

Islamic Banking And Finance To Keep Expanding Next Year

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KUALA LUMPUR, Dec 29 (Bernama) -- Despite the global financial crisis, Islamic banking and finance is expected to continue expanding next year, with Malaysia-based players ready to lead the pack regionally and internationally.

The flaws in conventional finance have created great interest in the Islamic financial model, and this provides the basis for the industry to sustain a period of strong growth for the rest of this decade.

Dubai-based Noor Investment Group chief executive officer, Hussain Al Qemzi, said the high level of infrastructure spending in both Asean and the Middle East offers Islamic finance an opportunity to establish itself strongly in the global financial market, especially with the eurozone crisis that has certainly depressed the European banks' appetite for financing infrastructure projects.

"Islamic finance has not stopped growing despite all the crises. I think 2012 would be a much better year especially in the sukuk market, which is expected to rebound once the issues in the Middle East have settled down," he told Bernama in an interview.

Malaysia is already one of the largest sukuk (Islamic bond) issuance centres in the world and has established Islamic finance institutions well governed by trusted bodies like the International Islamic Liquidity Management Corporation.

CIMB Islamic Bank Bhd chief executive officer Badlisyah Abdul Ghani was reported as saying a total of US\$25-US\$30 billion worth of new sukuk issuances are expected to be issued in Malaysia next year.

Meanwhile, Amanie Advisors Sdn Bhd, an Islamic finance consultancy, earlier said the Malaysian sukuk market will see more ringgit-denominated sukuk issuance by investors from Europe and Gulf Cooperation Council (GCC) countries next year.

Its director Baiza Bain said this would result in an increase of up to 67 per cent in Malaysia's contribution to global sukuk issuance.

Malaysia contributed 62.7 per cent, or US\$179.1 billion, to global sukuk issuance as of the first half of 2011 with Islamic banking assets worth RM389.3 billion as at end-July, 2011.

Baiza said the eurozone sovereign debt crisis, which is expected to deepen next year, would provide more opportunities for the local sukuk market, as it would be seen as an alternative.

Meanwhile, on the domestic front, the market share of Malaysia's Islamic banking assets of the total banking industry is expected to increase to 25 per cent next year.

Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz announced that the market share of Islamic banking assets of the total banking industry had grown from only 6.9 per cent in 2000 to 22 per cent in 2011.

She said the contribution of Islamic finance to the Malaysian economy had also been growing significantly, accounting for 2.1 per cent of the country's Gross Domestic Product in 2009, compared to only 0.3 per cent in 2000.

Zeti said greater liberalisation of the Islamic financial system had seen greater foreign presence and participation in Malaysia's Islamic financial system.

There had also been an increasing trend in foreign participation in the domestic Islamic banking and takaful industry, as well as the Islamic capital market, she said.

"Moving forward, Islamic financial institutions in Malaysia will also expand beyond national boundaries to increase economic and financial linkages with other parts of the world," she added.

To optimise the country's potential as a global Islamic financial market platform, the central bank will develop Malaysia as an international platform for the listing and trading of Shariah-compliant asset classes, according to the Financial Sector Blueprint 2011-2020 released recently.

Bank Negara said efforts would be focused on intensifying the internationalisation of Islamic finance.

Malaysia's expertise in Islamic banking and finance is recognised globally. The country is currently the major hub of Islamic finance accounting for nearly 63 per cent of Shariah-compliant debt sales globally.

Eight local banks were ranked in the top 50 in the Top 500 Islamic Financial Institutions 2011 Report recently.

The banks are Bank Rakyat (ranked 12th), Maybank Islamic (18th), CIMB Islamic Bank (22nd), Bank Islam Malaysia Bhd (24th), Public Bank Islamic Bhd (38th), AMMB Holdings (43rd), AmIslamic Bank Bhd (44th) and Bank Muamalat Malaysia Bhd (48th).

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