



A New Desired Face of Islamic Financial Services

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May 2, 2018 | Istanbul - Turkey

Your Excellencies, ladies and gentlemen,

In light of the disruptions, opportunities, and the new normals, do we need to re-examine the modus operandi or even shift our paradigm?

According to the 2017 IFSB survey, 68% of the total assets of Islamic financial institutions are concentrated on Murabaha, 14% on Ijara, and 18% on the rest of the financial products. How would that concentration on consumer products serve the aspired economic development?

Are we ready to stop the trend of islamizing conventional financial services and start building unique core Islamic financial products?

Despite the fact that 80 countries have some form of Islamic finance, 44 of which have laws governing the industry, and 680 institutions avail Islamic financial products worldwide, 34% of which are in non-muslim countries, a recent study shows that the expected value of Islamic finance for the coming decade, at its best, will be seven trillion USD with a total market share not exceeding 3%. Is this marginalized presence is what we are capable of?

Our Forum this year is set to address these issues with an anticipation to provide answers. In this regard, allow me to share with you two stories that are worth reflecting upon in our attempt to answer the questions of our Forum.

In a recent Blog, Bill Gates outlined a new approach to look at the global economy. He explained that the old categories of "Developed" and "Developing" countries are no longer accurate and viable; a new four categories system is more descriptive and inspiring for future work plans. To him, the first category is the people who live on less than two USD a day (around one billion persons), the second category is the people who live on two to eight USD a day (around three

Billion people), while category three live on eight to 32 USD a day (around two Billion people), and the last group is those who spend more than 32 USD a day (around one Billion people). If we examine this categorization, it is worth reflecting on why Islamic finance is not focusing on the six billion people of groups 1,2 and 3. Those are the ones with greater economic potentials, room for improvement and innovation in addition to the perfect environment to implement Zakat and the humanitarian aspects of Islam.

The second observation is from the speech in Hong Kong by Christine Lagarde, ahead of the 2018 IMF/World Bank Spring Meetings. The IMF Managing Director called on policymakers to target three main areas:

1. Steer clear of protectionism in all its forms,
2. Foster long-term growth that benefits everyone, and
3. Guard against fiscal and financial risk.

Two out of the three targets (targets two and three) can be an Islamic finance framework items. Islamic banking industry must be the leader in “long-term growth that benefits everyone” since it is the industry, by nature, that incorporates the goodness toward humanity in an inclusive and sustainable manner. The third area that Lagarde mentioned is the “guard against fiscal and financial risk”. She explained that IMF analysis shows that global debt – public and private- has reached an all-time high of USD 164 trillion. If we look at this fact we realize that there is still more to learn from the global financial crisis of a decade ago. Are we reworking our way into the next crisis? Islamic Finance is the debt free finance industry that still can be considered one of the main solutions if taken to the next level.

The question then is, how to prepare for it? We are here to address those concerns. To do that, we should identify our dimensions based on our current challenges, namely dimensions of Innovation, Inclusive growth, and eliminating poverty.

Innovation can be defined as interpreting a new idea or concept into a good or a service. Islamic Finance is now well established and spread worldwide, but the challenge is to cope with the changes set by the aforementioned realities. I believe that it is high time to derive and invent new core Islamic financial services that reflect “Makasid Al Shariaa” for the best interest of humanity.

Inclusive growth is the inevitable reality of the future. It is the economic interpretation of the basic Islamic believe of “Al Tawhid” in its sense that all creations are one form one creator. It is our guiding line in sharia expressed in modern economic language. Why shy away from it when we should be the leaders of it?

Eliminating poverty is a must, when poverty exists it means Islam is not well implemented, Poverty and true Islam cannot co-exist. Islamic finance being the economic tool of Islam must be targeted to eliminate poverty. It is the natural consequence of full integration of Islam into economics and society.

In conclusion, the only way to be ready to face the upcoming challenges is by working within the guidance of these three dimensions to reach the new level of expectations set upon us in mobilizing Islamic finance and fulfilling its potential as an effective tool for maximizing finance for development (MFD) and as an

active contributor towards supporting the implementation of the Sustainable Development Goals (SDGs).

I wish you all fruitful discussions and a successful Forum.

Thank you.

References

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