Issues Relating to Islamic Bank's Adaption to Fintech

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ABSTRACT

Fintech, or financial technology, is a new type of financial transaction technology. It is a disruptive technology that will alter stakeholders' banking behaviour. It refers to several financial transactions that take place without the assistance of a person, including money transfers, depositing a check with your smartphone, skipping a bank office to apply for credit, raising funds for a business beginning, or managing your investments. The growing rise of Fintech affects not only the traditional finance industry but also the Islamic finance industry since the Islamic finance sector embraces Fintech as part of the financial revolution. As a result, Islamic Fintech or Shariah-compliant Fintech enters the picture for people who are concerned about questions of faith and religion when it comes to banking. In this paper, the recent development of Islamic Fintech in Malaysia and issues related to fintech adoption by banks are discussed.

Keywords: Fintech, Islamic fintech, Issues, Regulations, E-money, Malaysia

1. INTRODUCTION

• *Background Of the Contract/ Concept*

Fintech is a combination of the concept's "finance" and "technology." Islamic finance delivers financial services to customers in compliance with Shariah-based norms and regulations. Islamic finance has grown quickly in the previous decades, while FinTech has grown by leaps and bounds in the last decade. The primary goal of Islamic finance is to promote social-economic progress through the application of Shariah-compliant financial solutions (Dwivedi 2021).

According to Irum Saba, Rehana Kouser and Imran Sharif Chaudhry (2019) FinTech's introduction in countries, particularly developing countries like Pakistan might help drive economic growth, but it would increase regulators' burden as they must assure financial system stability and protect it from frauds and misfortunes. As a result, proper regulatory oversight is essential to avoid cyber-attacks, data leakages, and data theft, which can lead to data misuse. FinTech is financial innovation facilitated by technology that could result in new business models, applications, processes, or products with a meaningful impact on financial markets and institutions, as well as the provision of financial services.

As Dwivedi (2021), Products and services provided by banks innovations brought about by the adoption of technology have considerably modified the way the banking industry operates and functions. However, FinTech contributes to the improvement of corporate processes by streamlining operations and services, which may result in increased competitiveness and performance.

2. LITERATURE REVIEW

• *Nature & Concept*

The term "fintech" refers to financial technology. Technology is unavoidable as the financial industry moves toward modernization and globalization. The banking behavior of stakeholders in conducting financial transactions has changed as a result of technological advancements in finance. Fintech is a new type of technology that aims to improve and automate financial service delivery and use. Fintech, at its most basic level, is used to help organizations, company owners, and individuals better manage their financial operations, procedures, and lives through the use of specialized software and algorithms that run on computers and, increasingly, smartphones (Ram Reza. 2019).

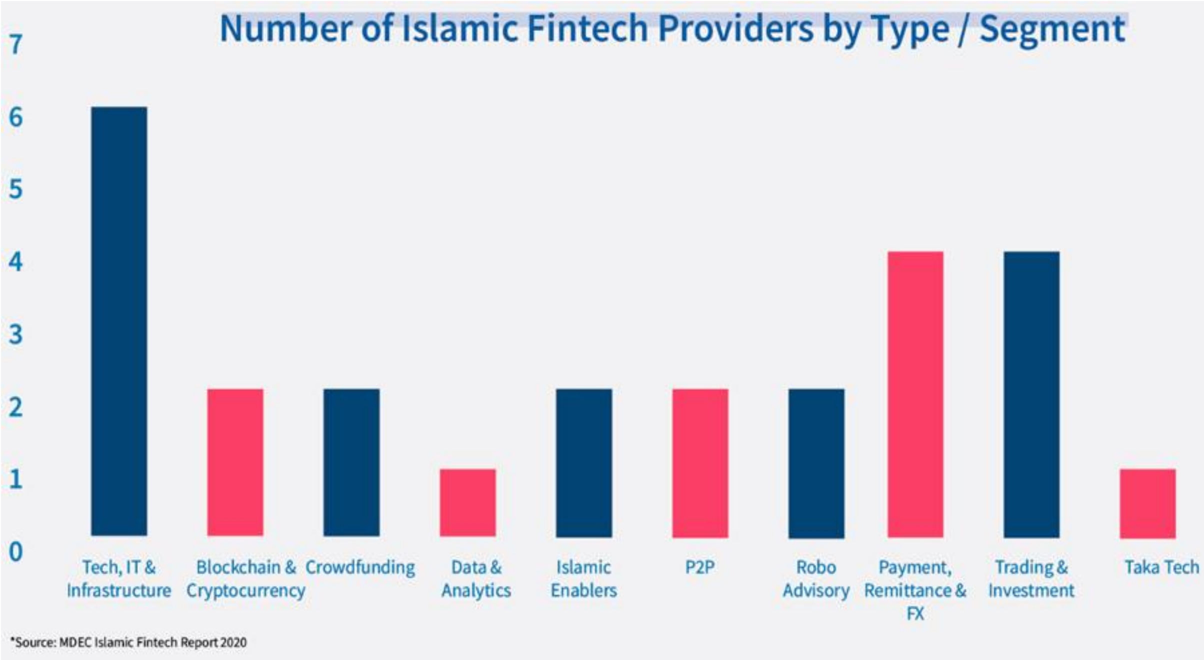
- ## Islamic Fintech and Malaysia

Islamic Fintech is an example of a Fintech innovation. Some sources classify Islamic Fintech as one of the business models in Fintech, while others classify Islamic Fintech as identical to any other

Fintech, with the exception that Islamic Fintech's business model adheres to Shariah principles. They're also referred to as Shariah-compliant Fintech, Shariah Fintech, or Halal Fintech, all of which signify the same thing. In essence, Islamic Fintech is subject to the same restrictions as Islamic financial products, which must be free of banned aspects such as maysir (gambling), gharar (uncertainty), and riba (interest) (Ram Reza. 2019).

Islamic fintech, which focuses on using technology to create Shariah-compliant financial solutions, goods, services, and investments, has slowly gained traction in recent years. As of March 2021, 161 organizations were registered as Islamic fintech entities around the world, according to the IFN Islamic Fintech Landscape. Islamic fintech is founded on Shariah principles, which promote human welfare while incorporating ethics and justice into fintech solutions.

Malaysia's excellent Islamic finance regulatory environment, Malaysians' digital affinity, a vibrant Islamic finance community, and the government's commitment to championing the Islamic economy have all contributed to the country's potential as a worldwide Islamic fintech center. Furthermore, under the Shared Prosperity Vision 2030 (or SPV 2030) project, the government has designated Islamic finance and the Internet sector as Key Economic Growth Activities. This strengthens the case for Islamic fintech to help Malaysia achieve financial inclusion. Malaysia has emerged as a prominent Islamic fintech market, according to data from the IFN Islamic Fintech Landscape (a global initiative by IFN Fintech to identify and map out fintech firms offering Shariah-compliant solutions), with 21 Islamic fintech providers out of a total of 161 as of end-March 2021. Only four Malaysian platforms presently offer capital market services like ECF, peer-to-peer lending, and digital investment management. The possibility for halal enterprises to generate Shariah-compliant money and the possible investment options for Muslim and non-Muslim investors highlight Islamic fintech's significant growth prospects in Malaysian capital markets (Capital Markets Malaysia (CM2)).

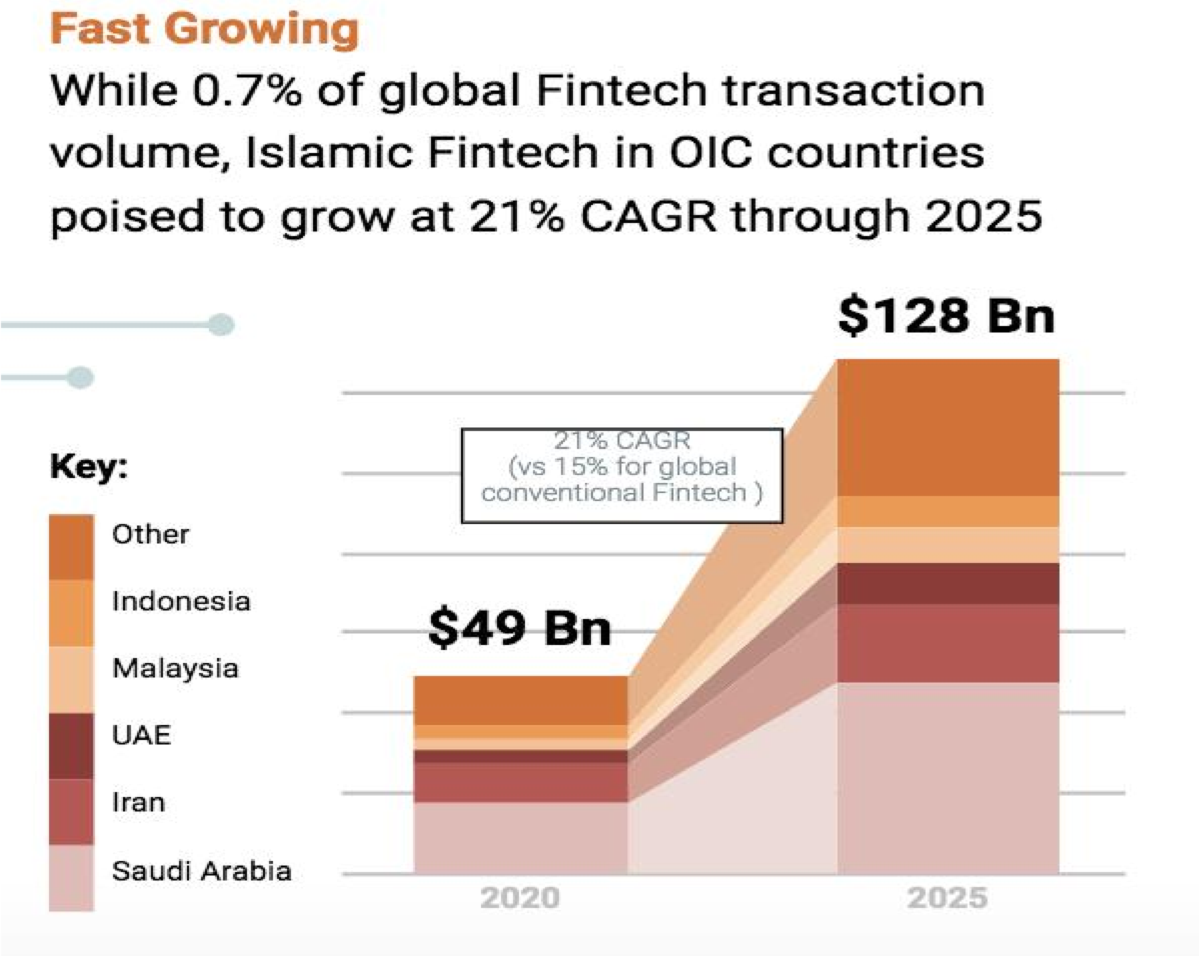


Malaysia: A Centre for Islamic Fintech

Malaysia may be the indisputable regional leader in Islamic fintech, having led the Global Islamic Economy Indicator for the eighth year in a row due to its strong Islamic finance efforts and ecosystem. Ethics Group, a pioneering Islamic financial business, is at the vanguard of this booming market. Here's a more in-depth look at how Malaysia became an Islamic fintech hotspot.

Despite a turbulent year, the COVID-19 pandemic has provided an unanticipated catalyst for digital transformation and, as a result, the accelerated growth of the worldwide Islamic fintech industry. The expected 2020 Islamic fintech transaction volume among the Organization of Islamic Cooperation countries is US$49 billion, according to the 2021 Global Islamic Fintech Report.

Saudi Arabia, Iran, the United Arab Emirates, Malaysia, and Indonesia are the countries with the highest estimated transaction volume of $49 billion. Malaysia, on the other hand, comes out on top in the GIFT Index, which evaluates 64 nations based on a composite index of 32 variables covering five categories: Islamic fintech market and ecosystem, talent, regulation, infrastructure, and capital. In essence, the GIFT Index assesses a country's potential as an Islamic fintech centre.



The worldwide Islamic fintech ecosystem is anticipated to reach $128 billion by 2025, with Malaysia accounting for a significant portion of that increase. (Source: Global Islamic Fintech Report 2021)

Malaysia also tops the Fintech Hubs Maturity Matrix, a measure of fintech growth based on market size against ecosystem conduciveness. This means that Malaysia is the leading country in terms of rapid growth and conduciveness for Islamic fintech, with Saudi Arabia, Pakistan, Indonesia, Qatar, and Kuwait as other attractive centres to consider for investment.

Overall, it is apparent that Malaysia is a hotspot for Islamic technology and finance, and that it will only develop in the future years. Ethics, which runs regulated Shariah-compliant investment crowdfunding platforms in Indonesia and Malaysia, and social finance portal GlobalSadaqah are at the forefront of Islamic fintech in Malaysia.

Malaysia's Recent Islamic Fintech Developments

The Securities Commission Malaysia's (SC) Shariah Advisory Council (SAC) issued a resolution in July 2020 allowing the trading and use of digital assets. Despite the fact that the SC has yet to provide detailed instructions, this is seen as a significant step forward in the creation of Shariah-compliant crypto-trading platforms (SAC 201st Meeting and 26th Special Meeting). The SAC of Bank Negara Malaysia has ruled that e-money is a Shariah-compliant payment instrument, beginning May 19, 2020.

The SAC has issued the following judgments in accordance with section 52 of the Central Bank of Malaysia Act 2009:

Electronic money (e-money) is a valid payment mechanism under Shariah, provided that it is structured according to acceptable Shariah contract(s) to protect the contracting parties' rights and obligations.

E-money

Under the FSA and IFSA, e-money is one of the payment tools. E-money, as a payment method, enables a smooth and frictionless transaction using a prepaid card or an electronic wallet (e-wallet) application. The widespread usage of this instrument, as well as widespread acceptance by the retail community, raises the question of whether or not the implementation of e-money complies with Shariah principles.

The agency contract (wakalah), in which the approved issuer serves as an agent to make payment to the merchant on behalf of the user (wakil bi ad-daf'i), is one of the applicable Shariah contracts for e-money. As a result, as required by section 137 of the Islamic Financial Services Act 2013, the funds received from the user must be placed in a Shariah-compliant trust account or a specialized deposit account (IFSA). The Guideline on Electronic Money (the Guideline) released by Bank Negara Malaysia (the Bank) on July 31, 2008, must be followed by approved issuers (including revisions from time to time). This includes, among other things, the need that the funds be used for investment purposes and that any return earned belongs to the approved issuer1, subject to the Guideline's conditions. The fund could be considered as a form of loan (qard) from the user to the approved issuer in this case.

It is the user's obligation to guarantee that the e-money is utilized for Shariah-compliant transactions because the authorized issuer just acts as an agent to enable payment on behalf of the user to the merchant.

In accordance with sections 28(1) and (2) of the IFSA, approved issuers are required to comply with this ruling for the purpose of issuing Shariah-compliant e-money, as compliance with any ruling of the SAC in respect of any particular aim and operation, business, affair, or activity of such approved issuers shall be deemed to be a Shariah compliance in so far as it relates to such business.

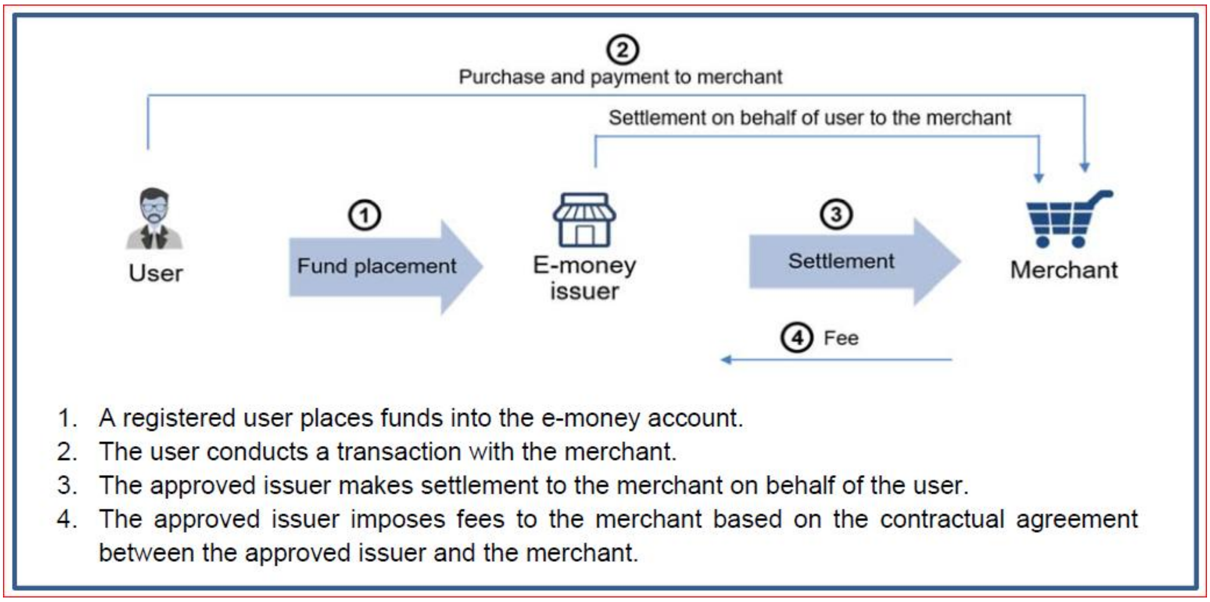


Illustration of Structure of E-Money by SAC

Shariah Issues

The SAC discussed many issues based on the above arrangement.

Issues1: The underlying Shariah contracts between the contractual parties.

a) Shariah contract between the user and the approved issuer:

The SAC considered the following factors in determining the applicable Shariah contracts:

- The approved issuer's duty is to act as a payment intermediary between the user and the merchant;
- The funds are held in a trust account/dedicated deposit account and managed by the approved issuer; and
- The approved issuer is only allowed to:

Issue e-money as a payment instrument; and

Invest the funds held in the trust account/dedicated deposit account and use the revenue generated from the investment.

The SAC believes that wakalah appears to be a proper Shariah contract for governing the rights and obligations of contracting parties in an electronic money transaction. The SAC ruled that the application of wakalah in an e-money transaction could be structured as follows:

- The approved issuer offers agency services to make settlements on behalf of the user to the merchant.
- The user deposits the funds in a registered e-money account with the approved issuer; and
- The approved issuer establishes a trust account/dedicated deposit account to store funds placed by the user, which will be used for merchant settlement or refund to the user. the revenue earned from the investment to the user.

b) Shariah contract between the approved issuer and the merchant

The SAC ruled that the contract of services with fee (ijarah al-khadamat) or the contract of incentives (ju'alah) may be the acceptable fiqh adaptation for the transaction between the approved issuer and the merchant in the current operating structure (takyif fiqhi).

Issue2: Management of the fund by the approved issuer

- The SAC ordered that the licenced issuer must place the funds received from the user in a Shariah compliant trust account/dedicated deposit account for Shariah compliant e-money.
- The approved issuer is required under the Guideline to manage the monies received from the user sensibly. The approved issuer is also permitted to invest the funds and then use the proceeds. This can be interpreted as a loan from the user to the approved issuer (qard).

Issue 3: Imminent qard jarra naf'an presumption in the practise of reward offerings

- The approved issuer may give rewards for a variety of reasons, such as when you subscribe to their service, top up your balance, or use e-money to pay for things. Because the funds received from the user may be viewed as qard from the user to the approved issuer, it raises the question of whether the practise of paying rewards is in violation of the Shariah principle that prevents the lender from receiving any benefits (qard jarra naf'an).

The SAC determined that there is no issue of qard jarra naf'an in the practise of rewards offered by the approved issuer based on the following factors:

- The qard contract is only a supplementary contract, which is different from the loan contract for deposit account offered by banking institutions.
- There is no inter-conditionality between the funds placed by the user and rewards given by the approved issuer.

- The rewards are not intended or targeted to reward the amount placed by the user, but rather as a temporary marketing strategy to increase customer participation.
- The Guideline expressly prohibits approved issuers from issuing e-money at a monetary value greater than the amount received, and
- The practise ('urf) in respect of utilisation of funds by approved issuers creates a differentiation from normal banking business, which renders the e-money.

Issue 4: Using e-money to conduct business with Shariah non-compliant merchants.

The status of e-money as a Shariah compliant payment instrument is not affected for any transaction involving Shariah non-compliant merchants, based on the following considerations:

- E-money is neutral, except that the monetary value is stored electronically; and
- It is the user's responsibility to ensure e-money is used for Shariah compliant transactions.

Regardless of the above, any IFSA approved issuer must comply with the following:

- No business with Shariah-compliant merchants. However, the SAC held that in rare situations determined by an approved issuer's qualified Shariah advisor, such approved issuer must follow the restrictions established by the qualified Shariah advisor; and
- No product bundling or cross-selling involving Shariah non-compliant items.

Permissibility to Use Technology Advancements as Means

Technological growth has paved the road for digital development, allowing for a more smooth and efficient method of conducting economic transactions. In this regard, Majma` Fiqh al-Islami allows commercial transactions to be concluded by modern communication tools or devices given that technology, as a method of transaction, is neutral and is permitted to employ. This corresponds to the following fiqh legal maxim:

الأصل الصحة

"The original state (of thing) is permissible."

Permissibility of Combining Shariah Contracts

The use of many Shariah contracts in a single product5 is permitted if each contract is Shariah permissible and there is no explicit Shariah injunction prohibiting it. However, the following rules must be followed while using contracts collectively:

i. There is no express prohibition on the collective use of Shariah contracts, such as the restriction on the combination of sales and loan contracts (bai' wa salaf) that does not result in riba (zari'ah ila riba), such as the combination of two exchange contracts (bai' 'inah); and

ii. There is no contradiction in the Shariah principle governing each contract, such as hibah to a recipient and subsequent sale to the same recipient.

The collective usage of Shariah contracts is designed to fulfil the contracting parties' intentions and needs, as well as to accurately reflect the actual operational mechanism of a certain product. In the traditional book ('uqud ghair musamma), the collective use of Shariah contracts is regarded as an innominated contract that stimulates innovation in Islamic finance, consistent with the following fiqh legal maxim:

الأصل في المعاملات الحل حتى يقوم دليل على التحريم

"The original rule in muamalat is permissibility, unless there is an indication that prohibits it.

According to the following legal maxim, the intended outcome of a specific contract is subject to the fulfilment of the pre-agreed terms and conditions that are in conformity with Shariah principles.

الأصل رضى المتعاقدين ونتيجته هي ما التزماه بالتعاقد

"The original rule of contract is mutual consent or agreement by both contracting parties and the consequence of a contract is based on (rights and responsibilities) agreed in the contract"

The Implications of the SAC Resolution

The judgement provides direction to any recognised issuer who want to provide Shariah-compliant e-money. To avoid misunderstanding of the Shariah judgement, approved issuers are expected to educate their consumers on the essence of the Shariah compliant e-money product.

Legal Requirements of Islamic Fintech

To ensure the continued expansion and development of the Islamic financial system, the industry's resilience must be strengthened through ongoing legislative and regulatory reforms implemented by regulators (Zeti, 2013). At this point, numerous studies concur that establishing a suitable and effective legal and regulatory framework is critical for Islamic financial institutions. The widespread opinion is that establishing an appropriate, resilient, and sound regulatory environment will foster an enabling environment for stakeholders, hence promoting the financial system's healthy development and expansion.

The need of institutionalizing a sound regulatory environment for Islamic banks and other financial institutions, he said, cannot be overstated. He contended that the presence of an appropriate legal and institutional environment significantly improves the healthiness of these institutions and assists regulators, particularly central banks, in regulating and supervising financial institutions. This also enables the reserve bank to be more effective in executing and managing its credit and financial policies (Karimi 2009).

As a result, Islamic scholars have called for a distinct legal structure for the Islamic financial system that is distinct from the conventional and takes Shari'ah needs into account. This was necessitated by the fact that certain Shari'ah-compliant investments and financing products are complex in nature, necessitating continuous innovation in Islamic financial products and operations, which attract risk profiles of varying types and degrees that differ from conventional risk profiles. As a result, regulation, monitoring, and oversight of Islamic banking products and operations must take its particular character into account. (Chapra, Khan, & formation, 2000)

At the moment, the majority of nations that have licensed Islamic banks continue to subject Islamic banking institutions to secular legal and regulatory frameworks that do not include provisions for Islamic financial infrastructure. Malaysia is the only country making urgent efforts in this manner. The country just passed a new set of Islamic banking rules and regulations dubbed the Islamic Financial Services Act 2013.

Even though Islamic banking is in the midst of a period of expansion and is increasingly acknowledged as an important component of the global financial system, its biggest setbacks are the legal and regulatory issues that the financial industry as a whole is facing (Cohan & Cohan, 2011). Therefore, it may bring a range of obstacles, the goal of sought-after legal and regulatory change is to promote more inclusive and long-term economic growth. It is important to note that the Islamic financial industry has not yet developed a unified legal and regulatory framework that is intended to support and enhance the Islamic financial system's activities.

Issues related to Fintech adoption

For the past 30 years or more, FinTech has played a key role in the financial sector. It greatly improves service delivery, customer satisfaction, efficiency, and effectiveness, as well as transaction costs. As a result, FinTech adoption makes use of communication availability, which simplifies and secures financial transactions, the internet's ubiquity, and the automated processing of information and transactions in the financial industry (Davradakis & Santos, 2019). However, there are certain challenges with fintech adoption.

Regulating FinTech in the banking sector Given the influence of Islamic banking on the control environment over its commitment to Islam, an analysis of its compliance with basic Syariah standards shall be conducted. Because as previously said, one of the issues facing Islamic finance is familiarizing financial services products using diverse fintech platforms with Shariah principles and compliances, given that the Shariah governance structure in fintech is not comparable according to (Dalila and Nazatul 2017).

Increased predictability, financial innovation, and risk management are the consequences of FinTech. Furthermore, FinTech can improve the traditional business model by lowering bank operating costs, improving service efficiency, improving risk management skills, and generating enhanced customer-centric business models for customers, so increasing overall competitiveness. As a result, FinTech advancements are an essential component of the business plans of the financial and banking industries. Dwivedi, Alabdooli, and Dwivedi (Dwivedi, Alabdooli, and Dwivedi, 2021)

Another key issue is a decline in market share and an increase in customer focus. It demonstrates that partnering with FinTech firms is the most common sort of alliance between FinTech companies and Financial Services; according to one survey, 35% of FIs are expected to have joint ventures with FinTech companies. As a result, FinTech and Financial Services partnerships allow two players to use one other's capabilities through simple, customizable, and generally low-risk agreements. On the one hand, residents can push solutions and technologies on newcomers while restricting the repercussions of inability to what the association agreement specifies. (2019, Saba, Kouser, and Chaudhry)

Because it entails alignment with business objectives and procedures, FinTech adoption and utilisation in the banking industry must examine the strategic aspects of technology management. Obtaining the support of end users and local communities is one of the challenges. Despite the fact that mobile banking prevalence is approaching 52 percent, people continue to have a negative attitude toward FinTech adoption (Chavali & Kumar, 2018). Furthermore, views of how easy or complicated it would be to use impact FinTech. This is due to the general attitude toward, and difficulty of, digital banking (Shirish et al., 2016).

Why Are Banks Cautious of Cryptocurrencies?

One thing to keep in mind is that banks are wary of bitcoin. This is due to the fact that banks are centralized institutions that make choices that may harm their consumers without their consent. Despite the democratic election of the president and the government, the entire world runs in a very centralized fashion, with just one representative centralized system (Mary Ann Callahan 2020). She goes on to say that greed is a human desire, not a beneficial trait. People are frequently greedy, and this is more likely to occur when they have control over things like finances. As a result, it only takes a few greedy people at the top of the pyramid of central banks and private banks to establish an unjust and unfair world.

According to Marissa A. Scicchitano, crypto assets are created as an alternative to traditional banking structures since they do not require intermediaries and are not limited by the powers of the central government, banks, or organizations. These transactions do not rely on a centralized intermediary, but rather on blockchain technology and its distributed nature. The central bank-managed cryptocurrency will primarily reduce the attractiveness of assets, which is why some banks believe they will be unable to enter this field successfully. It is expected that the currency's decentralized character will damage its legitimacy. Some people argue that central banks no longer need or can manage money creation.

It is too early to say which strategy is ideal for banks and producers of new and current cryptocurrencies, but one thing is certain: many changes are possible. Obviously, more and more banks are thinking about it. Despite the industry's overall scepticism about the impact of cryptocurrencies, six banks are collaborating to develop their own cryptocurrency. HSBC, Barclays, State Street, Canadian Imperial Bank of Commerce, Credit Suisse, and MUFG are among the banks involved. According to Huxley Insights, blockchain can also establish a system of regulating bitcoin that can eliminate the risk of illegal behaviour.

According to Jonathan Tarud (2021), a fundamental shift has occurred in the way we do business and function, with assets other than traditional banks being able to be transferred immediately via mobile phones. He mentioned that Chris Skinner, author of Digital Bank puts it: “People who could not access trade and finance ten years ago can do so today. This will lift many out of poverty.”

Basically, it seems that people do not need to go to normal traditional banks with fixed limits when they need funds. Peer-to-peer networks, including those based on cryptocurrencies, are becoming more and more common, and those who might avoid traditional banks now have different views, but despite this, traditional banks are realizing that they are a new wave of cryptocurrencies. Many people are eager to find a way to avoid debt in some way with the big bank, these people are ready to choose new opportunities.

Payment System

Payment mechanisms are rapidly evolving. Users want to pay faster and more easily, at any time and from any location, which parallels the digitalization and ease of other aspects of life. According to Tomi, Nenad Todorovi, Violeta akajac, and Boidar (2020), when the cryptocurrency market is compared to the stage of development of the Internet and the status of another electronic payment system of markets, it is concluded that cryptocurrency cannot threaten the traditional currency system at this time.

If cryptocurrency obtains widespread payment acceptance, it will be able to compete with cash, deposit money, and traditional electronic payment methods in e-commerce (Tomi et al; 2020).

Each currency has its own set of perks and downsides. As a result, several types of currency coexist. The benefit of cash is that consumers can stay anonymous when using the cash payment mechanism. Particularly for customers who do not need to open a bank account or utilize a cash account. Furthermore, because cash transactions are decentralized, the cash payment system is particularly dependable. By assaulting the payment infrastructure, it is impossible to destroy it. Centralized payment systems, on the other hand, are fragile; if the centralized payment system is attacked, the entire system may fail. 2018 (Berentsen, Aleksander Schär, Fabian)

The traditional payment base is expensive and time-consuming, particularly in a multinational company. Blockchain-based communication can help businesses get started faster by eliminating time-consuming procedures and costly currency conversion fees. On the other side, Tomi et al. (2020) believe that control of the payment system can be used to deter money laundering, terrorist financing, and criminal activity. Countries that rely heavily on remittances from foreign nationals may be interested in speedier and cheaper inflows of funds without having to pay large remitter fees. Some countries may eventually opt to create their own cryptocurrency. Out of a desire to overcome economic constraints or other international barriers

Gap Analysis

Islamic finance has come a long way in the last decade, and this should be recognised. However, there are several gaps that have yet to be filled for the Muslim customer.

Muslims are around 20% poorer than the rest of the world, and it is necessary to rectify this by making Muslims more economically prosperous. This is particularly significant because an affluent Muslim community, among other things, has superior political and media representation, health, education, and cultural presence. Considering that purpose, Islamic insurance and Islamic SME finance are two areas that can help move the needle on that goal. The former provides for risk management and the creation of a ready pool of Sharia-compliant investment funds, whilst the latter permits small Muslim firms to grow into huge Muslim businesses (Islamic Finance Guru IFG 2020). There are two main gaps stated by Anil Kavuri & Alistair Milne (2019): Because large banks used technology to compete for smaller borrowers, incumbents will find it difficult to compete with small entrepreneurial start-ups; therefore, it is best to outsource applications. And the FinTech sector is set to undergo major change.

The new technology has been quietly challenging and new changes have been met such as changing the industrial structure and organisation of financial services, new forms of financial intermediation (alternative finance) such as loan-based and equity-based crowdfunding, changing payment mechanisms such as central bank digital currencies and the shift to a cashless society, reaching vulnerable and excluded customers in both developed and developing countries, computation, artificial intelligence, and large-scale data processing in finance, and the relationships between these technologies according to (Anil Kavuri & Alistair Milne 2019).

3. CONCLUSION

It is worth noting that the impact of Islamic banking in the world's financial markets increased dramatically in the first decade of the twenty-first century. While the post-crisis economic stalemate has dampened this developing tendency, Islamic banking has remained resilient in the face of conventional financial sector competitors. Its appeal to billions of Muslims worldwide has not lessened, and its overall ability to withstand unfavourable financial market conditions has made it slightly more appealing than the Western banking system has ever been. Furthermore, the number of non-Muslim customers has grown in recent years.

Malaysia may be the undisputed regional leader in Islamic fintech, having led the Global Islamic Economy Indicator for the eighth consecutive year due to its strong Islamic financial activities and ecosystem. Ethics Group, a pioneering Islamic financial firm, is at the forefront of this burgeoning market. Here's a more in-depth look at how Malaysia became a hotbed for Islamic fintech.

Despite a tumultuous year, the COVID-19 epidemic has served as an unexpected stimulus for digital transformation and, as a result, the global Islamic fintech industry's fast expansion. The estimated volume of Islamic fintech transactions among Organization of Islamic Cooperation nations in 2020 is US$49 billion. Malaysia's outstanding Islamic finance regulatory framework, Malaysians' digital affinity, a thriving Islamic finance community, and the government's dedication to promote the Islamic economy have all contributed to the country's potential as a global Islamic fintech hub.

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