Faith, Finance and Future Growth: Capturing Indonesia’s Sharia Banking Opportunity

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Executive Summary

Indonesia's Islamic finance sector is entering a new phase of scale and maturity. Globally, Islamic finance is set to exceed US$7.5 trillion by 2028, driven by the core banking sector but energized by growth in non-banking segments and digital innovation.

This shift is being driven by five global trends that are energizing industry growth. Regulatory shifts are tightening prudential standards and deepening Sharia governance, creating stronger alignment between compliance expectations and consumer protection. At the same time, industry consolidation is accelerating scale and competitiveness, with landmark bank and takaful mergers building larger, more resilient Islamic finance champions.

Digitalization and innovation are transforming customer access and operating models, driven by digital-first Sharia banks and new technologies such as AI screening, blockchain sukuk, and embedded finance. Convergence between Sharia and ethical finance is expanding Islamic finance's role in sustainable investment, supported by rising green sukuk issuance and emerging Sharia-ESG taxonomies. Meanwhile, geopolitical shifts are reshaping liquidity and risk dynamics across markets. On a global level, these trends are leading to Islamic finance attracting a growing share of the non-Muslim community who view Islamic finance as more value-driven without excessive leverage. They also look favorably on the strong ethical core, as well as steady and predictable returns that are outperforming conventional assets, in a sector they do not exclusively associate with religion.

Indonesia's own supply and demand dynamics are heating up growth. On the supply side, Indonesia's Islamic finance ecosystem is accelerating through a national Islamic economy strategy that moves from planning to execution via coordinated halal value-chain programs, deeper product development, digital and ZISWAF expansion, and new Sharia monetary instruments that strengthen real-economy linkages. Regulatory and competitive shifts are further reshaping market structure, fostering consolidation and reinforcing system resilience. Innovation and digitalization continue to widen access as major banks upgrade digital capabilities and pure-play digital Sharia banks scale rapidly.

On the demand side, growth is driven by rising Islamic finance literacy, which has expanded each year. Strengthening consumer preference for values-driven, halal-aligned lifestyles is boosting spending both globally and domestically and deepening alignment with Sharia financial offerings. Islamic finance also provides unique access to specific investments in gold, providing a value hedge against inflation. Meanwhile Sharia mutual funds offer greater flexibility in gaining exposure to global markets, predominantly leveraging US dollars which have outperformed IDR-denominated funds. Finally, surging halal certification and product usage is increasing trust, formalization, and capital flows, creating a virtuous cycle in which MSME growth fuels greater savings and financing within Sharia banking.Indonesia's Islamic financial industry is now enjoying a period of enthusiastic growth, with Islamic financial assets nearly doubling since 2018. Despite this, Islamic finance still only accounts for approximately 7% of total banking assets—signaling vast untapped potential.

Our nationwide survey of over 5,000 consumers provides a unique perspective on consumer decision-making when choosing to bank with Islamic banks. This has revealed five distinct personas where a clear value proposition appeal can be defined. Conformists and Conservatives dominate, together representing 71% of market value, while Liberals, and Universalists groups create additional opportunities where simplicity, competitiveness, and transparency matter most.

This report seeks to address the huge potential in the market, recognizing that Sharia banking adoption has historically failed to expand beyond its core demographics due to sub-scale offerings and limited financial awareness. Indonesia is now home to a maturing and increasingly consolidated Sharia banking market, backed by rising digital capability and growing public trust, meaning demand for Sharia-compliant products is accelerating across all segments. Indonesia now has the foundation to transform from a promising market into a global leader in inclusive, innovation-driven Islamic finance.

Realizing this substantial opportunity requires a whole-of-ecosystem approach bringing together government, regulators and industry players. With the right strategic approach, Indonesia is poised to unlock significant value from its energized, and accelerating, Islamic finance industry.

Global Sharia outlook

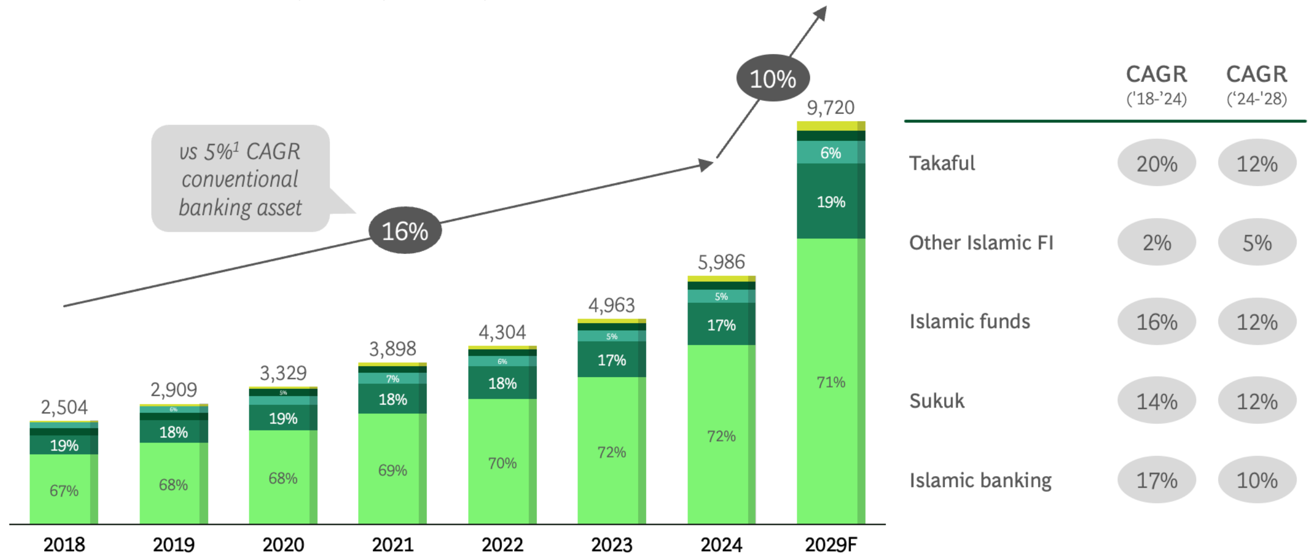
Islamic finance represents a significant and growing opportunity, with growth outpacing conventional finance in recent years. This reflects a market ready to unlock even greater value, underscoring both the resilience and rising relevance of Sharia finance in today's global economy.

Between 2018 and 2024, total Islamic financial assets grew from US$2.5 trillion to approximately US$5.9 trillion, representing a compound annual growth rate (CAGR) of around 16%. Remarkably, this reflects a rate of growth much higher than the pace of conventional banking assets, which grew at approximately 5% CAGR. (see **Exhibit 1**)

EXHIBIT 1

Islamic finance assets to reach USD5.9 trillion by 2024, growing 16% with major contribution from Islamic banking

Global Islamic finance assets (USD Bn, 2018-29F)



- **Islamic finance** is growing rapidly, outpacing conventional finance; Projected to expand at ~9% CAGR to reach **~US$9.7 trillion by 2029**, reinforcing long-term growth.
- **Islamic banking** remains the dominant segment (~70%)—yet growth is moderating as markets become more mature.
- **Sukuk, takaful, and fintech** are propelling the next wave of expansion, driven by rising institutional demand and the spread of digital Islamic banking.

1. Including banks & NBFI

Source: IFDI Report 2024, BCG Analysis

At current projected rates, the industry value of Islamic finance is expected to surpass US$7.5 trillion by 2028. This impressive rise reinforces a long-term growth trajectory powered by institutional demand and the continued spread of digital Islamic banking and Sharia-compliant financial products.

Islamic banking remains the resilient foundation of this global system, accounting for roughly 70% of total Islamic finance assets by 2028. Its growth is expected to moderate to around 8% CAGR between 2023 and 2028, down from ~11% CAGR in the previous five-year period, reflecting the maturing of core markets across the Middle East and Southeast Asia.

Meanwhile, growth in non-bank segments continues to accelerate, broadening the base of the Islamic finance ecosystem. Key segments such as sukuk are forecast to expand at about 12% CAGR, takaful at 12%, Islamic funds at 12%, and other Islamic financial institutions (IFIs) at 5%. Together, these powerful engines of growth are energizing increased value while driving diversification across products and geographies. It is not simply the value of the industry, but the depth of its offerings that are expanding.

While banking will continue to anchor the system, growth in sukuk, takaful, and Islamic fintech will define the next wave of expansion, reshaping and reenergizing how individuals and institutions engage with Sharia-compliant finance globally.

KEY TRENDS SHAPING GLOBAL SHARIA FINANCE

The strong momentum behind Sharia banking is increasingly broad-based and systemic, reaching new consumers and expanding into new markets at speed. Beyond growth in assets and institutions, the industry's asset-backed and rules-driven design is beginning to influence the wider financial landscape—especially as global markets move towards more ethical, transparent, and sustainability-linked finance. The ethical principles at the core of Sharia are resonating more strongly than ever with a global audience.

This growing adoption of ethical finance represents one of five major trends we see influencing the future of Sharia banking, as regulatory changes, business trends, innovation, and major geopolitical shifts underpin an ambitious and encouraging future for the sector. (see **Exhibit 2**)

EXHIBIT 2

5 global trends shaping the future of Sharia banks

Regulatory

- **Tougher prudential rules are rolling out** globally—higher capital/liquidity buffers and routine stress tests—making balance sheets sturdier
- **Stronger Sharia governance** (e.g., AAOIFI/BNM) tightens product approval and audit and improves customer disclosure
- **Operational compliance** (e.g., AML/CFT, e-KYC, cyber) is now table-stakes for banks and fintechs

Consolidation

Waves of consolidation across banks and insurance providers; e.g.,

- **Banks:** e.g., UAE's ADCB–Union National–Al Hilal, DIB–Noor, Indonesia's BSI (BSM, BRIS, BNIS)
- **Takaful:** e.g. UAE's Dar Al Takaful-Noor Takaful, Saudi's Walaa Cooperative Insurance - Metlife AIG ANB Takaful

Innovation & Digitization

- **Emergence of fully digital Sharia bank** across the world (e.g., Ruya Bank, Nomo)
- **Fintech inclusion:** P2P, e-wallets and ZISWAF rails expand access for SMEs and mass market;
- **Growing innovations adopted by major players**, e.g., AI-based Shariah screening, e-KYC/analytics, and blockchain-enabled digital sukuk; embedded finance inside super-apps and e-commerce

Convergence of Sharia, ESG, Ethical Finance

- Islamic finance's **inherent ethical foundations align naturally** with the ESG and UN SDGs agenda
- Global **green and sustainability-linked sukuk issuance grew** by 14% YoY to USD 15.2 billion in 2024, about 6% of total sukuk volume
- Malaysia, Saudi Arabia, Indonesia **advancing Sharia–ESG taxonomies** to crowd in capital for green, social, and SDG-linked projects

Geopolitical

- IFSB's Stability Report 2024 flags **geopolitical tensions—especially in MENA—as a financial-stability risk** channel for the Islamic financial services industry
- Conflicts and sanctions in Middle East **disrupting supply chain (impacting trade-finance flow) and increasing risk premiums on for sukuk issuance**
- Stable/strong GCC oil revenues have in general **supported strong capital and liquidity for banks**

Source: IFDI Report 2024, BCG Analysis

Regulatory shift. Changing dynamics have led to a tightening of global prudential standards, with regulators raising capital and liquidity requirements while implementing routine stress testing to reinforce balance sheet resilience. At the same time, Sharia governance frameworks, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bank Negara Malaysia (BNM), and National Sharia Board – Indonesian Ulama Council (DSN-MUI) are deepening oversight through stricter product approval, audit, and disclosure processes that protect consumers to sustain public trust. This trend provides a welcome synergy between regulatory expectations and the governance of Islamic finance. Now, more than ever, operational compliance is a non-negotiable practice for both banks and fintechs. Best practice encompasses advanced anti-money laundering (AML) and countering financing of terrorism (CFT) controls, electronic know-your-customer (e-KYC) protocols, and cybersecurity safeguards to ensure systemic integrity.

Industry consolidation. The wave of mergers across both banks and insurance providers is reshaping the competitive landscape as institutions seek scale, efficiency, and solvency. This trend is providing a growing platform of influence and value for Islamic finance players.

In the banking sector, notable examples include the UAE's Abu Dhabi Commercial Bank (ADCB), Union National Bank, and Al Hilal Bank merger which positioned ADCB as third in the UAE by asset size. Also within the region, the Dubai Islamic Bank (DIB) and Noor Bank consolidation solidified DIB's position as the largest Islamic bank in the UAE.

Indonesia's Bank Sharia Indonesia (BSI) merger, combining PT Bank Syariah Mandiri (BSM), PT Bank BRI Syariah Tbk. (BRIS), and PT Bank BNI Syariah (BNIS), also mirrors this trend toward consolidation and integration within the Sharia finance sector. The BSI merger created the biggest Islamic bank in a previously highly fragmented market, now accounting for approximately 40% of total Sharia banking assets and positioning it as one of Indonesia's top-10 banks.

A similar trend can be seen in the growing takaful sector, where consolidation continues to strengthen digital reach and capital adequacy. This is illustrated by the merger of UAE's Dar Al Takaful and Noor Takaful in 2020, and later merger with National Takaful Company (2022), as well as Saudi Arabia's Walaa Cooperative merging with MetLife AIG ANB (2020) and later SABB Takaful (2022).

Digitalization and innovation. The pace of technological advancement has redefined how Sharia banking operates, with innovation now serving as a key driver of both compliance and customer experience. Over the past five years, a new wave of fully digital Sharia banks, including Ruya Bank and Nomo have demonstrated that Islamic banking can combine faith-based principles with modern digital convenience.

These banks are differentiating themselves in a variety of ways through smart technology adoption and digitalization. The UAE's Ruya stands out with its faster, fully digital e-KYC process powered by UAE Pass (UAE's national digital pass), as well as its commitment to accessibility through low or no minimum balance requirements. The bank also targets under-served segments such as youth and micro, small, and medium enterprises (MSMEs), while pioneering access to new, Sharia-compliant asset classes—including crypto—an area most Islamic incumbents still avoid.

UK-based Nomo, on the other hand, is addressing a long-standing gap by solving cross-border banking frictions. Unlike most domestic-centric Islamic banks in the region, Nomo enables customers from the Gulf Cooperation Council (GCC) to open a UK-based, Sharia-compliant digital account seamlessly, spend or hold money in six currencies (GBP, USD, EUR, KWD, AED, and SAR), enjoy fee-free international spending, instant in-app FX, and even access UK property financing—all within a single platform.

New innovation vectors for banks to consider include the adoption of AI-powered Sharia screening, e-KYC analytics, blockchain-enabled sukuk issuance, and embedded finance through super-apps and e-commerce ecosystems. As financial inclusion channels expand through P2P platforms, e-wallets, and ZISWAF (zakat, infaq, sadaqah, waqf) flows, access to Sharia finance is widening for MSMEs and mass-market consumers, helping to close long-standing inclusion gaps.

Convergence of Sharia and ethical finance. Rooted in ethical and asset-linked foundations, Islamic finance serves as a natural conduit for environmental, social, and governance (ESG) and sustainable capital. Green and sustainability-linked sukuk continue to gain momentum, with 2024 issuance rising 14% year over year to roughly US$15.2 billion—about 6% of total sukuk volume.

This sustained growth underscores the sector's growing role in channeling purpose-driven investment, and reflects a significant and growing opportunity for Islamic finance.

Leveraging this momentum, emerging Sharia-ESG taxonomies in Malaysia, Saudi Arabia, and Indonesia are directing capital toward green, social, and Sustainable Development Goals (SDG)-aligned projects, bridging faith-based finance with global sustainability objectives.

Geopolitical shifts. The implications of geopolitical uncertainty continue to shape the landscape of Islamic finance, influencing liquidity, trade, and capital-market dynamics. The IFSB Stability Report 2024 highlights rising geopolitical tensions, particularly across the Middle East and North Africa (MENA) region, as an emerging channel of financial stability risk for the global Islamic financial services industry. This dynamic global landscape is presenting shifting value potential for Islamic finance.

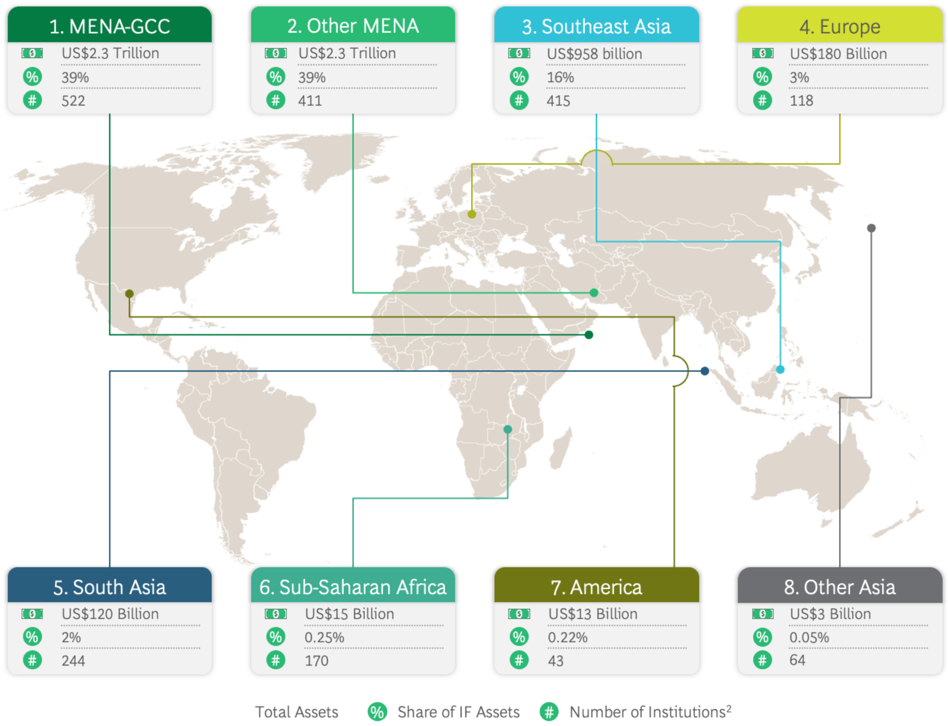
Ongoing conflicts and sanctions in the Middle East are disrupting supply chains, constraining trade-finance flows, and raising risk premiums for sukuk issuance, thereby increasing financing costs. Meanwhile, stable and elevated GCC oil revenues have provided a buffer, supporting strong capital and liquidity positions among regional banks. These underlying factors underscore the need for diversified funding sources and stronger cross-border regulatory coordination to safeguard financial resilience.

UNDERSTANDING ISLAMIC FINANCE GLOBAL MARKET SHARE

The megatrends outlined above define the key forces of change that underpin a significant and growing value for Islamic finance to capture. The next piece of the puzzle comes in understanding where Islamic finance is concentrated today—and where growth is accelerating. (see **Exhibit 3**)

EXHIBIT 3

Islamic finance is predominantly concentrated in MENA region (>75%), followed by SEA with USD 958 Bn (16%) of total Islamic finance assets



Takeaway

Governments across the globe focusing on consolidation to counter the impact from economic slowdown & lower consumer spending

Digital players are scaling—Ruya Bank (UAE, 2024) and cross-border platforms like Nomo (UK/Kuwait) offering accounts, remittances, and cards—moving distribution toward embedded finance

Sukuk issuance grew to record year in 2024 for green & sustainability Sukuk (~US$15.2B), with global standardization of labelling and disclosure helping more issuers come to market

1. Based on IFDI Report 2024 (2023 number)
Source: IFDI Report 2024 & 2025, LSEG, BCG Analysis

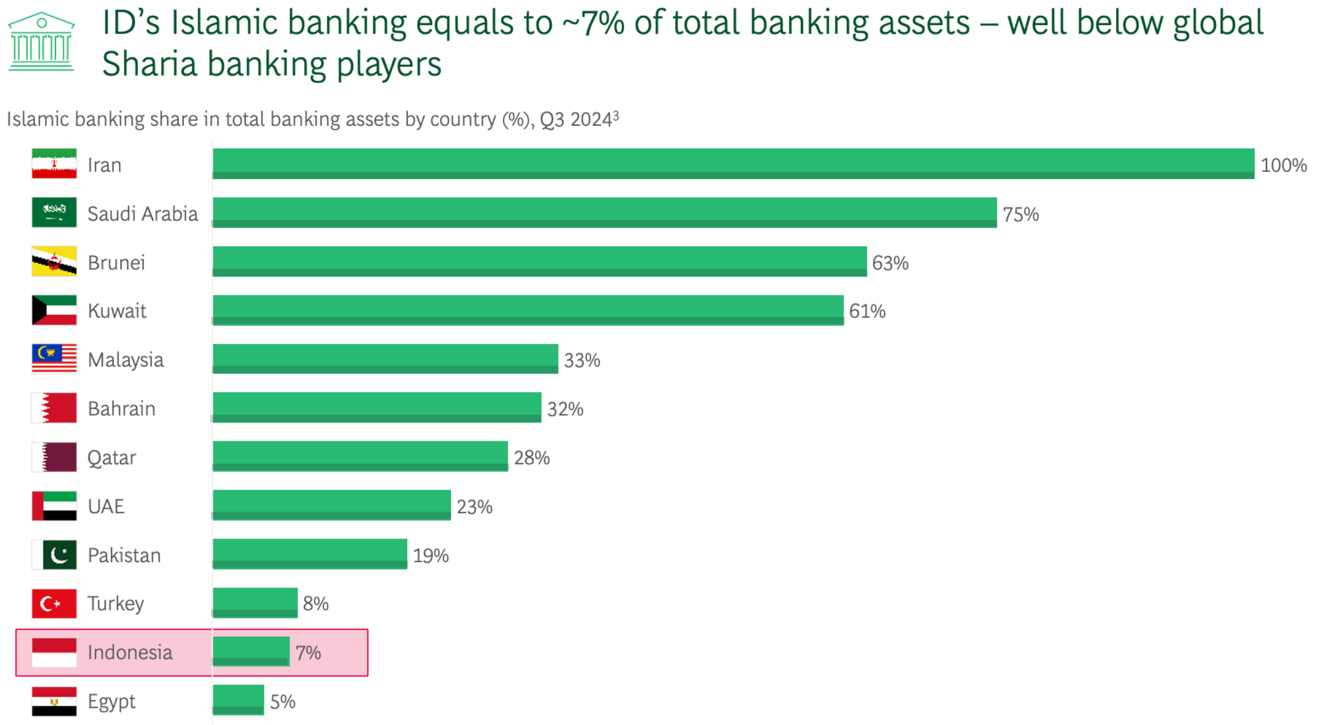
The global Islamic finance landscape remains predominantly centered in the MENA region. The GCC countries collectively hold about US$2.3 trillion in Islamic financial assets, while the rest of MENA contributes an additional US$2.3 trillion. This significant value places the region as a forerunner in Islamic finance today, with more than three quarters of total global value located in the region.

Beyond MENA, Southeast Asia has emerged as the second-largest global hub, with total assets of roughly US$958 billion as of 2024, representing 16% of the global share. The region also has a robust and diverse sector base comprised of more than 400 institutions. Within the region, Malaysia and Indonesia continue to lead in both asset scale and institutional depth. (see **Exhibit 4**) It's clear that Southeast Asia stands at an important crossroads in further energizing its Islamic finance industry.

Adoption is also expanding across emerging markets, signaling a broader global footprint. Although penetration remains modest, Turkey's Islamic finance assets now account for around 8% of total domestic banking assets, and Egypt's for about 5%. Among the established players, Iran remains fully Islamic (100%), followed by Saudi Arabia (75%), Brunei (63%), Kuwait (61%), Malaysia (33%), Bahrain (32%), Qatar (28%), UAE (23%), and Pakistan (19%).

EXHIBIT 4

Islamic banking share vs total banking assets by country



1. Based on OJK banking statistics for conventional bank assets / bank umum (2018–2024); 2. From OJK Snapshot Perbankan Syariah; 3. ISFSI Stability Report 2025

Source: OJK Snapshot Perbankan Syariah Indonesia (Desember 2024); OJK Statistik Perbankan Indonesia (Desember 2024); Islamic Financial Services Industry Stability Report (2025); BCG Analysis

These figures underscore a diversifying global landscape with significant opportunities for growth beyond traditional markets. The concentration of Islamic finance is evolving as the industry finds new and promising markets beyond its traditional strongholds in the GCC and Southeast Asia. This expansion is largely driven by the growth of Sharia-compliant capital market products, which are gaining traction among global investors seeking ethical and diversified assets.

In Europe, countries such as the United Kingdom and Luxembourg have emerged as notable hubs. The UK, for instance, became the first non-Muslim-majority country to issue a sovereign sukuk, first in 2014 and again in 2021, signaling strong governmental support for Islamic finance.

Financial centers in the UK, Luxembourg, and the United States now host a range of Sharia-compliant asset management firms and halal investment funds, further deepening the global footprint of Islamic finance and positioning it as a viable alternative within the mainstream financial system.

While MENA remains the traditional core, Southeast Asia's scale, regulatory maturity, and product innovation position it as the next frontier of growth, with other regions—including Europe, Sub-Saharan Africa, and the Americas—gradually expanding participation.

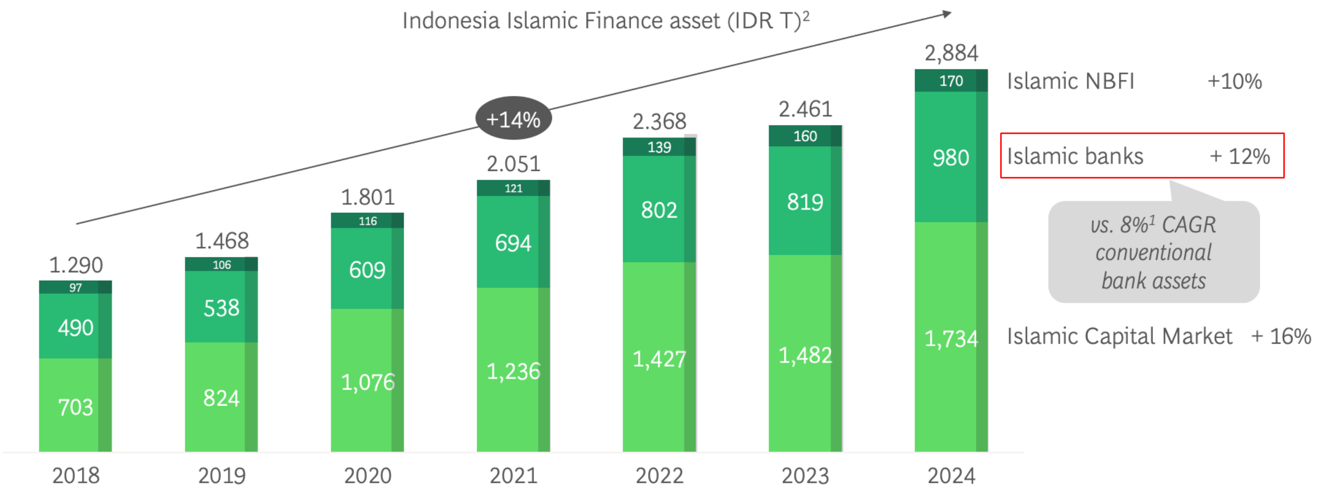
Indonesia's Sharia banking: Rising fast, growing further

Indonesia's Sharia finance sector is expanding rapidly, with impressive growth projections over coming years. (see **Exhibit 5**) Total Sharia financial assets nearly doubled from IDR1,290 trillion to IDR2,461 trillion between 2018 and 2023, reflecting strong momentum and growing market confidence. Yet beyond this recent expansion, it's clear that Islamic finance still has significant room to grow by tapping into largely uncharted market segments.

EXHIBIT 5

Indonesian Islamic banking assets are growing faster than conventional banks, however, overall Sharia penetration lags behind top global players

Total Sharia finance assets reached IDR 2,884 Tn in 2024, Islamic banks growing at 12% - outpacing conventional banks



1. Based on OJK banking statistics for conventional bank assets / bank umum (2018–2024); 2. From OJK Snapshot Perbankan Syariah; 3. ISFSI Stability Report 2025

Source: OJK Snapshot Perbankan Syariah Indonesia (Desember 2024); OJK Statistik Perbankan Indonesia (Desember 2024); Islamic Financial Services Industry Stability Report (2025); BCG Analysis

At a macro level, the sector achieved 11% CAGR, outpacing conventional banking at 8%. Islamic banks remain the core driver, comprising IDR1,482 trillion in assets in 2023, with the Islamic capital market growing 16% CAGR and non-bank financial institutions rising 11%.

Despite this momentum, Sharia finance in Indonesia accounts for only 7% of total national banking assets—well below Saudi Arabia's 75% and Malaysia's 32%. From a broader perspective, the gap between strong growth and low market share represents significant untapped potential which hints at a substantial future—if the right levers are employed.

Rapid growth confirms product–market fit and rising demand, while limited penetration highlights an early-stage market with room to scale severalfold. As distribution expands, consumer confidence strengthens, and capital-market channels deepen, Indonesia is positioned to convert today's growth velocity into sustainable market leadership.

The progress of Indonesia's Sharia finance sector is driven by two reinforcing forces shaping its upward trajectory. (see **Exhibit 6**) On the supply side, the government is laying the groundwork through national strategies, regulatory reforms, and financial-market instruments, while banks and fintechs expand digital access.

On the demand side, rising financial literacy, halal-first lifestyles, and faith-linked products—such as certification, ZISWAF, and green sukuk—are deepening consumer engagement. Collectively, these twin tailwinds are accelerating the shift from awareness to active use, sustaining Indonesia's Sharia growth trajectory.

EXHIBIT 6

We foresee sustained growth underpinned by Supply–Demand tailwinds

Supply side

National Islamic economy strategy
- Coordinated government initiatives targeted at the HVC[1] (e.g., RP3SI 23-27 and MPIHI 23-29[2]) and development of Sharia instruments by BI (e.g., SUVBI & SukBI[3]) to boost Islamic money markets

Evolving regulatory and competitive Landscape
- OJK's mandate for min capital & spin-off to drive consolidations & scale the Sharia banking market by 31 Dec 2026, as seen in BSI's merger and BSN's spin-off

Growing innovation & digitalization
- Digital usage is growing at scale (7.8 M users of BSI Mobile & BYOND by BSI with 546 M yearly transactions[4]
- Rapid growth of **Islamic fintech** (e.g. ALAMI P2P lending, Qazwa) expanding access to sharia-compliant products (e.g., Aladin scaled to 3.3 M users[5])

Demand Side

Improving Islamic finance literacy
- Indonesian Sharia financial literacy going up to 43% (2024) from initial 39% (2023)[6], driven by nation-wide 4k+ Islamic-finance literacy & inclusion activities[7]

Increasing consumer preference on Islamic values driven lifestyle
- Halal-first consumption is strengthening—global halal spend US$3.36T in 2028 (5.3% CAGR vs 2023)[8]
- and Indonesia's halal food sector growth accelerated to 5.9% in 2024 (vs 4.5% in 2023)[9]

Halal financial product usage & certifications are surging
- Halal product/business certifications increased to 9.6 Mn in 2025 (+113% YoY)10, and ZISWAF national collections increased to IDR 39.5 Tn in 2024 (+26% YoY)11

1. Halal Value Chain; 2. RP3SI: Roadmap Pengembangan dan Penguatan Perbankan Syariah, MPIHI: Master Plan Industri Halal Indonesia; 3. SUVBI: Sukuk Valuta Asing Bank Indonesia, SUKBI: Sukuk Bank Indonesia; 4. BSI Annual Report; 5. Bank Aladin annual report; 6. BPS & OJK SNLIK 2025; 7. Based on OJK statement, presss search; 8. State of Global Islamic Economy Report 2024/25; 9. Buku KEKSI 2024 (Kajian Ekonomi Dan Keuangan Syariah Indonesia); 10. BPJPH Official website; 11. LPZ BAZNAS 2024 (Lap. Pengelolaan Zakat)

Source: OJK; KNEKS (Komite Nasional Ekonomi dan Keuangan Syariah); Bank Indonesia; BSI & bank Aladin Annual Report; BPS & OJK SNLIK 2025 (Survey Nasional Literasi dan Inklusi Keuangan); Salaam Gateway State of Global Islamic Economy Report 2024/25; BPJPH (Badan Penyelenggara Jaminan Produk Halal); BAZNAS LPS 2024 (Laporan Pengelolaan Zakat); Press search; BCG Analysis

Supply: Policy, rules, and rails are widening the highway

A number of key supply-side trends are expanding opportunities for Islamic finance, providing fresh potential for this established sector.

- **National Islamic economy strategy.** Indonesia's Islamic economy strategy has shifted from planning to implementation through coordinated government initiatives under the Halal Value Chain Masterplan. The RP3SI 2023–27 roadmap outlines five pillars, namely (1) stronger institutions and capital, (2) deeper products, (3) digital and ZISWAF acceleration, (4) improved governance, and (5) higher literacy. Beyond this, the roadmap also emphasizes orderly consolidation, digital acceleration, stronger risk governance, and product depth. Meanwhile, the MPHI 2023–29 embeds Sharia standards across food, fashion, pharmaceuticals, and tourism—anchoring Sharia finance in the real economy. Bank Indonesia is also expanding Sharia instruments such as SUVBI and SukBI to deepen Islamic money markets.

- **Evolving regulatory and competitive landscape.** The Financial Services Authority (OJK) Regulations (POJK) 10/2023 and 11/2023 introduce criteria-based spin-offs and higher capital thresholds to foster consolidation and scale, as seen in the BSI merger. The POJK 3/2024 establishes Sharia principles for fintech and sandbox participation, creating a clearer operating framework. These measures are reshaping the competitive landscape and improving system resilience.

- **Growing innovation and digitalization.** Digital banking is scaling rapidly with major Sharia banks refreshing their capability (BSI Mobile relaunched with BYOND), and the establishment of pure-play Sharia banking such as Bank Aladin with approximately three million registrations.

Demand: Literacy, lifestyle, and certification are pulling adoption

On the demand side, expanding awareness of Islamic finance options and evolving consumer preferences are driving increased interest.

- **Improving Islamic finance literacy.** Sharia financial literacy keep rising from 39% in 2023 to 43% in 2024—helping close the gap between awareness and participation.

- **Increasing consumer preference for Islamic values-driven lifestyles.** Global halal consumer spending rose 9.5% year over year to US$2.29 trillion in 2023. Domestically, Indonesia's halal food sector grew 5.9% in 2024, up from 4.5% in 2023.

- **Halal financial product usage and certifications are surging.** Halal product and business certifications increased from around 9.6 million in 2025, an increase of more than twofold compared to previous year, while national ZISWAF collections reached IDR39.5 trillion in 2024, up 26% year over year. In capital markets, green and sustainability-linked sukuk issuance totaled about US$15.2 billion in 2024, supported by clearer labeling and disclosure that attracted more issuers and investors to Islamic assets. Banks' zakat allocations are commonly paid at 2.5% interest of annual profit, and can serve as catalytic capital rather than mere charity—especially when strategically channeled to MSMEs. As these enterprises expand, their savings and financing needs with Sharia banks grow in tandem, creating a virtuous cycle of inclusion and growth.

Together, these supply–demand tailwinds are deepening Sharia finance adoption and positioning Indonesia's Islamic finance system for sustained, broad-based growth. With the infrastructure, literacy, and policy foundations now in place, the next phase must focus on translating ambition into inclusion and profitability—driven by standardized incentives, collaborative innovation, and disciplined governance.

Decoding Indonesia’s Sharia consumer dynamics

Indonesia’s Islamic finance market is complex, and boasts huge potential if properly served. Our research provides a unique, nuanced view that unlocks previously unseen insight into this significant consumer base—offering a window into the actions and sentiments of consumers. If market players wish to capture their share of Indonesia’s significant Sharia finance growth trajectory, they need to recognize the complex realities and opportunities that underpin this substantial market value.

Analyzing the Indonesian market reveals distinct behavioral and attitudinal opportunities that can inform strategic product and policy considerations. Indonesia’s population of ~282 million comprises approximately 237 million Muslims, or 84% of the total, and 45 million non-Muslims, equivalent to 16%. That is a significant servable population for Islamic finance to address. Our research reveals the different motivations and awareness levels of each group, as well as engagement patterns toward Sharia finance. (see **Exhibit 7**)

Among Muslim consumers, three distinct personas emerge—Conformists, Conservatives, and Liberals.

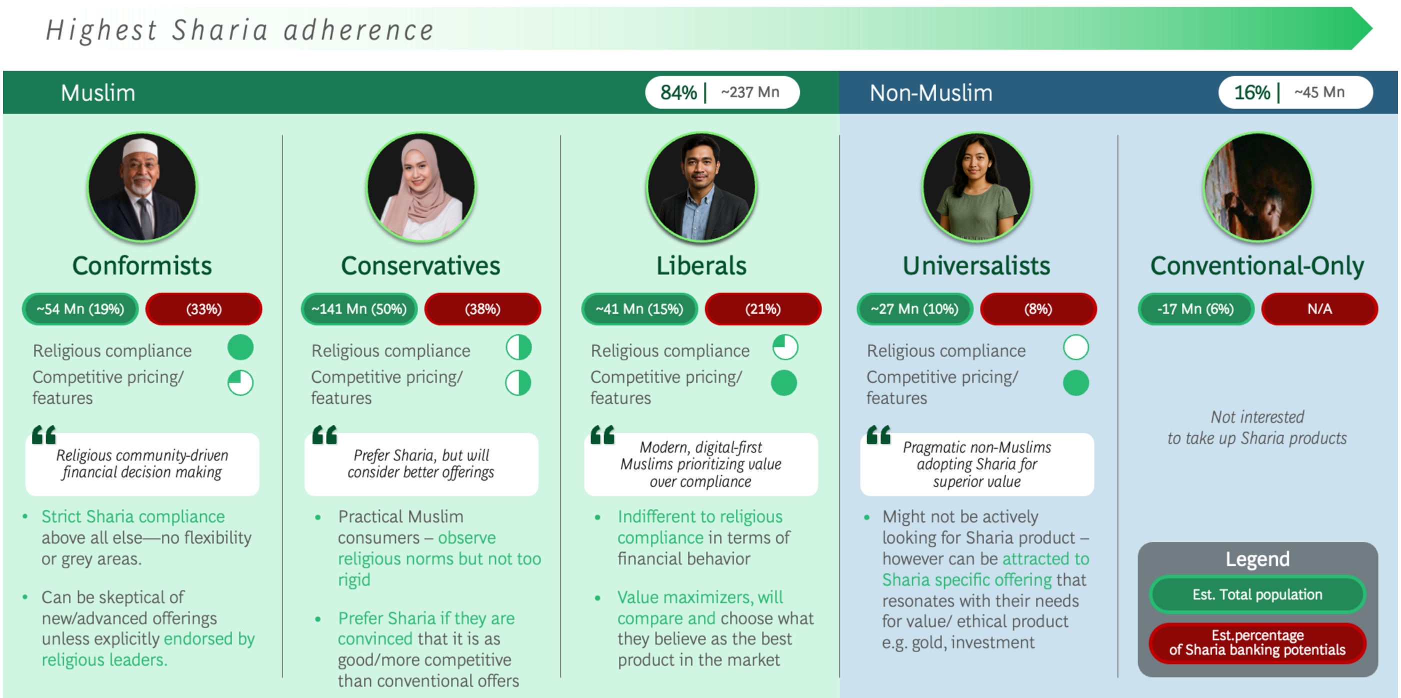
Meanwhile, non-Muslim consumers can be grouped into two key groups, which are Universalists and Conventional-Only consumers. Overall, five clear personas emerge, each with different levels of Sharia adherence and product expectations.

As illustrated, Indonesia’s Islamic finance market is far from homogeneous. A ‘one-size-fits-all’ Sharia offering is insufficient to capture the significant value promise of the market. While the data shows that the largest share of banking potential lies with the Conformist and Conservative personas—boasting a combined 71% of total market value—focusing only on these two personas would still leave a significant addressable market untapped.

These findings indicate that a dual-pronged strategy is essential. Strict religious compliance must remain the foundation to attract the dominant majority, with product competitiveness and value differentiation crucial to appeal to the largest customer group. Adapting strategies that appeal to the needs and expectations of all personas will provide a rounded approach with the widest market appeal.

EXHIBIT 7

Five personas emerge from Indonesia’s diverse Islamic finance consumer base



Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

PROFILING INDONESIA'S SHARIA CONSUMER

Conformists. This group of 54 million citizens accounts for 19% of the population but a full third of Islamic finance potential. Conformists are deeply religious and seek strict Sharia compliance with no flexibility, often requiring assurance or endorsement from religious leaders before adopting new products or services.

Conservatives. The largest group, comprising 50% of the population or around 141 million people, is Sharia-inclined yet pragmatic. The Conservatives balance religious compliance with value and convenience, observing norms but not rigidly. They prefer Sharia products when convinced of their competitiveness and reliability in comparison to conventional offerings. Conservatives account for 38% of the total Islamic finance market potential.

Liberals. Representing 15% of the population, or about 41 million people, Liberals are modern, digital-first, and returns-driven. They are largely indifferent to strict compliance and prioritize maximizing value, comparing both Sharia and conventional offerings to optimize returns. Despite their modest population share, they still account for one-fifth (21%) of Islamic finance potential.

Universalists. This persona constitutes around 10% of the population, or 27 million people. Universalists are pragmatic consumers who are drawn to Sharia finance for its transparency, ethics, and potential for superior returns, particularly in gold and investment products.

Conventional-Only. The Conventional-Only cohort is the smallest persona group, representing about 6% of the population, or 17 million people. They might perceive Islamic finance as complex, and traditionally prefer financial instruments with secular positioning thus unlikely to take up Sharia offering.

These five personas form the behavioral foundation of Indonesia's Islamic finance market. Converting awareness into sustained usage will depend on how effectively institutions tailor product design, communication, and engagement strategies to each segment's specific motivations and value drivers.

DEEP DIVE: FURTHER UNDERSTANDING OF THE PERSONAS

Conformists account for the second-highest Sharia banking potential at 33%. (see **Exhibit 8**) This persona is faith-centered and community-oriented, active in local mosques, and strongly influenced by religious leaders and social norms. Sharia is a strong preference in their investment decisions. Conformist consumers seek visible religious endorsement with halal community recommendations.

However, Conformists remain cautious about the authenticity of Sharia compliance, are hesitant toward advanced offerings without clear endorsement, and face limited access in certain regions. Strengthening religious assurance and expanding outreach can help capture this high-trust, high-potential persona.

EXHIBIT 8

Est. total population	Est. % of Sharia banking potential
~57 Mn (19%)	(33%)

Motivations

Religious compliance	Fully motivated by religious compliance req.
Competitive pricing/features	Basic value is acceptable

Who they are

- They typically leads a faith-centered, community-oriented lifestyle — they uphold daily religious practices, follow halal guidelines in food, finance, and consumption
- Family/socially active within their local mosque/majlis, where community norms and religious leaders strongly shape opinions

What they need

1. Religious Assurance : Full confidence that products are Sharia-compliant/riba-free
2. Lifestyle offering : Financial products that serves their religious obligations/activities
3. Simplicity & Clarity : Straight forward products with clear/easy-to-understood terms
4. Social impact as value add: Care about bringing "maslahat/goodness" to the society

Pain Points

1. Perception that many products are not "truly Sharia", creating hesitation to adopt beyond basic offerings
2. Skepticism toward advanced products unless they are explicitly endorsed by religious authorities, limiting uptake of more complex financial solutions
3. Limited availability and accessibility of Sharia options in certain regions, constraining broader adoption

Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

Conservatives represent the highest Sharia banking potential at 38% of total potential value share. (see **Exhibit 9**) As the core commercial base, this group is observant yet pragmatic as they are price-conscious and value-driven. They prefer Sharia products when the right conditions are met—competitive pricing, reliable digital services, and similar convenience and performance as those offered by conventional finance.

Our analysis finds that adoption barriers include gaps in user experience, limited perceived financial advantage, and low awareness of product benefits. Addressing these pain points through clearer value communication, improved service parity, and simplified product design will be essential to increase engagement with this dominant persona.

EXHIBIT 9

CONSERVATIVES

"Prefer Sharia, but will consider better offerings"

Est. total population	Est. % of Sharia banking potential
~141 Mn (50%)	(38%)

Motivations

Religious compliance	High motivation, priority in decision making
Competitive pricing/features	Need to ensure value meet or beat alternatives

Who they are

- Practical Muslim consumers who observe core religious norms and prefer halal-aligned choices—without being too rigid;
- Value-seeking comparers: weigh price, features, convenience, and service reliability across Sharia and conventional banks; choose Sharia when assurance is clear and value is competitive.

What they need

1. Assured Sharia without hassle: Clear fatwa references and endorsements visible in-app and at branches
2. Competitive value: Transparent pricing and features that meet or beat alternatives
3. Everyday digital convenience: Smooth onboarding, reliable apps, 24/7 service
4. Practical faith hooks: Hajj/Umrah savings planners, ZISWAF inside the app, halal lifestyle tie-in

Pain Points

1. Access and convenience gaps vs. conventional (coverage, UX speed, acceptance) reduce day-to-day usability
2. "No clear financial advantage" perception delays switching or deepening
3. Jargon and complexity make products hard to grasp; awareness of benefits is still low

Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

Liberals represent 21% of Sharia banking potential. (see **Exhibit 10**) As modern, digital-first, and value-seeking consumers, they expect best-in-market returns and feature-rich apps. For Sharia financial institutions, success with this group depends on delivering competitive rates, rewards, and user experience above that of conventional finance. This is a challenging persona for Islamic finance to capture, as they are well served by conventional finance and a key customer base of conventional banks' competitive offerings. Key barriers for Sharia banking uptake include perceptions of lower value, friction in user experience, and limited product depth. Addressing these perceived gaps will be essential to attract and retain this digitally driven persona.

EXHIBIT 10

LIBERALS

"Modern, urban Muslims prioritizing value over compliance"

Est. total population	Est. % of Sharia banking potential
~41 Mn (15%)	(21%)

Motivations

Religious compliance	Some motivation, non- decisive requirements
Competitive pricing/features	Fully motivated by product return/prices

Who they are

- Modern, urban, digital-first consumers—career-focused and mobile—who prize flexibility, speed, and clean app design; comfortable multi-banking and switching for better deals.
- Value-maximizers who benchmark offers on rates, rewards, and experience; Sharia alignment is welcomed but not decisive unless value is on par.

What they need

1. **Best-in-market value:** Attractive rates, fees, and rewards that clearly beat current providers
2. **Seamless digital journey:** Instant signup, fast transfers, dependable uptime, and intuitive design
3. **Full-featured portfolio:** Credit/debit, installments/asset financing, gold & investment (sukuk/reksa dana), and travel/FX all in-app

Pain Points

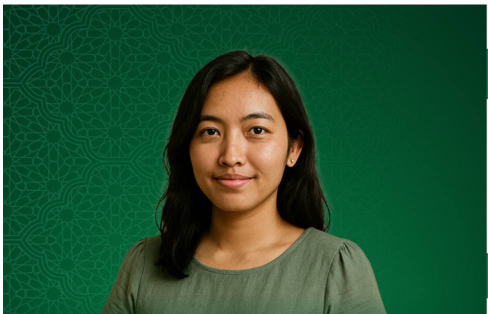
1. "Not different from conventional" impression—if Sharia feels the same but less rewarding, they opt out.
2. Friction in UX and service parity (slow KYC, outages, limited integrations).
3. Product depth gaps (e.g., cards/benefits, embedded lifestyle features) versus top conventional/fintech apps.

Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

Universalists represent a pragmatic non-Muslim persona, and account for 8% of Sharia banking potential. (see **Exhibit 11**) They are attracted to fairness, transparency, and predictable repayments, making them a valuable target group when Sharia finance offerings are fair, simple, and clearly advantageous. This persona gravitates toward distinctive products such as gold financing and fixed-installment options, while overlooking religious aspects.

However, adoption is often limited by perceptions that Sharia banking is 'only for Muslims,' a lack of clear differentiation from conventional banks, and unfamiliar terminology. To attract this persona, Sharia financial institutions should simplify messaging, use universal language, and highlight tangible benefits that transcend religious boundaries.

EXHIBIT 11



UNIVERSALISTS

"Pragmatic non-Muslims adopting Sharia for superior value"

Est. total population	Est. % of Sharia banking potential
~27 Mn (10%)	(8%)

Motivations

Religious compliance	Not applicable to religious compliance req.
Competitive pricing/features	Fully motivated by product return/ prices

Who they are

- Pragmatic, open-minded non-Muslims who will use Sharia when it is fair, simple, and clearly advantageous
- They are drawn to distinctive offerings such as gold and predictable installment plans, and they judge on transparency, price, and convenience rather than religion-related

What they need

1. **Only-in-Sharia advantages:** Unique offerings e.g. sukuk and gold financing.
2. **Superior value prop vs conventional :** Convey Predictable installments, competitive fees, and clear consumer protection under Shariah governance
3. **Plain, human guidance :** Less jargon, more everyday examples, and real support for simple, confident use.

Pain Points

1. **Perception barrier :** believe Sharia banking is "only for Muslims."
2. **Relevance gap :** can't see clear advantages vs their current bank.
3. **Terminology overload :** Arabic terms without everyday explanations

Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

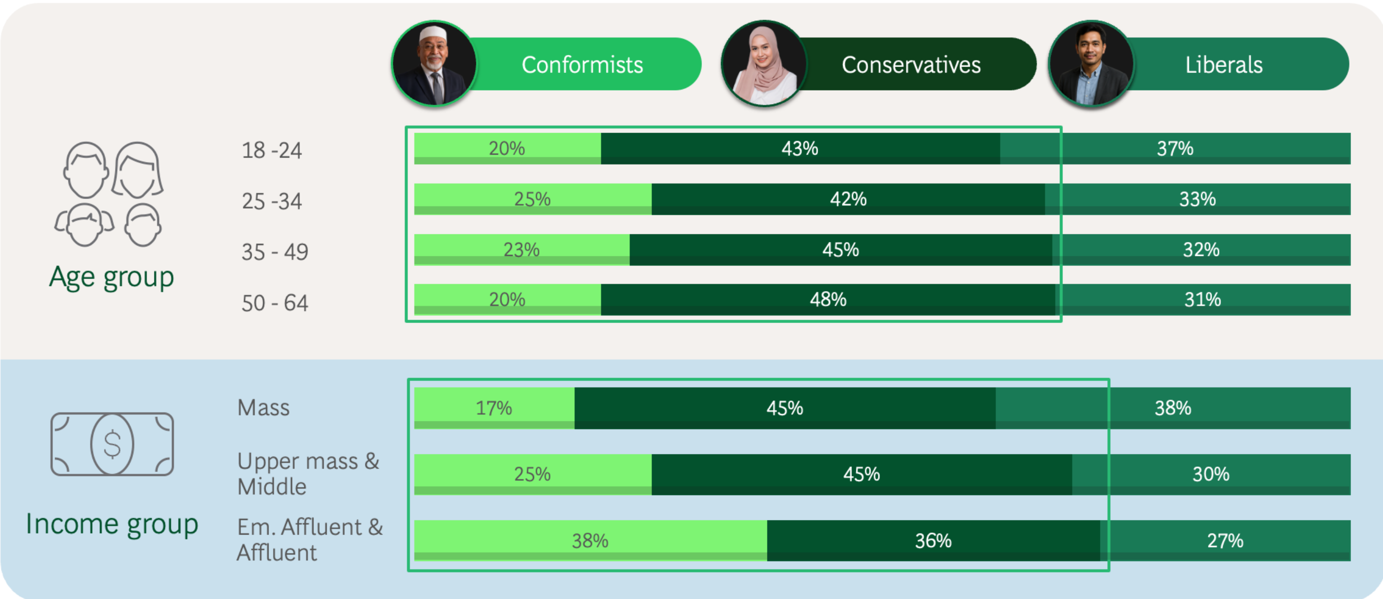
AGE AND AFFLUENCE: NATURAL TILT TO SHARIA

As Indonesians age and advance economically, their orientation toward Sharia finance strengthens. Our analysis shows that the combined share of Conformists and Conservatives increases with age, from 63% among those aged 18–24 to 68% among those aged 50–64. (see **Exhibit 12**)

By income tier, their share rises from 62% in the mass segment to 70% in upper mass and middle, and 74% in emerging affluent and affluent groups. Conversely, the Liberal persona shows a steady decline across both dimensions. Its share decreases from 37% among younger consumers to 31% among older age groups, and from 38% in lower-income tiers to 27% among higher-income groups.

EXHIBIT 12

Among the Muslim population, the share of Conformists & Conservatives rises with age and is more prevalent in wealthier segments



Income segments based on monthly income are as follows: Mass (≤ IDR 10 million); Upper Mass (IDR 10–15 million); Middle (IDR 15–25 million); Emerging Affluent (IDR 25–100 million); and Affluent (IDR 100–250 million)
Source: BCG Sharia banking market survey 2025 (N=5,189); BCG analysis

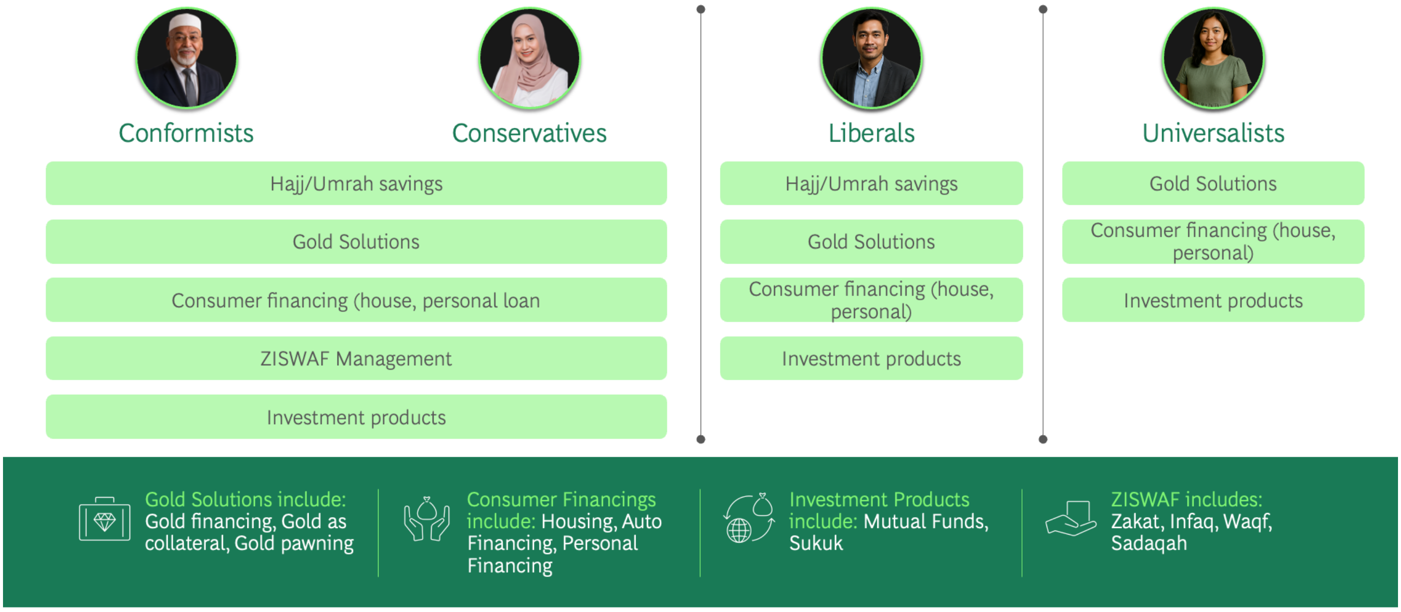
KEY PRODUCT HOOKS AND EXISTING PRODUCT DEVELOPMENTS

Taking into account each persona's distinct motivations, barriers, and financial behaviors, personalizing product offerings is critical, especially during the first engagement. Our research reveals that four product categories consistently serve as key entry points for Sharia adoption within Indonesia's broad customer base, offering a strategic touchpoint which can capture that first important step in a Sharia finance journey. (see **Exhibit 13**)

EXHIBIT 13

Consumer financing, Hajj savings, investment products, gold, and ZISWAF are the main hook products across the different segments…

TOP HOOK PRODUCTS BY SEGMENT FROM CONSUMER SURVEY



Source: Desktop research, Survei BCG Perbankan Sharia Market Representative 2025 (N=5,189); BCG analysis

Taking into account each persona's distinct motivations, barriers, and financial behaviors, personalizing product offerings is critical, especially during the first engagement. Our research reveals that four product categories consistently serve as key entry points for Sharia adoption within Indonesia's broad customer base, offering a strategic touchpoint which can capture that first important step in a Sharia finance journey. [Exhibit 13.]

These can be grouped into four primary categories:

- **Hajj and Umrah savings.** The strongest gateway for Conformists and Conservatives, particularly within the mass and middle classes.
- **ZISWAF payment.** Central to Conformists and Conservatives, blending financial activity with religious obligation and social contribution.
- **Investment products (sukuk and Sharia mutual funds).** Most attractive to Liberal persona and emerging affluent segment with a future-oriented, wealth-building mindset.
- **Gold-based solutions.** Sharia's exclusive differentiator, resonating with mass to middle income segments and the Universalist persona seeking tangible and trusted assets.

We explore each of these four key product hooks in greater depth below, uncovering the insights behind their appeal across consumer personas:

Hajj and Umrah savings: The pilgrimage gateway

Hajj and Umrah savings emerge as the most powerful entry point to Sharia banking—particularly among Conformist and Conservative consumers in the mass and middle-income tiers. The emotional and spiritual motivation to prepare for pilgrimage creates a deeply resonant first product, linking faith with financial discipline. Performing Hajj (one of the five pillars of Islam) and Umrah (a highly valued sunnah) makes this savings product both aspirational and faith-driven.

With annual pilgrimage travel projected to rise from 1.4 million in 2024 to 2.5–3 million by 2030, this unique product hook presents a structural growth driver for sustained engagement across savings, remittance, and investment products.

Investment products for the modern Muslim

In contrast to their more adherent peers, Liberal personas display a stronger affinity for investment-oriented products, including sukuk, Sharia mutual funds, and other capital-market instruments. This preference reflects a future-focused and wealth-building mindset, particularly among emerging affluent and affluent groups.

For these groups, Sharia-compliant investments act as a bridge between modern financial aspirations and ethical principles, positioning Sharia banks as trusted partners in long-term financial planning.

Gold: Sharia's exclusive edge

Gold stands out as a distinctive, Sharia-exclusive product not available through conventional banks, making it an exclusive hook. It resonates strongly with mass and middle-income consumers who value security, tangibility, and trust in assets. The steep increase in prices has also added further momentum to gold as a favored investment choice.

Among Universalists, Sharia finance offers a unique proposition for acquiring gold—its exclusivity within the Sharia ecosystem acts as a compelling differentiator, anchoring loyalty even among non-religious customers.

ZISWAF: Faith-driven finance at the core

For Conformist and Conservative personas, ZISWAF payment is not merely a financial product it represents a spiritual and social duty. It aligns with the duty that 2.5% of retained wealth is to be directed toward charitable purposes. Conformist and Conservative personas both expect that ZISWAF will be embedded into their regular savings account.

Its prominence as a key hook underscores the value-driven nature of these consumers, who view giving as an integral part of religious fulfillment. While less engaging for Liberals, ZISWAF remains a strategic product pillar that enhances social impact, builds brand credibility, and reinforces the ethical foundation of Sharia finance.

EXISTING PRODUCT SUITE: CONVERTING PRINCIPLES INTO DIFFERENTIATION

It is worth noting beyond that compelling religious link that attracts some personas, Sharia products come with many inherent advantages compared against their conventional rivals. Sharia banks can leverage the intrinsic strengths of their existing offerings to appeal to a broader customer base.

These features are not only faith-aligned but also commercially distinctive, forming a strong foundation for marketing narratives and customer trust. They translate religious compliance into tangible customer value, demonstrating that Sharia products can adapt to evolving consumer needs while offering competitive advantages in the broader market. (see **Exhibit 14**)

EXHIBIT 14

Syariah can leverage built-in strengths of existing products aligned with potential customer values

Products	Inherent benefit
Credit Card/ Trx Card	Uses ujrah (service fee) or qard hasan (benevolent loan). no compounding interest, no late-fees, no over-limit fees
Savings & Current accounts	Based on wadiah yad dhamanah (safekeeping with guarantee) or mudharabah (profit-sharing), giving depositors real sector profit-sharing and promoting transparency.
Home/Asset Financing	Typically Structured via murabahah (cost + margin), ijarah (lease-to-own offering more predictable installments compared to floating interest in conventional banks.
Gold & Precious Metals	Based on wadiah yad dhamanah (safekeeping with guarantee) or mudharabah (profit-sharing), giving depositors real sector profit-sharing and promoting transparency.
Socially linked products	Include Cash Waqf Linked Deposit, zakat/waqf-linked financing, and qard hasan microloans, integrating banking with social finance for community impact
Insurance/ Takaful	Community-based model where participants mutually cover each other through a common *tabarru'* fund, share in any surplus, and have their contributions invested only in halal assets, reinforcing fairness and religious assurance

Credit cards/Transaction cards: Fairness and financial discipline. Sharia-compliant credit cards operate on ujrah (service fee) or qard hasan (benevolent loan) systems. Commonly offering no late/over-limit fees, reducing compounding debt and maintaining fairness.

Savings and current accounts: Transparency and shared value. Deposits are classified as wadiah yad dhamanah (safekeeping with guarantee) or mudharabah (profit-sharing), allowing consumers to actively participate in real-sector returns rather than predetermined interest rates. This provides an attractive foundation of transparency and shared prosperity, building trust between depositors and banks while affirming partnership ethos.

Home and asset financing: Predictable and asset-backed. Home and asset financing products integrate murabahah (cost-plus margin), ijarah muntahiya bittamlik (lease-to-own), and musharakah mutanaqisah (diminishing partnership). These contracts provide asset-backed, predictable payments, giving borrowers more certainty and fairness.

Gold and precious metals: Sharia's tangible advantage. Sharia banks can directly possess and transact gold, providing unparalleled flexibility through murabahah (installment sales), ijarah (lease), rahn (pledge), and wakalah (agent) structures. This capability facilitates the development of differentiated solutions like gold financing, savings, and pawning, reinforcing gold's position as one of Sharia's most distinctive assets.

Socially linked products: Integrating faith and finance. Sharia's social finance instruments, such as cash-waqf-linked deposits, zakat- or waqf-linked financing, and qard hasan microloans, extend from formal banking to community development. These products incorporate social purpose into financial transactions, supporting the system's ethical purpose while providing more access to underprivileged communities.

Takaful: Cooperative, values-based protection. Takaful differentiates itself by reframing insurance as a Sharia-compliant, community-based risk-sharing system rather than a purely commercial risk-transfer contract. Participants contribute to a common tabarru' (donation) fund to mutually protect one another, and any underwriting surplus is generally allocated to participants—either distributed back to them or retained in the risk fund for their collective benefit. Contributions are invested only in Sharia-compliant assets that avoid interest and prohibited sectors, under the oversight of independent Sharia Supervisory Boards, providing strong religious assurance and ethical transparency. Together, these features create a distinctly values-aligned protection solution that helps banks and insurers deepen loyalty among Muslim customers and reach underserved segments seeking faith-consistent financial security.

Embracing the opportunity for global Sharia leadership

Indonesia's Islamic finance ecosystem is well positioned for growth, and—with the right measures—can accelerate toward true global leadership. We see two standout opportunities where Indonesia can lead the world: building leadership in digital Islamic finance and becoming a champion of ESG-oriented Islamic finance. By advancing these two areas in partnership with policymakers, industry, and communities, Indonesia can leverage its position as the world's largest Muslim-majority nation to set international benchmarks.

LEADING IN DIGITAL ISLAMIC FINANCE

The technology momentum highlighted earlier in this report points to a growing opportunity for the country, as digital innovation accelerates across both incumbent banks and Islamic fintechs. Increasingly, this innovation is reinforced through collaboration—strengthening the domestic pipeline of Sharia-compliant digital products within a supportive ecosystem..

Leveraging the substantial unbanked population and progressive regulatory sandbox programs, Indonesia can set global benchmarks and export the model of delivering inclusive, digital Sharia finance to larger economies. There are several high-value topics and sectors which provide potential for rapid growth.

Digital Takaful and Insuretech

We see Digital takaful and insurtech as one area of opportunities for Indonesia because the country pairs the world's largest Muslim population with a still-underinsured market—insurance premium penetration was about **1.4% of GDP in 2022**—creating a very large addressable base for affordable, Sharia-compliant protection. Even as Sharia insurance momentum improves, the segment is still small enough that digital can materially change the growth curve: **Sharia insurance assets reached Rp46.55 trillion at end-2024**, and **gross contributions increased by Rp5.12 trillion (20.30% YoY)**, yet this asset base is only **~4.1% of total industry insurance assets** (Rp1,133.87 trillion). That gap crystallizes the opportunity which can scale via mobile-first distribution, digitize onboarding and policy servicing, and reduce claims friction through automation and data-driven triggers.

The market has shown initial proof-points. For example Zurich Syariah's Parametric Weather Index Insurance (launched 2022) uses objective weather indices to trigger payouts for coffee farmers and had paid **~USD 50,000** in claims by December 2024, demonstrating how tech-enabled, Sharia-aligned risk sharing can reach rural communities at scale. On the enabling side, OJK's regulatory sandbox provides a formal pathway to test and scale technology innovations in financial services under supervisory oversight—an important catalyst for insurtech business models to mature responsibly.

Digital Islamic Wealth and Asset Management

Digital Islamic wealth and asset management is a credible opportunity because the country is simultaneously (i) scaling a mass retail investor base and (ii) normalizing mobile-first distribution of Sharia instruments. You can say it like this: On the demand side, KSEI data show Indonesia had **20.3 million** capital-market investors (SID) as of end-Dec 2025—an impressive absolute base, yet still only a **low-double-digit share of Indonesia's working-age population**, underscoring substantial headroom for further retail participation and Sharia wealth adoption as digital distribution deepens.". On the supply and distribution side, Indonesia has already operationalized end-to-end online issuance for retail sovereign sukuk through the e-SBN ecosystem (via distribution partners' digital interfaces. At the platform layer, consumer fintech apps are already packaging these instruments for mass users—e.g., Bibit's "Syariah" mode curates Sharia mutual funds and Sharia SBN.

By integrating Sharia wealth products directly into the apps Indonesians already use—mobile banking and mainstream retail investing platforms—providers can turn convenience into participation: seamless e-KYC, low-ticket recurring purchases, and frictionless access to sukuk, Sharia funds, and gold savings. With policy tailwinds that encourage digital financial innovation, Indonesia can move beyond "digitizing distribution" and start pushing the product frontier—halal robo-advisory that automates suitability and Sharia screening, goal-based portfolios (e.g., Hajj, education, retirement), micro-allocations into waqf-linked vehicles, and embedded giving (zakat/waqf) with transparent reporting. If executed at scale, this creates a distinctive, globally relevant model - setting new benchmarks for how Sharia-compliant wealth platforms can serve emerging-market households.

CHAMPIONING ISLAMIC ESG FINANCE

Championing Islamic ESG finance offers another significant opportunity for Indonesia, aligning its Islamic offerings with the broader global push for more responsible, ESG-compliant investment. We have identified several key offerings which are particularly relevant for Indonesia.

Green and SDG Sukuk

Green sukuk and SDG-linked sukuk/bonds sit at the intersection of Sharia compliance and measurable impact—channeling capital to climate and development priorities (renewables, resilient infrastructure, waste and water systems, and inclusive social outcomes) while remaining anchored in ethical, asset-backed principles. Indonesia is unusually well positioned to lead in this niche because it has already institutionalized a credible "use-of-proceeds → allocation → impact reporting" pipeline at sovereign scale: the Republic issued the world's first sovereign green sukuk in March 2018 (USD 1.25bn), and by the Government's own reporting had issued USD 6.9bn cumulative green sukuk since 2018, spanning global, retail, and project-based formats.

Importantly, Indonesia has broadened beyond "green" into SDG-labelled thematic issuance: it became the first Southeast Asian sovereign to issue a global SDG bond in 2021 (EUR 500m / ~USD 584m), later ran an inaugural domestic SDG bond auction in 2023 (Rp 7.25T), and issued a further SDG Global Bond tranche in 2024 (EUR 750m)—evidence the thematic platform is expanding, not stagnating.

With a policy backbone in hand (including OJK's Sustainable Finance Roadmap Phase II 2021–2025), the next step is to scale volumes while continuously tightening outcome discipline—stronger SDG/transition KPIs, more granular impact disclosure, and global best-practice assurance—so Indonesia sets the benchmark for Islamic ESG capital markets.

Integration of ZISWAF with Commercial Finance

Integrating ZISWAF with commercial finance is a uniquely "Indonesia can lead" opportunity because the country has very large Islamic social resources and is already building practical ways to channel them into productive financing. Indonesia's waqf footprint alone is massive—440,512 waqf land locations (57,263.69 hectares) as of Sept-2023—and cash waqf collection has been rising (from Rp819.3bn in 2019 to Rp2.238tn by Aug-2023), while the estimated potential is far higher (often cited around Rp180tn per year).

Early proof that "social funds + market finance" can work is already visible. The government's Cash Waqf Linked Sukuk (CWLS)—first issued as SW001 in March 2020—invests waqf funds into sovereign sukuk, with the returns directed to social programs; by 2023, cumulative CWLS issuance reached Rp728.15bn, showing the model is scaling beyond a pilot.

The next step is to mainstream these structures so they're simple and repeatable: for example, partnering banks with zakat/waqf institutions to de-risk MSME financing, or using waqf as patient capital to co-invest in social infrastructure alongside private investors. With stronger governance and transparent reporting, Indonesia can set a global benchmark for how Islamic philanthropy can mobilize development finance at scale.

CHAMPIONING INCLUSIVE OPPORTUNITY

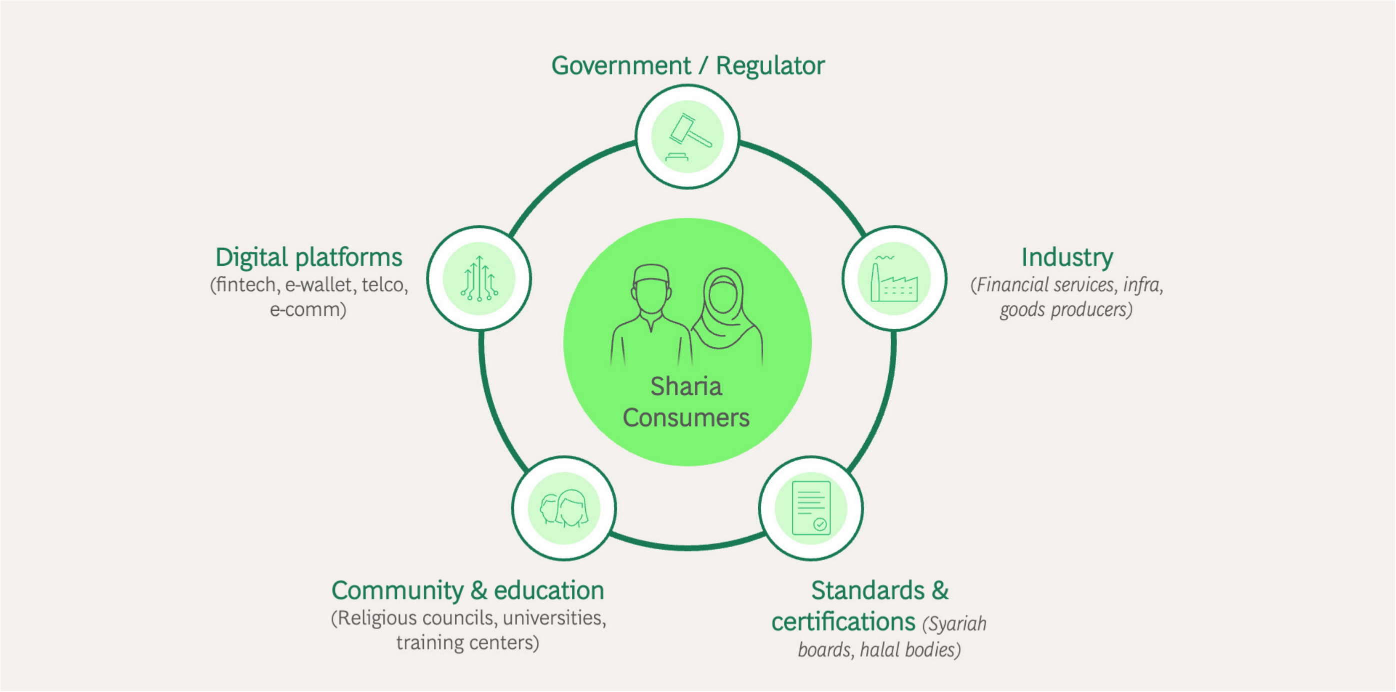
Each opportunity area is a distinct niche where Indonesia has a credible pathway to global leadership—using domestic scale to set benchmarks others can follow. With the world's largest Muslim population, rapidly deepening digital infrastructure, and sustained government commitment, Indonesia has the platform to lead in these domains. Through coordinated action by regulators, industry, and community stakeholders, innovation can be translated into measurable impact—strengthening Indonesia's standing in Islamic finance while advancing inclusive growth in line with Sharia principles.

Accelerating Indonesia's Sharia Progress Together: Policy, Partnership, and Industry Action

Realizing Indonesia's full Islamic finance potential will require close coordination across all stakeholders, including government and policy makers, Islamic finance institutions, Sharia governing bodies, investors and capital market participants, fintechs and platform providers, academia and industry associations, and the end-consumer. (see **Exhibit 15**)

EXHIBIT 15

Call to Action



A collaborative environment will play a critical role in shaping awareness, accessibility, and trust in Sharia-compliant products and services.

By aligning efforts— through shared standards, innovation, and education—this ecosystem can create a more inclusive and dynamic Sharia financial landscape that supports both consumer empowerment and sustainable national growth.

Government and policy makers sit at the center of enabling Indonesia's next phase of Islamic finance growth. Their role is to create a supportive policy environment that accelerates industry expansion, strengthens inclusion, and ensures that underserved communities benefit from Islamic financial solutions. This includes backing innovative, government-enabled models that widen access to Sharia-compliant products and reinforce the sector's long-term competitiveness.

Islamic finance institutions will lead through capability building. As customer expectations rise, Sharia banks must invest in digital-first operating models that match or exceed conventional peers. They also need to articulate differentiated value propositions rooted in Sharia principles, deepen talent and knowledge infrastructure, and fully leverage emerging regulatory shifts, including improved recognition of Sharia risk-weighted-assets, to demonstrate stronger balance-sheet performance and enhance investor confidence.

Sharia governance bodies play a critical role in shaping the product landscape and ensuring integrity. Their priorities include broadening product depth through expanded akad structures, improving consistency and standardization across the ecosystem, and positioning Islamic finance as a credible alternative within the broader ethical-finance universe.

Investors and capital-market participants will be instrumental in unlocking new pools of capital. As ethical and values-based investing gains traction, these stakeholders can channel greater demand toward Sharia-compliant instruments, deepen liquidity, and expand fundraising for both corporate and sovereign issuers, supporting broader market development.

Fintechs and technology providers must adapt their systems and architectures to accommodate Sharia-specific product structures and transaction flows. This provides a path to scalable innovation, seamless embedded finance solutions, and more efficient digital distribution—key to expanding reach and reducing costs across the industry.

Academia and industry associations have an important role in strengthening literacy and broadening the narrative around Islamic finance. Through education, research, and community engagement—including outreach to non-Muslim audiences—they can help position Sharia finance as a values-driven, inclusive financial system that delivers ethical, resilient solutions for all segments of society.

Finally, these efforts must combine with the needs and desires of consumers outlined in the personas above, ensuring that the structures, offerings, and solutions provided meet the diverse needs of Indonesia's market.

Through this collaborative and forward-looking approach, stakeholders can create an enabling environment that nurtures innovation, builds consumer trust, and extends Sharia offerings to a broader segment of Indonesian society. Embracing this holistic approach means all stakeholders are engaged and encouraged to communicate with a common goal and shared understanding—to expand the accessibility and value of Indonesia's energized Islamic finance sector.

Methodology: Understanding the addressable market in Indonesia

In order to understand the behaviors and banking needs of Indonesia's Sharia banking customers, we undertook a detailed market-representative consumer survey between February and March 2025. The survey combined online and offline approaches to ensure broad representation—online data collection captured urban respondents, while offline interviews engaged rural participants, reflecting Indonesia's diverse banking landscape.

The survey design ensured representation of the Sharia addressable market across five key demographic dimensions: (1) Age group; (2) Income segment; (3) Geographic region; (4) Religious affiliation; (5) Urban–rural distribution.

More than 5,000 respondents participated nationwide, providing robust insights into consumer preferences, product perceptions, and channel usage for Islamic banking segments. The findings form a strong empirical foundation for identifying priority customer personas and refining Sharia banking value propositions in Indonesia.

EXHIBIT 16

Market representative consumer survey was conducted to uncover behavior and needs for Syariah finance

Survey's Methodology and Topic Area

Methodology

Online survey for urban population and offline survey for rural population in Feb-March 2025

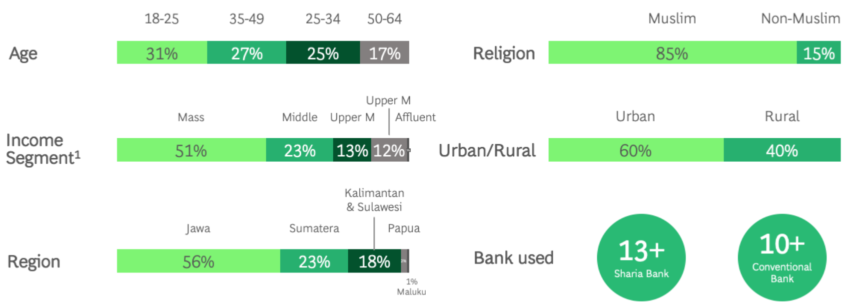
Survey Topic

- Sharia Banking Preferences (reasons, types, frequency of use, etc.)
- Testing the Value Proposition of Sharia Banking Products
- Testing Channel Value Propositions in the Customer Journey

Respondents Demography

The survey ensures that the Indonesian market is representative in order to target the addressable market for Sharia banking, based on: 1) Age 2) Income segment 3) Region 4) Religion 5) Urban / Rural area

More than 5,000 respondents were obtained with the following demographics:



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