Innovation in Islamic finance: The way forward

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Abstract

Developing modern Islamic financial products can be very challenging due to a number of constraints from different aspects, including the formation of regulatory, taxation and economic frameworks that are based on conventional principles. Much emphasis was given to replication of conventional instruments by restructuring conventional financial products according to the Islamic law of commercial contracts and eliminating prohibitory elements from these products. This paper aims to discuss the role of innovation in structuring contemporary Islamic financial products. A series of in-depth interviews with experts in the field and focus groups were conducted to provide insights into the challenges and opportunities of Islamic finance. The study concluded that there is a need for more research on the practical aspects of Islamic finance, particularly in the areas of product development, risk management, and regulatory frameworks. The paper also highlights the importance of education and training for practitioners in the field.

Author keywords

Innovation, Islamic finance, Malaysia, Market of Islamic Finance, Product development

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