Preface

The demand for fintech solutions is underscored by the rapid adoption of technology, high-levels of mobile usage and rising rates of internet penetration, an increasingly urban, literate and young population, as well as a segment of consumers and micro, small and medium-sized enterprises (MSMEs) underserved by traditional banking solutions. These factors and the economic potential of ASEAN have also attracted large numbers of investors to the sector.

To realize the potential benefits fintech innovation can bring will require commitment and collaboration. Banks, industry leaders, fintech companies and regulators should continue to collaborate to create an ecosystem to drive greater access to financial services in the Islamic economy. Building the Islamic fintech ecosystem is complicated and it involves various market participants and stakeholders coming together and working toward shared goals of a unified Islamic economic community, increased financial inclusion for the unbanked and the seamless cross-border flow of goods, services and payments.

The Islamic world is ripe for technology transformation across sectors such as e-commerce, travel and hospitality, and, of course, financial services. Technology unicorns Lazada, Go-Jek, SEA (formerly Garena) and Grab are just the beginning of a bigger push of tech companies enabling connectivity, consumption and economic growth. Where 2010 saw the rise of Chinese tech giants and 2015 the re-awakening of the Indian subcontinent, the next five years will be marked by the tremendous opportunities in ASEAN. It was imperative that this book covered the developments of fintech in every region of the world, beyond the traditional markets of North America and Western Europe.

When this project was conceived, there were rapid developments in the Initial Coin Offering (ICO) world due to the rapid rise of bitcoin value, which drove up the prices for other cryptocurrencies as well. Suddenly the attention shifted to the ease of raising capital via a decentralized platform where regulations were non-existent. During this time, there were many ICO projects that were launched and were able to raise large amounts of money within a short period of time. Financial opportunists saw this as a great new way of raising capital for businesses at an early stage (or even at the idea stage) while others saw it as highly risky, being in unchartered territory and unregulated by financial regulators. The problem for regulators was multi-fold and one clear issue was its categorization. The tokens issued at ICOs were used differently and due to their nature, would

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be needed to be categorized differently. This is also the view from the Shariah perspective.

As this contentious area continues to generate deeper discussions and attract more attention, the greater opportunities actually lie in the applications of the underlying technology. These opportunities involve the construction of a new digital ecosystem and innovation ecology that is able to disrupt and shift all existing ways of doing commerce, right down to its administration and governance. The applicability of such technologies is now only limited by our imagination, having been transformed by the start-up ecosystems sprouting all over the world and investment capital that chase them. No longer are “unicorn” companies built in certain “Valleys” or the limited geographies of traditionally tech-leading nations; they are now being built, and launched from non-traditional countries like Estonia, Kenya and Indonesia.

Islamic finance and its digital economy offer opportunities for Muslims and non-Muslims as both populations now seek a convergent solution to their pressing issues—rebuilding trust and confidence in a financial system that had lost them. Some technologists imagine this world without intermediaries, while others just want a faster and more efficient way of transacting. Either way, the challenge comes from accountability, and embedding that sense of accountability within the new systems that are being built, based on the sharing of risks and profits that anchor the nature of our economies, including the sharing economy of underutilized assets.

The history of Muslim innovation dates back to the Golden Age when the Muslim world produced great thinkers who shaped the way we looked at the world, and in particular mathematics. The first mathematical step from the Greek conception of a static universe was made by Al-Khwarizmi (780–850), the founder of modern Algebra. Al-Khwarizmi wanted to go from the specific problems considered by the Indians and Chinese to a more general way of analyzing problems, and in doing so he created an abstract mathematical language which is used across the world today. He enhanced the purely arithmetical character of numbers as finite magnitudes by demonstrating their possibilities as elements of infinite manipulations and investigations of properties and relations. Al-Khwarizmi is also credited for the development of the lattice (or sieve) multiplication method of multiplying large numbers, which was later introduced into Europe by Fibonacci. Al-Khwarizmi carefully laid down analytical solutions of the various forms of the quadratic equation and illustrated his method of solution by practical examples—being the basis of what algorithms do in problem-solving. Since algorithms make up many computational as well as AI solutions today, it is apt to recognize these important contributions by him.
Since there are rotten apples and black sheep even in the virtual world, cybersecurity has become an important component in protecting digital rights and associated digital assets. This will be an important area of development which is constantly evolving because of the creativity of hackers and cyber-criminals. That challenge has been prevalent for the police in the physical world, and it continues to be a challenge in the virtual world.

One of the key takeaways from this book is that it helps the reader craft a strategy to embrace digital disruptions so that any agency, corporation, organization or entity can respond to them in ways that benefit their stakeholders and people whom they serve. Our sincerest hope is for the readers, especially the youth and industry leaders, to be able to use our work as a companion to their digital journey, in traversing the imperceptible terrain of the unknown and providing sound arguments against change inertia and legacy systems stagnation.