


Chapter 1

A New Revolution: Fin-Tech and Islamic Banking – Concepts, Uses, and Drawbacks in the Light of Archival Data

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ABSTRACT

The chapter has two folds as it is written to highlight the impact of Fin-Tech on Islamic Banking and vice versa. However, the main concern is the impact of FinTech on Islamic Banks in Pakistan. The reason to select the area of Islamic banking is the growing field and relating it with FinTech is one of the recent trends in the financial industry. However, a lack of research concern has been observed in emerging countries like Pakistan. Thus, this chapter has been developed purposively to reflect the importance of the relationship of Fin-Tech with the Islamic Banking sector in a holistic manner. The purpose of this study is descriptive and the content analysis method has been used to assess archival data. The entire chapter has highly important for a diverse set of stakeholders from the field of academia, research, Islamic Banking, etc.

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BACKGROUND

Financial Industry has changed a lot. In fact, with the passage of time, the industry came so far across from book-keeping. In fact recently we are observing central national banks & complex asset markets etc. These developments were mainly formulated in the last one and a half decades when we observed technological integration in every aspect of the financial industry. In fact, the PWC report of 2016 highlighted that more than 50% of the banks were using Fin-Tech services to optimize their performance. Similarly, most emerging economies are trying to link themselves with FinTech in order to decrease the existence of unbanked people (Saba et al., 2019). Although the element (i.e., Fin-Tech) on which the relationship as well as the chapter is focused has its roots in the eighteenth century where the early development was initiated in 1866 (Alshater et al., 2022). The collaboration of financial institutions and banks actually resulted in the formulation of a win-win situation in which both entities may earn & grow through the strengths of each other (Saba et al., 2019).

Phases of FinTech Development

FinTech development is based upon three phases i.e., The initial phase (1866-1967); The Second Phase (1967-2008) & Third phase (2008-Onwards). The prominent examples of the first phase of FinTech are the Trans-Atlantic cable system and telegraph mechanism. Similarly, major examples of the second phase of FinTeh development are the online banking mechanism and Automatic Teller Machines (ATMs). Lastly, the common examples of the third and recent phase of FinTech are the use of High-Tech by companies to generate new landscapes of competitive edge for financial institutions (Alshater et al., 2022).

INTRODUCTION

Fin-Tech in Islamic Banking Industry

The growth of the financial sector is getting excessive due to the integration of FinTech with financial products. The use of Fin-Tech also resulted in steep challenges for traditional financial institutions due to the products offered due to the integration of Fin-Tech. Some of the common examples of hurdles for traditional financial institutions is the launch of blockchain technology which is the base of crypto-currencies (Hasan et al., 2020).

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