

Chapter 8

Prospects of Islamic Banking and Finance in Non–Muslim Majority Countries

Sara Ahmad

Cambridge IFA, UK

ABSTRACT

The present-day world is facing geo-political crises, climate change, and deepening disparity between the rich and poor. The average per capita GDP of developed countries is more than triple of average per capita GDP of developing countries. Moreover, statistics indicate 80 percent of wealth has accumulated in the hands of 10 percent of the wealthiest individuals, while the bottom 50 percent own only 2 percent. The resulting differences in living standards have been at the base of discontent and conflicts. On the other hand, the global financial AUM is estimated to be 128 trillion. Exploring further reveals that while 0.82 billion control nearly 100 trillion of AUM, the bottom half of people consisting of 4.1 billion people subsist on a mere 2.56 trillions of AUM. This financial disparity speaks of a financial system that prefers to facilitate the financially stronger entities and individuals to grow even more stronger by taking away from the financially weaker entities and individuals.

INTRODUCTION

The world in this anthropogenic era is faced with climate-change caused disasters, wars and a deepening gap between the rich and poor. The average per capita GDP of high-income countries is more than seven times the average per capita GDP

DOI: 10.4018/979-8-3373-6706-4.ch008

calculated for rest of the world. According to World Development Indicators for the year 2023—per capita GDP and income level, the average per capita GDP of 85 high income countries was estimated to be US\$47,487.05 and in comparison, the average for per capita GDP of rest of the countries was estimated to be US\$5628.103.

Further exploration reveals that although 0.82 billion people control nearly 100 trillion of AUM, the bottom half of the world's population, comprising 4.1 billion people, subsists on a mere 2.56 trillion AUM. This gap in the finances of the haves and the have-nots speaks of a system that is exploitative—taking money away from the poor and accumulating as wealth in the hands of a very few. The situation is a clarion call for a financial system that is not exploitative and helps to build a world that is socially and environmentally sustainable. Islamic finance in its clear stance against *riba* removes the possibility of exploitation and by enjoining social financing strengthens the society, community and the environment. (Global Islamic Finance Report, 2010)

In fact religious principles (*Shari'a*) of the three major religions Christianity, Islam and Judaism prohibit *riba* either through implicit injunctions as in Christianity or through explicit injunctions as in the case of Islam and Judaism. However, the conventional financial system, which has evolved over the last three centuries, employs interest as a necessary part of all financial transactions. Moreover, Islamic finance had a rebirth some fifty years ago and since then has been in phases of evolution and development. To the staunch Muslims who form about 20 percent of the demand, *Shari'a* principles form sufficient criteria for preference and this is the reason that Islamic finance has shown strong and stable growth indicators since its inception. In recent years Islamic finance has grown from a niche segment of the global financial industry to a mainstream financial industry taking up nearly a tenth of the global wealth. To grow further and for the world to benefit from this alternative financial system its prospects in non-Muslim majority countries need to be explored. The paper presents case studies of prospects of growth of Islamic finance in a few of these countries selected either on the base of their large populations or dominance in the global finances. Islamic finance though being an alien product in these countries is being promoted by employing several strategies. The top among these being to resolve regulatory barriers, modernizing by adopting FinTech solutions, and supporting the causes of UN's sustainable development goals (SDGs).

The present-day world is facing geopolitical crises, climate change, and a deepening disparity between the rich and poor. The average per capita gross domestic product (GDP) of developed countries is more than triple of average per capita GDP of developing countries (World Bank, 2023). Moreover, statistics indicate that 80% of wealth has accumulated in the hands of 10% of the wealthiest individuals, whereas the bottom 50% own only 2% (Oxfam International, September 2024). The resulting differences in living standards have been at the base of discontent and conflicts. On

44 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/prospects-of-islamic-banking-and-finance-in-non-muslim-majority-countries/388860

Related Content

Is It Practical to Utilize AI-Powered Chatbots in Halal Marketing Communications?

Muhammad Dharma Tuah Putra Nasution, Endang Sulistya Rini, Beby Karina Fawzeeza Sembiring Sembiring, Amlys Syahputra Silalahi and Cut Kesuma Pahlufi (2023). *Strategies and Applications of Islamic Entrepreneurship* (pp. 34-55). www.irma-international.org/chapter/is-it-practical-to-utilize-ai-powered-chatbots-in-halal-marketing-communications/331143

Exploring Bilingual Dynamics: Students' Perspectives in Islamic Studies Classrooms Across English and Arabic Medium International Schools

Syeda Rabia Tahir (2024). *International Journal of Contemporary Islamic Studies* (pp. 1-12). www.irma-international.org/article/exploring-bilingual-dynamics/360654

Exploring Bilingual Dynamics: Students' Perspectives in Islamic Studies Classrooms Across English and Arabic Medium International Schools

Syeda Rabia Tahir (2024). *International Journal of Contemporary Islamic Studies* (pp. 1-12). www.irma-international.org/article/exploring-bilingual-dynamics/360654

Social Reconstruction by Replacing Interest Rates with Trade Instruments

(2014). *Socio-Cybernetic Study of God and the World-System* (pp. 248-283). www.irma-international.org/chapter/social-reconstruction-by-replacing-interest-rates-with-trade-instruments/81151

Assessing the Level of Understanding of Non-Muslim Restaurant Operators Towards Halal

Lloyd David Feliciano (2025). *Implementing Halal Principles and Regulations in Business Governance* (pp. 323-344). www.irma-international.org/chapter/assessing-the-level-of-understanding-of-non-muslim-restaurant-operators-towards-halal/377440