



7th Article - Islamic Banking and Finance: Bridging the Muslim and Non-Muslim

I joke about this but it seems that even the most un-Islamic people want to involve themselves in Islamic banking. Every major city wants to be the center of Islamic banking. London wants to be the centre, Tokyo wants to be the centre, Singapore wants to be the centre, and Hong Kong wants to be the centre.

The Islamic banking and financial services industry with the participation from conventional players is now competing to service the global community. And the urge has been so strong and spontaneous that no one had to push hard for Islamic banking and finance to be accepted.

Indeed, the whole world has been literally looking for a system to cope with problems related to the experiences gained from the recent financial crisis. Islamic banking which embodies the universal principles of ethical finance and socially responsible investment has inbuilt mechanisms to protect itself from extreme shocks. The methodology of Islamic banking is fast becoming more acceptable, even beyond the shores of the Muslim region, with people increasingly buying into the idea of 'finance with a moral compass' as the new name of the game.

Apart from Islamic finance's role in contributing to global financial stability it also has the potential to support overall global economic growth. Islamic finance involving financial flows between the Muslim and non-Muslim world has revived and revitalized economic ties that generate mutually reinforcing growth prospects.

Thus, one could see that there is this realisation of the opportunity to look beyond the Islamic label.

There is, however, an urgent need for standardisation of the product brand of the Islamic finance industry. In understanding rules and regulations and compliance one cannot afford to be vague. One cannot afford to say: yes, maybe, I don't quite understand.

The right conditions need to be put into place. These include an appropriate regulatory framework and an infrastructure and architecture that promote Islamic capital markets. Islamic finance and banking must be systematically put in place, with the involvement of all stakeholders. It will require getting a higher level of acceptance of banking with the necessary ingredients of "responsibility, transparency and accountability" as a norm in modern day banking.

Sure there is profit to be made and the Islamic bankers are no angels in disguise. But I would say that they are less averse to risks. They conduct more due diligence. They are more wary. In other words they practice safe banking.

The time is right for this. We see positive trends prevailing for the development of Islamic banking. In some countries, growth is as much as 10-15 percent annually. This is indeed most encouraging and deserves full government support within the OIC countries. In Malaysia, we have spent 30 years developing Islamic finance. I am pleased to say that we have successfully developed it in parallel with our conventional banking system. It is clear that Islamic finance can co-exist and thrive alongside the conventional banking system and it should be promoted much more with unity of purpose and consensus.