

ISLAMIC FINANCE 2030 - 2050

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IMAGINATION & KNOWLEDGE

.01

CH-CH-CHANGES

We start by examining the various research and surveys that projects 2050

.02

TO BOLDY GO...

Where do we see Islamic finance in 2030? 2050?

.03

BUILDING BLOCKS

Examines some of the building blocks that we already have today

.04

MOVING FORWARD

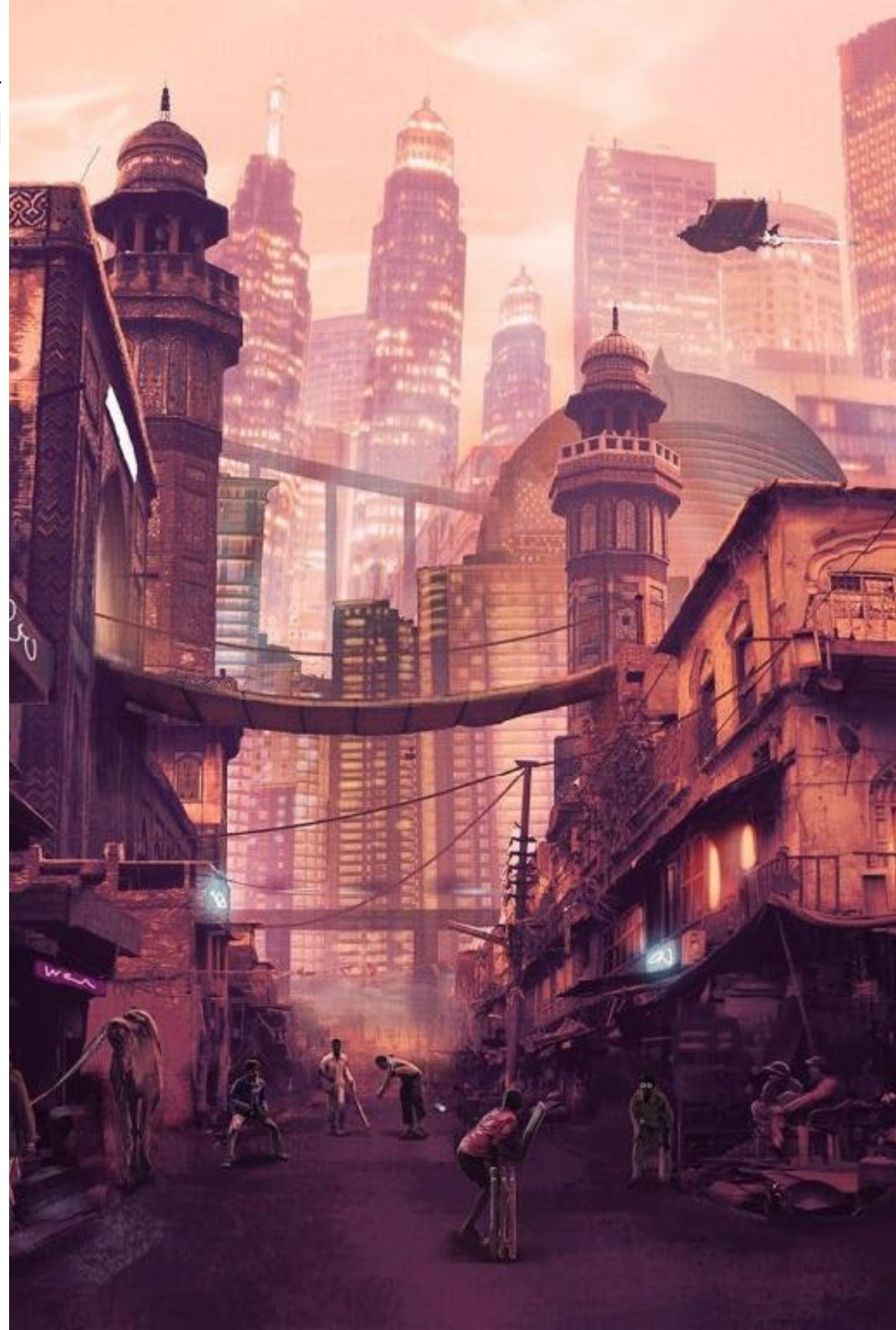
Concluding remarks on industry direction, the now and the destination



A mosque in space by Paul Gould

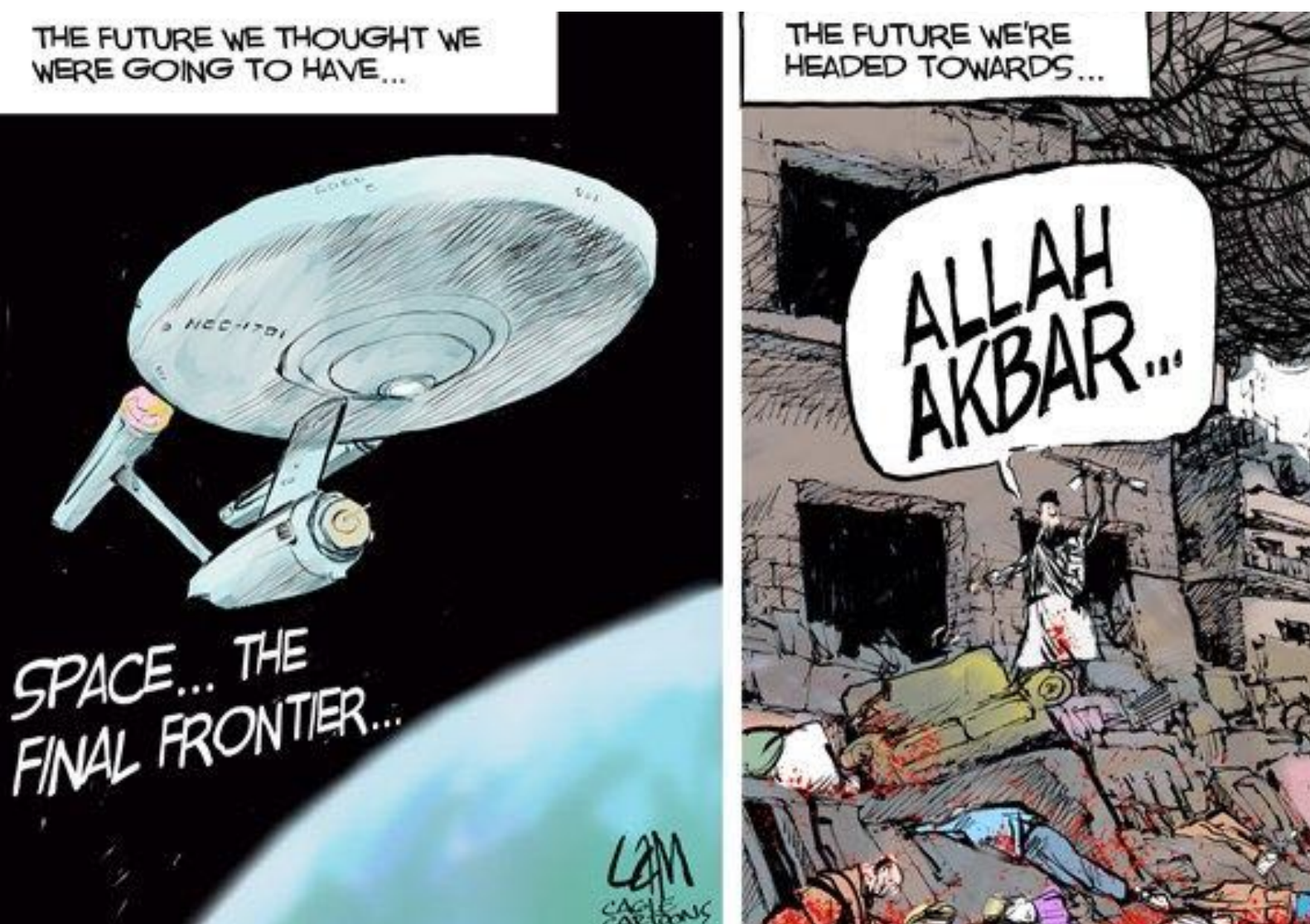
PROJECTING THE FUTURE

- In April 2015, The Pew Research Centre projected the world's total population to be 9.3 billion by 2050, most of the increase will come from developing countries
- Muslims, a comparatively youthful community with high fertility rates are projected to have a population of 2.8 billion by 2050. During the next four decades, Islam will grow faster than any other major religion
- In the US, Christians will decline from 3/4 of the population in 2010 to 2/3 in 2050. Judaism will no longer be the largest non-Christian religion. Muslims will be more numerous in the U.S. In Europe, Muslims will make up 10% of the overall population



WEALTH & FOOD DISTRIBUTION

- According to The World Inequality Reports 2018 income inequality varies greatly across world regions. It is lowest in Europe and highest in the Middle East
- According to Oxfam 82% of money generated in 2017 went to the richest 1% of the global population while the poorest half saw no increase at all
- Last year Oxfam calculated that the world's eight richest individuals had as much wealth as the poorest half of the world. This year, it said 42 people now had as much wealth as the poorest half. Critics queried the figures but nonetheless it is clear the inequality is condemnable
- The UK House of Commons Library projected that if trends seen since the 2008 financial crash were to continue, then the top 1% will hold 2/3 of the world's wealth by 2030. Even taking the financial crash into account, and measuring their assets over a longer period, they would still hold more than half of all
- With more mouths to feed, the FAO reports food production by 2050 must increase 70% - a number that nets off food required for biodiesel
- Globally the rate of growth in yields of the major cereal crops has been steadily declining, from 3.2% per year in 1960 to 1.5 percent in 2000



GLASS HALF FULL?

The FAO also projects the 49% global urbanites today will increase to 70% and income levels will also multiply. But at the same time The FAO also concludes that income level can go either way and so too poverty

**TO BOLDY
GO...**

FUTURE ISLAMIC FINANCE

- In the optimistic growth scenario, the global poverty rate (USD 1.25 a day) standard falls sharply, from 21.3% in 2005 to 2.5% in 2050, and the number of people living in extreme poverty falls by 1.1 billion
- The alternative scenario assumes if the lagging regions (sub-Saharan Africa, the Near East and Latin America) do not transition to a high growth path. It results in 900 million people living in absolute poverty than in the optimistic scenario

IDEAS & BUILDING BLOCKS

The Islamic finance industry in either scenarios have the potential to play a major part. Even if 2030 - 2050 is not as what is being projected, the building blocks for the future of the industry are mostly already here, it is not even theoretical in almost all aspects. We can start developing them together today, in fact 'together' is the most important ingredient.



Modernisation



Sustainability



Technology



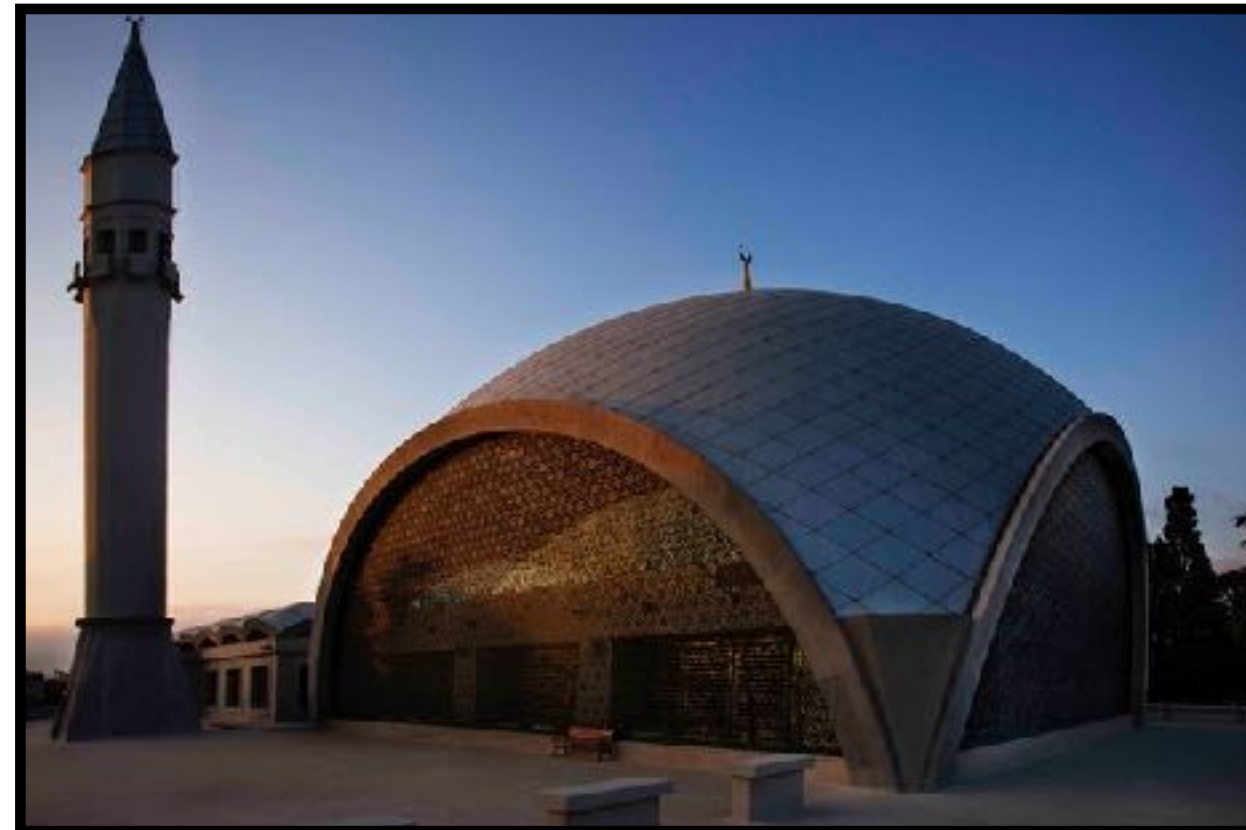
System & structure

MODERNISATION

Wealth disparity notwithstanding, the more economically developed Muslim nations today have more effective strategies and means towards modernisation. At the turn of the 20th century, modernisation of Muslim nations were a mixed success at best. But long term investments in education and economic infra, countries such as Saudi, the UAE , Turkey, Malaysia are beginning to develop a knowledge culture that goes beyond traditional sciences



The plans for Mecca includes MRT, improved water distribution Zamzam water well, improvement in utilisation of Hajj meat (veterinarians, halal science) doubling the capacity for Hajj pilgrimage, pilgrim accommodation, residential housing etc



The classical age of Islam was renowned for its architecture, today architecture of mosques embraces new design ideas

ISLAM & SUSTAINABILITY

- Ever wondered why Islamic Finance exist but there are no other financing that merge religion with finance?
- The answer is not necessarily the religion in itself - otherwise almost all Muslims would shun conventional finance in the same way Muslims avoid pork. A large section of Islamic Law (Shariah) do not concern worship (which are immutable) but are meant for society in general - unlike other empires in history
- Islamic jurisprudence have specific mechanisms in place that maintains the immutable and the need to strike a balance with changing times. Largely this revolves around enhancing welfare or benefit (*maslahah*) and preventing harm (*mafsadah*)





DOING GOOD AS A BUSINESS STRATEGY

It is human nature to care for the wellbeing of our children whom one day will have children of their own. The beneficiaries of building such social capital will not just be our children but entire COMMUNITIES also prosper which translates into PROFITABILITY

**EASIER SAID
THAN DONE**

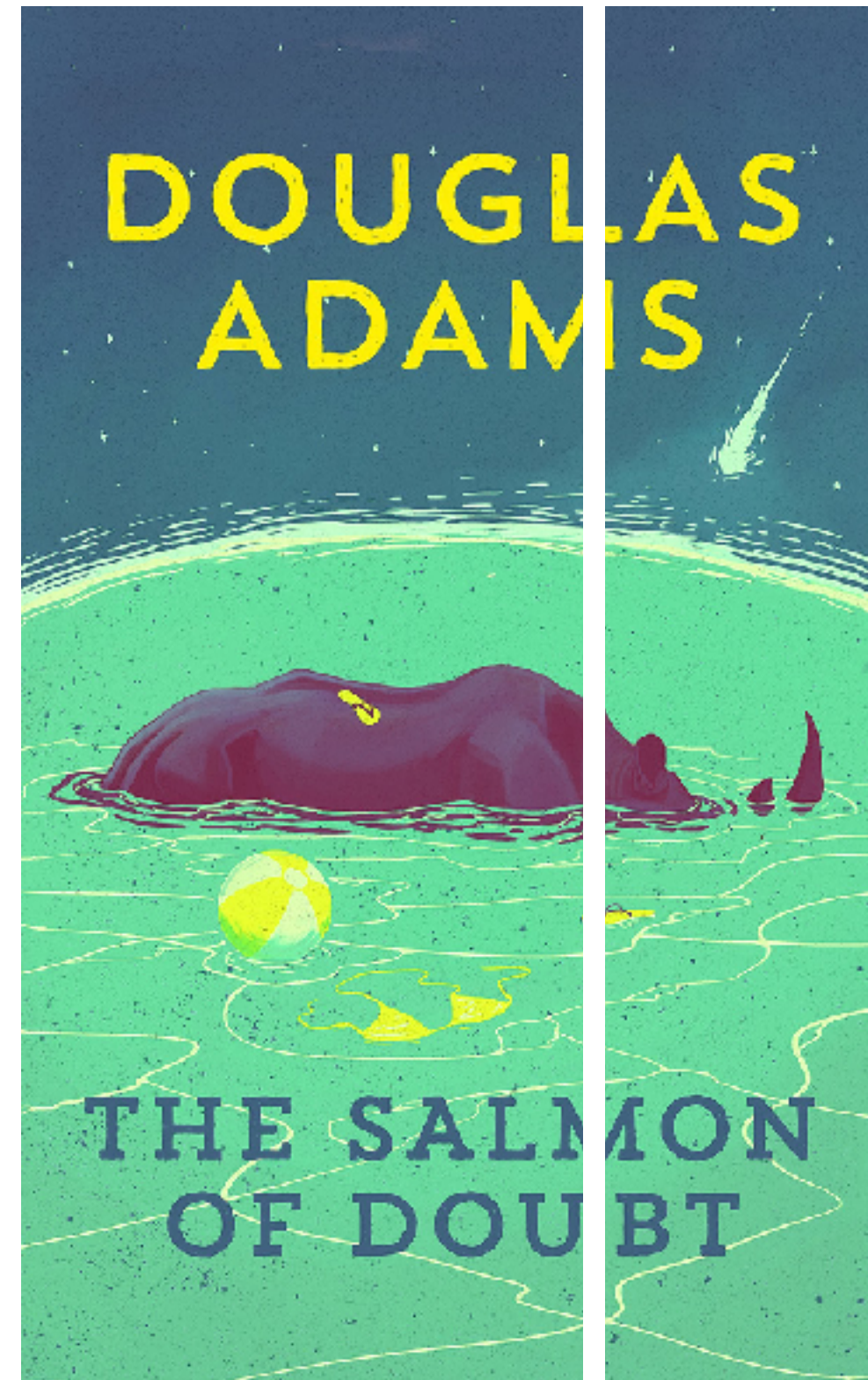
BITE SIZED CHANGES

- Proven methods for profitability and sustainability are long term investment to generate lower long term yield, bootstrap approach and value chain environment
- Sustainability need to be integrated in decision making. Bite sized changes regardless of business size makes a difference
- A conscious effort as an industry to evolve from the purely legalistic compliance of Shariah to the actual realisation of Shariah objectives (*maqasid*)

THE THREE RULES OF TECHNOLOGY

“I've come up with a set of rules that describe our reactions to technologies:

1. Anything that is in the world when you're born is normal and ordinary and is just a natural part of the way the world works.
2. Anything that's invented between when you're fifteen and thirty-five is new and exciting and revolutionary and you can probably get a career in it.
3. Anything invented after you're thirty-five is against the natural order of things.”



TECHNOLOGY & ISLAMIC FINANCE

- As far as tech is concerned we barely scratched the surface
- Cost is one aspect the other is to actually embrace technology | to experiment | to innovate | have fun
- Drones to deliver replacement credit cards?
- Robot financial advisers? The I in AI is for Islamic
- VR when you actually prefer to talk to a person
- Islamic crypto currency backed by gold standard already exist. A promising sign but can an Islamic crypto currency truly meet the primary demand for crypto currency?

SYSTEM & STRUCTURES

- When Malaysia commenced Islamic banking, what followed the governing law of the time were piecemeal adjustments until IFSA consolidated Islamic finance into a single Act
- Is it inconceivable that should the industry begin to move beyond compliance and reach the tipping point for actualising the intended outcomes of Shariah that a distinct financial and economic system with the relevant supporting structures would be deemed better suited for Islamic finance?
- Not entirely beyond our control but many factors outside the influence of Islamic finance need to fall into place



“We need to start imagining the future or it will get imagined for us, and the ways that it has been imagined thus far don't seem very attractive.”

Mohsin Hamid

جزاك الله خيرا

Thank You



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