

# Post-crisis innovation fires Islamic banking forward

ICS Financial Systems came through the pandemic and supply chain crisis not just in rude health but with reinvigorated energy and ideas



INTERVIEW WITH  
**Robert Hazboun**  
MANAGING DIRECTOR,  
ICS FINANCIAL SYSTEMS

Despite the double shock of the COVID-19 pandemic and raging global inflation, momentum from the Islamic finance industry has stepped up – again. While GCC countries are the most important movers, Islamic banking is gaining traction in Malaysia, Indonesia, Turkey and Pakistan. Despite the extreme adverse environment last year, global Islamic assets grew by 10.6 percent in 2020. This figure is expected to increase in 2022. With an estimated 1.9 billion Muslims around the world – nearly a quarter of the world’s population and the largest religious group in the world – the opportunity and necessity of Islamic finance is irrefutable. *World Finance* secured an advanced briefing from company managing director Robert Hazboun, who gave the low-down on their plans in an exclusive interview.

## Did the pandemic change the business model of Islamic finance in any way?

We think so and in a positive way. COVID-19 showed how any bank’s ability to transition its business online is vital for survival. Digitisation and fintech collaboration for Islamic banks increases resilience in more volatile situations and provides new growth. Digitalisation is a priority. We believe the three aspects enhancing the industry’s resilience are digital banking services, issuing sukuk on a digital platform using blockchain technology, and improving cyber security.

Though the pandemic saw broad-based and revolutionary growth, we feel the sector has yet to fully take advantage of inclusive standardisation and the potential to grow sustainable financing. This is exciting and energising.

## How do the drivers of Islamic finance compare to three years ago, pre-pandemic, in your view?

Gulf News has reported that the global trend of increased ethical consumerism is driving the appeal of Islamic products. We agree 100 percent. Also, the emergence of Islamic fintech is now driving the popularity and awareness of Islamic finance. According to *IFN Islamic Finance*, the UK has 27 Islamic fintech firms, followed by Malaysia with 19, and the UAE with 15, at least. This demonstrates the industry’s importance and potential. So, while the Islamic finance industry is steadily growing, even taking some hits along the way, its primary growth drivers remain solid. Even digging deeper roots. Our industry has huge potential to disrupt the global finance and banking sector – but in a very positive way.

## What about demand from millennials and a younger generation?

We’re definitely seeing more demand from a younger generation. Millennials make up a big percentage of Islamic banking customers, which means they direct the growth and shape of the sector. This is supported by a study conducted by Alvarez & Marsal Middle East, which predicts younger generations will contribute to around 75 percent of banking revenue in the region over time. Many of our customers strongly attract millennials and the younger generation by offering innovative digital products and services, specifically catered to a young audience. Islamic banks must properly understand what’s relevant to the younger generation though, to attract and keep them as

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customers. This underpins understanding and trust in Islamic financing solutions. We feel it’s a win-win, ultimately.

## What areas of Islamic banking promise to unlock the greatest innovation?

Although innovation in technology can be lower for Islamic banking compared with conventional banks, we’ve seen many of our customers dive deep into digital technology – many are early tech adopters and demand high levels of technological creativity. Similar to conventional banking challenges, Islamic banks face the same competitive challenges from fintech and tech disruption. Islamic banks must reimagine their way of doing business through innovation – they have no choice here. We feel there are no limits to reimagining an Islamic bank model that cooperates with a diverse group of partners. The bottom line is that Islamic banks have a once-in-a-lifetime chance to build an open banking environment supported by a modern, tech-savvy platform. We are here to support this, absolutely.

## What role will ICS Financial Systems play here?

We have watched our customers grow and transform their businesses into digital-driven financial institutions. We are the core player in this field, committed to providing our customers with the most novel, tech-savvy, out-of-the-box products and services available, anywhere. Nothing has changed there. What has changed though is greater recognition that real value is about better productivity, or the peace of mind of free and on-going upgrades.



First and foremost, our service and software are about an on-going relationship that is cost-effective and long term hassle-free. That’s genuine value, we say.

## How flexible is your software, particularly with regulation and cloud-based tech issues?

Our software is 100 percent fully digital, giving our clients full international standards, real-time business processing, and capabilities for tailoring their products on-premises, hybrid, or in the cloud. Our tools develop and evolve constantly to ensure our software can future-

### PRODUCT IN BRIEF

- › Deployable for a full-fledged Islamic bank, or as an Islamic window for conventional banks with a spread of configurations
- › Document Management System (DMS) for a fast, accurate document flow
- › Based on AAIOFI and IFSB standards with capability for local intellectual standards and Shari’a regulations
- › Powerful product building tools through parameterisation and Business Process Management (BPM)
- › Constant interaction with the customer during processes via omnichannel touchpoints
- › Fully supportive of robotics, AI, and digital coverage technology plus cloud availability to reduce costs

proof our customers’ activities across a range of banking capabilities that enrich the customer journey without compromise. We know implementing new tech can often run up against old or new regulations. Therefore, we always work to ensure we have solutions that monitor processes in real-time, in case of potential problems or compliance issues, or even threats. All this means ICS Financial Systems supplies a standard of agility and digital excellence that other systems are judged by. We are confident about saying such a statement.

## How close, or far away, is an interconnected Islamic global finance ecosystem, would you say?

We don’t see a global interconnected legal and regulatory framework for Islamic finance yet. The regulatory regime that governs Islamic financial institutions also differs greatly between countries. We strongly feel that Islamic finance serves the same foundation of ethical systems, wherever it is used, thanks to Shari’a Islamic instruments and concepts preserving and supporting Islamic economic behaviour. However, many international organisations have now been formed with the goal of establishing standards to enhance and standardise regulations. This is extremely encouraging to us and augurs well for wider acceptance.

## Are there enough skilled professionals who understand Sharia-compliant products?

Unfortunately not. There is a lack of skilled professionals, which is why there is a huge demand for skilled professionals in Shari’a

10.6%

Growth for global Islamic assets in 2020

compliant products across so many jurisdictions, still. Thankfully our Islamic banking team is highly skilled with all the necessary Islamic banking certifications. We have always invested heavily in training and education and we continue to do so.

## What Sharia-compliant cloud banking features are your clients increasingly relying on and demanding?

ICSFS believes that in order to be truly digital, an Islamic bank must re-engineer the way it does business. All banks face growing competition from fintech start-ups and tech giants, with endlessly disruptive innovation. From early on, ICSFS had the foresight to capitalise on digital banking, providing a cloud platform that caters to each customer’s individual and bespoke needs, from digital-only Islamic banks and micro-finance to hybrid and cloud solutions.

## What about other big-demand areas?

Although most of the Shari’a-compliant cloud banking features continue to be well utilised, we are now seeing a big demand for digital KYC, customer onboarding, blockchain, AI and robotics. We add to this list, customer account management, open APIs and loan originations. There are many other examples, too many to list here.

The platforms can be cloud-native or cloud-agnostic. Social engagement to financial inclusion are new business challenges. It’s a very diverse ecosystem out there. Lastly, we also never forget that organisations need a cloud computing solution that helps deliver corporate banking services such as wealth management services to their customers’ demands, but without significant burdens in expenditure. That is a given, always. ■

### IN FOCUS:

ICS Banks Islamic prime is an award-winning software suite designed not only to cover all Shari’a banking needs but to offer new levels of customer banking efficiency.

#### Three key features:

- › Its know your customer (KYC) feature means it maximises productivity and cost-effectiveness across all banking operations
- › Smart software solutions deploy cutting-edge tech like chatbots, cash management system (CMS), cardless payments and agency banking
- › It supports all known and approved Islamic instruments and their variants with in-built flexibility for an extra competitive edge, whatever the jurisdiction