

Islamic finance can be role model for global economy, stresses DIFC Forum

- United Arab Emirates: Tuesday, November 25 - 2008 at 15:59
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As the global economy creates a new financial architecture, incorporating lessons from the global financial crisis, Islamic banking could emerge as a role model because of its focus on ethical investments.

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This was one of the key messages that emerged from a panel discussion on Islamic Finance that took place on the first day of DIFC Forum, the second major business conference that forms part of DIFC Week, the Dubai International Financial Centre's (DIFC) prestigious annual series of business events.

Participants in the session titled 'What will it take to lead the next generation of Islamic Finance' included Khalid Abdulla-Janahi, Group Chief Executive of Dar Al-Maal Al-Islami

(DMI) and Chairman of Ithmaar Bank; Hari Bhambra, Senior Partner, Praesidium LLP; Prof. KC Chan, Hong Kong Secretary for Financial Services and the Treasury; and Iqbal Ahmed Khan, CEO, Fajr Capital.

Panelists were of the common opinion that the global financial crisis will have an impact on the Islamic Finance industry. However, the industry has scope for considerable long-term growth. "If you look at the demographics of the market, for example in Islamic countries like Egypt, there is a large number of people who need banking services," said Iqbal Ahmed Khan. "There is a large market out there that is underserved," he pointed out.

Furthermore, the ethical investment principles on which the sector operates will allow Islamic finance institutions to align themselves with corporate social responsibility (CSR) groups to create a wider appeal for Islamic Finance products, Khan said.

Khalid Abdulla-Janahi said that during the financial crisis, the industry could witness several mergers and acquisitions that could transform the industry. He urged Islamic finance banks to look at acquiring large conventional banks that would give them the ability to become leaders and innovators in the global economy.

The role played by regulators is critical to the progress of Islamic Finance. Many panelists felt that Islamic Finance institutions need to be regulated differently from conventional banks and regulators are sometimes extremely stringent on the Islamic finance sector. "The operational framework can either hinder or promote Islamic finance. If you over-regulate it you are going to strangle it," said Hari Bhambra.

Khan argued that Islamic Finance should play a role in finding solutions to support people who belong to the most vulnerable sections of society. "The financial crisis will affect poverty-reduction budgets around the world and there is a risk of increased polarisation between the rich and the poor. Islamic Finance can play a role in helping the poorest sections of society by finding creative solutions to support them."

When asked to identify the key areas of improvement within Islamic Finance, panel members named building the capacities of practitioners and educating regulators as critical needs.

The DIFC Forum, being held on 24 and 25 November, is discussing critical issues like the impact of the global financial crisis on the region, the next generation of Islamic Finance, emerging markets in and after the financial crisis, and energy geopolitics in an era of structural change.

With over 70 speakers from the world's major international markets, 21 separate sessions, and a televised debate on how to get confidence back in the global financial markets, DIFC Week will address the most important issues faced by businesses in the region both in the current financial climate and in the future. Topics to be discussed at the four-day event include growth strategies, opportunities and major challenges for family businesses both locally and internationally, the economic outlook for the world and the GCC in 2009, attracting foreign investment and human capital in the Arab world, and the practicalities of establishing operations in Dubai.

Closing DIFC Week will be a Conference on 26 November titled: 'The Inside Track on Dubai', which will involve a series of commercial, regulatory and teaching streams that discuss the practicalities of establishing operations in Dubai covering issues such as raising capital and understanding cultural aspects of living and working in the Emirate.

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