Malaysia Islamic Finance Global Hub: A Comparative Study towards the Assessment Bodies in Reporting Global Hub Countries

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Abstract

As Malaysia aims to becoming as Islamic finance global hub, thus the evaluation to determine global hub country is somehow valuable to bring into a research. Other Islamic finance countries like Saudi Arabia, Qatar, United Arab Emirates and even London, have clearly declared to become as Islamic finance Global hub. The evaluation of Islamic finance global hub country could benefit Islamic finance industry which among others could indicate the standard of Islamic finance global hub and the determination of exact countries eligible as Islamic finance global hub. Hence, this study examines three assessment bodies as a sample namely; The Global Competitiveness Report, The Global Financial Index and Ernst & Young (E& Y) Globalization Index as a comparative study to find the suitable method in global hub evaluation. Simultaneously, this study will examine Malaysia's economic competitiveness among other countries around the world to determine positive factors that could position Malaysia as Islamic finance global hub. Then, some recommendations will be proposed for a new framework for Islamic finance global hub assessment.

Keywords: Islamic Finance Global Hub, Financial Centers Assessment Bodies

1. Introduction

Islamic finance has become significant in the global economy. The encouraging signs of Islamic finance development may be seen in various countries, including Malaysia, Dubai and other GCC countries, where all participating countries are intensifying efforts to become a global hub for Islamic finance. Other countries and most of the international financial centers, such as London, Japan, Hong Kong and Singapore, among others, are also engaged in an aggressive effort to become part of this Islamic financial hub. Advanced economies including France, Japan and Korea have started to implement the Islamic finance system by transforming their laws to suit the requirements of Islamic finance.

This study examines the position of Malaysia among the world financial centers and it competitiveness level to keep up with the challenges of remaining on top of other competitors. This study also attempts to examine the method of evaluation in assessing financial centers around the world, and, at the same time, attempts to discover the possibility of the establishment of the Islamic finance global hub index among Islamic financial centers without including conventional financial centers, due to the difference in their values when compared with the values of Islamic finance.

Furthermore, an accurate framework of the assessment method is required to choose the decent Islamic financial centers that are accepted among other countries. Currently, several assessments have been done to choose financial centers which include both conventional and Islamic financial systems. In this regard, the same assessment value has been used to choose the financial centers around the world. With consideration to the difference between Islamic and conventional finance systems, the evaluation should have been separated between conventional and Islamic finance systems due to the different values they have when compared to each other. Currently, there are several assessment bodies working to set up the value and framework of evaluation, namely: the Global Competitiveness Report (GCR), the Global Financial Center Index and the Ernst & Young (E & Y) Globalization Index. Although the indexes are used to evaluate world financial centers, each index has different results when rating the financial centers, and uses different values. Additionally, there is no specific standard method in evaluating Islamic financial centers. The second argument is about the segregation between Islamic and conventional financial centers, where the *Shariah* value must take into consideration evaluating the Islamic financial centers, such as the number of Non-Halal premises operating in the centers, which must be included in the assessment to ensure the pure value of these Islamic financial centers.

Thus, this study will empirically examine the appropriate method used by the financial centers indexes in their assessment task, and will consist of two parts, which are as follows:

1. A critical analysis over the assessment bodies towards Malaysia's economy and position among other countries.
2. An analytical study on the measures initiated by Bank Negara Malaysia in positioning Malaysia as an Islamic finance global hub.

With regard to the increased challenges in Malaysian Islamic finance, there are several issues which need further answers in order to resolve these matters. Thus, this chapter attempts to examine the related challenges which may become barriers for the achievement ofthe Islamic finance global hub vision. This analysis will focus on three major sectors of Islamic finance, namely, *Islamic banking*, *Takaful* and *Islamic capital market*.

2. Malaysia in Global Financial Index

Based on the cumulative readings and evaluation on the financial center reports and indexes, there are three international and recognized assessment bodies which provide assessment on Malaysia's economic performance in comparison with the global economy. The following assessment bodies are:

1. The Global Competitiveness Report (GCR)
2. The Global Financial Center Index
3. Ernst & Young (E&Y) Globalization Index (2011)

Given that this study focuses on Malaysia's economic performance among the world's economy, the chosen one of these three assessment bodies are likely to provide accurate data in determining Malaysia's position among global economies. Although the results are different between each assessment body, the study on the method of evaluation is critical to create a new method for the Islamic finance global hub index.

3. Evaluation by the Global Competitiveness Report (GCR) 2011-2012

The Global Competitiveness Report (GCR) (2011-2012) is published by the World Economic Forum (WEF) as its annual observation on global economic performance. Historically, the WEF is a non-profit organization based in Geneva, Switzerland, that was founded in 1971.[1] The forum functions as a catalyst for world dialogues in improving political, economic and social awareness, acting as a platform for major bridge-building efforts. Another function of the WEF is to provide a critical platform for the peace, stabilization and reconciliation in many countries around the world.

[1] Official website of the WEF "History", retrieved on 26 December 2013: http://www.weforum.org/history.

Global issues are always critical to respond, hence, the forum is updated to become the catalyst for a number of significant global initiatives, such as the Global Compact (developed jointly with the UN), the GAVI Alliance (initially the Global Alliance for Vaccines and Immunization) and others.

The forum's commitment to improve the state of the world through dialogues and exchanges of ideas based on mutual respect and civility to bridge divides and shape effective solutions to global challenges remains its continuous effort, ever since its founding. The forum is also involved in research and development. There are several comprehensive series of reports published by the WEF that thoroughly examine many global issues raised by the WEF's stakeholders, which are part of its mission in improving the state of the world. Among the reports published by the forum are the GCR and the Global Risks Report, among others.

In the year of assessment during 2011-2012, the report uses 30% statistical data (33 criteria) and 70% survey data (78 criteria) from the Executive Opinion Survey. During this period of assessment, the report has ranked Malaysia at the 21st position out of 142 countries, moving upwards by five positions from the previous assessment year (2010-2011) (Malaysia was at 26thplace out of 139 countries). Malaysia scored a higher index of 5.08 in the assessment year of 2011-2012 compared to the previous assessment year of 2010-2011, which was 4.88 out of a maximum score of seven. This achievement resulted from the strong fundamentals of the Malaysian economy and the pool of respondents' positive perception on Malaysia's economic performance. This is due to the initiatives taken by the Malaysian government in practicing business friendliness and the emphasizing of the high income economy achievement through the implementation of efficient policies via the GTP and ETP, which have successfully achieved higher confidence levels among investors and those who are involved in business sectors.[2] Malaysia'seconomicperformanceissteeredbythesustainableandrobustdomesticconsumption, which resulted in the increase of 6.4% in these quarter of 2011. The Foreign Direct Investments (FDIs) sector made a significant movement to a strong position with a total business value worth 21.3 billion Malaysian Ringgits in the six months of the year compared to12.1billion Malaysian Ringgits in the last year. The higher FDI inflow in the first half of 2011 reflected the growing investor confidence following the government's initiatives to stimulate economic growth. The strong recovery in FDI inflows will ensure realizations of the projected 83 billion Malaysian Ringgits in private investments in the year of 2012.

1. Malaysia was ranked at the 21st position amongst the most competitive economies on a global scale. Malaysia has overtaken five countries, namely: [3]
   - United Arab Emirates, 27th (GCR 2010-2011: ranked at 25th);
   - New Zealand, 25th (GCR 2010-2011: 23rd);
   - Korea, 24th (GCR 2010-2011:22nd);
   - Luxembourg, 23rd (GCR 2010-2011: 20th); and
   - Israel, 22nd (GCR 2010-2011: 24th).

The 20 countries that are above Malaysia's position are mainly developed countries with high GDP per capita and are in the innovation stage of development.

[2] Malaysia's Government *Pemudah* Official Website, "Malaysia in the Global Competitiveness Report 2011-2012," retrieved on 5 May 2012, http://www.pemudah.gov.my/c/document_library/get_file?p_l_id=11311 &folderId=178798 &name=DLFE-5102.pdf.

[3] *Ibid.*

Table 1: The Global Competitiveness Index of 2011-2012 Rankings and 2010-2011 Comparisons

Country/Economy	GCI 2011 – 2012		GCI 2010-2011	
	Rank	Score	Rank	Score
Switzerland	1	5.74	1	5.63
Singapore	2	5.63	3	5.48
Sweden	3	5.61	2	5.56
Finland	4	5.47	7	5.37
United States	5	5.43	4	5.43
Germany	6	5.41	5	5.39
Netherlands	7	5.41	8	5.33
Denmark	8	5.40	9	5.32
Japan	9	5.40	6	5.37
United Kingdom	10	5.39	12	5.25
Hong Kong SAR	11	5.36	11	5.30
Canada	12	5.33	10	5.30
Taiwan, China	13	5.26	13	5.21
Qatar	**14**	**5.24**	**17**	**5.10**
Belgium	15	5.20	19	5.07
Norway	16	5.18	14	5.14
Saudi Arabia	**17**	**5.17**	**21**	**4.95**
France	18	5.14	15	5.13
Austria	19	5.14	18	5.09
Australia	20	5.11	16	5.11
Malaysia	**21**	**5.08**	**26**	**4.88**
Israel	22	5.07	24	4.91
Luxembourg	23	5.03	20	5.05
Korea, Rep.	24	5.02	22	4.93
New Zealand	25	4.93	23	4.92

Based on Table 1, Malaysia went up five ranks to gain the 21st position, which shows remarkable improvement over most of the pillars. Malaysia's efficiency sectors included 10 major sectors, namely, Labor Market Efficiency, Goods Market Efficiency, Macroeconomic Environment, Institutions and Higher Education, and Training. Malaysia's development is especially contributed by strong performance in the following criteria:[4]

- Strength in investor protection at 4th position;
- Lesser burden of government regulation ranked 8th;
- Efficacy of corporate boards ranked 9th; and
- Prudent government spending at the 12th position.

- The success of the Government Transformation Programme (GTP) is reflected in the impressive improvements in the criteria of:[5]

- Crime and violence ranked 63rd (GCR 2010-2011: 93rd), an improvement of 30 positions;
- Organized crime, ranked 54th (GCR 2010-2011: 77th); and
- Reliability of police services, ranked 39th (GCR 2010-2011: 50th). From January to June 2011, crime index had seen a reduction of 9.6% while overall street crime incidence had fallen by 41.6%.

- Malaysia has improved its macroeconomic environment as recorded in (GCR 2010-2011: 41st) to be placed at the 29th position, through the reduction of government budget deficit from 7% to -5.1 of GDP and the gaining of the higher credit rating from 70.1 to 73.6 as reported by IMF in 2010. Strong domestic demand and the large liquidity will steer economic progress.

[4] *Ibid.*
[5] *Ibid.*

In addition, the government's Economic Transformation Programme (ETP) is among the factors that contributed to the economic growth, along with several larger development projects such as the MY Rapid Transit (MRT).[6]

- Malaysia had also improved its performance in the measures of goods market efficiency, and was ranked 15th in GCR (2010-2011: 27th). Among the criteria that had impacted this pillar are the following:[7]
  - agricultural policy costs at 4th position;
  - business impact of rules on FDI at 12th position;
  - import as a percentage of GDP at 13th position;
  - degree of customer orientation at 13th position; and
  - extent of market dominance at 14th position.

Labour market efficiency moved upward by 15 positions to a rank of 20th (GCR 2010-2011:35th). This is contributed by: [8]

- the pay and productivity criteria at 15th position;
- harmonious labour-employer relations at 15th position;
- talent retention had also improved as reflected in better ranking for the brain drain criteria at 19th position (GCR 2010-2011: 28th).

3.1 Malaysia's Competitiveness among the Asia Pacific Countries

Among 22 Asia Pacific countries, Malaysia is ranked at the 6th position, compared to last year, during which it was at the 8th position, and had overtaken Korea and New Zealand. Malaysia continues to be ahead of China, Indonesia, Vietnam, Philippines, Brunei, Thailand, and India, as shown in Table 2. In the ASEAN region, Malaysia has remained at the second position, as shown in Table 3.

Table 2: The Global Competitiveness Index (2011-2012). Rankings for Asia-Pacific countries

Country/Economy	GCI 2011 – 2012	
	Rank	Score
Singapore	1	5.63
Japan	2	5.40
Hong Kong SAR	3	5.36
Taiwan, China	4	5.26
Australia	5	5.11
Malaysia	**6**	**5.08**
Korea, Rep.	7	5.02
New Zealand	8	4.93
China	9	4.90
Brunei Darussalam	10	4.78
Thailand	11	4.52

Source: Malaysia Productivity Corporation (MPC)

As a result from the above report, the World Economic Forum had proposed the following recommendations, which are:[9]

1. More improvement is needed in Malaysia's education sector, specifically in primary and secondary enrollment rates as well as technological readiness. Thus, some measures as underlined in the Education Master Plan will be implemented to further enhance education quality in Malaysia.
2. For the purpose to become more innovation-driven, some improvement in technological aspects is requested to be adopted in both the business field and the population at large.

[6] *Ibid.*
[7] *Ibid.*
[8] *Ibid.*
[9] *Ibid.*

3. Malaysia must ensure its readiness towards being an innovation-driven country, in the environment where companies competing with each other through advanced innovation, new value added products and different goods using the most sophisticated production processes.
4. Continuous effort will be taken by the Malaysian government in enhancing transparency and streamlining processes and procedures in government delivery systems.
5. With the purpose to seek global competitiveness benchmarks and the best applications, technical experts from WEF were invited. This effort is important for Malaysian industries to enhance their international strategies as well as introducing the experts to Malaysian business environments, together with exposure on the rapid development and the economic dynamism in the country.

As a conclusion from the above study, it could be summarized that the World Economic Forum functions to provide data regarding the country's competitiveness. This data is important to find out Malaysia's economic performance and competitiveness among other countries. The report also provided the strong sectors which strengthen the economic performance together with the recommendations on the improvement of other sectors. The following table shows details of the global competitiveness report evaluation program.

Table 3: Summary of the World Economic Forum Report

Name of Organizer	The World Economic Forum, based in Geneva, Switzerland.
Name of Program	The Global Competitiveness Report 2011-2012
Date of Effective	2011
Method of Evaluation	The report uses 30 % statistical data (33 criteria) and 70 % survey data (78 criteria) from the Executive Opinion Survey.
Covered Countries	142 countries

4. Evaluation by the Global Financial Center Index III

In March 2007, the Z/Yen Group published the first issuance of the Global Financial Center Index (GFCI). This effort is taken in subsequence to another project in city competitiveness conducted by the Z/Yen Group in 2005. The prime objective of the GFCI is to analyze the major financial centers globally in terms of competitiveness. The frequency of the publication is once every six months (although the index is actually produced every three months).[10] The GFCI provides profiles, ratings and rankings over of 75 financial centers drawing on two separate sources of data – instrumental factors (external indices) and responses to an online survey.[11]

The GFCI provides ratings for financial centers calculated by a 'factor assessment model' built using two distinct sets of input, which are the following:[12]

1. Instrumental factors (external indices that contribute to competitiveness): Objective evidence of competitiveness was sought from a wide variety of comparable sources. For example, evidence about the infrastructure competitiveness of a financial center is drawn from a survey of property and an index of occupancy costs. Evidence about a fair and just business environment is drawn from a corruption perception index and an opacity index. A total of 64 external sources were used in GFCI 7. Not all financial centers are represented in all the external sources, and the statistical model takes account of these gaps;[13]

The online questionnaire is ongoing to keep the GFCI up-to-date with people's changing assessments. The 64 instrumental factors were selected because the features they measure contribute in various ways to the fourteen competitiveness factors identified in previous research. These are shown below:[14]

1. The availability of skilled personnel.
2. The regulatory environment.
3. Access to international financial markets.
4. The availability of business infrastructure.

[10] Long Finance of Z/Yen Group, *The Global Financial Centers Index 10*, (Qatar: Long Finance, 2011), 2.
[11] *Ibid.*
[12] (In 2007 Z/Yen and a group of interested and motivated individuals launched the Long Finance initiative. The aim is to promote discussion, research and education about finance).
[13] Long Finance of Z/Yen Group, *The Global Financial Centers Index 10*, 32.
[14] *Ibid.*

5. Access to customers.
6. A fair and just business environment.
7. Government responsiveness.
8. The corporate tax regime.
9. Operational costs.
10. Access to suppliers of professional services.
11. Quality of life.
12. Culture and language.
13. Quality/Availability of commercial property.
14. The personal tax regime.

There are several amendments regarding the financial category method in the GFCI financial centers assessment since its inception in 2007. The GFCI begins its assessment on two financial centers, namely, London and New York. After that, it has included a number of countries. In GFCI 10, the report shows the close similarity among financial centers including New York, London and Hong Kong in the ratings, where it raised concern among respondents which believed that there must be mutual cooperation between these centers for their benefit.[15]

In the GFCI 10 index, Hong Kong was behind New York with a three point difference, and positions behind London with four points. Hong Kong, London and New York actively manage a large scale of financial transactions which is about 20% of equity trading and will continue to remain strong financial centers for years to come.[16]

Economic turmoil of the Euro affected centers in European circulation. After the crisis, the weaker Euro capital cities were obviously in shock. For example, Dublin, Madrid and Milan, had dropped down from their previous positions. Likewise, Athens and other European centers such as Luxembourg dropped 14 places, and Malta dropped 11 places. These two cities represented the largest falls in GFCI 10.[17]

The main point to figure out from this study is the question: how were the financial centers segregated in GFCI? The answer is through the use of three elements of evaluation.

The first is ‘connectivity’, which could be elaborated as an extent to which a center is well known around the world and how much non-resident professionals believe it is connected to other financial centers.[18]

Assessment on a “center’s connectivity” is carried out by applying a combination of ‘inbound’ assessment locations (which is the number of locations from which a particular center receives assessments) and ‘outbound’ assessment locations (which is the number of other centers assessed by respondents from a particular center).
The recognition of “Global” will be given to the cities which achieve 60% of other centers in assessments. The “transnational” label will be recognized for the country which HAS 45% in assessment weightage of other centers.

The second element is ‘Diversity’, meaning the breadth of industry sectors that flourish in a financial center.
This element is considered “richness” by the GFCI, meaning that the business environment is important to be included in the measurement, similarly, the natural environment treatment.Thus, apply the biodiversity indices combination (calculated on the instrumental factors) to assess a center’s diversity.

A high score is provided if the center is well diversified; a low diversity score means less rich business environment.[19]

‘Specialty’ refers to the depth within a financial center of the following industry sectors: investment banking, insurance, asset management, professional services and wealth management.

The way to calculate a center’s ‘specialty’ performance is from the differentiating analysis between the GFCI rating and the industry sector ratings. [20]

[15] *Ibid.*, 10.
[16] *Ibid.*, 6.
[17] *Ibid.*, 3.
[18] *Ibid.*, 8.
[19] *Ibid.*
[20] *Ibid.*

4.1 Malaysia's Position Rating by Global Financial Center Index III

Several assessments have been conducted by The Global Financial Center Index (GFCI). The following data shows Malaysia's Position since 2007 in the GFCI Index among the top Islamic Countries:[21]

Table 4: Malaysia's Position among the top Islamic Countries

Number of Index	Kuala Lumpur	Bahrain	Riyadh	Dubai	Qatar
GFCI (1) March 2007	N/A	N/A	N/A	25	N/A
GFCI (2) Sept 2007	N/A	44 (New)	N/A	22	47 (New)
GFCI (3) March 2008	N/A	39	N/A	24	47
GFCI (4) Sept 2007	N/A	43	N/A	23	45
GFCI (5) March 2009	45 (Newly Included)	43	N/A	23	46
GFCI (6) Sept 2009	45	44	68 (New)	21	43
GFCI (7) March 2010	51	41	69	24	36
GFCI (8) Sept 2010	48	42	69	29	34
GFCI (9) March 2011	45	49	70	28	30
GFCI (10) Sept 2011	38	55	66	36	30
GFCI (11) March 2012	35	57	70	29	38

Some characters and labels have been used by GFCI to classify financial centers worldwide, as provided below.

Global Financial Centers: Based on the study, the GFCI Index found that only two centers could fulfill the criteria of 'Global Financial Centers', namely, London and New York.

Both financial centers appeared as the most integrated places for financial services institutions to connect international, national and regional financial services participants directly. For instance, an asset manager in Munich is connected directly with a broker in New York during his trading in financial instruments without using an intermediary, such as Frankfurt.[22]

International Financial Centers: International Financial Centers refers to a center where a large volume of cross-border transactions are conducted, whereby these transactions include at least two locations in different jurisdictions. For instance, Hong Kong is considered an international financial center which is included in a significant proportion of Asian financial transactions. [23]

Niche Financial Centers: This is a center where worldwide leaders are in one sector, and the high score of assessment gained by several centers based on their specialty in one particular niche of financial services, such as Hamilton (Bermuda) for reinsurance, or Zurich for private banking. These niche financial centers will not become as a competent for London or New York as global financial centers, but their robust potential future is as strong as London or New York within their own specialist area.[24]

National Financial Centers: These centers conduct a significant proportion of a particular country's financial business. For instance, Toronto is the national financial center in Canada. Some countries have a number of financial centers, such Germany, Australia, Canada or the US, whereby the assessment is quite difficult. For example, in Canada, there are three financial centers, namely, Toronto, Montreal and Vancouver, where all of these financial centers are covered under the GFCI. Among the three, Toronto is considered the national center. For countries with multiple financial centers, the national center is often the center for foreign transactions.[25]

Regional Financial Centers: These centers conduct a large proportion of regional business within one country. Chicago, as well as being an international center, is also a regional center for the Mid-West in the US. [26]

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[21] Based on Data Observation in GFCI from the 1st issuance to 11th.

[22] Z/Yen Official Website, "Financial Centers Futures: Small Ponds or Big Pools," retrieved on 25 March 2012, http://www.zyen.com/ component/content/article.html?id=236.

[23] *Ibid.*

[24] *Ibid.*

[25] *Ibid.*

[26] *Ibid.*

Following the establishment of the new framework, the above classification has been amended. The new framework has been introduced in the 11th GFCI index issuance on March, 2012. For more elaboration, in the first category, the Global Financial Center has been divided into four sections, namely, Global Leaders, Global Diversified, Global Specialists and Global Contenders.

The second category is labeled as Transnational, and is also divided into four categories, similar to the Global Financial Center, which are Transnational Leaders, Transnational Diversified, Transnational Specialists and Transnational Contenders. The third category is labeled as Local Financial Centers, and is divided into four categories, namely, Established Players, Local Diversified, Local Specialists and Evolving Centers.

In Malaysia's perspective, based on the provided data in GFCI, Malaysia has made a significant improvement as a financial center position. Starting at ranking number 45 as recorded in the fifth Index of GFCI's issuance in March, 2009, Malaysia ranked number 35 out of 77 countries, as recorded in the 11th index of GFCI's issuance on March, 2012. In the same index, GFCI has categorized Kuala Lumpur as a Transnational Diversified Financial Center, positioned at the same level with Washington D.C, Istanbul and Boston. Malaysia began to lead Qatar and Bahrain as recorded in GFCI 11, and follows closely behind Dubai, with a three point difference, where Malaysia was at number 38 while Dubai was at number 35. The following data shows the current financial centers framework as categorized by the GFCI:[27]

Table 5: GFCI 11 Financial Centers Profile

Global	**Broad and Deep**	**Relatively Broad**	**Relatively Deep**	**Emerging**
	Global Leaders	Global Diversified	Global Specialists	Global Contenders
	Chicago	Amsterdam		Luxembourg
	Frankfurt	Dublin		Moscow
	Hong Kong	Seoul	Beijing	
	London	Shanghai		
	New York	Singapore		
	Paris			
	Tokyo			
	Toronto			
	Zurich			
Transnational	**Established Transnational**	**Transnational Diversified**	**Transnational Specialists**	**Transnational Contenders**
	Copenhagen	Boston	Athens	Bahrain
	Geneva	Istanbul	Dubai	British Virgin Islands
	Madrid	**Kuala Lumpur**	Edinburgh	Cayman Islands
	Montreal	Washington DC	Glasgow	Gibraltar
	Munich		Mumbai	Guernsey
	Sydney		Qatar	Isle of Man
	Vancouver		Shenzhen	Jersey
Local	**Established Players**	**Local Diversified**	**Local Specialists**	**Evolving Centers**
	Brussels	Bangkok	Abu Dhabi	Buenos Aires
	Calgary	Warsaw	Bahamas	Jakarta
	Helsinki		Budapest	Johannesburg
	Lisbon		Hamilton	Manila
	Melbourne		Malta	Mauritius
	Mexico City		Monaco	Osaka
	Milan		Oslo	Taipei
	Prague		Reykjavik	Wellington
	Rome		Rio de Janeiro	
	San Francisco		Riyadh	
	Sao Paulo		St. Petersburg	
	Stockholm		Tallinn	
	Vienna			

Source: GFCI 11th Index

The method on how to studya country's performance or reputation in the GFCI model is by studying the difference of average assessments for every centers, as well as the overall rating.

[27] Long Finance of Z/Yen Group, *The Global Financial Centers Index 11*, (Qatar: Long Finance, 2012), 13.

In the situation where the center recorded a higher average assessment than the previous GFCI rating, it shows that the respondent's views against the center are much better compared to the quantitative measures. The reason may be the strong or general awareness.[28]

The following table detailed the Global Financial Center Index evaluation program:

Table 6: Summary of the Global Financial Centre Report

Name of Organizer	Z/ Yen Group
Name of Program	The Global Financial Center Index (GFCI)
Date of Establishment	The Global Financial Center Index was first published in March 2007 following another research project into city competitiveness undertook by Z/Yen Group in 2005.
Specialization	The aim of GFCI is to examine the major financial center globally in terms of competitiveness.
Method	1. The availability of skilled personnel. 2. The regulatory environment. 3. Access to international financial markets. 4. The Availability of business infrastructure. 5. Access to customers. 6. A fair and just business environment 7. Government Responsiveness 8. The Corporate tax regime 9. Operational Costs. 10. Access to Suppliers of professional services. 11. Quality of Life 12. Culture and Language. 13. Quality/ Availability of Commercial property. 14. The personal tax regime.
Number of issuances	The GFCI has issued indexes up to11 issuances starting from 2007 and the latest been issued recently on March 2012.
Number of Countries	75 Financial Centers

5. Malaysia's Position Evaluation by Ernst & Young (E&Y) Globalization Index 2011

The Ernst & Young (E & Y) Globalization Index (2011) was issued by E&Y with collaboration the Economist Intelligence Unit (EIU). The Index covers 60 countries around the world, whereby the measurement is based on the GDP. There are five criteria to be included in the measurement, namely, capital movement, trade, exchange of technology and ideas, labor movements and cultural integration.[29] The second method is used in the data collection process through the survey on 1000 executives around the world, which was conducted at the end of 2011. This survey was conducted to seek respondent's opinions on globalization, and together with forecast on global and regional GDP growth four years ahead.[30] Based on the economic forecast in 2012, E & Y provided the indication of global GDP growth, which was 3.4 %, while the index predicts globalization continuous growth for the period of 2011 to 2015.

The Globalization Index studies the economic performance in 60 countries around the world by using 20 separate indicators which cover the main criteria of cross-border integration of business. There are five broad categories under the indicators, which are capital movements, exchange of technology and ideas, openness to trade, labor movements, and cultural integration. These criteria were determined based on a survey against 992 respondents of senior company executives which were involved in international business.

Subsidiary indicators were analyzed using sub-weightings in each category. The method of indicators comprises qualitative and quantitative data. Several measurements were applied on country's performance, which aims to observe globalization progress since 1995, together with a forward forecast until 2015.

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[28] *Ibid.*, 33.

[29] Bernama.com, "Malaysia Ranks 28th in the Globalisation Index 2011," retrieved on 28 February 2012, http://www.bernama.com/bernama/ v6/newsbusiness.php?id=644627.

[30] Biz Daily, "Singapore Takes Third Spot on E&Y Globalization Index," retrieved on 28 February 2012, http://bizdaily.com.sg/newsite/ singapore-takes-third-spot-on-ey-globalisation-index/.

On the other hand, the Economist intelligence unit plays a role in refreshing E & Y's Globalization Index in all years between 1995 and 2014, and extended to 2015. In order to manage the index with the current update, the latest data is used by the research group in each yearly assessment, which then provides the most up to date view possible for the progress of globalization.[31]

In practice, this index uses the "relative" way to measure the GDP rather than "absolute" globalization. This approach obviously means that an economy's investment, trade, labor, technology and cultural are measured relatively to its GDP, compared to the absolute value of these elements being exchanged. Eventually, the index revealed that the smaller economic countries rely on international integration, andhave a tendency to be categorized as a high level index. This is in contrast to the larger economic countries, which depend on a large internal market and have tendency to be categorized as a lower level index, although there are greater amounts of international exchange. Thus, the index obviously shows that the global economic integration is observable within that economy.[32]

Some respondents from senior executives assume that the global economy is going to fall into a crisis starting at the end of 2012. Two-thirds of respondents think the probability for the new global financial crisis is caused by Eurozone debt defaults. Almost half of them assume that China will experience economic pain affected from the most economic slowdown in the next five years, and one-third of the respondents presume a similar outcome for Brazil and India.[33] Based on the third annual Globalization Index report, the integration in the global economy has become stronger, especially after a short break in 2009, where most of the world's largest economies, which scored average globalization index,are estimated to have economic growth in 2011, and will sustain until 2015, as expected.[34]

The current global economic turmoil and the Eurozone debt crisis will also raise concern on a new credit crunch, as the reaction by the banks to scale back lending against a situation of interbank market confidence decline. This backdrop was an obstacle for global companies, brought by the lack of flexibility, responsiveness and request skills to scale them.[35]

6. Malaysia's Position among Global Financial Center's Countries

Based on Ernst & Young (E & Y) Globalization Index 2011, Malaysia has been ranked at number 28. Other Asian countries that were ranked among the top 30 were Hong Kong (at number one), Singapore (at number three), Taiwan (at number 12) and South Korea (at number 29).[36] According to the E & Y Country Managing Partner in Malaysia, Abdul Rauf Rashid: "The strong performance and improved results in the categories of trade, capital and technology show that Malaysia is on the right track in taking the necessary actions to ensure it remains competitive and relevant in the current economic reality of a globalized world. In this respect, the Economic Transformation Programmed (ETP) and the related initiatives and reforms are important to Malaysia in its pursuit for sustainable economic growth that will allow it to continue to compete in the global arena."[37]

The following table detailed the E & Y Globalization Index evaluation program:

[31] Ernst & Young, *The World is Bumpy: Globalization and New Strategies for Growth*," (United Kingdom: Ernst & Young Global Limited, 2012), 29

[32] *Ibid.*

[33] Ernst & Young Official Website, "Globalization and New Strategies for Growth: The World is Bumpy," retrieved on 8 March 2012, http://www.ey.com/GL/en/Issues/Business-environment/Globalization-and-new-strategies-for-growth---The-world-is-bumpy.

[34] *Ibid.*

[35] *Ibid.*

[36] Bernama.com,"Malaysia Ranks 28th In Globalisation Index 2011," retrieved on 15 March 2012, http://www.bernama.com/bernama/v6/newsbusiness.php?id=644627.

[37] *Ibid.*

Table 7: Summary of Ernst & Young Report

Name of Organizer	Ernst & Young (E&Y)
Name of Program	Ernst & Young (E&Y) Globalization Index.
Specialization	The Globalization Index measures countries by GDP as well as a forecast four years ahead of a GDP's performance. (The Index measures "relative" rather than "absolute" globalization. This means that an economy's trade, investment, technology, labor and cultural integration with other economies is measured relative to its GDP rather than by the absolute value of these elements being exchanged).
Method	The five criteria measured are: 1. Openness to trade, 2. Capital movements, 3. Exchange of Technology and Ideas, 4. Labor Movements and 5. Cultural Integration. **Respondents:** 992 surveyed senior company executives conducting international business.
Number of Countries	60 Countries.

7. Comparative Analysis on the Assessment Bodies Reports

The three assessment bodies, namely, the Global Competitiveness Report, the Global Financial Center Index (GFCI) and the Ernst and Young (E & Y) Global Index, applied different values in evaluating Malaysia's economic competitiveness. The Global Competitiveness Report ranked Malaysia as the 21st among 145 countries, while E & Y ranked Malaysia as the 27th in its new Globalization Index issuance. Both assessment bodies ranked Malaysia within the top 30 countries in the world. This position was a consequence of the sound and prosperous of Malaysian economic growth. The GFCI first started to include Kuala Lumpur in their list in the GFCI 5 issuance in March, 2009, where Malaysia was positioned at number 45 at that time. However, in the 11th GFCI Index issuance on March, 2012, Malaysia's position has surged to number 35, which was only three points behind Dubai, and higher ranking than both Qatar and Bahrain. In its 11thIndex issuance, the GFCI has positioned Kuala Lumpur as among the 20 countries with the greatest positive difference between average assessment and the GFCI rating.[38]

With regard to Method Analysis, there are certain major pillars that all index bodies (The Global Competitiveness Report, The Global Financial Center Index and the Ernst & Young (E & Y) Globalization Index 2011) share, and apply in their evaluation standard. The major pillars of assessment are grouped into several types, namely, infrastructure, technological readiness, quality of life which include the level of healthiness, education and securities, access to international trade or openness to trade, culture and language, the efficiency of labor market or skilled personnel, and the capital market or financial market development. Out of the previous mentioned types, the GFCI index has an additional interest in their evaluation, where they included the government policy, which is important in determining the tax policy, the regulation and the action of responsiveness.

With regard to data collection, the evaluation made by the Global Competitiveness Index of the World Economy Forum (WEF) and the E & Y applied the combination of data collection, consisting of analytical data from authorized bodies to measure the economic flow, and survey data from related personnel industries. However, the GFCI depends more on the survey data and from the external website report. For example, in reviewing the Islamic finance world performance, the GFCI collected reports from only one Islamic finance source, which was the International Financial Services, London, and the data can be obtained from their official website (www.thecityuk.com). This information was supposed to be collected from various authorized sources, such as the Islamic Financial Services Board (IFSB), the General Council for Islamic Banking and Finance Institutions (GCIBFI, Bahrain), the Islamic International Rating Agency (IIRA, Bahrain) and the Islamic Liquidity Management Center (ILMC, Bahrain), among others. Relying on just one source of data may lead to insufficient information that may reflect to unfair assessment.

From this observation, this study would like to suggest that, in evaluating Islamic financial centers, there should be a special condition adopted with Islamic value applied in the evaluation.

[38] Long Finance of Z/Yen Group, *TheGlobal Financial Centers Index 11*, 33.

This is vital due to the Islamic financial system is based on Shariah requirement. For instance, the Islamic financial system prohibits non-Halal transactions in its business. It is unusual if one country with non-Halal transactions, such as a country promoting gambling, pork products and prostitution is promoted as the top Islamic financial centers. Therefore, the additional Shariah assessment value should be added in evaluating the Islamic financial center global hub country. With maintaining current value of evaluation, such as the regulatory environment, the access to international financial markets and so on, the additional Shariah value will determine the most eligible Islamic financial center global hub.

Thus, a new interpretation of an Islamic financial center must also be determined since Islamic finance is different compared to its conventional counterparts. This interpretation will also lead to the accurate evaluation of the Islamic financial global hub. The non-Islamic financial centers such as London, New York and Singapore will also be included in the evaluation but with the requirement of Shariah value. This value is important in assessing the accurate Islamic financial centers and how the financial center manages Halal and non-Halal businesses. Although Malaysia is a country having gambling and non-Halal businesses due to its mixed culture citizens, the transaction of non Halal business will not be approved when using Islamic banking facilities, for instance, the Islamic credit card will be blocked by the financial provider once it is used for non-Halal transactions. This shows how the management of Halal and non-Halal transactions goes on.

In another example, Saudi Arabia could be the best in implementing Islamic and Shariah rules. However, the assessment will also include the investor's friendly value, the regulation and tax incentives and others. Therefore, the new Islamic financial center's evaluation must combine good governance factors and the Shariah value at the same time. Hence, the assessment will take into account all the cited factors for thorough and fair measurement.

8. Conclusion

This study suggests that the framework of Shariah assessment should comprise the following criteria:

1. A strong Shariah supervision control to ensure all Islamic finance Institutions comply with Shariah, for instance, control on Islamic credit card usage, which is applicable only in Halal premises.
2. The establishment of Shariah court for the settlement of Islamic finance dispute, which is vital to ensure the case hearing in the best manner with suffice of Islamic finance knowledge among the judges and the advocates.
3. Suffice number of Shariah compliant products in Islamic banking, Takaful and Islamic capital market.
4. Good asset liquidity management to ensure Islamic finance funds do not leak to non-Halal business.
5. A strong Islamic finance application that includes Islamic banking, Islamic Capital Market and Islamic Insurance.
6. A large number of Islamic finance shares in the economy provide well acceptance among people.

Finally, more efforts are required to achieve the Islamic finance global hub vision. Obviously, rating the Islamic finance hub must be different compared to the current practice, and Islamic value must be included in the assessment method. At the same time, part of the existing framework is still useful and practical to adopt the new Islamic financial global index. At the same time, Islamic countries must sustain the stability of the economy, encourage prosperous living, carry out wealth management, be more open to foreign investments, implement first world facilities and other efforts to succeed the vision.

9. References

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