

ISLAMIC FINANCE (IF): The Road Ahead

Meeting New Challenges and Opportunities

Fundamental Questions:

1. Where are we?
 - What is our Unique Selling Proposition?
 - Do we have a distinct sustainable competitive advantage?
2. Where are we heading?
 - Banking industry as a whole is facing numerous challenges from changing consumer needs to the threat from Fintech on financial intermediation business.
 - How does IF fare?
3. How do we get there?
 - IF needs to create its USPs.
 - IF to leverage on IOT to keep up with the changing consumer needs.
 - IF to explore collaborative efforts with Fintech .

Where are we?

1. What is our Unique Selling Proposition?
 2. Do we have a distinct sustainable competitive advantage?
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- IF, in general, is on par with conventional finance.
 - The industry as a whole have been driven by the objective of offering IF as an alternative to Conventional Finance.
 - Thus, most efforts were channeled towards mirroring Conventional Finance.
 - Hence, IF has been largely marketed as Shariah Compliant Finance.

- Does IF have any USPs?
 - Mirroring Conventional Finance doesn't bring any USP to IF.

- Is IF having any distinct sustainable competitive advantage?
 - No apparent distinctive sustainable competitive advantage.

Where are we heading?

1. Are we ready to face changing consumer needs?
 2. How do we face the challenges from IOT and Fintech?
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➤ Imminent trend that IF (and the banking industry, as a whole) is facing:

- Changing consumer spending and saving behavior, GEN Y, Millennials.
 - Generation with less stable jobs, less preference to own assets etc.
 - Digital marketplace with more SMEs that are asset light.
- Cashless societies/economies.
- The above has been brought about by Industry 4.0 which is largely driven by IOT.
- This brought about the emergence of Fintech that could pose a threat to banks (conventional and Islamic).
- Ever increasing needs for regulatory capital for banks.

How do we get there?

1. IF needs to have its USPs.
 2. Attain a sustainable competitive advantage
 3. Collaborate with disruptive technology players
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➤ Imperative that IF:

- Identifies/creates its USPs (that sets it apart from Conventional Finance) ie break away from the 'me too' approach
 - Move from being Shariah Compliant Finance to Shariah Based Finance.
 - Value Based Intermediation (VBI) approach as the base.
- Conveys and markets its USPs well especially to suit the changing needs of the market.
- Builds a distinctive competitive advantage which is sustainable in the long run
 - Investment Account is a clear differentiator and should be explored to the fullest
- Collaborates with disruptive technology players ie Fintech.

THANK YOU

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