



FINTECH AND THE CHALLENGE OF DIGITAL DISRUPTION IN TAKAFUL OPERATION

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Author's Biography



The author was called to the Bar in December 2005 and practice law as a Legal Assistant with Messrs. Mohamed Ridza & Co, Kuala Lumpur and later in several firms. She had experience in corporate, conveyancing as well as civil litigation matters before joined Multimedia University in 2012. She actively involved in publication especially in field of Islamic Banking and Finance. Currently she is a Chair for Centre of Shariah Law of the Faculty of Law, Multimedia University, Melaka.

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Research Highlights

It is undeniably true that the digital disruption situation is unavoidable and real. The use of financial technology (fintech) is a prerequisite nowadays and was no longer an alternative back in those days. Consumers can have all the banking services available at their fingers through smart devices and this creates a good user experience. However, it shall be noted that although fintech has provided the consumers with much convenience, it should not distract the main purpose of banking industries for being the ‘safekeeper’ of consumers’ money. The challenge faced by Takaful operation due to digital disruption is either to adapt to it or suffer a slow death. One of the initiatives taken by Takaful Malaysia is to collaborate with software company Fusionex to transform its core software and to promote social media marketing. The response was very welcome and about 40 million insurance policies was sold on its digital platform since its first product launched online within a period of three months.¹ Takaful Malaysia on the the hand is putting in effort seeking to reach more people especially the senior citizens with no or minimal knowledge Internet knowledge and also rural customers who lack of internet access.

Research Objectives

This paper objectively studies the challenges faced by Takaful Operators as a result of application of financial technology (fintech) in Islamic Fintech globally with focus in operation of Takaful in Malaysia through analytical research methods by utilizing existing facts and findings on Fintech to make proposals for possible issues. Both applied and fundamental research methods are employed to explore on the challenges to regulate Islamic Fintech in Takaful Operation in this jurisdiction.

Methodology

While the scarcity of studies on this area is apparent, the authors have identified the undebatable need to regulate the development of the Fintech Industry and its effects while analyzing the drawbacks and positive effects of Fintech towards parties involved in IBF industry. The research methodology in this research will be a legal research which is predominantly library based limited to the view of Islamic Fintech in Malaysia.

Results

The impact of fintech in Takaful Operation is not all negative as fintech is not about to kill traditional players. There are still sizeable customer segments that are only comfortable dealing with agents in buying insurance. However, over time, traditional players may face significant reduction in their customer base as those who have grown up using the Internet and mobile devices form the majority of the population. Traditional players need to consider work together with fintech players and leverage on their technology partners. At the same time, they can focus on specialisations in the business segments that cannot be easily replicated by non-traditional players. On the overall Islamic finance scene, fintech in the Islamic finance space positively contributes to the development of the Islamic finance products and services offering including Takaful. Fintech will result in improved professionalism of intermediaries that will not only focus on sales, but also ensure adequate advice.

¹ What’s Next 2017: Adapt now or die, “What’s Next 2017: Adapt Now or Die” (November 13, 2017)

<<https://www.digitalnewsasia.com/digital-economy/what-next-2017-adapt-now-or-die>> accessed May 5, 2018



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Findings

In Malaysia, consumers are beginning slowly to do more banking online as well as research and purchase financial products like credit cards and personal loans. Recently, more insurance products have been placed online on aggregators and price comparison websites as well as directly by insurers. Bank Negara Malaysia has announced the implementation of fintech regulatory sandbox framework to support innovation that improves the quality, efficiency, and accessibility of financial services in the country. There are many banks including Islamic banks started to join the fintech players.

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