



Emerging Trends of Ijara in Promoting Islamic Finance

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Presentation Agenda

- Introduction
- Global Trends in Islamic Finance
- Liquidity problems in Islamic Financial Institutions
- Ijarah trend to promote Islamic Industry
- Conclusion



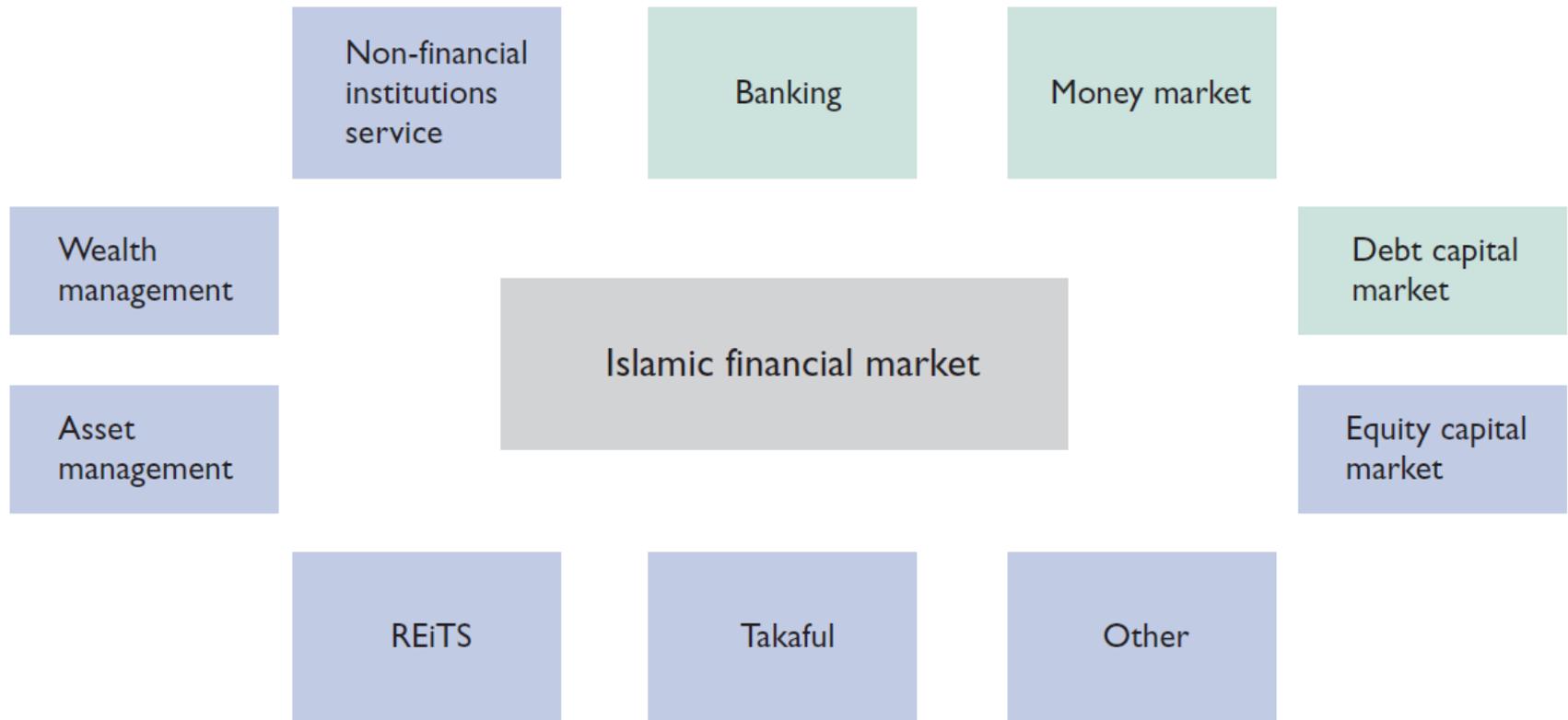
1.0 Introduction



- Islamic banking is the provision of financial services based on the ethical principles of Shari'ah. ...
- Ijarah Islamic finance technique used to finance the acquisition of assets on terms compliant with Sharia'ah.
- In an Ijara transaction, the financing party purchases property, equipment, or other asset desired by its client and then leases it to the client for a rental fee.
- Ijarah is one of the Islamic financial services which include deposit accounts, financing products, Islamic bonds (Sukuk), Takaful (Islamic insurance), Islamic Microfinance products, benevolent loans (Qard Hasan) etc



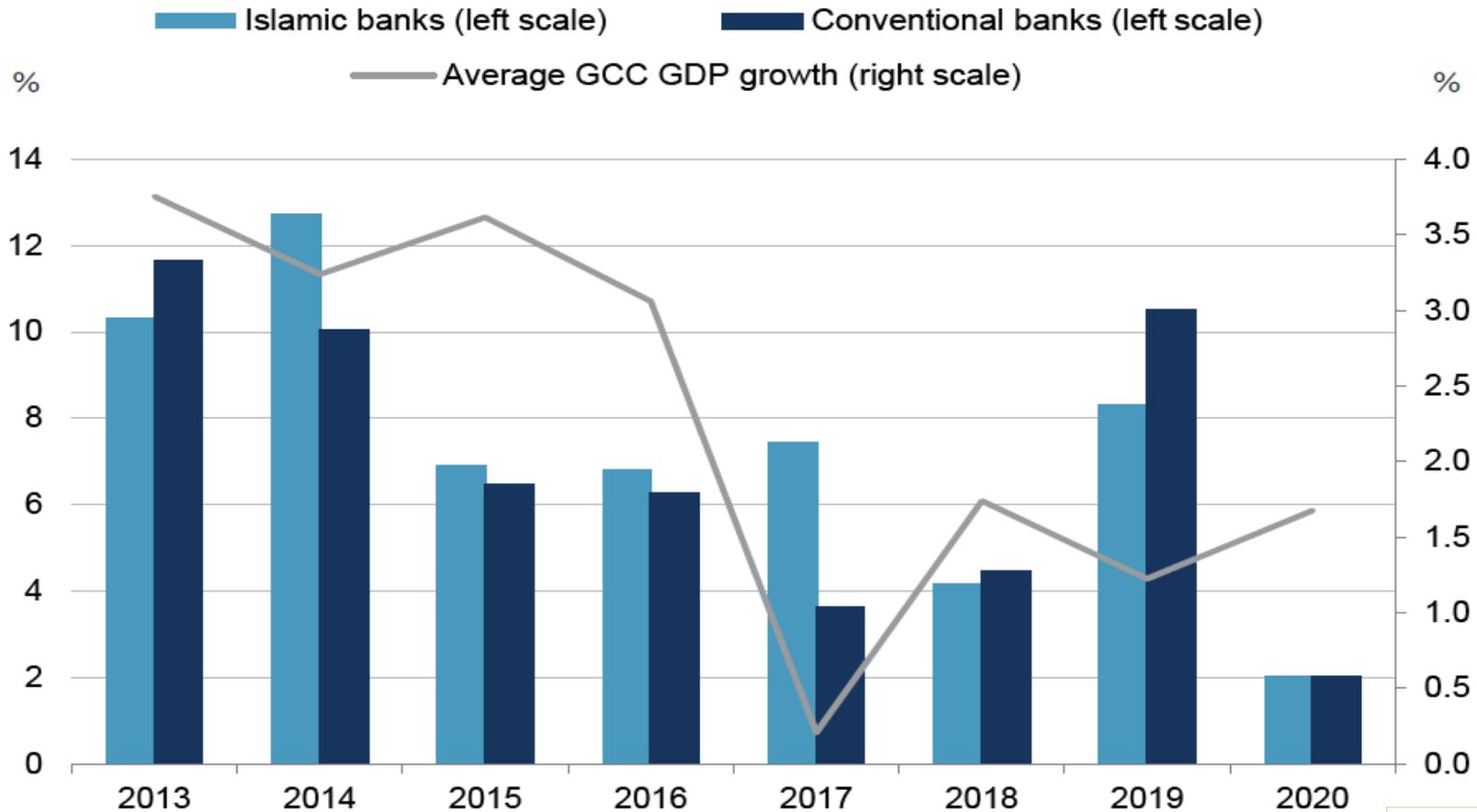
Components of Islamic Finance



2.0 Global Trends in Islamic Finance



Chart 1 - Asset Growth Comparison: GCC Islamic Vs. Conventional Banks (2013-2020)



2.0 The Role of Ijara



- The Islamic financial institutions seems to have suffered with many grouching why there; -
 - is not enough Islamic interbank lending
 - not enough bank's participation in the primary Sukuk issuances
 - why is there negligible sukuk secondary market
 - why is there not enough bilateral or syndicated financing by Islamic banks and many such other grouches



2.0 The Role of Ijara (Contd...)



- Therefore, Islamic financial institutions face huge liquidity problems as apart from the above, there is no Lender of Last Resort (LLR)
- This leave no options to Islamic financial institutions but to rely on Shari'ah compliant instruments for raising liquidity – Sukuk Issuance
- For year now, Sukuk issuance has been the only recourse for Islamic financial institutions liquidity management tool



3.0 Ijarah Trend to Promote Islamic Industry



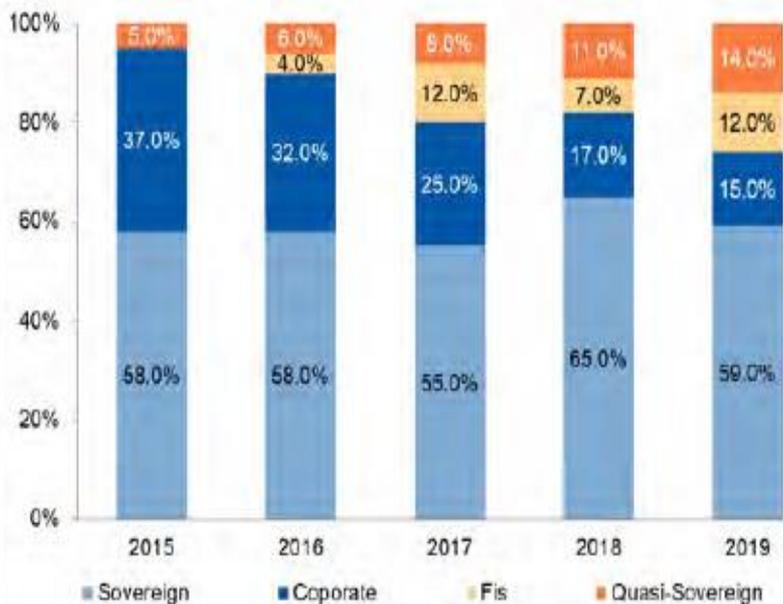
- Ijara is used in Sukuk issuance for raising of liquidity to fund various Islamic finance activities
- Together with Murabaha Sukuk, Ijara Sukuk is one of the major liquidity instruments hence contributing to Islamic finance industry
- Perhaps without Sukuk instruments, Islamic finance would not have been as it is today



3.0 Ijarah Trend to Promote Islamic Industry

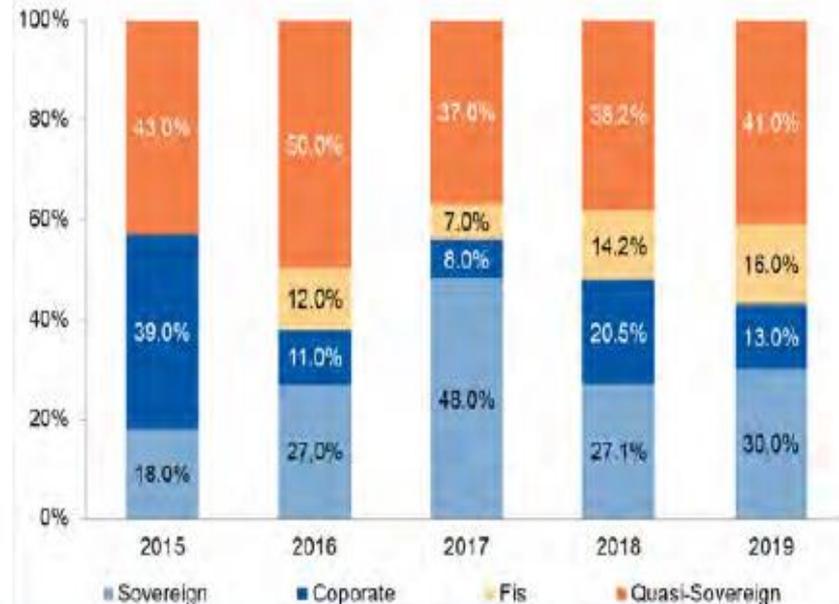


Exhibit 25: Domestic Issuances by Entity (2015-2019)



Source: IIFM Sukuk Report

Exhibit 26: International Issuances by Entity (2015-2019)



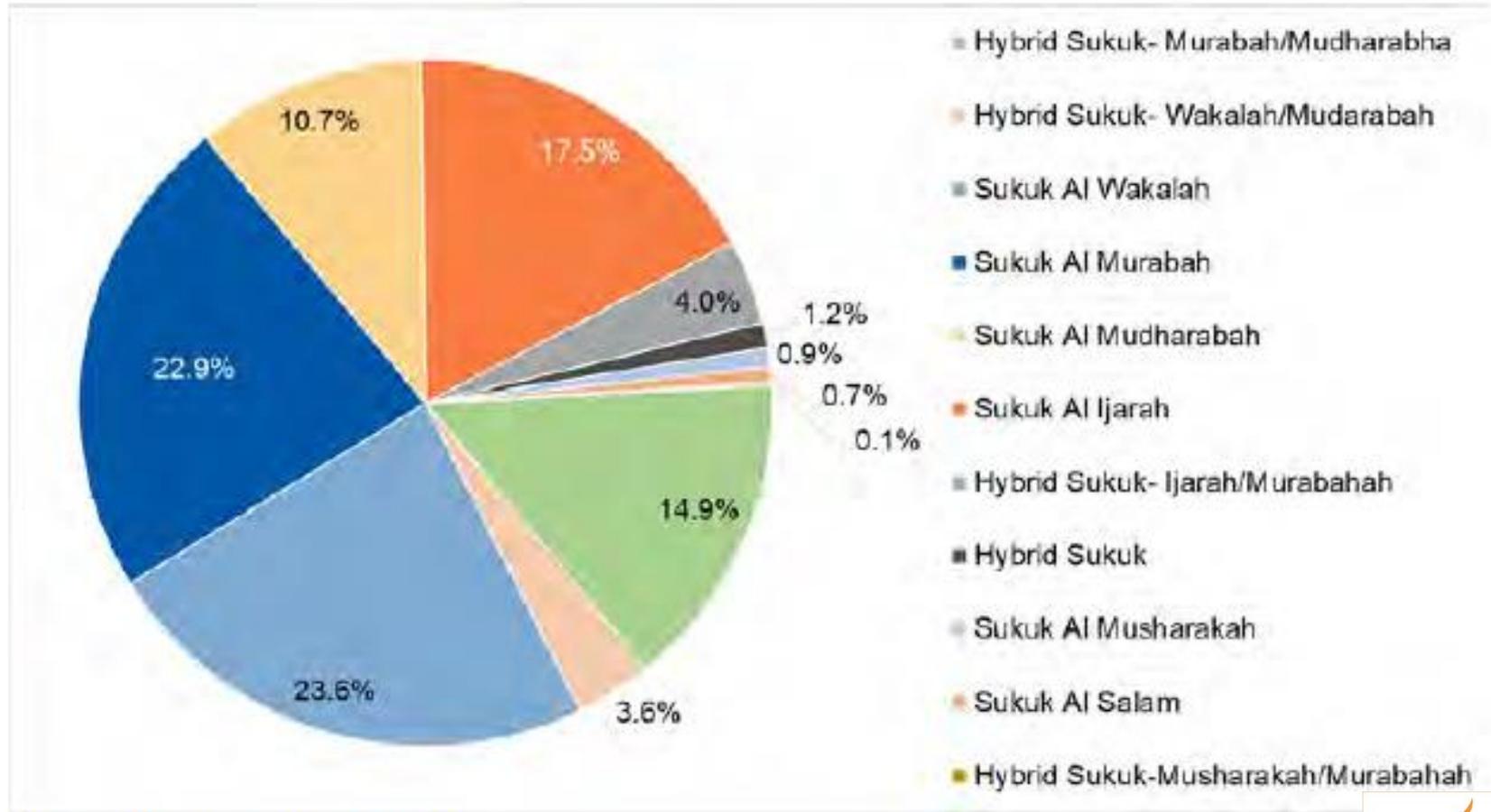
Source: IIFM Sukuk Report



3.0 Ijarah Trend to Promote Islamic Industry



Exhibit 27: Sukuk Issuances by Structure (2019)



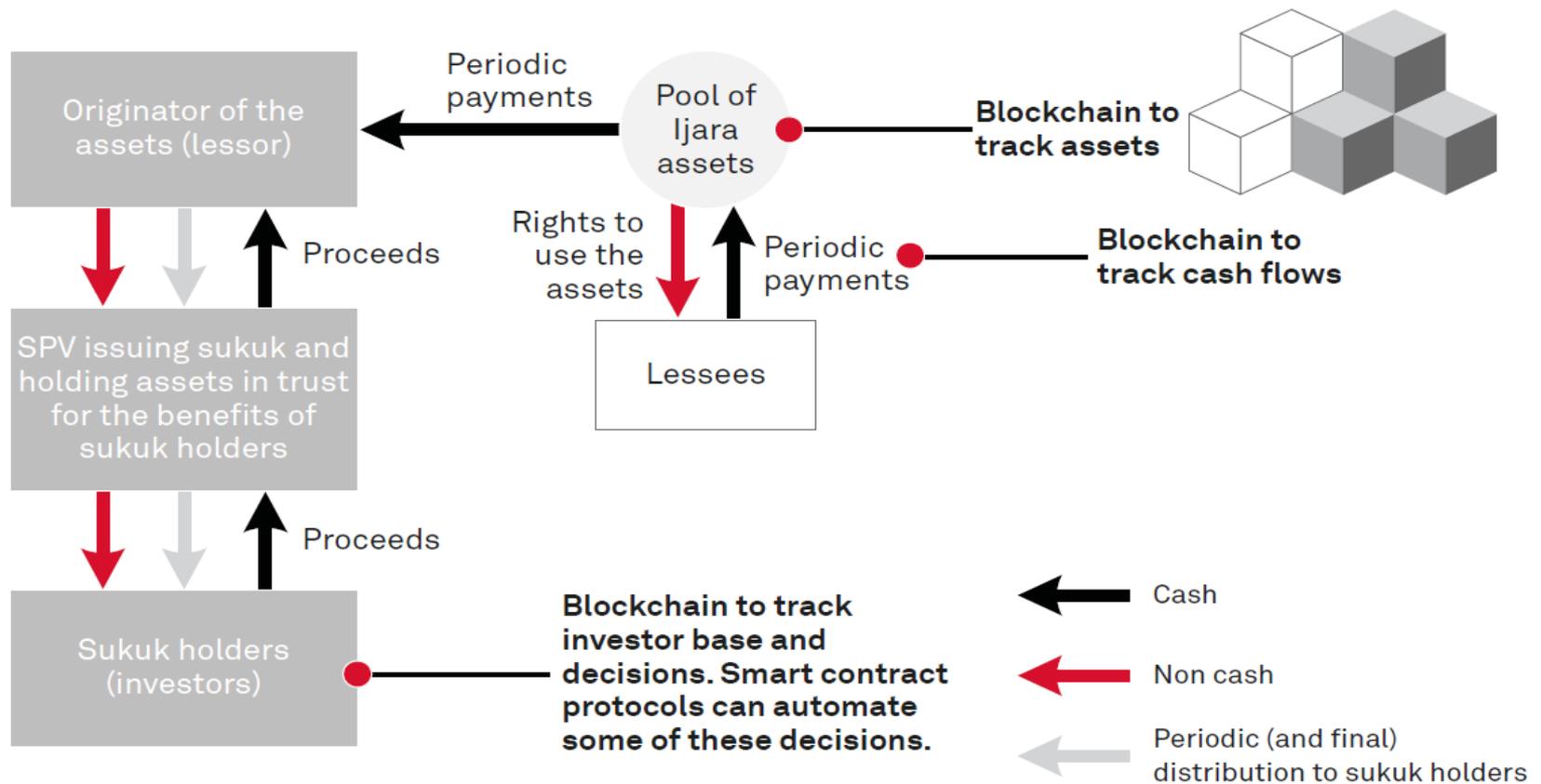
Source: IIFM Sukuk Report 2020



3.0 Ijarah trend to Promote Islamic Industry



Sukuk And Blockchain: A Perfect Match?



Source: S&P Global Ratings.



Conclusion



- Ijara has a profound impact in Islamic finance since it is used as an asset-financing product, especially Ijara Muntahiyah Bitamleek
- Ijara has a profound impact in solving liquidity management problems in Islamic finance through Ijara Sukuk
- In the absence of LLR, Ijara will continue to have impact in Islamic liquidity management as Sukuk continues to be a major driver of Islamic finance for a foreseeable future

