

THE ISLAMIC ECONOMY AND FINANCE ECOSYSTEM IN TÜRKİYE 2024 REPORT



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THE ISLAMIC ECONOMY AND FINANCE ECOSYSTEM IN TÜRKİYE: 2024 REPORT

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The İLKE Foundation is a non-governmental organization that produces information, policies, and strategies on social issues, conducts research for guiding decision-makers, and contributes to forming the knowledge necessary for the future.



This report has been prepared by the Research Center for Islamic Economics (IKAM). IKAM aims to encourage the production of competent ideas and theories for the comprehensive construction of a new economic thought.

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Abbreviations

A.Ş.	Joint Stock Company	KAFİF	Participation Finance Principles Information Form
ABD	United States of America (USA)	KARJIEF	Karatay Journal of Islamic Economics and Finance
BDDK	Banking Regulation and Supervision Agency	MKK	Central Securities Depository
BES	Individual Pension System	MÜİSEF	Marmara University Institute of Islamic Economics and Finance
BIST	Borsa Istanbul (Istanbul Stock Exchange)	OKS	Automatic Enrollment System
CBFO	Presidency of the Republic of Türkiye Finance Office	SESRIC	Statistical, Economic and Social Research and Training Centre for Islamic Countries
CVC	Corporate Venture Capital	SPK	Capital Markets Board
FKB	Financial Institutions Association	TBB	Banks Association of Türkiye
HAK	Halal Accreditation Agency	TKBB	Participation Banks Association of Türkiye
HMB	Ministry of Treasury and Finance	TUJISE	Turkish Journal of Islamic Economics
ICFY	Islamic Cooperation Youth Forum	TVF	Türkiye Wealth Fund
ICMA	International Capital Market Association	UK	United Kingdom
IDB	Islamic Development Bank	XK030 BIST	Participation 30 Index
IJISEF	Islamic Economics and Finance	XK050 BIST	Participation 50 Index
İFM	Istanbul Finance Center	XK100 BIST	Participation 100 Index
İĞİAD	Association of Businessmen and Business Ethics	XKTUM BIST	Participation All Index
İİT	Organization of Islamic Cooperation (OIC)	XSRDK BIST	Participation Sustainability Index
İKAM	Islamic Economics Research Center		



The Research Center for Islamic Economics (İKAM) is a research center established under the umbrella of the Foundation for Science, Culture and Education (İLKE) in order to meet the expanding demands and needs in the field of Islamic economics. A limited number of Islamic economics studies are currently found, both in Türkiye and the world, and the need to diversify and deepen research in this field is increasing. As the solutions the capitalist system offer lose their validity over time, the need to develop a fair and sustainable alternative has become more evident. Islamic economics and its faith-based principles have the potential to offer a more just economic life and distribution of wealth. From this perspective, encouraging academic and practical studies in the field, creating groundwork for new research, and supporting competent researchers have great importance.

İKAM aims to encourage the production of competent ideas and theories through its activities for the systematic construction of Islamic economic thought and for opening the path to new studies. Toward this end, İKAM is organizing lectures, reading groups, intensive semi-

nars, research reports, working papers, roundtables, and conferences and is contributing to developing the field through activities such as the Islamic Economics and Finance Summit, the Islamic Economics Bibliography Project, and the Islamic Economics Basic Education Program. Pressing on with its publishing activities through İktisat Publishing, İKAM encourages the emergence of qualified studies in the field of Islamic economics. Through the Islamic Economics Awards, İKAM aims to support researchers and institutions that make valuable contributions to this field. Research and country reports contribute to the literature by addressing the main issues in the field, as well as economic dynamics in specific regions. Intensive seminar programs allow scholars who specialize in specific topics to share their work, while lectures and reading groups provide researchers with a critical thinking environment. Through these activities, İKAM aims to address Islamic economics in a broader academic framework, to increase the accumulation of knowledge in this field, and to contribute to training a new generation of researchers.

Foreword

Ahmet Sait Öner, Attorney at Law

Chairman of the Board of Directors

Islamic economics and finance are gaining increasing importance in Türkiye's development vision as a value-based framework grounded in justice, equity, and productivity. This field offers strategic opportunities for sustainable growth and social welfare, while contributing to the formation of a more inclusive and resilient economic structure.

The Research Center for Islamic Economics (İKAM) continues to advance the theoretical and practical foundations of Islamic economics in Türkiye. Its annual Economic Monitoring Report reflects a commitment to data-driven analysis and informed policymaking.

The Islamic Economy and Finance Ecosystem in Türkiye: 2024 Report provides a comprehensive evaluation of the sector's current lands-

cape and future prospects. Covering participation banking, takaful, sukuk, pension systems, public finance, and fintech, the report serves as a key reference for both policymakers and scholars.

This study, reflecting İKAM's value-based contribution to Türkiye's economic discourse, is dedicated to all stakeholders engaged in the advancement of Islamic economics. We extend our sincere appreciation to everyone involved in its preparation, particularly Dr. Melih Turan, Esma Vatandaş, and Beyza Güneş, whose efforts made this publication possible.

Introduction

The Islamic economics and finance ecosystem has gained significant global attention, especially in the past two decades, as societies seek fairer and more humane alternatives to the capitalist model. Emphasizing equitable income distribution, respect for human labor, and crisis resilience, Islamic economics presents a value-based economic approach.

This report offers a comprehensive analysis of the current state and future potential of Islamic economics and finance in Türkiye. It evaluates the ecosystem's components in 2024 and reviews related academic and sectoral studies. The first section outlines key developments in Türkiye's Islamic economics and finance landscape. The second examines the academic ecosystem, including education, institutions, and publications. The third analyzes participation banking—

its structure, challenges, and opportunities—through data on banks, branches, assets, and services.

Subsequent sections address participation insurance (takaful), participation capital markets, and the individual pension system from an Islamic perspective. These sections assess market size, performance indicators, and Shariah-compliant investment tools. Further, the report explores digitalization and fintech innovations in participation finance, followed by an analysis of public finance practices such as sukuk issuance and domestic borrowing instruments.

Ultimately, the report identifies the ecosystem's current status, challenges, and areas for development, aiming to expand awareness and utilization of Islamic economic principles. Its findings serve as a valuable resource for policymakers, scholars, and industry professionals.

Islamic Economics and Finance Ecosystem

Participation Banks



Participation Insurance Companies



Dijital Participation Banks



Portfolio Management and Investment Institutions



Participation Index



Investment Banks



Credit Guarantee Institution



Savings Finance Companies



Publishing



Associations and Independent Organizations



Academic Journals



Undergraduate Programs



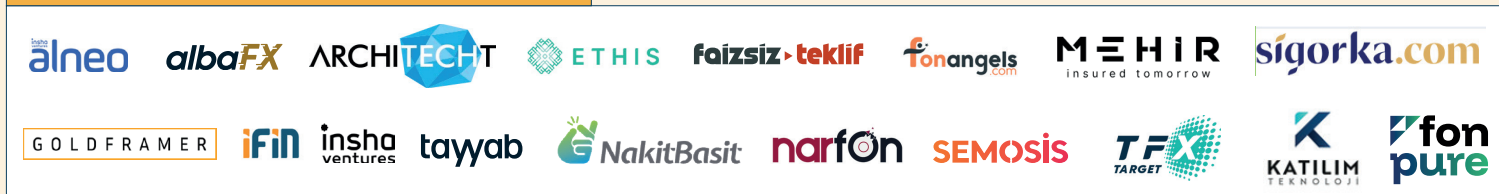
Postgraduate Programs



Institutes and Research Centers



Financial Technology Companies



Start-up Acceleration Centers



Public Regulatory and Supervisory Authorities for Participation Finance



International Organizations



Qard al-Hasan Funds

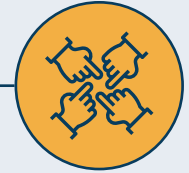


Online Publications



Key Indicators of Islamic Economics and Finance in 2024

Participation Banking



Assets

2,659,573.89 Trillion TL **30.32%** increase compared to 2023 ↑

Funds Collected

1,778,669.16 Trillion TL **17.30%** increase compared to 2023 ↑

Equity

213,857.07 Billion TL **48.57%** increase compared to 2023 ↑

Net Profit

63,191.02 Billion TL **18.67%** increase compared to 2023 ↑

Number of Branches

1512 **3.56%** increase compared to 2023 ↑

Number of ATMs

2627 **4.33%** increase ↑

Number of Employees

21,359 **7.69%** increase compared to 2023 ↑

Participation Insurance (Takaful)



Non-Life Total Premium Production

41,236,885,636 Billion TL

77.9% increase compared to 2023 ↑

Total Non-Life Premium Production

1,819,725,193 Billion TL

37.9% increase compared to 2023 ↑

Total Premium Production

43,056,610,830 Billion TL

75.8% increase compared to 2023 ↑

Sukuk



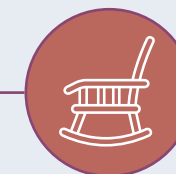
Sukuk Issuance Volumes in Turkish Lira **83,3** Billion TL

Sukuk Issuance Volumes in US Dollars **208,4** Million

Sukuk Issuance Volumes in Euros **241,9** Million

Gold-Backed Sukuk Issuance Volumes **83,3** Tons

Individual Pension System



Number of Participants **9,526,390**

Number of Contracts and Certificates **11,763,845**

Public Finance Applications



Number of Gold-Backed Lease Certificates

83,311,350 139.17% increase compared to 2023 ↑

Foreign Currency Lease Certificates

450,220,000 51.70% increase compared to 2023 ↑

Share of Domestic Lease

Certificates in Total Domestic Debt

10.1%

Islamic Fintech



Number of Fintech Companies **901**

Number of Equity-Based Crowdfunding Investors **43**

Number of Equity-Based Crowdfunding Platforms **18**

Fintech Investment Volume **\$ 194** Million

Fintech Investment Volume **\$ 194** Million

Global Islamic Fintech (GIFT) Index Ranking **18**

Global Fintech Investment Amount Ranking **26**

Global Fintech Investment Number Ranking **14**



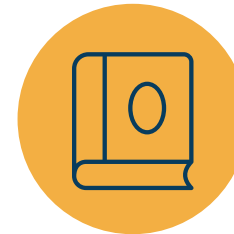
Islamic Economics Education

In this section, the undergraduate and postgraduate programs in the field of Islamic economics and finance conducted in Türkiye, as well as the opportunities offered to the students and researchers participating in these programs, are explained. In addition, the academic institutions, publications, projects, and workshop activities in the field of Islamic economics are examined.

Islamic Economics Education

As of 2024, the universities offering undergraduate programs in Islamic economics and finance in Türkiye include Istanbul Sabahattin Zaim University, Konya KTO Karatay University, and Sakarya University. Furthermore, a total of 19 universities provide graduate education in Islamic economics and finance in Turkish, English, and Arabic language. Of the 46 postgraduate programs available, 38 are master's level and 8 are doctoral level. Education is offered both directly through Islamic Economics institutes and within other faculties, such as Islamic Sciences.

Islamic Economics and Finance Programs



3

Undergraduate



38

Universities
Master's



8

PhD



Institutions

A total of 11 universities in Türkiye host Islamic economics and finance institutes or research centers affiliated with them. In addition to university-affiliated institutes and research centers, independent institutions such as the Research Center for Islamic Economics (İKAM) and the Maruf Foundation Islamic Economics Institute also operate in the field.

İKAM, one of the key institutions providing Islamic economics education in the civil sphere, organizes Basic Islamic Economics Education Programs for researchers and prospective researchers in the field. The program aims to offer a comprehensive introduction to the concept of Islamic economics, its historical development, fundamental principles, and the components of an applicable system.

Publications

In the field of Islamic economics, several journals contribute to the literature with current academic studies. The Turkish Journal of Islamic Economics (TUJISE) is published by İKAM, Maruf Economics is published by the Maruf Foundation Institute of Islamic Economics, and the Journal of Islamic Economics and Finance (JIEF) is published by the International Center for Islamic Economics and Finance Research at Istanbul Sabahattin Zaim University. Additionally, the International Journal of Islamic Economics and Finance (IJISEF) by the Sakarya University Islamic Economics and Finance Research Center and the Karatay Journal of Islamic Economics and Finance (KARJIEF) by KTO Karatay University provide further scholarly contributions.

The Economic Monitoring Reports prepared by İKAM examine and analyze Türkiye's economic outlook from conceptual, theoretical, and practical perspectives. The reports evaluate current data and offer policy recommendations.



Participation Banking

In the participation banking sector, three publicly owned banks were established: Ziraat Katılım in 2015, Vakıf Katılım in 2016, and Türkiye Emlak Katılım Bankası in 2019. The sector expanded further in 2023 when Dünya Katılım, T.O.M. Katılım, and Hayat Finans received operating licenses as digital participation banks. As of 2024, nine participation banks operate in Türkiye, including Albaraka Türk, Kuveyt Türk, and Türkiye Finans.

Graph 1 shows the number of participation bank branches versus the overall banking sector in Türkiye (2014–2024). Since 2017, participation branches have steadily increased, while total branches in the overall sector have declined. In 2024, participation banks reached 1,512 branches—1,507 domestic and 5 abroad—marking a 3.56% year-over-year growth.



Graph 1. Participation Banks and Total Sector Branches (2014–2024, Thousand)

Source: BDDK

Number of Branches of Participation Banks and the Banking Sector in 2024



1512

Participation Banks



10,833

Banking Sector

Source: BDDK



Graph 2. Participation Banks and Total Sector ATMs (2014-2024, Thousand)
Source: BDDK

Graph 3 illustrates the upward trend in employment within the participation banking sector between 2014 and 2024, reflecting both sectoral growth and progress in institutionalization. As of 2024, the total number of employees reached 21,359, representing a 7.69% increase compared to the previous year.

As of 2024, the majority of employees in the participation banking sector hold at least a bachelor’s degree (Graph 4), indicating a structural emphasis on qualified human capital that exceeds the minimum educational requirements. Compared to the general banking sector—where 10% of employees hold a master’s or doctoral degree (TBB, 2025)—participation banks report higher figures: 16.07% hold a master’s degree and 0.31% hold a doctorate.

Workplace distribution is predominantly concentrated in branches, with a high rate of full-time employment (Graphs 5 and 6). However, as of 2024, the gender composition remains male-dominated at 72.64%, highlighting opportunities to enhance female participation within the sector (Graph 7).

Participation Banking and Total Number of Employees in the Sector in 2024



21,359

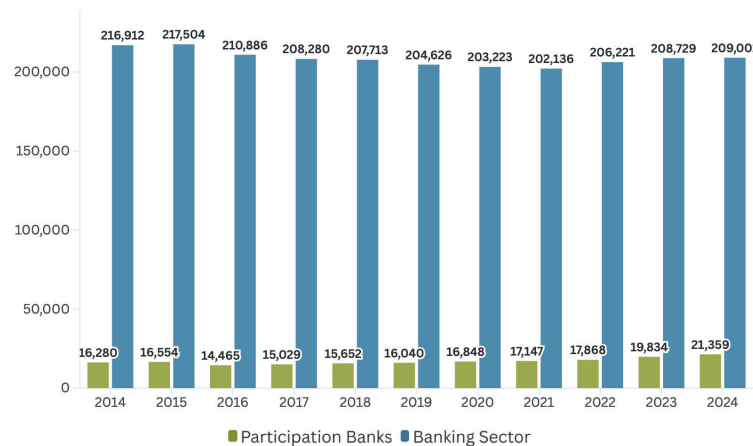
Participation Banks



209,001

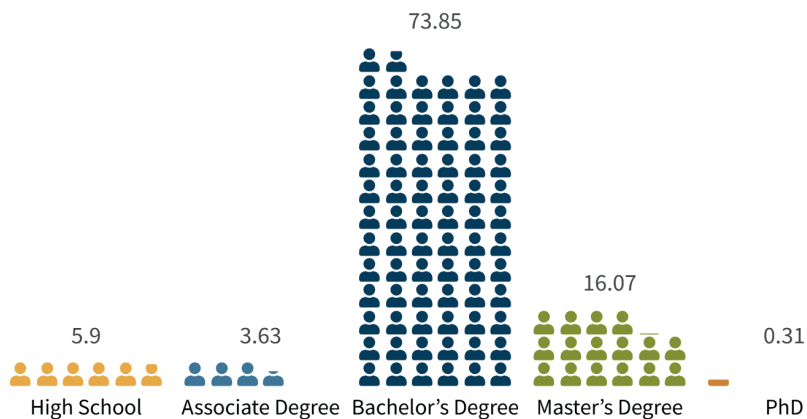
Banking Sector

Source: BDDK, Monthly Banking Sector Data



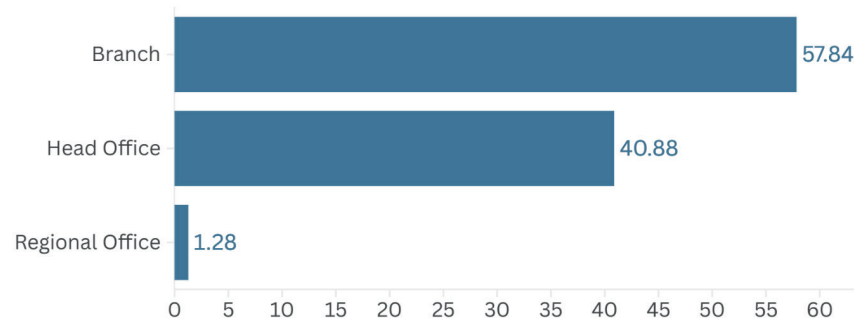
Graph 3. Number of Employees in Participation Banking and the Total Sector (2014–2024)

Source: BDDK



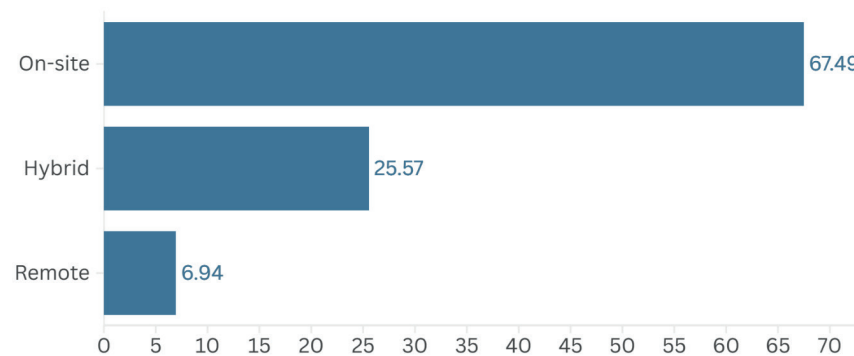
Graph 4. Education Levels of Participation Bank Employees (% ,2024)

Source: TKBB



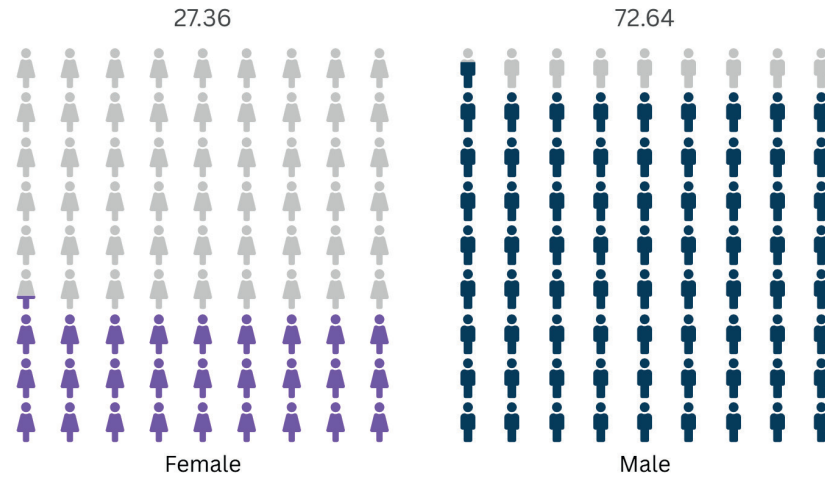
Graph 5. Employees by Workplace in Participation Banks (% ,2024)

Source: TKBB



Graph 6. Work Arrangement of Employees in Participation Banks (% ,2024)

Source: TKBB

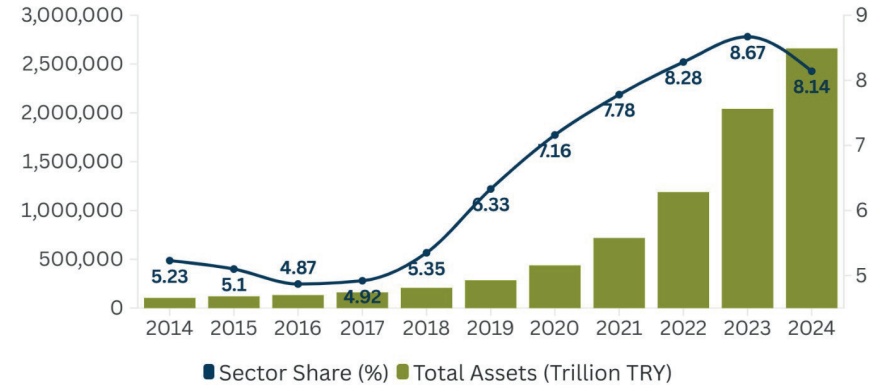


Graph 7. Gender Distribution of Employees in Participation Banks (% , 2024)

Source: TKBB

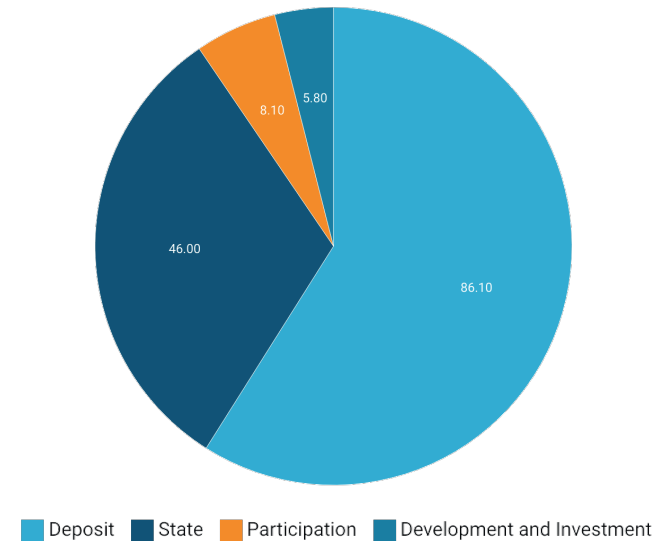
In the 2024 fiscal year, the total assets of participation banks reached TRY 2,659,573.89 trillion, marking a 30.32% increase compared to the previous year. However, despite this substantial growth, their share in the overall banking sector's total assets declined by 6.11% points, falling from 8.67% in 2023 to 8.14% in 2024 (Graph 8).

As illustrated in Graph 9, commercial banks continue to dominate the sector, holding an 86.1% share, while public banks represent 46%. Participation banks, accounting for 8.14% of total assets, constitute a smaller but steadily growing segment. Nevertheless, their current share remains below the 2025 target of 15% set out in the Türkiye Participation Banking Strategy Update Report (2021-2025).



Graph 8. Growth of Assets of Participation Banks (2014-2024)

Source: BDDK



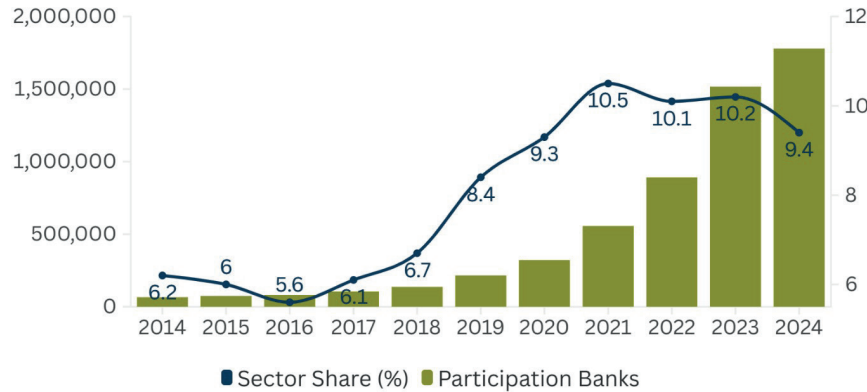
Graph 9. Sector Share of Assets (% , 2024)

Source: BDDK

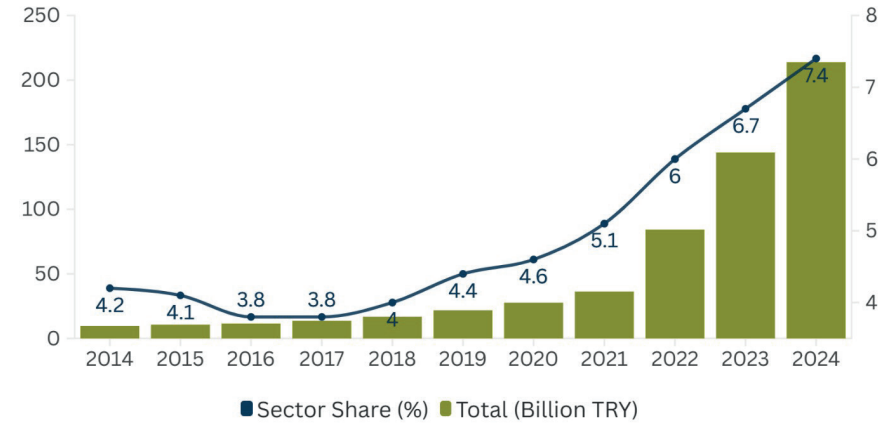
Graph 10 illustrates the funds collected by participation banks from 2014 to 2024 and their share within the sector. The total volume has shown consistent growth, reaching TRY 1,778,669.16 trillion in 2024—a 17.30% increase year-over-year. However, their sectoral share decreased by 7.84% compared to the previous year, falling to 9.4%.

In 2024, the total equity of participation banks reached TRY 213,857.07 billion, marking a 48.57% increase over the previous year. Their share of total sector equity also rose, increasing by 10.45% year-on-year to 7.4% (Graph 11).

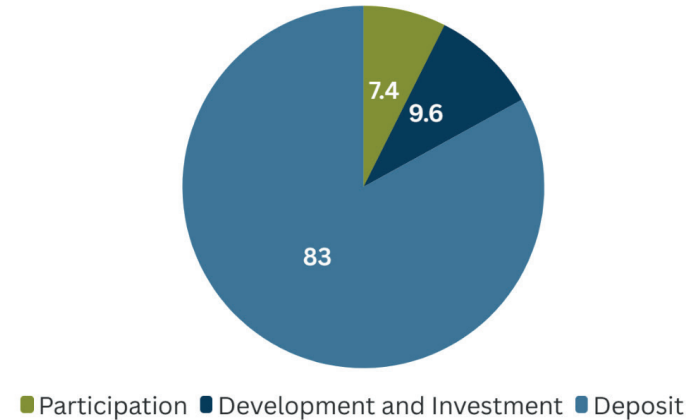
Graph 12 shows the distribution of equity in the banking sector as of 2024. Deposit banks hold the largest share at 83%, while participation banks account for 7.4% of the sector's total equity.



Graph 10. Growth of Funds of Participation Banks (2014-2023, Trillion TRY)
Source: BDDK



Graph 11. Participation Banks Total Equity (2014-2024)
Source: BDDK



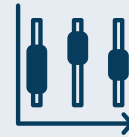
Graph 12. Equity Share by Sector (% , 2024)
Source: BRSA, Monthly Banking Sector Data

2024 4th Quarter Digital Banking Statistics



6,3 Million

Number of Active Digital
Banking Customers



5,6 Trillion TL

Total Transaction
Volume



126,9 Million

Total Number of
Transactions

Source: TKBB

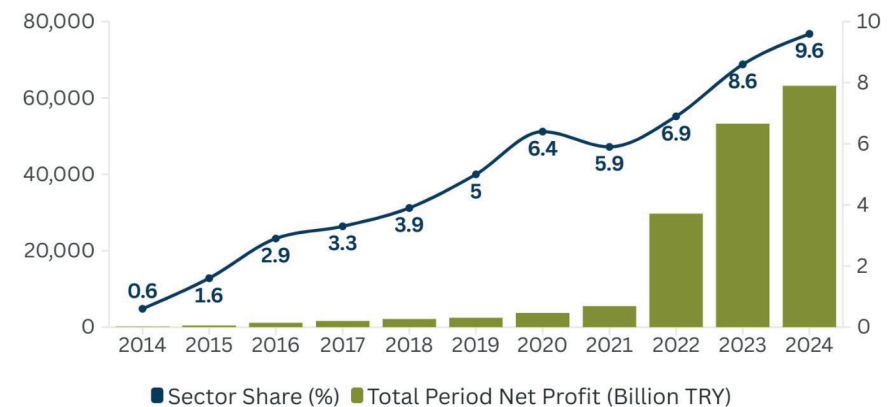
Non-performing loans (NPLs) at participation banks have followed a fluctuating trajectory over the years. After exhibiting a downward trend from 2015, NPLs began to rise in 2018, primarily driven by exchange rate shocks. Although the downward trend resumed in 2022, it reversed in 2024, with NPLs increasing by 68.08% year-on-year, reaching TRY 16,564.42 million (Graph 13).



Graph 13. Participating Banks' Non-Performing Loans and Sector Share (2014-2024)

Source: BDDK

Graph 14 illustrates the total net profits of participation banks from 2014 to 2024. Net profits have generally exhibited an upward trend since 2014, with a slight decline in 2022 compared to 2021, before resuming their growth trajectory. The sectoral share of participation banks based on period net profit has mostly increased over the years, except in 2021. In 2024, net profit reached TRY 63,191.02 billion, representing an 18.67% year-on-year increase.

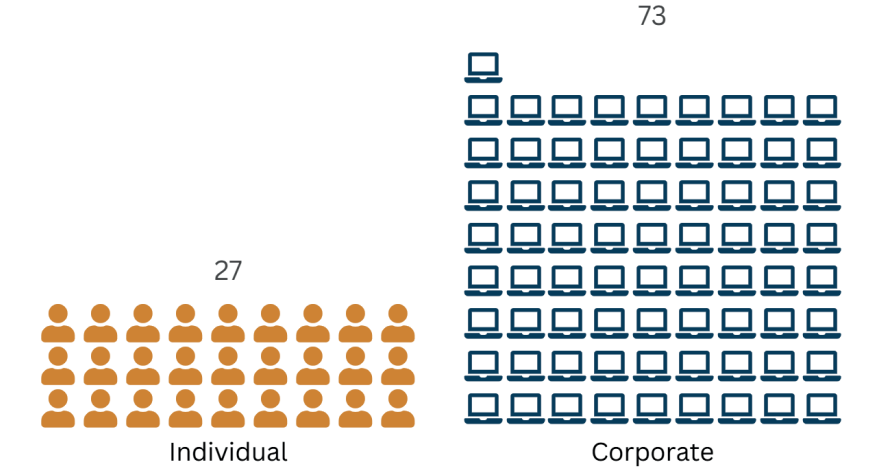


Graph 14. Participation Banks Period Net Profit (2014-2024)

Source: BDDK

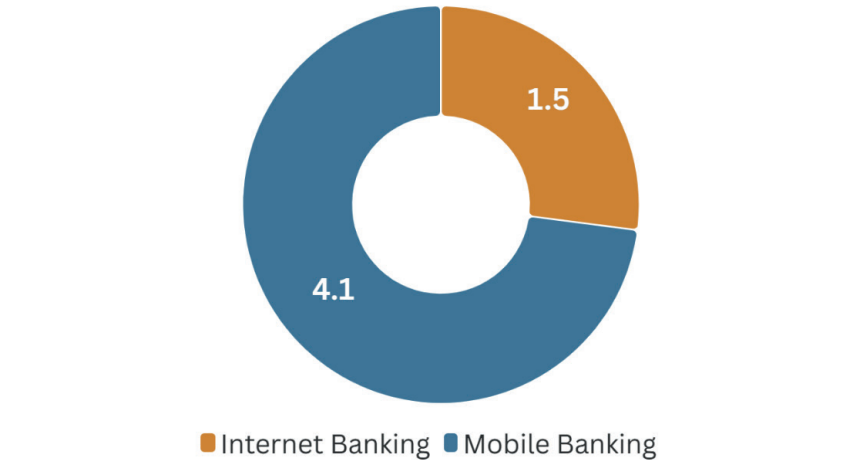
Graph 15 shows the 2024 digital banking transaction volume by customer segment. Corporate customers accounted for the majority, performing 73% of transactions, while individual customers represented 27%. This distribution indicates that participation banks' digital infrastructure effectively serves both segments. The high share of corporate transactions reflects the digitization of processes such as e-invoicing, collections, bulk payments, and foreign trade, demonstrating that participation banks successfully provide digital financial services to the real sector as well as individual clients.

Graph 16 shows the distribution of digital banking transaction volumes by channel in Q4 2024. Mobile banking accounted for the highest volume, driven by user-friendly interfaces, fast processing, and 24/7 accessibility for both individual and corporate clients. Internet banking ranked second, while other digital channels, including ATMs and call centers, recorded relatively lower usage.



Graph 15. Transaction Volume by Digital Banking Customer Segment (% , 2024)
Source: TKBB

The higher share of the corporate segment compared to the individual segment in digital banking is significant, as it demonstrates that participation banking has successfully integrated digital financial services not only for individuals but also for the real sector.



Graph 16. Transaction Volume of Participation Banks by Digital Banking Channels (2024/4th Quarter)
Source: TKBB



Participation Insurance (Takaful)

The participation insurance system is based on mutual financial cooperation, providing financial security against unexpected risks (Hadin, 2021, p. 38). As of 2024, there are 10 participation insurance companies and one participation reinsurance company operating in Turkey.

Table 1 presents participation insurance premium production and annual growth rates for the 2020-2024 period. The data indicate that the upward trend in premium production continued in 2024. Premium

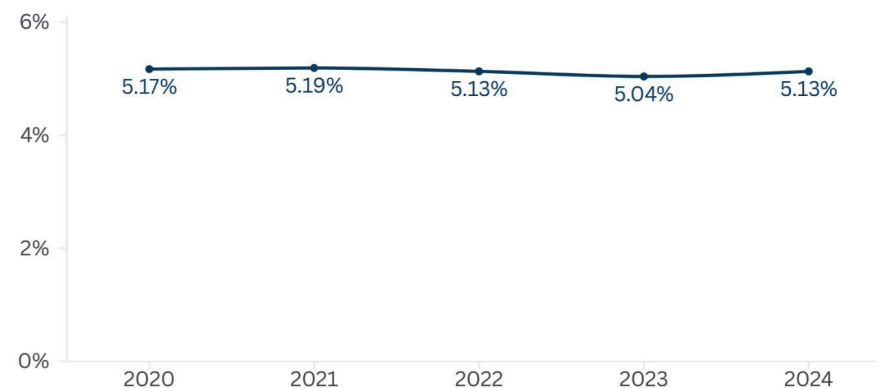
production reached 43,056,610,830 billion TRY in 2024, representing a 75.8% increase compared to the previous year.

Graph 17 shows the share of total participatory insurance premium production within the insurance sector for the 2020-2024 period. Over these four years, the share of participatory insurance remained relatively stable. In 2024, however, it increased by 1.78% compared to the previous year, reaching 5.13%.

Table 1. Participation Insurance Premium Production and Growth Rates by Year (2020-2024)

Years	Total Sector Premium Production (Billion TRY)	Growth Rate Compared to Previous Year (%)	Participation Insurance Premium Production (Billion TRY)	Growth Rate Compared to Previous Year (%)
2024	838,496,120,960	72.5	43,056,610,830	75.8
2023	486,024,033,340	106.8	12,054,074,214	103.2
2022	235,011,799,710	123	12,054,074,214	120.4
2021	105,307,008,083	27.5	5,468,861,839	28.2
2020	82,575,846,005	19.3	4,267,313,631	24.2

Source: Insurance Association of Türkiye (TSB), Participation Insurance Data



Graph 17. Share of Participation Insurance Premium Production in the Sector (% , 2020-2024)

Source: TSB, Insurance Data

According to Table 2, for the 2020-2024 period, premium production in the non-life sector exceeded that of the life sector each year. In 2024, total premium production in the non-life sector reached 41,236,885,636 billion TRY, representing a 77.9% increase compared to the previous year. Premium production in the life sector increased by 37.9%, reaching 1,819,725,193 billion TRY (Table 2 and Graph 18).

Table 2. Premium Production by Participation Insurance Branch (2020-2024)

Years	Total Non-Life Premiums (Billion TRY)	Total Life Premiums	Total Premiums (Billion TRY)
2024	41,236,885,636	1,819,725,193 Billion TRY	43,056,610,830
2023	23,176,628,805	1,319,740,515 Billion TRY	24,496,369,321
2022	11,340,435,296	713,638,918 Million TRY	12,054,074,214
2021	5,057,526,099	411,335,740 Million TRY	5,468,861,839
2020	3,941,191,476	326,122,155 Million TRY	4,267,313,631

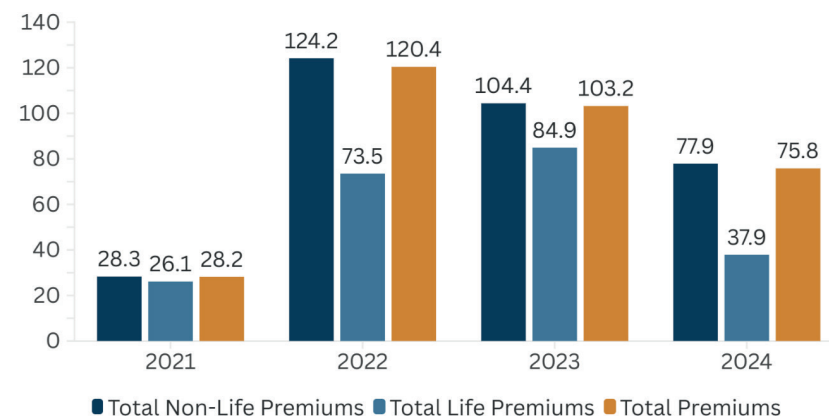
Source: TSB, Insurance Data

Table 3. Premium Production by Company (TL, 2024)

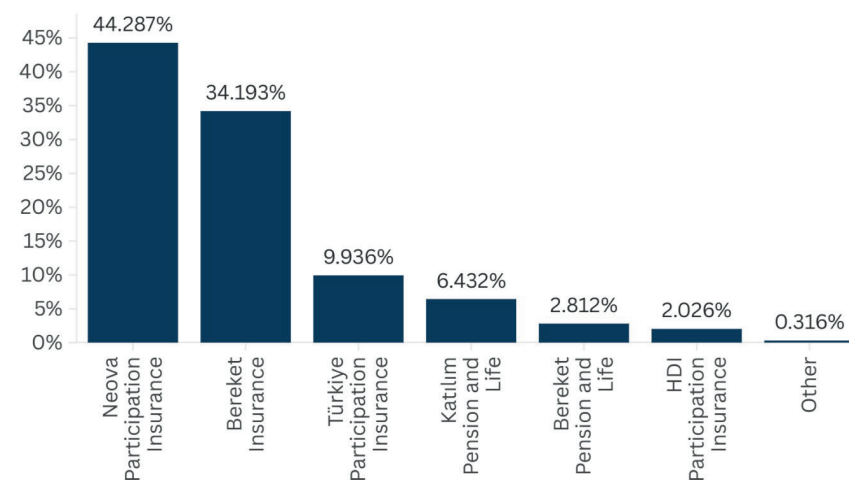
Rank	Company Name	Total Production (TRY)
1	Neova Participation Insurance Inc.	19,068,570,848
2	Bereket Insurance Inc.	14,722,312,073
3	Türkiye Participation Insurance Inc.	4,277,996,870
4	Katılım Pension and Life Inc.	2,769,195,740
5	Bereket Pension and Life Inc.	1,210,749,128
6	HDI Participation Insurance Inc.	872,442,424
7	Türkiye Participation Insurance Inc.	112,184,378
8	Türkiye Insurance Inc.	21,799,220
9	HDI Insurance Inc.	1,089,246
10	Doga Insurance Inc.	271,103
Total Sector		43,056,610,830

Source: TSB, Insurance Data

Table 3 presents the ranking of companies operating in the participation insurance sector based on total premium production in 2024. Neova Participation Insurance Inc. ranks first, with a premium production of 19,068,570,848 billion TRY and a 44.29% share of the sector. Bereket Insurance is in second place, with a premium production of 14,722,312,073 billion TRY and a 34.19% share (Table 3 and Graph 19).

**Graph 18.** Participation Insurance Growth Rates Compared to the Previous Year (% , 2021-2024)

Source: TSB, Insurance Data

**Graph 19.** Premium Production by Company in the Participation Sector Market Shares (% , 2024)

Source: TSB, Insurance Data

Participation Capital Markets

Participation Indices

Participation indices consolidate the shares of companies operating in accordance with Islamic finance principles, providing an alternative for investors seeking interest-free investment opportunities. The participation indices traded on Borsa Istanbul are as follows:

- BIST Participation 30 Index (XK030)
- BIST Participation 50 Index (XK050)
- BIST Participation 100 Index (XK100)
- BIST Participation All Index (XKTUM)
- BIST Participation Sustainability Index (XSRDK)

The upward trend in BIST indices during the first half of 2024 was driven by increased confidence in economic policies, easing inflation, and reduced domestic market uncertainty. Strengthened economic

stability further boosted investor interest in capital markets. From July onwards, indices declined due to rising global economic and geopolitical uncertainties, as well as government preparations to tax stock market gains. In the final quarter, a recovery emerged as international uncertainties eased and confidence in the domestic market was partially restored (Graphs 22–27).

As of October 2024, the BIST Participation ALL Index holds a prominent position within the BIST All Index in terms of investor numbers. The number of investors in this participation-based index exceeded 4.9 million, representing approximately 72.7% of the total BIST investor base. However, its market capitalization stood at TRY 3.5 trillion, or around 26.5% of the total BIST ALL market value. This indicates that, while participation indices are widely accessible to investors, their market value remains relatively limited (Table 4).

Table 4. Comparison of BIST Participation All and BIST All Indices

	Number of Investors*	Total Market Value
BIST Participation All Shares	4,915,537	3,506,654,545,291 TRY
BIST All Shares	6,761,171	13,256,289,143,345 TRY

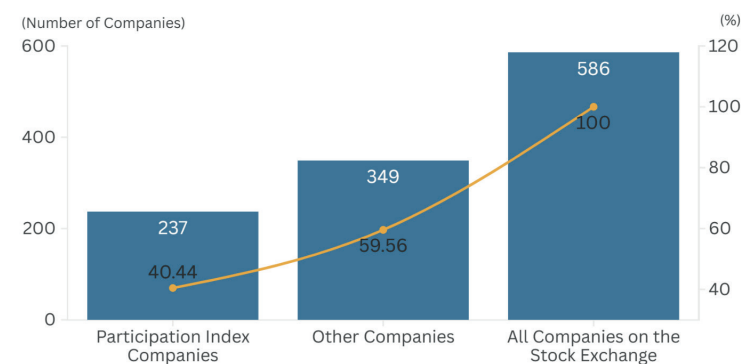
Source: Borsa İstanbul, BIST Pay Endeksleri, 2025

*Investor numbers are based on Central Securities Depository of the Turkish capital markets (MKK) data as of January 31, 2025.

Note: Data compiled as of October 2024.

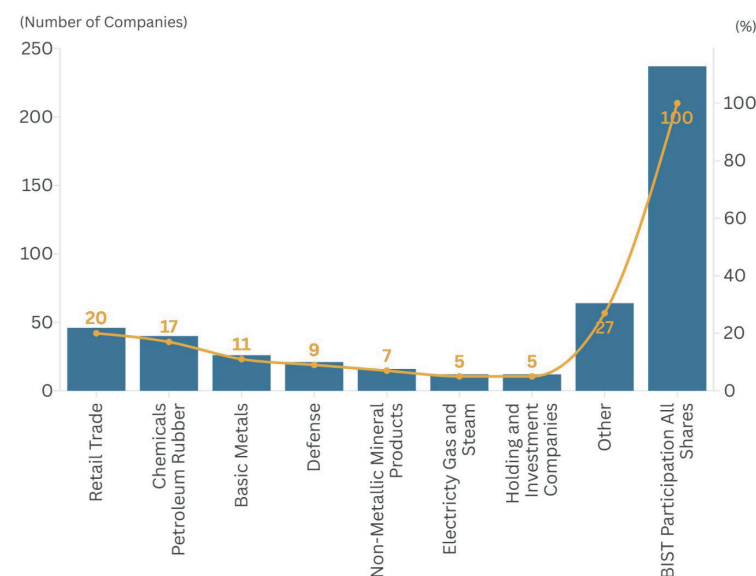
As of October 2024, 237 of the 586 companies listed on Borsa İstanbul are included in the Participation Index, representing 40.44% of the total. The remaining 349 companies, which are not included in the Participation Index, account for 59.56%. This distribution demonstrates that companies operating in accordance with participation finance principles have established a significant presence on Borsa İstanbul. Although non-participation companies constitute the numerical majority, the fact that over 40% of companies are included in the Participation Index highlights the institutional development and potential of the interest-free finance approach in capital markets (Graph 20).

Graph 21 shows the sectoral distribution of BIST Participation 100 companies as of October 2024. The sectoral distribution of the 237 companies included in the BIST Participation All Shares Index shows significant diversity as of October 2024. The majority of companies operating in accordance with participation principles are active in the real sector. This indicates that companies operating in line with interest-free finance principles are concentrated in the manufacturing, retail, and chemical-pharmaceutical sectors.

**Graph 20.** Index Coverage

Source: Borsa İstanbul, Participation Finance, 2025

Note: Data compiled as of October 2024.

**Graph 21.** Sectoral Distribution of Participation Index Companies

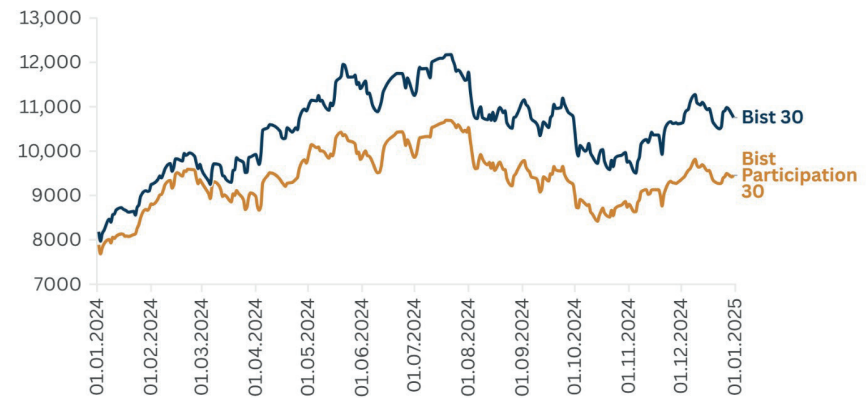
Source: Borsa İstanbul, Participation Finance, 2025

Note: Data compiled as of October 2024.

As of October 2024, 237 out of 586 companies traded on Borsa Istanbul are included in the Participation Index, representing 40.44% of all listed companies.

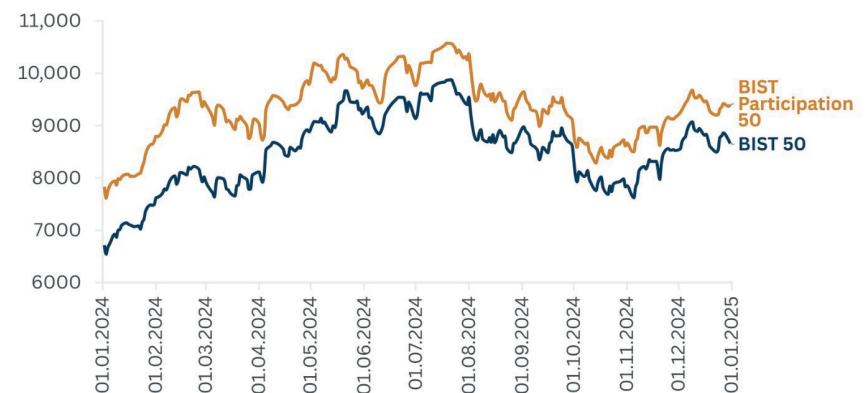
Graph 22 compares the values of the BIST 30 and BIST Participation 30 indices throughout 2024. Although both indices generally followed a parallel trend, the BIST 30 index consistently outperformed the BIST Participation 30 index. On January 2, 2024, the BIST Participation 30 index stood at 7,888.74 and reached 9,453.51 by December 31, 2024, reflecting a growth of 19.83%. During the year, its maximum value was 10,695.51 on July 19, while its minimum was 7,682.85 on January 3. Meanwhile, the BIST 30 index began the year at 8,182.88 and closed at 10,756.27 representing a 31.45% increase.

Graph 23 compares the values of the BIST 50 and BIST Participation 50 indices throughout 2024. Although both indices generally followed a parallel trend, the BIST Participation 50 index consistently outperformed the BIST 50 index. On January 2, 2024, the BIST Participation 50 index stood at 7,829.11 and reached 9,400.05 by December 31, 2024, reflecting a growth of 20.06%. During the year, its maximum value was 10,575.85 on July 19, while its minimum was 7,612.64 on January 3. Meanwhile, the BIST 50 index began the year at 6,714.17 and closed at 8,657.44, representing a 28.94% increase.



Graph 22. BIST 30 and BIST Participation 30 Indices (2024)

Source: Investing.com

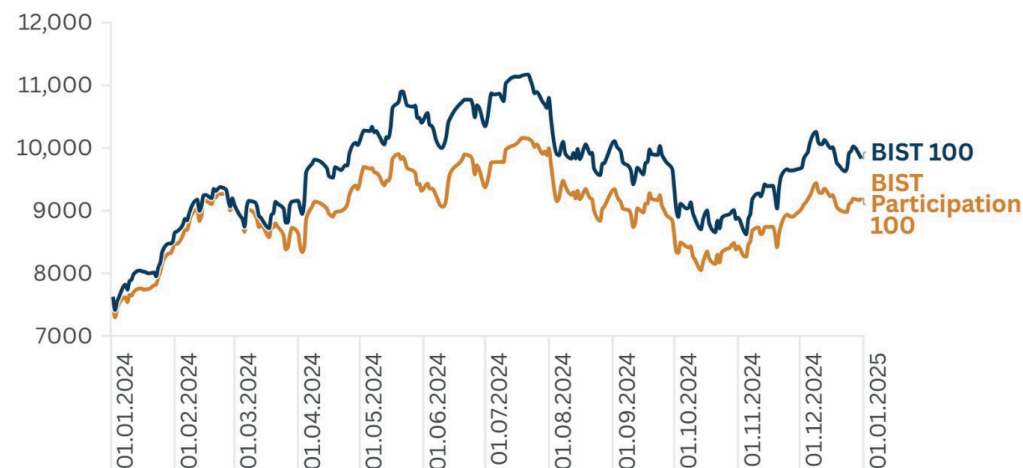


Graph 23. BIST 50 and BIST Participation 50 Indices (2024)

Source: Investing.com

Graph 24 compares the values of the BIST 100 and BIST Participation 100 indices throughout 2024. Although both indices generally followed a parallel course, the BIST 100 index consistently outperformed the BIST Participation 100 index. The BIST 100, which gained 35.6% in value in 2023, increased by 31.6% in 2024, closing the year at 9,830.56 points and achieving growth for the sixth consecutive year for the first time in its history. The BIST Participation 100 index started the year at 7,507.72 on January 2, 2024, and reached 9,195.85 by December 31, 2024, reflecting a growth of 22.48%. During the year, its maximum value was 10,158.88 on July 19, while its minimum value was 7,295.41 on January 3.

Graph 25 compares the values of the BIST Sustainability and BIST Participation Sustainability indices throughout 2024. The BIST Sustainability Index diverged positively from the BIST Participation Sustainability Index during the year. The BIST Sustainability Index, which stood at 9,835.72 at the beginning of 2024, reached 13,486.08 by year-end, marking a 37.11% increase. In comparison, the BIST Participation Sustainability Index started at 8,778.14 on January 2, 2024, and reached 11,533.68 by the end of the year, reflecting a growth of 31.39%.



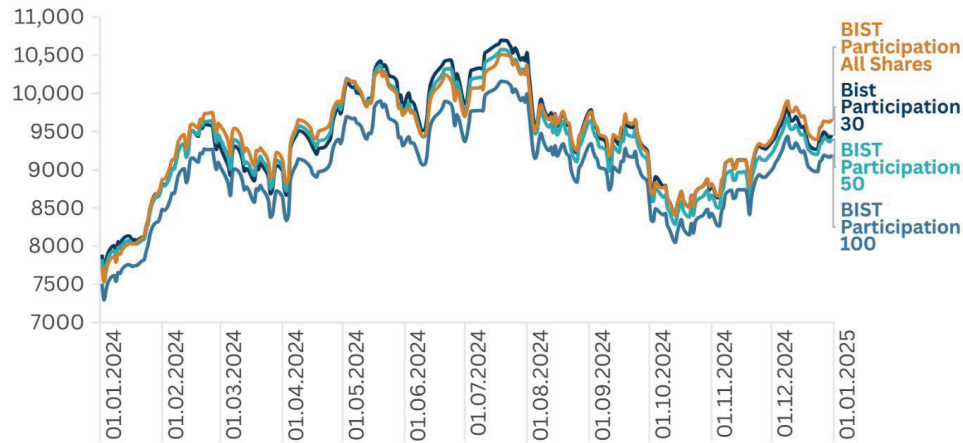
Graph 24. BIST 100 and BIST Participation 100 Indices (2024)

Source: Investing.com



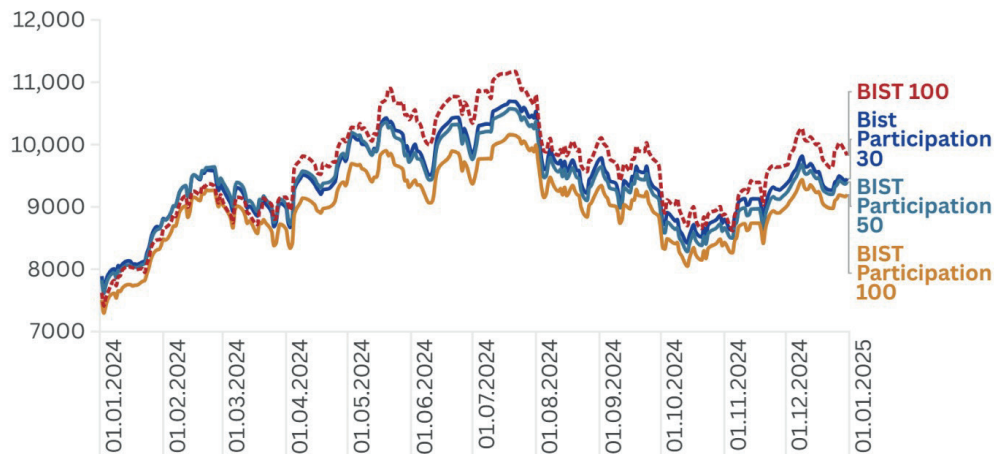
Graph 25. BIST Sustainability and BIST Participation Sustainability Indices (2024)

Source: Investing.com



Graph 26. BIST Katılım Endeksleri (2024)

Source: Investing.com



Graph 27. BIST 100 ve BIST Katılım Endeksleri (2024)

Source: Investing.com

Graph 26 compares the BIST participation indices. It shows that the BIST Participation 30 index outperformed both the BIST Participation 50 and BIST Participation 100 indices.

Graph 27 presents the BIST 100 index alongside the BIST Participation 30, 50, and 100 indices. Although the indices generally followed a parallel trend, the BIST 100 index clearly outperformed the others.

Table 5 shows the top 15 companies in the Participation Index by market value. The company with the highest market value is Aselsan (ASELS), operating in the defense and technology sector, followed by Bim United Stores Inc. (BIMAS), which operates in the wholesale and retail trade sector.

Table 6 shows the return rankings of the 2024 participation indices. MLP Health Services Inc. (MPARK) had a return of 135.39% in 2024. Fertilizer Factories Inc. (GUBRF) ranked second with a return of 86.61%, while Bim United Stores Inc. (BIMAS) ranked third with a return of 79.18%.

XK030	maximum value: 10,695.51	↑
	minimum value: 7,682.85	↓
XK050	maximum value: 10,575.85	↑
	minimum value: 7,612.64	↓
XK100	maximum value: 10,158.88	↑
	minimum value: 7,295.41	↓

Table 5. Top 15 Companies in Market Capitalization Ranking by Participation Index¹

Rank	Company	Market Value (₺)
1	ASELS	388,512,000,000
2	BIMAS	334,567,200,000
3	TUPRS	268,980,665,481
4	EREGL	159,600,000,000
5	OYAKC	123,777,756,235
6	ISDMR	107,474,000,000
7	GUBRF	93,520,000,000
8	MPARK	73,396,438,619
9	ENJSA	70,509,817,330
10	AKSEN	47,680,030,616
11	AKSA	45,804,150,000
12	PETKM	42,958,080,000
13	SELEC	42,041,700,000
14	DOAS	40,546,000,000
15	AKCNS	38,231,979,480

Source: A1 Capital**Note:** Companies in the Participation Index are ranked by market capitalization as of February 2025.**Table 6.** Participation Index Return Ranking (2024)

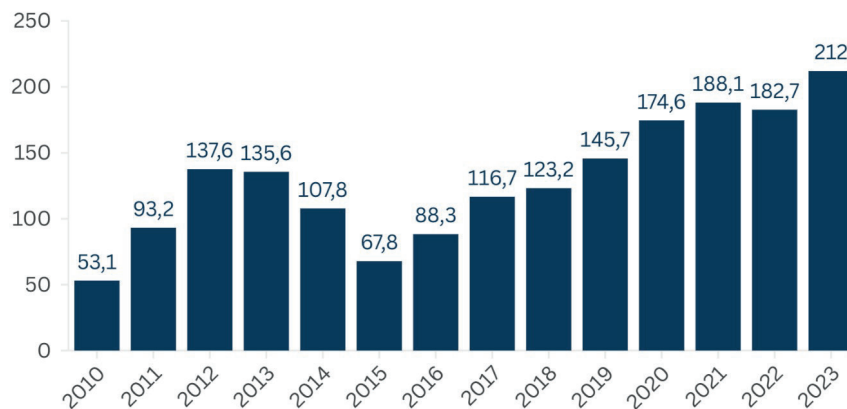
Rank	Company	2024 Return (%)
1	MPARK	135.39
2	GUBRF	86.61
3	BIMAS	79.18
4	OYAKC	68.80
5	ASELS	61.45
6	AKSA	58.75
7	AKSEN	35.56
8	ENJSA	34.87
9	AKCNS	31.64
10	SELEC	30.46
11	EREGL	20.48
12	ISDMR	18.84
13	TUPRS	13.42
14	PETKM	0.60
15	DOAS	-12.05

Source: A1 Capital**Note:** Companies in the participation index are ranked according to their annual returns as of 2024. These data are for the period between January 1, 2024, and December 1, 2024.

¹ The data presented in Tables 5 and 6 is for informational purposes only and should not be construed as investment advice. Investment advisory services are offered exclusively under a contractual agreement between brokerage firms, portfolio management companies, non-deposit-taking banks, and investors. This report does not contain any recommendations, guarantees, or commitments concerning any investment instrument; it solely provides an assessment of the overall market outlook.

Sukuk

Since 2010, the sukuk market has generally shown a growth trend. This momentum was interrupted in 2015, when the market declined by approximately 37.10%. After this decline, sukuk issuance resumed its upward trend and continued to rise steadily until 2022. In 2022, a slight decrease of 2.87% was recorded, while in 2023 the market recovered, with sukuk issuance increasing by 16.04% to reach US\$212 billion (Graph 28).

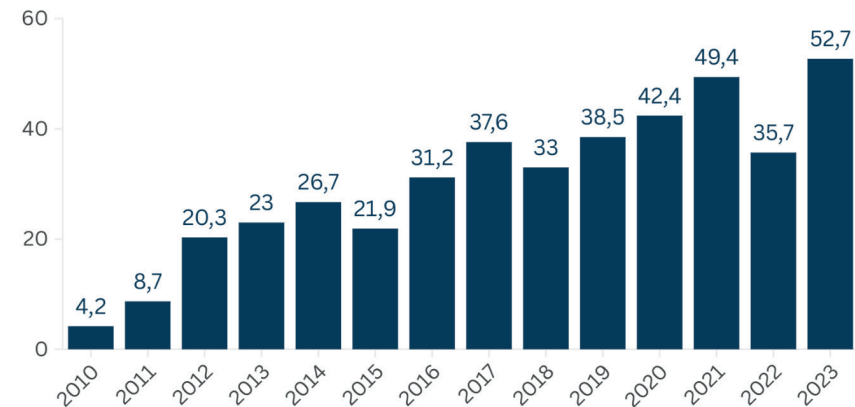


Graph 28. Total Global Sukuk Issuance (Billions of US Dollars, 2010-2023)

Source: IIFM Sukuk Report 2024

Table 7 shows selected global sukuk issuances carried out in 2023. The Ministry of Treasury and Finance of the Republic of Türkiye issued USD 2,500 million in global sukuk in 2023, while Ziraat Participation Bank Inc. issued USD 500 million in global sukuk.

Graph 29 shows the total international sukuk issuance amounts for the period 2010-2023. During this period, the international sukuk market experienced volatility, with issuance amounts fluctuating year by year. In 2023, total international sukuk issuance reached US\$52.7 billion, representing a 47.62% increase compared to 2022.



Graph 29. Total International Sukuk Issuance (2010-2023, in USD Billion)

Source: IIFM Sukuk Report 2024

Table 7. Selected Value Leaders - Global Sukuk Issuance (2023)

Issuer	USD Million or Equivalent
Government of Saudi Arabia	3,000
Abu Dhabi Islamic Bank (Green Sukuk)	500
Al Rajhi Bank	1,000
Aldar properties (Green Sukuk)	500
Dubai Dp World (Green Sukuk)	1,500
Dubai Islamic Bank (Sustainability Sukuk)	500
Energy Development Oman	1,000
Government of Bahrain	1,000
Government of Indonesia	1,000
Government of Indonesia	4,595
Government of Malaysia	1,255
Government of Nigeria	591,85
Government of Egypt	1,500
Greensaif Pipelines Bidco Sarl	1,500
Islamic Development Bank (IsDB)	2,000
Ministry of Finance Saudi Arabia	4,018
Ministry of Treasury and Finance of Türkiye	2,500
Qatar Islamic Bank (QIB)	500
Republic of the Philippines	1,000
Saudi Arabia's Public Investment Fund (PIF)	2,250
Saudi Awwal Bank	1,067
Saudi Electricity Co	1,200
Ziraat Katılım Bankası A.Ş.	500

Source: IIFM Sukuk Report 2024



Ministry of Treasury and Finance Sukuk Issuance Volumes (2024)

Total Sukuk Issuance Volumes in Turkish Lira	83,3 Million
Total Sukuk Issuance Volumes in US Dollars	208,4 Million
Total Sukuk Issuance Volumes in Euros	241,9 Million
Total Gold-Backed Sukuk Issuance Volumes	83,3 Tons
Outstanding Sukuk TL	83,3 Million
Outstanding Sukuk USD	208,4 Million
Outstanding Sukuk Euro	241,9 Million
Outstanding Sukuk Gold	83,3 Tons

Source: TKBB



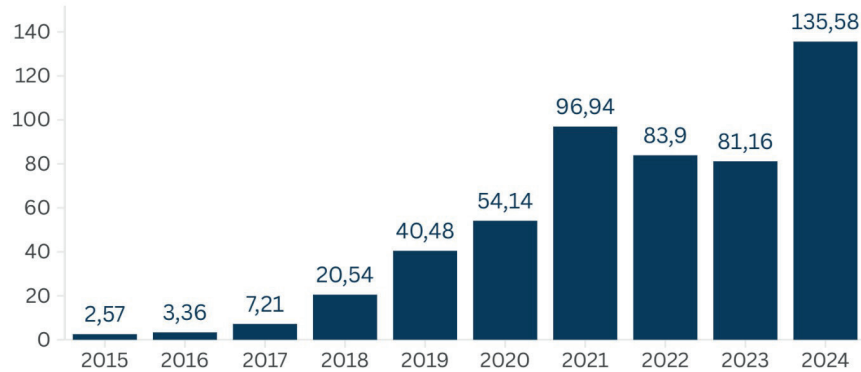
Participation Banks Sukuk Issuance (2024)

Average Maturity	163,5 Days
2013-2025 Total Sukuk Issuance Volumes	135,6 Billion TRY
Outstanding Issuance	37,7 Billion TRY

Source: TKBB

The sukuk issuance, which was only 2.57 billion TL in 2015, reached 135.58 billion TL as of 2024, demonstrating remarkable growth.

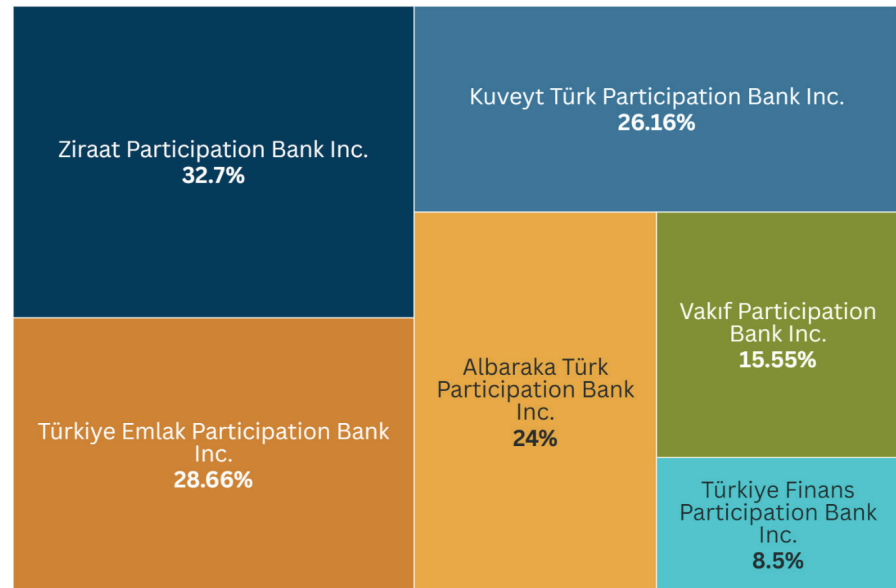
In Türkiye, sukuk, also known as lease certificates, are issued by both the Ministry of Treasury and Finance and private sector institutions. Graph 30 shows the total sukuk volume issued by participation banks between 2015 and 2024. Sukuk issuance, which amounted to only 2.57 billion TL in 2015, reached 135.58 billion TL in 2024, demonstrating remarkable growth. Although issuance volumes declined starting in 2021, they regained momentum in 2024, increasing by 67.05% compared to the previous year.



Graph 30. Total Sukuk Issuance Volumes of Participation Banks (2015-2024)

Source: BDDK

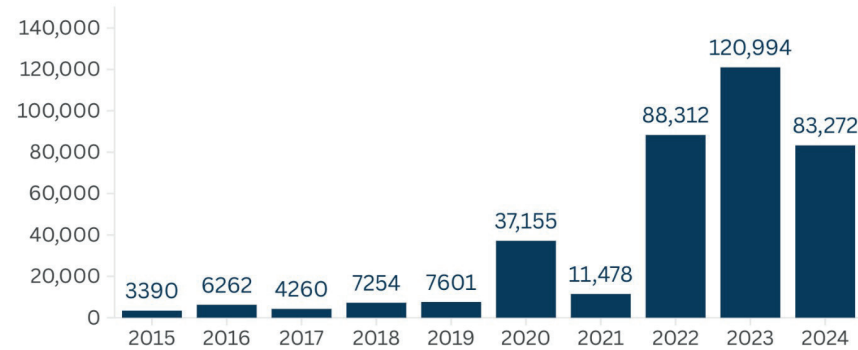
Graph 31 shows the total sukuk issuance volumes of participation banks in 2024. Ziraat Participation Bank Inc. recorded the highest sukuk issuance volume in 2024, totaling TL 32.7 billion.



Graph 31. Sukuk Issuance Volumes by Banks (2024)

Source: TKBB Veri Peteği İstatistikleri

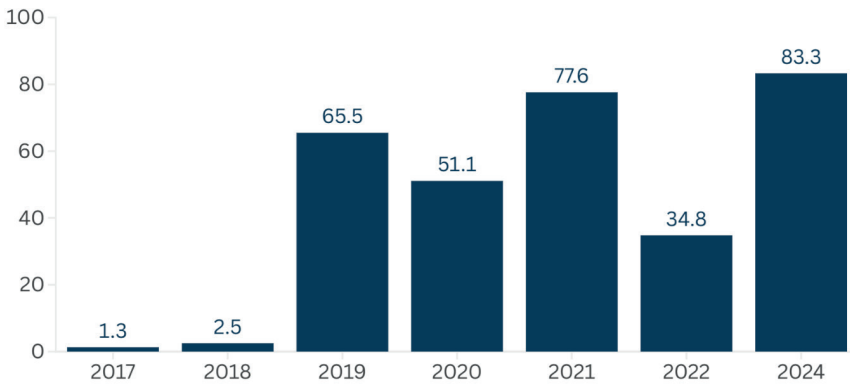
Graph 32 shows the sukuk issuance volumes of Türkiye Ministry of Treasury and Finance for the period 2015–2024. In 2024, the sukuk issuance volume decreased by 31.17% compared to the previous year, reaching TL 83,272 million.



Graph 32. Türkiye Ministry of Treasury and Finance Sukuk Issuance Volumes by Year in TRY (Millions, 2015-2024)

Source: TKBB

Graph 33 shows the annual gold issuance volumes for sukuk issued by Türkiye Ministry of Treasury and Finance between 2017 and 2024. In 2024, the volume reached 83.3 tons, representing a 139.37% increase compared to 2022.



Graph 33. Annual Gold Exchange Rates for Sukuk Issuance Volumes by Türkiye Ministry of Treasury and Finance (Tons, 2017-2024)

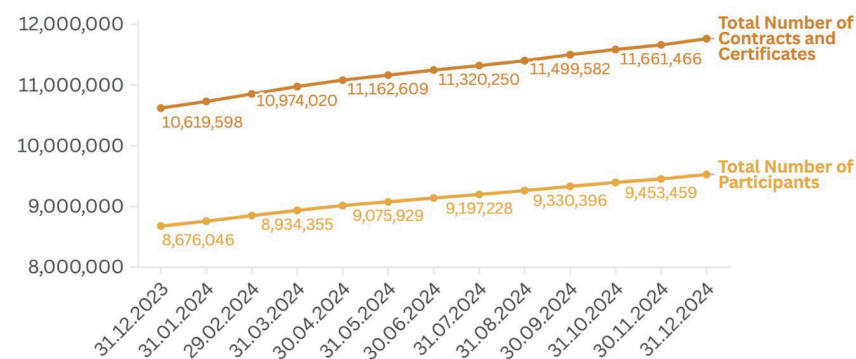
Source: TKBB

Individual Pension System

The Individual Pension System (IPS) offers an opportunity to increase savings for the economy; however, it also poses the risk of placing a burden on the state budget. Strategies should be developed to maximize revenue generation or minimize costs to prevent the IPS system from becoming a financial burden. Studies in the literature indicate that, when directed properly and systematically into the capital markets, resources within the IPS can create significant advantages for the country's economy.

As shown in Graph 34, the total number of participants rose from approximately 8.9 million at the end of 2023 to over 9.4 million by the end of 2024, while total contracts and certificates increased from around 11 million to over 11.5 million. This trend reflects growing interest in the IPS and a steadily expanding participant base. The consistent growth in both participants and contract volume indicates healthy development, with sustainability reliant on transparency, cost management, and careful monitoring of fund performance.

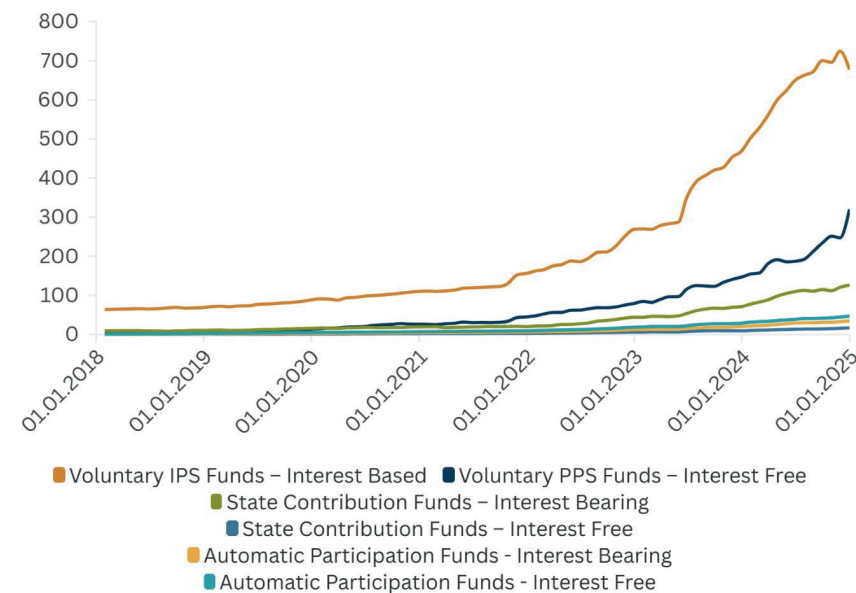
Graph 35 shows the total size of different fund types covered by the IPS from 2018 to 2025. These fund types include both interest-bearing and interest-free (participation-based) products. Notably, the indicators for Interest-Bearing Voluntary IPS Funds, Interest-Free Voluntary IPS Funds, and Interest-Bearing State Contribution Funds demonstrate rapid growth after 2021. The faster rise of interest-bearing funds may reflect the general search for higher returns and inflationary pressures.



Graph 34. Development of the Number of Participants and Number of Contracts/Certificates in the Individual Pension System (2023-2024)

Source: Pension Monitoring Center (EMG), IPS Data

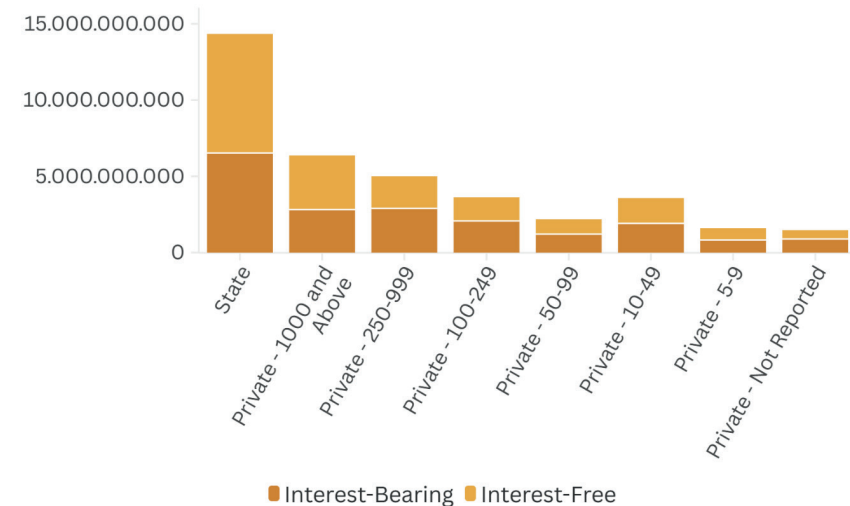
Overall, the graph indicates that individual pension funds in Turkey have significant growth potential through both interest-bearing and interest-free products. The steady, albeit slow, growth of participation funds in line with the basic principles of Islamic finance since mid-2024 suggests that financial inclusion and participation-based investment instruments are gaining increasing acceptance in society. To further accelerate the growth of participation funds, policies such as raising awareness of participation finance, diversifying investment instruments, and promoting transparency and performance-oriented management practices are recommended.



Graph 35. Net Asset Values of Voluntary IPS Funds, State Contribution Funds, and Automatic Participation Funds in Interest Details (Billions, 2018-2024)

Source: EGM, IPS Data

Graph 36 illustrates the sectoral distribution of contributions to ongoing certificates. The public sector accounts for the largest contribution volume, with interest-bearing funds approaching the size of interest-free funds. This reflects active IPS participation by public sector employees and diversification of investment preferences, while participation finance products are utilized by both institutional investors and employees. Large private sector employers contribute less overall, and contributions decline notably in smaller firms, likely due to financial constraints or limited IPS awareness. Nonetheless, the presence of interest-free funds across all segments underscores the continued relevance of participation finance as an investment option within the IPS in Türkiye.



Graph 36. Sectoral Distribution of Contribution Payments Made to Ongoing Certificates in Interest-Bearing/Interest-Free Fund Preferences by Public-Private and Employer Size Breakdown (2024)

Source: EGM, IPS Data

Large-scale private sector employers have a lower total contribution compared to the public sector.

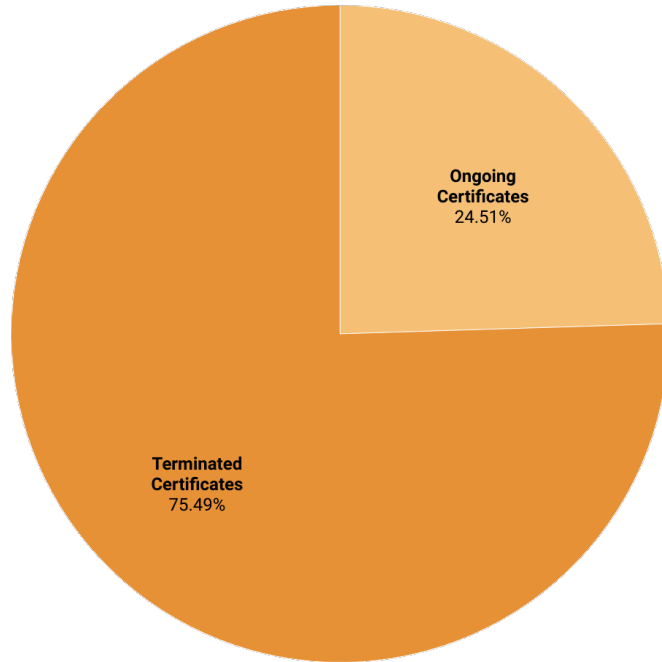
Table 8 presents the dynamics and financial metrics of the Automatic Participation System (APS) in 2024. The APS allows individuals to be automatically enrolled in the Individual Pension System through their employers and plays a key role in promoting long-term savings awareness. The system enables the analysis of certificate rates per employee, sectoral transitions, and preferences for different IPS contracts. Additional measures can be implemented to encourage contributions from small employer groups. Highlighting the benefits of interest-free IPS funds may be particularly appealing to participants with Islamic finance sensitivities. To enhance system continuity, education and awareness campaigns can be conducted to reduce the rate of expiring certificates.

Table 8. Developments in the Automatic Participation System in 2024

Number of Certificates Enacted through Auto-Enrollment in the Relevant Year	5,331,104
Number of Certificates Terminated in the Relevant Year	4,674,095
Number of Employees Enrolled in the System through Auto-Enrollment in the Relevant Year	4,198,641
Total Contribution Amount Paid to Auto-Enrollment Certificates in the Relevant Year	32,451,689,732 TRY
Termination Payment Amount Made to Terminated Certificates in the Relevant Year	21,258,292,071 TRY

Source: EGM, Automatic Participation System Statistics

These figures indicate that large companies offering interest-bearing funds continue to dominate a substantial portion of the sector. As the sector expands, a gradual shift toward interest-free funds may be expected (Graphs 37-39).

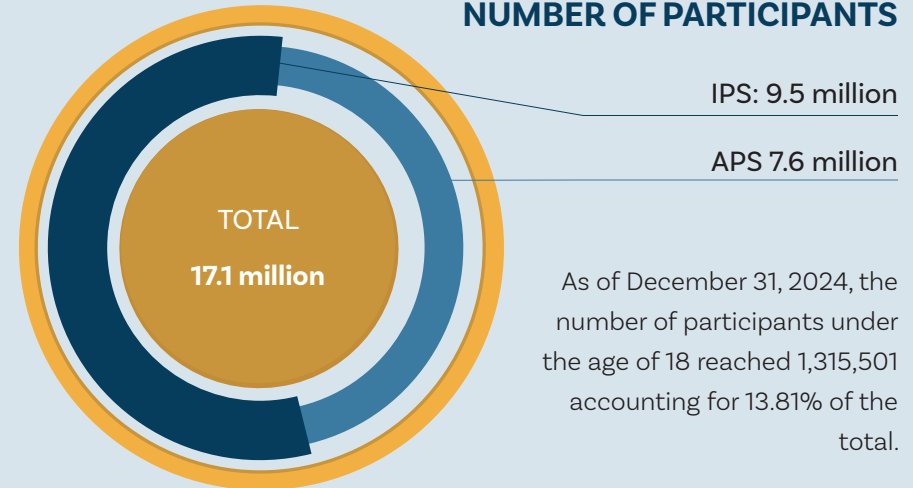


Graph 37. Automatic Participation System Certificate Count and Paid Contribution Share Amount Ratio (% , 2024)

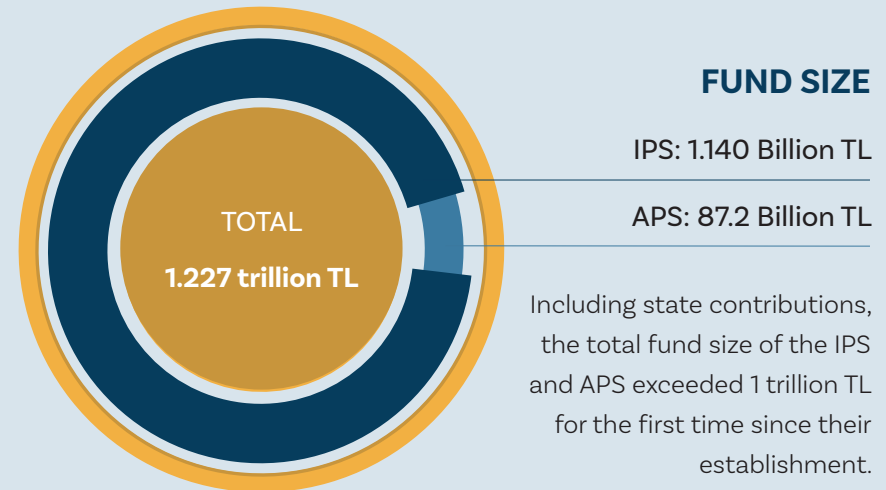
Source: EGM, IPS Data

The total fund size in the IPS and APS exceeded 1 trillion liras for the first time

NUMBER OF PARTICIPANTS

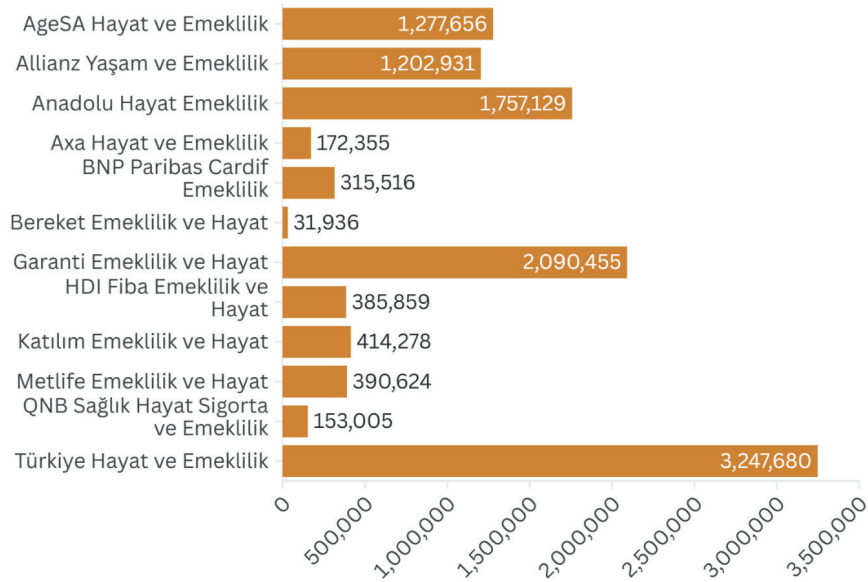


FUND SIZE



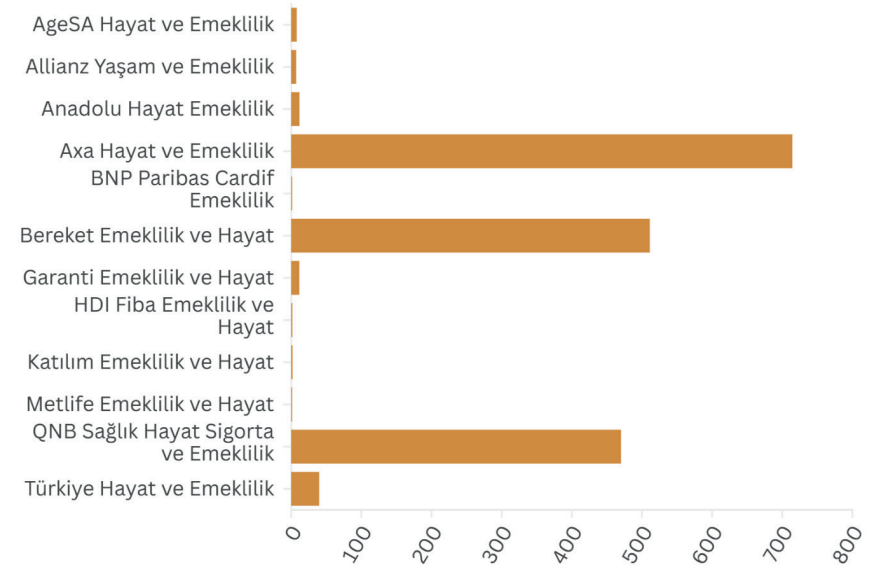
Source: EGM, Weekly Summary Statistics

In Türkiye, individual pension funds have significant growth potential through both interest-bearing and interest-free products.



Graph 38. Number of Ongoing Certificates by Pension Companies (2024)

Source: EGM, IPS Data



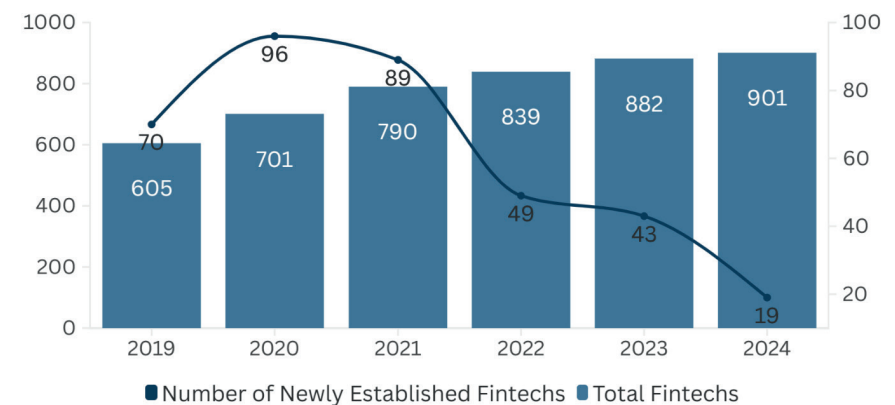
Graph 39. Fund Size of Ongoing Certificates by Pension Company (TL, 2024)

Source: EGM, IPS Data

Islamic Fintech

In recent years, the introduction of digital banking licenses has facilitated models specifically focused on participation finance. Venture capital investment has emerged as a key driver of growth within the Islamic fintech sector. The sector offers several advantages, including enhanced transparency, increased trust, healthy competition, operational efficiency, and overall dynamism in Islamic finance. Conversely, challenges persist, notably in areas such as data security, cybersecurity, legal compliance, and infrastructure limitations.

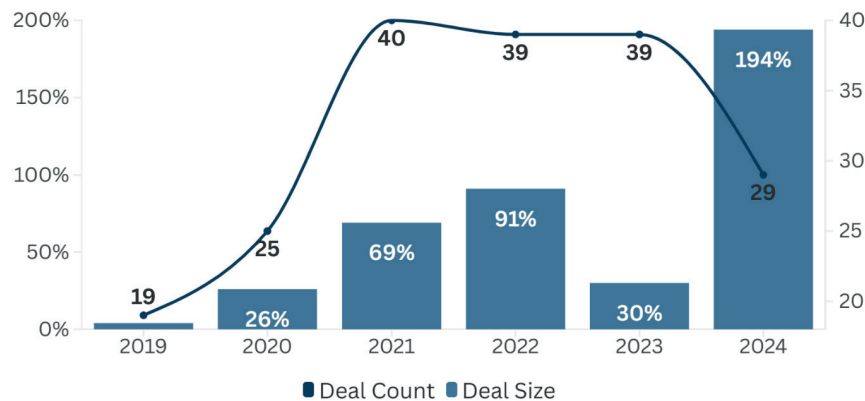
Graph 40 shows Türkiye's fintech sector growing rapidly in 2024, driven by digitalization and a young, tech-savvy population, with notable gains in payments, blockchain, and banking technologies. The "stock market and investment" segment surged in 2024. Nineteen new startups entered the market, bringing total fintech companies to 901; of these, 6 are in stock market and investment, 3 in banking technologies, and 3 in financing.



Graph 40. Total Number of Fintech Companies in Turkey (Left Axis) and Number of Newly Established Fintech Companies (Right Axis)

Source: CBFO, Turkey Fintech Overview

Graph 41 presents the size and number of fintech investments in Türkiye. As of the first quarter of 2024, investments in fintech startups have exceeded previous years in both deal volume and total investment amount. The total investment in the sector reached USD 194 million in 2024, marking an increase of USD 164 million compared to 2023 and representing the highest level recorded to date.



Graph 41. Fintech Investment Deal Size in Turkey (Left Axis, Million US Dollars) and Deal Count (Right Axis, 2019-2024)

Source: CBFO, Turkey Fintech Overview

Figure 1 illustrates the top 20 countries in the 2024 GIFT Index, which evaluates 64 Islamic fintech markets. Among the top 10, the United Kingdom stands out as the only non-member of the Organization of Islamic Cooperation (OIC). In 2024, Saudi Arabia secured the top position for the first time, reflecting years of sustained growth in its Islamic fintech sector. Türkiye maintained its position from 2023, ranking 18th once again.

- | | |
|--------------------------|-------------------------------|
| 1. Saudi Arabia | 11. Iran |
| 2. Malaysia | 12. Singapore |
| 3. Indonesia | 13. Bangladesh |
| 4. United Arab Emirates | 14. Jordan |
| 5. United Kingdom | 15. Hong Kong |
| 6. Bahrain | 16. United States of America |
| 7. Kuwait | 17. Switzerland |
| 8. Qatar | 18. Türkiye |
| 9. Oman | 19. Australia |
| 10. Pakistan | 20. Brunei |

Figure 1. Top 20 Countries According to the Islamic Fintech Index (GIFT)

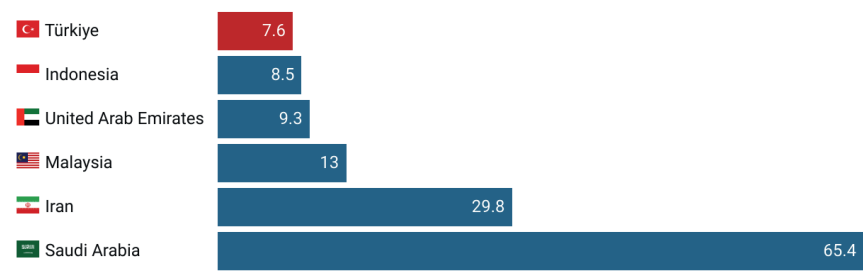
Source: Global Islamic Report 2024/25

Note: The United Kingdom, Singapore, Hong Kong, the United States, Switzerland, and Australia are not members of the Organization of Islamic Cooperation (OIC).

As of 2023/24, the global Islamic fintech market is estimated at approximately USD 161 billion, representing around 1.4% of the total global fintech market in terms of transaction volumes and assets under management. Graph 42 highlights the six largest markets within the Islamic fintech sector by transaction volume and assets under management. Among OIC member states, Saudi Arabia, Iran, Malaysia, the United Arab

Emirates (UAE), Indonesia, and Türkiye stand out, each with an estimated market size exceeding USD 7.5 billion in the 2023/24 period. Collectively, these six markets are projected to account for approximately 83% of the global Islamic fintech market in 2024.

In the same period, Türkiye’s Islamic fintech market size reached USD 7.6 billion and is forecast to expand to USD 13.79 billion by 2028, corresponding to a projected compound annual growth rate (CAGR) of 12.7%.



Graph 42. Top 6 Islamic Fintech Markets (Billions of US Dollars, 2023/24)

Source: Global Islamic Report 2024/25

Table 9 presents a selection of notable Islamic fintech startups. Among them, Türkiye-based Goldframer ranks 14th. Goldframer operates as a platform offering joint investment opportunities in Islamic artworks, with the objective of establishing an innovative asset class aligned with Islamic finance principles.

Table 9. Leading Islamic Fintech Companies

Country HQ	Company Name	Classification	Vertical	Sub Vertical
 Pakistan	Abhi	Save and Invest	Deposits and Lending	Personal Finance
 United Kingdom	Algebra	Save and Invest	Deposits and Lending	Challenger Banking
 Tajikistan	Alif Bank	Save and Invest	Deposits and Lending	Challenger Banking
 Singapore	Alphalytix	Save and Invest	Wealth Management	Asset Management
 United Kingdom	Ayan Capital	Finance	Alternative Finance	Alternative Finance
 United Arab Emirates	Beehive	Finance	Alternative Finance	Peer 2 Peer
 United Kingdom	CCM	Finance	Alternative Finance	SME Finance
 Bahrain	CoinMena	Finance	Digital Assets	Platform and Exchanges
 United States	Defynance	Save and Invest	Deposits and Lending	Student Finance
 Pakistan	EasyPaisa	Finance	Payments	Payments
 Malaysia	Ethis	Finance	Raising Funds	Crowdfunding
 United Kingdom	Fasset	Finance	Digital Assets	Platform and Exchanges
 Saudi Arabia	Funding Souq	Finance	Alternative Finance	SME Finance
 Türkiye	Goldframer	Finance	Raising Funds	Crowdfunding
 Indonesia	Hijra	Save and Invest	Deposits and Lending	Challenger Banking

Source: Global Islamic Report 2024/25

The global expansion of the fintech sector has been mirrored in Türkiye, supported by advancements in digital payments, regulatory initiatives, and open banking. Since the 1980s, banks have driven digital transformation through technology partnerships, and since the 2010s, they have fostered the entrepreneurial ecosystem via incubators and acceleration programs. Participation banks entered this landscape in 2015, starting with Kuveyt Türk’s Architech partnership (Tables 10–11).

Over the past five years, banks have maintained their momentum in fintech investment, particularly through the establishment of venture capital funds, which have significantly contributed to the development of Türkiye’s fintech ecosystem (Table 12). In 2024, banks made a total of 34 fintech investments, either directly or via corporate venture capital (CVC) structures. Of these, nine investments—representing 23.68% of the total—were made by participation banks (Graph 43).

Table 10. Technology Subsidiaries of Participation Banks

Participation Banks	Technology Subsidiary	Establishment Year
Albaraka Türk	Albaraka Tech	2019
Kuveyt Türk	Architech	2015

Source: Startups.watch

Table 11. Incubators and Accelerator Programs of Participation Banks

Participation Banks	Incubation Center and Accelerator Program
Albaraka Türk	Albaraka Garaj
Kuveyt Türk	Lonca
Vakıf Katılım	VK Boost

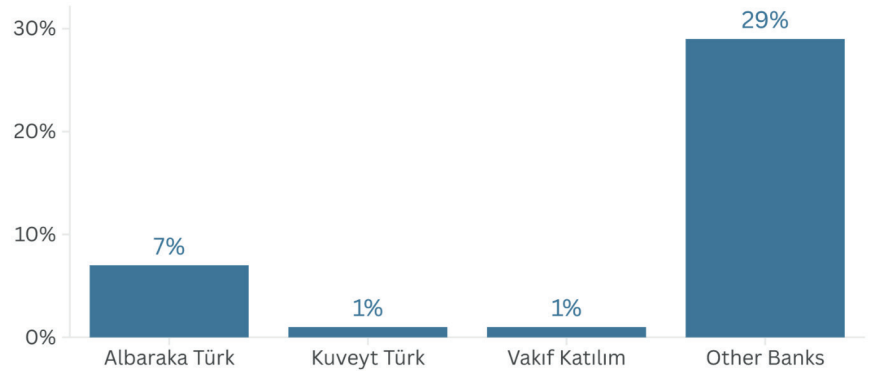
Source: Startups.watch

Table 12. Corporate Venture Capital Fund (CVC) Established by Participation Banks

Participation Banks	Venture Capital Investments
Albaraka Türk	APY Ventures
Kuveyt Türk	KT Ventures
Vakıf Katılım	Teknogirişim GSYF

Source: Startups.watch

Over the past five years, banks have maintained their momentum in fintech investment, particularly through the establishment of venture capital funds, which have significantly contributed to the development of Türkiye’s fintech ecosystem (Table 12). In 2024, banks made a total of 34 fintech investments, either directly or via corporate venture capital (CVC) structures. Of these, nine investments—representing 23.68% of the total—were made by participation banks (Graph 43).



Graph 43. Number of Fintech Investments Made by Banks Directly and Through CVC in 2024

Source: Startups.watch

Public Finance Applications



As shown in Graph 44, lease certificates' share in Türkiye's domestic borrowing instruments rose from 1.6% in 2012 to 3.7% by 2015—an early adoption phase for interest-free instruments. It increased to 6.6% in 2016, then declined to 3.5% in 2017, likely due to global financial volatility and domestic cost factors.

From 2018 onwards, lease certificates gained greater prominence in Türkiye's borrowing strategy, rising to 9.1% in 2018, 16.8% in 2019, and 17.6% in 2020, supported by increasing demand for interest-free products. However, by 2023, a notable contraction occurred, potentially due to a shift toward alternative borrowing instruments, higher cost considerations, or changing investor preferences.

To reverse this downward trend, regulatory measures promoting lease certificate issuance, coupled with enhanced investor outreach and initiatives to improve market liquidity, could be implemented. Strengthening the role of interest-free financial instruments within the public debt portfolio should be regarded as a strategic priority, contributing to both economic stability and broader financial inclusion.

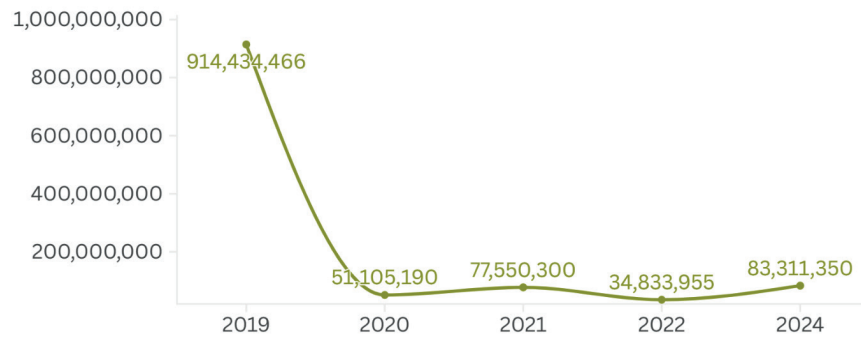


Graph 44. Share of Domestic Lease Certificates in Total Domestic Debt (% , 2012-2023)

Source: Republic of Türkiye Ministry of Treasury and Finance (MoTF), Public Debt Management Report 2024

The share of domestic lease certificates in total domestic borrowing was 10.1% in 2023.

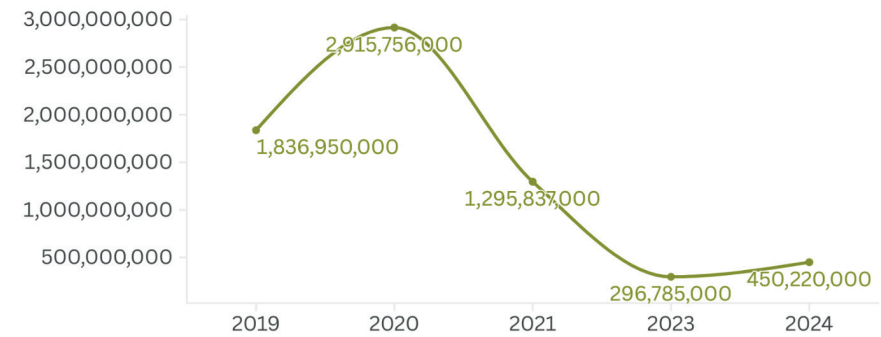
Türkiye's continued use of interest-free financial instruments in its borrowing strategy and the signs of recovery in 2024 indicate that the lease certificates market retains its long-term potential.



Graph 45. Total Number of Gold-Backed Lease Certificates Issued (2019-2024)

Source: HMB

In 2019, gold-backed lease certificates reached a record issuance volume of 914,434,466 units. This peak likely reflected both the introduction of gold-backed financial products and strong demand during the initial issuance. However, issuance volume dropped sharply in 2020, suggesting that the initial surge in demand had reached saturation. This decline may also have been influenced by the COVID-19 pandemic, global market volatility, and liquidity requirements. Between 2021 and 2024, issuance volumes displayed a fluctuating trend (Graph 45). To strengthen the role of gold-backed lease certificates as a sustainable investment instrument, fostering regular issuances and enhancing market awareness will be critical.



Graph 46. Foreign Currency Lease Certificate (Accepted Foreign Currency Amount for Issuance, 2019-2024)

Source: HMB

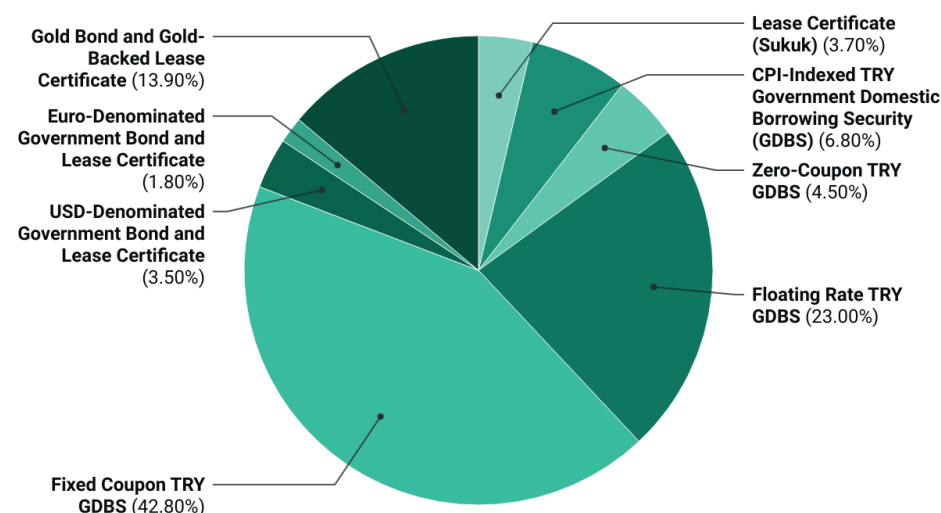
Graph 46 shows volatility in the foreign-currency portfolio of interest-free borrowing instruments (sukuk/lease certificates), driven by international capital flows and global risk. Türkiye's continued use of these instruments and signs of recovery in 2024 highlight the market's long-term potential. Strengthening lease certificates as a sustainable component of FX borrowing will require deeper integration into international sukuk markets and product diversification to widen the investor base. With supportive participatory finance regulations, a more inclusive approach can target both Islamic finance investors and the broader market.

Table 13. Government Domestic Borrowing Securities (GDBS) Issuances in 2024

Gold Bond	Total Number of Gold Bonds Issued	48,451,525
Gold-Backed Lease Certificate	Total Number of Gold-Backed Lease Certificates Issued	83,311,350
Issuance of TL-Denominated Lease Certificates (in millions of TL)	Export Quantity (Net)	83,272
Euro-Denominated Government Bond	Accepted Nominal Euro Amount for Export	952,063
Euro-Denominated Government Bond	Accepted Amount in Euros for Export	241,850
U.S. Dollar-Denominated Government Bond	Accepted Amount of U.S. Dollars for Export	2,112,100
U.S. Dollar-Denominated Lease Certificate	Accepted Amount of U.S. Dollars for Export	208,370

Source: MoTF, Public Debt Management Report January- 2025

Graph 47 presents the distribution of financial instruments used to finance domestic borrowing in 2024, offering key insights into Türkiye's borrowing strategy and investor profile. The largest share, 42.8%, is held by Fixed-Coupon TL-Denominated Government Domestic Debt Securities (DİBS), which provide investors with relatively low uncertainty due to their predetermined interest rates and payment schedules. The second-largest share, 23%, is comprised of Variable-Rate TL-Denominated DİBS, which support interest rate risk management and cost flexibility.

**Graph 47.** Distribution of Domestic Debt by Instrument (% , 2024)

Source: MoTF, Public Debt Management Report January- 2025

The issuance of real asset-backed and interest-free financial products, such as gold and lease certificates, can be further increased to expand the investor base in line with expectations.

Gold Bonds and Gold-Backed Lease Certificates account for 13.9% of the total and, being Shariah-compliant, appeal to participation-sensitive investors. Lease Certificates represent 3.7% of the portfolio, making the combined share of interest-free instruments 17.6% of domestic borrowing. While fixed-coupon bonds remain dominant, the growing presence of gold-backed and lease certificates enhances portfolio diversity, broadens the investor base, supports financial sustainability, and improves risk management. Expanding issuance of real asset-backed, interest-free instruments could further deepen the market and increase inclusivity.



CONCLUSION





Conclusion

This report analyzes current institutions, studies, and publications in Islamic economics and finance, highlighting the ecosystem's ongoing transformation. It examines the academic landscape; education and research; participation banking and insurance; digitalization and fintech; participation capital markets; individual pension systems; and public finance. These insights clarify opportunities and challenges and support more informed projections of future potential.

Activities in Islamic economics and finance, whether undertaken by university departments, research institutes, or civil society organizations, contribute to the theoretical and practical strengthening of the field. It is crucial to support students trained in this area and to ensure their employment aligns with their qualifications, thereby fostering the continued growth and professionalization of the sector.

Participation banking has been the sector that has made the most significant progress within the financial sector and continues to grow. The number of participation bank branches has increased, and digital banking services have become widespread. The steady rise in the number of employees also indicates that participation banking is moving towards a more institutional structure. However, growth in terms of its share of total sector assets has fallen short of the targets set in strategic plans. To strengthen its presence and increase market

share, it is necessary to develop new interest-free financial products and attract a broader customer base. Moreover, the ability to assess risks and take appropriate measures in participation banking also needs further development.

Participation insurance (takaful) premium production and annual growth rates continued to rise in 2024, following recent years' trends. Participation insurance premium production increased by 75.8% compared to the previous year. However, there has been no significant increase in its share of total premium production within the insurance sector.

In the first half of 2024, participation in the capital markets increased, driven by the partial restoration of confidence in the economic and political environment. However, political and social uncertainties, the resurgence of inflation, and the potential introduction of taxes on stock market gains led to a slowdown in the third quarter. In the final quarter of the year, improvements in domestic market conditions supported a recovery and renewed growth in stock market activity.

Capital markets should be developed in accordance with participatory finance principles and regulated in a way that attracts investors. Enhancing financial literacy is essential to make capital market investments more comprehensible and appealing to a broader audience.



In theory, the participation-based individual pension system offers a pension plan that alleviates individuals' concerns about their future well-being and provides financial security. In practice, however, regulations and controls must be implemented in a manner that preserves the system's ethical principles while avoiding unnecessary costs to the state. To this end, it is essential to promote participation-based individual pension plans, conduct regular compliance audits, and raise public awareness in this area.

Digitalization has had a more pronounced positive impact on financial inclusion within the Islamic economics and finance ecosystem compared to other segments of the banking sector (deposit and state-owned banks). Unlike their counterparts, participation banks have not faced stagnation or a decline in branch numbers and have continued to expand their physical presence.

In Türkiye, interest in Islamic finance has been focused primarily on participation banking as well as capital markets and stock exchanges,

resulting in limited awareness and engagement with participation fintech. Consequently, the number of local initiatives in the participation fintech field remains low. Nevertheless, venture capital investments present a potential avenue for growth and development in this area.

The application of Islamic economic principles in public finance can lead to a more equitable and sustainable system. To achieve this, however, legal frameworks must be enhanced, audits should be conducted periodically in accordance with regulations, and transparency and accountability in public finance must be strengthened.

In conclusion, Islamic economics and finance provide a more equitable and sustainable economic model, offering a robust and solution-oriented alternative to the deadlocks of the current system. The findings and recommendations presented in this report serve as a valuable guide for the Islamic economics and finance ecosystem, supporting its qualified growth and development through practical, solution-focused measures in the coming years.



Recommendations



Education and research should be enriched, deepened, and enhanced through interdisciplinary approaches.

Improving the quality of academic studies in the field of Islamic economics and finance is of critical importance. Existing programs need to be updated, and new dynamic curricula should be designed at universities and research centers in Türkiye. It is essential to focus on human capital development to train qualified professionals in this field and to increase suitable employment opportunities by effectively integrating theory and practice.



The participation banking sector should be further aligned with Islamic economic principles, and drive sustainable growth through enhanced public awareness campaigns.

Banks should enhance their accessibility and attractiveness, particularly by upgrading their digital banking services, thereby enabling them to expand their customer base. Expanding promotional and educational campaigns on interest-free financing models and financial instruments is also important for raising customer awareness. However, the most critical aspect of participatory banking is the need to develop interest-free instruments derived directly from the original sources of Islamic economics, rather than adapting interest-based instruments through Islamization.



To support the growth of the participation insurance (takaful) sector in Türkiye, it is essential to first clarify the nature of insurance and raise public awareness on the subject.

Education and awareness campaigns should be implemented to improve understanding of insurance. At the same time, participatory insurance providers should diversify their offerings by developing alternative products and services that appeal to different segments of society. The most critical principle of the insurance system is that no individual or institution involved should be disadvantaged, no asymmetric burden should be imposed, and no party should be subjected to any form of injustice.



For participation-based capital markets to develop and expand their market share, they must first and foremost operate in accordance with the principles and sources of Islamic economics.

If the perception arises that participation-based instruments are scarcely different from interest-based instruments, there is a risk of significant customer attrition. It is also essential to raise investor awareness, enhance understanding of Islamic finance principles, and promote financial literacy. Once participation indices and participation-based investment funds that are fully compliant with Islamic economic principles and free from methodological uncertainty are established, the focus should shift to actively promote, disseminate, and enhance these instruments to make them attractive to investors. Additionally, diversifying and recommending investment instruments that adhere to Islamic economic principles is important for the continued development of participation-based capital markets.



Campaigns should be organized to educate the public on the nature and purpose of the pension system, promote participation-based individual pension plans, and highlight their potential benefits, thereby raising awareness and reaching a broader audience.

Furthermore, the widespread adoption of the participation-based individual pension system as an ethical and equitable social security model should be encouraged.



Promoting digitalization in Islamic fintech applications and developing innovative financial solutions is of critical importance.

In particular, initiatives in the participatory fintech sector should be supported in Türkiye, venture capital investments in this area should be increased, and the fintech ecosystem should be strengthened and made more prominent within the Islamic finance sector.



A more careful and intrinsic application of Islamic economic principles in public finance is essential for achieving a more equitable and sustainable system.

In this context, all educational, research, and outreach activities, as well as promotional campaigns organized by public institutions, universities, and NGOs, are of critical importance. Collaboration among these institutions and the development of a common framework will further support efforts to raise awareness in this area.



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