

Scaling digital footprints in Islamic banking

Creating an impressive customer experience with total engagement is the main objective of any bank. The disruptive technology industry has recorded exponential growth in recent years and become the true key enabler for future businesses and banking with growing global competition and tech-savvy clients. Future digital technologies will be adding more value by transforming the processes and operations for a better customer experience. It is the reality today to accept autonomous cars, robotic surgery, cloud solutions, 3D printing, big data and artificial intelligence in the Generation Z era but all these were only dreams for Generations X and Y. MUATH MUBARAK explores.



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In the last decade, there was immense technological change that led many industries into new directions including banking and finance. As per market movement, autonomous cars could be widely used all over the world by 2020 with zero accidents that will lead the insurance industry to be more innovative in finding insurance business opportunities. It is also estimated that people’s interest to own and maintain a car will decrease which could then leave a huge vacuum in a bank’s lending portfolios. These types of technological changes in the banking and finance ecosystem will totally lead toward a new scaling of digital footprints in Islamic banking as well.

Process innovation

The UAE’s Dubai Multi Commodities Centre (DMCC) Commodity Murabahah Trading Platform (CMTP) is one of the initiatives enabling the electronic transfer of ownership and possession through tradable warrants. This move approved by renowned Shariah scholars is a bold move and it provides a holistic solution to the Islamic finance industry through a fully electronic commodity Murabahah



Table 1: List of innovators in 2016

Organization	Type of innovation	Innovation
Dubai Islamic Bank	Organizational	Smart Mufti
Abu Dhabi Islamic Bank	Process	A new digital studio with IBM
Al Rajhi Bank	Organizational	Self-service channel with Diebold Technology
Masraf Al Rayan	Marketing	Brand reinforcement and product expansion
Amana Bank	Product	Gold/pawning facility
Beehive Group DMCC	Product	Peer-to-peer financing
Bidaya Home Finance	Process	Website
Emirates Islamic	Product	El Trade
Meezan Bank	Process	MeezanUPaisa
Millennium Information Solution	Process	Ababil
Noor Bank	Product	YVO mobile application with Yvolv
Path Solutions	Process	iMal Islamic Banking Platform
Temenos	Process	T24 Cloud Islamic

Source: Global Finance June 2016

trading platform with a complete transfer of ownership. This facilitates a highly efficient availability of options in a high-tech proven methodology in a Shariah compliant way. This way of innovation, which increases the bank’s efficiency and reduces the operational costs, is an inward technological innovation in Islamic banking and financing.

Product innovation

Another important milestone is the technology advancement for a better end-to-end customer experience when they are engaged in banking transactions. The concept of fintech has emerged in recent years with the strength and viability of replacing mainstream banking activity with a simple URL/website. The necessity and usage of this are largely attributed to internet penetration, smartphone

users and the stringent regulatory environment for the financial industry. One of the latest initiatives by Malaysia is the Investment Account Platform (IAP), a platform to facilitate channeling funds from investors to finance viable ventures and projects. The IAP is backed by Islamic banking institutions which will facilitate the matching of investments with the identified ventures or projects that are in need of funding.

Innovation in banking ranges from delivery channels (ATMs no longer require a PIN code or ATM cards), process innovation (the DMCC-CMTP) and product innovation (the IAP).

Digital talents

The global Islamic banking industry is in need of tech-savvy leaders and professionals to explore the current

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technological developments to meet market demand for digital solutions. The technology industry has a twin effect in terms of exponential growth by paving a new way of doing things for people which will change the entire ecosystem not only in Islamic finance but also the global economy. The financial services industry will have a paradigm shift in terms of social media banking, mobile cash banking, crowdfunding, fintech, cloud banking and high-tech-enabled (social media and big data analytics) financial services in the near future. This is inevitable for the Islamic finance industry to be competitive in the market with the most cost-effective way of reaching out to the target market segments through high-tech-enabled delivery channels.

Islamic finance is expected to grow between US\$5-8 trillion in global asset size by 2020 but based on current development and growth, high-tech financial instruments may result in a multifold increase in asset size than originally expected. The growth drivers have to address the challenges faced by the industry from regulatory frameworks to awareness of the general public but most importantly, address the use of advanced technology to make the customer/end-user experience an easy, safe and secured one from any device at any given point in time without any delay in responses.

Going digital is the best way forward

In conclusion, the Islamic finance industry is not an exception when it comes to the exponential technology growth story. Soon, stakeholders of the industry will be expecting an unparalleled technology experience from the respective banks and sectors so let's build a new generation with a new breed of tech-savvy customer-oriented bankers to serve the smart customers. The responsibility of nurturing, funding and guiding creative entrepreneurs and business enterprises becomes pivotal for Islamic banks and financial institutions and is an integral part of the business journey. The growth of the Islamic finance industry, coupled with the exponential growth of technology, will fuel the growth of the global Islamic economy. (F)

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Turkey is seen as a rising participation finance (Islamic finance) star. Over the years, the strong commitment from the authorities to create a holistic participation finance ecosystem has led the sovereign to introduce new regulations and reform others while pushing for the industry to take a bigger role in Turkey's financial system. By 2025, the Turkish participation banking sector is expected to hold a 15% market share from 5.1% at the end of 2015 when total assets of participation banks reached TRY120.3 billion (US\$33.68 billion).



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