity

COVID-19 has pushed health to the forefront, with preventive care and at-home healthcare expected to grow. Governments prioritizing local manufacturing and companies collaborating across borders point to further opportunities in the sector.

## ◆ Preventive care came to the forefront during COVID-19 and is expected to continue growing. ✨

There has been strong demand for nutraceuticals as people attempt to boost their immune systems, with brands that have a strong e-commerce presence reporting record sales. The trend for preventive care is set to continue as part of the 'new normal.'

## ◆ The development of new halal drugs is expected to stimulate sector growth.

With the world's first halal biosimilar on the horizon, successful rollout will drive the demand for more halal drugs to be developed and commercialized.

## ◆ Indonesia's mandatory halal labeling law is driving certification

With Indonesia to require pharmaceuticals to be halal within the next few years, South Korean subsidiaries and joint ventures have sought certification, particularly for cancer drugs.

## ◆ Indonesia and Saudi Arabia are pushing for local manufacturing. ✨

The pandemic has forced governments to react to crises in healthcare provision, supply chain issues, and a shortage of PPE equipment. Indonesia and Saudi Arabia have introduced legislation and incentives to ensure more production takes place locally. Other governments may follow suit.

## ◆ Bilateral collaborations and joint ventures are enhancing the sector's offerings.

Collaborations between pharmaceutical companies and research institutes are broadening the possibilities for sourcing halal ingredients, while halal pharma companies teaming up with healthcare companies has improved the front end of the sector.

## ◆ Healthcare startups are flourishing. ✨

Startups were attracting investment funds in the Middle East and Southeast Asia before COVID-19 and are set to continue with higher usage of telemedicine and digital platforms due to the pandemic.



# Strategic Considerations by Stakeholder

## Overview

The halal pharmaceuticals market is poised for further growth as more pharma companies move into the halal space to cater to a growing Muslim population. Local manufacturing is also expected to increase as governments across the OIC push for more domestic manufacturing. Companies are collaborating with governments and with each other to launch new halal-certified products and medical devices.



## Investors

### Preventive medicine and medical devices are presenting attractive opportunities for investment.

**+** **Opportunity 1:** Products and services focused on health and immunity is a promising segment. ✨

Demand for nutraceuticals, vitamins, and healthcare to enhance immunity is growing due to COVID-19, presenting significant opportunities, particularly in emerging markets.

**Developments:** Malaysia's Duopharma Consumer Healthcare, focusing on halal and immunity, has grown 35-40% due to the pandemic.<sup>351</sup>

**Analogs:** Demand for vitamins and nutraceuticals grew by 34% in the USA in early 2020.<sup>352</sup>

**Potential Outcomes by 2030:** Billion-dollar nutraceuticals market with wide-ranging halal products and services.

**+** **Opportunity 2:** Halal-certified medical devices, especially those designed for home use may see greater growth over the coming period. ✨

Medical devices, ranging from drips to injectables, offer significant opportunities for growth if halal certified.

**Developments:** Indonesia requires halal product certification for medical devices by 2020.<sup>353</sup>

**Analogs:** Demand for medical devices is growing due to COVID-19.<sup>354</sup>

**Potential Outcomes by 2030:** Multi-million-dollar sector with wide range of halal-certified medical devices.

**-** **Challenge 1:** Investments in halal-certified products remain low due to their weak consumer appeal.

Demand for halal-certified products remains low due to a lack of awareness among professionals and consumers.

**Risk:** Limited return on investment due to low demand reduces further investment in the sector.



*"COVID-19 has not changed the business, but has accelerated changes that were going to happen anyway, one of which is a paradigm shift: direct to consumer."*

— MOHAMED ISSA, CEO OF NOOR VITAMINS, USA

# Governments

## Growing calls for localization of drug production and improved healthcare present opportunities for investment in the halal sector.

**+** **Opportunity 1:** With governments supporting halal healthcare and drug development, investors may see more incentives and support. ✨

Governments can support the development of halal healthcare and pharmaceuticals, bolstering local production and creating jobs, while also ensuring strong supply chains.

**Developments:** Indonesia has called for 95% of drugs to be locally sourced.<sup>355</sup>

**Analogs:** Increased budgetary allocations to healthcare across the world.<sup>356</sup>

**Potential Outcomes by 2030:** Local and regionalized production of halal healthcare has emerged, valued in the billions of dollars.

**+** **Opportunity 2:** Given the disease's severity, a halal-certified COVID-19 vaccine may have high investment potential. ✨

Over 145 companies are racing to develop a COVID-19 vaccine, but none are expected to be halal certified. The co-development of a vaccine would speed up the availability of a halal option and bolster inoculation rates.

**Developments:** Regulatory issues and lack of investor interest are holding back development.<sup>357</sup>

**Analogs:** Over 145 companies are trying to develop the COVID-19 vaccine.<sup>358</sup>

**Potential Outcomes by 2030:** Successful roll-out of a halal-certified COVID-19 vaccine has spurred the development of other halal vaccines.

**+** **Challenge 1:** Lack of a universal halal pharmaceutical standard.

While Malaysia has put robust standards in place, and SMIIIC is developing OIC standards, the lack of a universally accepted standard is holding back development.

**Risk:** Without a universal standard, the sector remains fragmented with niche demand.



*“There are no halal alternatives for a large number of drugs. If there is a widely accepted standard, it would encourage scientific development and positive commercial impact.”*

— WAN AMIR JEFFREY, COO DUOPHARMA BIOTECH, MALAYSIA



# Businesses

## Several high potential growth areas have been identified for health-certified treatments.

### **+** Opportunity 1: Halal treatments for heart attacks are needed.

Heparin, an anticoagulant widely used for treating heart attacks, is a promising drug for halal certification.

**Developments:** Malaysia's Duopharma Biotech, VentureTECH, and South Korea's PanGen Biotech are investing in the world's first halal biosimilar.<sup>359</sup>

**Analogs:** The USA's FDA is encouraging the reintroduction of bovine-sourced heparin.<sup>360</sup>

**Potential Outcomes by 2030:** A multi-million-dollar halal heparin catering to 500 million patients.

### **+** Opportunity 2: There is a growing demand for halal-certified cosmetic surgery and treatments.

Botox and other injectable fillers widely used in cosmetic surgery are currently using non-halal certifiable (haram) ingredients, presenting opportunities in the cosmetic enhancements space.

**Developments:** Rising demand for botox, particularly in the UAE and the Middle East.<sup>361</sup>

**Analogs:** Demand for cosmetic surgery is rising globally even during the pandemic, as stricter hygiene protocols are in place, and people can recover at home for longer than before.<sup>362</sup>

**Potential Outcomes by 2030:** Multi-million-dollar halal injectable fillers market.

### **+** Challenge 1: Consumer indifference to halal-certified alternatives.

Consumers continue to opt for mainstream products, with existing players able to utilize bigger marketing budgets and access to healthcare professionals.

**Risk:** Demand for halal-certified alternatives remains weak.

*"There is already clear demand for halal pharmaceuticals in Muslim-majority markets on the part of consumers, where a halal-certified pharmaceutical product could confer a competitive advantage."*

— RACHEL HOWARD, DIRECTOR OF RESEARCH PARTNERSHIP, UK







# Technology Case Study: Mobile Healthcare Apps (mHealth Apps)

The global adoption of mHealth apps is growing within the pharmaceutical and healthcare sectors due to technological advancements and rising smartphone penetration.

mHealth apps provide users with cost-effective and immediate access to personalized healthcare and allow users to monitor their health and seek advice from experienced counselors or physicians.

The global mHealth apps market size is expected to reach \$58 billion by 2026, with a CAGR of 21% between 2019 and 2026.<sup>363</sup>



## Case Study: Naluri, Malaysia

Naluri Hidup is a digital health therapeutics startup based in Malaysia, addressing mental health and chronic physical diseases, including cancer, diabetes, and heart ailments.

Combining behavioral science and psychology with data science, the Naluri App provides multi-disciplinary and personalized coaching by qualified medical and healthcare providers. Other services offered by

the app include an AI-powered food journal, a comprehensive health curriculum, and daily reminders. The app also provides regular updates on COVID-19.

### GLOBAL BENCHMARKS

#### Omada

A US-based mHealth app with over 85,000 users that provides a comprehensive digital healthcare program through its partnership with the American Medical Association. It is listed among Fast Company's 50 Most Innovative Companies.

#### Glooko

Glooko is a diabetes management solution covering more than 2.2 million people across 23 countries in 15 languages.

The app helps users monitor and manage their health through diet tracking and syncing data from medical tools.

### OPPORTUNITY ADDRESSED

Telehealth, especially mHealth, is gaining prevalence with the need for social distancing to mitigate the spread of COVID-19. The Naluri digital app provides cost-effective and accessible digital health psychology services to help address chronic illnesses and enable healthcare providers to offer continuity of care outside a clinic setting.

### COMPANY TRAJECTORY

Naluri Hidup recently secured \$1.1 million in a pre-Series A funding round by international and local private investors, led by Malaysia's Duopharma Biotech, a leading pharmaceutical company, M Venture Partners, an early-stage venture investor based in Singapore, and RHL Ventures, a multi-family private investment firm based in Malaysia. The total amount of funding raised was over \$3 million.<sup>364</sup>

### KEY TAKEAWAYS

- Naluri Hidup represents a successful case of innovation in healthcare apps, addressing the needs of patients and healthcare providers amidst the COVID-19 pandemic.
- The company was able to build a powerful case for investment among national and international investors.

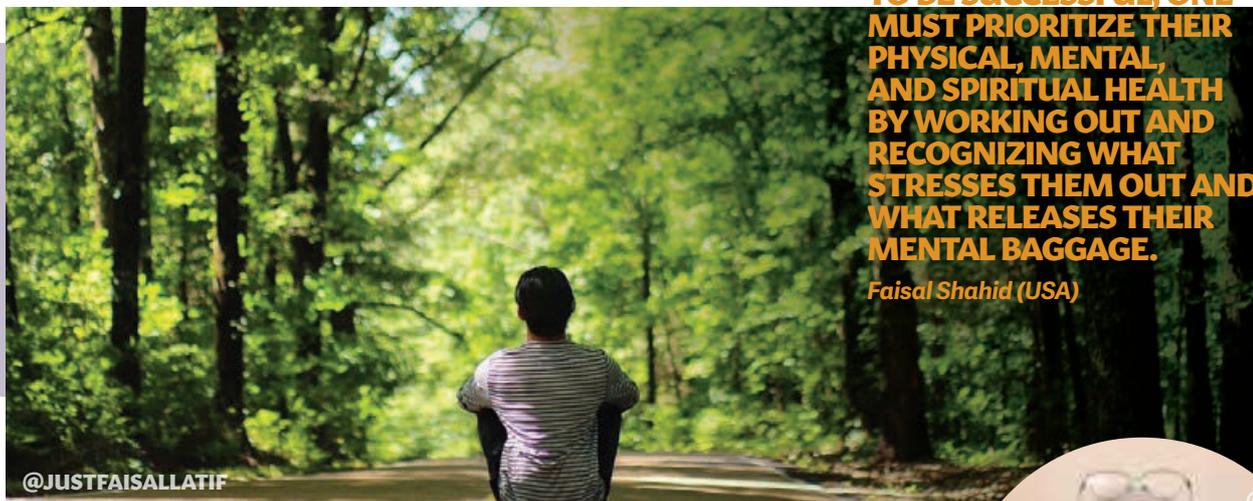


# Gen Z Perspective

## ON HALAL PHARMACEUTICALS

**REGARDING FITNESS AND WELLBEING, I BELIEVE TO BE SUCCESSFUL, ONE MUST PRIORITIZE THEIR PHYSICAL, MENTAL, AND SPIRITUAL HEALTH BY WORKING OUT AND RECOGNIZING WHAT STRESSES THEM OUT AND WHAT RELEASES THEIR MENTAL BAGGAGE.**

*Faisal Shahid (USA)*



@JUSTFAISALLATIF



## VIEW ON WELL-BEING AND HALAL PHARMACEUTICALS

For us, halal pharmaceuticals are products (medicines) that do not have haram components.

*Tamsir Lo & Idy Lo (Senegal)*

Halal pharmaceuticals are drugs and medical supplements that contain permissible ingredients according to the Islamic Shariah. These are extremely important especially with the rise of expectations in education and social media.

*Yasmine Benabderrahmane (UAE)*

Halal pharmaceuticals are medicines, supplements, and medical devices that are processed and contain ingredients permissible under Islam and compliant with Shariah principles.

*Melfiana Goldiena Putri (Indonesia)*

It does mean a lot because I believe that anything that isn't halal isn't good for the body.

*Abdulla Ahmad Bin Kalban (UAE)*

## HEALTHY HABITS

We are not sure if anyone in our family consumes halal-certified pharmaceuticals.

*Tamsir Lo & Idy Lo (Senegal)*

I take my mental and physical health very seriously. I feel good physically, and mental health is a significant factor in my productivity. I regularly exercise and eat nutritious food. To prevent getting sick, I take vitamins, especially close to the final exam week.

*Melfiana Goldiena Putri (Indonesia)*

**I TAKE ORGANIC VITAMINS EVERY DAY, AS THE FOOD I EAT DOESN'T COVER MY DAILY REQUIREMENTS.**

*Faisal Shahid (USA)*

We purchase pharmaceuticals from any pharmacy in the UAE, because here everything is halal and checked by the Municipality.

*Abdulla Ahmad Bin Kalban (UAE)*

We can purchase halal pharmaceuticals at any pharmacy in the UAE. I usually take iron deficiency supplements and vitamin D pills.

*Yasmine Benabderrahmane (UAE)*



## SPENDING HABITS

We don't use any healthcare apps or sports clubs.

*Tamsir Lo & Idy Lo (Senegal)*

I don't use any fitness or healthcare apps, but I go to a local gym and pay \$30 per month.

*Faisal Shahid (US)*

I don't really use any fitness or healthcare apps.

*Abdulla Ahmad Bin Kalban (UAE)*

I do use some free fitness and healthcare apps. Up until the coronavirus pandemic, I would spend \$100+ monthly for swimming.

*Yasmine Benabderrahmane (UAE)*

**BEFORE THE PANDEMIC, I JOINED A GYM, AND MY SPENDING WAS RP. 500,000 (\$34) A MONTH.**

*Melfiana Goldiena Putri (Indonesia)*

## CHALLENGES

We believe it is important to increase awareness about halal pharmaceuticals. What holds us back from participating in sports activities in our country is that they are very expensive.

*Tamsir Lo & Idy Lo (Senegal)*

When I consider joining a certain sports club, I find the price is too high, and for some sports, the stigma that only a particular gender can take up the sport still exists.

*Melfiana Goldiena Putri (Indonesia)*

I believe it is important to increase the awareness of halal pharmaceuticals. There are no challenges in the USA really that hold me back from participating in sporting activities.

*Faisal Shahid (US)*

What holds me back from participating in sports activities is my workload, I don't have enough time for these.

*Abdulla Ahmad Bin Kalban (UAE)*

**THERE ARE NOT ENOUGH CLUBS OFFERING SPORTING ACTIVITIES EXCLUSIVELY FOR GIRLS, AND MANY ARE EXTREMELY EXPENSIVE.**

*Yasmine Benabderrahmane (UAE)*



## MY SUGGESTION

It is important to increase the awareness of halal pharmaceuticals because any non-halal item can be harmful not only to the body but to you as a Muslim as well. Brands should make apps to deliver medications to consumers quickly.

*Abdulla Ahmad Bin Kalban (UAE)*

We think there should be more awareness of halal pharmaceuticals.

*Tamsir Lo & Idy Lo (Senegal)*

Provide basic information on how important it is to consume halal pharma products and where to buy them.

*Melfiana Goldiena Putri (Indonesia)*

Organize youth events to raise awareness on achieving high wellbeing.

*Yasmine Benabderrahmane (UAE)*







Duopharma Biotech Berhad is one of Malaysia's leading pharmaceutical companies listed on the Main Market of Bursa Malaysia Berhad. Our core competencies in the pharmaceutical industry inclusive of Manufacturing, Research & Development and Commercialisation & Marketing over 300 generic drugs as well as Consumer Healthcare products well-recognised and accepted by consumers in Malaysia, regionally and globally.

We are the leader in halal pharmaceutical manufacturing. We are committed to producing high-quality halal pharmaceutical products for the society while adding value for our stakeholders. Halal pharmaceutical is about safe, efficacious, high quality and hygienic products for all.

**Flavettes<sup>®</sup>**  
Vitamin C

**Uphamol**

**PROVITON**  
Daily Multivitamin

**CHAMPS**

**EYE  
GLO**

**Naturalle**



# Halal Cosmetics

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT **2020/21**





*This report presents cosmetics spending by Muslim consumers worldwide at \$66 billion in 2019, a growth of 3.4% on 2018. In 2020, Muslim consumer spending is expected to drop by 2.5%, reaching \$64 billion, and then grow to reach \$76 billion by 2024 at a 5-year CAGR of 2.9%.*

The global cosmetics industry experienced its best sales year in the lead up to the COVID-19 pandemic. New independent brands were hitting the shelves, and there was a growing trend for natural, organic, cruelty-free and halal-certified cosmetics. When the pandemic reached its height, sales dropped, particularly at retail outlets, while consumer behavior changed due to social distancing and the wearing of face masks.

However, as consumers adapted to the 'new normal,' sales started to recover, with e-commerce a major driver of sales. Brands without a strong online presence scrambled to improve their e-commerce and digital marketing to better connect with consumers.

Halal cosmetics brands have similarly adapted, in part by tapping into consumer demand to support independent brands and by marketing in local languages, especially in Southeast Asia. Brands also responded to the pandemic by launching product ranges that reflected new consumer trends. Special Ramadan ranges were also released during the holy month—typically a strong sales period—amid the pandemic.

It has nonetheless been a difficult period for both fledgling and established halal cosmetics brands. They have faced stiff competition from organic and natural brands, as well as multinationals with deeper pockets who are more able to ride out the financial impact of the pandemic.

A testament to the resilient and growing demand for halal cosmetics is that new brands launched prior to the pandemic have survived and thrived, such as the UAE's Shade M Beauty, which entered the cosmetics space as the founders observed an under-served market.

More ingredients' suppliers have also been halal certified over the past year, as were cosmetics companies keen on entering both Muslim-minority and Muslim-majority markets, particularly in Indonesia, Malaysia, and India. Indonesia is expected to be a major driver of growth for halal-certified cosmetics, with the country of over 270 million inhabitants requiring halal labelling by 2024.

Halal cosmetics are garnering more attention in the exhibition space, becoming a fixed feature at expos, while collaborations between cosmetics companies and researchers into the cosmetic properties of green tea and plants are set to diversify product offerings.

Halal cosmetics brands also reflect society demands for change, with 'inclusivity' being a buzzword and call in the beauty sector to better cater to people of different ethnicities. Ethical demands are equally being served, such as cruelty-free products that contain no haram (forbidden) ingredients like porcine gelatin.





# Halal Cosmetics



Represented by **\$66 billion** of spending by **1.9 billion** Muslims on cosmetics (2019 est.)

**\$16 billion** of cosmetics exports to OIC\* countries (2019)



Top 5 cosmetics Muslim consumer markets (2019)



Top 5 countries exporting to OIC (2019)

The thickness of the lines is proportional to the value of the country's exports

4. USA  
\$0.94 billion

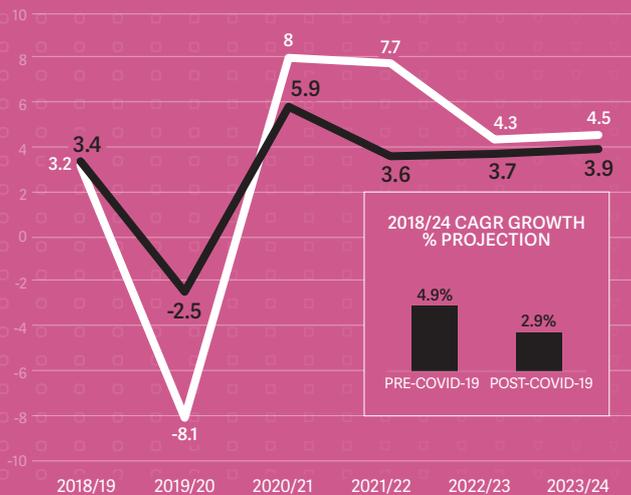
## COVID-19 Impact Projections

Projected 5-year CAGR of 2.9% (2019/24) in consumer spending reaching \$76 billion by 2024

### Projected Muslim spend growth on cosmetics versus all halal products/ services

(% YOY GROWTH, 2018/24)\*

● All products/sectors ● Halal Cosmetics



All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections base-lined using IMF Outlook from April 2020. Halal and related products exports based on ITC Trademap 2019 data. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Personal care and hygiene segments have supported investments in the sector

**\$125 million** in halal-related cosmetics investments 2019/20\*

Indonesia's online cosmetics marketplace, Sociolla raised \$98 million in series D and E co-led by Temasek and EV Growth.

Turkey's cosmetics company, Özen Kisisel Bakim Ürünleri Üretim A.S. was acquired by Japan's Daio Paper Corporation for \$26.7 million.

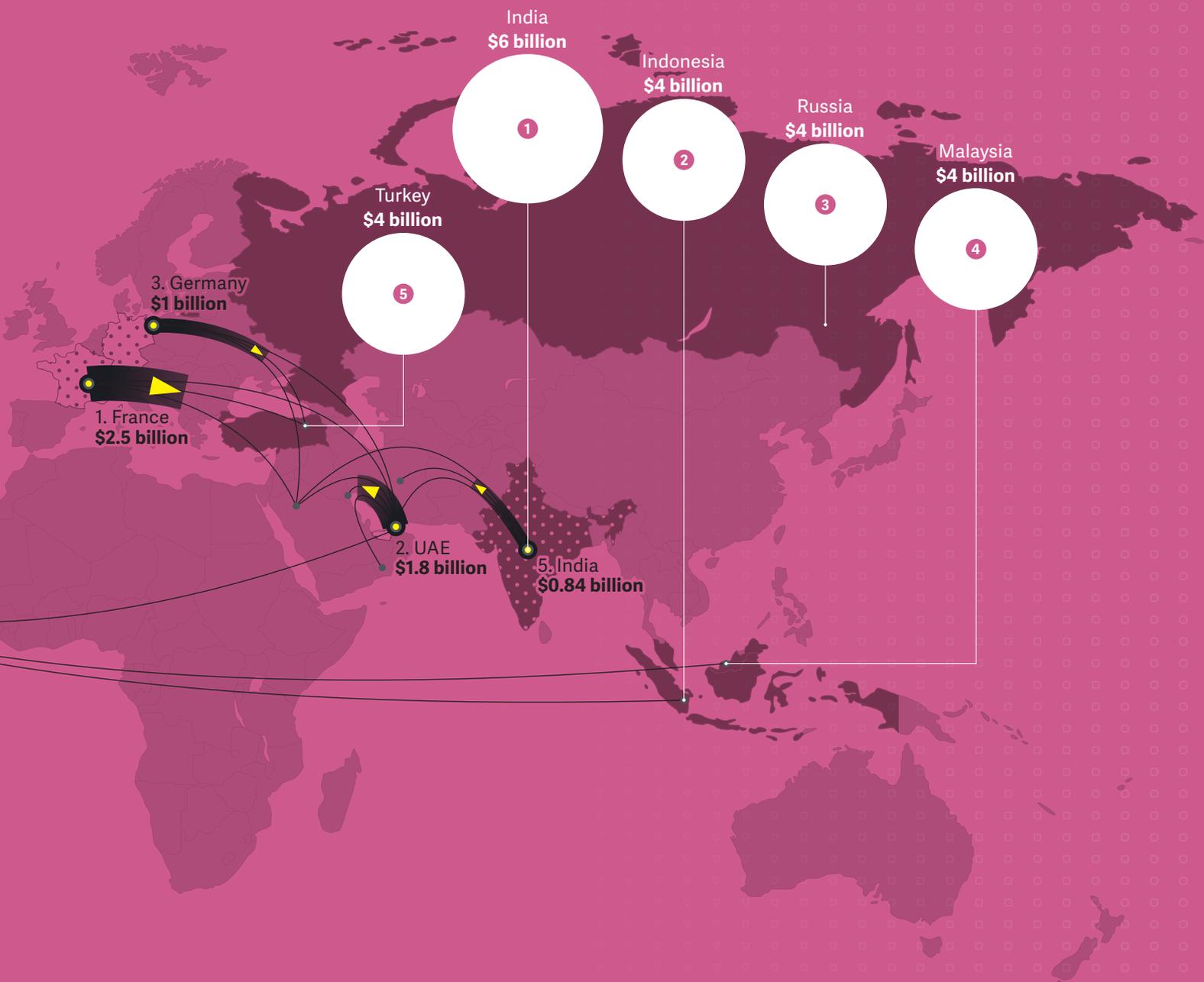
## DEALS

Top countries with # of related deals

(2019/20)

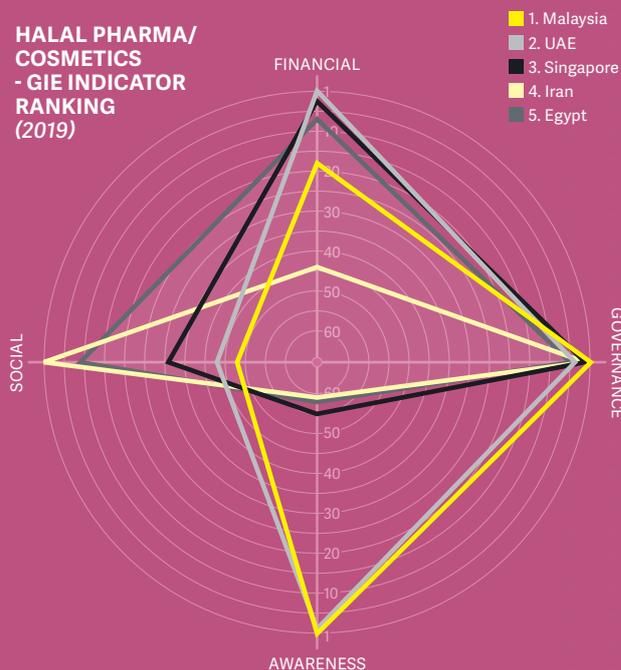
2 Indonesia	1 Turkey
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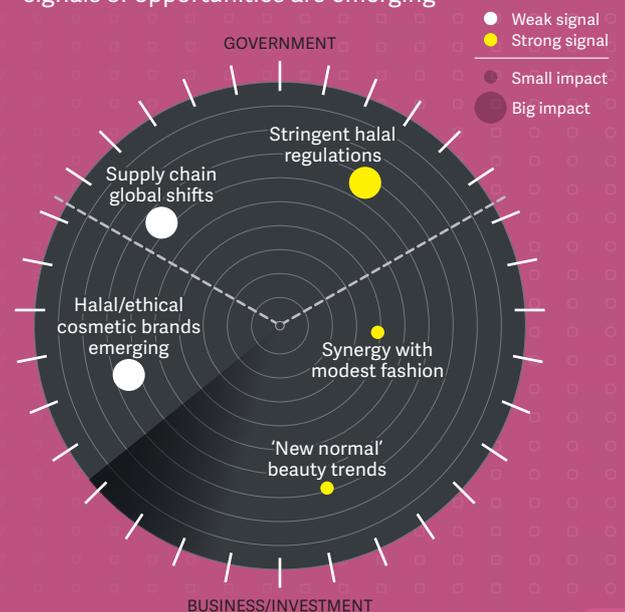
## + Government Benchmarks

HALAL PHARMA/  
COSMETICS  
- GIE INDICATOR  
RANKING  
(2019)



## + Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging



# 2019/20 Developments



## Revenue Developments

**The cosmetics sector was showing healthy growth before the onset of the COVID-19 pandemic. With consumers forced to stay and work from home, COVID-19 has significantly impacted beauty and cosmetics sales.**

### Latest projections:

This report estimates that global Muslim spend on cosmetics grew by 3.4% to \$66 billion from 2018 to 2019. Given the profound and widespread impact of COVID-19, this report estimates Muslim consumer spend on cosmetics will decrease by 2.5% to \$64 billion in 2020, rebounding to grow at a projected 5-year CAGR of 2.9% (2019-24) to reach \$76 billion by 2024.

Note: This does not represent the actual value of 'halal' certified cosmetics consumption. Rather, it represents the core addressable Muslim consumer market spending in the cosmetics category.

**Stay-at-home restrictions and social distancing have dramatically affected sales of beauty and cosmetics products, especially makeup. However, some new innovative products have been launched. ✨**

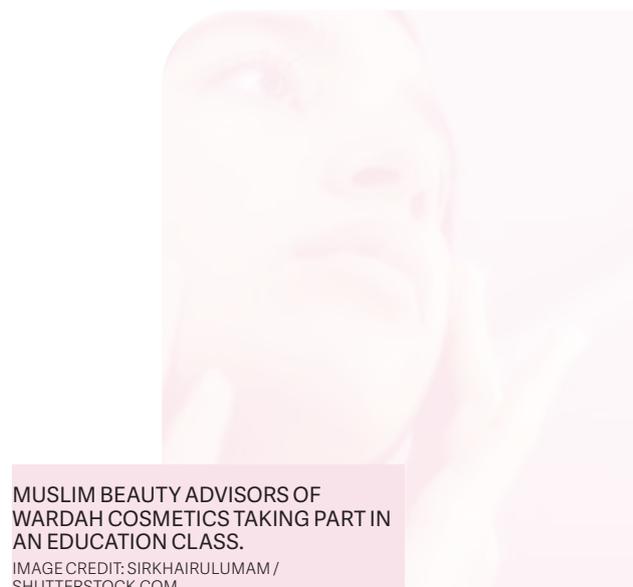
- Sales of cosmetics and fragrances fell by 55% and 75%, respectively, with a slow recovery expected as mask-wearing is expected to continue.<sup>365</sup>

- L'Oréal Indonesia saw rapid growth of in-home beauty treatments such as facial masks and at-home hair dyes. Sales of above-the-mask products such as eye care and eye makeup also grew during the pandemic.<sup>366</sup>

- In the UAE, Yves Saint Laurent has been holding online beauty consultations on its website.<sup>367</sup>

- Indonesia's Wardah launched a halal-certified face cream to protect against blue light from screens, as consumers are spending more time at home due to COVID-19.<sup>368</sup>

- Halal cosmetics brand Rose All Day, also based in Indonesia, launched its 'New Normal' kit, including a mask and hand sanitizer.<sup>369</sup>



MUSLIM BEAUTY ADVISORS OF WARDAH COSMETICS TAKING PART IN AN EDUCATION CLASS.

IMAGE CREDIT: SIRKHAIRULUMAM / SHUTTERSTOCK.COM



## The halal cosmetics market continues to attract new entrants.

New halal cosmetics companies, ingredients' manufacturers and products have entered the market to tap into rising demand among Muslim consumers.

- The UAE-based Shade M Beauty launched a halal and cruelty-free cosmetics brand in Dubai and the UK.<sup>370</sup> ModBeautyKeeper, also a UAE brand, released a make-up application protector for hijabs.<sup>371</sup>
- Japan's Race Corp. launched halal and vegan makeup brand Shojin Cosme, with plans to export to Southeast Asia.<sup>372</sup>
- Korean company JNH Halal launched a cosmetics range for pregnant women.<sup>373</sup>
- Malaysia's Safi collaborated with bubble tea chain Tealive on four halal-certified tea-based facial cleansers.<sup>374</sup>

Multinationals and independent brands are getting products halal certified as the market expands globally.

- Multinational Nivea launched halal-certified creams and sprays during Ramadan for the Indonesian market.<sup>375</sup>
- Cosmecca Korea, a leading cosmetics manufacturer, acquired halal certification from Indonesia for export to Southeast Asia and the Middle East.<sup>376</sup>
- Singapore's natural cosmetics brand Handmade Heroes acquired halal certification for export to Indonesia and the Middle East.<sup>377</sup>
- Japan's Plaisir will be exporting halal-certified all-in-one beauty essence, Vy Krasny Sara, to Malaysia, following other Japanese cosmetics companies gaining certification.<sup>378</sup>

- Brazilian vegan and natural cosmetics brand Biozer received halal certification for its Simbioze Amazonica range of clay-based masks and essential oils for export to the Middle East.<sup>379</sup>
- German retailer Douglas added a halal cosmetics brand, VIE Halal, to its product range.<sup>380</sup>



## Operational Developments

COVID-19 has accelerated digital sales and marketing. ✨

Cosmetics companies threw their weight behind e-commerce channels to lift revenues. ✨

- Malaysian Wipro Unza Group's halal brand Safi has used digital marketing to expand into the Indonesian market.<sup>381</sup>
- Saudi Arabia's e-commerce beauty brand, Golden Scent, saw four-fold growth in makeup and home fragrance sales during the pandemic. The app features augmented reality for users to try on makeup virtually, which has also driven sales.<sup>382</sup>
- With traditional marketing channels impacted by COVID-19, social media platforms like Instagram have been increasingly used to engage with consumers, particularly in local languages, such as by Indonesia's Safi.<sup>383</sup>

Synergies are being utilized to develop new raw materials and for marketing purposes.

- South Korean subsidiary Cosmax Indonesia signed an MoU with Indonesia's Bandung Institute of Technology for R&D into native plants, integrating Indonesian raw materials and Korean cosmetic technology.<sup>384</sup>
- UK-Maltese luxury halal cosmetics brand Baroque & Rose was featured in 2020's Golden Globes gift bags and has partnered with JES Travel Retail to expand availability at airport duty-free stores.<sup>385</sup>



# National and Trade Developments

## Halal cosmetics market and trade is poised for growth

### Indonesia's compulsory halal labeling law to be phased in.

- Cosmetics importers and producers will have until October 2024 to get certified. The mandatory labeling law is expected to be a major driver behind the growth of halal cosmetics in a market of over 270 million people.<sup>386</sup>
- The Indonesian government is pushing companies to source locally to support SMEs.<sup>387</sup>

### Trade agreements and partnerships are set to bolster exports, particularly between South America, Europe, and the Gulf.

- Dubai Airport Freezone Authority (DAFZA) signed a Halal Trade and Marketing Center service partnership with the Arab-Brazilian Chamber of Commerce to develop halal trade, including cosmetics.<sup>388</sup>
- The European Union and the Mercosur countries—Brazil, Argentina, Paraguay, and Uruguay—signed a trade agreement eliminating tariffs, including 18% on chemicals used for cosmetics.<sup>389</sup>

### Halal cosmetics are becoming a feature of international exhibitions.

- In-Cosmetics Asia, one of the largest B2B expos, had its first dedicated halal cosmetics area and presentations in Bangkok, Thailand.<sup>390</sup>
- Halal cosmetics will feature in the first virtual International Halal Expo, iHalalExpo.<sup>391</sup>



## Ecosystem Developments

### Standards for halal cosmetics have not kept pace with the sector's evolution, while specific criteria are limiting companies' portfolio options

- Malaysia's JAKIM will not halal certify nail polish, as it "gives a negative implication towards religion and wudhu (cleansing) before praying."<sup>392</sup>

## Social Impact Developments

### Halal cosmetics brands are supporting educational initiatives, charities, and COVID-19 relief efforts.

- The UAE-based halal cosmetics brand Shade M Beauty is supporting educational initiatives for girls around the world, as well as Arab artists.<sup>393</sup>
- Italian-made Rella Beauty, a halal, vegan, and cruelty-free brand, is donating 30% of sales to COVID-19 relief programs, as well as makeup and hygiene products to refugees.<sup>394</sup> ✨
- Canada's halal cosmetics brand Tuesday in Love is supporting charity Islamic Relief Canada through proceeds from each product sale.<sup>395</sup>



For the latest articles on halal cosmetics on Salaam Gateway, scan/click this QR code.



# Signals Of Opportunity

Indonesia's mandatory Halal law, the push towards inclusivity and ethical products as well as local sourcing of raw ingredients have given rise to new opportunities.

◆ Established and emerging halal cosmetics brands are emphasizing local ownership and production.

The trend for localization has risen in popularity due to the pandemic, with consumers signaling support for small and medium-sized brands by buying local. While localization has its upsides, it may limit brands from expanding internationally and sourcing ingredients unless the whole supply chain is developed at a domestic level.

◆ Halal cosmetics brands are adopting and emphasizing inclusivity in response to the beauty needs of women of different ethnicities.

Cosmetics brands, whether halal certified or not, are responding to political and civil society demands for more racial inclusivity in product offerings and marketing. Multinationals have attempted to rebrand products to avoid consumer backlash, while new companies have hardwired inclusivity into their brand DNA.

◆ There is a growing synergy between halal cosmetics and modest fashion brands.

New products are being launched that blur the boundaries between modest fashion accessories and halal cosmetics, such as a makeup applicator for hijab wearers. Modest fashion brands are also partnering with halal cosmetics brands and making the latter's products available for sale on their website.

◆ Indonesia's mandatory halal law will give a further boost to the world's largest halal cosmetics consumer base.

The mandatory halal law is still being phased in for cosmetics in Indonesia. However, manufacturers within the country and internationally are gearing up to expand in this lucrative market.

◆ Independent cosmetics brands are emerging that are not only halal certified but also cruelty-free, vegan, and organic.

Consumers are increasingly demanding cosmetics be cruelty-free, organic, natural, and vegan. Halal cosmetics brands with more than one logo and certification have been able to appeal to a broader consumer base.



# Strategic Considerations by Stakeholder

## Overview

The cosmetics sector is expected to make a slow but steady recovery with in-home and above-the-mask beauty and skincare products being more popular in the short term. Trade agreements and collaborations are anticipated to stimulate further growth in the sector, even as consumers become more vocal in their demand for ethical products that address their values.

## Investors

### Investment opportunities in halal cosmetics startups abound, with a growing demand for certified products.

#### ⊕ **Opportunity 1:** Startups are seeking additional funding to expand.

Newly launched companies require funding to achieve scalability and diversify product ranges to better compete with multinational and established brands.

**Developments:** The UAE-based Shade M Beauty, launched in 2020, saw gaps in the beauty market for halal products.<sup>396</sup>

**Analogs:** Cult Capital invested in Series A funding for 'clean' makeup brand Lawless Beauty.<sup>397</sup>

**Potential Outcomes by 2030:** Global halal brands widely available from major retailers.

#### ⊕ **Opportunity 2:** Beauty applications and devices for the wider halal cosmetics eco-system.

New beauty applications targeting modest fashion consumers are starting to emerge, signifying growing market potential for innovative products.

**Developments:** The UAE-based ModBeautyKeeper launched a make-up application cover to keep hijabs clean.<sup>398</sup>

**Analogs:** Opulus launched a beauty application that uses heated pods, like a Nespresso, for face creams.<sup>399</sup>

**Potential Outcomes by 2030:** Wide range of halal beauty applications and devices.

#### ⊖ **Challenge 1:** Halal cosmetics companies struggle to raise seed funding.

Investors have often failed to understand the growing demand for halal cosmetics, as they consider them too niche.

**Risk:** Halal cosmetics companies cannot successfully expand and compete with other emerging brands, especially in more high-tech areas such as cosmetics devices.

*"It's not an easy field to raise money in. Not being categorized as tech, and having most investors being males adds to the challenge, as they don't always engage easily with the beauty industry."*

— NOUR KHALIFE, CEO AND CO-FOUNDER OF SHADE M BEAUTY



# Governments

## Cosmetics companies require government support for training, R&D facilities, and support for local ingredients suppliers.

**+** **Opportunity 1:** Training and R&D centers are needed to develop the overall halal cosmetics ecosystem and support the sourcing of local ingredients.

There is a need to establish training and R&D centers, and create collaborations with institutions to improve expertise, product development, and the sourcing of local ingredients.

**Developments:** South Korean subsidiary Cosmax Indonesia signed an MoU with the Bandung Institute of Technology for R&D into native plants, integrating Indonesian raw materials and Korean cosmetic technology.<sup>400</sup>

**Analogs:** South Korean cosmetics company Amorepacific opened an R&D facility to research the probiotics in green tea.<sup>401</sup>

**Potential Outcomes by 2030:** Vibrant R&D sector and a full supply chain have developed in key markets, from ingredients to manufacturing.

**+** **Opportunity 2:** Startups and SMEs could be provided support through accelerator programs and assistance in the halal certification process.

Create incubator programs and competitions to encourage new halal cosmetics startups while supporting the business registration and halal certification process.

**Developments:** Indonesia's Industry Ministry are helping SMEs to supply raw materials for the local industry, and providing assistance with halal certification.<sup>402</sup>

**Analogs:** South Korea's K-Startup Grand Challenge has invested nearly \$2 bn in startups since 2013.<sup>403</sup>

**Potential Outcomes by 2030:** Flourishing small and medium-sized halal cosmetics companies that are scalable.

**+** **Challenge 1:** Halal cosmetics has not had the same focus as other Islamic economy sectors.

Governmental support to develop the Islamic economy has focused more on food and Islamic finance than halal cosmetics.

**Risk:** Halal cosmetics are not as prioritized as other sectors, with the full scale of opportunity unrealized.

*"There is growing demand for halal cosmetics in the Middle East, Indonesia, and Malaysia, and also among Muslims in Europe, although our products are for everyone."*

— RACHID LAARAR, FOUNDER OF BEAUTYLOPE PURE & VEGAN HALAL COSMETICS, GERMANY



# Businesses

## Businesses must reflect changes in consumer sentiment by becoming more ethnically inclusive and developing a regional market presence.

**+** **Opportunity 1:** Businesses can benefit from diversifying and re-branding products to be more inclusive.

Social and political movements against racism have translated into consumer demand for more inclusive products and marketing that caters to all ethnicities, presenting new sales opportunities globally.

**Developments:** Indonesia's Somethinc halal cosmetics brand markets its products as 'Something for Everyone'.<sup>404</sup>

**Analogs:** Unilever has amended the name of skin whitening cream 'Fair and Lovely' to 'Glow and Lovely' in response to backlash against racial prejudice.<sup>405</sup>

**Potential Outcomes by 2030:** Inclusive brands and products for all ethnicities are mainstream.

**+** **Opportunity 2:** Regional expansion can help bolster sales and rebound following the impact of the COVID-19 pandemic. ✨

Halal cosmetics sales have been particularly strong in domestic markets first, and then regionally, signaling the potential for greater regional penetration, particularly in Southeast Asia, with demand growing in Malaysia, Indonesia, and India.

**Developments:** Malaysia reported double-digit growth in halal cosmetics exports to India.<sup>406</sup>

**Analogs:** South Korean cosmetics exports to OIC countries increased by 17% in 2019 to \$271,000 in 2020.<sup>407</sup>

**Potential Outcomes by 2030:** Halal cosmetics products have strong regional and global sales.

**+** **Opportunity 3:** Brands can cater to COVID-19 'new normal' beauty trends in product offerings. ✨

The pandemic has modified consumer demand for beauty products, with less demand for lipsticks due to the wearing of face masks, while presenting opportunities for new product lines, such as hand and face creams, as people spend more time in front of screens and use more hand sanitizer.

**Developments:** Indonesia's Wardah launched a halal-certified face cream to protect against blue light from screens.<sup>408</sup>

**Analogs:** Demand for lipsticks and lip gloss have declined in the USA due to the pandemic.<sup>409</sup>

**Potential Outcomes by 2030:** Halal cosmetics can adapt to new beauty trends.

**-** **Challenge 1:** Halal cosmetics can adapt to new beauty trends.

Trade barriers to bolster local production could hinder the sector's export viability, particularly in India, with the government promoting Ayurvedic cosmetics.

**Risk:** Demand for halal cosmetics is confined to Muslim-majority markets.

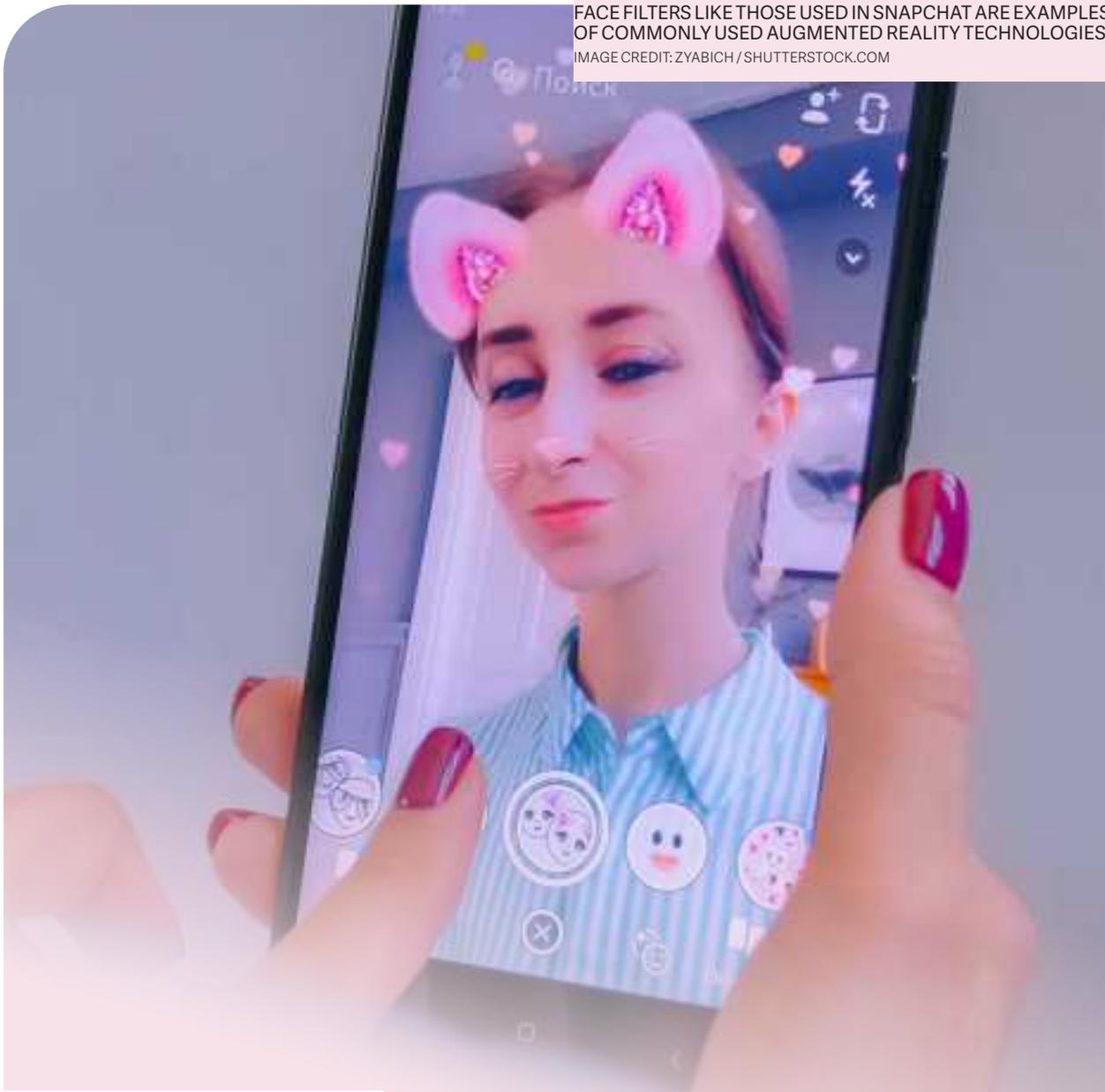
*"There is a general movement towards recognizing every face and race, so it might be the right time for cosmetics brands to reflect that."*

— HÉLOISE LEFEBVRE DU PREY, PROJECT MANAGER SOUTHEAST ASIA AT ASIA COSME LAB, FRANCE.





FACE FILTERS LIKE THOSE USED IN SNAPCHAT ARE EXAMPLES OF COMMONLY USED AUGMENTED REALITY TECHNOLOGIES. IMAGE CREDIT: ZYABICH / SHUTTERSTOCK.COM



# Technology Case Study: Augmented Reality

The Fourth Industrial Revolution is transforming users' retail experience. With innovative tools like Augmented Reality (AR), Virtual Reality (VR), digital marketing, and analytics, the customer shopping experience is becoming more personalized and efficient.

AR and VR technologies use sensory devices to virtually modify users' real-world environments, provide a close-to-reality experience, or completely immerse a person in a simulated environment. These tools are disrupting sectors beyond the gaming industry, such as cosmetics, through features like virtual try-ons.

Globally, the AR/VR market is projected to reach \$18.8 billion in 2020 from \$12 billion in 2018. Consumer spend on these technologies is forecasted at \$7 billion, 37.4% of the global consumer market.<sup>410</sup> On the commercial side, industries that are expected to spend the most on AR/VR in 2020 are retailers (\$1.5 billion) and select manufacturers (\$1.4 billion).<sup>411</sup>





## Golden Scent, Saudi Arabia

Golden Scent, a leading Saudi Arabian e-commerce beauty platform, was the first in the Middle East to launch the Augmented Reality (AR) feature on its Android and iPhone app in 2018. Branded as Virtual Try-On, the feature enables shoppers to try on makeup without the need to physically visit a retail store.<sup>412</sup> The app now has more than 3 million downloads and provides an easy and smart way to order from anywhere.<sup>413</sup>

Golden Scent, launched in 2014, offers a selection of over 750 international brands and over 30,000 fragrances and beauty products to Saudi Arabia, the UAE, and Kuwait.<sup>414</sup>

Providing innovative tools to enhance the shopping experience has helped Golden Scent not just survive, but

also thrive during the COVID-19 crisis. The company experienced a 30% increase in average cart value.<sup>415</sup> Other innovations include a WhatsApp Business chatbot to give customers a seamless experience.

### GLOBAL BENCHMARKS

#### MAC Cosmetics - Virtual Try-On

MAC Cosmetics leverages AR to help customers virtually try on makeup and has an AI feature that helps match their skin tone to the correct foundation. It allows browser-based try-ons, and users can virtually try on makeup on their uploaded photos or an online model.

#### COTY - Blended Reality Beauty Magic Mirror

This AR-enabled smart mirror helps customers virtually try on makeup in-store, while also using AI to recommend products.

It also recently launched an AR hair-color to provide a 360° video capture to view hair at every angle.

### OPPORTUNITY ADDRESSED

With a wide range of brands and products, Golden Scent's AR feature offers customers the opportunity to try on makeup virtually in the comfort of their homes. AR technology is an emerging trend within the global cosmetics industry, offering users the convenience of quick try-ons and smart recommendations.

### COMPANY TRAJECTORY

During the pandemic, Golden Scent's AR technology led to a 300% increase in the time spent on the app and a 400% increase in engagement. The integration of e-payment methods (like Apple Pay) has also seen double-digit adoption rates around the same time. Moreover, Golden Scent has now introduced contactless delivery to ensure a safe customer experience.<sup>416</sup>

Golden Scent closed a new round of investments in early 2019 from prominent investors, including Saudi Aramco Entrepreneurship Ventures (Wa'ed Ventures), Equitrust, Wamda Capital, and Raed Ventures. This is not only helping Golden Scent navigate through current challenges but is also facilitating further development and expansion of the company to become the leading beauty e-commerce site in the region.<sup>417</sup>

### KEY TAKEAWAYS

- Golden Scent's active investment in technology proved to be profitable, with a 30% increase in cart value, as well as providing the company with a unique market position.
- The company's successful app-based AR feature reflects a huge opportunity for companies in the halal cosmetics market to provide an interactive digital customer experience.



# Gen Z Perspective ON HALAL COSMETICS



## VIEW

Any skin care or makeup that is processed and contains ingredients that are permissible under Islam. Both halal and organic cosmetics have the same purpose of using ingredients that are safe for humans and the environment.

*Melfiana Goldiena Putri (Indonesia)*

Halal and organic cosmetics both have a set of guidelines regarding the products' ingredients. Halal cosmetics being products that have been manufactured according to the Islamic Shariah, and organic cosmetics are plant-based products.

*Yasmine Benabderrahmane (UAE)*

**HALAL COSMETICS ENTAIL INGREDIENTS AND PRODUCTION PROCEDURES THAT ARE NOT PROHIBITED UNDER THE ISLAMIC SHARIAH. THEY FOCUS ON NATURAL INGREDIENTS AND ARE CRUELTY-FREE.**

*Zeina Ihab Zakaria (Egypt)*

**MY FAVORITE COSMETICS BRAND IS ROLLOVER REACTION, WHICH I BUY FROM AN ONLINE STORE. I BELIEVE THERE ARE ENOUGH STORES IN INDONESIA THAT SELL HALAL OR ORGANIC COSMETIC PRODUCTS.**

*Melfiana Goldiena Putri (Indonesia)*

## SHOPPING HABITS

My favorite cosmetic brands are Vichy and MUMUSO. I often buy cosmetics from brand retailers or the pharmacy.

*Yasmine Benabderrahmane (UAE)*

My favorite cosmetics brands are Maybelline, Avène, Nivea and Vaseline. I prefer buying them in marketplaces.

*Zeina Ihab Zakaria (Egypt)*



## SPENDING HABITS

There is no fixed amount I spend on cosmetics, but usually, it ranges from Rp. 200,000 to 500,000 (\$14-34) monthly. The cruelty-free label might raise prices for some cosmetics in my country since many Gen Zs have become aware of the process and ingredients used in the product.

**Melfiana Goldiena Putri (Indonesia)**

I spend around 200 EGP (\$13), mostly for face wash and lipsticks. There are not enough stores in my country selling halal cosmetics, and pricing is expensive with seasonal promotions.

**Zeina Ihab Zakaria (Egypt)**

### I SPEND ROUGHLY \$15 PER MONTH ON COSMETICS.

The price of cosmetic products can be pretty expensive at brand retailers and the marketplace. That's why I purchase cosmetic products that often last me longer than a month.

**Yasmine Benabderrahmane (UAE)**



## CHALLENGES

Before buying the product, we have to do research to check if it is halal-certified. This exercise is quite time-consuming. In Indonesia, it is relatively easy to buy cosmetics labeled halal or cruelty-free because nearly all pharmacies offer halal cosmetics.

**Melfiana Goldiena Putri (Indonesia)**

Based on my family's experiences, many say that halal and organic cosmetic products tend to be more expensive than those without labels. It isn't as hard to find cosmetics labeled halal or cruelty-free as it used to be, due to the spread of awareness and ideas.

**Yasmine Benabderrahmane (UAE)**

**SINCE HALAL COSMETICS STORES ARE LIMITED, IT IS NOT EASY TO FIND COSMETICS LABELLED HALAL OR CRUELTY-FREE. I HAVE ONLY FOUND NAIL POLISH THAT IS HALAL.**

**Zeina Ihab Zakaria (Egypt)**

## MY SUGGESTIONS

I would like to see a form of technology that can suggest the best halal cosmetics for your skin type. To increase awareness, the brand should promote not only the halal cosmetics certification but also the importance of using halal cosmetics. We should clarify that halal cosmetics are not limited to Muslims, but are pure for all women.

**Melfiana Goldiena Putri (Indonesia)**

It would be interesting to have a 'printed makeup' concept by halal cosmetic brands. A way to increase awareness and broaden halal domestic brands' reach is to market the products through other Muslim influencers and target consumers outside of the Muslim community.

**Yasmine Benabderrahmane (UAE)**

I would like to see halal cosmetics brands develop an app that scans the face of the user and suggests skincare routines and cosmetics that will best match the skin type. They should also spend more on social media marketing and awareness on the importance of halal and cruelty-free makeup. halal cosmetics brands should consider expanding globally, especially in Muslim countries, as we desperately lack halal cosmetics in countries such as Egypt and KSA.

**Zeina Ihab Zakaria (Egypt)**

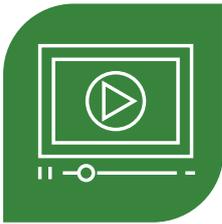




# Islamic-Themed Media and Recreation

STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT 2020/21





*Muslim spend on media and recreation increased by 3.7% to \$222 billion in 2019 from \$214 billion in 2018. Due to the impact of the COVID-19 crisis, Muslim spend is set to decrease by 3.7% in 2020 to \$214 billion. However, a strong recovery surpassing 2019 levels is expected in 2021. Muslim consumer spending on media is expected to grow at a rate of 3.9% from 2019 onwards to reach \$270 billion in 2024.*

The pandemic has been both a curse and a blessing for the media sector. It was a trying period for venues dependent on physical attendance, from cinemas and theaters, to film festivals and musical events, as well as for actual

media production amid lockdowns and social distancing. On the flip side, media outlets had more of a captive audience, with people spending more time at home and online seeking entertainment and stimulation.

As with other sectors, there was a digital shift due to the pandemic, with events such as the Global Muslim Virtual Film Festival held online, while entertainment and educational platforms extended their virtual presence to a wider audience. Indeed, with mosques closed or participation restricted during Ramadan and Eid Al Adha, demand for online seminars, lectures and sermons surged. Governments and religious authorities also adapted by utilizing online video platforms for Ramadan and apps to book prayer slots.

With Ramadan occurring during the pandemic—the Muslim world’s most important month for entertainment, religious and cultural events—viewership figures reached unprecedented levels. TV series in particular drew in the crowds, with the most watched program, Turkish historical drama *Diriliş: Ertuğrul*, attracting 133 million viewers in Pakistan, which became popular after being professionally dubbed into Urdu.

Mainstream media outlets, such as CNN, Facebook and streaming platform Netflix responded to Ramadan during a pandemic with dedicated series and partnerships with Arabic digital platforms. Netflix also acquired more localized content to cater to its diverse viewership, while culturally Islamic superheroes and cartoons were launched in the USA and Turkey.

Entrepreneurs took advantage of the pandemic to launch apps and online games, especially in the Middle East. More dedicated Muslim-themed TV channels, as well as a streaming platform, Malaysia’s Nurflix, were also launched, signaling growing demand, particularly among Gen Z and millennials.

However, while there has been substantial progress in content offerings and accessibility, Muslim-themed media is still a largely untapped market, with a wealth of opportunities to tell universal stories in multiple languages to a young and growing Muslim population.





# Media & Recreation

USA  
\$22 billion



Represented by **\$222 billion** of spending by **1.9 billion** Muslims on media & recreation (2019 est.)



**\$21 billion**  
of media & recreation  
exports to OIC\* countries  
(2019)



Top 5 media & recreation Muslim consumer markets (2019)



Top 5 countries exporting to OIC (2019)

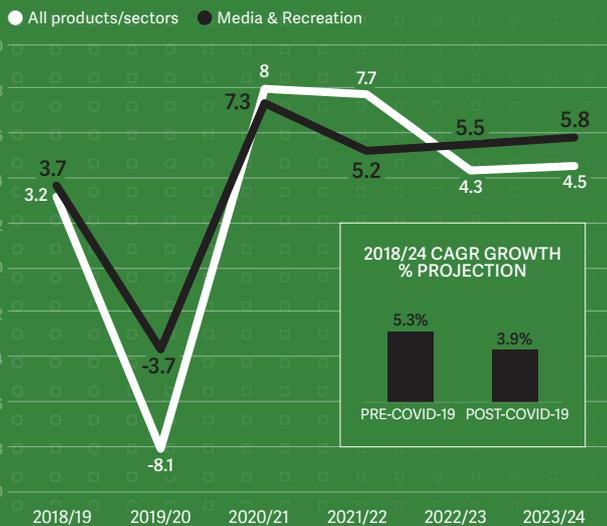
The thickness of the lines is proportional to the value of the country's exports

## COVID-19 Impact Projections

Projected 5-year CAGR of 3.9% (2019/24) in consumer spending reaching \$270 billion by 2024

### Projected Muslim spend growth on media/recreation versus all halal products/services

(% YOY GROWTH, 2018/24)\*



All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections base-lined using IMF Outlook from April 2020. Halal and related products exports based on ITC Trademap 2019 data. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase, White & Case, KPMG and DinarStandard analysis from 1st August 2019 to 31st July 2020. Full methodology in appendix. OIC = Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



## Investments

Demand for online media and recreation will drive more deals

**\$121 million**  
in recorded media & recreation  
investments 2019/20\*

UAE-based Almentor.net, offering Arabic video-based education, raised \$4.5 million, led by Sawari Ventures.

Indonesian Gojek's video streaming service, GoPlay, independently raised \$15 million from Golden Gate Ventures and ZWC Partners.

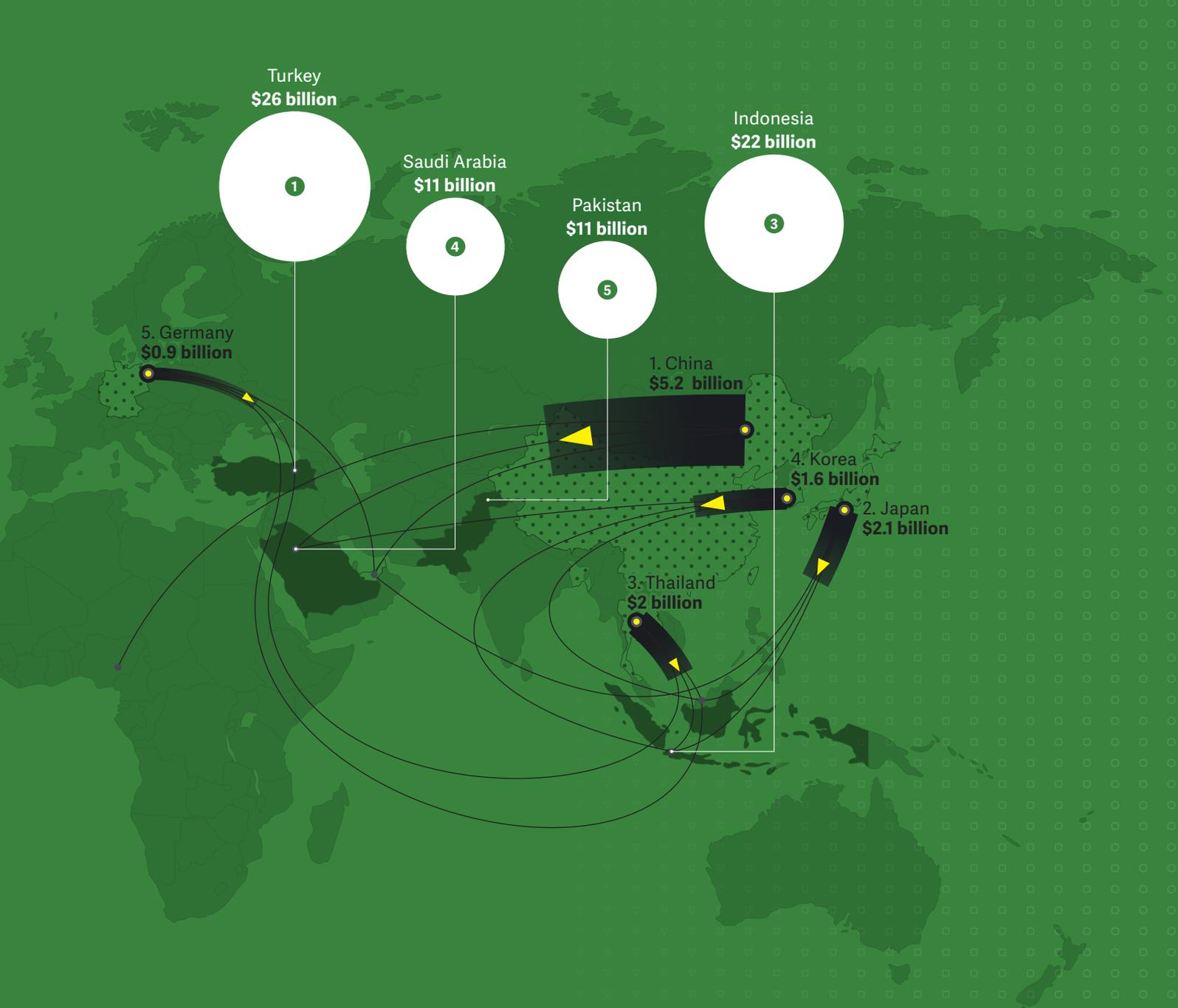
## DEALS

Top countries with # of related deals

(2019/20)

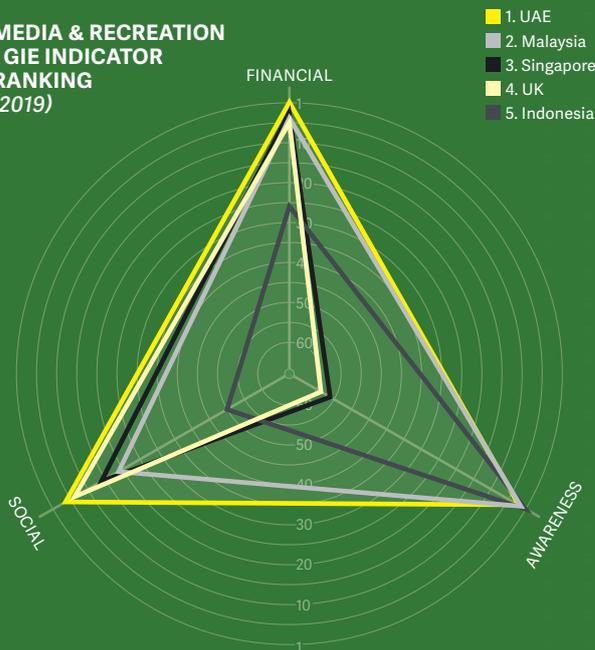
10 Malaysia	6 Indonesia	4 UAE	27 TOTAL
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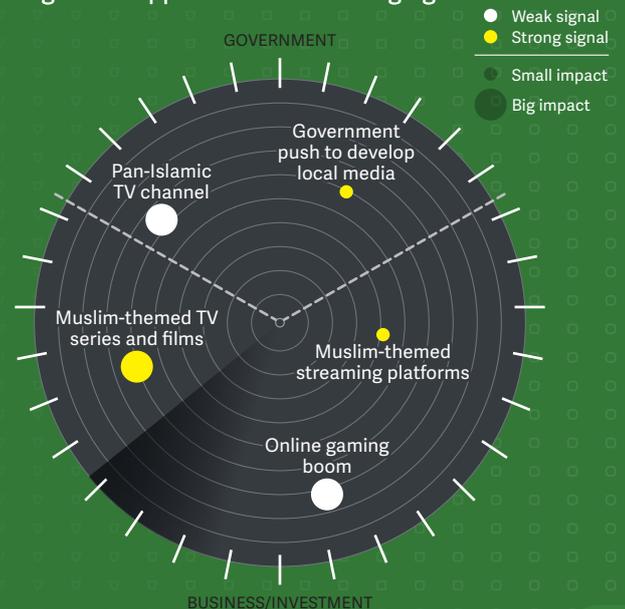
## ⊕ Government Benchmarks

**MEDIA & RECREATION  
- GIE INDICATOR  
RANKING  
(2019)**



## ⊕ Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging







## Pulse of the Global Islamic Economy

Launched in October 2015, Salaam Gateway is the world's leading news and insights platform on the global Islamic economy. We cover sectors across Islamic finance, halal, and Islamic lifestyle, with an eye on key producer and consumer markets.

[salaamgateway.com](http://salaamgateway.com)



# 2019/20 Developments



## Revenue Developments

**The media sector grew at a modest pace until 2019. However, COVID-19, while boosting online media, has severely affected live shows and new content production.**

### Latest projections:

This report estimates worldwide spending on media and recreation at \$222 billion in 2019, a 3.7% growth from 2018. Given the extensive impact of COVID-19, this report estimates Muslim consumer spend in 2020 to fall by 3.7% to \$214 billion before growing at a 5-year CAGR of 3.9% (2019-24) to \$270 billion in 2024.

Note: This does not represent the actual value of Islamic-themed or regulated media and recreation consumption. Rather, it represents the core addressable Muslim consumer market spending in the general media and recreation category.

**From TV series to apps to media platforms, the Muslim digital media space is heating up as COVID-19 has forced people to stay at home. ✨**

**Muslim-themed TV shows and series are garnering mass viewership worldwide and on mainstream platforms.**

- The dubbed Urdu version of global hit Turkish series *Diriliş: Ertuğrul*, about the early Ottoman empire, was watched by 133 million people on state-run Pakistan TV and its YouTube channel.<sup>418</sup>
- Netflix bought six award-winning short films from Saudi Arabia's Telfaz11 Studios, called "Six Windows in the Desert" for viewing in 160 countries.<sup>419</sup>
- The BBC launched *Muzlamic*, a sketch show exploring the lives of two Muslim comedians in modern Britain.<sup>420</sup>
- *Al Mirath* (Inheritance), Saudi Arabia's first soap opera, was released on the country's MBC network during Ramadan. Set in Saudi Arabia, the first season has 250 episodes and was developed at Abu Dhabi's media hub twofour54.<sup>421</sup>

**Superhero and cartoon series set to hit screens.**

- Turkey's T World Entertainment and Productions launched a superhero series, *Altay*, with the characters rooted in Islamic culture.<sup>422</sup>
- The USA's Marvel Studios is set to release the superhero TV series *Ms. Marvel* on Disney+TV, featuring Kamala Khan, a Pakistani-American teen living in New Jersey. A video game is also in production.<sup>423</sup>
- French producer and distributor ZED acquired global distribution rights for Lina's World (*Les Voyages d'Ismaël*), an original 2D animated series about the origins of Islam, Christianity, and Judaism.<sup>424</sup>

**New Muslim-themed media platforms are being launched.**

- Malaysia's Sutera Hijau Ventures Bhd soft-launched *Nurflix*, a Muslim-themed streaming platform with original and purchased content. It aims to attract 1 million subscribers in its first year.<sup>425</sup>
- Social media platform *Muslim* launched an interconnected media publication, *Muslim.co*, for generation Z and millennial Muslims in the USA during Ramadan.<sup>426</sup>
- Egypt launched its first Islamic satellite TV channel, *Masr Quran Kareem*, focusing on the Egyptian school of Quranic recitations.<sup>427</sup>
- Nigeria's StarTimes network launched *Ibadah TV*, an Islamic channel, during Ramadan.<sup>428</sup>
- Nigeria's HalTV, a production house, was to launch *Hajj Quest*, a remake of *Who Wants to Be a Millionaire?*, with successful participants winning a hajj trip. However, the show was postponed due to COVID-19.<sup>429</sup> ✨





**New apps are being launched, ranging from cartoons and games to lifestyle and virtual hajj.**

- Muslim lifestyle app Salam Planet was launched in the UK, featuring social interaction, trends, events, and links to brands.<sup>430</sup>
- Malaysia's Digital Durian launched an app for its animated Muslim-themed children's series Omar & Hana.<sup>431</sup>
- Middle Eastern gaming apps recorded major spikes in downloads during the crisis and Ramadan.<sup>432</sup>
- Apps and software that allow pilgrims to visit and prepare for hajj and umrah through virtual reality simulators are being developed by Pakistan's Lubbaik VR and Germany's Muslim 3D.<sup>433</sup>

**Apps were used to organize prayer slots at mosques during the crisis. ✨**

- A collaboration of Muslim developers in the UK launched Salah Space, a free app for booking prayer slots at mosques during the COVID-19 pandemic, with plans for the platform to go global.<sup>434</sup>
- Singapore's Islamic Religious Council (MUIS) utilized its MuslimSG app and website to schedule 8,750 prayer slots at 65 mosques during Eid Al Adha.<sup>435</sup>



# Operational Developments

## Live events have gone online.

More virtual events, lectures, and festivals were held online due to COVID-19. ✨

- With industry trade events canceled because of the pandemic, the first global virtual halal exhibition, iHalalExpo, promoted by SMIIC, was launched in April 2020 in partnership with Singapore-based tech company, CollabDeen.<sup>436</sup> The SaaS-based and AI-powered community collaboration platform will also be running Callithon, the world's first Arabic calligraphy competition, on its platform.<sup>437</sup>
- The US-based Center for Global Muslim Life held its first film festival online during the pandemic. The Global Muslim Virtual Film Festival featured 50 films and attracted viewers in 90 countries.<sup>438</sup>

- With mosques closed worldwide due to COVID-19, scholars and imams held lectures and webinars online. In the USA, the Muslim American Society (MAS) hosted a daily webinar during the pandemic.<sup>439</sup>

- The Abu Dhabi Music and Arts Foundation (Admaf) rescheduled the Abu Dhabi Festival and held it online during Ramadan, featuring live streaming of music.<sup>440</sup>
- Numerous festivals have been canceled due to COVID-19, including the inaugural Red Sea Film Festival in Saudi Arabia and Qatar's Qumra Festival.<sup>441</sup>

Muslim-themed knowledge and educational platforms are gaining traction, with new initiatives being developed.

- A two-day Islamic Education in the 21st Century hackathon was held in London by local organizations Muslamic Makers and Deen Developers, to connect Muslim technologists and develop new apps. Beta versions of To-Deed, a spiritual behavior tracker, IImEvents, an Islamic events app, and Mosq, which connects clerics, scholars, and laypeople, were developed.<sup>442</sup>
- US-based Yaqeen Institute for Islamic Research adapted and increased its online content during COVID-19, including infographics, videos, and lectures about Islam. A 36-book collection, "Faith in the Time of Coronavirus," was also released. The think-tank's website activity tripled during the first few months of the pandemic.<sup>443</sup>

# National/Trade Developments

## Governments have supported the severely impacted media industry and launched new programming to reach out to Muslims spending a subdued Ramadan under lockdown.

Governments have provided financial support to the entertainment industry to weather the economic impact of the pandemic. ✨

- The UAE's National Creative Relief Programme provided grants to SMEs in the creative industry during the pandemic.<sup>444</sup> To keep some \$100 million in film production going at Abu Dhabi's media hub twofour54, the Abu Dhabi Film Commission and the National Media Council provided strategic support to 115 out of 550 companies.<sup>445</sup>
- Turkey's Ministry of Culture created legislation to support local and foreign film production, including financial support for TV series if broadcasting rights are sold to three continents and 10 different countries.<sup>446</sup>

Government entities and broadcasters launched Muslim-themed content for Ramadan during the pandemic.

- Singapore's Islamic Religious Council (MUIS) launched SalamSG TV on YouTube for Muslims spending Ramadan under lockdown, with programming on Islamic knowledge broadcast in English, Tamil, Bengali, and Malay languages.<sup>447</sup>
- UK national broadcaster, the BBC, launched weekly radio broadcasts of Islamic prayers and reflections during Ramadan.<sup>448</sup>



## Saudi Arabia has stepped up investments in the media sector at home and abroad.

- Saudi Arabia's sovereign wealth fund, PIF, acquired depressed assets during the COVID-19 pandemic, buying \$500 million in shares at Walt Disney, a \$522 million stake in Facebook, and invested \$416 million for a 5% stake in Live Nation, a music events company.<sup>449</sup>
- Saudi Arabia's Ministry of Culture created 11 new commissions to develop the sector, including the Saudi Film Commission, the Theater and Performing Arts Authority, the Visual Arts Authority, and the Architecture and Design Authority.<sup>450</sup>





## Ecosystem Developments

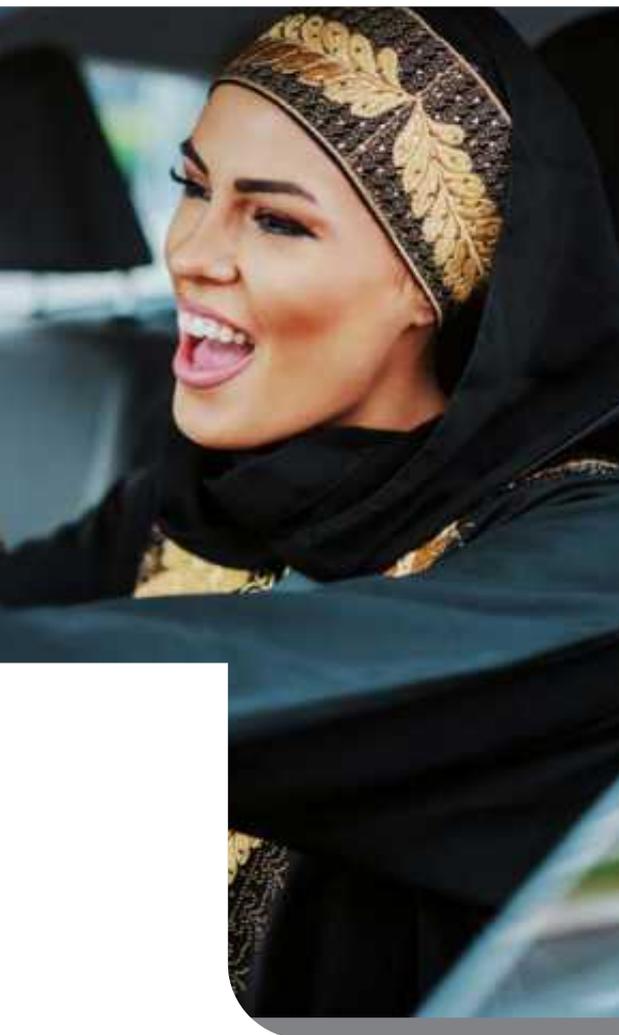
### Governments are tightening regulations as more media and programming moves online.

Turkey amended broadcasting laws and provided financial support to bolster film production.

- Turkey issued new online broadcasting rules to heighten government oversight of internet content. Over 600 companies, including Netflix and local streaming platforms Puhu TV and Blu TV, re-applied for licenses.<sup>451</sup>
- Turkey hopes its historical TV series (known as dizi in Turkish), watched by over 500 million viewers, will generate up to \$1 billion in exports by 2023. However, it faces obstacles in key Arab markets after Saudi Arabia's MBC canceled six series at a cost of \$25 million in 2018.<sup>452</sup>

TV channels, influencers, and social media platforms have to follow stringent governmental regulations in key markets to comply with content requirements.

- Malaysia amended laws requiring video producers to obtain licenses through the National Film Development Corporation.<sup>453</sup>
- Turkey passed a law giving the government enhanced powers to regulate social media content and now requires providers to store data in the country.<sup>454</sup>
- Egypt convicted five social media influencers for posting footage that violated social values on video-sharing app TikTok.<sup>455</sup>
- Peace TV and Peace TV Urdu, run by preacher Zakir Naik, was fined \$393,000 by British media watchdog Ofcom for allegedly broadcasting hate speech.<sup>456</sup>



## Social Impact Developments

### In an increasingly conflict-ridden world, media companies are taking action to make a difference.

There have been heightened efforts to counter Islamophobia and promote tolerance through the launch of TV shows and video games.

- Islamic Relief UK launched a gaming app, Virtue Reality, to teach young people about the charity's development projects in 40 countries and to address negative portrayals of Muslims.<sup>457</sup>
- US non-profit channel Jewish Broadcasting Service (JBS) aired a special TV series during Ramadan, "30 Faces of Islam for the 30 Days," hosted by Rabbi Marc Schneier. The network has more than 40 million cable subscribers.<sup>458</sup>
- Saudi Arabia's MBC network's controversial show Um Haroun, about a Jewish nurse living harmoniously in Kuwait in the 1940s, was one of the most-watched TV series in the Middle East during Ramadan.<sup>459</sup>

Along with governments, media companies have also stepped up to provide support to the media sector. ✨

- The Middle Eastern music platform Anghami earmarked \$3 million in grants and advertising support for small businesses and independent artists during the COVID-19 pandemic.<sup>460</sup>



For the latest articles on Islamic-themed media & entertainment on Salaam Gateway, scan/click this QR code.





# Signals Of Opportunity

The pandemic has pushed demand for online media to sky-high levels, opening up new opportunities for online content.

## ◆ Global streaming platforms are sourcing more localized content.

Platforms are diversifying content by sourcing original productions from countries that have generally been overlooked as content providers, indicating a growing interest in global stories. Netflix will make the six Saudi films it bought from Saudi startup Telfaz11 available in 190 countries.

## ◆ Saudi Arabia is investing heavily in building its media and culture.

COVID-19 notwithstanding, Saudi Arabia has continued implementing its Vision 2030 strategy for the recreation sector. As the media sector develops, the country will attract both domestic players and those from abroad.

## ◆ Everyday life has moved online because of COVID-19, with Muslim-themed education and culture building a greater presence online. ✨

E-learning and culture-based programming was moving online before the pandemic but was given renewed focus as both adults and children stayed home, presenting opportunities for an even bigger online push as part of the 'new normal.' Governments, organizations, and the clergy have effectively utilized technology during the pandemic, with lectures, film festivals, and virtual iftars occurring online. Apps have also been used to book prayer slots at mosques.

## ◆ Muslim-themed characters and TV series are global hits.

Muslim characters are becoming more prevalent in mainstream entertainment. The popularity of Turkish TV series (dizi) worldwide, with some half a billion viewers, signals the growing consumer base for big-budget entertainment that reflects Muslim history and culture.

## ◆ Mobile app releases reflect global digitalization trends.

Apps have been launched across the Muslim-themed entertainment space, from children's cartoons to virtual reality trips to Mecca — yet there is a large market that is still not being catered to.





# Strategic Considerations by Stakeholder

## Overview

With millions of people confined to their homes, online media consumption has skyrocketed. Islamic-themed programming was already on the rise, but the past year has seen several new launches, providing Muslim consumers with various engaging media options. Yet, with a young, increasing population, there cannot be too many choices. With the extensive investments and infrastructure that media production requires, partnerships between public and private players are needed to grow this sector, especially in the pandemic era.

## Investors

**By investing in Muslim-themed entertainment and streaming platforms, there are substantial opportunities to generate returns.**

**+** **Opportunity 1:** There is an unmet demand for Muslim-themed streaming platforms that are more globalized than localized.

A streaming platform reflecting global Muslim culture and linguistic diversity has not yet been developed, with current players more nationally or regionally focused. There are significant opportunities to emulate the model of Netflix and other streaming platforms through globalizing content.

**Developments:** Malaysia is to launch Nurflix, a Shariah-compliant streaming platform, in 2021.<sup>461</sup>

**Analogs:** Christian-themed TV channels in the USA bought third-party content to widen the viewership base.<sup>462</sup>

**Potential Outcomes by 2030:** Multiple global Muslim-themed streaming platforms have emerged catering to over 1.9 billion Muslims.

**+** **Opportunity 2:** Muslim-themed TV series and feature films that appeal to an international audience are needed.

TV networks and streaming platforms are diversifying content by buying shows and films worldwide, particularly from overlooked markets, signifying a growing market for international production. Investors can capitalize on the increasing popularity of Turkey's Muslim-themed TV series.

**Developments:** The Urdu version of the Turkish series *Diriliş: Ertuğrul* was watched by 133 million people on state-run Pakistan TV and YouTube.<sup>463</sup>

**Analogs:** Netflix is allocating most of its \$17 bn content budget to self-produced or original third-party productions, particularly in Africa.<sup>464</sup>

**Potential Outcomes by 2030:** Muslim-themed entertainment is widely available on all global streaming platforms.

**-** **Challenge 1:** The streaming platform market has become highly competitive.

Muslim-themed and regional streaming platforms have struggled to gain scalability and a global presence in a highly competitive market that requires major investment.

**Risk:** Muslim-themed streaming platforms have limited appeal, with mainstream platforms squeezing out smaller players.

*“Turkish TV series Ertugrul is the clean Game of Thrones, and it makes me proud to be a Muslim, which is why it became so popular. There were more viewers of the show in Pakistan than Turkey.”*

— ZEENA ALKURDI, DIRECTOR OF MARKETING AT THE YAQEN INSTITUTE FOR ISLAMIC RESEARCH



*“Muslim streaming platforms need dramas and TV series. It can’t just be faith heavy and documentaries. Telenovelas from Mexico, Turkey, and Brazil have been so popular because they tell universal stories. There’s not enough content like that.”*

— MUSTAFA DUSTIN CRAUN, FOUNDER OF THE CENTER FOR GLOBAL MUSLIM LIFE AND THE GLOBAL MUSLIM FILM FESTIVAL



## Government

### Industry development can be supported by governments through financial packages and policy

**+** **Opportunity 1:** As media consumption rises, opportunities lie in local media production geared for export.

To compete at a global level, governments can support media production through grants and financial support, with conditions that programs are exported to multiple markets, as Turkey has done for its burgeoning TV series market.

**Developments:** Turkey’s Ministry of Culture created legislation to support local TV and film production.<sup>465</sup>

**Analogs:** European countries provided tax relief and financial support for the media industry to offset the impact of COVID-19.<sup>466</sup>

**Potential Outcomes by 2030:** A multi-billion-dollar TV industry exporting content worldwide has emerged.

**+** **Opportunity 2:** A pan-Islamic TV channel with global reach is needed.

Launching a pan-Islamic channel in English and other major languages that covers news, lifestyle, religion, and entertainment will help attract and retain a broad audience.

**Developments:** Pakistan, Turkey, and Malaysia announced plans to establish a joint TV channel.<sup>467</sup>

**Analogs:** Latin American news channel TeleSUR, established in 2005, is funded by several governments.<sup>468</sup>

**Potential Outcomes by 2030:** Multiple global pan-Islamic TV channels are available.

**+** **Challenge 1:** Political tensions between OIC countries could undermine mass-market appeal.

TV series and channels have had key consumer markets cut off due to political divisions impacting potential revenue streams.

**Risk:** Productions and pan-Islamic TV channels’ scalability is hobbled due to market barriers.



# Businesses

## There are significant opportunities to develop localized and regional content that also has global appeal.

### **+** **Opportunity 1:** Online audiences are looking for a universal story.

With online viewership increasing, businesses can adapt content for global and specific audiences through translations and dubbing. Translating back catalogs and archives can help boost available content.

**Developments:** The Yaqeen Institute for Islamic Studies released new online content and translations into Arabic, Malay, and Turkish to appeal to more users.<sup>469</sup>

**Analogs:** Cloud-based media localizer ZOO Digital increased dubbing of back catalogs as new productions slowed due to COVID-19 restrictions.<sup>470</sup>

**Potential Outcomes by 2030:** Muslim-themed online content is available in all major languages.

### **+** **Opportunity 2:** Virtual reality and app games have become even more popular as consumers stay at home.

With the world increasingly digitally connected, there is a need to develop games and virtual and augmented reality apps that cater to Muslim lifestyles and entertainment. The majority of games are in English, with substantial opportunities to create localized content.

**Developments:** Pakistan's Lubbaik VR and Germany's Muslim 3D developed virtual reality simulators for hajj and umrah.<sup>471</sup>

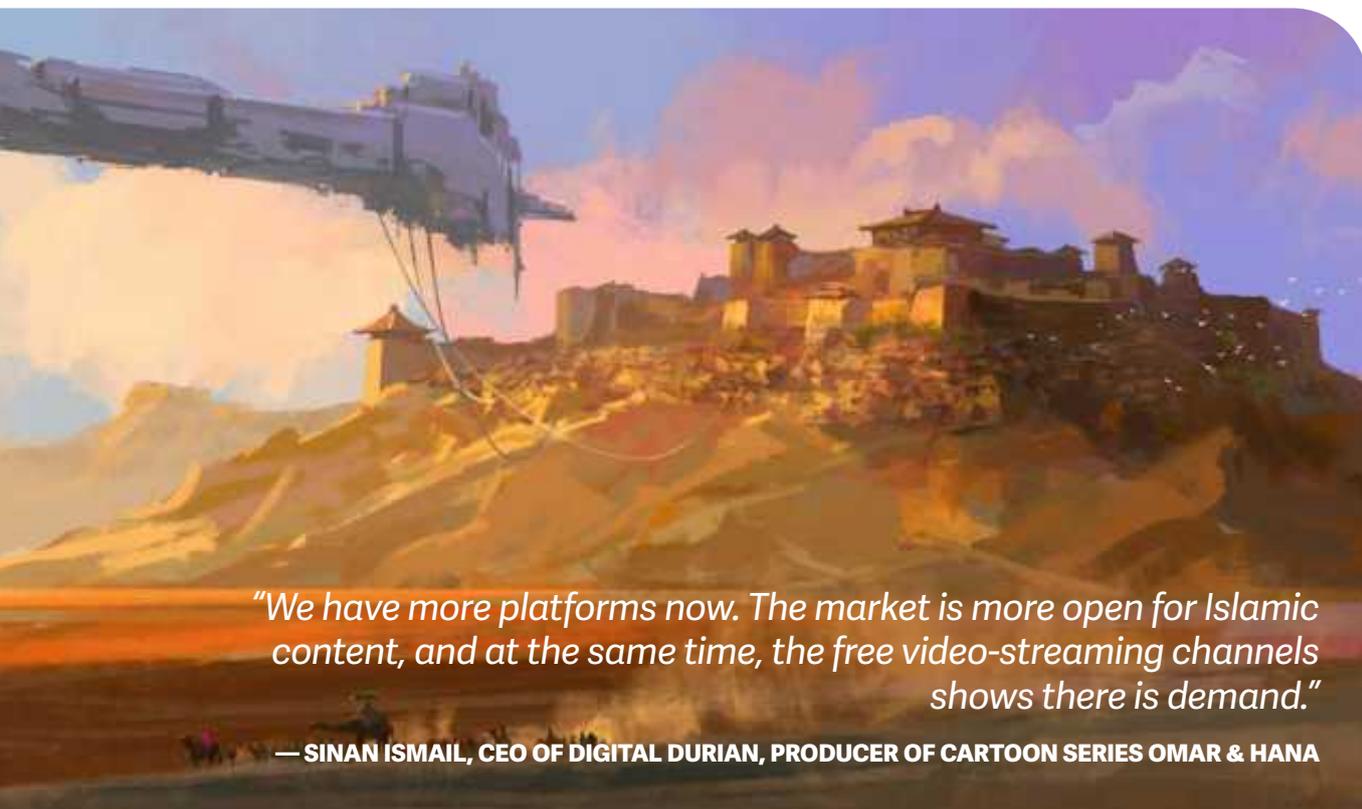
**Analogs:** Arabic language app games are growing in popularity, reflecting global sales trends.<sup>472</sup>

**Potential Outcomes by 2030:** Gaming and virtual reality apps are used by millions of Muslims.

### **+** **Challenge 1:** Small production houses and games developers face budgetary constraints to achieve scalability.

Developing globally competitive titles requires significant investment, while return on investment may be hindered by low purchasing power in many markets.

**Risk:** Localized content remains small, with few global breakout apps and games.



*"We have more platforms now. The market is more open for Islamic content, and at the same time, the free video-streaming channels shows there is demand."*

— SINAN ISMAIL, CEO OF DIGITAL DURIAN, PRODUCER OF CARTOON SERIES OMAR & HANA







# Technology Case Study: Islamic-Themed Animation

While the COVID-19 crisis affected countries differently, the impact on education has been consistent worldwide, with temporary school closures impacting over 60% of the world's student population.<sup>473</sup>

One of the issues with home-based schooling and quarantine has been the need to keep children entertained with safe and family-friendly entertainment.

Several mainstream media channels have worked towards solving this problem, such as Amazon creating a selection of around 40 family-friendly programs for children that are

available for free on Prime Video. Likewise, the demand for safe and Islamic-themed entertainment for children is also rising, as companies realize the potential of this market. Several players are also emerging in the Islamic-themed animation market.



## Case Study: Omar & Hana, Malaysia

Omar & Hana is an Islamic-themed children’s animated series co-produced by Digital Durian and Astro in Malaysia. Their core purpose is to impart Islamic morals and family values through adventures with their parents, teachers, friends, neighbors, and some Muslim influencers.

Omar & Hana was established in 2016, and they launched their first song entitled “Alhamdulillah” in March 2017, which attracted around one million views within two weeks. Since then, Omar & Hana have continued to upload more songs and were trending on YouTube throughout Ramadan. Currently, Omar & Hana have close

to 3.6 million subscribers and 1.5 billion views on their Malay YouTube channel, 50% of which are from Indonesia.

In July 2018, Omar & Hana launched their English YouTube channel, which currently has about 500,000 global subscribers and 171 million views.

### GLOBAL BENCHMARKS

#### Sesame Street

Sesame Workshop introduced the ‘Caring for Each Other’ initiative to help parents and children during the COVID-19 pandemic. It consists of an animated series in 19 languages.

#### Daniel Tiger’s Neighborhood

Daniel Tiger’s Neighborhood is an Emmy award-winning American-Canadian animated series targeted at preschool-aged children. Available on Amazon Prime and CBeebies channels around the world, the show uses ‘strategy songs’ to help children build emotional intelligence, kindness, and respect for others.

### OPPORTUNITY ADDRESSED

There is an increasing demand from the Muslim community for safe and Islamic values-driven content for children. The Omar & Hana series fills this gap in the market and provides children and parents with safe and high-quality Disney-like cartoons that convey Islamic values in a fun and entertaining way.

### COMPANY TRAJECTORY

Omar & Hana launched their interactive app this year on Google Play and App Store, gaining a total of 22,000 downloads.

The three-year journey of Omar & Hana has shown tremendous growth internationally, collaborating with Muslim influencers like Mufti Menk, Zain Bhika, and Omar Regan. The series was also nominated as one of the top five best preschool programs at the Asian Television Award in 2019.

Omar & Hana have global viewers from Indonesia, the UK, the USA, India, Pakistan, the UAE, South Africa, and many more. Omar & Hana aim to penetrate more regions and become the number one Islamic animation series in the world by 2023.

During the Eid Al-Adha festival this year, the series was dubbed into Arabic, with dubbing into four other languages—Turkish, Urdu, Russian and French—planned by 2021.

As new content is released every year, Omar & Hana plans to commercialize its intellectual property through licensing and merchandising in the targeted penetration regions.

### KEY TAKEAWAYS

- Omar & Hana animation represents a successful case of Islamic-themed animation, learning from mainstream market leaders to address the unique needs of Muslim consumers.
- There is high potential for building and commercializing intellectual property around Islamic-themed animation and apps.



# Gen Z Perspective

## ON ISLAMIC-THEMED MEDIA & ENTERTAINMENT

### VIEWS ON ISLAMIC THEMED MEDIA

Islamic-themed media is a good thing, but it often lacks innovation. Gen Zs are an important target for advertisers since communication is faster over social media.

**Tamsir Lo & Idy Lo (Senegal)**

The challenge facing Muslim society is not disparaging “corruptive entertainment” but making sure that alternative Islamic entertainment is available to Muslims, like calligraphy, Islamic art and design, Nashid songs in Malaysia, and the development of films and other Islamic aesthetic products.

**Sameea Rahat (UK)**

To me, Islamic-themed media is media and entertainment that upholds Islamic values and presents Islamic history. Gen Zs are an easy and vital main target for brands, who can learn a lot about them through social media.

**Mohammed Turq (India)**

I believe Gen Zs are the main target demographic for advertisers because we are the leading generation. We are heavily involved, highly opinionated, and above all, our word is contagious. When an influencer likes something, their followers are bound to give it a shot because they trust us.

**Faisal Shahid (USA)**

Islamic-themed media includes the Quran, documentaries about Islam, and stories for kids and adults.

**I BELIEVE GEN Z IS  
THE MAIN TARGET  
DEMOGRAPHIC  
FOR ADVERTISERS  
BECAUSE THEY  
ARE THE FUTURE  
AND QUICK AT  
DECISION-MAKING.**

**Abdulla Ahmad Bin Kalban (UAE)**

### SOCIAL MEDIA HABITS

We mostly use Instagram to share Islamic knowledge. We use the Quran Majeed app that provides a French translation as well.

**Tamsir Lo & Idy Lo (Senegal)**

I mostly use WhatsApp, Instagram, and Facebook. These provide me access to a wider audience. I do not watch soap operas at present as I am very busy with studies and my passion for Islamic art. Some useful Islamic apps that I use are Mushif Madina and Islam360.

**Sameea Rahat (UK)**

I use Instagram and YouTube the most. TikTok would be next on the list. I use these mediums to not just further my brand and share my art/content, but also to stay up-to-date with current events and societal issues. I use Quran Pro to read the Quran.

**Faisal Shahid (USA)**

I mostly use Instagram and Snapchat. I don't watch Islamic shows, but sometimes I listen to the radio (channel 93.9). They play nasheeds and they have other good Islamic content to share.

**Abdulla Ahmad Bin Kalban (UAE)**

**I MOST COMMONLY  
USE INSTAGRAM FOR  
MY ARTISTIC WORK.**

**I also use the Quran Majeed and Qibla finder apps. My favorite Islamic series is Diriliş: Ertuğrul, as it portrays the history of Islam in the best way.**

**Mohammed Turq (India)**



# SPENDING HABITS

We don't spend anything on Islamic media or apps; however, some great free apps are very useful.

**Tamsir Lo & Idy Lo (Senegal)**

I follow podcasts from Onepath network and some YouTube channels and Instagram pages. I spend around 200-350 INR (\$3) a month on Islamic-themed books and exhibitions.

**Mohammed Turq (India)**

I don't spend anything on Islamic media or apps, but I follow @muslim on Instagram, among others.

**Faisal Shahid (USA)**

I don't spend much on any Islamic-related apps or exhibitions. I use the Salatuk app to track prayer timings and directions.

**Abdulla Ahmad Bin Kalban (UAE)**

## I SPEND £15-25 (\$20-32) A MONTH ON ISLAMIC MUSIC/NASHEED.

**Sameea Rahat (UK)**



# CHALLENGES

## WE DO FEEL THAT THERE IS A LACK OF ISLAMIC CONTENT IN SENEGAL, AND WE WOULD LIKE TO SEE MORE OF IT.

**Tamsir Lo & Idy Lo (Senegal)**

I am not sure as I spend most of my time on Islamic art and calligraphy and find the apps that I currently use quite useful.

**Sameea Rahat (UK)**

I live in Kerala and don't feel like there is any lack of Islamic content here.

**Mohammed Turq (India)**

There is a lack of Islamic content in the US, but not a lack of Islamic content creators. Being one myself, I can say there are many creative and talented people in the Muslim

community who genuinely have a passion for art and want to deliver Islamic content. The issue? Unlike the "real world," our community does not respect or value its creatives, which makes it difficult for us to fund our ideas, let alone make a living from it.

**Faisal Shahid (USA)**

It makes me feel bad because a lot of people are trying to leverage Islamic content, but they are not yet reaching the level of other mainstream media content.

**Abdulla Ahmad Bin Kalban (UAE)**

# MY SUGGESTION

I would like to see modern spaces available to us, where we can shoot videos more professionally to better spread the message of Islam and grab more people's interest.

**Tamsir Lo & Idy Lo (Senegal)**

We should have a wide variety of choices available for Islamic media and recreation.

**Sameea Rahat (UK)**

Provide more Islamic TV shows or podcasts for children and the public to learn Islamic values and remove any misconceptions.

**Mohammed Turq (India)**

Proper funding for Muslim creators' ideas. And to be respected and valued for our work when asked to perform or deliver, meaning proper compensation.

**Faisal Shahid (USA)**

I would like to see more recreations of the stories of Islam for kids.

**Abdulla Ahmad Bin Kalban (UAE)**



# Acknowledgments



## PRODUCED BY:

### DinarStandard

DinarStandard™ is a growth strategy research and execution management firm, empowering organizations for profitable and responsible global impact. DinarStandard specializes in the global halal/ethical economy, government innovation, and the social impact space. Since 2008, DinarStandard has supported over 30 government entities, investment institutions, industry leaders, and multi-laterals from over 12 countries worldwide. Its unique value-proposition is rooted in delivering original facts and foresight-driven client impact grounded in excellence and ethics.

[dinarstandard.com](http://dinarstandard.com)

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الاقتصاد الإسلامي  
DUBAI ISLAMIC ECONOMY  
DEVELOPMENT CENTRE

The Dubai Islamic Economy Development Centre (DIEDC) was established in 2013 to make Dubai the 'Capital of the Islamic Economy,' as envisioned by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai.

The DIEDC is equipped with the financial, administrative, and legal tools to promote economic activities compatible with Islamic law in Dubai's goods and financial services sector, as well as the non-financial sector. In this capacity, it conducts research and specialist studies to determine Shariah-compliant activity contribution to the emirate's gross domestic product and explore how to extend this contribution to boost the economy. The DIEDC is also mandated to create new products and lines of service to law firms specializing in finance structuring.

[iedcdubai.ae](http://iedcdubai.ae)

## IN PARTNERSHIP WITH:



Launched in October 2015, Salaam Gateway (SG) is the world's leading news and insights platform on the global Islamic economy. It covers Islamic finance, halal, and Islamic lifestyle sectors, with an eye on the key producer and consumer markets. It is for professionals, business owners, decision-makers, and policy-makers who operate in fast-changing socio-economic environments and want reliable and accurate news, insights, data, and intelligence to inform their next moves.

[salaamgateway.com](http://salaamgateway.com)

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### gould studio

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[gouldstudio.com](http://gouldstudio.com)



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*We would also like to thank all the Industry experts interviewed for this Report, as referenced in the Methodology section.*

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# Report Purpose and Methodology

## Context

The 57 OIC (Organization of Islamic Cooperation) countries of the world represent close to 15% of global GDP (PPP). Furthermore, Muslims in total represent a 1.9 billion population, growing at a faster pace than the overall global population and containing some of the fastest-growing global economies.

The influence of the Islamic economy stretches beyond the OIC countries as more than 500 million Muslims reside as minorities in many nations. All over the world, this fast-growing and relatively young population of Muslims is increasingly asserting its Islamic sensitivities in the marketplace across lifestyle products.

## Purpose

The purpose of the State of the Global Islamic Economy Report is to inspire and empower business leaders, entrepreneurs, government officials, and industry bodies to evaluate and develop an actionable, practical, and high-impact market strategy focused on the global Islamic economy.

The 2020-21 State of the Global Islamic Economy report presents the continued momentum of the global Islamic economy, highlighting progress made during the past year, taking the pulse of its fast-growing and young demographic, understanding the impact of the COVID-19 pandemic and changes to global trade flow and, most importantly, looks to future growth challenges and opportunities.

## Report Methodology

### Approach

In addressing its purpose, the report incorporates a top-down and bottom-up approach.

This includes:

(1) Primary research and frameworks used to ensure a comprehensive understanding of developments, issues, and opportunities, supplemented by extensive secondary research

### PRIMARY RESEARCH

Original research of halal products, lifestyle, and Islamic finance market developments was conducted by leveraging the services of on-the-ground analysts from each global region and gathering insights from 52 expert interviews (shared on the right).

### SECONDARY RESEARCH AND PROPRIETARY FRAMEWORKS

A range of sources have been used for evaluating related sector developments, including but not limited to SalaamGateway.com, international news sites (over 450 stories analyzed and referenced in the report), multi-lateral agency databases (UN, World Bank, IMF), and company websites, supplemented by the extensive project-based sector knowledge developed by DinarStandard.

The report presents sector-level opportunities and challenges that also leverage DinarStandard's insights gained through related consulting engagements and sector-specific research expertise.

## INTERVIEWS AND FOCUS GROUP DISCUSSIONS

### Halal Food

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**Asma Ahad**, Director of Halal Market Development, IFANCA  
**Diana Sabrain**, Founder, OneAgrix  
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**Muhammad Zubair Mughal**, CEO, Halal Research Council  
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**Navneet Kumar**, Food Safety & Quality Auditor, Gulf Processing Industries LLC  
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### Travel

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**Kevin Czok and Gregor Amon**, Managing Partners, Hotel Data Cloud  
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### Modest Fashion

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**Fatinah Khairy**, MD, Hafizah Ghazali Collection and Hafizah Ghazali, CEO, Hafizah Ghazali Collection  
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**Rozi Osman**, Halal Pharma Consultant  
**Shoeeb Riaz**, Operations Director, The Halal Trust  
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## Halal Cosmetics

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**Dr. James Noh**, President, Korea Institute of Halal Industries  
**Nour Khalife**, CEO, and **Jolie Nubani**, CMO, Co-Founders of SHADE M BEAUTY  
**Rachid Laarar**, Founder, Beautylope Pure & Vegan Halal Cosmetics  
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**Nida Khan**, Creative Director, Yaqeen Institute for Islamic Research  
**Zeena AlKurdi**, Director of Marketing, Yaqeen Institute for Islamic Research  
**Sinan Ismail**, CEO of Digital Durian

(2) Universe market sizing: The value of Muslim consumer spending across lifestyle sectors by country was developed by applying proprietary Muslim socio-demographic multiplier to global sector-level market sizing data.

## UNIVERSE MARKET SIZING METHODOLOGY OVERVIEW

	Key Steps in Calculation (Summary)	Key External Sources
<b>1. Global lifestyle spend by sector (excl. Finance), \$B</b>		
<b>X</b>	<b>Comprises: (by country)</b> <ul style="list-style-type: none"> <li>▪ Food &amp; beverage</li> <li>▪ Footwear &amp; Clothing</li> <li>▪ Pharma &amp; Cosmetics</li> <li>▪ Media &amp; Recreation</li> </ul>	National databases: International Comparison Programs (2017 baseline), UN World Trade Organisation, World Bank, DS Analysis and estimations
<b>2. Muslim multiplier</b>		
<b>=</b>	<b>Based broadly on: (by country)</b> <ul style="list-style-type: none"> <li>▪ Muslim % of population</li> <li>▪ Relative income levels</li> <li>▪ Average family size</li> </ul>	Census data: DS Analysis and estimations

Overall, the Islamic economy sector estimates are based on the potential universe of opportunity and focused on its core audience of Muslim consumers globally. **This number does not represent the actual value of the global Islamic or halal-certified products economy, but more broadly, the total spend value that Muslims provide to the referenced sectors.** Islamic finance estimates are based on the ICD Refinitiv Islamic Finance Development Indicator (IFDI), with banking estimates baselined from central bank data, and assumes full regulatory support in the core Islamic finance markets (OIC countries) and 100% Muslim demographic penetration.

This year, consumer spend market sizing has been re-based utilizing updated International Comparison Program (ICP) data from the World Bank, released for the reference year 2017 in May 2020. **This resulted in an adjustment of previous years' estimates across three real-economy sectors — food, clothing and apparel, and media.** Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country, which are adjusted for income disparities. Projections were determined primarily by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, while also comparing these metrics against external estimates by national statistics agencies and global industry forecasts to triangulate historic and projected growth.

#### METRICS USED TO CALCULATE MUSLIM SPEND FOR INDIVIDUAL SECTORS:

Muslim market	Global spend metric, by country	Sources used
Muslim spend on food and beverage	Spend on food and non-alcoholic beverages	Baselined from the latest International Comparison Program values (2017), adjusted to more recent values from national statistics agencies and GDP shifts
Muslim spend on apparel and footwear	Spend on clothing and footwear	
Muslim spend on media and recreation	Spend on culture and recreation	
Muslim travel spend	Spend on outbound travel	2010-2018 World Bank data; UNWTO forecasts for the effects of COVID-19 on the number of arrivals to countries
Muslim spend on pharmaceutical and personal care products	Spend on pharmaceuticals and Cosmetics	National statistics agencies; industry associations

### (3) Investment research

An extensive list of investments made in the OIC and Islamic economy-specific investments outside the OIC over the period August 2018 to July 2020, covering the Food, Pharmaceuticals, Cosmetics, Islamic Finance, Media and Recreation, Apparel, and Travel sectors was compiled based on research carried out across multiple databases including Zephyr, CapitalIQ, and Crunchbase. This research was supplemented by DinarStandard's own research and a scan of subsequent transactions identified by Salaam Gateway and other news publications in August 2019.

Investments analyzed include mergers/acquisitions, private equity, and venture capital transactions. Where the nature of investment wasn't clear, deal values above

\$15 million were assumed to be private equity transactions based on trends observed in previous years' data, while those with deal values between \$500,000 and \$15 million were assumed to be venture capital transactions.

Financial services companies operating in both conventional and Islamic finance were also assumed to belong to the Islamic finance category.

The scope of comparison has been altered from the previous year's report to widen the net and capture all relevant sector transactions to gain a more nuanced view of investments in the broader sector.

# Global Islamic Economy Indicator Methodology

In its eighth year, the purpose of the GIEI is to benchmark the leading national ecosystems best able to support the development of Islamic economy business activity relative to their size. The GIEI is a composite weighted index that measures the overall development of the Islamic economic sectors across 81 key countries by assessing the performance of its parts in line with its broader social obligations. It comprises 49 metrics organized into four dimensions (financial, regulatory, awareness, social) for each of the seven sectors of the Islamic economy (Islamic finance, halal food, Muslim-friendly travel, modest fashion, media/recreation, halal pharmaceuticals/cosmetics).

To enhance the indicator as it moves towards its second decade, some changes are being introduced into the methodology. Indicator coverage has been extended from 73 to 81 countries. Eight countries have been added to the indicator, including Spain, Bosnia and Herzegovina, and Japan. The food exports to OIC countries metric have also been expanded to include total exports across 23 food sub-sector Harmonized Codes (HC), compared to 'meat and live animals' exports as the only sector that was considered earlier.

## Introduction

The GIEI is a global-level composite indicator with selected country and industry component-level indicators with the following objectives:

### GLOBAL INDICATOR LEVEL

- Present a single indicator to provide a pulse of the global Islamic economy's health and development
- Provide an indicator that is reliable and unbiased
- Provide a global view of the Islamic economic landscape
- Inform current and potential Islamic economy stakeholders and investors about the industry's performance

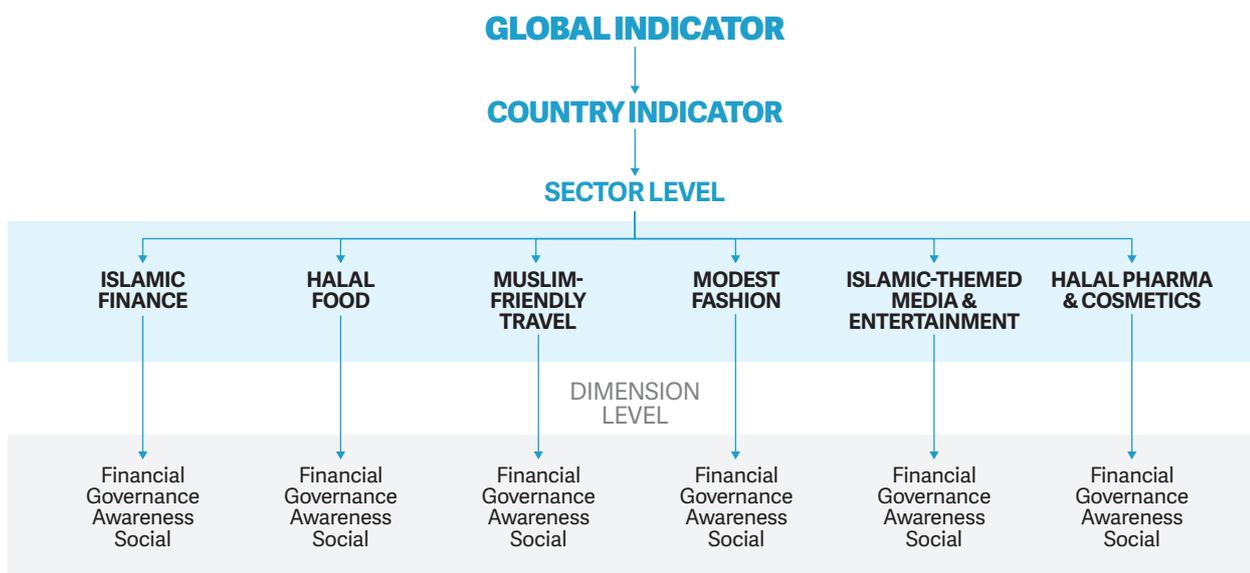
### COUNTRY INDICATOR LEVEL

- Assess the current state of the Islamic economy in each country
- Track changes over time and make comparisons between regions and countries

### SPECIFIC SECTOR LEVEL

- Measure the sector's health and development from various perspectives
- Enhance the sector's market transparency and efficiency

The sector indicator score is a product of numerous key sub-indicators underlining the industry. All components are fundamental to the development of the industry as a global business.



The GIEI is calculated by applying a weightage to each of the sector indicators. This weightage is the proportion of the sector's consumer spend when compared to the Islamic economy spend as a whole — Islamic finance and halal food have the highest weightage. Data used in the calculation of the indicator is from 2019 and does not account for the impact of COVID-19.

The different components that make up the indicator are selected based on an outline of the industry's key constituents as a whole and are based on critical contemporary issues including financial, governance, awareness & social developments. All are fundamentally important for the development of the industry as a global business.

## Data Collection

The data employed in the Global Islamic Economy Indicator when aggregating data and computing indicator values includes information that is publicly disclosed only. The employment of disclosed information ensures the reliability and consistency of the results.

## Indicator Calculation Methodology

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

- The absolute values should be adjusted or rationalized based on the overall size of the country/economy to ensure comparability among countries
- 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 sectors are based on the arithmetic means of their Sub-Indicators
- The Sub-Sectors are based on the sum of the metric values of their individual Metrics
- The Metric Value is designed to be aggregated to provide the Sub-Indicator Values

### For numerical values (\$ amounts) and numbers (e.g., number of seminars or conferences):

$$\text{Metric Value} = \frac{\text{Absolute Value}}{(\text{Scale Value} \times \text{Rationalizing Coefficient})} \times \frac{\text{Metric Weight}}{2}$$

### For percentage values (e.g., return on equity):

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

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

Metric Value = Metric Weight if YES, 0 if NO

**Scale Value** is the average for all absolute values for that metric (not including zeros). 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 a particular sub-indicators metrics 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:

$$\text{Metric Value} = \frac{100}{\text{Total Metrics within Sub-Indicator}}$$

The Rationalizing 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 the comparability of the indicator values across countries.

We have designed the Rationalizing Coefficient for comparing the relevant country size based on their GDP and population. These are compared to the median value for all countries so as not to be skewed by extreme values at both ends of the scale.

$$\text{Rationalizing Coefficient} = 1 + \frac{\left( \frac{\text{GDP} - \text{Median GDP}}{\text{Median GDP}}, \frac{\text{Population} - \text{Median Population}}{\text{Median Population}} \right)}{4}$$

# Universe

All OIC countries are included along with non-OIC countries that have a strong halal industry presence. A total of 81 countries are included. Countries in bold have been added for the first time this year:

## GCC (Gulf Corporation Council)

- Bahrain
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates

## Southeast Asia

- Brunei Darussalam
- Indonesia
- Malaysia
- Singapore
- Thailand

## South Asia

- Afghanistan
- Turkmenistan
- Bangladesh
- India
- Maldives
- Pakistan
- Sri Lanka

## Europe

- Albania
- France
- Germany
- Italy
- Turkey
- United Kingdom
- **Belgium**
- **Netherlands**
- **Bosnia and Herzegovina**
- **Spain**
- Russia

## Other MENA (Middle East & North Africa, Excluding GCC)

- Algeria
- Egypt
- Iran
- Iraq
- Jordan
- Lebanon
- Libya
- Mauritania
- Morocco
- Palestine
- Sudan
- Syria
- Tunisia
- Yemen

## Sub-Saharan Africa

- Benin
- Burkina Faso
- Cameroon
- Chad
- Comoros
- Djibouti
- Gabon
- Gambia
- Guinea
- Guinea-Bissau
- Ivory Coast
- Kenya
- Mali
- Mauritania
- Mozambique
- Niger
- Nigeria
- Senegal
- Sierra Leone
- Somalia
- South Africa
- Togo
- Uganda

## Others

- Australia
- Azerbaijan
- China
- Guyana
- Kazakhstan
- Kyrgyzstan
- Suriname
- Tajikistan
- United States
- Uzbekistan
- Canada
- **Philippines**
- **Japan**
- **South Korea**
- **Taiwan**

## Special Feature: Women Entrepreneurs

For the purpose of this feature, we shortlisted women founders and co-founders who were running an established business in any of the seven Islamic economy sectors featured in our report. The final selection is not exhaustive and was made with recent developments, unique business impact, social values, and geographical diversity in mind.

## Tech Case Studies

While screening companies for the case studies, we shortlisted innovative businesses with documented accomplishments in the form of funding raised and other notable successes such as sales growth or a rapidly growing customer base.

The primary requirement was that businesses meet one of the following criteria:

- 1) The company has an innovative business model that is underpinned by technology
- 2) The company has used technology to transform their customer experience

Companies selected were further filtered based on the business's relevance to recent developments in the respective Islamic economy sector, availability of information, and business location to ensure geographic diversity.

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