



Technology and Islamic Finance: In Search of the Next Growth

By Daeng Saifullah Termizi

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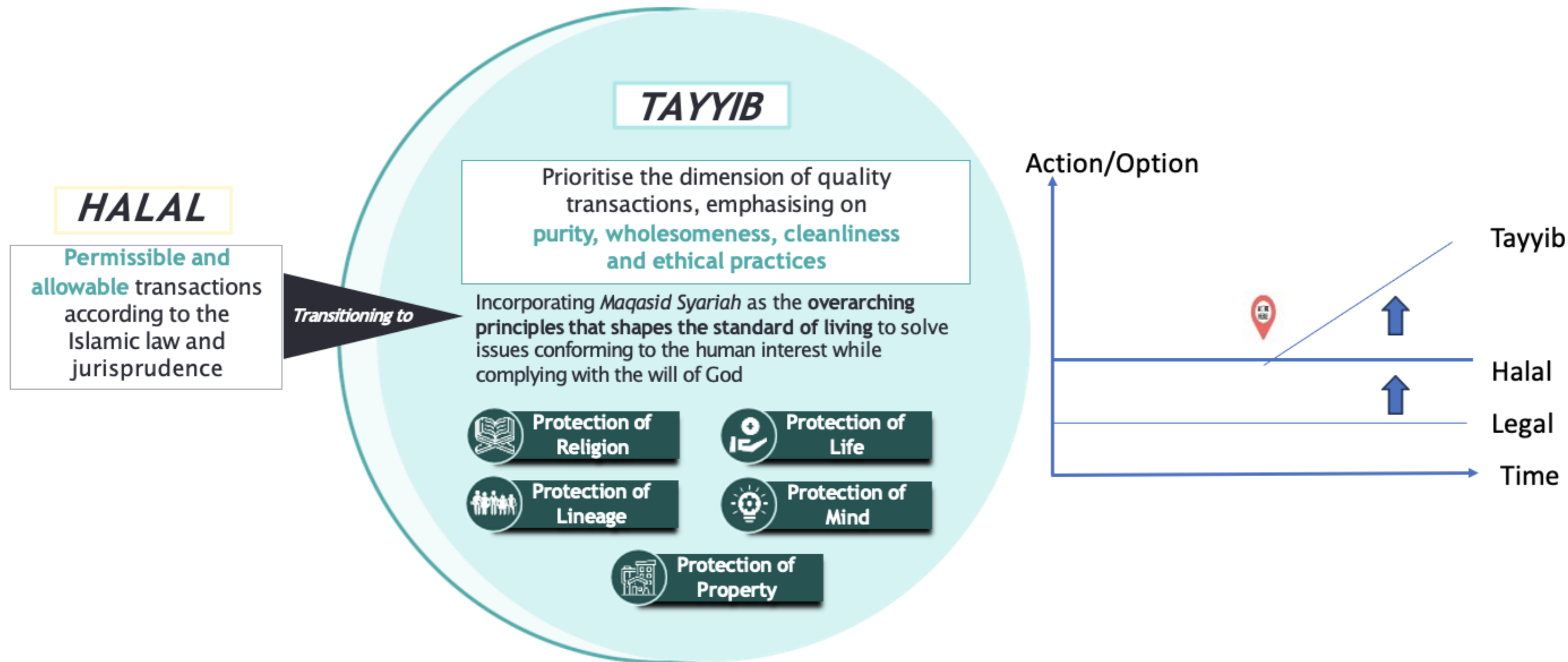
Background: Daeng Termizi



Daeng Saifullah Termizi COO & Co-Founder of Kestrl

Daeng Saifullah Termizi is the COO and co-founder of Kestrl, a UK-based fintech company that provides AI-powered Islamic finance solutions. He is a former Bank Negara Malaysia employee and a visionary leader who strives to create a more inclusive and sustainable financial system for Muslim communities worldwide.





In the Islamic finance ecosystem, fintech emerges as a transformative force, not merely ensuring transactions adhere to Islamic principles (halal), but also championing ethical, transparent, and socially responsible practices (toyyib). Fintech serves as the 'X factor,' catalysing this evolution by introducing innovative solutions that marry compliance with conscience.

Why technology/ fintech can be the **X factor**



Rapid experimentation



Market reach



Close the gap between
incumbents and
newcomers

Rapid experimentation

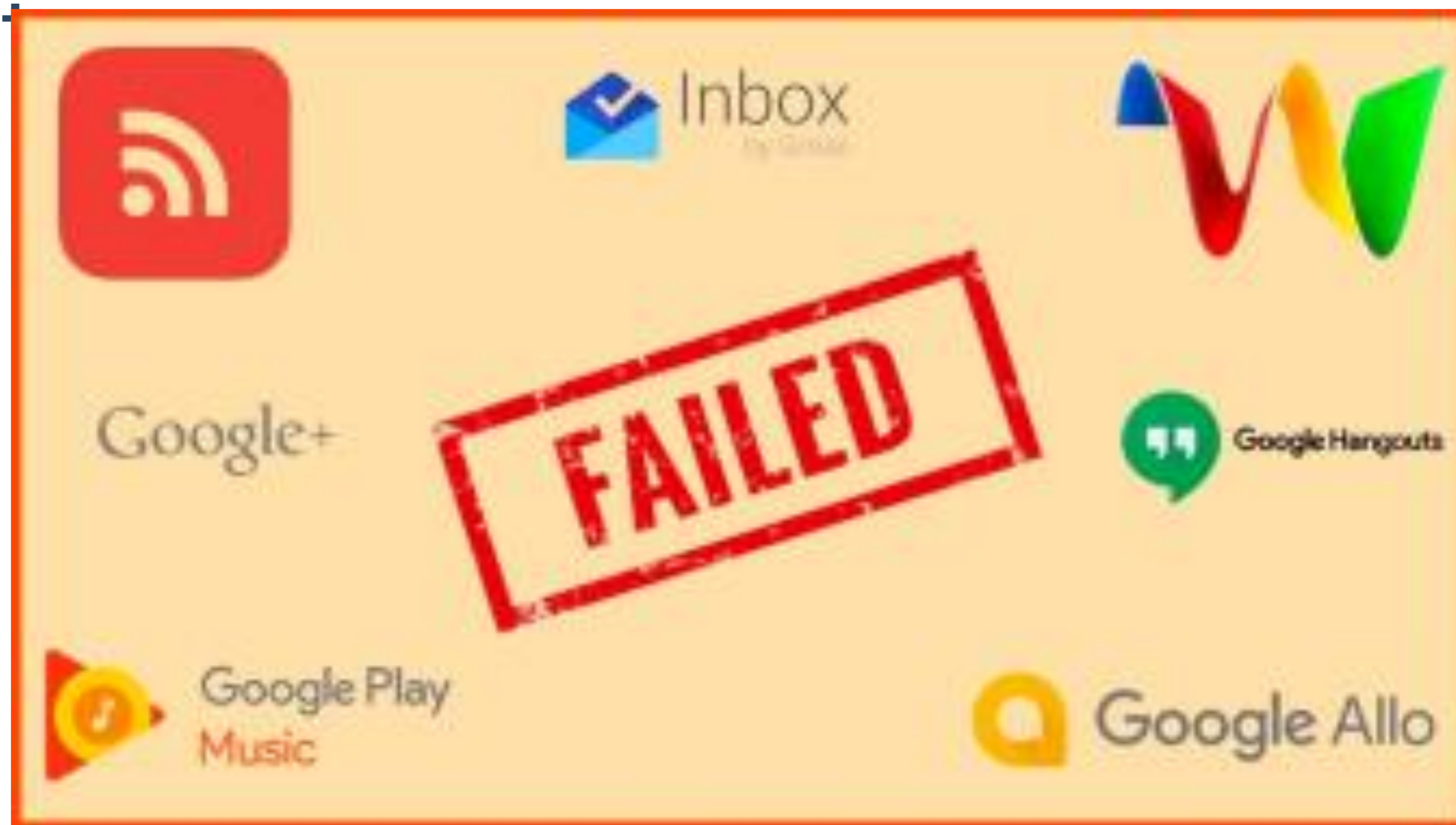
Agile principles

E.g.
Google 'Agility'

Cheaper to experiment



Google face product failures



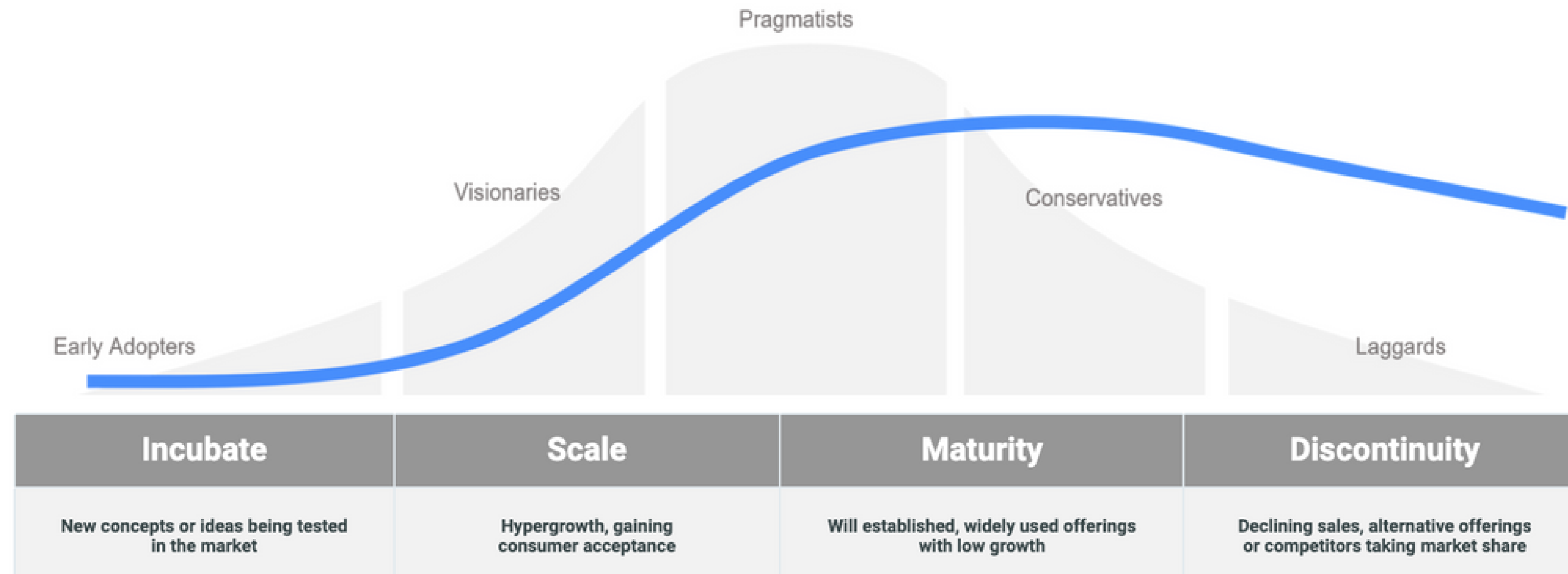
and many more...

62%

A poor mobile experience can be detrimental, as 62% of users are less likely to engage with a company after encountering a subpar mobile experience, emphasizing the importance of optimizing user interactions.

Google

Advancements in technology empower rapid and cost-effective experimentation, allowing us to embrace failure as an essential part of the technology life cycle within Islamic fintech.



It allows us to fail faster and cheaper

...And in the end finding models that work

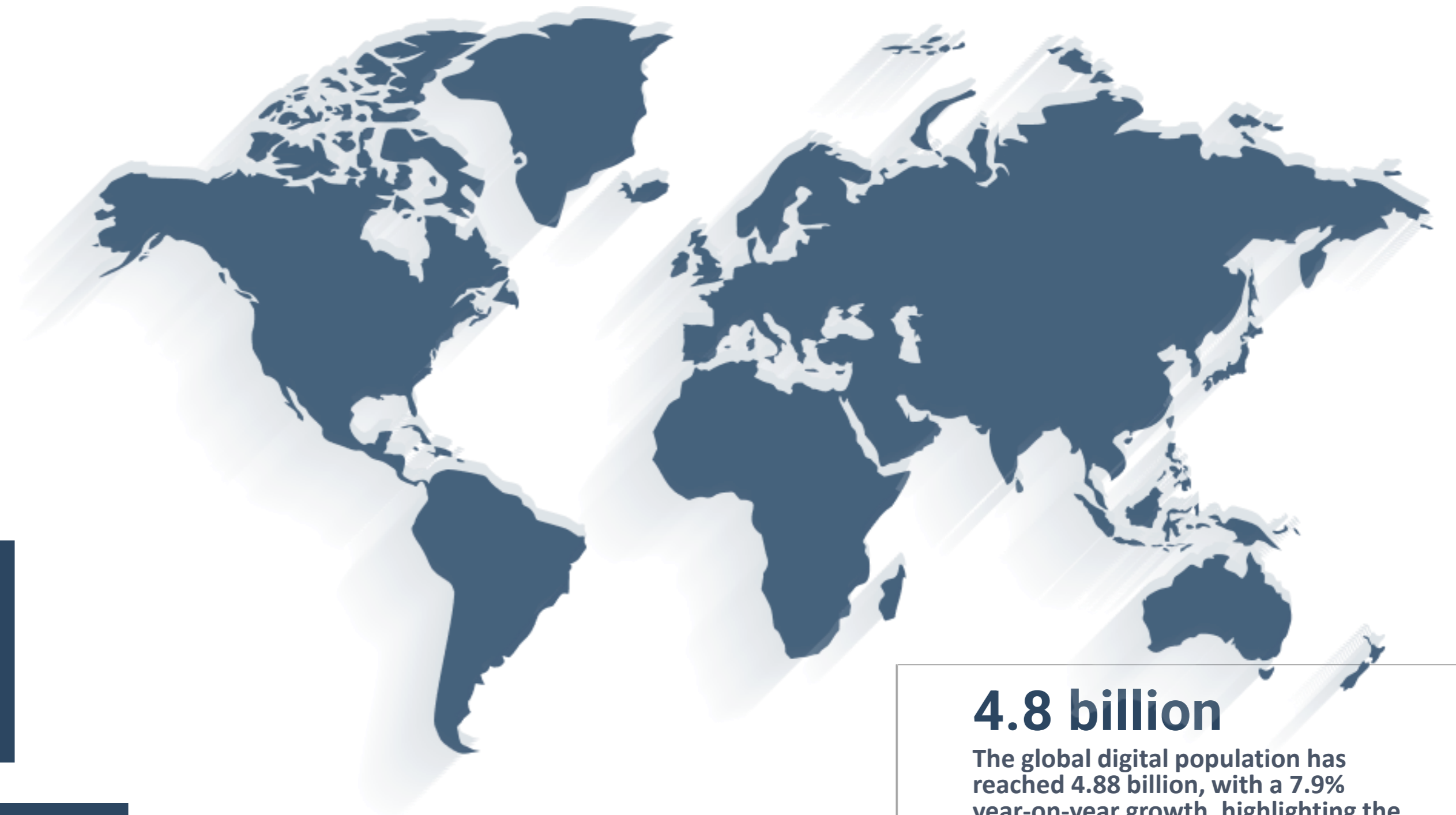
Ultimately, this directs our attention towards cultivating models that not only work but also align with the principles and objectives of Islamic finance.

Market reach

Enable reach to sporadic markets

Because of its digital nature

No longer concentrated in urban centres



4.8 billion

The global digital population has reached 4.88 billion, with a 7.9% year-on-year growth, highlighting the widespread adoption of digital technologies.

Source: Datareportal

Bridge the gap between incumbents and newcomers

Possible to offer level of service that is used to be offered by big conglomerates



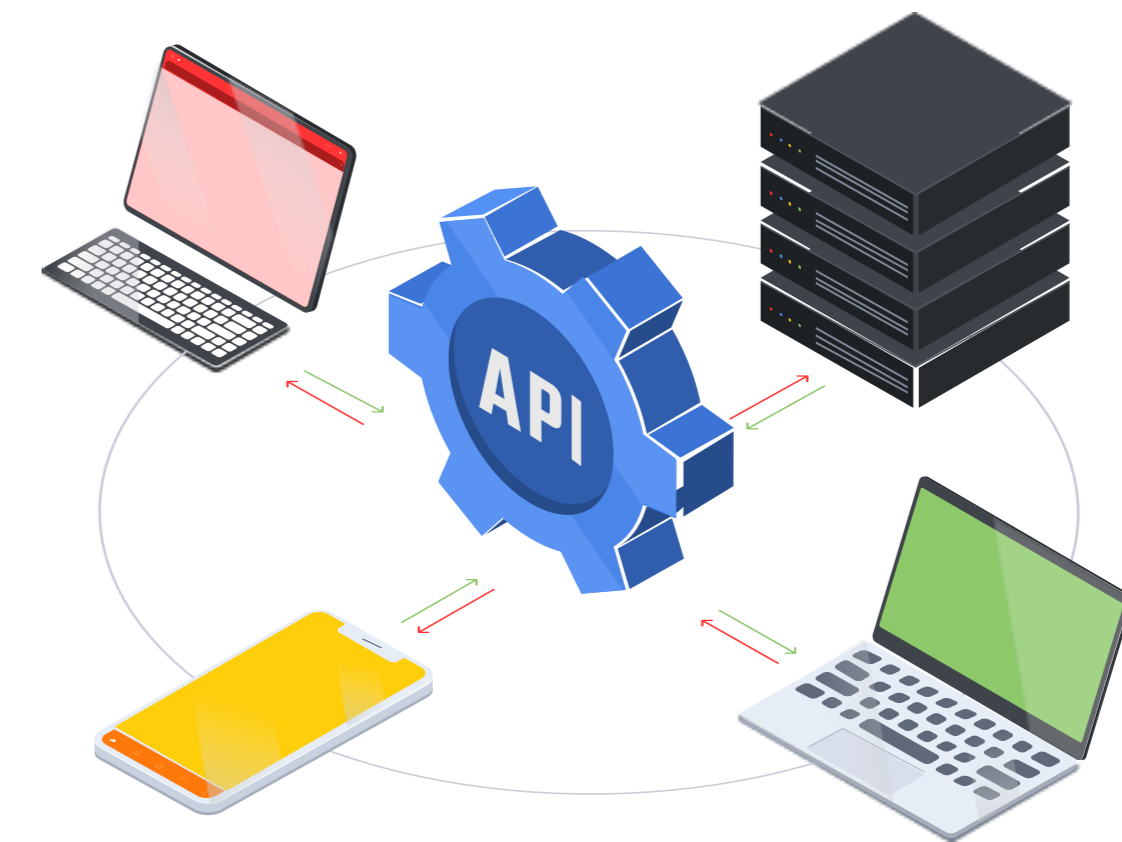
Seizing Opportunities: Low barrier to entry



Cloud computing



Mass adoption of technology products

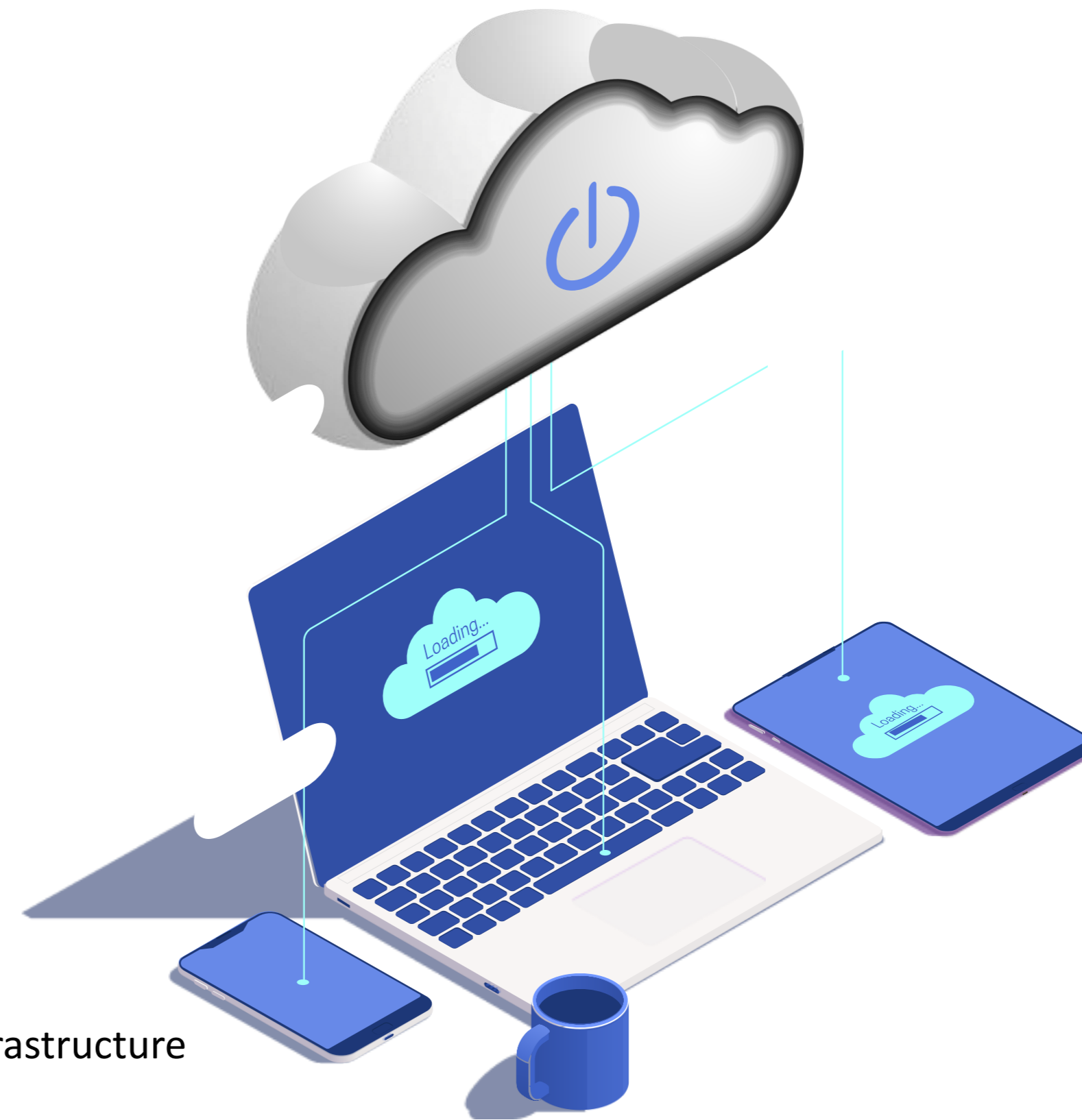


API economy

Cloud computing

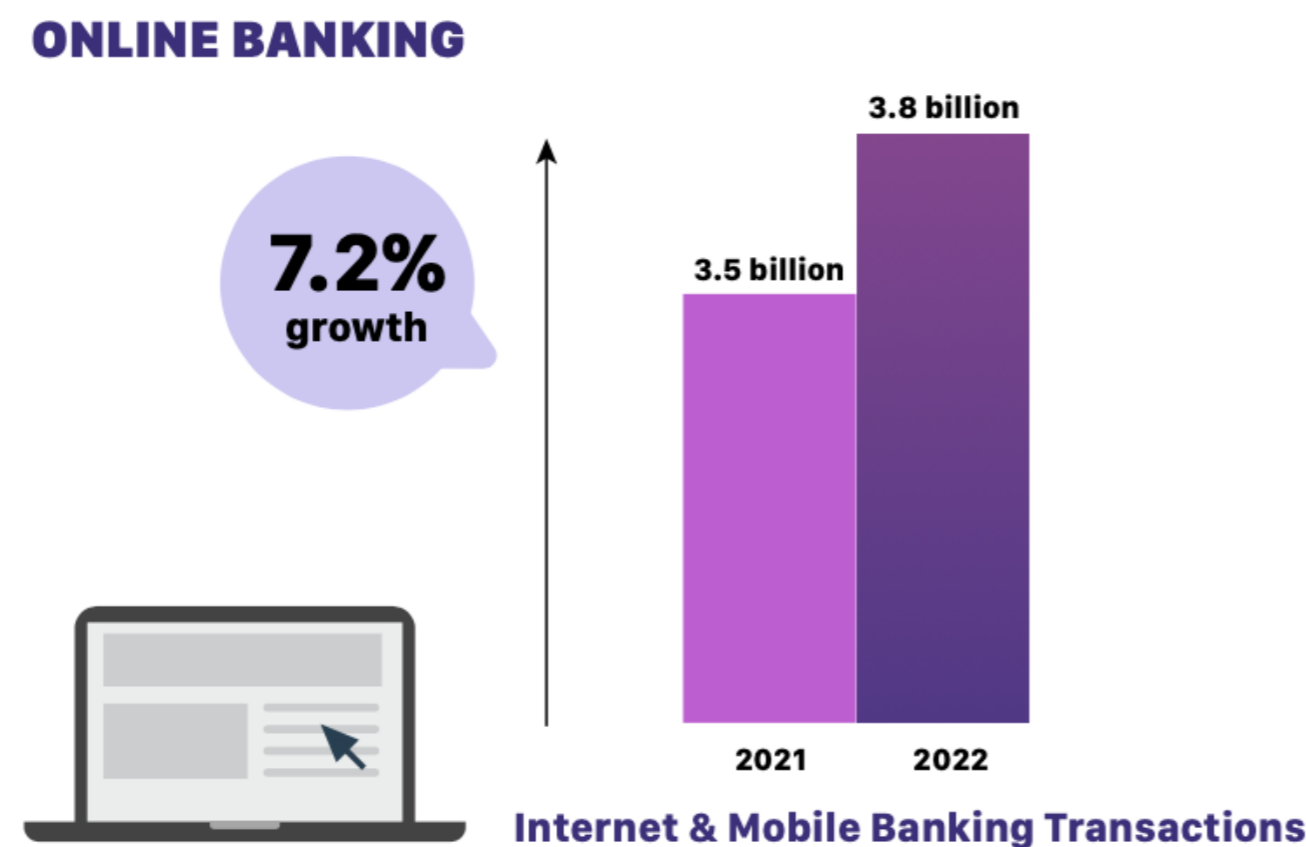
Cloud computing is defined as the use of hosted services, such as data storage, servers, databases, networking, and software over the internet.

Advance in cloud computing allows for more for focus on the product rather than the infrastructure especially in the early stage.



Mass adoption of technology products

Mass adoption of technology products is when a large number of consumers use a new product or innovation, often innovation, often following a bell curve pattern.



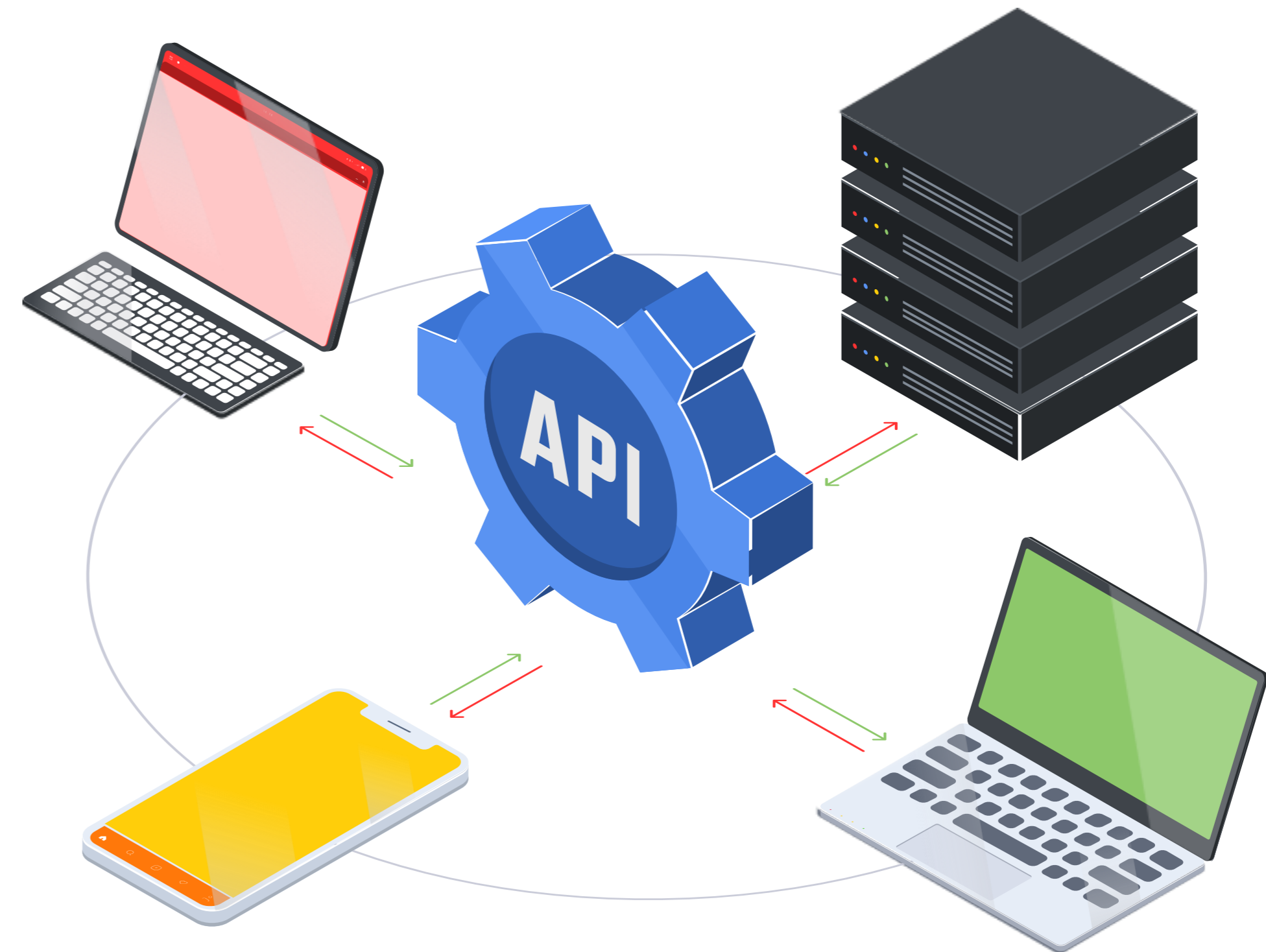
Total Transactions Valued at RM12.8 trillion
(2021:RM 11.1 trillion)

Source: Bank Negara Malaysia

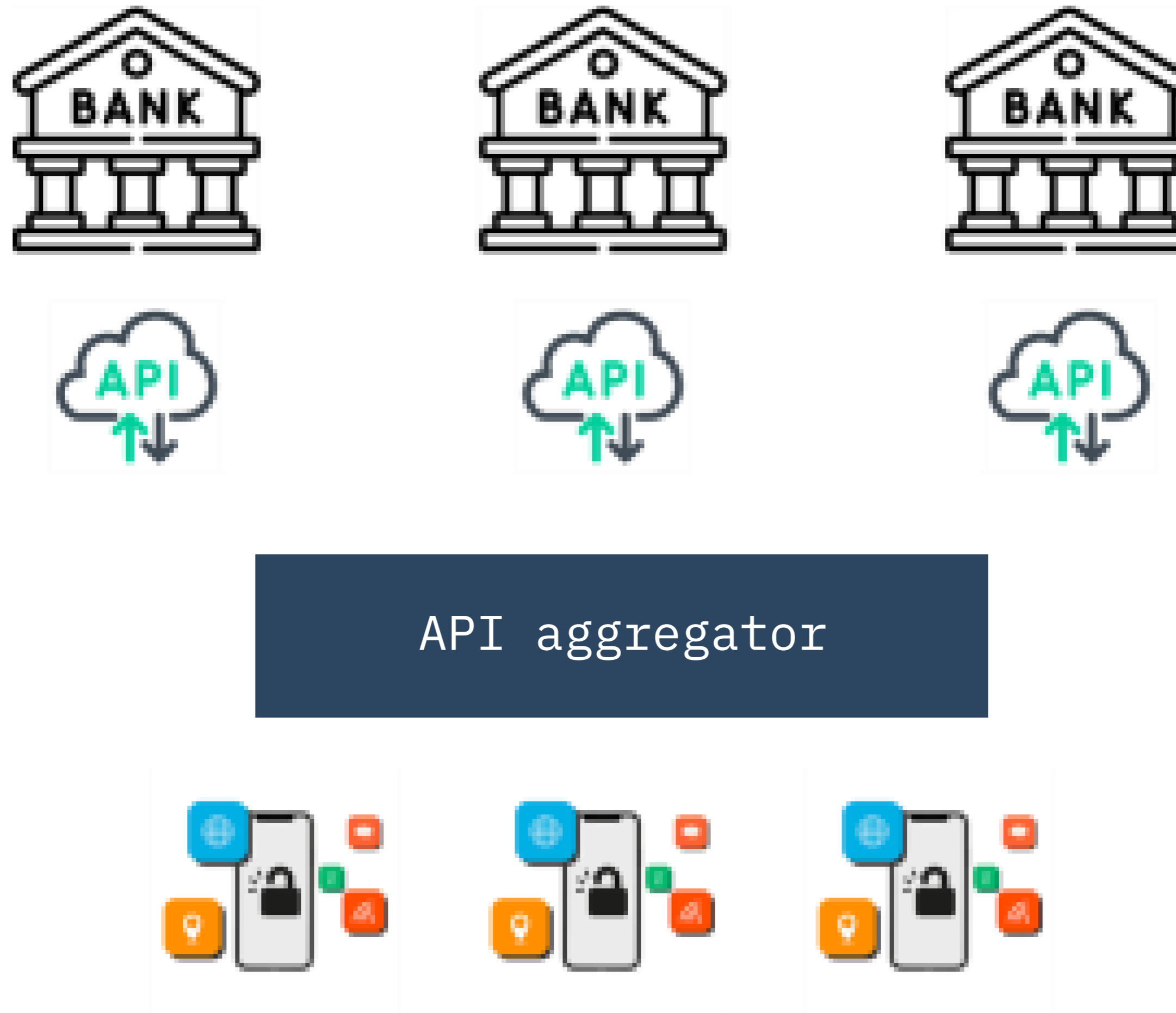


API economy

API integration enables banks to offer better solutions and benefit from the subscription model's recurring revenue and customer loyalty.



Open banking



Technology and new business model

Open up possibilities for new business models, e.g.

**BUY NOW
PAY LATER**

WEEK 1
WEEK 3
WEEK 6
WEEK 7

Buy now, pay later

Banking as a service

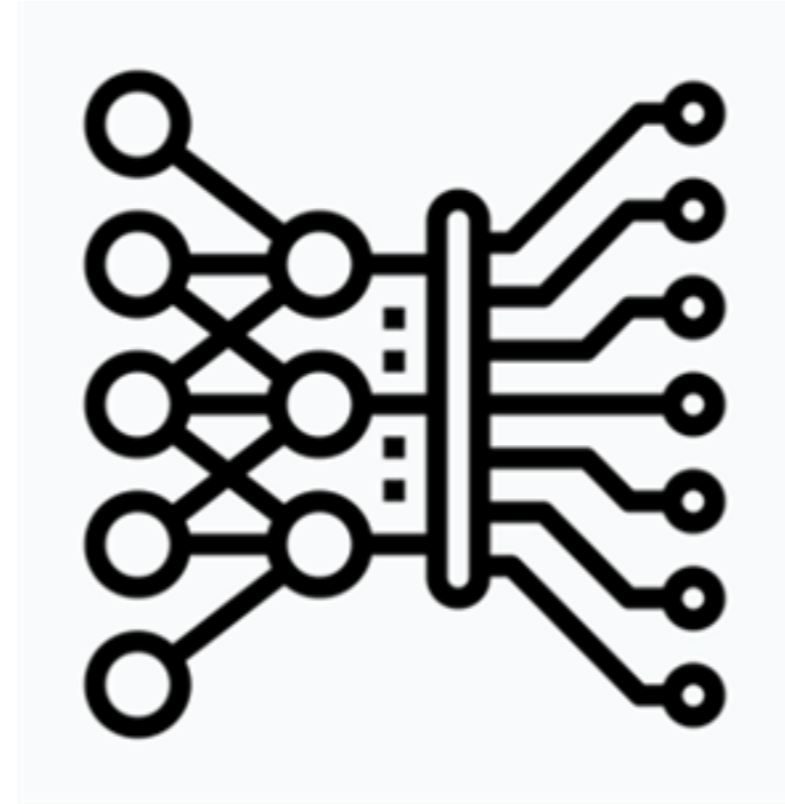
- Islamic Fintech
- Blockchain/Crypto
- Insurtech
- KYC/Regtech
- Proptech
- Wealthtech
- Robo-advisors

There's a whole bunch of evolving business models!

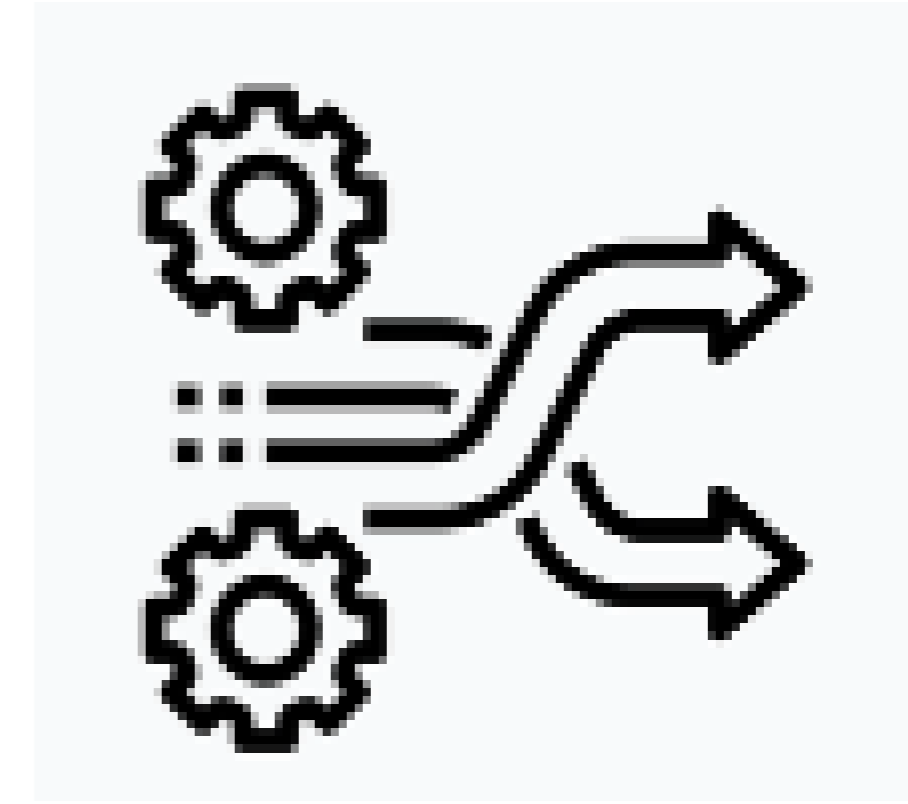
Advances in algorithm



Open source



Deep learning



Transformers



Technology and New Islamic Finance Business Models



Emergence of New Islamic Finance Business Model

With competition looming and BaaS solutions increasing in sophistication, the most strategic approach for incumbent banks is **collaboration**: incumbent banks are partnering with fintechs to leapfrog over traditional evolution (e.g., Bank Islam and Kestrl).

- Islamic Robo-Advisors (Sharia-compliant investment)
- Sharia-compliant “Buy Now Pay Later” (BNPL)
- Halal E-Commerce
- Sharia-compliant E-Wallet
- Islamic digital bank

Does the current digitalisation wave mean that traditional banking is no longer relevant moving forward?

Fintech and digital banking are not here to replace traditional banks but to **complement** them. For instance, Bank Islam's Be U (a successful collaboration between Bank Islam and Kestrl) initiative targets the younger generation, enhancing the traditional Islamic bank's offerings by catering to a demographic that values digital accessibility and convenience.



THANK YOU