Chapter 15
Entrepreneurial Innovation in Islamic Banking

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ABSTRACT

Instruments of Islamic finance have recently reemerged as an innovative tool for entrepreneurial transactions. Purpose of this chapter is to: a) define Islamic banking Product; b) compare with nearest western banking equivalent; c) highlight advantages and disadvantages of product; d) state future progression of banking towards convergence or divergence between Islamic and Western banking; and e) finally evaluate the role of client focus and customer driven performance in the future trends of entrepreneurial Islamic funding. This chapter highlights the concept of Islamic Banking. Business is slowly adopting Islamic banking as a rival market to western fractional reserve banking from the perspective of delivering customer value. This synopsis covers 19 instruments of Islamic banking by comparing the advantages and disadvantages of each one to that of conventional banking. Interestingly, the comparative methods result in several findings including the fact that banks must be completely devoted to providing customers with excellent service standards, and must also cater for customers’ needs and demands. In addition, if Islamic services are desired, then the ones who cater for those needs will survive. Whereas western

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banks have a higher chance to penetrate the Islamic banking sector, Islamic banks can’t provide any conventional banking services due to Sharia’a rules that prohibit fixed or floating payment or acceptance of specific interest or fees for any service. This chapter also concludes with a contrast between Islamic and western banking from a customer perspective.

ISLAMIC FUNDS AND GLOBAL MARKET

The events of global financial meltdown of 2008 have had drastic impact on business globally; particularly serious implications on financial institutions – banks and investment houses. So, like any other commercial and financial organizations, banking institutions face a stiffer challenge than ever before. Banking is a service oriented business where customers are at the core of the bank’s missions. As such, business’s success to become the premier Arab bank depends on its ability to provide superior service and products to its customers to cater their growing needs. Islamic banking is growing over the coming years but the gap still big between Islamic and Western banking due to the global market and most population around the world still operates in conversion banking (non-Islamic). The global market and economy is connected to western n banks rather than Islamic banks. Also, the central banks in these Islamic operating banking still connected and works fully with western banking system. Business had chosen to be part of a new Islamic bank “Rival” as a step to be closer to Islamic market, business Continuously improving customer service levels to meet escalating expectations and the competitive Marketplace by offering Islamic products that doesn’t include interests rates to avoid “Riba”. And as supported by the article: ”Future proofing your bank through an effective core banking strategy”, the bank should be covering customer’s needs and channels, knowing the market preferences and work to be there for their customers.

Client Focus and Customer Driven Performance

The role of customer focused performance on business future is crucial for maintaining future competitiveness given the intensifying multinational competition. Business should engage in systems/process re-engineering that will aid in delivering customized, high quality timely solutions while benefiting from cross-country operational synergies. Listening is a very import attribute in a future proof organization. Being customer driven will immensely help business in efficient adapting. Customer focus helps in anticipating future potential development potential. Business’s proactive strategy of regional expansion, makes it ready for opportunity whenever/wherever it arises. Customer focus and customer driven performance are critical to future
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