

International Forum on Islamic Digital Economy
‘Islamic Economic Digitalization and Inclusion: Policy Development and Implementation in the OIC Countries

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Welcoming Remarks

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

والصلاة والسلام على أشرف المرسلين سيدنا محمد وعلى آله وصحبه أجمعين

*Excellencies, Distinguished Participants,
Ladies and Gentlemen, dear Sisters and Brothers*

السلام عليكم ورحمة الله وبركاته

I am very pleased to welcome you all to the International Forum on “Islamic Economic Digitalization and Inclusion: Policy Development and Implementation in the OIC Countries”, which is being organized as a part of the 7th Indonesia Sharia Economic Festival (ISEF) 2020.

At the outset, let me express my sincere gratitude to Bank Indonesia and the Islamic Development Bank for their collaboration with our Centre to organize this important Forum. I would like also to take this opportunity to thank all distinguished speakers and moderators as

well as the audience of the Forum for allocating their precious time and being with us today.

**Distinguished Participants,
Dear Sisters and Brothers,**

The Islamic economics and finance provide an ethical alternative to the conventional system by offering unique perspectives and solutions for socio-economic development. Over the years, many OIC member countries have been increasingly seeking ways and means to strengthen Shariah compliant ecosystems to support their economic and social development agenda.

These endeavours resulted in significant growth of the Islamic finance industry with a market worth of USD 2.5 trillion in 2019, which is expected to jump to USD 3.5 trillion by the end of 2024.

However, in spite of strong growth, this industry remained highly concentrated in a handful of OIC member countries as only 5 of these countries accounted for 65% of all Islamic banking in OIC group in 2019. Furthermore, the bulk of products and services offered by these banks are still based mainly on the mark-up based Murabaha model instead of profit-loss sharing modes.

In this regard, Islamic banks and financial institutions can unlock their substantial growth and profitability potential especially by utilizing on the ongoing digital revolution in the global banking and finance landscape. To this end, the adoption of new technologies like blockchain, Big Data, application programming interfaces and process automation is of particular importance not only to develop and offer new products and solutions but also to broaden their access and outreach to international customers.

In fact, some efforts have been already made to keep the Islamic finance industry pace with the rapid changes in the international financial landscape by utilising financial technology (fintech), cryptocurrencies, and digital banking along with issuing sukuk, including green sukuk.

In particular, the digitalization related efforts are mainly aimed to increase products and services quality, reduce prices, and improve data collection and management in the industry while fintech has an important role to play by expanding access to financial services and transforming the instruments of Islamic social products.

In fact, some OIC member countries like Malaysia, Indonesia and some GCC countries have already made important strides to become leading players in the Islamic digital economy by developing national level plans and providing certain incentives to the key actors in the industry. Their unique experiences in this domain could be important for other OIC countries as well.

**Distinguished Participants,
Ladies and Gentlemen,**

This Forum takes place at a time that the whole world is grappling with the socio-economic impacts of the COVID-19 pandemic. The global economy and financial markets are at standstill with very bleak prospects for recovery and restoration of economic activities in the near future.

The implications of such a downturn for the OIC economies would be devastating given the pre-existing challenges of high unemployment and poverty, widespread income inequalities, and limited financial inclusion.

Nevertheless, as the saying goes, ‘in the midst of every crisis, lies great opportunity’. The COVID-19 crisis also provides an opportunity for the Islamic finance industry to shift from credit-based financing

to an equity-based one by adopting and practicing more risk-sharing modes like Musharakah and Mudarabah.

Furthermore, the containment measures can also significantly speed up the ongoing digital transformation of our societies and economies to mitigate the socio-economic impact of the pandemic. The resulting surge in fintech applications like digital money and crowdfunding would further accelerate digitalization.

Therefore, among others, real money payment systems, cryptocurrencies, mutual credit netting, Islamic micro-finance, waqf, sadaqah, agent-banking and cooperatives will become popular and grow in size. With these developments, Islamic financial instruments could be used to finance growth in various sectors from tourism to health that could accelerate growth in the post-pandemic period.

We know that reaping the full benefits of the digital revolution will require radical changes in many areas in OIC member countries and elsewhere. We will learn about these pre-requisites in more detail from our distinguished speakers and panellists during the Forum.

Nevertheless, I personally believe that the harmonization of standards in the Islamic finance industry and the boosting of

investment in information and communications technology infrastructure and systems are going to be particularly critical to attaining the required digital transformation and effectively benefit from the emerging opportunities.

It is also important to highlight that such a multidimensional transformation will require strong collaboration among various public and private stakeholders at the national, regional and international levels.

**Distinguished Participants,
Dear Sisters and Brothers,**

As a subsidiary organ of the Organization of Islamic Cooperation (OIC), SESRIC has been actively promoting Islamic economics and finance development, particularly by collecting and disseminating relevant data and statistics, conducting technical research studies and organizing capacity building activities for the relevant national institutions in OIC member countries, including the central banks and monetary authorities and stock exchanges.

Within this framework of our mandate, we also stand ready to support our member countries in their future endeavours to promote Islamic economic digitalization and financial inclusion.

Let me conclude by thanking you all for your kind attention. I am confident that the discussions and deliberations during this Forum will be instrumental in enhancing our understanding of the true potential of Islamic finance, identifying emerging challenges and bringing insights on how to increase its inclusiveness and sustainability during these difficult times.

Together we should promote and support the ongoing efforts towards increasing the “Islamic Economic Digitalization and Inclusion” in our member countries.

I wish you great success in this Forum and thank you for your attention.

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