

Zeti Akhtar Aziz: Sustaining Islamic banking and finance growth through effective dissemination of information

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the official launching of the Islamic Banking and Takaful Expo: "Sustaining Islamic banking and finance growth through effective dissemination of information", Kuala Lumpur, 8 October 2004.

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"The domestic Islamic financial system has reached an unprecedented expansion, successfully operating in parallel with the conventional financial system. The further development of Islamic finance requires for it to be endowed with the right pre-requisites to perform as an effective, efficient, resilient form of financial intermediation that supports wealth creation and sustainable economic growth. At the heart of this effort is the necessity to meet the financial requirements of consumers and businesses. While significant progress has been achieved in the development of the overall Islamic financial infrastructure, financial institutions and products that has been reinforced by the strengthening of the regulatory, Shariah and legal dimensions, there has also to be the effective dissemination of information to promote greater nationwide awareness on Islamic finance, to create a more well-informed society on the virtues and benefits of the financial services being provided. Providing information and knowledge is thus integral in our endeavor to steer the development of the Islamic financial system in Malaysia."

Tuan-tuan dan puan-puan,

Saya bersyukur dapat bersama para hadirin semua di Majlis Pelancaran Ekspo Perbankan Islam dan Takaful 2004, anjuran Persatuan Institusi Perbankan Islam Malaysia (AIBIM).

Industri kewangan Islam di Malaysia telah muncul sebagai satu komponen sistem kewangan yang berdaya maju dan berdaya saing, seiring dengan sistem kewangan konvensional dalam menyumbang kepada pembangunan dan pertumbuhan ekonomi negara. Kini kita telah memiliki lanskap kewangan Islam yang komprehensif, dan kejayaan kita dalam mengintegrasikannya telah menyumbang kepada proses pengantaraan kewangan domestik yang lebih progresif. Sehingga kini, perbankan Islam telah berjaya menjana aset sekitar RM90 bilion atau 10 peratus daripada jujuk pasaran. Industri takaful pula telah mencatat aset sejumlah hampir RM5.0 bilion.

To further strengthen the Islamic financial system and sustain its growth, it is vital to enhance the effectiveness and efficiency of the Islamic financial institutions in meeting the changing requirements of our economy. The Islamic financial infrastructure needs to be continually enhanced to meet the new, more complex and differentiated demands of the various economic activities of the respective sectors of our economy. Of importance is the need to provide a mechanism to ensure accessibility to information by the public on Islamic financial services and products. An extensive and structured education programme is thus key to enhance consumer and business awareness and knowledge on the products and services. It also represents part of the efforts to promote market integrity over the activities in the market. Of equal importance is also the need to strengthen the consumer protection infrastructure in Islamic finance.

Effective dissemination of information will provide consumers and businesses with the necessary information to undertake the financial transactions with awareness of their rights and accountabilities. In making financial decisions, consumers require various information and details about the processes and documentation involved, the relevant fees and charges to be incurred and the risks and benefits of each type of financial product or service. This will allow consumers to be aware of the opportunities available, actively manage their financial position while at the same time, safeguard their financial future. The avenues to seek redress must also be easily accessible and available. Of importance is the need for all parties involved in the Islamic financial transactions to understand and appreciate the unique characteristics and features of Islamic banking and finance. Clear understanding on the conduct of the Islamic financial transactions would lead to the appropriate execution of Islamic financial contracts that truly reflect the Shariah tenet.

Active consumerism will also prompt the desired efficiency in the Islamic financial industry. For the Islamic financial institutions, understanding the dynamics of customer segmentation, building customer relationships and addressing the requirements and preferences of specific segments are vital not only for strengthening the existing customer relationships but also to secure new businesses. This would

contribute towards the expansion and sustainability of the market share of the Islamic financial activities. Fundamental to achieving greater customer-centricity is to ensure that the processes, and workforce orientations, are aligned towards meeting customers' expectations and delivering superior services. This needs to be effectively communicated, shared and understood by all levels of the workforce, in particular, those at the front office. It is therefore important for the Islamic financial institutions personnel to enhance their own knowledge on the products and services offered, as well as customer service orientation.

Ladies and Gentlemen,

While the level of public awareness on Islamic banking and finance has significantly improved, more efforts can be done to reach out to the wider population, in particular the sub-urban and rural areas. Existing infrastructure must be utilized in an efficient manner to effectively disseminate information on Islamic financial products and services including by leveraging on the information and communication technology. Information can be in various forms, with the objective of enhancing financial literacy in Islamic finance in our community.

The advancement in ICT has also had significant impact on the operations of Islamic financial institutions with respect to information management systems, product development, risk management and distribution capabilities. Significant application of IT would enhance efficiency by bringing down costs for consumers and businesses.

As part of our initiative for the extensive dissemination of information effectively and efficiently, Bank Negara Malaysia has developed a website on the Islamic money market. More specifically, the website aims to serve as a source of information on domestic Islamic financial instruments. It would provide greater transparency of the Central Bank's Islamic money market operations, thus facilitating investment decisions and enhancing public confidence in their investments. The website also provides an analysis facility to chart historical data, in addition to reference to the rules and regulations in the conduct of the Islamic money market transactions. It thus aims to effectively meet the information requirements of bankers, financiers, statisticians, economists, researchers and prospective investors as well as increasing awareness of both domestic and foreign users. Moving forward, the website will be linked with other markets to serve as a platform for exchanging information and knowledge beyond our own borders.

Ekspo Perbankan Islam dan Takaful adalah satu lagi saluran informasi yang menghubungkan institusi kewangan Islam secara langsung dengan pelanggan. Sehubungan ini, saya menggesa institusi kewangan Islam mengambil kesempatan untuk memasar dan menawarkan produk dan perkhidmatan mengikut keperluan mereka. Saya difahamkan, ekspo pada tahun ini turut disertai beberapa buah negara asing. Sesungguhnya penyertaan mereka ini akan memberi kesan positif kepada usaha-usaha kita untuk menjadikan Malaysia sebagai pusat kewangan Islam serantau.

Tuan-tuan dan puan-puan,

Usaha kita ialah untuk membangunkan sebuah sistem kewangan Islam sebagai satu proses perantaraan yang dapat menyumbang kearah memperkayakan sumber ekonomi secara menyeluruh bagi menjana pertumbuhan dan pembangunan yang lebih besar. Selaras dengan perkembangan semasa, institusi kewangan Islam perlu bersedia untuk menghadapi cabaran dan peluang dalam memenuhi kehendak ekonomi yang sentiasa berubah. Prospek masa depan dan kejayaan industri perkhidmatan kewangan Islam bergantung kepada gandingan usaha semua pihak iaitu pengawalselia, industri, peserta pasaran dan masyarakat umum. Sehubungan ini, saya ingin mengucapkan syabas dan tahniah kepada AIBIM di atas usaha berterusan untuk menganjur Ekspo Perbankan Islam dan Takaful ini sebagai acara tahunan.

Dengan lafaz Bismillahirrahmanirrahim, saya dengan sukacitanya merasmikan pelancaran "Ekspo Perbankan Islam dan Takaful 2004".

Terima kasih.